

2019 INTEGRATED REPORT

WBHO



MIKE WYLIE
CHAIRMAN

It is with great concern that we witnessed further reduction in capacity of the South African construction industry amidst a spate of corporate failures and exits from the market. This is highly detrimental to the health of South Africa as a whole over the short- and longer-term.

The construction sector and especially the civil engineering market remain severely depressed, with the larger firms (and highest employers) feeling the most strain and the consequential knock-on impact on suppliers, subcontractors and employees. Lack of work has also led to a reduction in the valuable skilled engineering staff in the various consulting disciplines.



LOUWTJIE NEL
CHIEF EXECUTIVE OFFICER

"WBHO delivered a mixed performance this year. Particularly pleasing was the successful turnaround of the Byrne Group in the United Kingdom, a solid performance from our recent acquisition of Russells Limited and our ability to sustain activity levels across Africa in the context of what continues to be one of the toughest markets experienced for many years. Sadly however, these commendable performances were overshadowed by the sizeable losses provided for in Australia."

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NAVIGATIONAL ICONS

The following icons are applied throughout the report to improve usability and to highlight integration between relevant content elements:

NAVIGATION

-  Indicates a page or note reference of information which can be found elsewhere in the report
-  Indicates a reference for information available online at www.wbho.co.za

CAPITALS

-  Financial capital
-  Human capital
-  Intellectual capital
-  Manufactured capital
-  Natural capital
-  Social and relationship capital

STAKEHOLDERS

-  Clients
-  Investors
-  Employees
-  Suppliers and subcontractors
-  Financial institutions
-  Government
-  Communities

MATERIAL ISSUES

-  Market dynamics
-  Skills shortages and capacity constraints
-  Labour unrest
-  Safety and environmental management
-  Reputation and culture
-  Transformation
-  Community unrest and business forums
-  Compliance

STRATEGIC OBJECTIVES

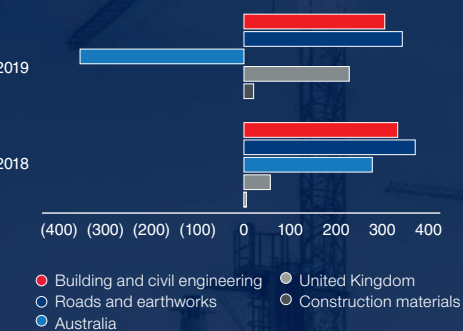
- S01** Flexibility and diversification
- S02** Procurement and execution excellence
- S03** Reputation and relationships
- S04** Capacity and talent management
- S05** Safety and environmental management
- S06** Localisation and transformation

CONTRIBUTION BY SEGMENT (Rm)

REVENUE

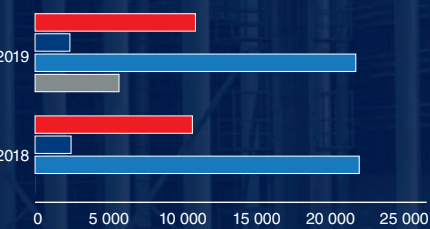


OPERATING PROFIT

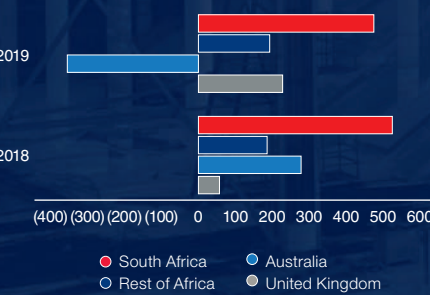


CONTRIBUTION BY GEOGRAPHY (Rm)

REVENUE

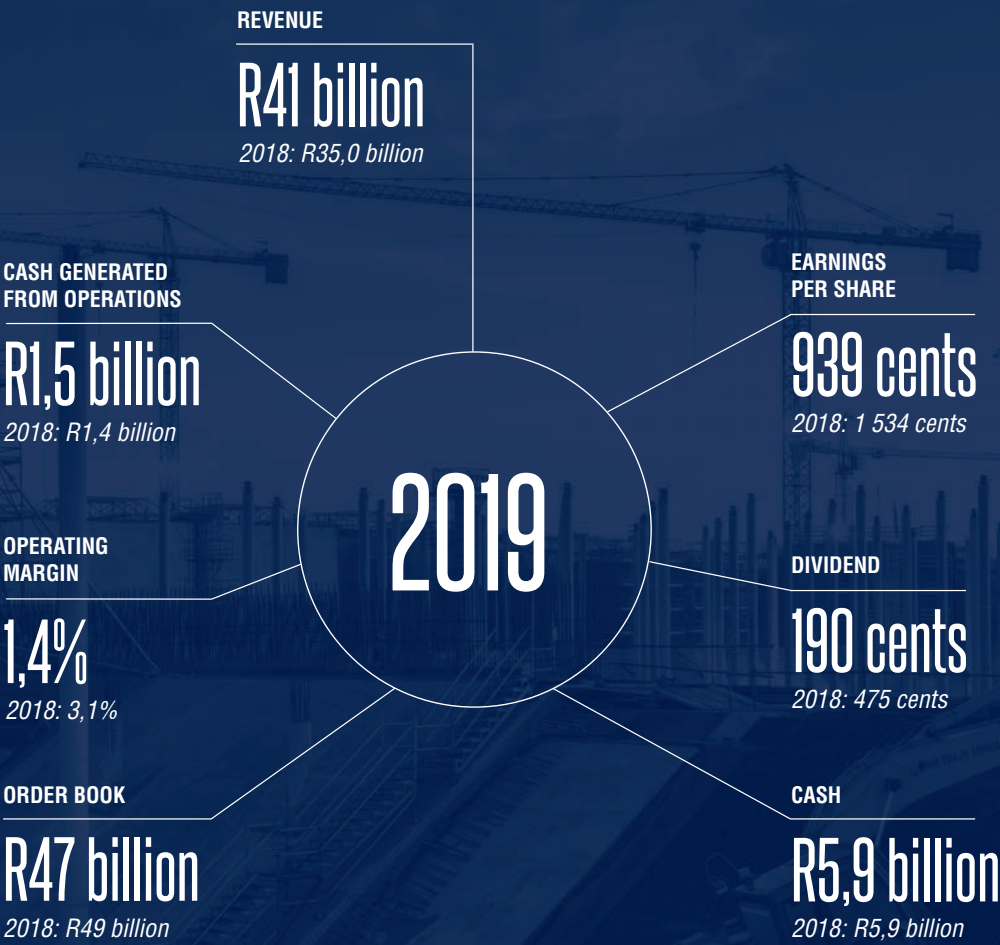


OPERATING PROFIT



WWW.WBHO.CO.ZA

PERFORMANCE HIGHLIGHTS





WBHO is one of the largest construction companies in southern Africa and is listed on the Johannesburg Stock Exchange.

Our vision is to be the leading construction company wherever we operate.

The driving force behind WBHO is a core of dedicated, hands-on management professionals whose experience spans decades of major construction projects across three continents.

Construction activities, that cover the full construction spectrum, are divided into three main operating divisions: Building Construction, Civil Engineering and Roads and Earthworks. WBHO's offices are strategically located in Johannesburg, Cape Town, Durban and Port Elizabeth. Our Australian subsidiary, Probuild, has its headquarters in Melbourne, while our United Kingdom (UK) operations provide services out of London and Manchester.

ABOUT OUR INTEGRATED REPORT

The directors of Wilson Bayly Holmes-Ovcon Limited (WBHO) hereby present the 2019 integrated report. This report is prepared in accordance with the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework (IR framework) and provides stakeholders with a concise and transparent assessment of WBHO's ability to use its expertise to create sustainable value.

SCOPE AND BOUNDARY REPORTING PERIOD

The WBHO integrated report (IR) is prepared and published annually. This report provides material information relating to our strategy and business model, operating context, material risks, stakeholder interests, performance, outlook and governance, covering the year 1 July 2018 to 30 June 2019. Any material events after this date and up to the board approval date of 23 October 2019 have also been included.

OPERATING BUSINESS

The report covers the primary activities of the group, its business clusters, key support areas and subsidiaries in the African, Australian and UK operations. The acquisition of Russells Limited in the UK was effective in July 2018 and the financial results have been incorporated into this IR since that date. Detailed information on investments in which the group holds only a minority stake is not included.

FINANCIAL AND NON-FINANCIAL REPORTING

The report extends beyond financial reporting and includes non-financial performance, opportunities, risks and outcomes attributable to, or associated with, key stakeholders, that have a significant influence on WBHO's ability to create value.

TARGETED READERS

The report is the primary communication to stakeholders and is intended to address the information requirements of the shareholders. The group also presents information relevant to other key stakeholders, including staff, clients, government and communities.

INTEGRATED THINKING AND MATERIALITY

The value creation story (see page 13 to 46) is structured to reflect the relationship between the various elements involved in achieving stakeholder goals. By analysing the risks and opportunities identified in the operating context, stakeholder engagement process and internally identified risks and opportunities, the group has determined which matters are most important to WBHO's value creation in the short-, medium- and long-term. WBHO has used these as points of reference to ensure only those matters that could have a substantial effect on the ability to deliver stakeholder value are reported on.

COMBINED ASSURANCE

WBHO applies a combined assurance model to assess and assure various aspects of the business operations, including elements of external reporting. These assurances are provided by management and the board, internal audit and independent external auditors, BDO South Africa Incorporated. There were no significant restatements from prior periods and external assurance has not been sought on the non-financial disclosures made in this report.

The Audit committee is responsible for overseeing the content of this report and recommended the report to the board for its approval.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements with respect to WBHO's financial position, results, operations and businesses. These statements and forecasts involve risk and uncertainty as they relate to events and depend on circumstances that occur in the future. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Consequently, all forward-looking statements have not been reviewed or reported on by the group's auditors.

BOARD RESPONSIBILITY

The board acknowledges its responsibility of ensuring the integrity of this integrated report, which in the board's opinion addresses all the issues that are material to the group's ability to create value and presents the integrated performance of WBHO fairly. This report was approved by the board of directors of WBHO on 23 October 2019.

The board acknowledges its responsibility for the completeness and integrity of this report and its supplementary information. Assisted by its Audit committee, the board has applied its collective mind to the preparation and presentation of this report and concluded that it is presented in accordance with the International Integrated Reporting Framework.

This integrated report was approved by the board and signed on its behalf by:

Mike Wylie
Chairman

Louwtjie Nel
Chief Executive Officer

23 October 2019

STATEMENT OF COMPLIANCE BY COMPANY SECRETARY

I confirm that the company has lodged all returns, in respect of the year ended 30 June 2019, that are required to be lodged by a public company in terms of the Companies Act of South Africa with the Registrar of Companies, and that all such returns are true, correct and up to date.

Shereen Vally-Kara
Company Secretary

23 October 2019

FEEDBACK

For further information, please direct your questions, comments or suggestions to the group Company Secretary, Shereen Vally-Kara on 011 321 7200 or Shereen_Vally-Kara@wbho.co.za.

REPORTING SUITE

WBHO remains committed to reporting transparently to a wide range of stakeholders. To view the full suite, please visit the website www.wbho.co.za.



Integrated Report (IR)

The integrated report is the primary report to the stakeholders. It is structured to show the relationship between the interdependent elements involved in the value creation story, in compliance with:

- The International Integrated Reporting (IR) Framework
- The Companies Act, No 71 of 2008, as amended (Companies Act of South Africa)
- The JSE Listings Requirements
- King IV report on Corporate Governance for South Africa 2016 (King IV™)



Group Annual Financial Statements (AFS)

A comprehensive report of the Group's financial performance for the year, in compliance with:

- The Companies Act of South Africa
- The JSE Listings Requirements
- King IV™
- International Financial Reporting Standards (IFRS)



Environmental, Social and Governance Report (ESG)

A detailed account of WBHO's performance for the year, including environmental, social and governance elements, in compliance with:

- The Companies Act of South Africa
- The JSE Listings Requirements
- King IV™
- Global Reporting Initiative (GRI) core



Notice of annual general meeting (AGM)

Supporting information for shareholders to participate in the annual general meeting, in compliance with:

- The Companies Act of South Africa
- The JSE Listings Requirements
- King IV™

MESSAGE FROM THE

CHAIRMAN



MIKE WYLIE



This is my last chairman's message. I am therefore pleased to report that WBHO has had another very good year breaking through the R40 billion turnover threshold for the first time. But for the miscalculations on the Western Roads Project in Melbourne Australia, our profit would have exceeded the previous year.

Our expansion into the UK construction market has yielded positive results and we are seeing the benefits from our entry into this market. The turnaround of the Byrne Group within 12 months was satisfying, and for the foreseeable future we will focus on extracting further operational efficiencies. The Russells businesses both performed well in their first year as part of the group.

THE CONSTRUCTION INDUSTRY AND ITS ROLE IN THE SOUTH AFRICAN ECONOMY

It is with great concern that we witnessed further reduction in capacity of the South African construction industry amidst a spate of corporate failures and exits from the market. This is highly detrimental to the health of South Africa as a whole over the short- and longer-term.

Investment in infrastructure in any country is vital for economic development and job creation. Infrastructure is the key to a modern economy as it has a direct effect on the reduction of costs of inputs into production processes and the improvement of productivity, contributing positively to South Africa's competitiveness.

In the South African economy, characterised by high levels of unemployment and a, the construction industry is able to employ a disproportionate amount of citizens. While the construction industry contributes on average 3,5% to GDP, it contributes 8,3% to total employment. Government spend into the construction industry will transmit employment benefits far and wide and quickly. There are positive signs and our President's PPGI (Public Private Growth Initiative) is one of them.

There has been a noticeable trend where available government-led projects are being packaged to favour smaller contractors. The government's and SOE's efforts to support emerging contractors is commendable, however, we and other large contractors have well entrenched enterprise development programmes which ensure smaller contractors receive a large portion of our work (in our case almost 40%), while at the same time are supported both technically and financially. By giving work directly to small companies in the current market without this support, government is, in many cases, setting them up for failure.

Exacerbating the situation is the inconsistent, and sometimes illegal, application of transformation-driven procurement rules. Many state-owned entities have adopted their own transformation agendas based on objectives which are often not in alignment with current legislation or policy.

The construction sector and especially the civil engineering market remain severely depressed, with the larger firms (and highest employers) feeling the most strain and the consequential knock-on impact on suppliers, subcontractors and employees. Lack of work has also led to a reduction in the valuable skilled engineering staff in the various consulting disciplines.

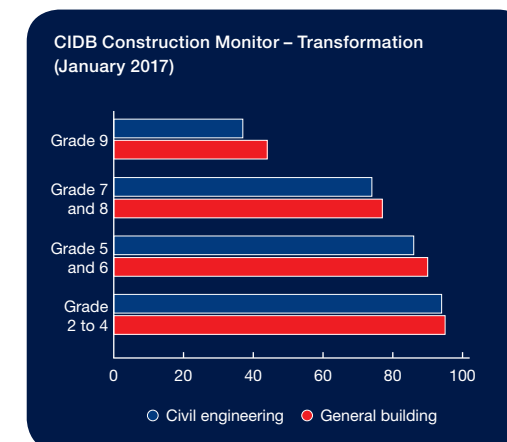
The industry has lost well educated, experienced and hard-working professionals that are highly sought after worldwide. Minimal opportunities locally, combined with an increase in unrest and disruptions from communities, business forums and taxi associations, have provided the impetus for these skills to leave the country.

Urgent intervention is necessary to curb the current flight of skills and preserve what remains of our capacity.

TRANSFORMATION

The construction industry is almost completely transformed and is certainly the most transformed sector in South Africa. It is crucial that government recognises the importance of a strong construction industry for growth and employment.

The Construction Industry Development Board (CIDB) monitor below shows that 70 to 90% of construction companies from grade 1 to 8 are more than 51% black owned.



Since this monitor was published, the percentage of black-owned grade 9 contractors has increased. Murray and Roberts and Aveng have sold their construction businesses to black owners and Group Five and Basil Read are in business rescue and will cease construction activities. WBHO and Raubex are amongst the few remaining grade 9 contractors and were first and second out of all JSE-listed companies in a recent empowerment survey by Empowerdex.

MESSAGE FROM THE CHAIRMAN

CONTINUED

Within our own business, it has been pleasing to note the growth in black representation at middle and senior management levels in South Africa. WBHO employs 839 built-environment graduates of whom 483 (58%) are black and 151 (18%) are female. Particularly pleasing, is that we have more black registered professional engineers (125) than white (81) and another 61 black engineers are registered professional engineering candidates. This trend bodes well for future senior management positions within the business.

Our procurement spend is managed and monitored on an ongoing basis, ensuring that spending is directed towards black-owned businesses, black women-owned businesses, qualifying small and micro-enterprises and other sufficiently empowered businesses early on in the bidding phase of projects. WBHO spends 80% of its total measured procurement on B-BBEE compliant companies, where this year alone an amount of R4,5 billion (FY2018: R3,6 billion) was spent with black-owned business of which R1,65 billion (FY2018: R1,1 billion) was spent with black women-owned businesses. In addition, we note that 37,3% of all procurement spend was spent on EME and QSE companies amounting to R3,45 billion.

WBHO has been a leader in this transformation process for over 20 years and for me to retire with the industry almost fully transformed is extremely satisfying. A constant challenge is to obtaining government's recognition of our progress and commitment. As a leading advocate for transformation within the industry, this lack of acknowledgement has been exceptionally disappointing.

EFFECTIVE GOVERNANCE

WBHO strives to progressively strengthen governance and implement the requirements of new global and local policies and regulations as promulgated by the various regulators and institutions in a meaningful and practical way. The board continues to consider all aspects of governance ensuring independent assurance is obtained where appropriate, all of which is aimed at improving the overall functioning of the group.

OUTLOOK

The group's order book overall remains healthy at R47 billion. While general construction markets across Africa are not expected to improve significantly over the short term, there has been a noticeable increase in large-scale public infrastructure opportunities in South Africa which will support the local industry over the medium-term. The award of the first gas-related infrastructure projects in Mozambique, on what is considered one of the largest projects of its kind for the African continent, offers exciting future opportunities in that region. In Australia, construction demand will likely remain robust over the next few years. Our investment into the Manchester market through Russells Construction appears to have been well-timed, with strong volumes of work on hand, and the Byrne Group is back on a solid footing. Overall the group is well positioned for the year ahead.

APPRECIATION

My time at WBHO has drawn to an end. I recently announced my retirement following an amazing journey spanning more than four decades with the company. Over the years I have met and worked with some remarkable people, all of whom have contributed to WBHO's phenomenal success. Thank you to my WBHO family for your support and guidance and, as importantly, thank you to my wife, Wendy, and sons, James and Bruce, who have always been there for me.

In support of WBHO's policy of management continuity, the board appointed our CEO, Louwtjie Nel, as Executive Chairman, thereby ensuring the continued constructive and effective relationship between the board and Executive Management. Wolfgang Neff will replace Louwtjie as CEO. Wolfgang joined WBHO 22 years ago and has been the Managing Director of our largest building division for the past seven years. I wish Louwtjie and Wolfgang well in their new roles and leave with the absolute confidence that the group is in very good hands.



Mike Wylie
Executive Chairman

LAKESIDE OFFICE

New offices for Exxaro
consisting of two basements,
a mezzanine level and six
levels of office space

PROJECT VALUE

R411 million

PROJECT DURATION

18 months



UNDERSTANDING WBHO

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UNDERSTANDING WBHO | CREATING VALUE | DELIVERING VALUE | PROTECTING VALUE

QUICK FACTS

ESTABLISHED

1970

LISTED ON THE JSE

1994

MARKET CAPITALISATION

R9 billion

B-BBEE STATUS

Level 1

VISION

To be the leading construction company wherever we operate, always striving to be “a pleasure to do business with” by delivering quality solutions in a professional and collaborative manner, every time. We are adaptable enough to “go where the work is” even when conditions are challenging, without compromising our standards.

We navigate competitive market conditions by being flexible and hard working. We focus on nurturing strong client relationships by being approachable and dependable and stand firmly behind our motto of “Rely on our ability”.

THE WBHO WAY

Our culture and shared values are enshrined in our Code of Conduct. They are a set of guiding principles known collectively as “THE WBHO WAY.”



GEOGRAPHIC PRESENCE



AFRICA

REVENUE
R13,2 BILLION

OPERATING PROFIT
R668,5 MILLION

NUMBER OF EMPLOYEES
9 855



● BUILDING AND CIVIL ENGINEERING

● ROADS AND EARTHWORKS

○ BUILDING

○ INFRASTRUCTURE AND CIVIL ENGINEERING



UNITED KINGDOM

REVENUE
R5,7 BILLION

OPERATING PROFIT
R228,0 MILLION

NUMBER OF EMPLOYEES
1 127



AUSTRALIA

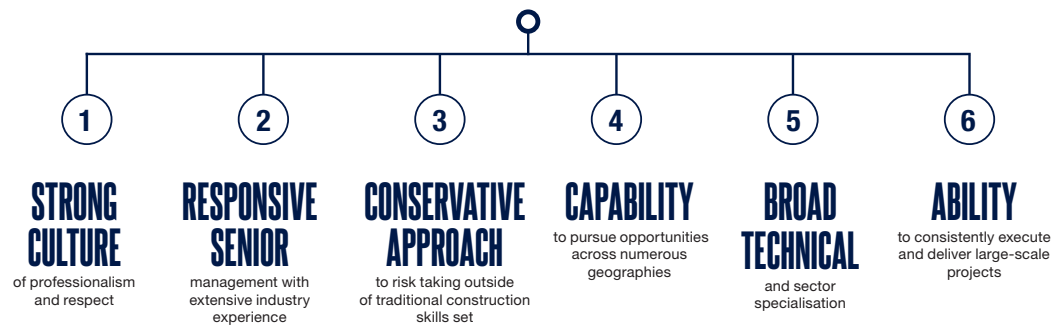
REVENUE
R21,7 BILLION

OPERATING PROFIT
R335,2 MILLION LOSS

NUMBER OF EMPLOYEES
1 139



WHAT DIFFERENTIATES WBHO?



SERVICES OR PRODUCTS

We deliver our products and services through four business lines:



BUILDING AND CIVIL ENGINEERING

Industry-leading teams with the ability to execute major public and private projects across numerous sectors in Africa, Australia and the United Kingdom.



ROADS AND EARTHWORKS

Versatile and agile teams attuned to the intricacies of doing business in Africa with a modern fleet of plant supported by experienced logistics staff. We provide extensive services for major public and private sector projects across various infrastructural applications.



PROJECTS

This team has developed the necessary internal expertise and strategic partnerships with local and international service providers to implement turnkey projects that create value and minimise risk for our clients, as well as procuring work for other business units within the group.



CONSTRUCTION MATERIALS

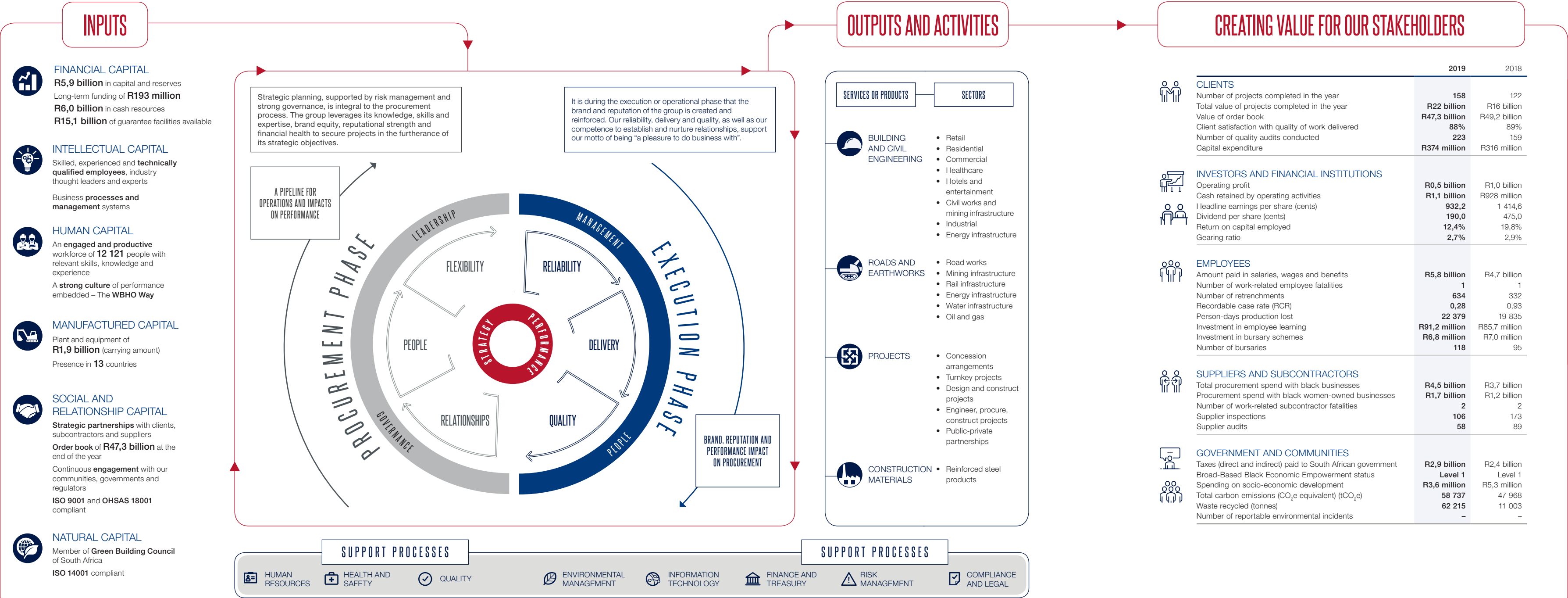
Operations that manufacture, supply and install long-steel products to the South African construction market.

CREATING VALUE

- 14 Value-creating business model
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VALUE-CREATING BUSINESS MODEL

The construction business model consists of the simultaneous, continuous and inter-linked processes of project procurement and execution.



155 WEST STREET

Refurbishment of 6 500m² commercial office space with six floors and five basements

PROJECT VALUE

R95 million

PROJECT DURATION

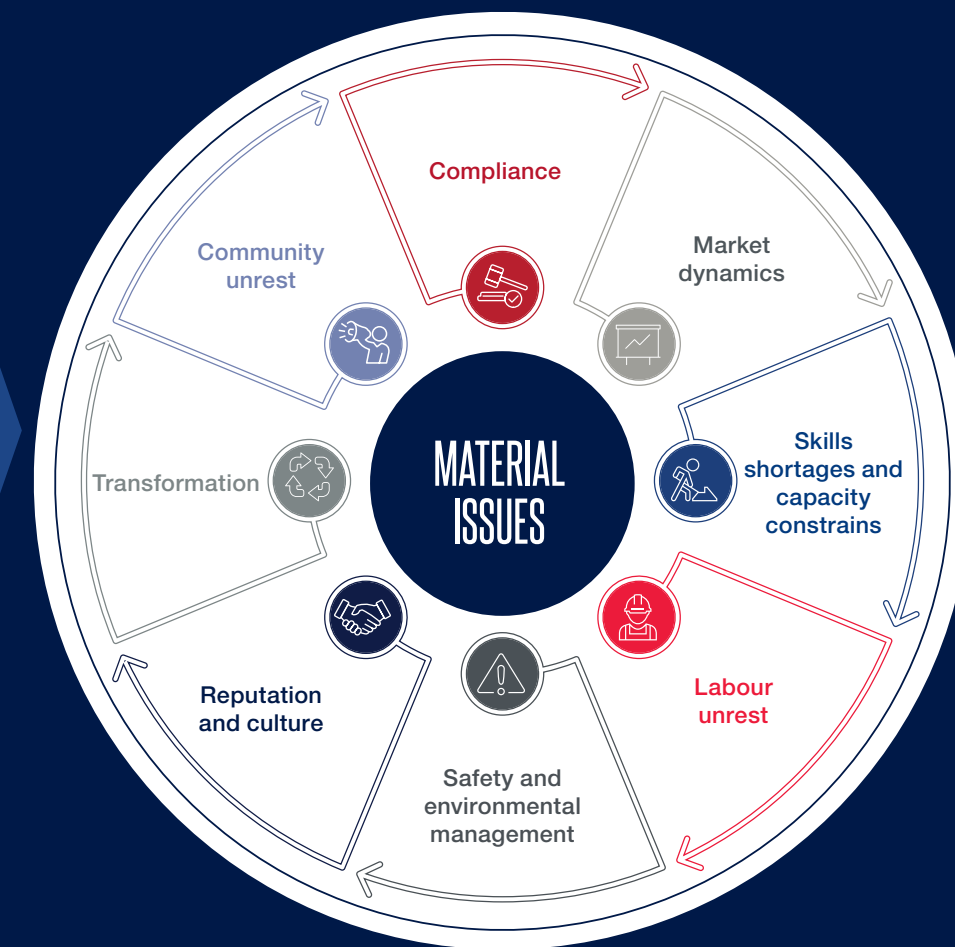
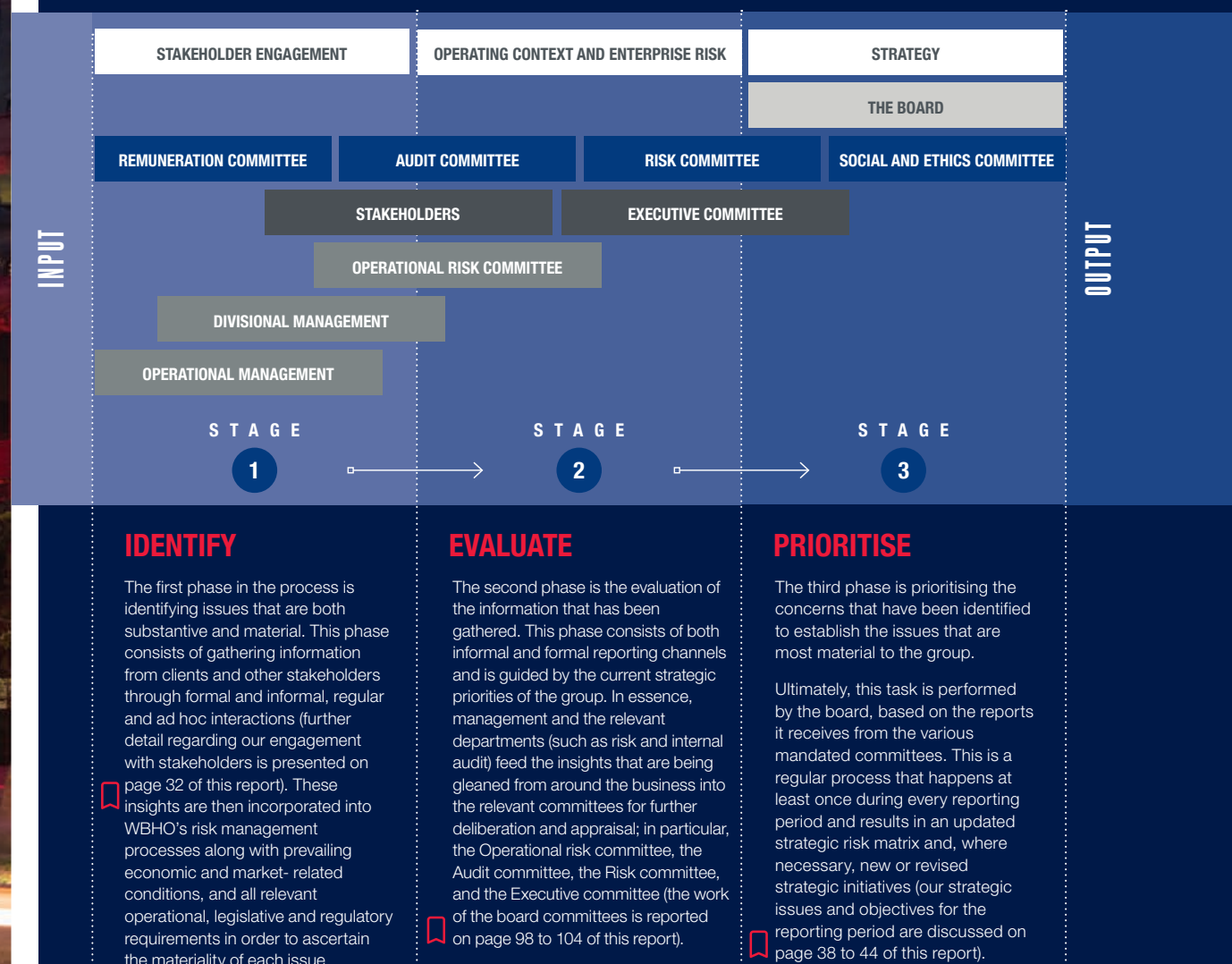
9 months

MATERIAL ISSUES AND OPERATING CONTEXT

The material issues represent the matters that have the most impact on WBHO's ability to create value. These may change over time as new trends and developments shape the macro environment and stakeholders' needs evolve.

