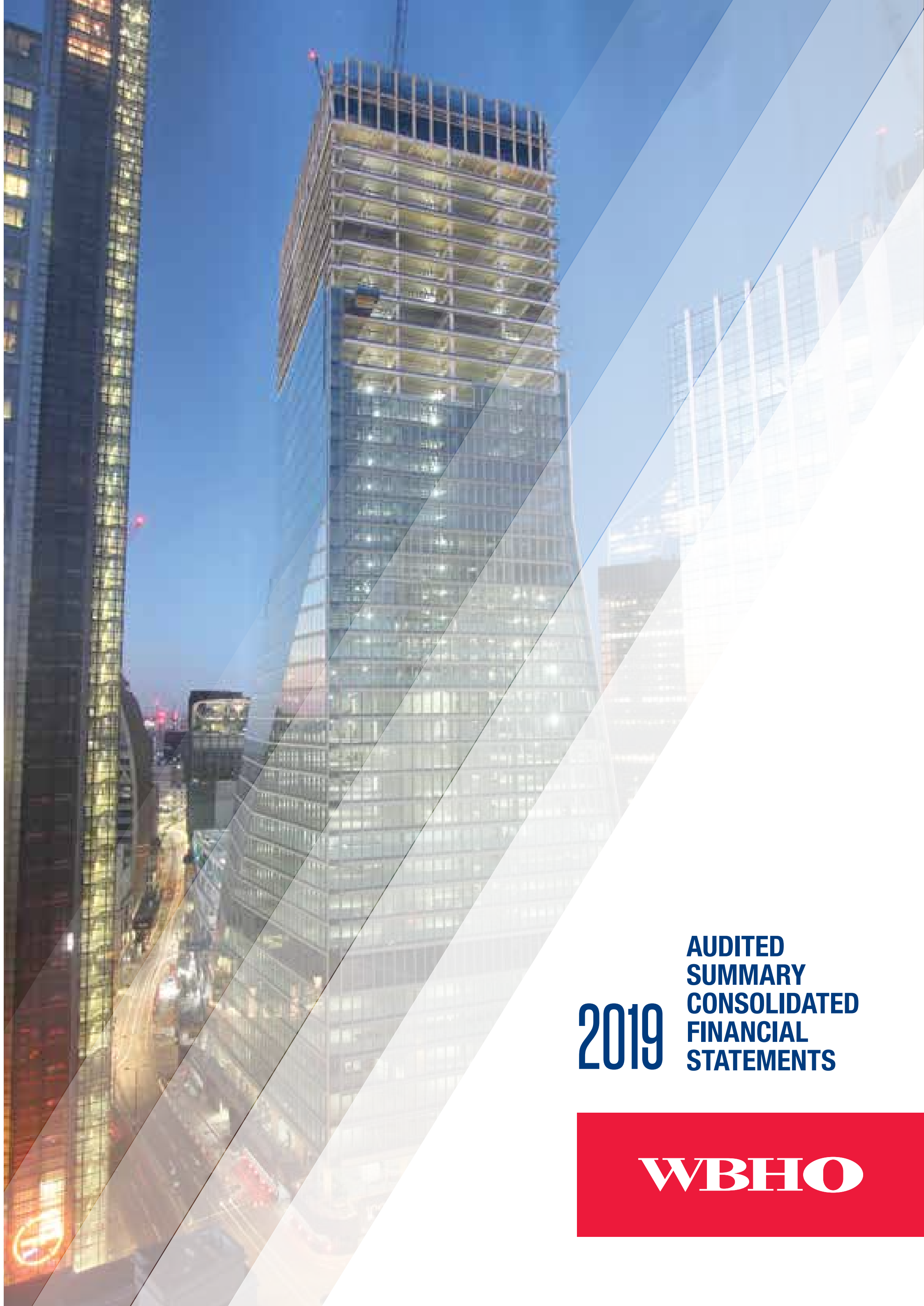


2019 AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

WBHO

WWW.WBHO.CO.ZA

QUICK FACTS

ESTABLISHED	LISTED ON THE JSE	MARKET CAPITALISATION	B-BBEE STATUS
1970	1994	R6 billion	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"

1 REPUTATION

Our reputation is one of our greatest assets. We actively work to build a reputation of excellence in our people, systems and products. If our actions in any way contravene our shared values of teamwork, communication, integrity and excellence, it can adversely impact on our positive reputation.

2 QUALITY

Quality is of utmost importance to the group and both management and employees must pursue this at all times. Performance of duties should be at the expected level of skill, knowledge, experience and judgement.

3 COST-AWARENESS

Management and employees have a responsibility to consider efficiencies where possible, such as cost cutting, value engineering and any other methods that provide our stakeholders with quality structures within set budgets. This responsibility includes taking due care, avoiding waste, and minimising the misuse or abuse of company assets, while limiting the risks to suppliers and subcontractors who engage in projects for the group.

4 TEAMWORK

We are a team. We succeed together. When we can help our colleagues, we do. When we need help, we ask. We do not ignore a colleague who needs our assistance, even if they have not asked for our help. We are also willing to participate in activities and projects that promote WBHO.

