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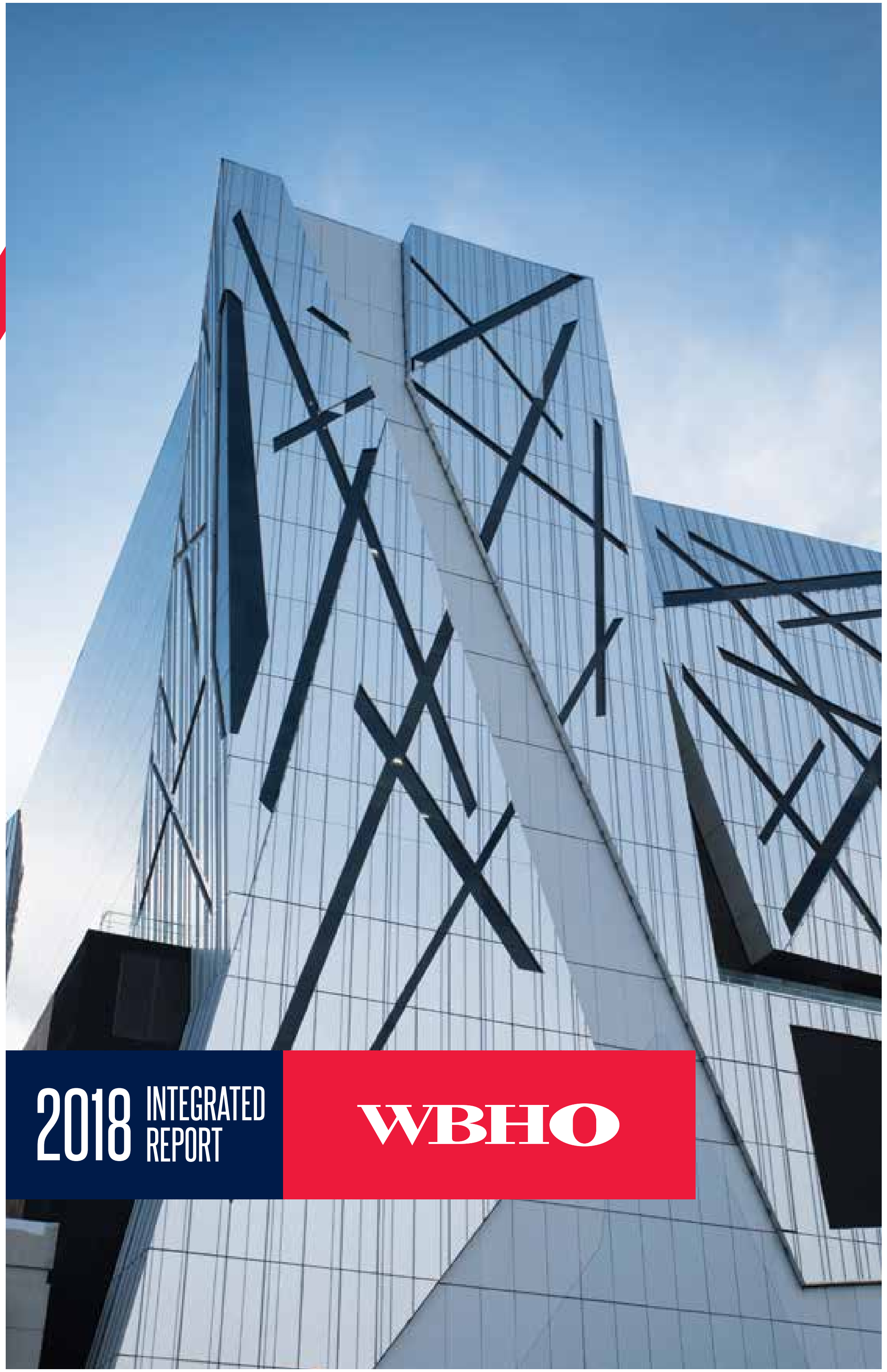
WBHO

2018 INTEGRATED REPORT



2018 INTEGRATED REPORT

WBHO

2018

MIKE WYLIE
CHAIRMAN

"It is pleasing to report that WBHO has again performed well under extremely difficult economic and political conditions in South Africa and the rest of Africa, while managing controlled growth in Australia. Our balance sheet, which has enabled us to support and grow our Australian operations over recent years, is as strong as ever, and has allowed us to further expand our footprint into the United Kingdom this year."

LOUWTJIE NEL
CHIEF EXECUTIVE OFFICER

"A strong performance in South Africa and a growing infrastructure business in Australia supported steady results in a challenging environment. Our geographical and sector diversification strategy combined with our consistent ability to deliver projects on time, to the right quality contributed to our performance."

CONTENTS

Navigational icons:

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

For more information see pages of this report

For further information visit our website

CAPITALS

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

STAKEHOLDERS

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

MATERIAL ISSUES

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

STRATEGIC OBJECTIVES

- SO1 Flexibility and diversification
- SO2 Procurement and execution excellence
- SO3 Reputation and relationships
- SO4 Capacity and talent management
- SO5 Safety and environmental management
- SO6 Localisation and transformation