The following diagram outlines the basic process through which the group determine its material issues. While there are three discernible steps or phases to the process, these are not distinct and separate, but overlap and are simultaneous. It is, essentially, a continuous, cyclical process and the output (the group strategy set by the board) is regularly reviewed and adjusted based on the feedback received from the operational divisions responsible for its implementation.

HOW WE DEFINE OUR MATERIAL ISSUES



The group prioritises the eight issues illustrated above, which each have a material impact on wbho's ability to create value. A new material issue was added in the year which relates to the heightened disruptions experienced from business forums, also known as the "construction mafia", and growing demand by communities to participate in projects across South Africa. Other than this, there have been no significant changes to the scope of the material issues from the previous year.

MATERIAL ISSUES AND OPERATING CONTEXT

CONTINUED



MARKET DYNAMICS

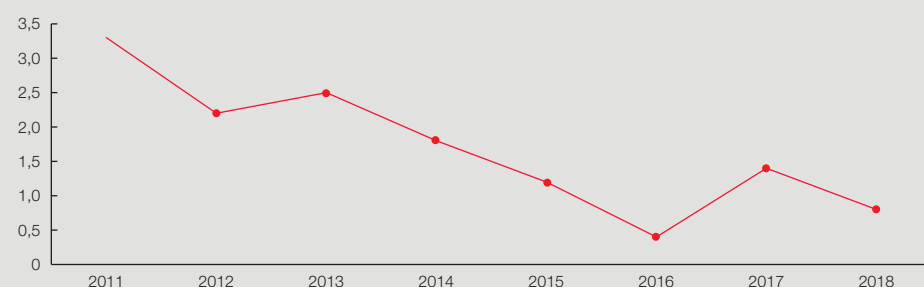
A WELL-DIVERSIFIED GEOGRAPHICAL AND SECTOR PORTFOLIO TO MITIGATE DOWNTURNS

The various sectors and geographies within which the group operates each have their own intrinsic risk profiles and associated margins, while being exposed to differing effects from prevailing global and local economic cycles.

SOUTH AFRICA

In South Africa, the year was characterised by persistent low growth and weak business confidence. Real gross domestic product (GDP) grew at a subdued rate of 0,8% for the 2018 calendar year, contracted sharply by an annualised 3,2% in the first quarter of 2019 and then recovered partially over the second quarter. Gross fixed capital formation also continued to decline with capital outlays by public corporations and general government declining by 4,4% and 12,5% respectively while capital spending by private business enterprises grew by a modest 2,2% in 2018.

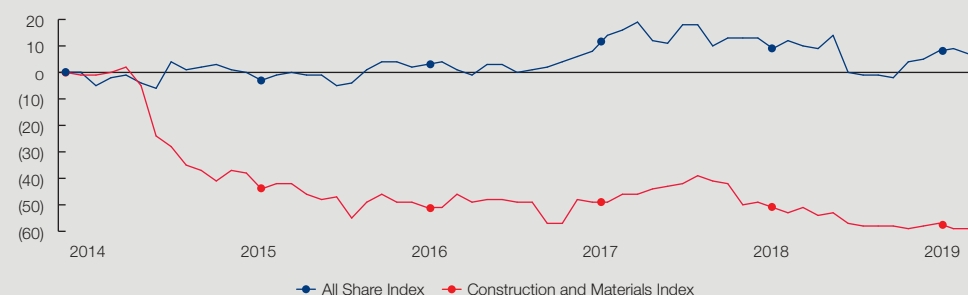
South Africa: Annual GDP growth (%)



Source: Statistics South Africa (June 2019 release) and South African Reserve Bank.

In the 2018 integrated report, we highlighted the impact of such sustained weak economic growth and the concomitant lower levels of both private and public investment on the local construction industry. Construction activity has generally diminished across all sectors. Fewer and smaller available projects induced stiff competition and keen bidding which have translated into lower margins and an increased prevalence of loss-making projects. Further corporate failures in the current year are reflected in the deteriorating performance of the industry against that of the wider market over the last five years with more than 60% of shareholder value being eroded.

Construction and Materials Index vs All Share Index



REST OF AFRICA

The overall economic recovery in sub-Saharan Africa continues, however, growth and prospects vary significantly within the region.

The group's operations in the rest of Africa largely target the resource-intensive sectors countries of Botswana and Zambia in southern Africa, Mozambique in East Africa and Ghana in West Africa, while entering other territories in the region on a project-by-project basis.

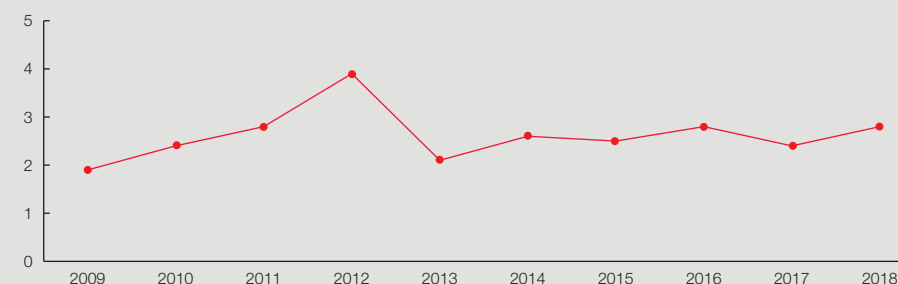
Construction opportunities generally following commodity demand cycles in resource-intensive countries. Improved copper and diamond prices have supported activity in Botswana and Zambia and the discovery of gas resources off the coast of Mozambique has contributed to a significant increase in demand for gas and other supporting infrastructure in the country. In West Africa, improved gold and iron-ore prices bolstered appetite for new capital projects with a simultaneous increase in requests for budget pricing. However, the loss of momentum in global expansion has led to a reduction in the demand for raw materials and appears to have hindered the ability of junior mining houses to obtain the necessary financing to unlock these projects.

Large-scale public infrastructure projects across Africa generally require external funding models as corruption, elevated debt levels and non-performing loans continue to weaken financial systems.

AUSTRALIA

Australia recorded its tenth consecutive year of economic growth in excess of 2% per annum, with 2,8% achieved in 2018. Strong population growth and increased urbanisation continue to support both building and infrastructure markets. As a result, the ASX200 Industrial index, which includes the construction sector, continues to outperform the general market index.

Australia: Real Annual GDP growth (%)



Source: IMF and World Bank.

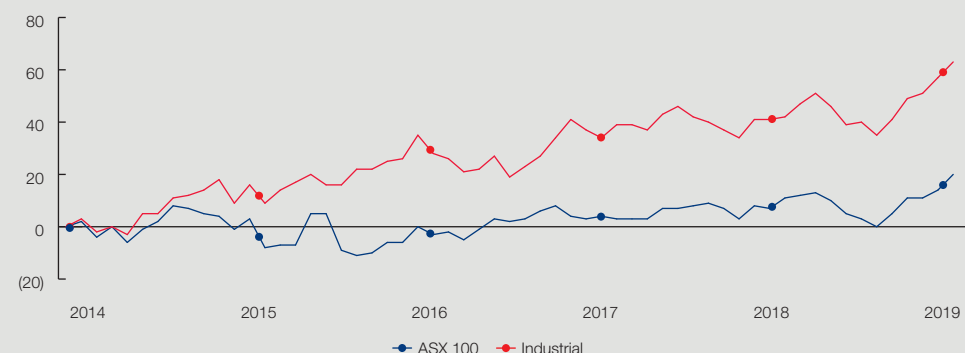
The current economic strength has allowed for increased levels of public spending to provide the necessary infrastructure upgrades to meet the high levels of urban expansion. Following the recent housing boom and concerns over housing affordability, a correction in residential markets is currently underway. Non-residential building activity is expected to experience stable growth over the next three years. Investment in Melbourne and Sydney remains positive with vacancy rates at 10-year lows. The focus on mixed-use developments combining retail, hotel and office space are resulting in an increase in 'mega projects'. Overall, pressure on retail remains, as online activity continues to disrupt the sector. However, there are opportunities for the building market to recapture some of this spend through the redesign logistical supply chains.

MATERIAL ISSUES AND OPERATING CONTEXT

CONTINUED

MARKET DYNAMICS (continued)

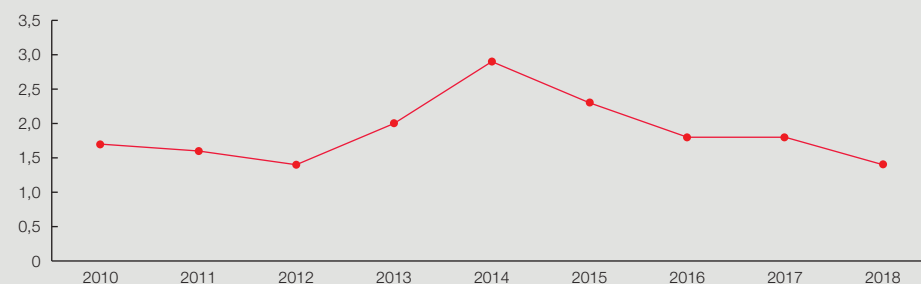
ASX200 Industrial Index versus ASX 100



UNITED KINGDOM

Growth in the United Kingdom has moderated since the 2016 Brexit referendum with 1,4% achieved in 2018. This has shifted the UK from the top to near bottom of growth rates achieved by G7-countries.

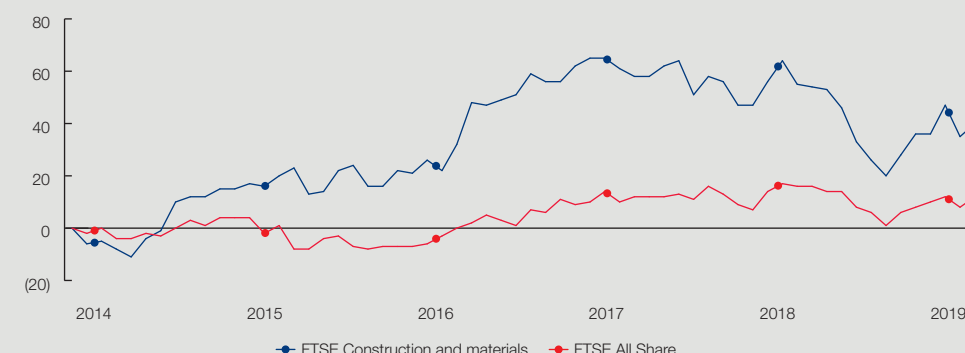
United Kingdom: Real Annual GDP growth (%)



The Construction and Materials Index in the UK has outperformed the overall market since the beginning of 2015, reflecting the favourable levels of both public and private investment in commercial and residential construction markets over the period. The graph does however highlight the knee-jerk reaction (and subsequent partial recovery) resulting from the general uncertainty surrounding Brexit, with the impact felt more keenly by the construction sector.

The outcome of the Brexit negotiations remains the most significant risk to the economic growth outlook for the country. Activity within the London construction market showed signs of tapering over the last quarter of the year with fewer available opportunities. However, the Manchester market continues to grow, with the city considered to be one of the fastest growing in Europe. Population growth, tourism and the migration of a number of large corporations from London is resulting in the development of entire new neighbourhoods, as well as the redevelopment of a number of inner-city precincts. This has supported construction activity across all sectors including residential, commercial offices, hotels, education and student accommodation.

FTSE Construction and material Index versus FTSE All Share Index



IMPLICATIONS FOR VALUE

Economic activity, GDP and gross domestic fixed investment (GDFI) growth, government expenditure, interest rates and consumer and business confidence all impact on spending patterns and the required infrastructure to meet these trends. This, in turn, impacts the awarding of construction contracts, capacity utilisation and margins across all business segments. WBHO operates in South Africa, the rest of Africa, Australia and the United Kingdom.

ASSOCIATED RISKS

- Ever-changing market conditions
- Rapid growth or decline in work procured
- Political instability
- Rand volatility
- Overexposure to individual sectors/regions/clients
- Overtrading in economic upturns
- Volatile earnings and margins
- Payment risk
- Working capital risk
- Erratic investor sentiment

Strategic response

- SO1** Flexibility and diversification
- SO2** Procurement and execution excellence

Key stakeholders impacted

- Investors
- Employees
- Suppliers and subcontractors

MATERIAL ISSUES AND OPERATING CONTEXT
CONTINUED



SKILLS SHORTAGES AND CAPACITY CONSTRAINTS

EXPERIENCED MANAGEMENT AND COMPETENT ARTISANS ARE CRUCIAL TO PROJECT EXECUTION
The construction industry is a fluctuating sector, often faced with a shortage or oversupply of skills depending on the amount of work available. Managing the gap between the work on hand and the people required is essential. Efficient project execution is dependent on experienced management teams and competent artisans.

The retention of engineers and quantity surveyors is a key focus area for WBHO. Without an adequate supply of experienced engineers and quantity surveyors, project execution risk and commercial risk increases significantly. Unfortunately, the ongoing low economic growth in South Africa as well as the increased risk to the personal safety of construction professionals and workers (see Material Issue: Community unrest and business forums for more), has led to an increase in the emigration of engineering professionals to countries that are considered safer and offer better career prospects. Furthermore, the decimation of a number of large construction companies in the country has created a vacuum in the training provided across all construction skill levels, which does not bode well for the industry when the economic cycle turns and construction activity increases.

Secondment of operational staff to regions far from home, particularly West Africa, remains a challenge, where long periods away are required. In addition, personnel are often headhunted for their experience and skill and motivated by dollar-based remuneration. However, the recent decline in activity has mitigated this impact to a large extent.

In Australia, the current high levels of market demand for skilled construction workers continues to place pressure on main contractors and subcontractors to secure adequate levels of construction professionals and skilled labour for current and future projects. These shortages are also contributing toward margin pressure on construction projects as remuneration levels become inflated.

In the United Kingdom, construction is a major sector of the UK economy, employing in excess of two million people in the country. The construction industry is facing a new challenge as it is anticipated to face a skills shortage in the next decade. The recruitment of new talent is failing to keep up with the rate of retirement which is exacerbated by existing skills and experience being lost to other sectors offering more stable work conditions and in some instances, improved remuneration.

IMPLICATIONS FOR VALUE

Developing and retaining skilled personnel is critical to our ability to deliver quality projects, grow as a company, and prevent delays, costs and loss of key staff.

ASSOCIATED RISKS

- Impact on quality, delivery and reputation
- Additional costs and delays on projects
- Capacity constraints/excess
- Impact on company culture
- Loss of key personnel

Strategic response		Key stakeholders impacted	
SO4	Capacity and talent management		Clients
SO2	Procurement and execution excellence		Employees



LABOUR UNREST

LABOUR UNREST CAN IMPACT OPERATIONS SIGNIFICANTLY
The construction industry employs a sizeable labour force, either directly or through the use of subcontractors. The labour environments in all geographies in which we operate can be highly politicised and sensitive. On-site disruptions can, on occasion, present a threat to other employees, particularly in South Africa where the use of local labour from communities nearby projects is prescribed contractually. In addition to this potentially threatening environment, work stoppages impact productivity and create project delays.

In respect of our core labour teams, it is essential to maintain transparent, cordial and professional relationships with trade unions and their on-site representatives.

The overall level of union representation within the group has decreased to 19% (FY2018: 22%) and mainly affects the South African and Australian businesses. The decline in collective bargaining coverage and union representation is mainly due to the reduction in headcount that occurred during the year in South Africa.

In South Africa, 65% of employees are covered by collective bargaining agreements which is 3% down from FY2018. Wage negotiations are conducted and concluded centrally at the bargaining council annually.

In Australia, 12% (FY2018: 14%) of the Australian employees are covered by collective bargaining agreements. Enterprise bargaining agreements (EBA) are currently annually concluded with state-based unions to enable compliance with legislative changes. This also enables the Australian business to remain qualified to work on state federal-funded projects.

Employees in the United Kingdom do not form part of a central bargaining council. Employees are able to join a union directly but fees are paid by the individuals themselves. Membership lists to unions are not maintained by the UK businesses.

IMPLICATIONS FOR VALUE

Union and wage negotiations must thus be carefully managed. The ability to conclude wage agreements assists in providing predictability when forecasting costs, ensures consistent application of employment practices and minimises disruptions.

ASSOCIATED RISKS

- Industrial action
- Additional costs, penalties and project delays
- Reduced productivity
- Negative investor perceptions

Strategic response		Key stakeholders impacted	
SO3	Reputation and relationships		Clients
SO4	Capacity and talent management		Employees

MATERIAL ISSUES AND OPERATING CONTEXT

CONTINUED



SAFETY AND ENVIRONMENTAL MANAGEMENT

INTENSIFYING PRESSURE FROM STAKEHOLDERS FOR ENHANCED RESPONSIBILITY

Construction is inherently dangerous in nature and WBHO has a duty to ensure the very highest health and safety standards are observed. The group takes responsibility for employee and subcontractor welfare, morale and productivity, as well as legal compliance. Although the sector has seen substantial safety improvements over the last decade, the number of fatalities and serious injuries still remain too high. Driving a culture of zero harm and eliminating fatalities remain a critical priority for construction companies, unions and government.


The construction industry is also a high impact industry and we fully acknowledge the moral and legal responsibility for the safeguarding of the environment and the wellbeing of all of those affected by the business. Stakeholders are also becoming more aware of "green" issues, increasing the demand to operate in a sustainable and responsible manner.

IMPLICATIONS FOR VALUE

Protecting WBHO's workforce and the environment in which the group operates is a fundamental human right and a moral imperative which require continual investment into responsible business practices. A safe and healthy workforce results in an engaged, motivated and productive workforce that mitigates operational stoppages and reduces potential legal liabilities. Responsible environmental practices support the long-term availability of the natural resources we utilise in our operations and also reduces potential legal liabilities.

ASSOCIATED RISKS

- Project delays
- Reputational damage
- Criminal prosecution
- Financial penalties
- Disqualification from tendering in certain sectors

Strategic response	Key stakeholders impacted
SO5 Safety and environmental management	 Employees  Suppliers and subcontractors  Communities



REPUTATION AND CULTURE

A POSITIVE REPUTATION AND CREDIBILITY GENERATES REPEAT WORK

The appointment of competent and reliable contractors is critical for clients to ensure the delivery of complex projects safely, to the correct specifications and quality and within contractual timeframes. Private sector clients are regularly prepared to negotiate projects with contractors that are consistently able to demonstrate their proficiency, while at the same time adopting a collaborative "can do" approach.

The duress experienced by large, medium and emerging contractors in the current environment has impacted the effective and timeous execution of various projects and has become a major concern for stakeholders.

In addition, the relationship between the government of South Africa and the larger construction industry participants has been strained over recent years due to and a perceived lack of transformation and an unequal allocation of public spending in their favour.

IMPLICATIONS FOR VALUE

Maintaining a positive relationship and reputation with key stakeholders in both the public and private sectors, is critical to ensure repeat work and the credibility to tender on large projects.

ASSOCIATED RISKS

- Damage to the WBHO brand
- Loss of clientele
- Inability to secure repeat business
- Disqualification from tender lists

Strategic response	Key stakeholders impacted
SO3 Reputation and relationships	 Clients
SO2 Procurement and execution excellence	 Government

MATERIAL ISSUES AND OPERATING CONTEXT

CONTINUED



TRANSFORMATION

EMPOWERMENT CREDENTIALS SUPPORT PARTICIPATION IN PUBLIC INFRASTRUCTURE PROJECTS

When applied effectively and ethically, broad-based transformation is a key tool in addressing historical inequalities within South Africa. WBHO is of the firm belief that transforming the construction sector, and the local economy as a whole, is a necessity.

Regrettably, transformation requirements are continuously changing within the tender market. Transformation-driven procurement rules by state-owned entities are being inconsistently and sometimes illegally applied and are often not in alignment with current legislation or policy.

Nonetheless, WBHO continues to play an active part to ensure that the transformation objectives of WBHO, the sector and government are achievable.

Across the rest of Africa there has been stronger focus on increasing local participation in public spending, particularly in Botswana and Ghana. In Botswana, certain categories of tenders are restricted to citizen-owned companies only. In addition, the government has set up the Citizen Entrepreneurial Development Agency to provide fledgling citizen-based companies with technical, financial and managerial assistance. Ghana has a local content policy applicable to the mining sector which results in pressure from our traditional mining clients to incorporate local ownership into our business. In other territories, work permits are only issued to expatriates where we are able to demonstrate that equivalent skills are not available in-country.

IMPLICATIONS FOR VALUE

Due to the significant public spending directed toward the construction sector by governments, transformation and localisation remain high on the political agenda. Maintaining appropriate empowerment credentials is crucial to the ability of the company to tender on public infrastructure projects and ensure sustainability within African markets.

ASSOCIATED RISKS

- Lower B-BBEE ratings
- Inability to tender on public infrastructure projects
- Failure to meet employment equity targets
- Sanctions from the Department of Labour
- Meeting Voluntary Rebuild Programme (VRP) obligations

Strategic response	Key stakeholders impacted
SO6 Localisation and transformation	<div>Government</div> <div>Employees</div> <div>Communities</div>



COMPLIANCE

A CHALLENGING REGULATORY AND POLICY ENVIRONMENT

Across the various operating geographies, there has been many new or amended legislation impacting WBHO, including regulations relating to construction industry, company and tax law, labour relations, environmental, health and safety performance, and the delivery of social objectives. With the construction industry being highly regulated, legal and regulatory compliance is a priority for the board. Compliance with the relevant legislation and regulations in the countries and sectors in which we do business is essential and grants us our licence to operate.

IMPLICATIONS FOR VALUE

Increasing regulatory measures and continuing uncertainty in the interpretation and application of legal requirements impacts the way we operate, results in greater compliance-related costs and affects the nature of the relationship between business and governments.

ASSOCIATED RISKS

- Reputational damage
- Legal prosecution
- Financial losses
- Deregistration from government/industry bodies

Strategic response	Key stakeholders impacted
SO3 Reputation and relationships	Government
SO6 Localisation and transformation	<div>Clients</div> <div>Investors</div>



COMMUNITY UNREST AND BUSINESS FORUMS

UNREALISTIC JOB DEMANDS BY COMMUNITIES AND BUSINESS FORUMS

The South African social landscape is characterised by high levels of unemployment and poverty. WBHO has experienced a significant increase in the number of community-driven unrest events where community leaders have unrealistic expectations in respect of job opportunities for their members. Of concern, is the growing militant nature of these events, causing project delays, in some instances for months, and threatening the safety of WBHO employees and contractors. The matter is further exacerbated by individuals and business forums, also known as the “Construction Mafia”, seeking to exploit communities for their own gain. These conditions have led to many highly skilled construction professionals to pursue career opportunities internationally.

IMPLICATIONS FOR VALUE

Project delays impact on the ability of WBHO to successfully complete projects on time. Many clients are also attempting to transfer the responsibility and liability of managing the communities onto contractors, increasing the operational and financial risk to the organisation. The loss of key skills impacts both current and future projects.

ASSOCIATED RISKS

- Additional costs, penalties and project delays
- Impact on quality, delivery and reputation

Strategic response		Key stakeholders impacted	
SO6	Localisation and transformation		Communities
SO3	Reputation and relationships		Clients
			Employees

AXIS
APARTMENTS

21 700 m² 11-storey building
consisting of 83 apartments
and two basements

PROJECT VALUE

R197 million

PROJECT DURATION

19 months



ENGAGING AND CREATING VALUE FOR STAKEHOLDERS

APPROACH

WBHO is committed to transparent reporting in accordance with its duty to all stakeholders. In executing its governance role and responsibilities, WBHO adopts a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders over time. The board is ultimately accountable for stakeholder engagement. As such, the group engages regularly with stakeholders to understand their perceptions of WBHO and pinpoint future trends, possible risks, determine material issues and areas for strategic development. Engagement with stakeholders is aimed at building mutually beneficial relationships.

MAPPING WBHO'S STAKEHOLDERS

In prioritising its material stakeholders, WBHO applies the following criteria:

- The degree to which WBHO depends on the relevant stakeholder's support in achieving its strategic goals
- The extent to which the relevant stakeholder can impact performance
- The relative importance of the relevant stakeholder for the group as a whole
- The risk exposure for WBHO by not engaging with the relevant stakeholder



STAKEHOLDER RELATIONSHIPS

The table below provides an overview of WBHO's material stakeholders, their role in value creation, how the group engages with them, their main concerns and how WBHO has responded to these with a link to the group's strategic objectives.

Stakeholders	Relationship	Engagement processes	Main concerns	Strategic response
 Clients	Satisfied clients are critical to the ongoing success of the group. We seek to create and develop strong relationships with our clients through honest, clear and regular communication.	<ul style="list-style-type: none"> • Client perception surveys • On-site visits • Regular meetings • Media (editorial and advertorial) • Company events • Website updates • Integrated reports 	<ul style="list-style-type: none"> • Quality of work • Capacity to deliver (skills and resources) • Reliability and expertise • Safety • Depth of senior management 	SO2 SO3 SO4 SO5
 Investors	The financial capital available to the group enables business continuity and growth, including strategic investments. We aim to provide our shareholders and investors with returns in excess of 20%, which exceed the real growth in the economy and the construction sector, in particular.	<ul style="list-style-type: none"> • SENS announcements • Printed and electronic media releases • Results presentations • Integrated reports • Company AGMs • Face-to-face management sessions • Analyst-hosted events 	<ul style="list-style-type: none"> • Revenue growth • Operating margin • Return on investment • Dividends • Order book • Company sustainability • Executive remuneration • Leadership • Corporate governance 	SO1 SO3
 Employees	The success of WBHO is attributable to its people. The group is committed to providing employees with a safe, industrious and encouraging environment within which they can thrive and grow.	<ul style="list-style-type: none"> • Internal and on-site meetings • Union meetings • Newsletters • Notice boards and staff memos • Training initiatives • Awareness campaigns • Employee forums 	<ul style="list-style-type: none"> • Remuneration • Career paths and growth opportunities • Training and skills development • Employment equity • Safety 	SO4 SO5
 Suppliers and sub-contractors	The ability to deliver quality services to clients relies heavily on the quality of the services and products received from suppliers and subcontractors. As a result, WBHO seeks to develop close working relationships with these stakeholders.	<ul style="list-style-type: none"> • Regular supplier audits • On-site visits and meetings • Electronic communications • Service level agreements 	<ul style="list-style-type: none"> • Continuity of work • Payment terms • Safety requirements 	SO2 SO5
 Financial institutions	Financial institutions support WBHO's growth objectives through the provision of banking and guarantee facilities.	<ul style="list-style-type: none"> • Regular one-on-one meetings • Presentations • Electronic communications 	<ul style="list-style-type: none"> • Operational performance • Debt-to-equity ratios • Liquidity • Financial and risk management processes 	SO1
 Government	WBHO regularly works with public sectors in different countries on large-scale infrastructural developments projects. Government-appointed regulators are largely responsible for developing and enforcing policies and regulations for the construction industry.	<ul style="list-style-type: none"> • Tenders • Industry forums • One-on-one meetings • Presentations • Skills development plans • B-BBEE scorecard submissions • Construction Industry Charter Council 	<ul style="list-style-type: none"> • Regulatory compliance <ul style="list-style-type: none"> – Safety – Environmental – Competition – Tax collections – Transformation – Employment equity • Job creation • Skills development • Enterprise development 	SO6 SO5 SO3
 Communities	WBHO seeks to have a positive impact on the communities within which it operates by employing and training local people where possible and constructing local amenities as part of its socio-economic development (SED) commitments.	<ul style="list-style-type: none"> • Meetings and consultations • Community presentations • Site visits • Environmental impact assessments • Awareness campaigns • Sponsorships • Donations 	<ul style="list-style-type: none"> • Employment opportunities • Environmental impact of our activities • Local SED initiatives 	SO6

ENGAGING AND CREATING VALUE FOR STAKEHOLDERS

CONTINUED

SIGNIFICANT STAKEHOLDER CONCERNS COMMUNICATED DURING THE YEAR

In the course of the financial year, engagement with stakeholders revealed two significant areas of concern. The issues identified are discussed below alongside how the organisation responded to these.

STAKEHOLDERS HAVE SOUGHT A CLEARER UNDERSTANDING OF THE SHORT- TO MEDIUM-TERM IMPACT OF THE FOLLOWING ISSUES ON THE OUTLOOK FOR WBHO

STATE OF THE SOUTH AFRICAN CONSTRUCTION INDUSTRY

The construction sector in South Africa has faced significant headwinds over recent years, culminating in the widespread collapse of the industry as a whole over the course of the last two years. The effect has been severe, rippling through the entire supply chain: consulting engineers; large, medium and emerging main contractors; suppliers and subcontractors; and not least employees, investors and financiers have all been materially affected.