5 CULTURE

We have a positive, "can do" attitude and always "go the extra mile" for our clients. We are flexible, dependable, hardworking and a "pleasure to do business with".

PERFORMANCE HIGHLIGHTS

2019

REVENUE
R41 billion
2018: R35,0 billion

CASH GENERATED FROM OPERATIONS
R1,5 billion
2018: R1,4 billion

EARNINGS PER SHARE
939 cents
2018: 1 534 cents

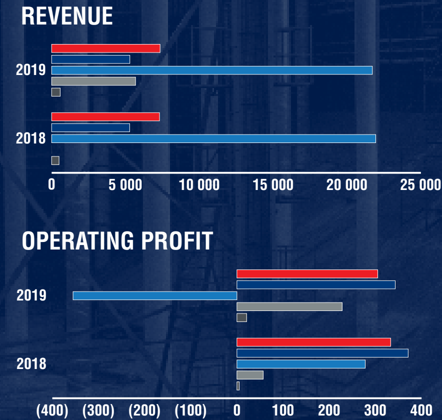
OPERATING MARGIN
1,4%
2018: 3,1%

DIVIDEND
190 cents
2018: 475 cents

ORDER BOOK
R47 billion
2018: R49 billion

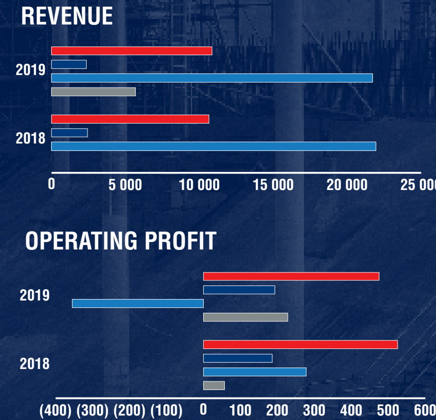
CASH
R5,9 billion
2018: R5,9 billion

CONTRIBUTION BY SEGMENT (RM)



- Building and civil engineering
- Roads and earthworks
- Australia
- United Kingdom
- Construction materials

CONTRIBUTION BY GEOGRAPHY (RM)



- South Africa
- Rest of Africa
- Australia
- United Kingdom

CONTENTS

BASIS OF PREPARATION

for the year ended 30 June 2019

The summary consolidated financial statements are prepared in accordance with the JSE Limited Listings Requirements for abridged reports, the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and at a minimum, contain the information required by IAS 34 Interim Financial Reporting and the requirements of the Companies Act of South Africa. This announcement does not include the information required pursuant to par 16A (j) of IAS 34. The full annual consolidated financial statements that includes the relevant information is available on the website of the company, at the registered office of the company or on request from the company secretary.

The accounting policies applied in the preparation of the annual consolidated financial statements, from which the summary consolidated financial statements were derived, are in terms of International Financial Reporting Standards. With the exception of IFRS 9: Financial Instruments and IFRS15: Revenue from Contracts with Customers which became effective during the current period, the accounting policies are consistent with those applied in the preparation of the previous consolidated annual financial statements.

The summary consolidated financial statements and the full annual consolidated financial statements have been compiled under the supervision of the Chief Financial Officer, Charles Henwood CA(SA) and were authorised by the board on 30 August 2019 and signed on 2 September 2019.

The directors take full responsibility for the preparation of the summary report and that the financial information has been correctly extracted from the underlying annual consolidated financial statements.

These summary consolidated financial statements and the full annual consolidated financial statements for the year ended 30 June 2019 have been audited by BDO South Africa Inc. The auditor's report on the summary consolidated financial statements and on the annual consolidated financial statements are available on the company's website at www.wbho.co.za, or for inspection at the company's registered office, together with the respective financial statements identified in the auditor's reports.

The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report and accompanying financial information.

INDEPENDENT AUDITOR'S REPORT ON SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2019

TO THE SHAREHOLDERS OF WILSON BAYLY HOLMES-OVCON LIMITED

OPINION

The summary consolidated financial statements of Wilson Bayly Holmes-Ovcon Limited, contained in the accompanying abridged report, which comprise the summary consolidated statement of financial position as at 30 June 2019 , the summary consolidated statement of financial performance and other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Wilson Bayly Holmes-Ovcon Limited for the year ended 30 June 2019 .

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in the "Basis of Preparation" note to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 2 September 2019. That report also includes:

- The communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.
- An Other information paragraph (refer below).

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in the 'Basis of Preparation' note to the summary financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

OTHER INFORMATION

The other information paragraph in our audit report dated 2 September 2019 states that as part of our audit of the consolidated financial statements for the year ended 30 June 2019, we have read the Directors' Report, the Statement of Compliance by the Audit Committee and the Statement of Compliance by the Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date, for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the directors. The paragraph states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.

OTHER MATTER

We have not audited future financial performance and expectations by management included in the accompanying summary consolidated financial statements and accordingly do not express any opinion thereon.

BDO South Africa Inc.