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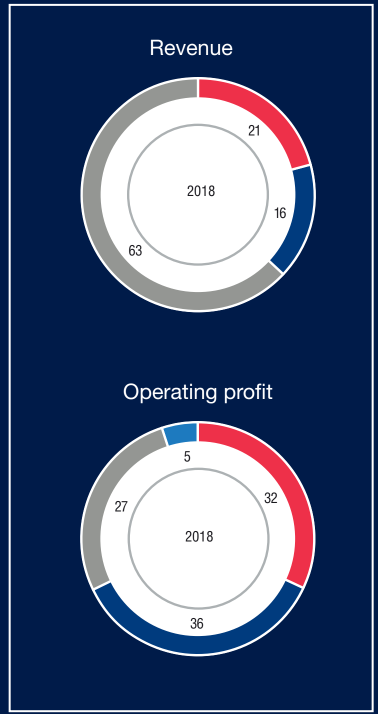
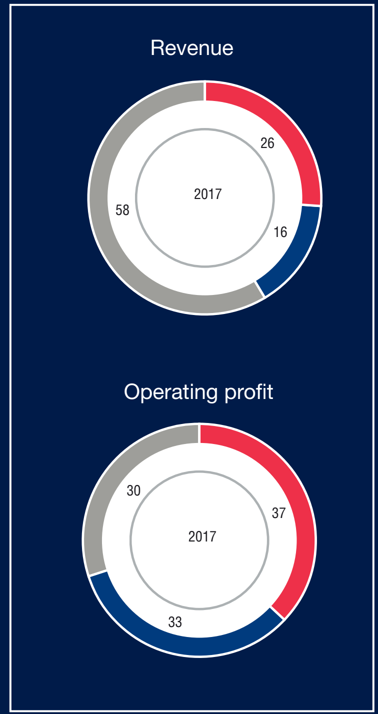
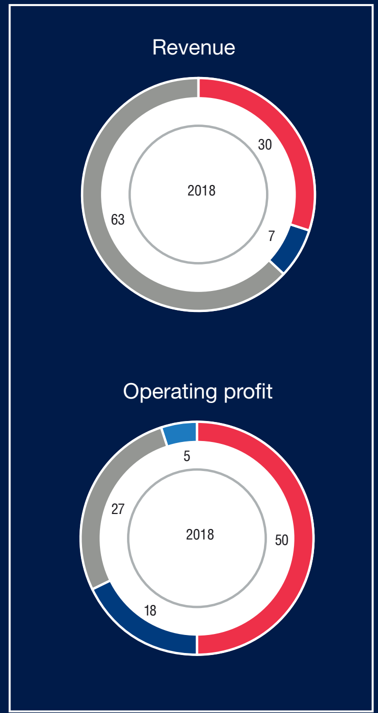
2018 PERFORMANCE HIGHLIGHTS

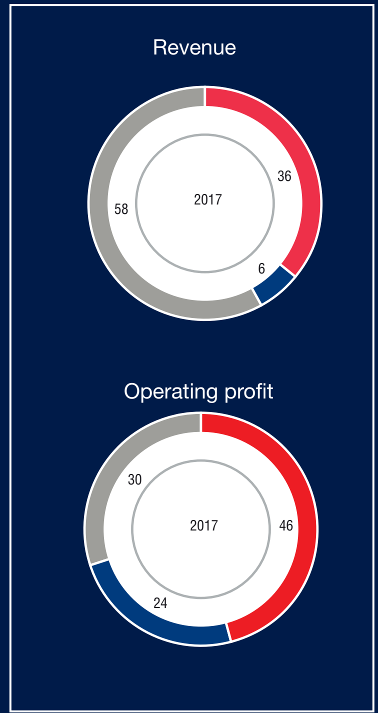
CONTRIBUTION BY **SEGMENT** (%)

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









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

CONTRIBUTION BY **GEOGRAPHY** (%)

REVENUE
2018: R35 billion
2017: R31,9 billion

OPERATING MARGIN
2018: 3,0%
2017: 3,1%

EARNINGS PER SHARE
2018: 1 534 cents
2017: 1 346 cents

DIVIDEND
2018: 475 cents
2017: 475 cents

CASH
2018: R5,9 billion
2017: R5,5 billion

CASH GENERATED FROM OPERATIONS
2018: R1,4 billion
2017: R1,1 billion

ORDER BOOK
2018: R49 billion
2017: R45 billion

ABOUT OUR INTEGRATED REPORT

The directors of Wilson Bayly Holmes-Ovcon Limited (WBHO) hereby present the 2018 Integrated Report. This report is prepared in accordance with the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework and provides our stakeholders with a concise and transparent assessment of our ability to use our expertise to create sustainable value.

SCOPE AND BOUNDARY

REPORTING PERIOD

The WBHO Integrated Report is produced 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 2017 to 30 June 2018. Any material events after this date and up to the Board approval date of 23 October 2018 have also been included.

OPERATING BUSINESS

The report covers the primary activities of the group, our business clusters, key support areas and subsidiaries in our African, Australian and United Kingdom (UK) operations. Detailed information on investments in which the group holds only a minority stake is not included. During the year, the group increased its interest in the Byrne Group in the UK from 40% to 80% as well as acquiring a 60% interest in Russells Limited and a 31% interest in Russell Homes Limited, both located in Manchester in the UK. There have been no other material changes during this reporting period in terms of the size, location, structure or ownership of the organisation.

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 our key stakeholders, which have a significant influence on our ability to create value.

TARGETED READERS

This report is primarily intended to address the information requirements of long-term investors (our equity and debt providers as well as prospective investors). We also present information relevant to the way we create value for other key stakeholders, including our employees, clients, government and society. 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 FRAMEWORKS AND COMBINED ASSURANCE

Our integrated reporting process, as well as the contents of this report, is guided by the principles and requirements of the International Integrated Reporting Framework, IFRS and the King Code of Governance Principles for SA (King IV™). As a company listed on the JSE, we align to the JSE Listings Requirements and the South Africa Companies Act, 71 of 2008.

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. We employ 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 service providers, including BDO South Africa Inc., our external auditors.

KEY CONCEPTS

DEFINING VALUE

Value creation is the consequence of how we apply and leverage our capitals in delivering financial performance (outcomes) and value (outcomes and outputs) for all stakeholders while making trade-offs. Our value-creation process is embedded in our vision (page 9), described as part of our business model on pages 16 and 18, and integrated into the way we think and make decisions.

MATERIALITY AND MATERIAL MATTERS

We apply the principle of materiality in assessing what information is to be included in our Integrated Report. This report focuses particularly on those issues, opportunities and challenges that impact materially on WBHO and the ability to be a sustainable business that consistently delivers value to shareholders and our key stakeholders. Our material matters, as described on pages 20 to 29, influence our group's strategy and inform the content in this report.

REPORTING SUITE

Our 2018 reporting suite comprises of:

2018 Integrated Report
A succinct overview of WBHO's strategy, and business model, operating context, governance and operational performance as well as selected social and environmental considerations

Supplementary Information
An overview of WBHO's approach to managing significant economic, social, health, risk and environmental matters affecting the group

Annual financial statements
Detailed audited annual financial statements prepared in accordance with IFRS

Our Integrated Report is supplemented by various online publications and caters for the diverse needs of our broad stakeholder base as part of our comprehensive integrated reporting. These can be accessed on our group website at www.wbho.co.za.

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 2018.