SIZEABLE GROWTH IN THE AUSTRALIAN BUSINESS WITHOUT A CORRESPONDING GROWTH IN PROFITABILITY ALONGSIDE UNPRECEDENTED LOSS IN RESPECT OF WESTERN ROADS UPGRADE (WRU) IN FY2019

In FY2015, revenue from the Australian business comprised 52% of the group's total revenue, peaking at 63% in FY2018. Operating margins have fluctuated between 1,7% and -1,5% over the last five years, well below the operating margins generated within the African operations. In addition, in FY2019 the group reported a consolidated operating loss of AU\$33 million in Australia due to significant provisioning for anticipated losses on the WRU project, not long after various other local industry players had reported material losses in foreign jurisdictions.

EXPANSION INTO THE UNITED KINGDOM (UK)

In June 2017 the group acquired a 40% interest in the Byrne Group in the UK for £12 million in order to further diversify its earnings platform following protracted stagnant growth across African markets. These funds were used to recapitalise the business to mitigate the impact of two large loss-making on the business' financial position. In FY2018, losses from the Byrne Group exceeded predictions primarily due to the delayed start of projects impacted by the uncertainty surrounding Brexit. This allowed the group to increase its interest in the business to 80% in accordance with the terms of the sale agreement. Amidst this uncertainty, the group announced its investment of approximately R629 million into the Russells businesses in Manchester.

KEY STAKEHOLDER IMPACTED



Investors

With 60% of shareholder value eroded within the construction sector over the last five years and the prevalence of numerous high profile corporate failures, investors were keen to obtain management's view on the prospects of the local industry and WBHO's African operations in particular.

In respect of Australia, given the inconsistent earnings delivered recently, investors have expressed concern as to whether the returns achievable from the region are commensurate with the potential risks arising from a low-margin and highly-contractual market.

The implications of the outcome of Brexit on fixed investment within the UK economy and the potential knock-on effects into the construction sector remain unknown. Investors were curious to understand the rationale behind the timing and extent of the group's entry into UK markets.



Financial institutions

Financial institutions have suffered significant losses as a consequence of their ongoing support of local contractors and the ultimate failure of certain businesses. As a result, appetite for any exposure to the sector has largely diminished. This, together with the untimely losses experienced by the group in Australia this year, required clarity from management as to the potential impact of local market conditions and WRU losses on the financial position of the group.



Employees

Employees in South Africa are cognisant of conditions within the local industry and are suitably concerned about job security and personal growth prospects.

RESPONSE

The group addressed its various stakeholder concerns throughout the year via interim and final results presentations, industry-wide investor engagements, one-on-one interactions where necessary and specifically in respect of employees, through various internal forums and company newsletters.

WBHO continues to monitor market developments closely, focusing on those sectors offering value. Recognising that the construction cycle is closely linked to economic cycles, the company has implemented a "flexibility and diversification" strategy to mitigate risk and provide stability of earnings.

With regard to Australia, the group highlighted its strategy to limit further growth within the building business and concentrate on selective bidding and project delivery in order to achieve margin enhancement. Management also conveyed their assessment of the reasons behind, and extent of, the anticipated losses on WRU, the group's ability to fund these losses and the overall impact on the financial position of the group. In addition, the forward-looking bidding strategy of the infrastructure business in the Eastern Region was communicated.

Stakeholders were also informed that the integration of recently acquired businesses in the UK is progressing well. In FY2019, the group highlighted the successful turnaround of the Byrne Group which returned to profitability alongside the Russells businesses performing in line with expectations. The potential impact of the Brexit negotiations remains unclear, however, being a smaller player in a large market, increasing our market share is achievable should the market constrict slightly. Clients are also looking for contractors with a different approach and we are being encouraged to fill this space.

COMMUNITY AND BUSINESS FORUM PARTICIPATION IN CONSTRUCTION PROJECTS

High levels of unemployment and poverty in South Africa has resulted in a higher demand for job participation by community members on construction sites. In the past these demands were generally localised within rural areas. In recent times, however, the group has experienced a significant increase in the prevalence of unrest events across the country including the major cities. In addition, government's announcement that 30% of public spending on construction projects is to be subcontracted to the previously disadvantaged has been exploited by business forums, resulting in unrealistic demands on all projects, bringing sites to a standstill. Of concern is the militant nature of many of the unrest events, causing damage to property and impacting the safety of employees and contractors. Inevitably the unrest has caused a number of significant project delays.

KEY STAKEHOLDER IMPACTED



Communities

Rural communities often live in extreme poverty and approach site management with the genuine intention of improving the lives of members. Regrettably, their understanding of what work is available is unrealistic and these expectations need to be managed.



Employees

Working in a threatening environment is both stressful and unpleasant. Employees have rightly expressed concern over their safety. In most instances, disruptions do not turn violent, however, following the widespread burning and destruction of property during unrest in Saldanha this year, the group received a number of resignations from promising employees.



Clients

Disruptions result in lengthy project delays and significant additional costs for clients. While clients proactively engage with the contractor and communities to resolve these issues, WBHO has noticed an increased trend in clients seeking to contractually transfer the management of the risk to the contractor.

RESPONSE

WBHO recognises the economic and social challenges experienced by many South Africans. The group remains committed to employing and training resources from local communities. Furthermore, the company is also actively involved in the construction of local amenities, such as clinics and schools, as part of its socio-economic development (SED) commitments. For more on WBHO SED activities, refer to the separately published ESG Report.

WBHO has developed a set of protocols to manage engagement with communities, ensure employee safety and minimise the occurrence of disruptions. Site management proactively engages with local communities prior to commencing work often appointing community liaison officers to maintain regular and productive dialogue with community and business forum leaders. Awareness training and support has been made available to operational teams when deal with the communities. On-site security measures have also been strengthened to safeguard property, employees and contractors.









Bidding teams are now engaging with clients at the time of tendering in order to identify the possibility of disruptions and ensure an appropriate allocation of risk.

ENGAGING AND CREATING VALUE FOR STAKEHOLDERS

CONTINUED

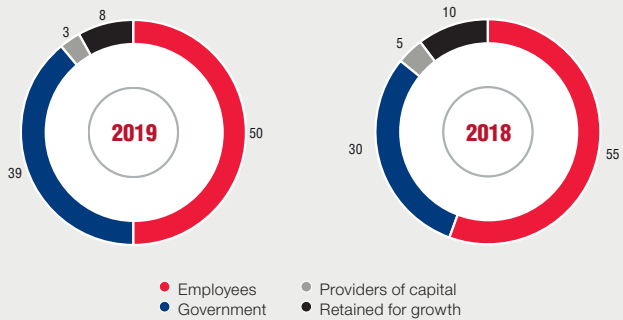
VALUE-ADDED STATEMENT

As part of a greater socio-economic ecosystem, we recognise that we are dependent on robust relationships with key stakeholders. Value-added indicates the wealth WBHO creates through its activities to the following stakeholders: shareholders, employees, debt providers, suppliers and the government.

Rm	2019	2018	
 CLIENTS			WEALTH CREATED
Revenue*	45 888	39 218	
 SUPPLIERS			WEALTH DISTRIBUTED
Cost of materials and services*	(38 457)	(32 243)	
	7 431	6 975	
 EMPLOYEES			WEALTH RETAINED
Payroll costs	3 669	3 380	
Share-based payment expense	48	64	
 INVESTORS			
Dividends paid to shareholders	184	275	
 FINANCIAL INSTITUTIONS			
Interest and finance charges	15	8	
Lease payments	8	7	
 GOVERNMENT			
Taxes and duties	2 920	2 456	
 COMMUNITIES			
Corporate social investment	5	6	
	6 849	6 196	
 WBHO			
Attributable earnings (less dividends paid)	299	539	
Depreciation	283	240	
	582	779	

* Including value-added tax and sales tax where applicable.

Wealth distribution (%)



CAPITEC BANK

A new 54 712m² head office for Capitec Bank together with a parkade

PROJECT VALUE

R554 million

PROJECT DURATION

26 months



STRATEGIC OBJECTIVES

Guided by WBHO's vision, the strategic objectives represent the key attributes necessary for a successful construction company and are linked to underlying strategic initiatives and specific metrics/indicators where applicable.

VISION

To be the leading construction company wherever WBHO operates, always striving to be "a pleasure to do business with" by delivering quality solutions in a professional and collaborative manner, every time. WBHO is adaptable enough to "go where the work is", even when conditions are challenging, without compromising its standards.

The group navigates competitive market conditions by being flexible and hard-working, focusing on nurturing strong client relationships by being approachable and dependable and stand firmly behind the motto of "Rely on our ability".



SO1 FLEXIBILITY AND DIVERSIFICATION

Flexibility and diversification are fundamental for success in the ever-changing market conditions the construction industry continuously confronts. WBHO's strategy needs to be fluid and adaptable, allowing the group to proactively align procurement activities with those markets offering the best value.

Maintaining a low fixed-cost base in higher-risk territories allows WBHO the flexibility to manoeuvre between them with relative ease in response to geographical and market fluctuations.

Growth objectives are facilitated through the implementation of a long-term diversification strategy across different geographies and industry sectors and at multiple levels of the construction value chain. This, in turn helps mitigate risk and enhances shareholder value by providing stability in earnings.

Exposure levels to individual sectors and geographies are carefully managed over the short to medium term.

STRATEGIC INITIATIVES

- Geographic diversification and new markets
- Segment diversification and new markets
- Strategic project selection
- Right-sizing to market demand
- Specialised project services and innovation

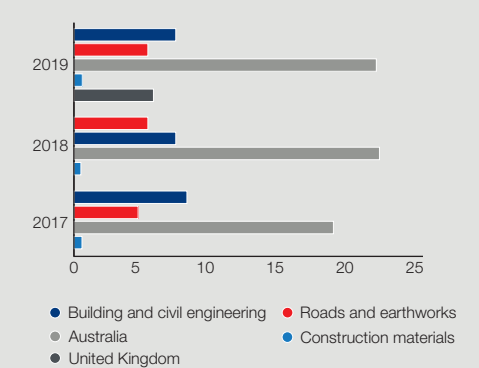
KEY PERFORMANCE INDICATORS

- Revenue growth
- Revenue by sector
- Revenue by geography
- Order book (by segment and geography)

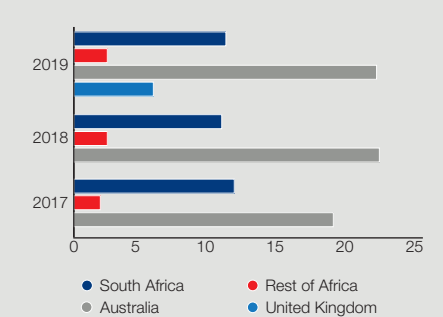
REFLECTING ON FY2019

- Acquisition of a 60% controlling interest in Russells Limited and a 31,7% interest in Russell Homes Limited
 - Entrenches recent geographical expansion into the United Kingdom
 - Creates diversification within the UK construction market
- Successful adaption of existing contracting models to compete against mid-tier contractors with a lower fixed-cost base
- Penetration of industrial/warehousing sectors in KwaZulu-Natal and the Eastern Cape
- Penetration of social housing market in the Eastern Cape
- Increased private sector procurement within Roads and earthworks division
- Shift in focus toward eastern and southern African markets
- Targeting of new clients within an acceptable risk framework

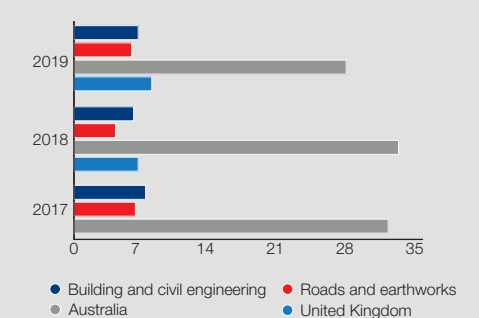
Revenue per segment (Rbn)



Revenue per geography (Rbn)



Order book per segment (Rbn)



STRATEGIC OBJECTIVES

CONTINUED

SO2 PROCUREMENT AND EXECUTION EXCELLENCE

There are simultaneous, continuous and interlinked processes within the business. The standard and quality of submitted bids directly impacts on operational performance. WBHO seeks to offer a fair price at acceptable levels of risk for all parties involved.

During the procurement phase, the group targets those projects that will best serve WBHO's strategic objectives and create value for stakeholders. During the execution or operational phase that follows, brand equity and the reputation of the group is cultivated and maintained.

Confidence and credibility is generated when clients experience consistently high-quality work which, in turn, enhances WBHO's ability to secure future projects.

STRATEGIC INITIATIVES

- Client and project evaluation
- Tender evaluation and governance
- Selective bidding
- Contract payment terms and hedging
- Performance evaluation
- Risk management
- Quality audits
- Quality training

KEY PERFORMANCE INDICATORS

- Operating margin
- ISO 9001: Quality management system (QMS)
 - Coverage and audit outcomes
 - Training
 - Cost of rework and waste
- Actual versus tender analysis
- Occurrence of loss-making projects

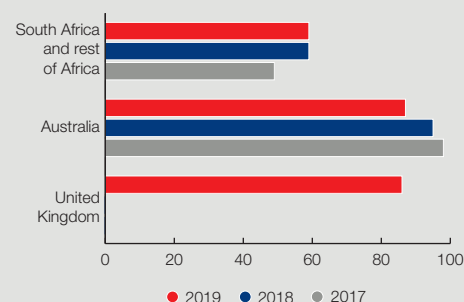
REFLECTING ON FY2019

- AU\$57 million provision for future losses recognised on WRU project in Australia due to misinterpretation of bid designs
 - In-depth due diligence of the bid undertaken
 - Risk profile of infrastructure procurement strategy in the Eastern region focussed on construction only projects
 - Full estimated project loss recognised upfront.
- Key tender processes under review
- Purposeful restriction of growth in Australian building business
 - To stabilise inconsistent earnings history
 - Improved margin performance in FY2019
- Group margin of 1,4% (FY2018: 3,0%) below lower target range of 3,0%, mainly due to WRU project
- Successful implementation of turnaround strategy for the Byrne Group sees a return to profitability in FY2019
- No material underperforming contracts in South Africa

Operating margin (%)



ISO 9001 audit coverage (%)



55% OF COMPLETED PROJECTS IMPROVED ON TENDER MARGIN (2018: 65%)

AU\$57m LOSS PROVIDED FOR ON WRU PROJECT IN AUSTRALIA



CERTIFIED

100% QMS COVERAGE

SO3 REPUTATION AND RELATIONSHIPS

A noticeable presence in the marketplace alongside a proven track record and a reputation for reliability, consistency and value are crucial to establishing and maintaining close client relationships and our ability to bid on major projects.

Our reputation has developed by delivering projects to the highest standards and providing an all-inclusive "quality experience". Our commitment to "execution excellence" is achieved by embedding our culture throughout our business in doing things "The WBHO Way".

"The WBHO Way" embodies a set of shared values, including reliability, delivery and a focus on building relationships, which together underpin our motto of "being a pleasure to do business with".

STRATEGIC INITIATIVES

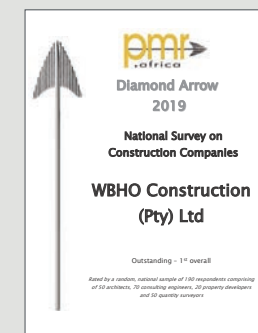
- Proactive stakeholder engagement
- Ethics programmes
- Regulatory compliance programme
- Corporate governance excellence
- Entrenching culture among new employees

KEY PERFORMANCE INDICATORS

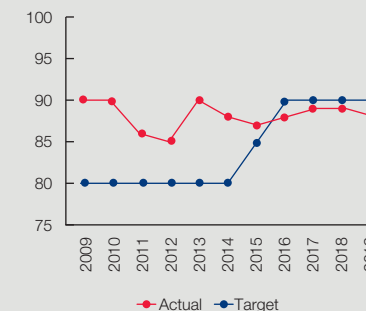
- Client perception survey ratings
- Percentage of negotiated projects
- Percentage of repeat work from clients

REFLECTING ON FY2019

- Recognised as a standout contractor amongst industry peers in FY2019. Awarded the PMR Africa 2019 Diamond Arrow Award for an unprecedented 20 consecutive years
- WBHO, alongside its other group brands (Probuild, Byrne Brothers, and Russells Construction) is recognised as the preferred contractor on many engagements, built on a strong culture of consistent delivery, professionalism and respect
- Building new client relationships
- Client quality perception maintained at 88%
- Responsive senior management
- WBHO continues to engage with government in respect of both the industry's and government's transformation objectives
- Proactive and transparent community engagement to support localised job creation and upliftment



Customer quality perception rating (%)



143 EMPLOYEES COMPLETED COMPETITION LAW TRAINING

84 EMPLOYEES COMPLETED ANTI-BRIBERY AND CORRUPTION TRAINING

STRATEGIC OBJECTIVES

CONTINUED

SO4 CAPACITY AND TALENT MANAGEMENT

People management is a key focus area within the group. Effective employee development earns staff loyalty and their commitment to "The WBHO Way", as well as attaining the organisation's strategic goals of "procurement and execution excellence" and "transformation".

Bursary schemes, inductions, on- and off-site training interventions and management development programmes help equip staff with the necessary expertise at each of the key phases of their career development, while also attending to the skills shortages experienced in the construction industry.

Right-sizing teams is a continuous process in order to match demand with economic cycles. Effective recruitment processes and solid working relationships with the representative unions are essential in achieving this outcome.

The overlapping nature of active and new projects means that they seldom begin and end in a linear manner. The number of staff required at the various stages of projects differs significantly. The process of dealing with these lags or overlaps is called "managing the gap". It is a constant process to ensure that the right skills and manpower are available at the right time.

STRATEGIC INITIATIVES

- Succession planning
- Training and skills development initiatives including:
 - Learnerships
 - Bursaries
 - Mentoring
- Management development programmes
- Targeted recruitment
- Optimal resource allocation
- Leadership reviews
- Salary benchmarking
- Ethical labour practices

KEY PERFORMANCE INDICATORS

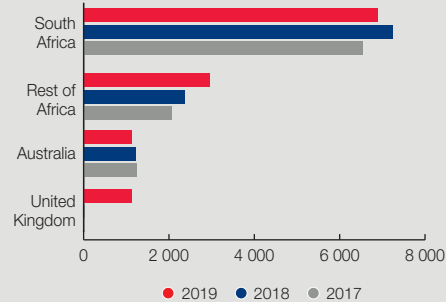
- Employees by region
- New hires
- Retrenchments
- Employee turnover (%)
- Training spend
- Training hours (average)
- Number of employees trained
- Engineering Council of South Africa registration programme
- Number of learnerships
- Bursary spend
- Number of students receiving bursaries

For more on our human capital and skills development practices, see WBHO's separately published 2019 ESG Report

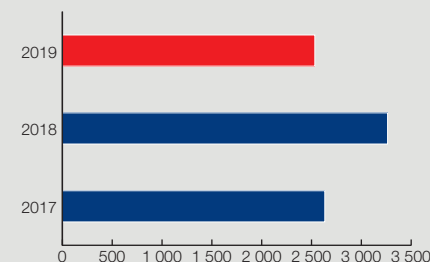
REFLECTING ON FY2019

- Internal appointments of new Chairman and CEO announced
- Increase in total headcount to 12 121 (FY2018: 11 018) following consolidation of UK operations
- Worrying trend of decrease in industry-wide training and increased emigration of construction professionals
- Significant investment in training in the year. R91,2 million (FY2018: R85,7 million) invested in training
- Core skilled and dedicated management teams retained
- Sustained ability to attract top talent and grow next generation of leaders by remaining employer of choice within our markets
- 634 retrenchments in the year (FY2018: 333) – well below current industry norms
- Following a number of years of relative stability in employee relations and industrial action, the group experienced a significant increase in the number of "person days lost" in South Africa in the year, mainly attributed to illegal work stoppages and an increase in community and business forum disruptions

Headcount by region



Number of employees trained



SO5 SAFETY AND ENVIRONMENTAL MANAGEMENT

As a contractor with an international footprint, operating across Africa, Australia and the United Kingdom, it is essential that WBHO holds itself to the very highest health and safety standards. Protecting the welfare of employees and subcontractors results in healthy morale and uninterrupted productivity. A proven safety record is imperative for the procurement of work within certain key markets, particularly mining infrastructure and the public sector.

As a moral corporate citizen, the group has an ethical and legal duty to minimise and reduce its impact on the environment in the areas in which it operates. Compliance with environmental regulations and legislation strengthens WBHO's reputation and avoids legal and financial consequences.

STRATEGIC INITIATIVES

- Implementation of global industry best practice
- Accident and near-miss reporting
- Effective and transparent incident management
- Visible Field Leadership (VFL) initiative
- Medical fitness programme
- Training and awareness programmes
- Safety alert initiative
- Carbon disclosure project
- Water usage management
- Waste management initiatives
- Green Building accreditation

KEY PERFORMANCE INDICATORS

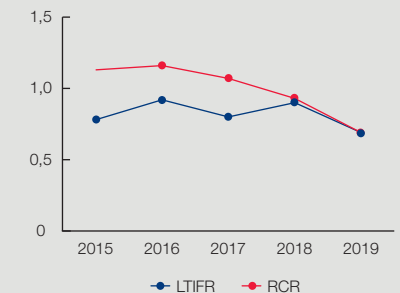
- OHSAS 18001: Safety management system (SMS)
 - Fatalities
 - LTIFR and RCR
 - Alcohol and drug test results
 - Coverage and audit outcomes
- ISO 14001: Environmental management system (EMS)
 - Environmental incidents
 - Carbon emissions
 - Coverage and audit outcomes

REFLECTING ON FY2019

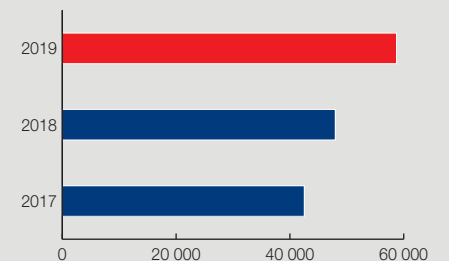
- ISO 18001 and 14001 certification maintained across all regions
- Improved group LTIFR of 0,69 (FY2018: 0,91)
- Record low LTIFR of 0,41 (FY2018: 0,91) achieved within the Africa business.
- Three fatalities in South Africa (FY2018: 3)
- Ongoing awareness interventions – 1 378 employees (FY2018: 1 639) from the Africa operations participated in health and safety training
- Zero reportable incidents recorded nor fines levied for non-compliance with environmental laws and regulations.

For more on our safety and environmental management practices, see WBHO's separately published 2019 ESG Report

Lost-time injury frequency rate (LTIFR): Group



Carbon emissions (tonnes CO₂e)



3 FATALITIES
(FY2018: 3)



CERTIFIED



CERTIFIED

100% EMS AND SMS COVERAGE

SO6 LOCALISATION AND TRANSFORMATION

A diversified workforce, the development of skills, succession planning and the transfer of economic benefits to previously disadvantaged individuals and local inhabitants, as well as cultivating a representative management structure are fundamental to WBHO's long-term sustainability.

STRATEGIC INITIATIVES

- Transformation strategy and implementation programme
- Localisation practices
- Employment equity plan
- Construction Industry Charter Council representation
- Communication and negotiations with the Department of Labour

KEY PERFORMANCE INDICATORS

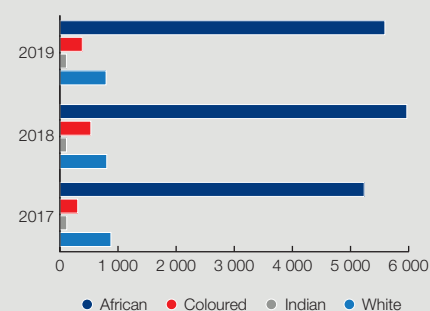
- B-BBEE scorecard rating (by division)
- Workforce by gender, location and contract type
- Procurement spend
- Employment equity targets

REFLECTING ON FY2019

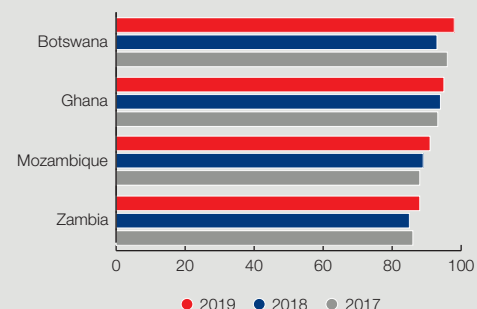
- WBHO proudly retains Level 1 status under new Codes
- Recognised as second most empowered company on JSE in 2018
- 88% black representation in South Africa
- R4,5 billion black procurement spend (FY2018: R3,7 billion)
- R53,4 million black training spend (FY2018: R50,3 million)
- Development of long-term mutually beneficial relationships with emerging contractors through joint ventures and enterprise development programme
- Ongoing support of VRP initiative in a difficult trading environment:
 - One VRP partner replaced in the year
 - Growth objectives for VRP partners remain attainable
 - R63 million contributed to the Tirisano Trust over three years
- 93% (FY2018: 90%) of the workforce in African countries, excluding South Africa, represented by citizens of the host country
- Joint venture agreements in place with 100% citizen-owned companies in Botswana

For more on our transformation journey, see WBHO's separately published 2019 ESG Report

Demographics of South African employees



Localisation in countries with 200 or more employees (%)



AYKON LONDON ONE

A mixed-use development consisting of a 51-storey and a 24-storey tower linked with a 5-storey bridge at level 8

PROJECT VALUE

£37 million

PROJECT DURATION

26 months



RISK MANAGEMENT

OUR APPROACH

WBHO realises that risk management is a fundamental management practice that is imperative to good corporate governance. While risk cannot be eliminated from business activities, the risk management process provides a methodised way to identify, prioritise and manage risk.

By entrenching risk management within group business processes in a specific and practical manner, a formal means for managing the risks associated with the operating environment is established.

The board is assisted by the Risk committee and the internal audit function when considering and reporting on strategic, operational and project risks. The board is ultimately responsible for risk governance and determines the level of risk tolerance within the group and reviews its risk profile biannually.

RISK MANAGEMENT PROCESS



RISK MANAGEMENT METHODOLOGY

PROCUREMENT AND PROJECT RISK

Potential projects are assessed prior to tender submission and defined authority levels are in place for how bids are escalated through the management structures of the group for approval. As with active projects, tenders are evaluated against time and cost, together with available resources, client assessments, payment risk, margins, country risk and contractual terms that are considered to be unusual.

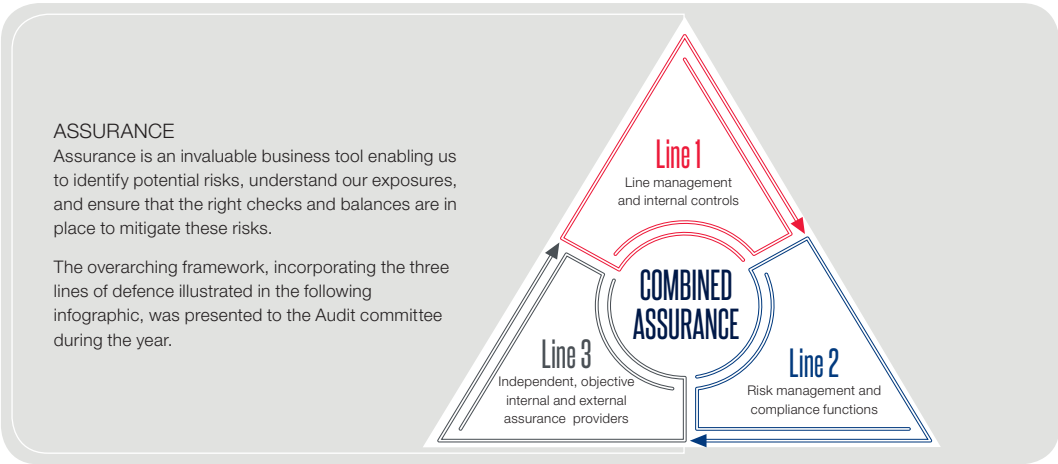
Major projects are assessed every three months as well as at crucial lifecycle stages of the project. These evaluations take the form of risk and opportunity schedules that focus on the key risks of time, cost, resources, contractual claims and stakeholder relationships. The outcome of these evaluations are tabled and discussed at monthly management meetings. These schedules are also captured into the risk database and the divisional dashboards identify trends and common themes across all the group's projects.

OPERATIONAL RISK

Operational risks are evaluated at a divisional or business unit level. Giving due consideration to the individual operating environments, risk assessments relating to current market dynamics, skills shortages, capacity, talent management and stakeholder relationships (clients, professionals, labour, suppliers and communities) are made. These risks are presented and discussed at a senior management level and appropriate risk mitigation strategies are developed and refined. Once entered into the risk database, these risks are escalated to the Operational risk committee and, ultimately, the Risk committee.

STRATEGIC RISK

The risks and trends incorporated within the operational risk assessments inform the Risk committee's assessment of the risk profile of the group in the context of delivering its strategic objectives. The macro environment, together with the corporate, regulatory and legal compliance risk are also assessed. These risks are presented to the board, which then decides on the overall strategy of the group.



The board, through the Audit committee and supported by the Risk committee, are responsible for ensuring that the combined assurance model is applied to provide a coordinated approach for all assurance activities, in order to appropriately address all the significant risks facing the organisation.

In developing the combined assurance plan, a comprehensive risk assessment was made of the various operational and financial areas of the business, categorising each of these into areas requiring low, medium or high levels of assurance, based on their inherent risk profiles. Those areas identified as requiring medium and high levels of assurance are then incorporated into the audit plans of the various independent assurance providers of the group, namely the environmental, safety and internal audit teams.

The following table lists the content and processes on which WBHO obtains assurance, together with the providers of this assurance.