BDO South Africa Incorporated
Registered Auditors
J Schoeman
Director
Registered Auditor

2 September 2019

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2019

	Audited 2019 R'000	Audited 2018 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1 936 709**	1 883 072
Goodwill	**921 103**	531 117
Equity-accounted investments	**1 069 328**	745 059
Long-term receivables	**346 253**	373 136
Deferred taxation	**903 657**	667 779
Total	**5 177 050**	4 200 163
Current assets		
Inventories	**327 520**	284 543
Contract assets	**1 423 218**	1 816 792
Trade and other receivables	**6 717 509**	6 213 877
Taxation receivable	**167 546**	116 020
Cash and cash equivalents	**5 951 985**	5 992 461
Total	**14 587 778**	14 423 693
Total assets	**19 764 828**	18 623 856
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	**28 565**	28 565
Reserves	**5 843 621**	5 783 074
Shareholders' equity	**5 872 186**	5 811 639
Non-controlling interests	**261 645**	207 517
Total	**6 133 831**	6 019 156
Non-current liabilities		
Long-term liabilities	**193 164**	169 718
Deferred taxation	**174 131**	27 527
Total	**367 295**	197 245
Current liabilities		
Contract liabilities	**2 206 511**	2 337 660
Trade and other payables	**8 627 016**	8 293 976
Provisions	**2 414 682**	1 764 968
Taxation payable	**15 493**	10 851
Total	**13 263 702**	12 407 455
Total equity and liabilities	**19 764 828**	18 623 856

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2019

	% growth/ (decline)	Audited 2019 R'000	Audited 2018 R'000
Revenue	16	**40 614 297**	35 028 475
Operating expenses		**(38 651 603)**	(32 962 005)
Administrative expenses		**(1 404 034)**	(1 021 073)
Expected credit loss		**2 575**	–
Operating profit before non-trading items	(46)	**561 235**	1 045 397
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
Share-based payment expense		**(48 394)**	(63 759)
Operating profit		**512 841**	1 030 861
Share of profits and losses from equity-accounted investments		**51 958**	(4 830)
Finance income		**207 012**	192 094
Finance costs		**(23 565)**	(23 627)
Profit before tax		**748 246**	1 194 498
Income tax expense		**(199 253)**	(351 053)
Profit for the year		**548 993**	843 445
Other comprehensive income			
Items that may be reclassified through profit or loss:			
Translation of foreign entities		**(61 679)**	23 493
Translation of net investment in a foreign operation		**(10 616)**	3 304
Tax effect of above items:		**2 972**	(925)
Share of other comprehensive income from equity-accounted investments		**16 602**	(10 153)
Total other comprehensive income for the year		**496 272**	859 164
Profit from operations attributable to:			
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		**498 528**	815 872
Non-controlling interests		**50 465**	27 573
		548 993	843 445
Total comprehensive income attributable to:			
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		**445 807**	831 591
Non-controlling interests		**50 465**	27 573
		496 272	859 164
Earnings per share (cents)			
Basic earnings per share	(39)	**938,7**	1 534,3
Diluted earnings per share	(39)	**938,5**	1 533,8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2019

	Share capital R'000	Foreign currency translation reserve R'000	Non-distributable reserves R'000	Distributable reserves R'000	Shareholders' equity R'000
At 1 July 2017	28 597	199 952	(2 875)	5 074 831	5 300 505
Profit for the year	–	–	–	815 872	815 872
Other comprehensive income (OCI)	–	(23 493)	2 379	–	25 872
Share of OCI in equity-accounted investments	–	(10 153)	–	–	(10 153)
Dividend paid	–	–	–	(275 153)	(275 153)
Shares bought back	(32)	–	–	–	(32)
Share-based payment	–	–	63 759	–	63 759
Share-based settlement	–	–	(48 951)	–	(48 951)
Acquisition of NCI without a change in control	–	–	–	(60 080)	(60 080)
At 30 June 2018	28 565	213 292	14 312	5 555 470	5 811 639
IFRS 15 adjustment	**–**	**–**	**–**	**(36 049)**	**(36 049)**
IFRS 9 adjustment	**–**	**–**	**–**	**(57 539)**	**(57 539)**
Profit for the year	**–**	**–**	**–**	**498 528**	**498 528**
Other comprehensive income (OCI)	**–**	**(61 679)**	**(7 644)**	**–**	**(69 323)**
Share of OCI in equity-accounted investments	**–**	**16 602**	**–**	**–**	**16 602**
Dividend paid	**–**	**–**	**–**	**(184 100)**	**(184 100)**
Share-based payment	**–**	**–**	**48 394**	**–**	**48 394**
Share-based settlement	**–**	**–**	**(81 481)**	**–**	**(81 481)**
Acquisition of NCI without a change in control	**–**	**–**	**–**	**(74 485)**	**(74 485)**
At 30 June 2019	**28 565**	**168 215**	**(26 420)**	**5 701 825**	**5 872 186**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2019