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 2018

STATEMENT OF COMPLIANCE BY COMPANY SECRETARY

I confirm that the company has lodged all returns, in respect of the year ended 30 June 2018, 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 2018

MIKE WYLIE

Message from the Chairman

It is pleasing to report that WBHO has again performed well under extremely difficult economic and political conditions in South Africa and the rest of Africa, while managing controlled growth in Australia. Our balance sheet, which has enabled us to support and grow our Australian operations over recent years, is as strong as ever, and has allowed us to further expand our footprint into the United Kingdom (UK) this year.

Group revenue increased by 10% to R35 billion and our year-on-year operating profit before non-trading items increased marginally to R1 billion. Our order book which sat at a healthy R49 billion at year-end has, at the time of penning this message, increased to R53 billion.

DIVERSIFYING OUR REVENUE SOURCES AND RISK

Our international diversification strategy continues to offset the challenges experienced in the local and broader African market. In Australia we are now considered one of the largest builders while in the UK, we expanded our footprint from the greater London region to the north-west of England with the acquisition of Russells Limited and Russells Homes Limited.

REFLECTING ON THE SOUTH AFRICAN CONSTRUCTION INDUSTRY

Having spent more than 45 years in construction, it is alarming to see our local industry in such a poor state. A vibrant and substantial industry is vital to support economic growth, employment and cost-effective infrastructure delivery for government. Boosting gross fixed-capital formation is critical to raising the economy's potential growth rate. Policy uncertainty, poor governance within state-owned entities and endemic corruption (now well-publicised) have strangled public infrastructure spending while at the same time, low economic growth has stifled private investment in the country. This has resulted in five quarters of consecutive decline for the industry according to Statistics South Africa and has left a number of large and medium-sized construction companies in a precarious financial position. While it is a very sorry state indeed, I am hopeful that with the recent interventions implemented under our new political leadership we will be able to slowly revitalise the industry.

The announcement of R400 billion in infrastructure spend over the next five years as part of government's economic stimulus package is very encouraging especially because it will be overseen by a dedicated Infrastructure Executive Team within the Presidency. Public-private partnerships will play an important role and we are ready and waiting.

TRANSFORMATION

As an industry, we have made significant progress in transformation. As shown in the latest CIDB *Construction Monitor*, the Grade 1 to 8 segment of the construction industry is now fully transformed with over 70% of companies being more than 51% black owned.

The only segment left to achieve full transformation are the Grade 9 companies, where at present some 40% are black owned. It is here that our VRP (Voluntary Rebuild Programme or Settlement Agreement with government) comes into its own. Four of the seven listed companies have committed to becoming 51% black owned while the remaining three companies, including ourselves, will mentor seven emerging contractors to achieve 25% of our South African turnovers within the next six years. This will increase the number of Grade 9 black-owned companies to over 70%. Transformation of the industry will then be complete.

One would think this to be a very satisfactory outcome for government given that future infrastructure spend will now be largely executed by black-owned businesses. However, there is little acknowledgement or understanding of this reality.

This transformation has not just happened by chance. WBHO has worked tirelessly for decades and has played an important role in these achievements.

I am also concerned about the recent trend of some state-owned enterprises making 51% direct black ownership a condition to tender, which is in contravention of the Preferential Procurement Policy Framework. For companies listed on the JSE (with the majority of shareholders being institutional investors), it will mean being unable to work for government as ownership is not measurable by race. WBHO may or may not be more than 51% black owned so to be excluded on this basis does not make sense.

EMPLOYMENT EQUITY

Within our own business it has been pleasing to note the growth in black representation at middle and senior management levels. WBHO employs 701 built environment professionals of whom 376 (54%) are black and 129 (19%) are female.

Particularly pleasing is that we have more black registered professional engineers (72) than white (65) and another 37 black engineers are registered professional engineering candidates.

I would like to congratulate our CEO, Mr Louwtjie Nel, who has worked tirelessly to achieve these results.

EFFECTIVE GOVERNANCE

The role of the Board is to provide oversight and stewardship, ensuring that WBHO delivers on its fiduciary duties and protecting and enhancing the group's ability to create value. I have been encouraged by the transparent and robust discussion of issues at Board level, which creates an environment of trust and collaboration with the Board fully supporting management's decision to enter the UK market.

Governance remains an ongoing priority for the Board and it is pleasing to see the emphasis and improvement that took place during the year with the adoption of King IV™. The Board continues to scrutinise all aspects of governance with the approach of continuously strengthening controls, ensuring appropriate independent assurance and improving the overall functioning of the group. Further details are provided throughout this report.

The Board has a healthy blend of diverse skills, cultures and gender balance and importantly, a balance between experienced and new Board members. As at June 2018, the Board comprised of eight directors, of whom three were executive directors, including the Chairman, and five were non-executive directors.

BOARD COMPOSITION

During the year there were a number of changes to the Board. James Ngobeni retired as director after serving 11 years on the Board and as a member of the Audit, Risk, and Social and ethics committees. Gando Matyumza, after serving eight years, resigned as independent non-executive director and lead independent director. Ross Gardiner was appointed as lead independent director in her place. Nosipho Damasane resigned from the Board to accept a full time senior executive position with a major listed company. My thanks to all three for their commitment and contribution to the Board and I wish them well in their future endeavours.

Hatla Ntene, Cobus Bester and Karen Forbay joined the Board during the year as independent non-executive directors. Hatla is a professional registered quantity surveyor. He was a director and partner of a well-known quantity surveying firm and has served as an executive and non-executive director of property-related companies both in South Africa and internationally. Cobus, a chartered accountant with extensive industry experience, has a strong track record of serving on boards as both a Board member and as an audit committee member or chairman. Karen has held a variety of senior positions at Transnet, in treasury, finance, marketing and capital projects. It gives me great pleasure to welcome them onto our Board and we look forward to their valued contribution.