Content and functions	Assurance provider	Level of assurance	Outcome
Annual financial statements	BDO South Africa Incorporated	Level 2	Unqualified audit opinion
B-BBEE rating	EmpowerLogic (Pty) Ltd	Level 3	Level 1 certified
Environmental management	BSI	Levels 2 and 3	ISO 14001 compliant
Occupational health and safety management	BSI	Levels 2 and 3	OHSAS 18001 compliant
Quality management	TUV Reinland	Levels 2 and 3	ISO 9001 compliant
Internal control environment	Deloitte South Africa	Levels 1 and 3	Reliance on internal controls

RISK TOLERANCE AND RISK APPETITE

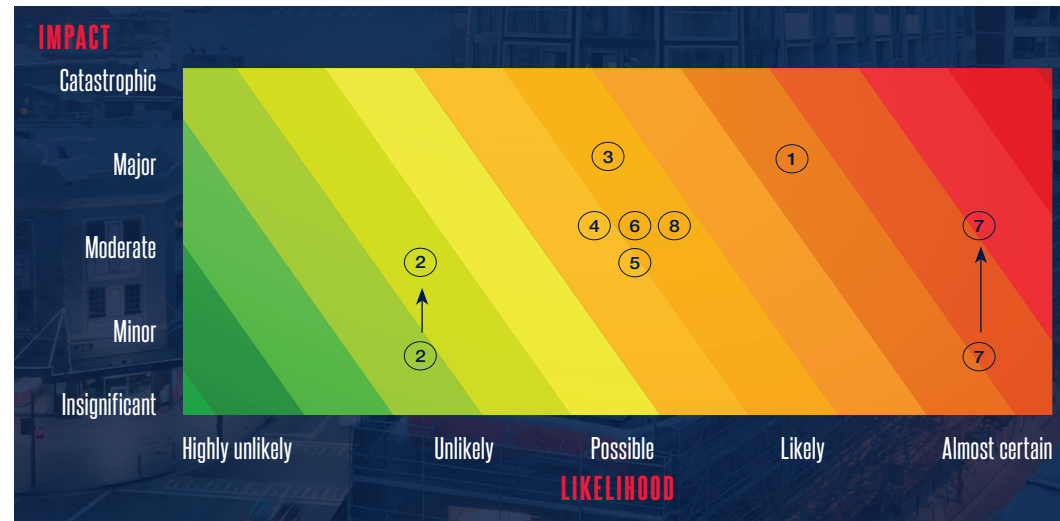
WBHO understands and proactively manage risks within set risk appetite and risk tolerance levels, in order to optimise business returns. Risk appetite is defined as the amount and type of risk that the organisation is willing to take in order to meet its strategic objectives.

RISK MANAGEMENT

CONTINUED

ENTERPRISE RISK MANAGEMENT

The enterprise risk management process records and aggregates the risks and opportunities identified at the project and operational levels of the business, which then informs the assessment of certain strategic risks. Aggregate values at risk are determined both at business unit level and ultimately the group. Project risks have been standardised to cover numerous individual site circumstances which allows for consistent reporting and aggregation of risk.



	Risk and impact on value if not managed	Key response or mitigation	Strategic response
➔	1 Country risk and changing market dynamics (uncontrollable) The group conducts business across numerous sectors and in various geographical locations. Various macro-economic factors, including economic cycles, political environments, government policy, and currency volatility impact the markets in which the group operates. A material deterioration in one or more of these countries or markets could have a severe impact on the size and nature of the group. The local political and economic climate together with the unknown impact Brexit may have on the United Kingdom has resulted in this risk remaining likely and major .	<ul style="list-style-type: none"> Structured risk assessment framework implemented to adapt operational procedure in line with identified risk Ongoing review of market intelligence in countries with political conflict Broad diversification across core competencies and geographical expansion Flexible and responsive management Strong logistical capabilities in more remote African regions 	SO1
↑	2 Industrial action (uncontrollable) The South African and Australian labour markets are heavily unionised and unions wield significant influence. Regular industrial action can occur. Industrial action impacts on-site productivity, delivery and financial performance. In South Africa, a significant increase in man days lost from 6 331 days in FY2018 to 22 379 days this resulted in the risk increasing to possible and moderate . Community unrest disruptions (see Risk 8 above) are also included in this figure.	<ul style="list-style-type: none"> Open and transparent dialogue with employees and their representatives Ongoing, and regular engagement with major unions Negotiation of multi-year wage agreements where possible 	SO6 SO3
➔	3 Contracting with unreliable clients (controllable) Due to the value and size of contracts, failure by clients to meeting their payment obligations can impact on the group's cash flow, margin slippage and delays in project execution. The impact of the economic environment on existing clients in target markets across Africa together with seeking new clients to sustain activity levels has resulted in this risk remaining possible and major .	<ul style="list-style-type: none"> Robust due diligence processes in place to ensure clients are properly assessed prior to engagement Stringent negotiation of payment terms and guarantees Requirement for payment guarantees on majority of projects 	SO2

	Risk and impact on value if not managed	Key response or mitigation	Strategic response
➔	4 Procurement and execution risk (controllable) Procurement and execution risk are closely linked to changes in market dynamics, skills shortages and talent management. In the existing competitive environment, margins are eroded requiring an increased focus on project execution. The prevalence of these risks is determined with reference to the total residual value at risk across all projects and trend analyses obtained from the risk database. The group widely utilises the services of suppliers and subcontractors on projects. Non-performance by these partners has serious consequences for projects, which include financial, operational and reputational implications. The challenging construction environment in South Africa and the rest of Africa together with the loss-making projects in Australia and the unknown impact of Brexit in the UK have resulted in this risk remaining possible and moderate .	<ul style="list-style-type: none"> Structured planning and resource utilisation processes Formal tender policy including a formal tender approval authority matrix is in place Due diligence investigations undertaken on critical suppliers and subcontractors De-risking of certain bidding strategies in Australia Stringent monitoring of project performance including thorough forecasting of completion costs at critical stages of the project lifecycle Implementation of globally accredited quality best practices 	SO2
➔	5 Major safety, health or environmental incident (controllable) The construction industry is seen as a high-impact and somewhat hazardous sector. Any major incidents that occur have reputational implications for the group, which affect its ability to procure work. The group has implemented internationally recognised best practice systems across all operations, however, the risk of a serious safety or environmental incident remains possible with a moderate impact.	<ul style="list-style-type: none"> Implementation of globally accredited, safety and environmental best practices across all operations Top-down responsibility and accountability to ensure culture is embedded at all levels of operations Proactive information and knowledge sharing Ongoing prevention initiatives Regular training interventions 	SO5
➔	6 Non-compliance to laws and regulations (controllable) The group is subject to numerous legislative and regulatory requirements across various geographies. Non-compliance with these requirements carries significant reputational risk, the potential for fines and penalties and the possible loss of the necessary licences or accreditations needed to procure work. The group monitors compliance with existing and new regulations and legislation through its regulatory risk matrix. Due to the many inherent variables, the risk remains possible and moderate .	<ul style="list-style-type: none"> Frequent review of regulatory and legal matrix together with monitoring of non-compliance Updates and communication of changes to Code of Conduct and group policies as necessary 	SO3
↑	7 Community unrest (uncontrollable) Poor service delivery and high levels of unemployment significantly affect the quality of people's lives within township and rural communities. Community members are desperate for work and this often results in unrealistic expectations of employment opportunities. In built-up areas various business forums have exploited these needs for their own gain resulting in on-site disruptions. There has been a significant increase in the prevalence of these incidents with the result that the likelihood of this risk remains almost certain and the impact thereof has increased from minor to moderate .	<ul style="list-style-type: none"> Formal protocols developed on how to: <ul style="list-style-type: none"> Engage with communities and business forums prior to construction Manage relationships through the construction phase Respond to disruptions and threats of violence Appointment of community liaison officers Increase in site security measures 	SO6
➔	8 Transformation and localisation (partially controllable) Transformation within the construction sector remains high on the government's political agenda. State-owned entities (SOEs) often impose additional empowerment requirements to those contained within the PFMA, in order to prioritise the allocation of work to emerging contractors. Onerous penalties have also been introduced for companies that do not comply with their employment equity plans. In other African countries as well as Australia, localisation practices are becoming more prevalent. These include limitations on work permits for expatriates and minimum targets for local employment. While the group retained its Level 1 B-BBEE status in South Africa this year, government's policy on transformation within the sector remains unclear and this risk remains possible and moderate .	<ul style="list-style-type: none"> Strategies developed and implemented to meet all elements of the scorecard Operational focus on elements within their control Regular monitoring and reporting of performance against targets at management meetings and Transformation Exco Retention strategy and management development programme for promising individuals of colour in place 	SO3 SO4 SO6

➔ Risk unchanged ↑ Risk increased

For further information on how these risks affect our material issues see pages 18 to 31 of this report.

WEST SIDE PLACE

Probuild's largest residential development to date consisting of two towers and the tallest hotel in the southern hemisphere

PROJECT VALUE

AU\$691 million

PROJECT DURATION

45 months

DELIVERING VALUE

- 53 Message from the Chief Executive Officer
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MESSAGE FROM THE

CHIEF EXECUTIVE OFFICER



LOUWTJIE NEL



WBHO delivered a mixed performance this year. Particularly pleasing was the successful turnaround of the Byrne Group in the United Kingdom (UK), a solid performance from our recent acquisition of Russells Limited and our ability to sustain activity levels across Africa in the context of what continues to be one of the toughest markets experienced for many years. Sadly, however, these commendable performances were overshadowed by the sizeable losses provided for in Australia.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

CONTINUED

Key to delivering stable results over time throughout fluctuating markets, is our strategy of flexibility and diversification coupled with procurement and execution excellence. Our capability to pursue opportunities across numerous sectors and geographies mitigates risk and volatility. In delivering our strategy we “go where the work is” and keep our resources agile and accessible, deploying them to maximum effect geographically and between divisions. Being adaptable is our strength, and thus we are able to preserve the revenue and profitability that sustains the group.

OPERATING CONTEXT AND PERFORMANCE

The South African economy remains under severe pressure. Political infighting, weak business confidence, increased levels of unemployment, high levels of protest action and dismay at the extent of state capture revealed at the Zondo Commission of Inquiry all lent themselves to a rather sombre mood felt by all South Africans. Only the election of President Cyril Ramaphosa offered some measure of optimism over the year. Within the construction environment more large and medium-sized contractors were seen entering business rescue or facing financial difficulties. Lower levels of private investment together with reduced government spending (now at an all-time low within the South African market) limited any potential for real growth. In order to maintain our workload these conditions required us to bid upon smaller value tenders, often competing against mid-tier construction firms carrying a lower fixed-cost base. Both our Building and Roads and earthworks teams have adapted admirably to remain competitive without compromising on delivery and quality thus demonstrating their flexibility. Our strong reputation for execution excellence alongside our financial strength assisted us in being the preferred contractor for many clients in an environment where effective delivery has been a major concern for them.

On the rest of the continent, the overall economic recovery in sub-Saharan Africa continues, however, prospects in our targeted geographies and sectors can vary significantly. The impact of international markets on the commodity cycle has resulted in fluctuating levels of demand for resources, which continues to affect our operations servicing the mining infrastructure markets in South Africa and the rest of Africa. Locally, we have seen increased spending from the coal miners while our divisions operating in Mozambique and West Africa experienced low volumes of work due to minimal capital expenditure from our mining clients. Opportunities within our traditional African building markets have largely dried up and we are currently exploring new work prospects closer to home in southern Africa. We continue to maintain a conservative risk appetite when bidding on projects, giving due consideration to the potential exposures of working for previously unknown clients, payment risk and political environments. On a positive note we have delivered another strong performance from our Roads and earthworks division in Botswana and improved activity from our Civil engineering division in Zambia.

Overall, the African business has performed well, with total revenue up marginally from the previous financial year. Considering the prevalent market conditions, this has been a remarkable

achievement and testimony to the depth and quality of the experience of our people. The Building and civil engineering, Roads and earthworks as well as the Construction materials divisions all managed to maintain revenue levels, albeit at slightly lower margins than previously. A noteworthy achievement is the successful shift towards a greater number of private clients by the Roads and earthworks division in order to sustain their volume of work in the absence of public sector spending.

Positive market sentiment in Australia continues unabated, with the economy recording its tenth consecutive year of economic growth in excess of 2% per annum. Construction activities also remained buoyant, driven mainly by a shift from residential building activity toward activity in the hotel, office and retail sectors, particularly large-scale mixed-use developments. Public infrastructure spending as well as construction activity in the education sector is also supporting growth. Probuild, our Tier 1 building business in Australia, has grown significantly by almost 40% over the last five years. In the current year we purposefully adopted a more conservative approach to pursuing new opportunities in order to focus on project execution and profitability. This is reflected in the slightly lower revenue produced and an improved operating margin.

Unfortunately, the overall Australian result was negatively impacted by the recognition of a material provision in respect of anticipated future losses on the Western Roads Upgrade (WRU) project. The effect of this provision negated otherwise solid results from both Probuild and the remainder of the infrastructure business. The size of the loss recognised is unprecedented, not only for the Australian business but for the entire WBHO group, and contributed to a significant decline in the group's operating profit. Occasional loss-making projects form part of any construction company, and the ability to minimise and withstand the impact of these when they happen, sets strong construction companies apart. Although unpleasant, the well diversified business and strength of the balance sheet enabled us to absorb the event without impacting the long-term sustainability of the group.

The main reason behind the loss was due to the misinterpretation of certain technical specifications within the contract bid design, resulting in an underestimation of the physical construction works required. After lengthy delays in obtaining the necessary design approvals, delivery of the project is now underway. The group has identified various claims against both the design consultant and the ultimate client and these are being pursued in terms of the group's contractual rights.

Our gradual penetration into the UK market bore fruit this year with operations from the region contributing 14% of group revenue at a 4,0% margin, the turnaround and restructuring of the Byrne Group has been successful leading the business back to profitability and our acquisition and integration of Russells Limited and Russell Homes went according to plan.

Aside from the isolated events surrounding the WRU project, the successful delivery of projects has clearly underpinned the strong operating performance of the group this year, yet goes further in entrenching the strong relationships we have with our clients, their professional teams, as well as subcontractors and suppliers. This was again recognised by WBHO winning the PMR Africa Diamond Arrow Award in South Africa for the top construction company for the 19th time in the past 20 years. This prestigious award measures the satisfaction our clients experience through the work and projects we execute for them, and gives them the confidence that they truly can “rely on our ability”. In Australia, Probuild has won various national and regional awards, key among which included the Eastland Shopping Centre in Victoria, being recognised by *Prix Versailles – The World Architecture and Design*, as one of the “Top 14 Best Shopping Centre mall exteriors in South Asia and the Pacific”.

CAPACITY AND TALENT MANAGEMENT

Managing the size and mix of teams, both through the reallocation of existing resources and employing further staff, are necessary to meet project demands. This year, our headcount increased by 1 103 to 12 021, mainly driven by the first-time inclusion of 1 127 employees from our UK businesses. Across Africa, while retrenchments were necessary within certain divisions, the larger Roads and earthworks divisions in South Africa were recruiting through the year. With the number of construction companies ceasing to trade in recent years, one would expect to have found an abundance of skills available within the marketplace. This has not been the case and is evidence of a significant loss of highly skilled personnel to emigration. When coupled with a general decline in the training of current and future construction professionals across the industry, I'm concerned that the lack of investment will create a significant skills shortage in the future and be a major constraint once economic conditions improve.

Our continued success has allowed us to maintain our training spend thereby ensuring we have the right technical skills and manpower available to deliver on projects. As part of WBHO's policy of developing skills from within, we have developed various programmes to support the development of employees in fields critical to the long-term sustainability of the business. Key amongst these are the Management Development Programme and WBHO's Engineering School. In the year we invested R91,2 million (FY2018: R85,7 million) in the training of employees within the African operations. A significant portion of this related to the increased participation in WBHO's management, artisan and skills, safety and environmental training interventions.

Retention of up and coming engineers and quantity surveyors remains a keen focus area when developing our future leaders, building a corporate culture and delivering on the needs of the business. Locally, the group works with the Engineering Council of South Africa (ECSA) to assist with the retention of this vital skill, not only for WBHO but for the industry as a whole. During the year, WBHO successfully registered 12 new candidates with ECSA bringing the total number of candidates registered to 124 over the past four years.

TRANSFORMATION AND EMPLOYMENT EQUITY

Our “localisation and transformation” objectives are key issues across all of the geographies in which we operate. The construction industry in South Africa has been at the forefront of leading the country's transformation for many years. I am delighted to report that two construction companies, including WBHO, listed on the JSE were recognised as the two most transformed entities on the exchange in 2018. This is a remarkable achievement and recognises the efforts made by the industry as a whole. Internally, we recently maintained our Level 1 B-BBEE status.

We also take pride in developing the local communities in the areas in which we operate, and strive to limit the number of expatriates working in other countries by employing and training the local workforce where we have a permanent presence.

Our Voluntary Rebuild Programme (VRP), now in its third year, is progressing well and we have undertaken a number of joint ventures with our partners in support of the VRP objectives.

SAFETY AND ENVIRONMENTAL MANAGEMENT

It is essential that WBHO holds itself to the very highest safety standards in order to protect the welfare of our employees and subcontractors. This not only results in a safe workplace, but also generates healthy morale and undisrupted productivity. In our business, a proven safety record is also imperative for the procurement of work within some of our key markets, such as mining and the public sector.

The group achieved a lost-time injury frequency rate (LTIFR) of 0,69 per million man hours (FY2018: 0,90) in the year. Not only did we achieve a new record low LTIFR of 0,41 (FY2018: 0,90) for the Africa business, but also substantially improved our safety performance in Australia. The improvement is attributable to a number of strategic Safety First initiatives alongside the continued benefits achieved through our visible leadership programme. As part of the programme, scheduled visits are conducted by members of senior site management not specifically involved on the project who evaluate sites from a safety perspective, giving constructive feedback to the project team and sharing safety practices and initiatives implemented on other projects. This visible and proactive safety culture adopted by senior management has permeated into our construction teams and is yielding positive results.

We are, however, deeply saddened to report that we had three work-related fatalities this year. All incidents were investigated and the main learnings were taken on board and implemented to reduce the risk of reoccurrence. Our thoughts remain with the families of Messrs Aldridge Potgieter, Solwethu Siyali and Moemedi Mpho who tragically lost their lives in the year.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

CONTINUED

Unrest and disruptions from communities, business forums and taxi associations have become commonplace and increasingly violent thereby threatening the safety of our people and impacting productivity; this remains a concern and needs urgent resolution. The safety of our employees is always the highest priority. We have addressed this at the highest levels within both SAFCEC and government and remain optimistic that with the new political leadership in place, law and order will return.

WBHO is committed to maintaining the highest standards of environmental protection throughout every phase of the construction process and does so by rigorously applying the best practice principles of environmental management. No penalties or fines for non-compliance with environmental laws have been incurred across the group this year. A key focus area for us going forward is to develop and implement various waste reduction initiatives, especially with the focus on reducing the plastic waste across the business.

OUTLOOK

The group is well positioned for the next 12 months. Order book levels have been maintained with 83% of 2019 group-wide revenue already secured for the next financial year. The South African order book has grown by 23% since this time last year and, in addition, a number of state-owned enterprises, namely Airports Company of South Africa (ACSA), Eskom, Transnet and SANRAL have recently advertised multiple multi-billion rand construction contracts in the market. This is extremely positive for the mid-term prospects of both WBHO and the industry at large.

While there has been a shift in workload between geographies in the rest of Africa, future activity levels as a whole have been retained. The gas-related infrastructure projects in Mozambique offer numerous opportunities and will help to offset reduced activity in West Africa. At the time of writing, I'm pleased to report that we have secured our second gas-related infrastructure project (in consortium) in the region, being a camp to accommodate 9 500 personnel in Area 1 of the Annadarko LNG Project.

The Australian construction market is expected to remain buoyant, offering numerous opportunities across both building and infrastructure markets. However, we will continue to pursue our current strategy to constrain any further growth as we embed our focus on project execution.

In the UK, both Russells and the Byrne Group have sufficient work on hand for the year ahead. Although the British political landscape is currently in turmoil and the potential impact of Brexit remains unknown, I have confidence in the long-term benefits our investment into the UK will provide to the group and its stakeholders.

APPRECIATION

The 2019 financial year has proven to be one of the most challenging in our history. Yet despite these many challenges, WBHO has continued to excel. This success is built on the culture we have fostered within the group over many years, the tireless dedication and effort from our employees and the continued support and loyalty from our clients. I would also like to thank the WBHO Board and management, all of whom have provided valuable support and advice during the year.

Mike Wylie recently announced his pending retirement from WBHO at the upcoming annual general meeting after serving more than 45 years with the company. Mike's dedicated commitment and service not only played a vital role in the growth and success of WBHO but has also been pivotal in steering the transformation agenda of the industry and restoring its relationship with government. I wish him and his family well in his retirement.

It is with great honour that I follow Mike's footsteps as Chairman of the group in the years to come and take pleasure in welcoming Mr Wolfgang Neff to the board as WBHO's new Chief Executive Officer with effect from 20 November 2019.



Louwtjie Nel
Chief Executive Officer

SASOL FINE ASH DAM 6

Construction of 560 00m³
return water dam and
service corridor

PROJECT VALUE

R1,1 billion

PROJECT DURATION

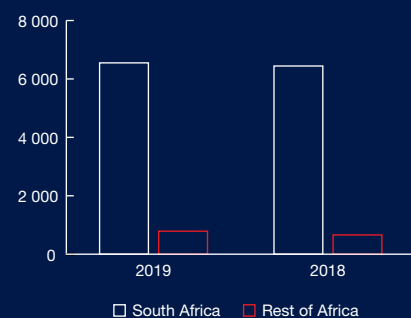
27 months



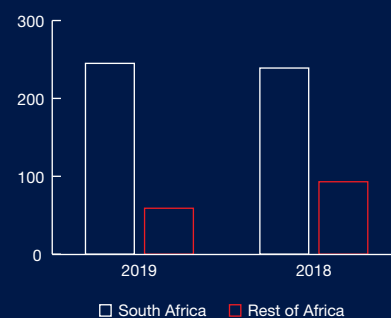
OPERATIONAL REPORTS

REVENUE (Rm)	OPERATING PROFIT (Rm)	OPERATING MARGIN (%)	CAPITAL EXPENDITURE (Rm)	PROJECTS NEGOTIATED (%)
2019: 7 338 2018: 7 302	2019: 304 2018: 332	2019: 4,1 2018: 4,5	2019: 37 2018: 76	2019: 40 2018: 60
NUMBER OF EMPLOYEES	RETRENCHMENTS	TRAINING SPEND (Rm)	LTIFR (per million man hours worked)	
2019: 3 616 2018: 3 683	2019: 183 2018: 205	2019: 40,6 2018: 37,4	2019: 0,25 2018: 0,86	

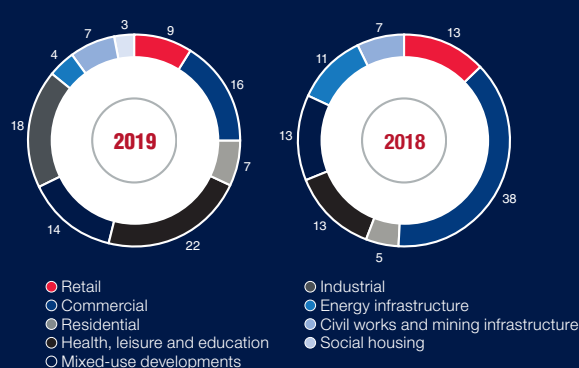
REVENUE (Rm)



OPERATING PROFIT (Rm)



REVENUE BY SECTOR (%)



BUILDING AND CIVIL ENGINEERING

The year in perspective

- Revenue stable in FY2019 (FY2018: decline of 10%)
- 18% contribution to group revenue (FY2018: 21%)
- 2% decline in South Africa
- 20% increase from the rest of Africa
- Overall margin of 4,1% (2018: 4,5%)
- Margin pressure prevalent across all sectors
- Consistent execution of projects with no major underperforming contracts

The Building and civil engineering division has performed extremely well to sustain revenue levels in a shrinking market. A 5% decrease in building activity was offset by growth within the Civil engineering division, predominantly in Zambia. While operating profit declined to R304 million (FY2018: R332 million), the operating margin was maintained above 4,1%, reflecting the division's ability to effectively secure and execute projects in a low-margin environment.

The lower activity within the Building division resulted in the retrenchment of 183 employees during the year and the overall headcount decreased marginally from 3 683 to 3 616. The division also experienced a number of senior and up and coming middle management employees emigrating to other countries.

Capital expenditure reduced to R37 million (FY2018: R76 million) as activity levels declined while training spend increased by 9% from R37,4 million to R40,6 million with the division continuing to invest heavily in employee development.

The division achieved a LTIFR of 0,25 for the year, a dramatic improvement over the LTIFR of 0,86 recorded in FY2018. This improvement is attributable to the full implementation of the Visible Field Leadership programme this year and the division embracing the intensified focus on safety by senior management.

Notable achievements with the Civil engineering division include the Kusile Joint Venture reaching 4 million lost-time injury (LTI) free hours, the Grooteegeluk project reaching 2 million LTI free hours and the Zambian operations achieving 1,5 million LTI free hours as a whole.

Building

- Division performed well to sustain activity levels
- Concentration of work in commercial office sector – but sector is in decline due to oversupply
- Increase in residential-only and mixed-use developments
- Retail sector remains subdued
- Revenue sustained in Gauteng despite fewer large-scale projects available
- Diminishing building opportunities in KwaZulu-Natal – industrial sector targeted to support activity
- Majority of projects in the Western Cape negotiated
- Healthy growth achieved in the Eastern Cape following improved order intake
- Awarded PMR.Africa 2018 Diamond Arrow Award

Building revenue declined to R5,9 billion (FY2018: R6,1 billion) as general building activity remain in decline.

The low-growth economic environment together with an oversupply of retail and commercial space continues to delay the feasibility of large-scale building projects in Gauteng where revenue decreased by 7%. The number of negotiated projects decreased to 40% as a result. The division has, however, successfully modified its bidding strategy and cost allocation when tendering against mid-tier contractors for smaller sized contracts in order to sustain activity levels.

Retail activity remains confined to the refurbishment of existing shopping centres and commercial office activity continues to taper, although it remains the largest contributor toward activity in the region. Major office developments under construction in Gauteng during the year included developments at 92 Rivonia and 2 Pybus in Sandton, a new head office for Deloitte in Waterfall, the 144 Oxford Street development in Rosebank and new head offices for Barloworld and Exxaro in Tshwane.

Increased activity within the healthcare, residential and student accommodation sectors, together with a number of rejuvenation projects within the Johannesburg City Centre, have compensated for the lower activity levels experienced in the other sectors. These projects include additions to the Millpark Hospital for Netcare, construction of student accommodation and residential apartments in Tshwane while in the city centre, the refurbishment of the Absa Towers and two buildings in the Jewel City Precinct are progressing well.

The coastal regions produced solid results where a particularly strong performance in the Eastern Cape offset marginal declines in activity in both the Western Cape and KwaZulu-Natal.

In the Western Cape, the delayed award of the new offices for Capitec impacted anticipated activity in the first half of the year, ultimately resulting in a slight decline in revenue over the prior year. Commercial office developments comprised 35% of activity, supported well by activity in the residential, retail, mixed-use and healthcare sectors. Major projects included the new offices for Capitec, ongoing construction of the Axis and Palm Vue apartments in Century City, extensions to Checkers in Constantia and completion of the mixed-use Yacht Club development along the V&A Waterfront. Construction of a new biomed facility for the Stellenbosch University also gained traction in the second half of the year.

In KwaZulu-Natal, the division delivered good results given that a nine-month delay to the Oceans residential development in Umhlanga impacted revenue generation. The Umhlanga Arch mixed-use development created a strong baseload of work through the year, supported by the completion of the Suncoast Casino. The number of available building opportunities within the region has diminished, forcing the division to bid upon projects in the highly competitive industrial warehouse sector. This required major adjustment to the site overhead traditionally allowed for without compromising on delivery and quality. As a result, the division secured three new warehouses from this sector and is successfully executing these projects within tender allowables.

BUILDING AND CIVIL ENGINEERING CONTINUED

Activity in the Eastern Cape showed a marked improvement during the year with revenue increasing by 63% following the award of two large new projects at the East London Industrial Development Zone. Ongoing progress on the Milkwood Social Housing project, Akacia Medical Facility and the completion of various buildings at the BAIC automotive facility also contributed strongly.

In Ghana, in addition to the exit of the division's traditional customer base from the region in the prior year, the lack of available opportunities was further compounded by reduced building activity in general. Construction of a new mall in Takoradi and extensions to Game Stores in Accra continued through the year, while a smaller project for South African Breweries was also secured and completed during the year.

Civil engineering

- Local civils market remains constrained
- Declining activity in West Africa offset by improved activity in Zambia driven by mining and renewable energy infrastructure spending
- Construction of the commercial crude oil terminal facility progressing well

Revenue from the Civil engineering division grew pleasingly to R1,4 billion (FY2018: R1,2 billion) as increased revenue both locally and in Zambia offset declining activity in West Africa following the completion of projects in Guinea and Ghana.

The local market remains constrained with limited opportunities and activity was sustained by the base load of work at the commercial crude oil terminal facility at Saldanha (in conjunction with the Roads and earthworks division) and the reaccess works at the Kusile Power Station. The group continues to adopt conservative profit recognition on the crude oil terminal facility pending the resolution of various contractual issues. In the coal mining sector, the construction of a rapid load out station at the Grootegeluk mine in Limpopo was completed while a coal-handling facility at Belfast is progressing well.

Revenue in Zambia increased significantly as construction of new infrastructure surrounding the concentrator at the Mopani mine in Mufulira and the Ngonye solar photovoltaic power plant in Lusaka continued through the year.

UMHLANGA ARCH

Premier mixed-use development comprising office, retail and hotel space as well as luxury apartments

PROJECT VALUE

R808 million

PROJECT DURATION

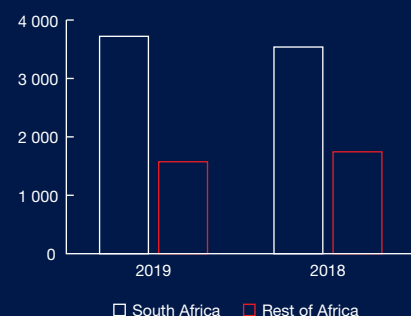
33 months



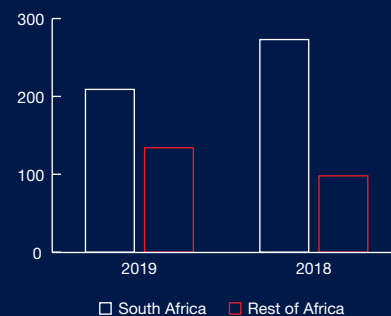
OPERATIONAL REPORTS

REVENUE (Rm)	OPERATING PROFIT (Rm)	OPERATING MARGIN (%)	CAPITAL EXPENDITURE (Rm)	PROJECTS NEGOTIATED (%)
2019: 5 295 2018: 5 282	2019: 343 2018: 371	2019: 6,5 2018: 7,0	2019: 237 2018: 187	2019: 21 2018: 25
NUMBER OF EMPLOYEES	RETRENCHMENTS	TRAINING SPEND (Rm)	LTIFR (per million man hours worked)	
2019: 5 963 2018: 5 852	2019: 321 2018: 38	2019: 39,6 2018: 39,7	2019: 0,43 2018: 0,30	

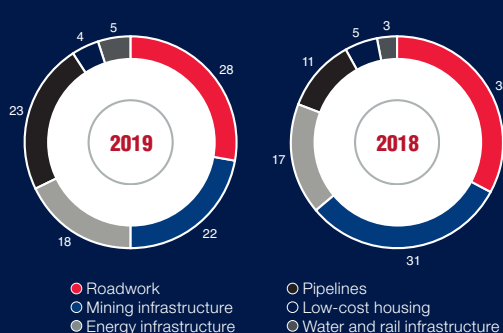
REVENUE (Rm)



OPERATING PROFIT (Rm)



REVENUE BY SECTOR (%)



ROADS AND EARTHWORKS

The year in perspective

- Revenue levels stable (FY2018: 15%)
- 5% growth in South Africa
- 11% decline from the rest of Africa
- 13% contribution to group revenue
- Margin of 6,5% (FY2018: 7%) reflects challenging environment
- Further hampered by additional completion costs on projects in Guinea and Mozambique

The Roads and earthworks division delivered solid results as activity in South Africa and Mozambique was sustained and a significant increase in activity in Botswana offset declining mining activity in West Africa. Overall revenue was maintained at R5,3 billion, while a decrease in the operating margin from 7,0% to 6,5% reflects both the challenging market conditions and additional costs to complete projects in Guinea and Mozambique.