	Audited 2019 R'000	Audited 2018 R'000
Operating profit before working capital requirements	**1 433 340**	1 126 373
Working capital changes	**33 448**	263 158
Cash generated from operations	**1 466 788**	1 389 531
Net finance income	**201 722**	186 129
Taxation paid	**(327 253)**	(362 634)
Dividends paid	**(193 351)**	(285 339)
Cash retained from operations	**1 147 906**	927 687
Cash flow from investing activities		
Advance of long-term receivables	**(19 215)**	(38 774)
Repayment of long-term receivables	**49 342**	131 923
Acquisition of subsidiary	**(571 670)**	–
Additional investment in equity-accounted investments	**(98 301)**	(241 921)
Acquisition of equity-accounted investments	**(56 577)**	–
Loans repaid by equity-accounted investments	**10 690**	–
Settlement of contingent consideration	**(17 778)**	–
Proceeds on disposal of property, plant and equipment	**59 607**	78 175
Purchase of property, plant and equipment	**(223 234)**	(238 274)
	(867 136)	(308 871)
Cash flow from financing activities		
Repayment of borrowings	**(36 668)**	–
Acquisition of non-controlling interests without a change in control	**(146 936)**	(93 148)
Purchase of shares for equity-settled incentives	**(89 933)**	(63 611)
Instalments in respect of finance lease liabilities	**(170 963)**	(63 165)
	(444 500)	(219 924)
Net (decrease)/increase in cash and cash equivalents	**(163 730)**	398 892
Foreign currency translation effect on cash held	**(16 254)**	(31 002)
Cash and cash equivalents at the beginning of the year	**5 992 461**	5 545 583
Cash and cash equivalents acquired	**139 508**	83 756
Cash and cash equivalents derecognised	**–**	(4 768)
Cash and cash equivalents at the end of the year	**5 951 985**	5 992 461

1. SEGMENTAL INFORMATION

	Audited 2019 R'000	Audited 2018 R'000
Segment revenue		
Building and civil engineering	7 337 856	7 302 475
Roads and earthworks	5 294 683	5 282 155
Australia	21 713 454	21 941 438
United Kingdom	5 683 574	–
Total construction revenue	40 029 567	34 526 068
Property developments	4 727	1 778
Construction materials	580 003	500 629
Total revenue	976 068	842 034
Inter-segment revenue	(396 064)	(341 405)
Total revenue	40 614 297	35 028 475
Segment operating profit/(loss) before non-trading items		
Building and civil engineering	304 332	332 184
Roads and earthworks	343 092	370 858
Australia	(335 247)	277 906
United Kingdom	228 028	57 209
Total construction operating profit	540 205	1 038 157
Property developments	715	1 970
Construction materials	20 315	5 270
Total operating profit before non-trading items	561 235	1 045 397
Geographical revenue		
South Africa	10 855 899	10 649 599
Rest of Africa	2 361 370	2 437 438
Australia	21 713 454	21 941 438
United Kingdom	5 683 574	–
Total revenue	40 614 297	35 028 475
Geographical operating profit/(loss)		
South Africa	475 036	524 653
Rest of Africa	193 418	185 629
Australia	(335 247)	277 906
United Kingdom	228 028	57 209
Total operating profit before non-trading items	561 235	1 045 397
Geographical non-current assets excluding deferred tax		
South Africa	1 861 997	1 797 922
Rest of Africa	412 485	368 597
Australia	1 199 930	1 145 074
United Kingdom	798 982	220 791
	4 273 394	3 532 384

2. RECONCILIATION OF HEADLINE EARNINGS

	Audited 2019 R'000	Audited 2018 R'000
Attributable earnings	498 528	815 872
Adjusted for:		
Gain on loss of control of subsidiary	–	(5 092)
Loss on deemed disposal of equity accounted investments	–	57 544
Gain on bargain purchase of subsidiary	–	(101 675)
Profit from the disposal of plant and equipment	(5 607)	(18 996)
Non-controlling interest in above transactions	826	645
Tax effect of above transactions	1 460	5 339
Equity accounted investments:		
Profit from the disposal of plant and equipment	(75)	(3 223)
Impairment of investments	–	1 097
Tax effect of above transactions	21	683
	495 152	752 194

3. ORDINARY SHARES

	Audited 2019 R'000	Audited 2018 R'000
Ordinary shares in issue ('000)	59 890	59 890
Weighted average number of shares ('000)	53 109	53 175
Diluted weighted average number of shares ('000)	53 118	53 192

4. BUSINESS COMBINATIONS

In July 2018, WBHO UK Limited concluded an agreement in which it acquired a 60% controlling interest in Russells Limited (Russells) for a consideration of £32,8 million (R572 million).

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

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

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

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

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

All identifiable assets and liabilities are recognised at fair value after a detailed review including identifying any possible intangible assets. No further intangible assets were identified. Goodwill arising on the acquisition of this business is not expected to be deductible for tax purposes.

5. JUDGEMENTS AND ESTIMATES

In preparing these consolidated interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, with the exception of the new significant judgements and key sources of estimation uncertainty related to the application of IFRS 9 as disclosed in note 6.2.

6. CHANGES IN ACCOUNTING POLICIES

IFRS 15: REVENUE WITH CUSTOMERS FROM CONTRACT

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The group has adopted IFRS 15 using the cumulative effect method (without practical expedients) thus applying this standard at the date of initial application. Accordingly, the information presented for 2018 has not been restated and is presented as previously reported under IAS 18, IAS 11 and related interpretations.

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control at a point in time or over time requires judgement.