OUTLOOK

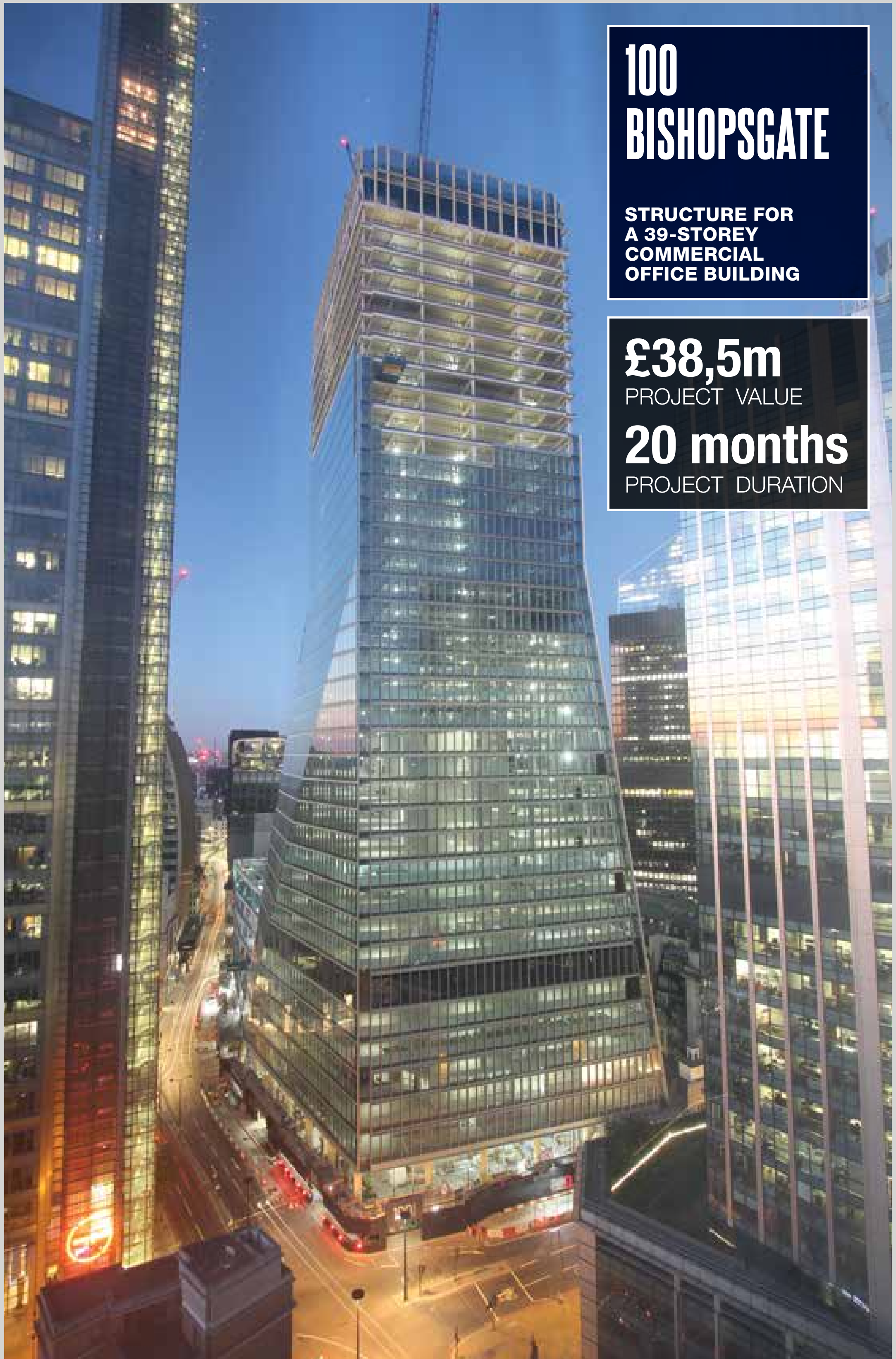
Despite the growth in our international footprint, WBHO remains a proudly South African company. Unfortunately the economic and political outlook for South Africa remains uncertain over the short to medium term. The economy still has a number of obstacles to overcome which will no doubt take time. Until such time as government is able to expedite its public infrastructure spend programme, we anticipate that some fall out may take place within the local construction industry. Outside South Africa, the outlook is more favourable as we have strong order books both in Australia and the UK where market sentiment remains positive.

APPRECIATION

I wish to thank my fellow executive directors and the entire Board for their invaluable counsel and continued dedication to excellence in corporate governance, always placing the interest of our key stakeholders first. Thank you to the executive team and all our staff for their continued commitment to upholding the values and culture that make WBHO the company that it is.

I also thank all our shareholders who continue to support, trust and believe in the group's ability to deliver on their expectations. We look forward to growing the group for the benefit of all our stakeholders.

Mike Wylie
Chairman



UNDERSTANDING WBHO

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".

QUICK FACTS

Established	1970
Listed on the JSE	1994
Market capitalisation	R9,0 billion
Number of employees	11 018
B-BBEE status	Level 1

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"

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.

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.

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.

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.

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".

GEOGRAPHIC PRESENCE

UNITED KINGDOM[1]

REVENUE
R3,7 BILLION
OPERATING PROFIT
R59 MILLION
NUMBER OF EMPLOYEES
520

- BUILDING AND CIVIL ENGINEERING

BYRNE GROUP

Russells Construction

1. LONDON
2. MANCHESTER

[1] The Byrne Group Limited became a subsidiary on 30 June 2018 and Russells Limited was acquired on 18 July 2018. The figures above show the effect the inclusion of these subsidiaries would have had on the group's results had they been consolidated from 1 July 2017 (refer to note 30 and 31 of the consolidated annual financial statements), and also includes the operating profit of R57 million from WBHO UK Limited at 30 June 2018.

AFRICA

REVENUE
R13,1 BILLION
OPERATING PROFIT
R710 MILLION
NUMBER OF EMPLOYEES
9 799

- BUILDING AND CIVIL ENGINEERING
- ROADS AND EARTHWORKS

WBHO

1. SOUTH AFRICA
2. LESOTHO
3. SWAZILAND
4. BOTSWANA
5. NAMIBIA
6. MOZAMBIQUE
7. ZAMBIA
8. GHANA
9. SIERRA LEONE
10. GUINEA
11. BURKINA FASO

AUSTRALIA

REVENUE
R21,9 BILLION
OPERATING PROFIT
R278 MILLION
NUMBER OF EMPLOYEES
1 219

- BUILDING
- INFRASTRUCTURE AND CIVIL ENGINEERING

PROBUILD

WBHO

1. MELBOURNE (VICTORIA)
2. SYDNEY (NEW SOUTH WALES)
3. PERTH (WESTERN AUSTRALIA)
4. BRISBANE (QUEENSLAND)
5. EASTERN REGION
6. WESTERN REGION