Higher activity within the southern Africa region resulted in an overall increase in headcount to 5 963 (FY2018: 5 852), however, lower activity in West Africa contributed to a sharp increase in the number of retrenchments in the year. In total 321 employees were retrenched compared to 38 in the previous financial year.

An increased plant requirement to support elevated levels of mining infrastructure projects both in South Africa and Botswana, resulted in capital expenditure increasing by R50 million to R237 million in FY2019 (FY2018: R187 million).

Regrettably, the division experienced two fatal incidents during the year, one in Botswana where a WBHO employee was fatally injured and one in South Africa where two subcontractor employees lost their lives in a traffic accident. These incidents contributed toward poorer safety statistics with the LTIFR increasing to 0,43 (FY2018: 0,30).

Training spend declined by 0,1% percent from R39,7 million to R39,6 million as we address the ongoing skills shortage at middle management level.

Illegal work stoppages increased significantly this year. The division is predominantly impacted by rural communities on its mining infrastructure and roadwork projects as well as taxi associations on bus rapid transit projects in the cities.

South Africa

- Solid performance in a challenging market
- Growth in revenue supported by mining and energy infrastructure sectors
- Decline in roadwork – activity supported by existing projects with only three new projects secured in FY2019
- Coal mining infrastructure projects for three large mining houses
- Pipeline market remains highly competitive – large proportion of work derived internally by offering clients a full suite of construction services
- Increased activity in low-cost housing market with additional projects secured in KwaZulu-Natal and the Eastern Cape

Revenue increased by 5,2% to R3,7 billion in the current year. Roadwork projects and infrastructure for the mining and energy sectors underpinned activity levels. Limited new opportunities were available within the roadwork sector with revenue being generated from existing secured projects. These comprised ongoing upgrades to the N2 and N6 for SANRAL, extensions to existing roads at Saldanha for the Western Cape provincial government, a new bridge for Transnet, also at Saldanha, and the rehabilitation of the N4 near Zeerust for Bakwena. New awards from within the sector included new BRT projects in KwaZulu-Natal and Johannesburg and an upgrade to the provincial road between Worcester to Robbertson for the Western Cape provincial government.

Roadspan, the road surfacing business unit within the division also had a difficult year on the back of the declining levels of road construction and rehabilitation opportunities. As a subcontractor, Roadspan is exposed to smaller main contractors within its sector and the increased levels of uncollectable debt incurred in the current environment remain a concern.

Activity within the mining sector includes projects for a number of large mining houses: these entail raising of a tailings dam and construction and upgrades of access roads for the Sishen Iron Ore Company, various earthworks and infrastructure to extend the life of the Klipspruit mine for South32, earthworks and other civil works for the navigation pit at the Khwezela mine for Anglo Coal and completion of the works at the Booyendal mine for Northam Platinum.

Major infrastructure projects under construction within the energy sector include the ongoing construction of a haul road, ash dam and accompanying earthworks and infrastructure for SASOL, and the division's participation in the construction of the crude oil terminal facility at Saldanha.

The bulk of the division's Pipeline activity was derived internally this year by offering clients a full suite of construction services alongside the group's other divisions. These included extensive pipeline expertise and construction services at the crude oil terminal facility in Saldanha, the ash dam for SASOL and at the Klipspruit mine for South32. For external customers, the division executed contracts for Nsezi Water, comprising construction of a raw water pipeline as well as various small works contracts for Joburg Water, Egoli Gas and the City of Cape Town. In the second half of the year the division secured the long awaited Zulti pipeline contract for Richards Bay Minerals, comprising a 42 kilometres pipeline connecting the northern section of the existing mine, with the Zulti South, as well installing communication cables and a water pipeline from the mine to the coast.

Further low cost housing projects were secured in KwaZulu-Natal and the Eastern Cape during the year with 2 112 houses constructed for rural communities this year and a further 1 744 on hand to be constructed over the next two years. The division has become a significant participant in the sector, having been acknowledge for its timeless delivery, high levels of quality and commitment to the participation of local communities. The effectiveness of government appointed implementing agents and payment collection remains significant risks.

ROADS AND EARTHWORKS
CONTINUED

Rest of Africa

- Sharp decline in activity in West Africa as existing projects completed
- Increased mining infrastructure activity in Botswana
- Award of a new road project in eSwatini (Swaziland) and early works for the Lesotho Highlands Water Project
- Construction of first gas-related infrastructure project underway – and access road in Palma

Revenue from the region declined by 9,8% to R1,6 billion as revenue growth of 52% from Botswana, following the award of a number of mining infrastructure projects, was unable to fully mitigate a sharp decline in activity in West Africa as existing projects reached completion.

Mining infrastructure activity in Botswana comprised four projects for Debswana, three separate packages at the diamond mine in Orapa for the construction of a fines residual dam and related infrastructure and a further contract to raise a dam wall at the Jwaneng mine. Three work packages were also secured for the enabling works for a new copper mine for Khoemacau. The Tshwele Hills Rail project, executed by iKusasa Rail Africa, was completed during the year and a new contract was secured for construction of the approach and bridge railways at the Kazangula Bridge over the Zambezi River between Zambia and Botswana.

Despite increased activity in Mozambique over the first six months, total revenue for the year decreased by 5% following the completion of projects and a low order intake over the second half. Activity in the region centred around mining infrastructure at the Vale coal mine and completion of the rehabilitation of additional sections of the EN4. Regrettably, the division experienced technical challenges on an earlier section of the EN4 project that required rectification and impacted the overall margin. On a positive note the division secured its first infrastructure project in relation to the gas fields in Palma, where construction of a new community road commenced in the second half of the year.

Revenue from West Africa fell sharply as projects in Guinea and Burkina Faso reached completion without being replaced and only one new project was secured in Ghana during the year. In addition to the lower activity levels experienced, profitability was further impacted by additional unexpected costs to complete the Sigiri project in Guinea.

ORAPA
FRD

Earthworks and civils for the fines residual dam at the Orapa mine in Botswana

PROJECT VALUE

Pula 565 million

PROJECT DURATION

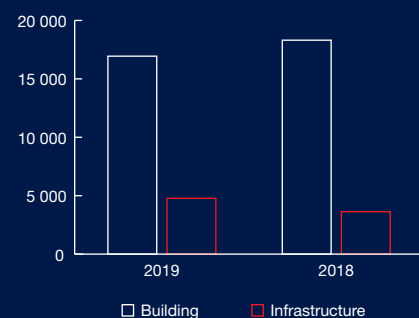
24 months



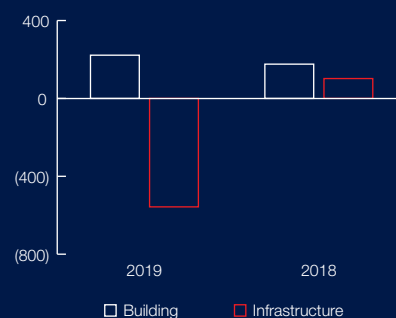
OPERATIONAL REPORTS

REVENUE (Rm)	OPERATING PROFIT (Rm)	OPERATING MARGIN (%)	CAPITAL EXPENDITURE (Rm)	PROJECTS NEGOTIATED (%)
2019: 21 713 2018: 21 941	2019: 335 loss 2018: 278 profit	2019: (1,5) 2018: 1,3	2019: 82 2018: 49	2019: 23 2018: 20
NUMBER OF EMPLOYEES	RETRENCHMENTS	TRAINING SPEND (Rm)	LTIFR (per million man hours worked)	
2019: 1 139 2018: 1 219	2019: 116 2018: 86	2019: 4,8 2018: 7,2	2019: 0,73 2018: 1,72	

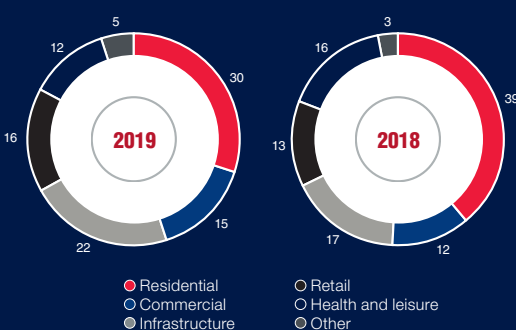
REVENUE (Rm)



OPERATING PROFIT (Rm)



REVENUE BY SECTOR (%)



AUSTRALIA

The year in perspective

- Overall revenue sustained (FY2018: 22% growth)
- 8% revenue decline in building business
- 31% growth in infrastructure business
- 53% contribution to group revenue (FY2018: 63%)
- Unprecedented loss of AU\$33 million
- Negative margin of 1,5% (FY2018: 1,3% profit)

Revenue from the Australian business declined marginally by 1% to AU\$2,1 billion. Otherwise solid results remained overshadowed by the provision for future losses and a reversal of previously recognised profits on the Western Roads Upgrade (WRU) project in Melbourne at the interim reporting date. Consequently, an operating loss of AU\$33 million was recorded for the year (FY2018: AU\$28 million profit). No further provision for losses has been recognised on the project in the second half of the financial year.

The focus on improved safety training and awareness contributed to a significant improvement in the LTIFR of 0,73 (FY2018: 1,72) in the year. The number of staff decreased to 1 139 (FY2018: 1 219) compared to the previous financial year.

Building

- Strong fixed investment in the Melbourne and Sydney markets with a focus on mixed-use development mega-projects
- Opportunities within retail and residential markets remain subdued
- Moderate decline in revenue from Probuild – focus on project execution
- Melbourne and Sydney markets comprise 63% of building revenue
- Strong growth of 76% in Perth
- Reduced bidding activity in Queensland with focus centred on delivery of challenging project

Revenue from the building business decreased by 8% from AU\$1,8 billion to AU\$1,7 billion for the year ended 30 June 2019, reflecting the strategic decision to constrain further revenue growth in order to focus on improving project execution. This resulted in an improvement in the operating margin from 1,0% to 1,3%.

The following major projects were completed and handed over successfully this year; EQ residential tower in Perth; the 271 Spring Street commercial tower, further sectional handovers of apartments in the Aurora tower, Caulfield residential tower and the Glen Shopping Centre all in Melbourne, and the Queen Wharf Excavation project in Brisbane.

Ongoing construction includes the multi-storey residential Greenland tower and a mixed-use retail and residential project at Edmondson Park in Sydney as well as a large-scale mixed-use residential and hotel development at Westside Place in Victoria, which is currently the building business's largest project at approximately AU\$700 million. Work within the commercial sector continues at 311 Spencer Street, a commercial tower for the Cbus Superannuation Fund (Cbus), housing the Victoria Police Department along with a new tower at the Victoria University Campus in Melbourne. In Queensland, operational focus is concentrated on the challenging 443 Queen Street residential project to ensure delivery for Cbus.

Infrastructure and civil engineering

- Infrastructure markets remain buoyant supported by increased levels of public spending
- Activity in the Eastern region concentrated on loss-making WRU project
- 30% revenue growth in the Western region and solid profit contribution

Revenue from the infrastructure and civil engineering business was up 31% to AU\$470 million. The Infrastructure business in the Western region performed satisfactorily where revenue increased by 33% at a margin of 4,7%. Revenue from the Eastern region also grew strongly by 30% but profitability was impacted by the WRU project discussed below.

WRU PROJECT

The WRU project is a single design and construct contract comprising eight separate work packages of which four were subcontracted and four are being self-executed. Following lengthy delays in obtaining approval of the designs for the self-executed packages and a subsequent extensive due diligence process, management identified an incorrect interpretation by the design consultants of the technical specifications.

This misinterpretation resulted in the underestimation of the physical works necessary to meet the output specifications of the contract and the recognition of a provision for the anticipated future costs to execute those additional works.

The design approval for the self-executed packages has now been substantially resolved and physical works on those packages have started.

AUSTRALIA CONTINUED

Significant focus is now being placed on pursuing the contractual rights of the business in terms of the contract. These comprise material delay claims against the design consultants as well as other delay claims and variations against the ultimate client. A specialist third party consultant has assisted in compiling the claim against the design consultants and it is expected this claim will be submitted within the next month.

Management has adopted a view on the outcome of these expected claims in determining the provision for future loss on the project and believes the full extent of the potential loss has been recognised with the information currently available. In the year, WBHO recognised a AU\$57 million (R578 million) loss on the projects.

The four subcontracted packages are performing well with final commercial acceptance expected on differing dates toward the end of the 2019 calendar year and the first quarter of 2020.

During the second half of the year, the business strategy in the Eastern region was modified to reduce risk allocation on prospective new work, focusing on lower risk construction-only projects and, where possible, maintenance contracts. This strategy is now akin to the successful strategy of the Western region. Projects in the Eastern region in line with expectation with new work conversion is slowing while the new strategy is implemented.

THE RITZ CARLTON AT ELIZABETH QUAY

379 residential apartments
across two sites and a six-star
205 room Ritz Carlton Hotel

PROJECT VALUE

AU\$413 million

PROJECT DURATION

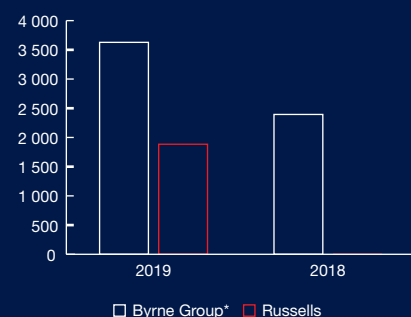
23 months



OPERATIONAL REPORTS

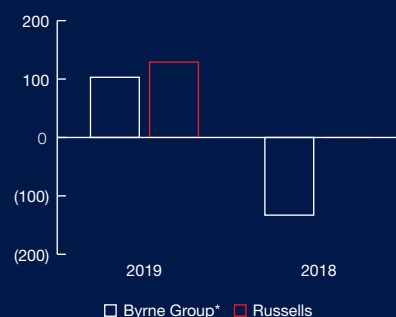
REVENUE (Rm)	OPERATING PROFIT (Rm)	OPERATING MARGIN (%)	CAPITAL EXPENDITURE (Rm)	PROJECTS NEGOTIATED (%)
2019: 5 684 2018: 2 394*	2019: 228 2018: 133 loss*	2019: 4,0	2019: 13	2019: 7 (Byrne Group) 2019: 75 (Russells Limited)
NUMBER OF EMPLOYEES	RETRENCHMENTS	TRAINING SPEND (Rm)	LTIFR (per million man hours worked)	
2019: 1 127	2019: 14	2019: 3	2019: 3,94	

REVENUE (Rm)

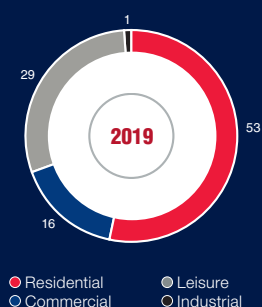


* For comparative purposes only. Byrne Group accounted for as an associate until 30 June 2018.

OPERATING PROFIT (Rm)



REVENUE BY SECTOR (%)



UNITED KINGDOM

Revenue from the United Kingdom (UK) operations grew by 137,4% to R5,7 billion following the acquisition of Russells Limited at the beginning of the year. Operating profit improved to R228 million following a loss of R133 million from the Byrne Group. In FY2018, the Byrne Group was equity-accounted as an associated company and only R57 million of currency gains was disclosed in the segmental report of the prior year audited consolidated financial statements.

Byrne Group

- London construction market offered sufficient opportunities in the year but softened over the last quarter
- Successful restructuring of the business
 - 46% increase in revenue, 34% decrease in overheads and reduced restructuring costs
 - Return to profitability in FY2019
- No major underperforming contracts
- Operating profit of £5,8 million at a margin of 2,9%

The Byrne Group returned to profitability assisted by an increase in revenue of 46%, solid execution of projects and the decisive action taken by the group to reduce its fixed cost base. Operating profit amounted to £5,8 million at a margin of 2,9%.

Byrne Brothers, the specialist concrete frame business, completed projects on a new research facility and offices in Cambridge, a 27-storey commercial office building in Canary Wharf, the remodelling of Wimbledon Courts 1 and 19, a 41-storey commercial office building in Bishopsgate, a 6-10 storey commercial office building in the Stratford International Quarter and a 14-storey commercial office building attached to Westfield, Stratford.

Ellmer Construction, the new build, fit-out and refurbishment contractor, completed projects in and around London which included 21 Young Street, the new build of 53 residential apartments in Kensington, various fit-out elements at Tottenham Hotspur's new stadium including washrooms and bars, the off-site manufacture and site installation of 362 high-end bathroom pods at Capco's Lillie Square residential development in Earls Court, the super-prime fit-out of a penthouse on Grosvenor Square and the creation of two new retail spaces for retailers Zara and River Island at Intu's Lakeside Shopping Centre.

Russells Limited

- Increasing population is underpinning growth in Manchester
- Residential and hotel sectors continued to drive record levels of real estate development
- Commercial office developments also on the increase
- Revenue exceeded £100 million for the first time but in line with expectations
- Operating profit of £8 million at a 7% margin

Russells performed in line with expectations achieving revenue in excess of £100 million for the first time and operating profit of £8 million. Russells operates within a broad range of sectors with the Manchester residential market particularly buoyant currently. Residential activity accounted for 46% of the revenue for the year, with the hotel sector contributing 33%, the industrial sector 9% and commercial sector contributing 12% toward total revenue.

A notable achievement in the year was the completion of the £35 million refurbishment of NOMA's flagship Hanover project in Manchester which has been hailed as one of the city's best heritage projects of recent times. Not only has the building, and the wider regeneration scheme, been hailed for providing an economic resurgence in the north of the city centre, the project itself has been recognised with a slew of awards including: The RICS North West award for Building Conservation Project of the Year; British Council of Offices 2019 Refurbishment of the Year; and North West Business Insider Property Awards – Commercial Development of the Year.

The company is currently on site with 12 projects within Manchester. The £35 million Axis Tower and £80 million Oxygen Towers are two luxury residential developments. The Axis Tower project is considered one of the city's most complex builds due to the construction of 29 storeys on a 300 m² footprint adjacent to a canal bank. In addition, Russells has been appointed to restore the elegance of some of Manchester's heritage properties as the main contractor for a series of large-scale refurbishment projects within the NOMA regeneration area. During the year a £35 million refurbishment of Hanover House, which is to become Amazon's new Manchester base, was completed for Hermes Investment Management alongside as well as an £8 million refurbishment of a grade two listed building in Dantzic Street. A further £9 million refurbishment to upgrade 60 000 square feet of offices and adding a restaurant and café to the listed Redfern building is also now underway.

ROOKERY PITS, BEDFORD

An energy recovery facility
designed to convert waste
into low-carbon energy, able
to meet the demands of
112 000 homes

PROJECT VALUE

£23 million

PROJECT DURATION

15 months



OPERATIONAL REPORTS

REVENUE (Rm)*	OPERATING PROFIT (Rm)	OPERATING MARGIN (%)	CAPITAL EXPENDITURE (Rm)	NUMBER OF EMPLOYEES
2019: 976 2018: 842	2019: 20 2018: 5	2019: 3,5 2018: 1,0	2019: 6 2018: 3	2019: 144 2018: 115
RETRENCHMENTS	TRAINING SPEND (Rm)	LTIFR (PER MILLION MAN HOURS WORKED)		
2019: 0 2018: 0	2019: 3,3 2018: 0,9	2019: 1,3 2018: 3,1		

* Gross revenue before eliminating inter-group.



CONSTRUCTION MATERIALS

Reinforced Mesh Solutions

- Steel sales impacted by low construction activity
- Influx of low-cost rebar suppliers
- Focus on strengthening credit management processes
- Remain under pressure until construction activity improves

Trading conditions within the steel supply industry remain difficult. Competition amongst rebar companies has been aggressive in an effort to secure work in a declining market. Margins are unsustainably low which together with a slow payment environment has placed increased pressure on cash flows within the business. Overall the business achieved revenue of R580 million (FY2018: R501 million) and an operating profit of R20 million (FY2018: R5 million).

Given the current distress within the construction industry, Reinforced Mesh Solutions (RMS) is proactively implementing its commercial and contractual rights as well as strengthening its credit management processes in an effort to reduce exposure to the non-collection of debt. This has proven successful for the business with minimal impact from companies that have been liquidated or entered business rescue this year.

With the exception of the Springbok branch in the Northern Cape where the business is supplying and fixing steel on a large windfarm project, the remaining inland branches of RMS experienced low volumes.

The coastal branches had a good year with improved volumes although margins in KwaZulu-Natal remain exceptionally tight amid strong competition.

The group anticipates further challenges through FY2020.

N6 ROUXVILLE TO SMITHFIELD

Rehabilitation of National Route N6 Section 6 from the south of Rouxville to the south of Smithfield

PROJECT VALUE

R385 million

PROJECT DURATION

32 months

ORDER BOOK AND OUTLOOK

Order book marginally down by 4% to R47 billion. 83% of FY2019 revenue secured for FY2020.

The group's order book at 30 June 2019 decreased by 4% from R49 billion to R47 billion. The South African market is anticipated to remain challenging due to the poor economic outlook. Further consolidation is anticipated in the construction industry which should benefit WBHO over the medium term. Opportunities to the rest of Africa are limited, while sentiment in Australia and the United Kingdom (UK) remains positive.

The movement in the order book comprises a 39% and 8% increase in the order books of the Roads and earthworks and Building and civil engineering divisions respectively, a decrease of 16% in the order book of Australia in line with strategy and an increase of 21% in the order book of the UK operations following the inclusion of the order book of Russells Limited.

Having secured 83% of the revenue achieved in FY2019 WBHO is poised for a solid performance in the forthcoming year.

GROUP ORDER
BOOK DOWN 4%
TO **R47 billion**

83% OF FY2019
REVENUE SECURED
FOR FY2020

ORDER BOOK
FOR AFRICAN
OPERATIONS
UP **21%**

AUSTRALIAN
ORDER BOOK
DOWN **16%**

UK OPERATIONS
NOW COMPRISE
16% OF TOTAL
ORDER BOOK

AFRICA

South Africa

- Local market conditions likely to remain subdued over the short term
- WBHO has sufficient work secured to manage through this period
- Progress made by government in restoring sound governance within state-owned enterprises
- Multiple multi-billion rand projects recently announced by ACSA, Transnet, Eskom and SANRAL. Due to long lead times, these would only yield results from FY2021
- Re-emergence of large-scale public infrastructure will assist mid-term recovery of the local industry

Rest of Africa

- Shift toward southern and eastern African countries as West African markets remain subdued
- Gas-related infrastructure projects in Mozambique awarded with strong pipeline of potential new work
- Mining activity in Botswana currently upbeat

AUSTRALIA

- Order book down by 16%
- Market sentiment anticipated to remain positive over the mid-term, particularly Melbourne and Sydney
- Public infrastructure spending will continue
- Consolidation of building business and renewed focus on project selection and delivery to continue
- Lower risk construction-only infrastructure projects will be targeted
- Decreasing residential activity
- Good growth in hotel and leisure sector
- Significant growth in proportion of infrastructure in project portfolio
- Healthy project pipeline across most markets

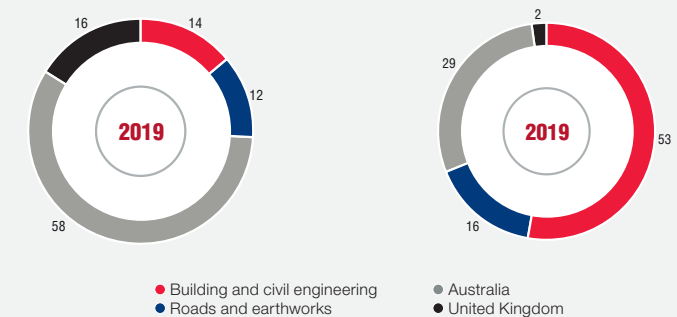
UK

- UK footprint firmly embedded
- Impact of Brexit remains an unknown
- Combined UK operations reflect 100% of FY2019 revenue secured for FY2020
- Declining order book for Byrne Group reflects softening markets. Prior year included £60 million project that was cancelled
- Increased opportunities in civil engineering sector for Byrne Group
- Russells Limited positioned for growth as the preferred contractor within a strong Manchester market

ORDER BOOK BY SEGMENT

Rm	%	At 30 June 2018	%	At 30 June 2019	2020	2021 and beyond
Building and civil engineering	12	5 985	14	6 446	5 269	1 178
Roads and earthworks	9	4 165	12	5 796	4 380	1 416
Australia	66	32 565	58	27 316	18 215	9 101
United Kingdom	13	6 446	16	7 810	5 818	1 992
Total	100	49 161	100	47 368	33 682	13 686

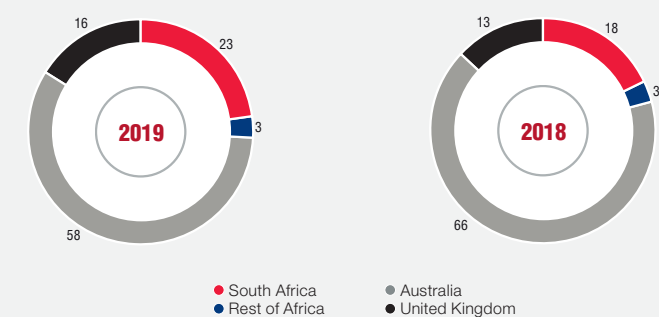
Order book by segment (%)



ORDER BOOK BY GEOGRAPHY

Rm	%	At 30 June 2018	%	At 30 June 2019	2020	2021 and beyond
South Africa	18	8 698	23	10 704	8 308	2 396
Rest of Africa	3	1 452	3	1 538	1 341	197
Australia	66	32 565	58	27 316	18 215	9 101
United Kingdom	13	6 446	16	7 810	5 818	1 992
Total	100	49 161	100	47 368	33 682	13 686

Order book by geography (%)



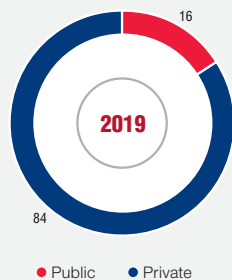
ORDER BOOK AND OUTLOOK

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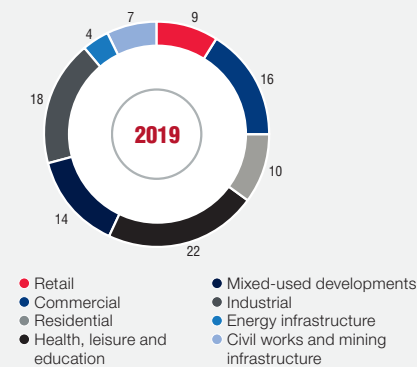
BUILDING AND CIVIL ENGINEERING

Rm	% growth	At 30 June 2019	At 30 June 2018
South Africa	18	6 348	5 374
Rest of Africa	(84)	98	611
Total	8	6 446	5 985

Public versus private (%)



Sector spread (%)



Despite lacklustre conditions across general construction markets, the Building and civil engineering division begins the new year with a strong order book with 72% of FY2019 revenue secured for FY2020.

While local building markets remain subdued, through its ability to execute projects in a challenging environment, the Building division remains the preferred contractor, particularly on larger projects. In Gauteng, the division has sufficient work on hand through the first six months of the new financial year and the award of a new large-scale warehouse subsequent to 30 June 2019, together with a number of imminent negotiations, will support activity over the second half.

The KwaZulu-Natal building market hardened noticeably over the second six months, however, the division successfully bid for and has been awarded a number of warehouses in the highly competitive industrial sector. In the Western Cape, while the tender market remains competitive, the division is able to negotiate most new projects with existing clients, with only the new offices for Capitec and the Biomed research facility in Stellenbosch secured in the open market during FY2019.

Following a strong order intake in FY2019, the division is positioned for solid growth in the Eastern Cape this year. Each of the coastal divisions enters the new financial year with substantially full order books. Commercial office projects,

residential and mixed-use developments and an increase in industrial warehouses both in KwaZulu-Natal and the Eastern Cape will form the bulk of work to be executed.

Building markets in West Africa remain particularly difficult with Ghana currently offering limited opportunities. As a result, the division is actively pursuing opportunities in Botswana, Zimbabwe and Mauritius.

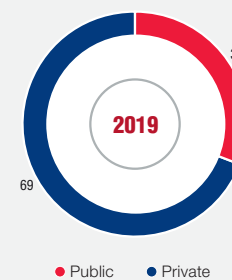
The local order book of the Civil engineering division remains in line with that of the previous year and includes completion of the commercial crude oil terminal facility at Saldanha in the second half of the financial year, ongoing completion works at Kusile Power Station where the participation of the division has increased from 25% to 50%, and construction of the Copperton and Garob windfarm in the Northern Cape. In Zambia, the order book has decreased as the work at the Mopani copper mine progresses, however, various mining and industrial opportunities continue to exist. In Mozambique, as the early works related to the gas infrastructure finally enter the market, the division has been awarded a contract in consortium, for the construction of a 9 500 person camp in Palma, alongside the group's Roads and earthworks division.

The Building and civil engineering division has secured additional projects in excess of R1,2 billion between the end of the financial year and the date of this report.

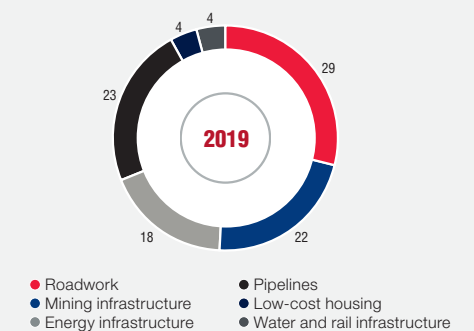
ROADS AND EARTHWORKS

Rm	% growth	At 30 June 2019	At 30 June 2018
South Africa	29	4 290	3 323
Rest of Africa	71	1 440	842
Total	39	5 730	4 165

Public versus private (%)



Sector spread (%)



The 39% growth in the order book of the Roads and earthworks division includes a healthy 29% growth locally, bolstered by the award of additional work for Sasol and the large-scale Zulti Pipeline project for Richards Bay Minerals during the year.

The order book for the rest of Africa grew by 71% following a strong order intake in Botswana during the year as well as the award of a road project in Swaziland and the early works for the Lesotho Highlands Water Project.