Type of product/service	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Construction contracts	Construction revenue includes the contract value together with any approved variations and claims to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognised the cumulative contract price is revised. The measure of progress is reassessed at each reporting date using surveys of work performed.	The implementation of IFRS 15 had no impact on the recognition of revenue for construction contracts. The impact of the implementation of IFRS 15 on operating expenses is described below.
Sales of construction materials and properties	In respect of the sale of construction materials and properties, customer currently recognises revenue when a customer obtains control of the goods, which will be through delivery or collection.	The implementation of IFRS 15 had no impact on the recognition of revenue for the sale of construction materials and properties

In implementing IFRS 15, the group has performed an assessment of all active contracts. The 5-step process for the recognition and measurement of revenue described under IFRS 15 was applied to each individual contract and its effect determined. The assessment of performance obligations, the accompanying allocation of the contract value (including the effects of any variations and claims) and the measurement of the progress of the contract resulted in the same outcome for the recognition and measurement of revenue using the percentage-of-completion method under IAS 11.

In Australia, tender costs incurred to acquire a contract had previously been capitalised under IAS 11. While IFRS 15 allows for costs that are incremental to obtaining a contract to be capitalised and subsequently amortised over the life of the contract, it was determined that as these costs would have been incurred irrespective of whether the contract was awarded, and no longer met the requirements to be capitalised. Costs of this nature, capitalised at 1 July 2018, have been adjusted for against opening retained income while costs incurred over the financial year have been expensed.

Income received in advance of R244,5 million was previously disclosed under trade and other payables, but has now been grouped with excess billings over work done, disclosed as contract liabilities on the statement of financial position in order to achieve better presentation. Comparative figures have also been adjusted.

The following tables summarises the impact of adopting IFRS 15 at 1 July 2018.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	At 30 June 2018	IFRS 15 effect	At 1 July 2018
Assets			
Non-current assets			
Deferred taxation	667 779	15 449	683 228
Current assets			
Trade and other receivables	6 213 877	(51 498)	6 162 379
Equity			
Distributable reserves	5 555 470	(36 049)	5 524 846
Non-controlling interests	207 517	(7 751)	202 092

IFRS 9: FINANCIAL INSTRUMENTS

IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

IFRS 9 retains the existing requirements for the classification and measurement of financial liabilities under IAS 39 however it eliminates the previous categories for financial assets: held to maturity, loans and receivables and available for sale. These are now classified as amortised cost.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 July 2018 related solely to the new impairment requirements.

TRANSITION

The group has applied the exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment). Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 July 2018. Accordingly, the information presented for the year ended 30 June 2018 does not reflect the requirements of IFRS 9 but rather those of IAS 39.

R'000	At 30 June 2018	IFRS 9 effect	At 1 July 2018
Assets			
Non-current assets			
Long-term receivables	373 136	(1 194)	371 942
Loans to equity accounted investments	470 835	(1 289)	469 546
Deferred tax asset	667 779	24 363	692 142
Current assets			
Trade and other receivables	6 213 877	(60 513)	6 153 364
Contract assets	1 816 792	(17 520)	1 799 272
Cash and cash equivalents	5 992 461	(4 813)	5 987 648
Equity			
Distributable reserves	5 555 470	(47 538)	5 497 932
Non-controlling interests	207 517	(3 428)	204 084

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets measured at amortised cost are subject to the impairment provisions of IFRS 9.

IFRS 9 replaces the incurred loss model applied under IAS 39 with a forward-looking expected credit loss (ECL) model. The ECL model requires an entity to account for expected credit losses at each reporting date that reflect changes in credit risk since initial recognition. The group applies the simplified approach when measuring expected credit losses incorporating a lifetime expected loss allowance for all trade receivables and contract assets. The general approach has been applied to other financial assets.

Due to the bespoke nature of construction contracts and specific circumstances relating to the impairment of trade receivables, the group did not recognise general impairments in respect of trade receivables under IAS 39. Specific provisions for impairment were recognised against individual receivables when evidence for impairment existed.

In applying the simplified approach, exposure within each category of trade and other receivables was segmented based on individual credit risk ratings, industry and geographic region. Factors reflecting the group's view of economic conditions over the expected lives of the receivables were considered when calculating the ECL. These factors included external sources for company, industry and sovereign risk in each of the regions in which the group is active. The specific provisions for impairment recognised under IAS 39 have been retained where necessary.

COMBINED EFFECT OF THE NEW REPORTING STANDARDS AT 1 JULY 2018:

	R'000
Total equity at 30 June 2018	6 019 156
Increase in operating cost	(51 498)
Increase in administrative expenses	(85 329)
Decrease in tax expense	39 812
Decrease in non-controlling interests	11 179
Total equity at 1 July 2018 under IFRS 9 and IFRS 15	5 933 320

7. EVENTS AFTER THE REPORTING DATE

The board is not aware of any other matter or circumstance arising since the end of the reporting period not otherwise dealt with in the summary consolidated financial statements, which significantly affects the financial position of the group at 30 June 2019 or the results of its operations or cash flows for the year then ended.