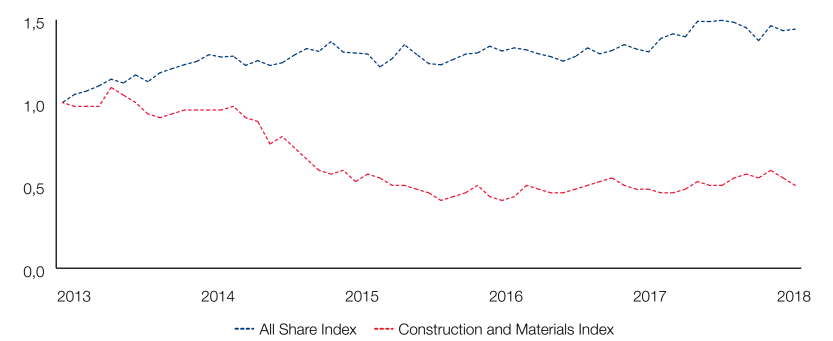
WBHO IN CONTEXT

THE CONSTRUCTION SECTORS IN OUR MARKETS

SOUTH AFRICA

Having faced numerous challenges over the recent years, the local construction industry took a further turn for the worse in FY2018. Stiff competition for work has resulted in keen bidding, lower margins and an increased prevalence of loss-making projects. Local revenues and order books continue to shrink resulting in further job losses in order to match capacity with activity. Market sentiment towards the industry remains highly negative following a difficult period that has seen significant shareholder value lost within the sector, clearly highlighted by the performance of the Construction and Materials Index against the All Share Index.

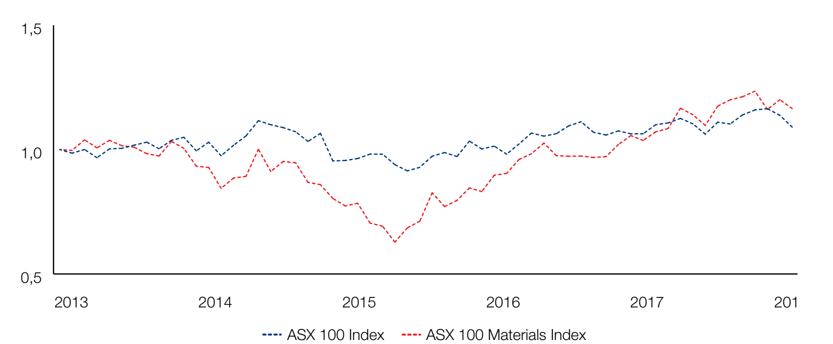
Construction and Materials Index vs All Share Index



AUSTRALIA

The graph highlights that following a number of years of negative growth, the construction sector in Australia has been on an upward trend since 2015 as the residential housing boom gained traction, and more recently due to the increase in infrastructure spending by government. The sector has outperformed the overall market since 2017 reflecting the positive market sentiment experienced in recent years.

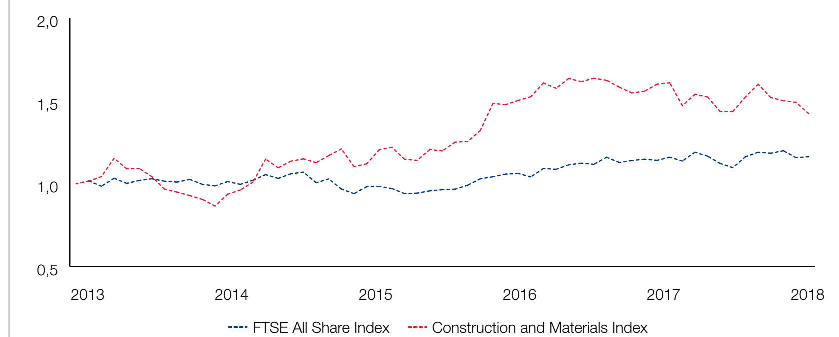
ASX 100 Construction and Materials Index vs ASX 100



UNITED KINGDOM

The Construction and Materials Index in the United Kingdom has outperformed the market since the beginning of 2015, reflecting the strong levels of both public and private investment in commercial and residential construction markets over the period. While the graph illustrates that the impact of Brexit has weighed more heavily on the construction sector than the overall market, it continues to demonstrate 30% growth over the same period 5 years ago.

Construction and Materials Index vs FTSE All Share Index

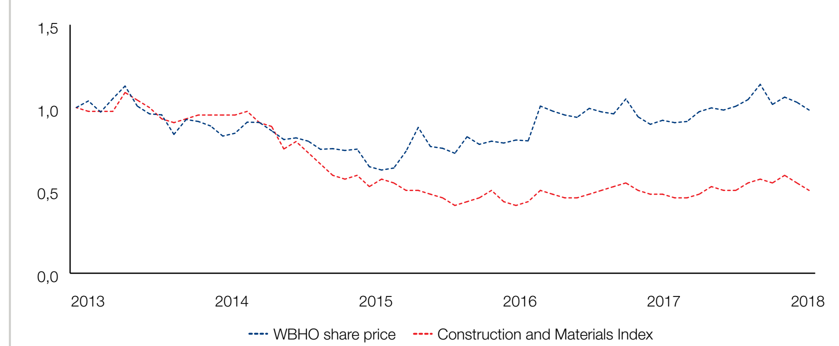


The performance of the construction sectors in the Australian and UK markets in contrast to the performance of the South African construction sector, highlights the importance behind the diversification strategy of the group.

WBHO SHARE PRICE

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 and profit growth. The share price of the group closed at R149.50, a 6% increase over the previous year and continues to outperform the Construction and Materials Index.

WBHO share price vs Construction and Materials Index



WHAT DIFFERENTIATES WBHO?

- Strong culture of professionalism and respect
- Responsive senior management with extensive industry experience
- Conservative approach to risk taking outside of traditional construction skills set
- Capability to pursue opportunities across numerous geographies
- Broad technical and sector specialisation
- Ability to consistently execute and deliver large-scale projects

SERVICES OR PRODUCTS

We deliver our products and services through four business lines:

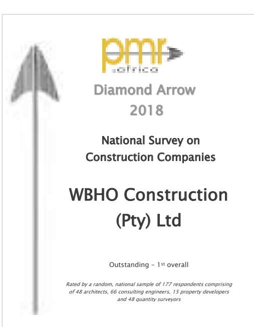
BUILDING AND CIVIL ENGINEERING
Industry-leading teams with the ability to execute major public and private projects across numerous sectors in Africa and Australia.