The division begins the year with 83% of FY2019 revenue secured for FY2020.

Locally, roadwork and mining infrastructure will underpin activity for the year ahead. The road construction and rehabilitation sector remains subdued with the only two new awards in the FY2019 year. The upgrade of the N4 near Machadadorp recommenced following a 12-month delay due to community unrest. Ongoing construction of existing projects awarded during the course of FY2018 will, however, continue to support activity from this sector in the year ahead. The recent announcement from SANRAL indicating R40 billion to be spent on road upgrades over the next three years bodes well for the sector, however, execution of these projects is only likely to commence in FY2021.

Mining infrastructure activity within the coal sector continues for Exxaro, Anglo Coal and South32 with additional work for a 20km dragline being awarded by Anglo Coal at the Khwezela mine near Emalahleni.

In Botswana, activity will be focused on executing the existing mining infrastructure projects on hand. However, opportunities exist within the water infrastructure market pending the adjudication of bids submitted for further phases of the North-South Carrier pipeline.

In Mozambique, the gas-related infrastructure projects on hand will form the bulk of activity in the region with numerous additional opportunities available from this sector likely to support activity in the region over the mid- to long-term.

In West Africa, the division has submitted tenders for a number of mining infrastructure projects in Ghana, Guinea, Sierra Leone and Burkina Faso, however, the timing of adjudication and award of these projects remains uncertain.

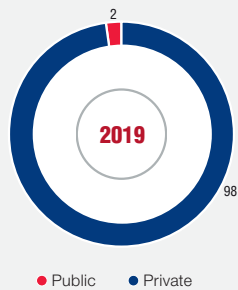
ORDER BOOK AND OUTLOOK

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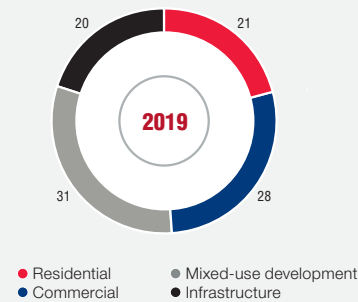
AUSTRALIA

Rm	% growth	At 30 June 2019	At 30 June 2018
Building	(10)	21 717	23 997
Infrastructure	(35)	5 599	8 568
Total	(16)	27 316	32 565

Public versus private (%)



Sector spread (%)



Strong population growth and increased urbanisation continue to support both building and infrastructure markets in Australia.

Non-residential building activity is expected to remain stable with continued investment in Melbourne and Sydney. Probuild continues to maintain sound relationships with key clients resulting in repeat contracts. The business has been successful in securing the last of the high-value residential projects for repeat clients in the Melbourne and Sydney markets, which will support activity from this sector in the year ahead. Large-scale, mixed-use developments continued to offer opportunities and these projects will be selectively targeted at acceptable levels of risk. At the same time the business has positioned itself for an expected increase in commercial projects and select retail projects over the short term. To maintain teams for these anticipated large retail project opportunities, teams have been engaged on smaller fit-out and commercial refurbishment projects to maintain those teams of staff for the future.

Recent awards include an AU\$212 million student accommodation project for Curtin University in Perth, a mixed-use commercial project valued at AU\$80 million known as Elizabeth North in Melbourne and the AU\$178 million Glen Sky

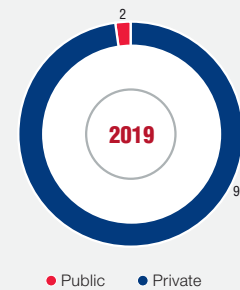
Garden residential development (a residential tower in which the business has a 20% development interest) above the recently completed Glen Shopping Centre. A further five projects to the value of AU\$359 have been secured by Probuild subsequent to 30 June 2019.

Australia's population growth coupled with rapid urbanisation is driving pressure on infrastructure requirements. Accordingly, the current high levels of public sector spending are expected to continue over the mid-term with the infrastructure deficit estimated at AU\$800 billion. The Infrastructure and civil engineering order book at 30 June 2019 amounts to AU\$566 million including the WRU project. Given the difficulties experienced on that project and reduced bidding capacity within the Eastern region, the strategic focus will remain on securing construction-only road projects as well as projects in the renewable energy sector where the business has a successful track record.

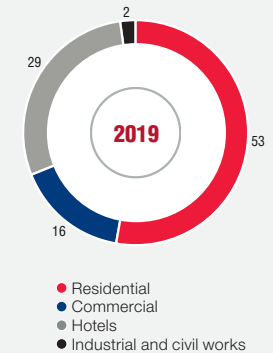
UNITED KINGDOM

Rm	% growth	At 30 June 2019	At 30 June 2018
Byrne Group	(39)	3 959	6 446
Russells Limited		3 851	–
Total	21	7 810	6 446

Public versus private (%)



Sector spread (%)



The combined order book of the UK operations now comprises 16% of the group order book with in excess of 100% of current year revenue secured for the year ahead.

Within Byrne Brothers, ongoing construction of Google's new head offices near London's King's Cross station, the One Nine Elms development comprising 58-storey and 42-storey residential towers and the mixed-use development and 1-5 Grosvenor Place will contribute strongly toward revenue in FY2020. In addition, late in the second half of the year the business secured a contract for civil works aimed at the ecological restoration of the Rookery Pits in Bedfordshire as well as a new project in the nuclear sector.

Ellmer Construction's secured order book includes the development of 26 luxury apartments at Mayfair Park Residences in Mayfair, the super-prime fit-out of two further penthouses and several apartments in Grosvenor Square, the off-site, modular construction of the washrooms for Google's new head office and an extensive refurbishment of the Kingsway Hotel.

Activity within the London construction market showed signs of tapering over the last quarter of the year with fewer available opportunities. The business is preparing to realign for an increase in civil engineering activity and public sector work in anticipation of a potential private sector investment slowdown due to Brexit uncertainty.

Russells was recently awarded a £34 million project for the redevelopment of 193 apartments at Chatham Waters in Kent as well as construction of a £43 million, 17-storey, 329-bedroom hotel in central Manchester. The residential and hotel sectors are expected to continue to flourish in Manchester and the company is well placed to take advantage of future opportunities having a proven track record of delivery in these sectors.

MESSAGE FROM THE

CHIEF FINANCIAL OFFICER

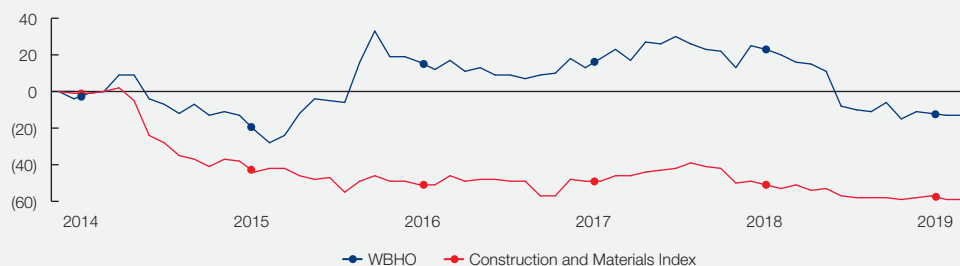


CHARLES HENWOOD

“Notwithstanding a disappointing overall financial performance due to the impact of the Western Roads Upgrade (WRU) project, the group has once again delivered well this year. Steadfast performances from both the African operations and United Kingdom (UK) operations resulted in strong cash generation ensuring we maintained a solid financial position.

While South African listed contractors have endured increasingly difficult operating conditions over the last five years, WBHO has sustained value for shareholders, maintaining its position as the largest contractor on the JSE by market capitalisation, achieving year-on-year revenue growth and sector leading profitability.

WBHO Share price versus Construction and Materials Index



The share price of the group declined noticeably following the announcement of losses relating to the WRU project in our interim results and closed the year at R110. However, following the release of these final results highlighting our ability to withstand the impact of WRU, the share price has recovered to R142 at the time of this report.

The condensed financial information included in the table below is extracted from the full audited financial statements of the group which are available on the company's website. The information is provided for reference purposes when reading this report.

Condensed financial statements (R'000)	2019	2018	2017	2016	2015 restated
Revenue	40 614 297	35 028 475	31 906 660	30 650 309	28 823 384
Operating profit before non-trading items	561 235	1 045 397	986 297	1 004 557	768 417
Non-trading items	(48 394)	(14 536)	(205 729)	(13 315)	(191 330)
Profits and losses from equity-accounted investments	51 958	(4 830)	68 916	45 659	46 189
Net finance income	183 447	168 467	240 894	203 014	115 942
Income tax expense	(199 253)	(351 053)	(319 161)	(395 715)	(244 572)
Profit for the year	548 993	843 445	769 546	721 850	604 137
Property, plant and equipment	1 936 709	1 883 072	1 635 349	1 710 358	1 984 417
Goodwill	921 103	531 117	523 613	572 102	498 266
Long-term receivables	346 253	373 136	446 924	298 135	267 408
Equity-accounted investments	1 069 328	745 059	650 246	347 171	203 923
Deferred tax assets	903 657	667 779	631 799	558 840	462 279
Contract assets	1 423 218	1 816 792	758 001	514 438	1 058 957
Trade and other receivables	6 717 509	6 213 877	5 635 000	5 111 251	5 090 207
Cash and cash equivalents	5 951 985	5 992 461	5 545 583	5 752 194	3 995 089
Other current assets	495 066	400 563	407 392	505 001	808 618
Total assets	19 764 828	18 623 856	16 233 907	15 369 490	14 369 164
Shareholders' equity	5 872 186	5 811 639	5 300 505	5 428 429	4 565 742
Non-controlling interests	261 645	207 517	139 895	258 421	262 443
Total equity	6 133 831	6 019 156	5 440 400	5 686 850	4 828 185
Long-term liabilities	193 164	169 718	192 637	34 581	135 264
Deferred tax liabilities	174 131	27 527	57 211	24 253	47 708
Contract liabilities	2 206 511	2 337 660	1 673 161	1 917 491	1 499 471
Trade and other payables	8 627 016	8 293 976	6 931 937	5 595 564	6 141 637
Provisions	2 414 682	1 764 968	1 913 262	2 059 645	1 619 749
Taxation payable	15 493	10 851	25 299	51 106	97 150
Total liabilities	13 630 997	12 604 700	10 793 507	9 682 640	9 540 979
Cash flows from:					
Operating activities	1 147 906	927 687	822 173	1 375 389	2 007 101
Investing activities	(867 136)	(308 871)	(180 448)	421 905	(263 250)
Financing activities	(444 500)	(219 924)	(531 136)	(322 322)	(294 550)

KEY FINANCIAL STATISTICS AND RATIOS

		2019	2018	2017	2016	2015 restated
Revenue growth	Target > 10%	15,9%	9,8%	4,1%	6,3%	14,8%
Operating profit margin (%)	Target 3-4,5%	1,4	3,0	3,1	3,3	2,7
Earnings per share (cents)		938,7	1 534,3	1 345,6	1 396,1	887,9
Headline earnings per share (cents)		932,3	1 414,6	1 307,9	1 342,9	1 085,0
Dividend per share (cents)		190	475	475	448	448
Current ratio (times)		1,1	1,2	1,2	1,2	1,2
Debt/equity ratio (%)		2,7	2,9	2,0	2,2	5,9
Effective tax rate (%)		26	29,4	29,3	31,9	33,1
Return on capital employed (%)	Target > 20%	12,4	19,8	22,3	22,9	18,0
Closing share price		10 989	14 950	13 999	12 582	9 920
Market capitalisation (Rm)		6 578	8 970	8 846	7 951	6 547
Number of employees		12 121	11 018	9 837	9 131	10 687

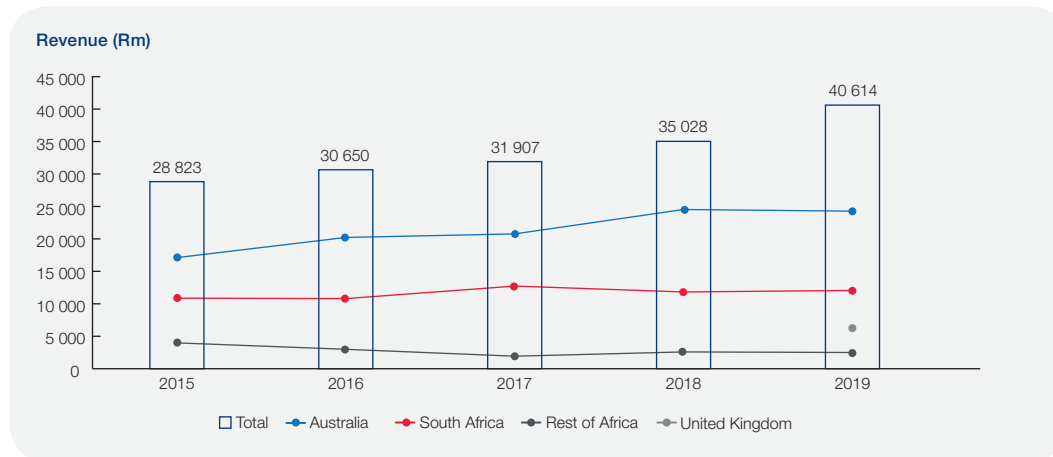
MESSAGE FROM THE CHIEF FINANCIAL OFFICER

CONTINUED

REVENUE

Group revenue increased by 16% from R35 billion in FY2018 to R41 billion in the current year due to the first-time consolidation of the UK operations. Revenue from the African and Australian operations was broadly in line with the previous year with the Australian revenue including a foreign currency translation gain amounting to R426 million as the South African currency weakened slightly over the year. Overall, the African operations contributed 33% (FY2018: 37%) toward group revenue, the Australian operations 53% (FY2018: 63%) and the UK now a healthy 14% with the inclusion of the recently acquired Russells Limited.

As depicted in the graph below, the revenue growth of 41% achieved over the past five years has been driven by growth in the Australian market and, in the current year, from our entry into the UK market. While there has been no growth achieved across Africa over the same period, when considering the effects of political instability, poor economic growth and weaker commodity cycles on African markets, the group has in fact performed admirably to sustain activity levels. This prolonged period of stagnant growth in Africa supports our recent strategy to expand into the UK market.



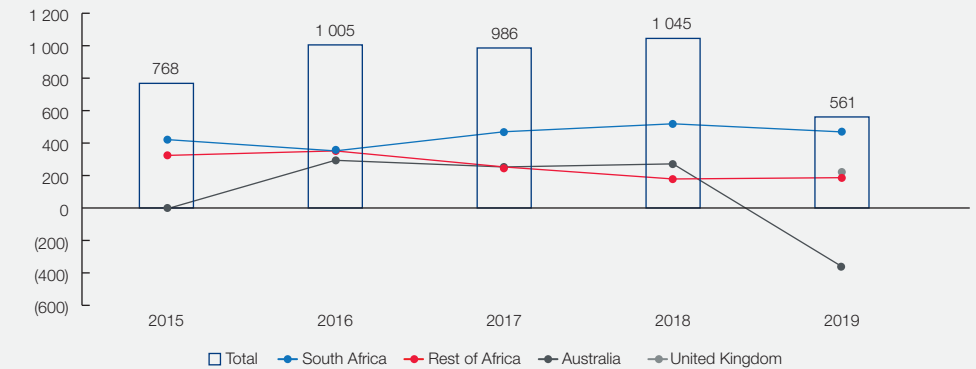
OPERATING PROFIT

Total operating profit before non-trading items declined by 46% to R561 million compared to R1,0 billion in the previous year, due to the losses provided for on WRU in the first half of the financial year which also contributed to the reduction in the operating margin of the group from 3% to 1,4%. The operating margin was further hampered by lower margins from both the Building and civil engineering and Roads and earthworks divisions due to market conditions in Africa and additional costs incurred to complete projects in Mozambique and Guinea. The UK operations returned an operating profit of R228 million at an operating margin of 4,0%.

For information on the performance of the respective business units, refer to pages 58 to 75.

Despite contributing only 33% of the group's revenue, the combined African business consistently remains the largest contributor toward total operating profit generating R668 million in the current year compared to R710 million in FY2018. In Australia, operating profitability has not mirrored the strong top-line growth achieved over recent years. While the impact of the losses recognised on the WRU project resulted in a significant operating loss of R335 million from the region, it is important to note that the full anticipated extent of the losses over the life of the contract have been recognised in the current reporting period. In addition, revenue growth has intentionally been restricted over the last two years in order to stabilise earnings through improved project execution. The contribution of R228 million in operating profit from the UK operations this year was exceptionally positive.

Operating profit before non-trading items (Rm)



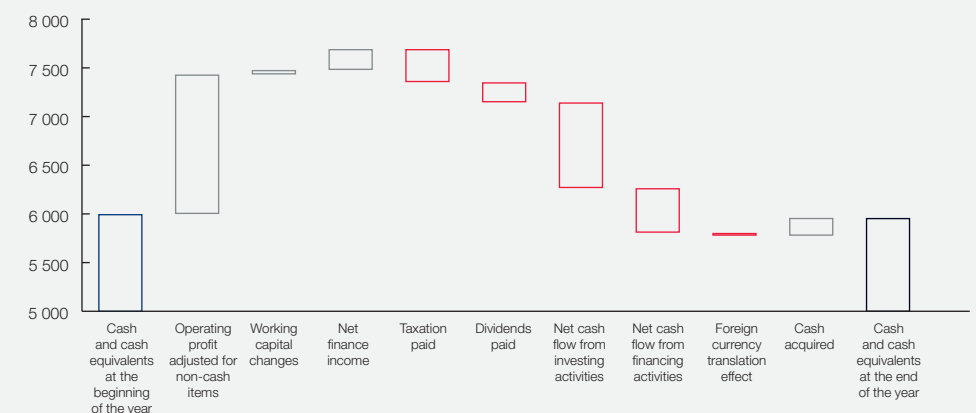
CASH BALANCES AND NET FINANCE INCOME

A further positive achievement this year was the ability of the group to maintain its cash balances at approximately R6 billion at 30 June 2019, especially after cash of R717 million (R88 million of which is included within cash flows from financing activities) was invested in Russells Limited and Russell Homes Limited in the UK during the year. This was achieved by strong cash generation from operations (particularly in the UK) amounting to R1,5 billion compared to R1,4 billion generated in the comparative period.

Cash outflows relating to capital expenditure amounted to R223 million (FY2018: R238 million) and instalments in respect of financed plant and equipment amounted to R171 million (FY2018: R63 million). An additional R98 million was also invested in existing equity-accounted investments.

In aggregate, cash balances decreased by R40 million during the year with local and foreign cash balances amounting to R1,5 billion and R4,5 billion respectively.

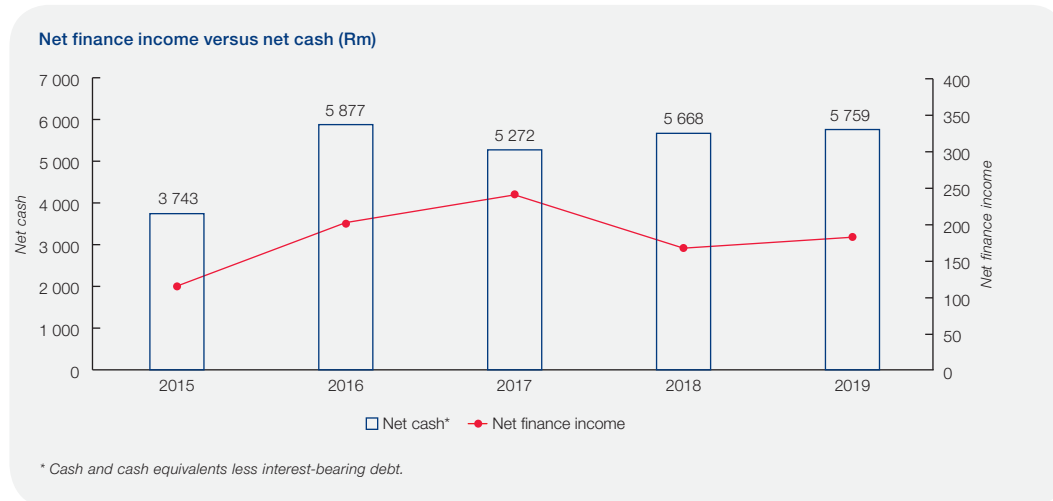
FY2019 cash flow movement (Rm)



MESSAGE FROM THE CHIEF FINANCIAL OFFICER

CONTINUED

Net finance income of R183 million (FY2018: R168 million) increased by 9% year on year representing 25% of net profit before tax, up from 14% in the prior year due to the lower operating profit delivered.



Consistent profitability, effective contract management, low levels of debt and responsible cash management and treasury practices continue to support high levels of cash resources within the group. This has afforded the group the flexibility to expand into new markets, unlock projects by providing mezzanine financing to select clients, acquire equity stakes in property developments and generally weather challenging market conditions often characterised by extended or delayed payment terms.

INCOME TAX EXPENSE AND TAXATION BALANCES

Income tax expense of R199 million (FY2018: R351 million) decreased by 43% in line with the decline in profit before tax, while the effective tax rate of 26,4% was lower than the prior year rate of 29,3% largely due to lower corporate tax rate of 19% in the UK.

Rm	2019	2018
Net deferred tax asset	730	640
Net current tax asset	152	105

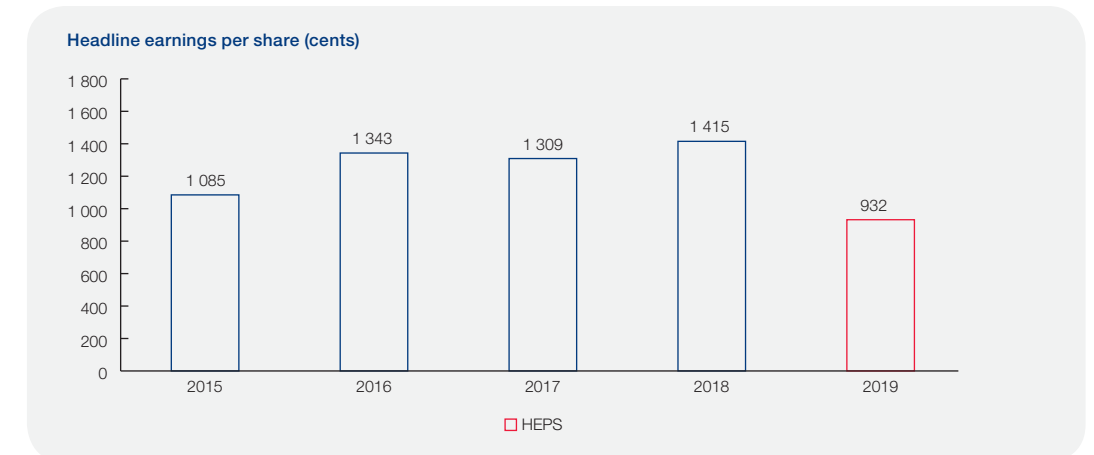
The increase in the net deferred tax asset relates to an amount of R40 million recognised in respect the adoption of new IFRS standards and an increase in timing differences due to the provision recognised on the WRU project. The balance consists of tax losses of R221 million (FY2018: R276 million) available for set-off against future taxable income and timing differences of R508 million (FY2018: R364 million).

The current tax balance consists of foreign tax credits of R48 million (FY2018: R81 million), taxation refundable of R119 million (FY2018: R35 million) and a tax liability of R15 million (FY2018: R11 million).

Tax compliance is becoming increasingly onerous across all jurisdictions in which the group operates with extensive new reporting requirements being implemented by tax authorities. WBHO adopts a practical and ethical tax structure, employing both dedicated internal tax professionals as well as making use of suitable specialist tax consultants to ensure the group adheres to its tax obligations across all international tax jurisdictions.

EARNINGS AND RETURN ON CAPITAL

Earnings per share decreased by 39% from 1 534 cents per share at 30 June 2018 to 939 cents per share at 30 June 2019 and headline earnings per share decreased by 34% from 1 415 cents per share to 932 cents per share. Headline earnings for the year totalled R495 million (FY2018: R752 million), with the only significant adjustment being R6 million in respect of the profit on sale of property, plant and equipment and the related non-controlling interest and tax consequences.



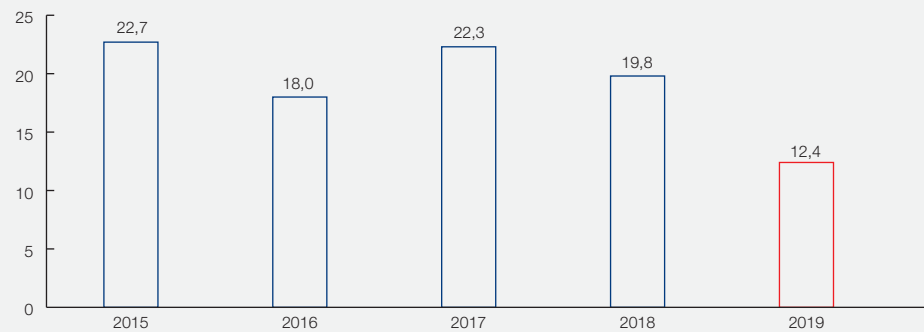
RECONCILIATION OF HEADLINE EARNINGS FOR THE YEAR ENDED 30 JUNE

	Audited 2019	Audited 2018
R'000		
Attributable earnings from continued operations	498 528	815 872
Adjusted for		
Gain on loss of control of subsidiary	–	(5 092)
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	(5 607)	(18 996)
Non-controlling interest in the above transactions	826	645
Tax effect of above transactions	1 460	5 339
Equity-accounted investments:		
Profit from the disposal of property, plant and equipment	(75)	(3 223)
Impairment of investments	–	1 097
Tax effect of above transactions	21	683
Headline earnings from continued operations	495 153	752 194

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

CONTINUED

Return on capital employed (%)



Return on capital employed (ROCE) decreased below the annual target of 20% to 12,4% (FY2018: 19,8%) due to the impact of the WRU project.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment predominantly comprises the group's fleet of plant and equipment. The increase this year represents the consolidation of the UK operations and increased expansionary capital expenditure to meet the additional plant requirement for new mining projects in Botswana. Total capital expenditure amounted to R374 million, of which R223 million was acquired for cash and R156 million was financed.

Rm	2019	2018
Property, plant and equipment	1 937	1 883
Depreciation	283	240

Rm	Approved 2020	Actual 2019	2018
Capital expenditure			
Replacement	232	294	283
Expansion	122	80	33
Total	344	374	316

A reliable and effective fleet is compulsory to meet the productivity targets on mining infrastructure and road projects. The group has developed a plant replacement philosophy aligned with demand and activity levels. Further capital expenditure of R344 million has been approved for FY2020 which is broadly in line with previous years.

EQUITY-ACCOUNTED INVESTMENTS

The group utilises its financial strength to support property developments, develop engineering, procurement and construction projects and invest in concession projects in order to unlock construction opportunities for its operations, while at the same time creating higher-margin income streams.

Investments in concession projects create annuity income annually for the group while returns from property investments are realised only after construction of the development and transfer of the properties has been completed.

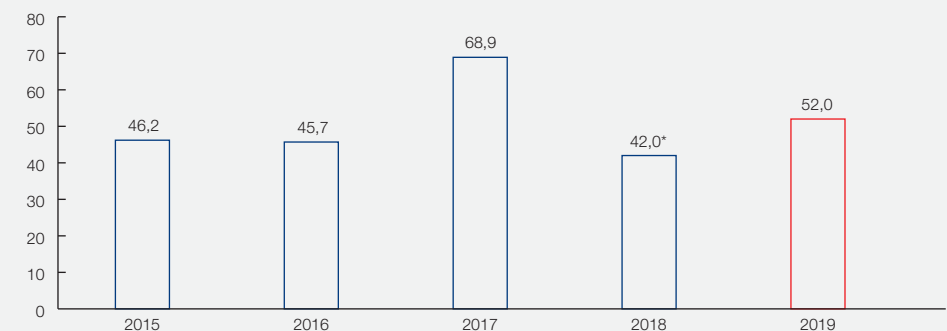
In the case of Edwin Construction and iKusasa Rail SA which are specialist construction companies, the group has partnered with black individuals and businesses, providing construction expertise and financial support in order to develop the growth of these businesses while at the same time accessing new markets.

The table below sets out the different types and amount of investments undertaken by the group, as well as the profitability earned during the financial year:

					Share of after-tax profit/(loss) (Rm)	
Entity	Industry	Country	Effective %	Investment and loans (Rm)	30 June 2019	30 June 2018
Construction						
Edwin Construction	Road and civil construction	South Africa	49	95,2	(0,4)	9,6
Byrne Group	Building and civil construction	United Kingdom	–	–	–	(46,8)
iKusasa Rail SA	Railway maintenance and construction	South Africa	49	10,5	(5,4)	(6,7)
IACS	Construction	South Africa	28,3	3,8	–	–
Concessions						
Dipalopalo	Serviced accommodation	South Africa	27,7	58,3	–	–
DFMS Joint Venture	Serviced accommodation	South Africa	14,6	2,4	1,8	4,1
Gigajoule International	Gas supply	Mozambique	26,6	167,4	18,2	10,9
Gigajoule Power	Power	Mozambique	13	155,4	33,8	24,1
Property development						
Catchu Trading	Property development	South Africa	50	102,6	–	–
Caulfield	Property development	Australia	30	180,6	–	–
The Glen Sky Garden	Property development	Australia	20	109,3	–	–
Property developers						
Russell Homes Limited	Residential schemes and house builder	United Kingdom	31,7	188,7	4,0	–
Expected credit loss				(5,3)		–
Total				1 069,3	52,0	(4,8)

* The Byrne Group was accounted for as a subsidiary from 30 June 2018.

Income from equity-accounted investments (Rm)



* Excluding losses of R47 million in respect of the Byrne Group which became a subsidiary on 30 June 2018.

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

CONTINUED

Edwin Construction experienced a difficult year as a large road project was delayed by the client and additional phases of an infrastructure project in the Free State were suspended. In addition, the provincial road market offered limited other opportunities during the year. The business has struggled to secure opportunities in new markets and as a result incurred significant retrenchment costs. One key project has recently been awarded which should support activity levels in FY2020.

The local rail market remained subdued with iKusasa Rail SA having executed insufficient work to meet overhead expenditure. The award of a number of submitted tenders are necessary for the business to be able to return to profitability.

The operational phase of the serviced accommodation concession for Statistics South Africa continued to deliver profits during the current year providing an after tax return of 15,5%.

The Matola Gas Company which sells and distributes gas in Mozambique and Gigajoule Power, a concession company supplying electricity generated from a gas-fired power station, in which Gigajoule International is a shareholder, both continue to perform well within their respective markets delivering combined after-tax profits to the group of R52 million. The group achieved an after-tax return of 16,5% on its investment in Gigajoule International.