COMMENTARY

The group produced mixed results this year where solid performances from both the African operations (including South Africa) and United Kingdom (UK) operations were overshadowed by the recognition of a significant provision in respect of anticipated losses on the Western Roads Upgrade (WRU) project in Australia. Despite the losses provided for, market conditions in Australia remain buoyant and the Australian building business and infrastructure business in the Western region continued to perform satisfactorily. The UK market provided sufficient opportunities for the Byrne Group, based in London, to return to profitability and the Manchester market remained healthy, resulting in a solid performance from the newly-acquired Russells Limited. The South African construction environment remains under severe pressure with further large and medium-sized contractors entering business rescue or facing financial difficulties during the financial year. Overall South African construction activity continues to subside and we believe that the business has performed admirably amidst difficult conditions to sustain revenue levels. In the rest of Africa, both building and mining activity in West Africa remained heavily subdued, this was however offset by increased activity in Botswana and Zambia.

FINANCIAL REVIEW

REVENUE AND OPERATING PROFIT

Group revenue increased by 16% from R35 billion in FY18 to R40,6 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. The foreign currency translation gain on revenue from the Australian operations amounts to R426 million as the South African currency weakened slightly over the year.

The impact of the losses provided for on WRU are evident in the overall decline of 46% in operating profit before non-trading items from R1 billion in FY18 to R561 million in FY19. The operating margin of the group decreased to 1.4% and 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%.

EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE

Earnings per share decreased by 39% from 1 534.3 cents per share at 30 June 2018 to 938,7 cents per share at 30 June 2019 and headline earnings per share decreased by 34% from 1 414.6 cents per share to 932,3 cents per share.

EQUITY-ACCOUNTED INVESTMENTS (ASSOCIATES AND JOINT VENTURES)

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. 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.

					Share of after-tax profit/(loss)	
Entity	Industry	Country	Effective %	Carrying amount of investment Rm	**2019 Rm**	2018 Rm
CONSTRUCTION						
Edwin Construction	Infrastructure	South Africa	49%	95,7	**(0,4)**	9,6
Byrne Group Limited	Building and frame 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 DEVELOPMENTS						
Catchu Trading Phase 1:	Residential	South Africa	50%	102.6		
Caulfield	Residential	Australia	30%	180,6	**–**	-
The Glen Residential	Residential	Australia	20%	109,3	**–**	–
PROPERTY DEVELOPER						
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 an associated company until 30 June 2018.*

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 Dipalopalo Concession and R5,6 million received on the loan of R128 million from Russells Construction to Russell Homes Limited.

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 FY20.

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.

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.

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 FY20. The development profit for phase 1 is expected to materialise in FY20.

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 FY20. 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 Residential development now rebranded as The Glen Sky Garden above the Glen shopping centre in the suburb of Waverley in Melbourne has begun. Construction of the development is due for completion in April 2021.

On 18 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 R127,5 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 granted on the Oldham site which is secured under a long term option, was an exciting development in the second half of the year.

CONTRACT ASSETS

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 contract assets amounting to R542 million within the Infrastructure business in Australia as the resolution of variations and claims in the Australian infrastructure market can be extremely lengthy.

CASH

The cash balances decreased by R40 million during the year. Local and foreign cash balances amounted to R1,5 billion and R4,5 billion respectively. Cash generated from operations remains healthy amounting to R1,5 billion compared to R1,4 billion generated in the comparative period. Capital expenditure increased marginally from R315 million to R374 million of which R223 million was acquired for cash and R156 million was financed. Depreciation amounted to R283 million (2018: R240 million). Other significant cash outflows included R98 million in respect of equity-accounted investments discussed above and R628 million in respect of the acquisition of the Russells businesses.

ACQUISITION

On the 18 July 2018, the group acquired a 60% 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 4 of the summarised financial statements.

CHANGES IN NON-CONTROLLING INTERESTS

In terms of the shareholder agreements, Probuild Constructions (Probuild) re-acquired a further 2,0% interest from minority shareholders during the year at a cost A$4,1 million, while WBHO Australia acquired a further 0,81% from minority shareholders at a cost of A$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%. In February 2019, the minority shareholders in Russells Limited exercised the first put option for a consideration of £4.8 million. The group's effective interest in the company increased from 60% to 70% as a result.

CONTINGENT LIABILITIES

Financial guarantees issued to third parties amount to R8,9 billion compared to R10,5 billion in issue at 30 June 2018.

OPERATIONAL REVIEW

BUILDING AND CIVIL ENGINEERING

	% change	**2019 Rm**	2018 Rm
Revenue	0,5% growth	**7 338**	7 302
Operating profit	4,1% margin	**304**	332
Capital expenditure		**37**	76
Depreciation		**20**	45

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. The operating margin was maintained at 4% reflecting the division's ability to effectively bid upon and execute projects in a low margin environment.

BUILDING

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 has decreased; however, the division has successfully tendered 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 Exxarro 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 Johannesburg City Centre, the refurbishment of the ABSA Towers and two buildings in the Jewel City Precinct are progressing well.

The coastal regions have produced solid results where a particularly strong performance in the Eastern Cape offset marginal declines in activity in both the Western Cape and Kwa-Zulu Natal (KZN).

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 KZN, 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. In addition, the division secured three new warehouses from the industrial sector as traditional building opportunities from other sectors diminished.

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 (ELIDZ). 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 SA Breweries was also secured and completed during the year.

CIVIL ENGINEERING

Revenue from the Civil Engineering division grew as increased revenue both locally and in Zambia offset declining activity in West Africa following the completion of projects in Guinea and Ghana.