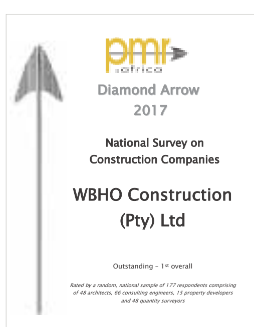
ROADS AND EARTHWORKS
Versatile and agile teams attuned to the intricacies of doing business in Africa with a modern fleet of plant supported by experienced logistics staff. We provide extensive services for major public and private sector projects across various infrastructural applications.

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.

RECENT AWARDS





CREATING VALUE

BUSINESS MODEL

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

INPUTS

FINANCIAL CAPITAL

R6 billion in **capital and reserves**

Long-term funding of R170 million

R6 billion in cash resources

R10,5 billion of guarantee facilities

INTELLECTUAL CAPITAL

Skilled, experienced and technically **qualified** employees, industry thought leaders and experts

Business **processes and management** systems

HUMAN CAPITAL

An **engaged and productive** workforce of **11 018** people with relevant skills, knowledge and experience

A strong culture of performance embedded – The WBHO Way

MANUFACTURED CAPITAL

Plant and equipment of **R1,9 billion** (carrying amount)

Presence in **14** countries and **13** cities

SOCIAL AND RELATIONSHIP CAPITAL

Strategic partnerships with clients, subcontractors and suppliers

Order book of **R49 billion** at the end of the year

Continuous **engagement** with our communities, governments and regulators

ISO 9001 and **OHSAS 18001** compliant

NATURAL CAPITAL

Member of **Green Building Council** of South Africa

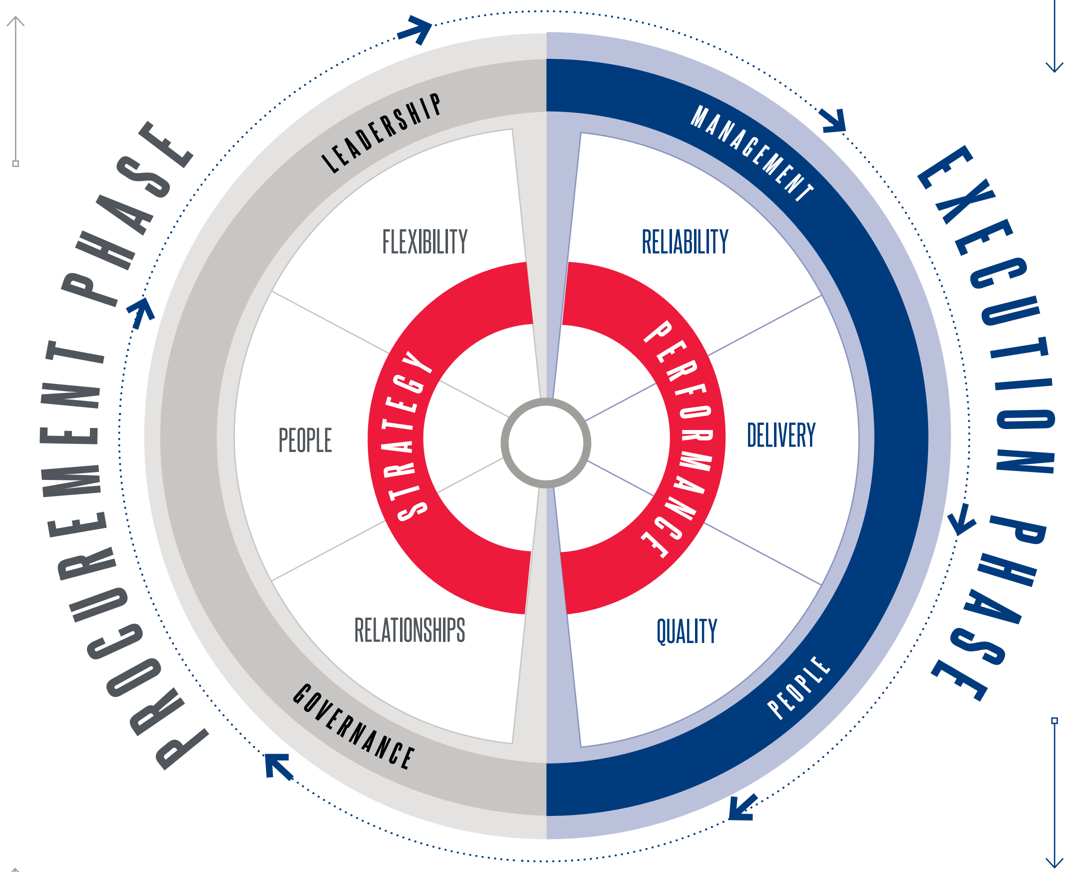
ISO 14001 compliant

Total **water used**: **34,5** gigalitres

Strategic planning, supported by risk management and strong governance, is integral to the procurement process. The group leverages its knowledge, skills and expertise, brand equity, reputational strength and financial health to secure projects in the furtherance of its strategic objectives.

It is during the execution or operational phase that the brand and reputation of the group is created and reinforced. Our reliability, delivery and quality, as well as our competence to establish and nurture relationships, support our motto of being "a pleasure to do business with".