Catchu Trading (Trilogy) is a residential development in Tshwane in which WBHO holds 50% of the equity. The construction contract for phase 1 and the construction of the basement for phase 2 are nearing completion. Negotiations for the further development of phase 2 are in progress with construction expected to begin during FY2020. The development profit for phase 1 is expected to materialise in FY2020.

In Australia, construction of stage 1 of Precinct 2 of the Caulfield development was completed in August 2019 with the settlement of apartment sales expected in FY2020. Stage 2 of Precinct 2 is currently being developed, with a development agreement now signed with a potential owner seeking to own to rent. In addition, construction of The Glen Sky Garden above the Glen Shopping Centre in Melbourne has begun. Construction of the development is due for completion in April 2021 with development returns expected in FY2022.

In July 2018, the group acquired a 31,7% interest in Russell Homes Limited, a scheme developer and house builder in the UK for R56,4 million. A loan to the business of R128 million has been recognised on consolidation of Russells Limited, the construction business that has supported the funding of certain schemes.

This year Russell Homes reported revenue of £21,4 million delivering a pre-tax profit of £846 thousand with residential sales across three schemes consistent throughout the year.

Looking ahead, Russell Homes has a number of development schemes under construction, namely Cedar Gardens, Bower Brook Gardens, Littleborough and Oldham. The recent outline planning approval received for 265 properties on the Oldham site was an exciting development in the second half of the year.

During the year the group received dividends of R17,8 million and R3,7 million from Gigajoule International and DFMS respectively and accrued for a dividend of R0,8 million in respect of Russell Homes. Included in finance income is interest of R10,6 million received on the loan to the Divalopalo Concession and R5,6 million received on the loan from Russells Limited to Russell Homes Limited.

LONG-TERM RECEIVABLES

Rm	2019	2018
Mezzanine financing arrangements	155	150
Other long-term receivables	238	273
	393	423
Less:		
Expected credit loss allowance	(2)	–
Current portion	(45)	(50)
Total	346	373

In addition to taking an equity interest in the investments described above, the group also provides mezzanine financing to key clients where opportunities exist to unlock developments and procure work. Interest is levied at rates higher than those available from financial institutions and acceptable security is obtained. A new facility of R62 million was approved during the year in respect of a residential development in Cape Town. R5 million was advanced in the current year and the group will also participate in the development profit without having invested any equity.

Other long-term receivables include loans to employees for shares of R152 million (FY2018: R147 million), which are secured by the shares issued, bear interest at variable rates and are repayable between five and 10 years. A further R24 million relates to consideration receivable outstanding in respect of the loss of control of Edwin Construction in FY2017. Consideration receivable of R40 million in respect of the disposal of 3Q Mahuma Concrete (Pty) Ltd, also in FY2017, was settled during the year.

CONTRACT ASSETS AND LIABILITIES

Rm	2019	2018
Contract assets	1 423	1 816
Contract liabilities	2 206	2 338

Contract assets relate to work executed that is yet to be certified. This arises where there is a timing difference between the execution and certification of the works, for example, where there are contractual milestones to be met or in the event of unresolved claims between the parties.

The decrease in contract assets of R394 million was predominantly due to resolution of the delayed certification issues on the WRU project. The majority of the contract assets balance, amounting to R542 million, lies within the Infrastructure business in Australia as the resolution of variations and claims in the Australian infrastructure market can be extremely lengthy.

Where payment is received in respect of construction work yet to be performed, the revenue attributable thereto is not recognised but accounted for as a contract liability. This arises where advance payments are received from clients or contractual cash flows are agreed upon that do not align with the execution of the works.

ACQUISITIONS AND CHANGES IN NON-CONTROLLING INTERESTS



In July 2018, the group acquired a 60% controlling interest in Russells Limited and a 31,7% interest in Russell Homes Limited, both companies located in the UK. The consideration paid amounts to £32,6 million and £3,25 million respectively. Full details of the transaction are included in note 30 of the annual financial statements.

Rm	Description	% change	Consideration
Russells Limited	Put option	10,0	88
Probuild Constructions (Aust.) Pty Ltd	Share buy-back	2,0	43
Probuild Constructions (Aust.) Pty Ltd	Acquisition	0,8	16

In February 2019, the minority shareholders in Russells Limited exercised their first put option for a consideration of £4,8 million. The group's interest in the business increased from 60% to 70% as a result.

In terms of the shareholder agreements, Probuild reacquired a 2,0% interest from minority shareholders during the year at a cost AU\$4,1 million, while WBHO Australia acquired 0,8% at a cost of AU\$1,5 million. The combined effect of these transactions resulted in an increase in the group's interest in Probuild of 3,2% from 84,6% to 87,8%.

PROVISIONS, LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Rm	2019	2018
Provisions	2 415	1 764
Long-term liabilities	295	324
Less: current portion	(102)	(154)
	193	170

The increase in provisions reflects the recognition of the provision for future anticipated costs on the WRU project as well as the consolidation of the UK operations.

Long-term liabilities consist of R154 million (FY2018: R136 million) in respect of capitalised finance lease agreements over plant and equipment and R139 million (FY2018: R127 million) in respect of the present value of the remaining Settlement Agreement liability including capitalised interest. The third payment of R21 million was made on 1 July 2019 reducing the balance to R118 million.

Financial guarantees issued to third parties amount to R8,9 billion (FY2018: 10,7 billion).

The group has guarantee facilities of R15,1 billion with various financial institutions of which R8,9 billion has been utilised, leaving an unutilised amount of R6,2 billion which is sufficient to cater for future growth prospects. Parent company guarantees to the value of R812 million have also been issued.

MESSAGE FROM THE CHIEF FINANCIAL OFFICER
CONTINUED

OUTLOOK

We anticipate market conditions in South Africa to remain subdued over the short term. Nonetheless, our order book is sufficiently secured to ride out this period in anticipation of a number of recently announced large-scale public infrastructure projects. In the rest of Africa, attention has shifted toward southern and eastern Africa in pursuit of a strong pipeline of potential new work.

The Australian order book also remains healthy, however, from a financial perspective, we will be primarily focused on managing the impact of the WRU project on cash flows and maintain sufficient balance sheet strength to continue to procure work.

In the UK, we are carefully following developments related to Brexit and aligning the Byrne Group with those markets offering opportunities. New civil engineering projects in the nuclear and waste management sectors were secured during the year. The Manchester market remains strong with Russells well positioned as the preferred contractor in the region.

APPRECIATION

I would like to conclude by thanking the executive team and my colleagues in the finance team for their support during the year and a further special thanks to the members of the Audit committee for their guidance.



Charles Henwood
Chief Financial Officer

OXYGEN
TOWERS

A prestigious private residence in Manchester consisting of three towers, including apartments, penthouses and fitness facilities

PROJECT VALUE

£85 million

PROJECT DURATION

36 months

PROTECTING VALUE

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MESSAGE FROM THE

LEAD INDEPENDENT DIRECTOR



ROSS GARDINER



The board promotes strong principles of integrity within WBHO. We believe that sustained value creation is built on ethical leadership and that an ethical culture is the foundation upon which excellence is established in every part of the business.

Inappropriate corporate behaviour continues to make headlines, contributing to weakening public trust in all companies. WBHO has a zero tolerance for corruption. We actively promote our whistleblowing lines to staff and have acted decisively where we have identified wrongdoing. This philosophy carries through to our client and supplier relationships. The trust of stakeholders takes time to build, but can be lost in an instant. We are all focused on demonstrating that we are a business that truly lives ethically.

The board acknowledges and embraces the responsibilities bestowed upon it by the Companies Act and King IV and is fundamentally responsible for ensuring that strategy, risk, performance and sustainability of the group are inseparable. Corporate governance processes also protect executives and employees in fulfilling their duties, and good corporate governance instils stakeholder confidence in the organisation.

The board provides continuous oversight of significant matters, acting as an independent check and balance for the executive management team, whose main responsibility remains the

management of the business. The ability to do so is significantly enhanced by having a skilled and diverse Board which possesses a breadth of industry experience, supported by an appropriate mix of gender, race, experience and perspectives. This diversity encourages robust debate at Board and committee level to ensure that appropriate and effective judgement and guidance are provided to management.

As a Board, we recognise that corporate governance must be appropriate and relevant to the size, nature and complexity of its operations, yet should promote robust practices within the context of economic performance. I am comfortable that the board and its committees have successfully discharged their duties and responsibilities this year in accordance with their charters and mandate.

Ross Gardiner
Lead independent director

BOARD OF DIRECTORS

WBHO recognises that accountability and transparency are fundamental to investor trust and that good governance contributes to value creation in the short, medium and long term. A summarised account of the work done by the board during the 2019 financial year follows, and describes how the board has applied principles of good governance in order to enable and support the company's value creation process.

Refer to the separately published ESG report for the detailed governance report

BOARD OF DIRECTORS

The WBHO Board of directors is responsible for developing the strategy of the organisation with management. It retains full and effective control of the company and is responsible for the implementation of the strategy of the group.

BOARD COMPOSITION

The board comprises the appropriate balance of knowledge, skills, experience, diversity and independence to objectively and effectively discharge its governance role and responsibilities. The diversity in its membership across various attributes creates value by promoting better decision-making and effective governance.

LEADERSHIP ROLES AND FUNCTIONS

The role of the Chairman is distinct and separate from that of the Chief Executive Officer ensuring that appropriate balances of power and authority exist on the board. The board is led by an Executive Chairman and therefore, in compliance with JSE Listings Requirements and King IV, a lead independent director has been appointed.

EXECUTIVE



MIKE WYLIE (69)
Executive Chairman

Qualifications: Pr Eng, BSc (Eng), BCom (Hons)
Board member since: 11 July 1994
Skills, expertise and experience: Engineering and finance
Industry experience: 45 years
Other significant directorships: WBHO Group companies



LOUWTJIE NEL (58)
Chief Executive Officer

Qualifications: BSc (Eng)
Board member since: 1 August 2008
Skills, expertise and experience: Engineering
Industry experience: 31 years
Other significant directorships: WBHO Group companies



CHARLES HENWOOD (54)
Chief Financial Officer

Qualifications: BCom, BCompt (Hons), CA(SA)
Board member since: 9 November 2011
Skills, expertise and experience: Finance
Industry experience: 30 years
Other significant directorships: WBHO Group companies

NON-EXECUTIVE



ROSS GARDINER (56)
Lead independent non-executive

Qualifications: BSc (Hons) (Mining and Petroleum)
Board member since: 23 January 2014
Skills, expertise and experience: Mining and risk management
Industry experience: 35 years
Other significant directorships: New Africa Mining Fund 3 (Pty) Ltd



COBUS BESTER (59)
Independent non-executive

Qualifications: BCom (Acc) Hons, CA(SA)
Board member since: 1 November 2017
Skills, expertise and experience: Finance, taxation, governance and risk management
Industry experience: 32 years
Other significant directorships: Bombela Operating Company (Pty) Ltd



HATLA NTENE (64)
Independent non-executive

Qualifications: BSc (Surv), Dip.Con, Econ, Dip.Civ.Eng, Pr.CPM, PRQS, PMAQS
Board member since: 1 November 2017
Skills, expertise and experience: Quantity surveyor and governance
Industry experience: 30 years
Other significant directorships: Calgro M3 Holdings (Pty) Ltd, The Don Group Ltd, Mvua Property Partners (Pty) Ltd, Aecom South Africa Group Holdings (Pty) Ltd



KAREN FORBAY (49)
Independent non-executive

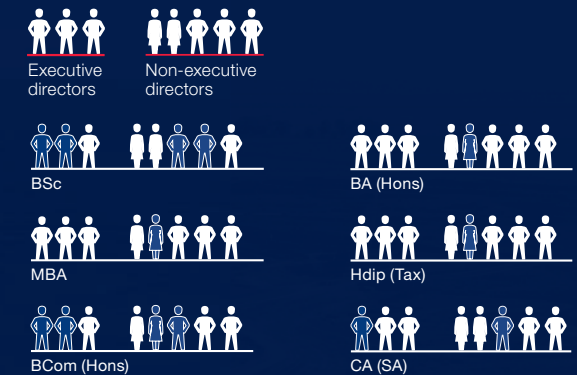
Qualifications: BCom, BCom (Hons) Economics and Finance, BCom (Hons) Accounting, Hdip (Tax), Post Graduate Diploma (Leadership)
Board member since: 1 November 2017
Skills, expertise and experience: Governance, finance and taxation
Industry experience: 2 years
Other significant directorships: KMF and Associates (Pty) Ltd



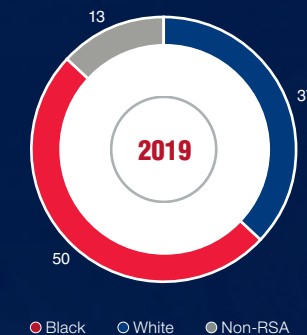
SAVANNAH MAZIYA (51)
Independent non-executive

Qualifications: BA (Hons), MBA
Board member since: 25 October 2006
Skills, expertise and experience: Finance and mining
Industry experience: 15 years
Other significant directorships: Bunengi Holdings (Pty) Ltd, Sibanye-Stillwater Ltd, Rand Water, WSP Group Africa, Parsons Brinckerhoff Africa (Pty) Ltd

BOARD COMPOSITION



DEMOGRAPHICS (%)



37%
OF THE BOARD MEMBERS ARE BLACK

75%
OF THE BOARD MEMBERS ARE MALE

25%
OF THE BOARD MEMBERS ARE FEMALE

EXECUTIVE DIRECTOR TENURE ON THE BOARD

8 years
SHORTEST

15 years
AVERAGE

25 years
LONGEST

NON-EXECUTIVE DIRECTOR TENURE ON THE BOARD

2 years
SHORTEST

3 years
AVERAGE

6 years
LONGEST

GOVERNANCE REPORT

GOVERNANCE FRAMEWORK

WBHO's governance framework, as set out below, enables the board to maintain effective control while delegating authority through its Board committees and Executive committee.

BOARD				
Responsible for strategic leadership and guidance and ensuring that the company remains a robust, successful business, responsive to stakeholders and accountable to shareholders.				
BOARD COMMITTEE				
AUDIT COMMITTEE Oversight of financial risk management and ensuring the integrity of financial reporting	RISK COMMITTEE Oversight of the risk management framework and combined assurance reporting	SOCIAL AND ETHICS COMMITTEE Oversight of good corporate citizenship, encompassing ethical, legal, social and environmental governance	REMUNERATION COMMITTEE Oversight of all remuneration policies and practices	NOMINATION COMMITTEE Oversight of identifying and sourcing appropriately skilled directors, ensuring that an evaluation process is implemented across all subcommittees and main Board directors
CEO				
EXECUTIVE COMMITTEE				
Responsible for implementing the strategy of the group and assisting the CEO in managing the day-to-day operations. In addition, mandates are given to the committees below to oversee specific areas of importance on behalf of the Executive committee (Exco).				
INFORMATION TECHNOLOGY STEERING COMMITTEE Responsible for ensuring effective, appropriate IT governance and support	CREDIT COMMITTEE Responsible for assessing all capital projects against financial, technical and strategic objectives	TRANSFORMATION COMMITTEE Responsible for implementing initiatives to achieve the strategic transformation objectives of the group	SKILLS DEVELOPMENT COMMITTEE Responsible for ensuring the training and skills development programmes of the group are coordinated and effective	VRP RISK COMMITTEE Responsible to focus on the mechanisms of the VRP in meeting its targets

BOARD EFFECTIVENESS

Through the board, WBHO endorses, and is committed to, the recommendations of the King Report on Corporate Governance for South Africa (King IV™); the dictates of the Companies Act of South Africa, No 71 of 2008; and the JSE Listings Requirements. WBHO recognises that being a 'good corporate citizen' requires the organisation to deliberate and act with fairness, responsibility, transparency and accountability.



The King IV™ application register is available online at www.wbho.co.za

The board has also established five standing committees through which it executes some of its duties namely: Audit, Risk, Social and ethics, Remuneration and the Nomination committee. Each committee has adopted an appropriate formal terms of reference and each committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the year. The Audit committee and Remuneration committee reports are included in this report, for more on the membership, attendance at meetings, key focus areas in the year and planned focus areas for FY2020 for the remaining committees, refer to the detailed governance report included in the separately published ESG report.

The table below summarises the key activities undertaken by the board in the year as well as planned focus areas for FY2020.

	Desired outcomes	Activities in the year	Specific planned focus areas for FY2020
Leadership, ethics and corporate citizenship	<ul style="list-style-type: none"> An ethical and effective leadership, resulting in the achievement of strategic objectives and positive outcomes Establish and monitor an ethical culture Maintain WBHO's responsible corporate citizenship status 	<ul style="list-style-type: none"> Conducted a review of relevant Board charter, committee terms of references and policies including division of responsibility, independence of non-executive directors Approved and implemented a supplier Code of Conduct policy Enhanced the existing provisions for declaring conflicts of interest, with particular focus on the tender process Displayed independent and effective judgement on material matters 	<ul style="list-style-type: none"> Review the Code of Conduct and Delegation of Authority Framework
Strategy, performance and reporting	<ul style="list-style-type: none"> Realisation of the WBHO's core purpose and values through its strategy A well-considered strategy, taking into account the operating environment, risks and opportunities, with the intent to deliver sustained long-term value Appropriate alignment and monitoring of key performance measures and targets for assessing the achievement of the strategic objectives Reliable external reports that enable stakeholders to make an informed assessment of the company's performance 	<ul style="list-style-type: none"> Offsite workshop to debate, refine, and approve the strategy Monitored the performance and implementation of the approved strategy Reviewed and interrogated the strategic direction and objectives in relation to risks, opportunities, resources and relationships at the annual Board strategy session Approved key performance metrics and targets for FY2019 Reviewed detailed divisional business reports at half year and year end to highlight any emerging issues and risks Approved the FY2019 budgets of the divisions Monitored the integration of the United Kingdom (Byrne Group, Russells Limited and Russells Homes) acquisitions Approved the 2019 integrated report, annual financial statements, financial results and results announcements Conducted performance evaluation of the Chief Executive Officer Reviewed solvency, liquidity and going-concern status, and agreed dividend payments 	<ul style="list-style-type: none"> Monitor construction delivery on the WRU project in Australia, as well as any further variations and potential claims against professional designers

	Desired outcomes	Activities in the year	Specific planned focus areas for FY2020
Risk, oversight and compliance	<ul style="list-style-type: none"> Strengthened diversity in thought, experience and independence of the board and its committees Continued improvement in the performance and effectiveness of the board Achieved gender and racial diversity targets at Board level Substantial compliance with the spirit and principles of King IV™ 	<ul style="list-style-type: none"> No new independent non-executive directors appointed in the year Approved a formal CEO and Chairman succession plan Considered the independent board evaluation report and implemented action plans Monitored progress made in terms of the gender diversity policy Considered the recommendations of King IV™ 	<ul style="list-style-type: none"> Develop a privacy policy in accordance with Protection of Personal Information Act Consider the compliance or legislative risk matrix for each country where WBHO has a physical office
Remuneration	<ul style="list-style-type: none"> Fair, responsible and transparent remuneration practices Alignment between executive director and stakeholder interests 	<ul style="list-style-type: none"> Reviewed WBHO's remuneration policy and implementation plan in line with WBHO's strategy Paid specific attention to the performance measures of the short- and long-term incentive scheme Determined the overall value of the short-term incentive pool with the necessary accrual raised by financial year end 	<ul style="list-style-type: none"> Ongoing review of remuneration structures to industry norms as well as performance
Stakeholder relations	<ul style="list-style-type: none"> Stakeholder-inclusive approach in the execution of governance roles and responsibilities Reasonable needs, interests and expectations of stakeholders, balanced in the best interests of the company over time 	<ul style="list-style-type: none"> Identified material stakeholders and oversaw formulation of stakeholder engagement strategies Oversaw facilitation by management of regular and pertinent communication with shareholders 	<ul style="list-style-type: none"> Ongoing monitoring of stakeholder engagement plans
Corporate governance	<ul style="list-style-type: none"> Appropriate governance structures and processes to ensure effective control of the company 	<ul style="list-style-type: none"> Approved the appointment of the new Independent non-executive directors policy. Considered the independent assessment of long tenure directors Achieved voluntary diversity targets at Board level and continued improvements in the performance and effectiveness of the board 	<ul style="list-style-type: none"> Review the corporate governance framework and Delegation of Authority policy by the board Review and monitor remedial action as part of the IT Governance Framework



MESSAGE FROM THE
AUDIT COMMITTEE CHAIR

COBUS BESTER

Dear shareholders,
I am pleased to present the Audit committee Report for the 2019 financial year. We are operating in uncertain times, where corporate governance and accounting scandals continue to be regularly reported upon in local and international media. As a committee we remain resolute to ensure that the financial processes and controls of the group are sufficiently robust to ensure the integrity of WBHO's financial reporting.

The report aims to provide details on how the committee satisfied its various statutory obligations during the year, how it assessed the effectiveness of the internal auditors and the appointment, independence and effectiveness of the external auditors. The report also reflects on significant matters that arose in the year and how the committee addressed those.

In the year, we paid particular attention to various accounting and IFRS technical matters in respect of the financial statements, IT governance and conducted a corporate governance review. While the committee will continue to operate within its mandate and ensure that meetings address all regular matters reserved for its consideration, the following focus areas will be top of its agenda in FY2020:

- A strong focus on financial performance, cash management and in particular working capital management more generally, as part of a greater treasury enhancement strategy
- Further improvement to the internal control environment and the culture in this regard by the businesses
- Review of information technology governance

In closing, I would like to thank my fellow committee members their contribution and their ongoing support at committee meetings. I would also like to express my gratitude to our Chief Financial Officer, Charles Henwood, and his finance team for their ongoing commitment to delivering sound financial management and reporting every day.

Cobus Bester
Audit committee Chair

AUDIT COMMITTEE REPORT

The Audit committee's primary purpose is to provide financial oversight on behalf of the board in compliance with the statutory duties and responsibilities in terms of the Companies Act, JSE Listings Requirements and the King Codes.

AUDIT COMMITTEE RESPONSIBILITIES

The committee has adopted a formal terms of reference and is responsible for:

- Performing its statutory duties as prescribed by the Companies Act, with specific reference to the audit quality, auditor independence and financial policies and reporting concerns
- Considering the financial performance, financial position and cash flow of the group on a quarterly basis, including solvency and liquidity
- Overseeing, assessing and approving the internal and external audit functions with respect to appointment, work plans, quality of work executed, matters arising from the work performed and independence
- Reviewing the expertise, resources and experience of the finance function and evaluating the the expertise and experience of the Chief Financial Officer
- In conjunction with the Social and ethics and Risk committees, considering the risk management framework and policy as they relate to financial reporting risks, internal financial controls, fraud and non-compliance risk as well as IT risks in relation to financial reporting as well as the adequacy of the risk management process
- Overseeing the combined assurance framework and plan, including the quality of and reporting by assurance services within the group in order to ensure the integrity of information for internal and stakeholder decision-making, as well as the adequacy and effectiveness of internal controls
- Recommending to the board for approval the interim and annual financial statements as well as the integrated report

The committee confirms that it has discharged its responsibilities as mandated by the board, its statutory and governance duties in compliance with the Companies Act, the JSE Listings Requirements and King IV™.

AUDIT COMMITTEE REPORT

CONTINUED

COMPOSITION AND ATTENDANCE AT MEETINGS

The committee members comprised of independent non-executive directors. All members have the requisite business, financial and leadership skills for the position.

Composition	Appointed	Meeting attendance
Cobus Bester (Chairman)	1 November 2017	4/4
Karen Forbay	1 November 2017	4/4
Ross Gardiner	28 April 2014	4/4
Savannah Maziya	29 August 2017	4/4

Refer to page 96 for detailed qualifications and experience of committee members.

Other regular attendees at the meeting include:

- Chief Executive Officer
- Chief Financial Officer
- Finance
- Information technology
- Internal auditors
- External auditors

Designated advisors may from time to time be invited to meetings. The Chairman met separately with management and the external auditors prior to each meeting. During the year, closed sessions were also held for committee members only, with management as well as internal and external auditors.

INTERNAL AUDIT

The group outsources its internal function to Deloitte, both in Africa and Australia. Then internal audit function in the United Kingdom (UK) is currently managed in-house but will be formalised in the FY2020 year and a UK Audit committee established.

During the year the committee:

- Confirmed the independence of the internal auditor
- Approved the fees to be paid to the internal auditor
- Reviewed the internal audit plan for the year
- Held regular feedback meetings with the Chief Audit Executive
- Reviewed all medium and high risk findings identified and reported upon within internal audit reports

EXTERNAL AUDITORS

In respect of the external auditor the committee:

- Satisfied itself that the external auditor was independent as set out in section 94(8) of the Companies Act. The independence of the external auditors is regularly reviewed as prescribed by the Independent Regulatory Board of Auditors (IRBA). The requisite assurance was provided by the external auditor to support and demonstrate its claim to independence.
- Determined the fees to be paid to the external auditor and the terms of engagement as well as the nature and extent of any non-audit fees that the external auditor provides to the group.
- Reviewed and approved the external audit plan, including the proposed scope and determined the nature and scope of non-audit services. All non-audit related services are governed

by an appropriate approval framework. No significant non-audit-related services were provided during the year.

- Held separate meetings with the external auditor without management being present where no matters of concern were raised.
- Received and reviewed external audit reports for the year pertaining to the annual financial statements for the year ended 30 June 2019. An unqualified audit opinion was expressed.
- Assessed the quality of the external audit:
 - Enquired from management on their overall experience of the external audit quality. No significant matters were brought to the attention of the committee.
 - Reviewed reports submitted and quality of engagement with external auditors at committee meetings.
 - Overall, the Audit committee is satisfied with the quality of the external audit for the year.
- Considered the tenure of BDO South Africa Incorporated of 33 years as the external auditors of the group as well as the tenure of one year of Mr J Schoeman as the designated lead partner and the potential impact thereof on the independence of the firm.
- The matter of audit firm rotation will be considered in FY2020 and the committee will make a recommendation in this regard for shareholder consideration and voting at the FY2020 AGM.
- After review of information provided by BDO as required per paragraph 22.15(h) of the JSE Listings Requirements and in consultation with management, agreed to recommend to the board for approval at the annual general meeting the reappointment of BDO South Africa Incorporated as the external auditors for the 2020 financial-year and confirm that Mr J Schoeman is not required to rotate but be confirmed as the designated lead partner for the forthcoming year.

Beyond its normal duties, as briefly described above, the Audit committee specifically focused on the following matters in FY2019:

ACCOUNTING AND IFRS TECHNICAL MATTERS IN RESPECT OF THE FINANCIAL STATEMENTS

Various matters were considered in this regard, including the implementation of IFRS 15: *Revenue from Contracts with Customers*, IFRS 9: *Financial Instruments* as well as the accounting for onerous contracts, specifically the Western Roads Upgrade (WRU) project in Australia.

Significant focus was given to these matters by the committee to ensure appropriate disclosure. These matters are more fully described in the related notes in the annual financial statements.

IT GOVERNANCE

IT governance is an important focus of the committee. In this regard the committee considered information security, the IT control landscape, enterprise architecture and the quality of operations and IT support to the business. The committee also obtained an external, independent assessment of the IT maturity level within the organisation against key principles included within the COBIT framework. Implementing the recommendations from the assessment will require further focus in FY2020.

CORPORATE GOVERNANCE REVIEW

The committee considered a report on WBHO's compliance with King IV™. The committee noted the progress in addressing the majority of gaps identified in previous periods.

COMMENTS ON AUDIT MATTERS

With respect to key audit matters, addressed by BDO in their external audit report, the committee provided the following oversight:

RECOGNITION OF CONTRACT REVENUE, MARGIN AND RELATED RECEIVABLES AND LIABILITIES
Revenue and margin recognition on construction contracts requires significant judgement to determine current and future financial performance. The committee assessed the methodology and judgement applied by management, focusing on the measurement of progress. The committee discussed the matter with the external auditors to understand their related audit procedures and evidence to support the judgements.

The committee is satisfied that the methodology and judgements applied by management are in accordance with IFRS.

VALUATION OF GOODWILL
During the year WBHO concluded the acquisition of Russells Limited and recognised goodwill thereon. By its nature, testing for goodwill impairment involves significant judgement.

The committee considered the appropriateness of valuation models and key assumptions applied in the assessment of goodwill for FY2019.

The committee is satisfied that the models and assumptions applied were appropriate and consistently applied in the assessment of the impairment of goodwill. No impairment charge was recognised in the year.

COMPLETENESS AND ADEQUACY OF CONTRACT AND OTHER PROVISIONS
Construction companies are exposed to various claims, including legal disputes and other construction-related provisions throughout and post the construction phase. Determining the levels of required provisions requires judgement, taking into account past experiences and known current factors.

The committee considered management's representation of current and potential claims related to construction activities. The committee also considered the disclosure of significant known and potential claims against the group. The committee is satisfied that the provisions are adequate.

ONEROUS CONTRACTS
The group was significantly impacted by the recognition of a material provision in respect of the WRU project. An incorrect interpretation by the design consultants of the technical specifications resulted in the underestimation of the physical works necessary to meet the output specifications of the contract and the recognition of a provision for the anticipated future costs to execute those additional works.

The committee considered the appropriateness of management's position paper, models and the assumptions applied in the estimation of future costs and revenue. The committee is satisfied that the methodology and judgements applied by management are adequate to determine the extent and value of anticipated future losses on the project.

EXPECTED CREDIT LOSSES
With effect from 1 July 2018, the group adopted IFRS 9: *Financial Instruments* using the cumulative method where the impact of IFRS 9 on the opening balances of relevant financial assets was adjusted against opening distributable reserves. The group recognises an expected credit losses (ECL) for financial assets that are measured at amortised cost.

The committee assessed the methodology and judgement applied by management, focusing on the computation of the ECL based on the probability of default and loss given default (which represents the quantum and value of losses arising from default), adjusted for forward-looking considerations. The committee discussed the matter with the external auditors to understand their related audit procedures and evidence to support the judgements.

The committee is satisfied that the methodology and judgements applied by management are in accordance with IFRS 9.

ANNUAL CONFIRMATIONS
The principal matters attended to by the committee during the year included:

ANNUAL FINANCIAL STATEMENTS AND INTEGRATED REPORT
The committee is satisfied that the financial reporting procedures are operating appropriately. The committee reviewed and considered the annual financial statements and the integrated report and has recommended them for approval by the board.

The committee, in the finalisation of the annual financial statements, also considered matters emanating from the JSE's proactive monitoring process in respect of accounting policies and financial reporting.

SOLVENCY AND LIQUIDITY
The committee reviewed quarterly assessments of the going-concern premise of the group, prepared by management, before recommending to the board that the company and the group will be a going concern for the foreseeable future.

EVALUATION OF THE EXPERTISE AND ADEQUACY OF THE CHIEF FINANCIAL OFFICER AND THE FINANCE FUNCTION
Considered and satisfied itself of the appropriateness of the expertise and adequacy of resources within the finance function of the group and of the Chief Financial Officer.