The South African 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 re-access 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.

ROADS AND EARTHWORKS

	% change	**2019 Rm**	2018 Rm
Revenue	0,2% growth	**5 295**	5 282
Operating profit	6,5% margin	**343**	371
Capital expenditure		**237**	187
Depreciation		**132**	135

The Roads and earthworks division also 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. A decrease in the operating margin from 7,0% to 6,5% reflects the challenging market conditions but was further hampered by additional costs to complete on projects in Guinea and Mozambique.

Locally, roadwork projects and infrastructure for the mining and energy sectors underpinned activity levels. Limited opportunities were available within the roadwork sector with revenue 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 this year included new BRT projects in KZN and Johannesburg and an upgrade to the provincial road between Worcester and Robertson.

Roadspan, the road surfacing business unit, had a difficult year on the back of the declining levels of road construction and rehabilitation opportunities.

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 Booysendal 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 South 32. 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 Johannesburg 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 42km pipeline connecting the existing mine, Zulti North with 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 KZN 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.

In Botswana, revenue grew by 52% following the award of a number of mining infrastructure projects. These comprise 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 requiring rectification which impacted margins. 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 costs to complete the Siguiri project in Guinea.

AUSTRALIA

	% change	2019 Rm	2018 Rm
Revenue			
Probuild		16 941	18 310
Infrastructure – Western Region		2 147	1 618
Infrastructure – Eastern Region		2 625	2 013
Total	1,0% decrease	21 713	21 941
Operating profit			
Probuild		222	176
Infrastructure – Western Region		102	90
Infrastructure – Eastern Region		(659)	12
Total	(1,5%) margin	(335)	278
Capital expenditure		82	49
Depreciation		73	43

Solid results from the Australian operations 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.

No further provision for losses has been recognised on the project in the second half of the financial year.

WESTERN ROADS UPGRADE 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 and bidding team of the technical specifications. This misinterpretation resulted in the under-estimation 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.

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 have adopted a view on the outcome of these expected claims in determining the provision for future loss on the project and believe the full extent of the potential loss has been recognised with the information currently available.

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.

BUILDING

Revenue from the building business decreased by 8% from R18,3 billion to R16,9 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 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

The Infrastructure business performed satisfactorily in the Western region where revenue increased by 33% at a margin of 4,7%.

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 Western region. Projects in the Eastern region performed in line with expectation with new work conversion slowing while the new strategy is implemented.

UNITED KINGDOM

	% change	2019 Rm	2018* Rm
Revenue		5 684	2 394
Operating profit/(loss)	4,0% margin	228	(133)
Capital expenditure		13	
Depreciation		45	

* *For comparative purposes only as the Byrne Group was accounted for as an associated company until 30 June 2018. Includes only the results of the Byrne Group*

BYRNE GROUP

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 2 new retail spaces for retailers Zara and River Island at Intu's Lakeside Shopping Centre.

RUSSELLS LIMITED (RUSSELLS)

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.

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 square metre 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.

CONSTRUCTION MATERIALS

	% change	2019 Rm	2018 Rm
Revenue	15,9% increase	976	842
Inter-company sales		(396)	(341)
Revenue to external customers		580	501
Operating profit	3,5% margin	20	5
Capital expenditure		6	3
Depreciation		6	8

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.

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 KZN remain exceptionally tight amid strong competition.

The group anticipates further challenges through FY20.

ORDER BOOK AND OUTLOOK

Order book by segment	%	At 30 June 2019 Rm	To 30 June 2020 Rm	Beyond 30 June 2020 Rm	%	At 30 June 2018 Rm
Building and civil engineering	14	6 446	5 269	1 178	12	5 985
Roads and earthworks	12	5 796	4 380	1 416	9	4 165
Australia	58	27 316	18 215	9 101	66	32 565
United Kingdom	16	7 810	5 818	1 992	13	6 446
Total	100	47 368	33 682	13 686	100	49 161
Order book by geography						
South Africa	23	10 704	8 308	2 396	18	8 698
Rest of Africa	3	1 538	1 341	197	3	1 452
Australia	58	27 316	18 215	9 101	66	32 565
United Kingdom	16	7 810	5 818	1 992	13	6 446
Total	100	47 368	33 682	13 686	100	49 161

The group order book at 30 June 2019 decreased by 4% from R49 billion to R47 billion. The decrease 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 and an increase of 21% in the order book of the UK operations following the inclusion of the order book of Russells Limited.

AFRICA (INCLUDING SOUTH AFRICA)

Despite lacklustre conditions across general construction markets, the Building and civil engineering division begins the year with a strong order book with 72% of FY19 revenue secured for FY20.

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 KZN 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. Following a strong order intake in FY19, the division is positioned for solid growth in the Eastern Cape this year. As a result, 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 KZN 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 by the end of the calendar 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, the division is confident of the award of a contract in consortium, for the construction of a 9500 person camp in Palma, alongside the group's Roads and earthworks division, as the early works related to the gas infrastructure finally enter the market.

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.

The growth in the order book of Roads and earthworks division includes 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 FY19 revenue secured for FY20.