A PIPELINE FOR OPERATIONS AND IMPACTS ON PERFORMANCE



BRAND, REPUTATION AND PERFORMANCE IMPACT ON PROCUREMENT

OUTPUTS AND ACTIVITIES

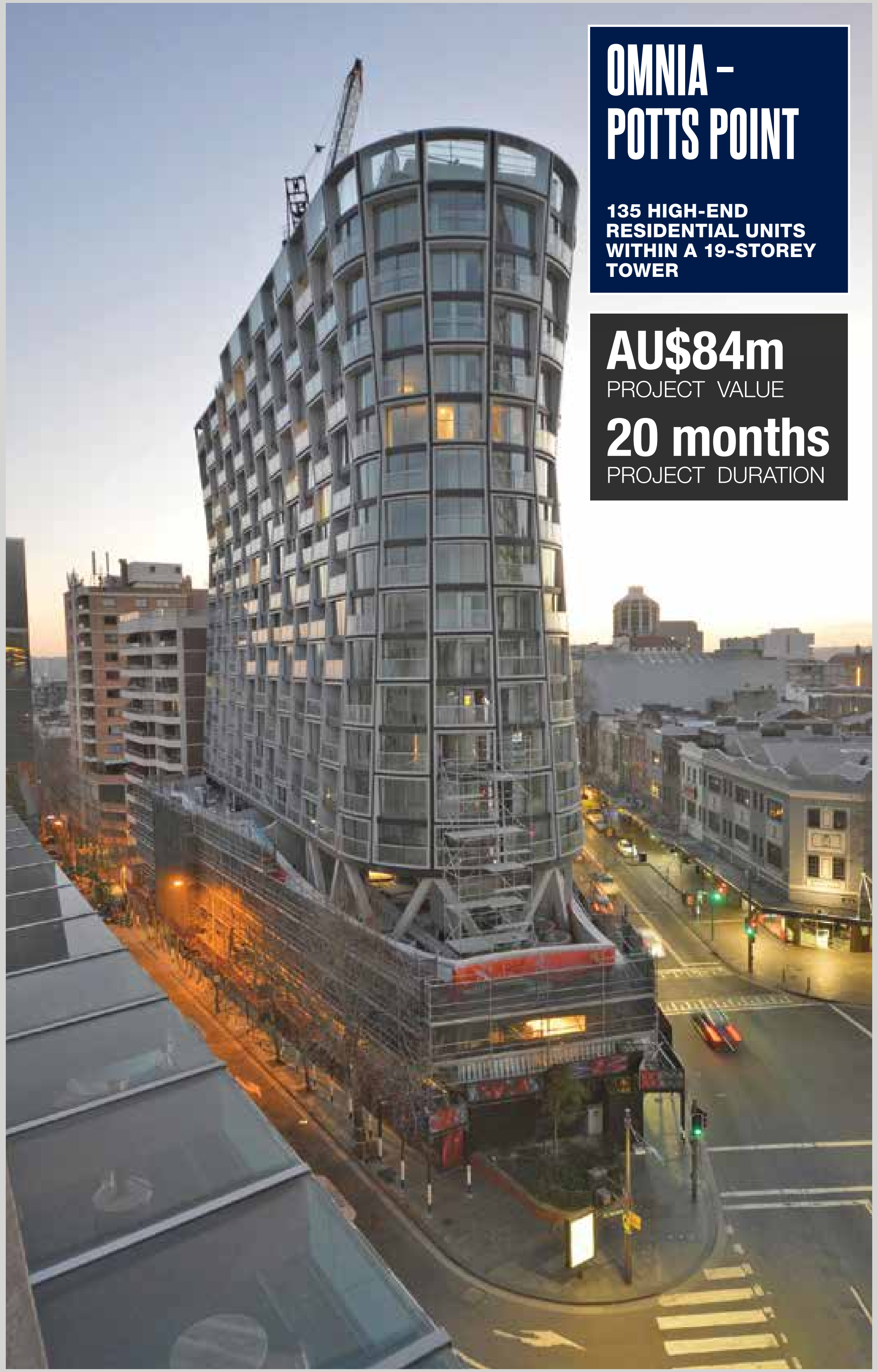
SERVICES OR PRODUCTS	SECTORS
BUILDING AND CIVIL ENGINEERING	• Retail • Residential • Commercial • Healthcare • Hotels and entertainment • Civil works and mining infrastructure • Industrial • Energy infrastructure
ROADS AND EARTHWORKS	• Road works • Mining infrastructure • Rail infrastructure • Energy infrastructure • Water infrastructure • Oil and gas
PROJECTS	• Concession arrangements • Turnkey projects • Design and construct projects • Engineer, procure, construct projects • Public-private partnerships
CONSTRUCTION MATERIALS	• Reinforced steel products

CREATING VALUE FOR OUR STAKEHOLDERS

	FY2018	FY2017
CLIENTS		
Number of projects completed in the year	**122**	109
Total value of projects completed in the year	**R16 billion**	R25 billion
Value of order book	**R49,2 billion**	R44,9 billion
Client satisfaction with quality of work delivered	**89%**	89%
Number of quality audits conducted	**159**	179
Capital expenditure	**R316 million**	R309 million
INVESTORS AND FINANCIAL INSTITUTIONS		
Operating profit	**R1,0 billion**	R781 million
Cash generated by operating activities	**R928 million**	R822 million
Headline earnings per share (cents)	**1 414,6**	1 307,9
Dividend per share (cents)	**475,0**	475,0
Return on capital employed	**19,8%**	22,3%
Gearing ratio	**2,9%**	2,0%
EMPLOYEES		
Amount paid in salaries, wages and benefits	**R4,7 billion**	R4,3 billion
Number of work-related employee fatalities	**1**	–
Number of retrenchments	**332**	315
Recordable case rate (RCR)	**0,93**	1,07
Investment in employee learning	**R85,7 million**	R63,7 million
Person-days production lost	**19 835**	5 175
Investment in bursary schemes	**R7,0 million**	R6,3 million
Number of bursaries	**95**	91
SUPPLIERS AND SUBCONTRACTORS		
Total procurement spend with black businesses	**R3,7 billion**	R2,6 billion
Procurement spend with black women-owned businesses	**R1,2 billion**	R794 million
Number of work-related subcontractor fatalities	**2**	–
Supplier inspections	**173**	150
Supplier audits	**89**	73
GOVERNMENT AND COMMUNITIES		
Taxes paid (direct and indirect)	**R2,2 billion**	R1,7 billion
Broad-based black economic empowerment status	**Level 1**	Level 1
Spending on socio-economic development	**R5,3 million**	R5,0 million
Total carbon emissions (CO_2e equivalent) (tCO_2e)	**47 968**	42 523
Waste recycled (tonnes)	**11 003**	7 039
Number of reportable environmental incidents	**–**	–

SUPPORT PROCESSES: HUMAN RESOURCES | HEALTH AND SAFETY | QUALITY | ENVIRONMENTAL MANAGEMENT | INFORMATION TECHNOLOGY | FINANCE AND TREASURY | RISK MANAGEMENT | COMPLIANCE AND LEGAL | SUPPORT PROCESSES

For more information see page 30 of this report



OMNIA - POTTS POINT

135 HIGH-END RESIDENTIAL UNITS WITHIN A 19-STOREY TOWER

AU$84m
PROJECT VALUE

20 months
PROJECT DURATION

OPERATING CONTEXT AND MATERIAL ISSUES

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

The following diagram outlines the basic process through which we determine our 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

INPUT → **OUTPUT** →

Stakeholder engagement
Operating context and enterprise risk
Strategy

The Board
Remuneration committee
Audit committee
Risk committee
Social and ethics committee
Stakeholders
Executive committee
Operational risk committee
Divisional management
Operational management