EFFECTIVENESS OF INTERNAL CONTROLS
Having reviewed and considered the combined assurance model and related assurance obtained from the three lines of defence, the committee recommended to the board that it issues a statement confirming the adequacy of the internal control environment of the group.

MESSAGE FROM THE
REMUNERATION COMMITTEE CHAIR**SAVANNAH MAZIYA**

Dear shareholders,
WBHO experienced challenging conditions in FY2019 and these conditions reinforced the importance of having effective human resource and remuneration policies.

The overarching responsibility of the Remuneration committee is to ensure that the principles of accountability, transparency and good governance are followed for all remuneration-related matters across WBHO. The committee must ensure that WBHO has the appropriate remuneration policies and practices in place to attract, motivate and retain the right talent, especially at executive and operational level, and to ensure that there is an appropriate link between executive remuneration and the group's performance against its strategic objectives. The committee must also annually review the skills profile of the group and its leadership team as well as undertake annual evaluations of the performance of WBHO's executive directors and management.

In FY2019, the Remuneration committee specifically focused on:

- Implementation of the group's succession plan with the appointment of Mr Louwtjie Nel as Chairman and Wolfgang Neff as CEO
- The appropriateness of the remuneration policy to support the strategic objectives of WBHO
- Monitoring remuneration practices and reports in line with the requirement of the remuneration policy
- Reviewing the annual remuneration report and the impact as disclosed in the integrated report
- Remuneration packages and benefits for executive directors ensuring that remuneration packages are effective in driving WBHO's strategy and the right behaviour

In FY2020, specific attention will be placed on ensuring consistent group reporting on remuneration structures across all regions, it was recommended that the United Kingdom operation adopt a similar remuneration policy and methodology as applied in South Africa. This would also require the formation of a remuneration committee in the United Kingdom reporting to the South African management team who in turn will report to the Remuneration committee of the holding company. The following are also planned to be reviewed and finalised in the FY2020 year:

- Review of long-term incentive performance criteria
- Appropriate clawback provisions to be included in remuneration policy

We are also conscious of the wage gap, and the ongoing debate on how this should be measured and managed.

APPRECIATION

I would like to thank my colleagues on the committee for their assistance this year in delivering on our important responsibilities for progressive remuneration policies and practices. I extend my thanks also to Louwtjie Nel and his executive team for their dedication and hard work over the year.

Savannah Maziya
Remuneration committee Chair

REMUNERATION COMMITTEE REPORT

REMUNERATION GOVERNANCE

The Remuneration committee (Remco) is tasked by the board to independently approve and oversee the implementation of a remuneration policy that will encourage the achievement of the group's strategy and grow stakeholder value on a sustainable basis.

RESPONSIBILITIES

The committee has adopted an appropriate formal terms of reference and is responsible to:

- Determine, agree and develop the company's general policy on non-executive, executive and senior management remuneration
- Ensure that the company remunerates directors and executives fairly and responsibly and that disclosures of director remuneration is accurate, complete and transparent
- Appraise employee reductions and union negotiations

MEMBERSHIP

The committee comprises three independent non-executive directors. All members have the requisite business, financial and leadership skills for their positions. There were no changes to the committee membership in the year.

For detailed qualifications and experience of non-executive committee members see page 96.

For details of attendance at committee meetings see to pages 64 to 65 of ESG report.

REMUNERATION CONSULTANTS

Where appropriate, Remco obtains advice from independent remuneration consultants. The consultants are employed directly by Remco and engage directly with them to ensure independence. During the year, the company utilised the services of Tribach Consultants (Pty) Ltd as independent remuneration consultants in determining the quantum and mix of LTI awards. Remco has reviewed the targets for short- and long-term incentives for the 2019 financial year and decided to leave them unadjusted.

The committee confirms that the remuneration policy has been fully complied with in the current year without any deviation therefrom. We are satisfied the policy achieved its objectives in the year.

REMUNERATION AND IMPLEMENTATION REPORT

REMUNERATION PHILOSOPHY AND POLICY

WBHO's remuneration philosophy defines how its remuneration practices seek to be fair, responsible, transparent and compliant with legislative requirements within all the jurisdictions in which the group operates. Furthermore it seeks to encourage and reward long-term sustainable performance that is aligned to the group's strategy as well as ensure the achievement of the desired culture across WBHO. The key elements of the remuneration strategy and policy has been articulated in a remuneration policy.

WBHO's strategy, vision, business model, culture, objectives and targets have been defined. The group's strategy has been developed by the executive and senior management teams and approved by the WBHO board. Management is responsible for delivering against this mandate and managing the business on a day-to-day basis to achieve the stated objectives. Overall, this feeds into the evaluation of performance against a set of broadly predetermined metrics that forms part of the remuneration cycle. All employee-related processes from recruitment to monitoring performance against agreed metrics have been accordingly aligned.

The remuneration policy recognises that WBHO considers its employees to be the most important factor contributing towards its continued success and, through its application, aims to fairly remunerate all employees and reward individual performance in a way that is able to attract, motivate and retain key personnel.

One of the purposes of the remuneration policy is to align the interests of senior executives with the interests of shareholders and with the business strategy formulated by the board, with regards to how performance-based rewards are used to drive corporate performance, in particular.



The group's remuneration policy, which is available online under the governance section of the company's website at www.wbho.co.za/governance, defines the principles to be applied when determining remuneration for employees, including both executive and non-executive packages. The policy aims to align the interests of senior executives with the interests of shareholders and with the business strategy formulated by the board, particularly with regard to how performance-based rewards are to drive performance. There were no changes to the policy during the year.

GENDER EQUALITY

WBHO is committed to gender equality, and our policy is to pay men and women equally for equivalent roles.

GUIDING PRINCIPLES

WBHO's remuneration philosophy is informed by the following guiding principles:

Guaranteed remuneration packages aligned to a performance-oriented philosophy, benchmarked against comparable industry packages, and for executive directors and senior managers, set below the median.

Short-term incentives which reward high-performing employees for their performance contribution to the group, divisional cluster and division in which they work based on a scorecard of economic, social and environmental targets.

Long-term incentives which reward both company performance and individual/team/project performance.

NON-BINDING ADVISORY VOTE ON WBHO'S REMUNERATION POLICY AND IMPLEMENTATION REPORT

In terms of the JSE Listings Requirements, shareholders are required to cast a non-binding advisory vote on the remuneration policy and implementation report as presented in this report. Voting results on our remuneration policy at the FY2016, FY2017 and FY2018 annual general meetings were as follows:

Remuneration policy	Votes for	Votes against	Votes abstained
21 November 2018	96,55%	3,45%	0,01%
23 November 2017	96,74%	3,26%	0,21%
16 November 2016	99,70%	0,30%	0,11%

Should shareholders exercising 25% or more of the voting rights, vote against the remuneration policy and implementation report at the upcoming AGM, the group shall extend an invitation to dissenting shareholders in its voting results announcement, to address the reasons for their vote and indicate the manner and timing of such engagement.

REMUNERATION REPORT

CONTINUED

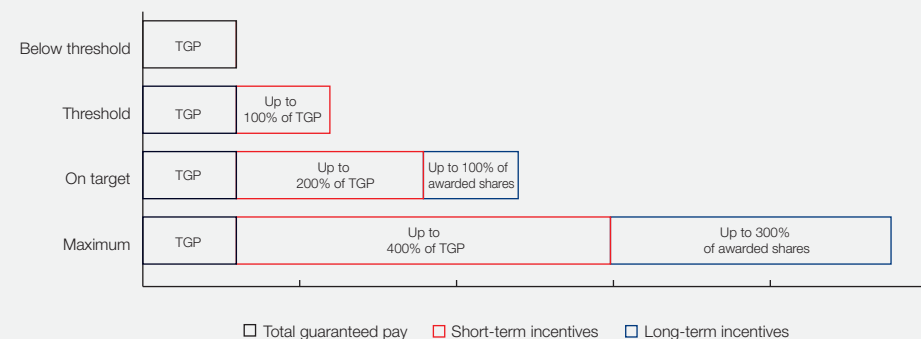
KEY ELEMENTS OF THE REMUNERATION POLICY

The key elements of WBHO's remuneration framework and structure which guides payments to all employees are summarised below.

Element	Eligibility	Implementation
TOTAL GUARANTEED PACKAGE (TGP) Reflects an individual's skills, performance, location in relation to place or residence and experience and is benchmarked against comparable industry packages.		
Basic salary		
Hourly paid employees	Cash-settled	Determined annually at the industry bargaining council through negotiations between industry and employee representatives, with increases effective in September of each year.
Salaried employees	Cash-settled	Determined annually taking cognisance of inflationary pressures and group and individual performance and in most instances includes a 13th cheque.
Executive directors and prescribed officers:	Cash-settled	Determined annually, recognising the role and responsibility for the delivery of strategy and performance. While taking cognisance of comparable guaranteed executive pay levels within the industry, the guaranteed pay levels of executive directors are set below the median level in order to minimise the gaps in salary between executive directors and key senior operational management and maintain cohesion within the team.
Benefits		
All employees		Competitive, market-aligned benefits including provident fund contributions, medical aid, leave pay, vehicle allowances, subsistence allowances and various other allowances appropriate to an employee's role and location.
SHORT-TERM INCENTIVES (STIs) (VARIABLE PAY) Short-term incentives reward the individual performance of employees taking cognisance of their relevant roles and responsibilities, are assessed annually, approved by the Remco, and payable in November or December of each year.		
Hourly-paid employee	Cash-settled	Bonuses are determined at industry bargaining council levels through a process of negotiations between industry and employee representatives.
Salaried employees	Cash-settled	Annual appraisal by management in accordance with the group's performance management processes taking cognisance of the overall performance of the group and individual performance of the relevant division and employee.
Prescribed officers and senior management	Cash-settled	Assessed against a predetermined target for headline earnings per share, their relevant division's contribution to the group and other economic, social and environmental targets and carrying a heavier weighting than TGP.
Executive directors	Cash-settled	Assessed based on the financial performance of the group against predetermined targets set by the board as well as personal scorecard objectives and carrying a heavier weighting than TGP. The key performance indicators on which evaluations are based are as follows: Financial: (70% weighting) <ul style="list-style-type: none"> Operating profit Headline earnings per share growth Return on capital employed (ROCE) Cash generation Personal: (30% weighting) (not limited to the following) <ul style="list-style-type: none"> Transformation Safety and environmental Leadership/relationships Reputation

Element	Eligibility	Implementation
LONG-TERM INCENTIVES (LTIs) The purpose of the LTIs is to retain and reward employees for their contribution toward the creation of shareholder value over the long term.		
Hourly-paid and salaried employees	Share incentive awards Akani share scheme	Share incentive An empowerment share scheme rewarding black individuals with service in excess of five years. A fixed number of shares are allocated to employees. The dividends from the allocated shares are utilised to acquire actual shares on the open market which then vest after five years. Additionally, a proportion of the scheme allocated shares may vest with employees after five years depending on the share price performance over the period in accordance with a predetermined formula.
Senior and middle management	Full recourse shares and/or share options Employee share purchase plan	Full recourse and/or share options Issued to select individuals in acknowledgement of their contribution toward the performance of the group and to achieve the group's retention strategies. Both the shares and options have a five-year vesting period. In respect of shares, interest-free loans are raised at the time of award and settled at the time of vesting. Dividends earned over the vesting period are utilised to reduce the loan. Employee share purchase plan In Australia, shares under this scheme are sold to individuals at market value. Loans are advanced at statutory interest rates in order to purchase the shares. A five-year vesting period applies and employees are required to remain in employment in order to retain their shares. The potential for capital growth in the shares is aligned with the financial performance of the business along with the talent retention objectives.
Executive directors, prescribed officers and senior management	Share incentive awards	Share incentive Aligned with the performance of the group and benchmarked against comparable listed entities on the Johannesburg Securities Exchange. The components of the WBHO Share Plan are: <ul style="list-style-type: none"> Performance shares where value is created through growth or maintenance of returns relative to competitors Share appreciation rights where value is created through share price growth.

Remuneration scenarios for executive directors at differing performance levels



REMUNERATION REPORT

CONTINUED

EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

Senior management, including executive directors, receive remuneration appropriate to their scope of responsibility and contribution to operating and financial performance, considering industry norms, external market and country benchmarks. The annual packages of senior management include a guaranteed base salary and benefits as well a variable portion including short-term cash and long-term cash or share incentives.

GUARANTEED PAY

Guaranteed pay levels of executive directors and senior management are deliberately set below the median level of comparable executive guaranteed remuneration within the construction industry in order to prevent large gaps in salary developing between executive directors and key senior operational management. It is the belief of the group that such gaps (often found in other companies) are counter-productive in a construction company where working as a cohesive team is crucial to success.

VARIABLE PAY

Performance-based variable pay carries a significantly heavier weighting than guaranteed pay particularly when rewarding the operational performance of senior directors and key management, with the result that short-term incentives can form the major portion of their total remuneration, although their total remuneration (guaranteed and variable pay in combination) is aligned with industry norms. The remuneration scenario's for executive directors at difference performance levels are reflected in the diagram below.

Below is an illustration of the different potential outcomes on the total remuneration for the Chief Executive Officer, when applying the various targets for both STIs and LTIs to the financial performance of the group for the year ended 30 June 2019:

Maximum performance incentive	STI	LTI
Threshold	100% of TGP	0% to 99% of awards
On target	200% of TGP	100% to 299% of awards
Maximum	400% of TGP	300% of awards

The maximum potential award for each target has been applied in calculating the amounts below.

	Threshold R'000	Target R'000	Stretch R'000
Chief Executive Officer			
TGP	3 150	3 150	3 150
STI	3 150	6 300	12 600
Performance shares (offer 2015)	–	3 907	11 722
Share appreciation rights (offer 2014) ¹	–	–	–
Total	6 300	13 357	27 472

¹ Two-thirds of this allocation are subject to vesting as the HEPs hurdle was achieved in prior year, but have not been exercised by the participants.

CONTRACTS AND RESTRAINTS OF TRADE

The service contracts of executive directors are on the same terms as the standard contracts of employment of the group and do not contain any additional termination of employment obligations, restraint of trade or clawback provisions.

NON-EXECUTIVE DIRECTOR FEES

The remuneration of non-executive directors is based on proposals from Remco, which are reviewed annually and submitted to the board for approval. Non-executive directors sign letters of appointment with the company.

Remuneration is compared with that of selected peer companies on an annual basis and recommendations are then submitted to the board for approval. Non-executive remuneration is determined and paid quarterly, based on an annual fee. A non-attendance penalty is deducted for non-attendance at any meeting. Any additional time spent on company business is paid at a fixed hourly rate.

Fees are approved annually on this basis at the annual general meeting and apply with effect from 1 October of that financial year.

Any travel and accommodation expenses of non-executive directors are not included in the fees and are paid by WBHO.

IMPLEMENTATION REPORT

This section of the report explains the implementation of the remuneration policy by providing details of the remuneration paid to executives and non-executive directors for the financial year ended 30 June 2019.

GUARANTEED PAY ADJUSTMENTS

Taking into consideration the prevailing market conditions, affordability, shareholders' expectations and performance, the Remuneration committee approved inflationary increases for South African senior management and executives of 6% (FY2018: 5,5%). The average increase for the remainder of employees in South Africa was 6% (FY2018: 6,5%).

Senior management in Australia received average increases of 5,1% (FY2018: 0,3%), while the remaining employees received average increases of 3,6% (FY2018: 4,1%). Senior management in the United Kingdom (UK) received average increases of 6,1%, while the remaining employees received average increases of 4,3%.

The committee is satisfied that the appropriate salary adjustments have been done to place the organisation's remuneration levels in line with best practice and its remuneration philosophy.

EMPLOYEE BENEFITS

R'000	2019	2018
Salaries and wages	5 150 401	4 077 240
Benefits and other contributions	615 581	581 833
	5 765 982	4 659 073

The increase is due to the inclusion of the UK subsidiaries, Byrne and Russells.

Total STIs paid during the year (including amounts paid to directors and prescribed officers) have been based upon the performance of the group's audited results for the year ended 30 June 2019 and amounted to R439 million (FY2018: R421 million).

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

The table below summarises WBHO's executive directors' and prescribed officers' remuneration for FY2019.

R'000	2019				2018			
	TGP	STI	Vested LTI ⁵	Total	TGP	STI	Vested LTI	Total
Executive directors								
MS Wylie ¹	2 028	3 042	–	5 070	1 957	5 522	–	7 479
EL Nel ²	3 151	4 505	11 722	19 377	2 981	7 382	8 769	19 132
CV Henwood	3 039	4 286	10 510	17 836	2 873	7 028	8 307	18 208
	8 218	11 833	22 232	42 283	7 811	19 932	17 076	44 819
Prescribed officers								
PJ Foley ³	10 089	3 750	10 510	24 349	7 367	7 000	8 307	22 674
SN Gumede	2 310	1 800	–	4 110	1 785	2 200	–	4 273
EA Mashishi	2 365	2 000	6 468	10 833	2 201	3 500	4 615	10 316
RM Smith ⁴	2 774	5 500	10 510	18 784	2 622	6 700	8 307	17 629
S Vally-Kara	1 733	800	2 830	5 363	1 588	900	2 308	4 796
TR Armstrong	–	–	–	–	1 706	–	–	1 706
	19 271	13 850	30 318	63 439	12 526	20 300	23 537	61 394
	27 489	25 683	52 550	102 375	20 337	40 232	40 613	106 213

¹ Retired as Executive Chairman with effect from 20 November 2019.

² Appointed as Executive Chairman with effect from 20 November 2019.

³ PJ Foley has been seconded to the United Kingdom and is remunerated in pounds sterling.

⁴ RM Smith retired on 30 June 2019.

⁵ The performance shares allocated in December 2015 vested during the year and are equity-settled. The value reflected is the value of the shares on vesting date. Further disclosure on the LTIs can be found on page 110.

REMUNERATION REPORT

CONTINUED

SHORT-TERM INCENTIVES

The financial targets set by the board for FY2019 in respect of each key performance indicator as well as the performance against these targets are disclosed in the table below:

Targets						
KPI	Threshold	2019 Target	Stretch	Threshold	2018 Target	Stretch
Operating profit (Rm)	1 045	1 206	1 387	1 038	1 201	1 382
HEPS growth (%)	0	6,6	9,6	–	6,6	9,6
ROCE (%)	17,5	20,0	24,0	17,5	20	24
Cash generation (Rm) ¹	5 414	5 523	5 685	5 546	5 656	5 823

¹ Cognisance of the UK cash outflow in respect of the acquisition was taken into account when determining the cash target approved by Remco for 2019.

Performance

KPI	Results	Result achieved	2019 Score (%)	2018 Score (%)
Operating profit (Rm)	561	Not achieved	–	25
HEPS growth (%)	(34)	Not achieved	–	41
ROCE (%)	12,4	Not achieved	–	41
Cash generation (Rm)	5 952	Stretch	42	42
Total score			42	149
Maximum attainable score			280	280

The total scorecards for each executive director are disclosed in the table below:

KPI	Personal scorecard	Financial scorecard	Total % score	Maximum % of TGP	Actual STI per score	Actual STI awarded
EL Nel	101	42	143	400	4 505	4 505
CV Henwood	99	42	141	400	4 286	4 286
MS Wylie	108	42	150	400	3 042	3 042

While the percentages may appear above market norms, the stakeholders are reminded that TGP is deliberately set below the median which necessitates a higher STI percentage. The actual STI awarded as a percentage of the maximum potential award is approximately 36,0%.

LONG-TERM INCENTIVES

During the year 146 500 (FY2018: 136 000) share appreciation rights and 141 000 (FY2018: 130 000) performance shares were allocated to executive directors, prescribed officers and key members of management.

Share appreciation rights

Share appreciation rights vest in equal tranches over three years and may be exercised on the third, fourth and fifth anniversaries from the time of allocation, but need not be exercised until the seventh anniversary. On settlement, the value accruing to participants is the full appreciation of the share price over the vesting period.

The performance target hurdle is the average growth in adjusted headline earnings per share (HEPS) compared against the average CPI plus 3%. The average calculation is determined annually in three-year cycles. At 30 June, the hurdle criteria for the 2016, 2017, 2018 and the final third of the 2014 tranches had not been met.

Tranche	Threshold (cents)	Actual (cents)	Share price on allocation date (R)	Share price at 30 June 2019 (R)	Result
2014 ¹	1 708,16	932,3	115,40	109,89	Hurdle not achieved
2016	1 708,16	932,3	147,47	109,89	Hurdle not achieved
2017	1 533,18	932,3	146,76	109,89	Hurdle not achieved
2018	1 528,79	932,3	143,00	109,89	Hurdle not achieved

¹ Two-thirds of this allocation are subject to vesting as the HEPs hurdle was achieved in prior year.

Performance shares

The shares contain a full value element, essentially having no strike price and vest on the third anniversary of the award. The number of shares that vest will depend on the extent to which the specified criteria are met over the three-year measurement period.

ROCE is a measure of the group's profitability and the efficiency with which its capital (equity plus borrowings) is employed.

Total shareholder return (TSR) is calculated as the increase in value of a portfolio of shares, including dividends received, over the period that the performance shares are held. TSR is measured against a comparative peer grouping consisting of Aveng, Basil Read, Group 5, Murray & Roberts, Raubex, Stefanutti Stocks, Hudaco, Barloworld and Pretoria Portland Cement.

The targets for each performance criterion are set by the board and are disclosed in the table below:

Performance criteria	Weighting	Threshold	Target	Stretch
ROCE	50%	14%	16%	20%
Adjusted ROCE (applicable to allocations from December 2016 onwards)	50%	14%	19%	23%
TSR	50%	7th position	5th position	2nd position
Potential award		0% – 99% of TGP	100% – 299% of TGP	300% of TGP

Actual performance against the criteria at 30 June 2018 (Offer 2015) and 30 June 2019 (Offers 2016, 2017 and 2018):

Performance criteria	Offer 2015 Performance shares	Offer 2016 Performance shares	Offer 2017 Performance shares	Offer 2018 Performance shares
ROCE	22,6%	18,2%	16,1%	12,4%
TSR	1st	5th	5th	5th
Result				
ROCE	Stretch	Threshold exceeded	Threshold exceeded	Not achieved
TSR	Stretch	Target	Target	Target
Award	300%	92%	71%	50%

Long-term incentives vested during the year

Performance shares	
Offer 2015	
Vesting price	R134,74
Award date	7 December 2015
Vesting date	7 December 2018
Achieved	300% of awarded shares vested

	Number of awards	Number of vested shares	Value of shares at vesting date
Executive directors			
EL Nel	29 000	87 000	11 722 380
CV Henwood	26 000	78 000	10 509 720
Prescribed officers			
PJ Foley	26 000	78 000	10 509 720
S Vally-Kara	7 000	21 000	2 829 540
RM Smith	26 000	78 000	10 509 720
EA Mashishi	16 000	48 000	6 467 520
Total	130 000	390 000	52 518 600

REMUNERATION REPORT

CONTINUED

	Offer 2014 ²	Offer 2015		Offer 2016		Offer 2017		Offer 2018		Awards vested during the year	Total	
Award price	R115,40	R118,41		R147,47		R146,76		R143,00				
Award date	2015/03/16	2015/12/07		2016/12/07		2017/12/07		2018/12/13				
Vesting date – Performance shares	–	2018/12/07		2019/12/07		2020/12/07		2021/12/13				
Vesting period – Share appreciation rights	From 2019/03/16 to 2022/03/16	N/A		From 2019/12/07 to 2023/12/07		From 2020/12/07 to 2024/12/07		From 2021/12/13 to 2025/12/13				
Threshold met at 30 June 2018	–	300%		92%		71%		50%				
Name	Number of awards	Number of awards	Market value at issue date	Number of awards	Market value at issue date	Number of awards	Market value at issue date	Number of awards	Market value at issue date	Number of awards	Number of awards at 30 June 2019	Fair value at 30 June 2019 ¹
Executive directors												
EL Nel												
Performance shares	–	29 000	3 433 852	17 500	2 580 725	19 000	2 788 440	17 000	2 431 000	(29 000)	53 500	5 879 115
Share appreciation rights	20 000	–	–	17 500	–	20 000	–	18 500	–	–	76 000	–
CV Henwood												
Performance shares	–	26 000	3 078 626	16 000	2 359 520	18 000	2 641 680	16 000	2 288 000	(26 000)	50 000	5 494 500
Share appreciation rights	19 000	–	–	16 000	–	18 000	–	17 500	–	–	70 500	–
Prescribed officers												
PJ Foley												
Performance shares	–	26 000	3 078 626	16 000	2 359 520	18 000	2 641 680	16 000	2 288 000	(26 000)	50 000	5 494 500
Share appreciation rights	19 000	–	–	16 000	–	18 000	–	17 500	–	–	70 500	–
RM Smith												
Performance shares	–	26 000	3 078 626	16 000	2 359 520	18 000	2 641 680	–	–	(26 000)	34 000	3 736 260
Share appreciation rights	19 000	–	–	16 000	–	18 000	–	–	–	–	53 000	–
EA Mashishi												
Performance shares	–	16 000	1 894 539	10 000	1 474 700	11 000	1 614 360	12 000	1 716 000	(16 000)	33 000	3 626 370
Share appreciation rights	11 000	–	–	10 000	–	12 000	–	13 000	–	–	46 000	–
SN Gumede												
Performance shares	–	–	–	–	–	–	–	6 000	858 000	–	6 000	659 340
Share appreciation rights	–	–	–	–	–	–	–	6 000	–	–	6 000	–
S Vally-Kara												
Performance shares	–	7 000	828 861	4 000	589 880	5 000	733 800	5 000	715 000	(7 000)	14 000	1 538 460
Share appreciation rights	5 000	–	–	4 000	–	5 000	–	4 000	–	–	18 000	–
Total performance shares awarded	–	130 000	15 393 131	79 500	11 723 865	89 000	13 061 640	72 000	10 296 000	(130 000)	240 500	26 428 545
Total share appreciation rights awarded	93 000	–	–	79 500	–	91 000	–	76 500	–	–	340 000	–
Total awards	93 000	130 000	15 393 131	159 000	11 723 865	180 000	13 061 640	148 500	10 296 000	(130 000)	568 500	26 428 545

¹ The thresholds achieved at 30 June 2019 have been used to calculate fair value. Offers 2017 and 2018 have yet to vest therefore the percentages used in the calculation of fair value may be different to those at the vesting dates.

² Two-thirds of this allocation are subject to vesting as the HEPs hurdle was achieved in prior year, but have not been exercised by the participants.

REMUNERATION REPORT

CONTINUED

NON-EXECUTIVE DIRECTORS' REMUNERATION

WBHO compensates and remunerates non-executive directors in a manner which enables it to attract and retain high-calibre and professional directors to ensure that the board has the necessary skills required to execute on its mandate. Fees are determined by Remco and ratified by the main Board and shareholders. Fees payable for the year are reflected below.

R'000	2019	2018
AJ Bester	630	415
KM Forbay	484	379
RW Gardiner	906	814
NA Matyumza	–	441
SN Maziya	819	552
JM Ngoben	–	69
H Ntene	556	364
	3 395	3 034

Fees are annually considered and approved by shareholders at the AGM. Voting at the last three AGMs are reflected below.

Non-executive directors' fees	Votes for	Votes against	Votes abstained
21 November 2018	98,12%	1,66%	0,01%
23 November 2017	98,93%	1,07%	0,45%
16 November 2016	100,00%	–	0,11%

The average percentage increase proposed for directors' fees is 6,0% (FY2018: 6,0%). The proposed fees for non-executive directors in respect of FY2020 are disclosed below.

	2020	2019
Lead independent director	373 700	352 500
Non-executive director	234 000	220 700
Chairman of Audit committee	354 700	334 600
Chairman of Risk committee	173 400	163 500
Chairman of Remuneration committee	173 400	163 500
Chairman of Social and ethics committee	173 400	163 500
Committee members (per meeting)	32 350	30 500

DIRECTORS' AND PRESCRIBED OFFICERS' SHAREHOLDING

'000	Direct	2019 Indirect	Total	Direct	2018 Indirect	Total
Executive directors						
MS Wylie ^a	–	522	522	–	522	522
EL Nel	340	1	341	291	1	292
CV Henwood	106	–	106	66	–	66
	446	523	969	357	523	880
Non-executive directors*						
NS Maziya*	–	240	240	–	237	237
	–	240	240	–	237	237
Prescribed officers						
PJ Foley	102	–	102	76	–	76
RM Smith	90	–	90	47	–	47
EA Mashishi [#]	37	–	37	–	118	118
S Vally-Kara	20	–	20	8	–	8
	249	–	249	131	118	249
	695	763	1 458	488	878	1 366

^a The indirect shares are held in 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 predetermined threshold. Using the share price at 30 June 2019, the director would receive no shares in terms of the formula.

[#] EA Mashisi has 33% (FY2018: 33%) interest in Edwin Construction (Pty) Ltd.

OTHER LONG-TERM INCENTIVE SCHEMES

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

'000	WBHO Management Trust	Black Partners	Employees
Total shares/options allocated	1 013	720	1 397
Allocations/issues in the current year	–	–	435
Dividend shares purchased	n/a	8	20
Vested in the current year	–	(18)	(75)
Shares purchased	24	–	–
Share to be bought back	–	–	(682)
Shares available for future allocations	2 278	–	678



Further details in respect of the above schemes are available online in the consolidated annual financial statements under the investor section of the company's website at www.wbho.co.za/investors.

REFERENCE INFORMATION

Abbreviations and acronyms

B-BBEE	Broad based black empowerment
Black	African, Indian and Coloured
GDP	Gross domestic product
HEPS	Headline earnings per share
IFRS	International Financial Reporting Standards
IT	Information technology
LTI	Long-term incentives
King IV™	King Report on Corporate Governance for South Africa, 2016
LTIFR	Lost-time injury frequency rate
RCR	Recordable case rate
ROCE	Return on capital employed
SANRAL	South African National Roads Agency
SED	Socio-economic development
SOE	State-owned entity
STI	Short-term incentives
TGP	Total guaranteed package
TSR	Total shareholder return
VRP	Voluntary rebuild programme

Financial definitions

Current ratio	Current assets/current liabilities
Gross profit margin	Gross profit/revenue
Market capitalisation	Number of issued shares x close share price at year end
Net profit margin	Net profit/revenue
Net working capital	Sum of inventory and trade receivables less trade payables
NPAT	Net profit after tax
Solvency ratio	(Current assets less cash and cash equivalents)/current liabilities

SHAREHOLDERS' DIARY

Financial year end	30 June
Final results announced	September
Integrated report published	October
Interim results announced	February
DIVIDEND	
INTERIM	
Approved	February
Payable	April
FINAL	
Approved	August
Payable	October

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