Locally, roadwork and mining infrastructure underpin activity for the year ahead. The road construction and rehabilitation sector remains subdued with the only new awards this year being upgrades to the R60 between Worcester and Robertson and the Marbleray bus rapid transport project in KZN. 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 FY18 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 FY21. 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 a 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.

AUSTRALIA

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

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 business to recapture some of this spend through the redesign logistical supply chains. 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. 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 a AU$212 million student accommodation project for the Curtain 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 of 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 (UK)

The combined order book of the UK operations now comprises 16% of the group order book and has secured in excess of 100% of current year revenue 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 FY20. 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 Bedforshire 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 2 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 slow down 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.

OUTLOOK

The group begins the year well positioned for the next 12 months. In addition, over recent weeks a number of state-owned enterprises, namely: ACSA; Eskom; Transnet and SANRAL have advertised multiple multi-billion rand construction contracts. The re-emergence of large-scale public infrastructure projects could result in an improvement in the local construction environment over the medium-term. However, the capacity of the industry as a whole has been severely reduced with the spate of corporate failures and exits from the construction market, resulting in minimal training within the sector and a significant emigration of skills. On a more positive note, progress has been made by government in restoring good governance within State-owned enterprises and future opportunities exist for well-run mid-tier and emerging construction businesses to grow and fill the gap. A concern is that 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 unlawful activity needs government intervention and urgent resolution. The gas-related infrastructure projects in Mozambique offer many opportunities and will help to offset reduced activity in West Africa. The Australian construction market is expected to remain buoyant for some time and in the UK, while the potential impact of Brexit remains unknown, the group has successfully turned around the Byrne Group and the Russells businesses are benefiting from strong market conditions in Manchester.

SAFETY

The group's lost time injury frequency ratio (LTIFR) at 30 June 2019 showed a significant improvement from 0,91 injuries per million man hours at 30 June 2018 to 0,69 in the current year. There was a marked improvement from both the African and Australian operations where the LTIFR improved from 0,71 to 0,41 and 1,72 to 0,73 respectively. The UK operations have also been included in the group statistics.

Sadly, Messrs Aldridge Potgieter, Solwethu Siyali and Moemedi Mpho from WBHO tragically lost their lives in work-related incidents. The Board and management offer their sincere condolences to the family, friends and colleagues for their loss.

APPRECIATION

The group is facing challenging conditions in a number of sectors and geographies and the Board and management extend their deepest appreciation for the additional daily effort and commitment displayed by our people in navigating these difficult times as well as extending a warm welcome to the staff of Russells now forming part of the WBHO family this year. We also thank our loyal clients and all other stakeholders for the healthy relationships created and their continued belief in the WBHO Way.

CONDOLENCES

We express our shock at the sudden and tragic passing of Dr Thandi Ndlovu, an icon in the construction industry who will be sorely missed. Our sincere condolences to her family and the staff of Motheo Construction.

CHANGE IN RESPONSIBILITIES AND APPOINTMENT OF EXECUTIVE DIRECTOR

Mike Wylie, after 45 years of exemplary service, has indicated that he intends to retire at our Annual General Meeting on the 20th November 2019. His leadership throughout this time has resulted in the continued growth and stability of WBHO.

In line with WBHO policy of management continuity the Board appointed our CEO, Louwtjie Nel, as Executive Chairman, ensuring the constructive and effective relationship between the Board and Executive Management continues.

Wolfgang Neff, (BSc (Civil), Pr Eng, Pr CM), will replace Louwtjie as Chief Executive Officer. He joined WBHO 22 years ago and has been Managing Director of our North and Africa Building Divisions for the past 7 years.

The Board wishes Mike a well-deserved retirement and congratulates Louwtjie and Wolfgang.

DIVIDEND DECLARATION

Notice is hereby given that the directors have declared a final gross dividend of 190 cents per share (2018: 325 cents) payable to all shareholders recorded in the register on 11 October 2019.

In terms of the dividends tax legislation the following information is disclosed:
The dividend is made from income reserves and is subject to dividend withholding tax of 20% which results in a net dividend of 152 cents per share.

The number of shares in issue at date of declaration amount to 59 890 514 (53 171 020 exclusive of treasury shares) and the company's tax reference number is 9999597710.

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

Last date to trade cum dividend	Tuesday, 8 October 2019
Trading ex dividend commences	Wednesday, 9 October 2019
Record date	Friday, 11 October 2019
Payment date	Monday, 14 October 2019

Shares may not be dematerialised or rematerialised between Wednesday, 9 October and Friday, 11 October 2019, both dates inclusive.

Shareholders and interested parties are advised that a presentation of the Company's audited consolidated financial results for the year ended 30 June 2019 will be held at Investec's offices in Sandton on Wednesday, 4 September 2019 at 10:00 and at Investec's offices in Cape Town on Thursday, 5 September 2019 at 10:30. The presentation will also be made available on the Company's website at www.wbho.co.za.

EL Nel **CV Henwood** **MS Wylie**

2 September 2019

Sponsor:
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NOTES

ADMINISTRATION

WILSON BAYLY HOLMES-OVCON LIMITED

(Incorporated in the Republic of South Africa)
Registration number 1982/011014/06
Share code: WBO
ISIN: ZAE00009932
(WBHO)

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