IDENTIFY →

The first phase in the process is identifying issues that are both substantive and material. This phase consists of gathering information from our clients and other stakeholders through formal and informal, regular and ad hoc interactions (further detail regarding our engagement with stakeholders is presented on page 30 of this report). These insights are then incorporated into our risk management processes along with prevailing economic and market-related conditions, and all relevant operational, legislative and regulatory requirements ascertain the materiality of each issue

EVALUATE →

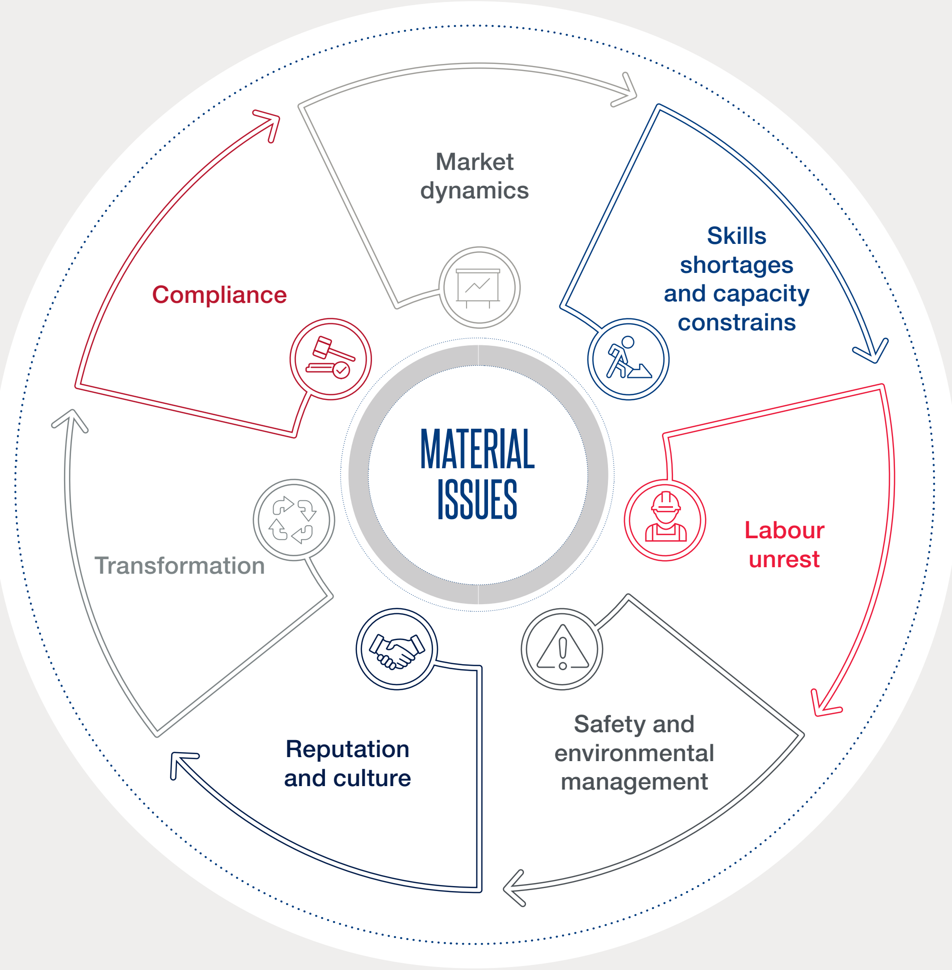
The second phase is the evaluation of the information that has been gathered. This phase consists of both informal and formal reporting channels and is guided by the current strategic priorities of the group.
In essence, management and the relevant departments (such as risk and internal audit) feed the insights that are being gleaned from around the business into the relevant committees for further deliberation and appraisal; in particular, the Operational risk committee, the Audit committee, the Risk committee, and the Executive committee (the work of our committees is reported from pages 102 to 108 of this report).

PRIORITISE

The third phase is prioritising the concerns that have been identified to establish the issues that are most material to the group.

Ultimately, this task is performed by the Board, based on the reports it receives from the various mandated committees. This is a regular process that happens at least once during every reporting period and results in an updated strategic risk matrix and, where necessary, new or revised strategic initiatives (our strategic issues and objectives for the reporting period are discussed from pages 34 to 40 of this report).

The group prioritises seven issues, as illustrated below, that have a material impact on WBHO's business model and the ability to create value. There have been no significant changes to the scope of our material issues from the previous year.



OPERATING CONTEXT AND MATERIAL ISSUES
CONTINUED

MARKET DYNAMICS

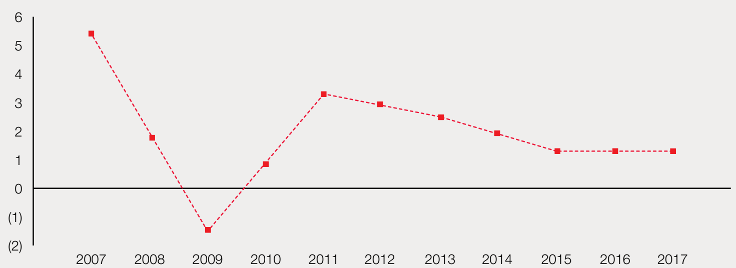
FLUCTUATING ECONOMIC CYCLES REQUIRE A WELL-DIVERSIFIED GEOGRAPHICAL AND SECTOR PORTFOLIO TO MITIGATE DOWNTURNS

The numerous industries and geographical territories from which the group operates have their own intrinsic risk profiles and associated margins, while being exposed to differing effects from the corresponding global and local economic cycles.

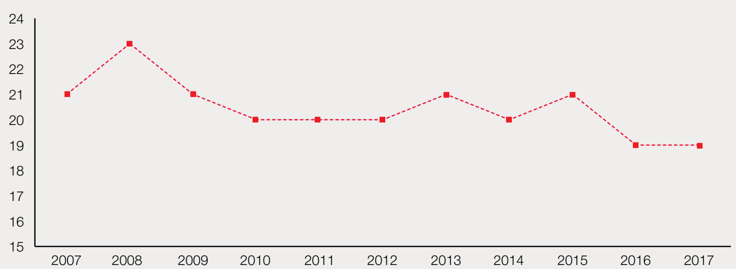
South Africa

The South African economy continued to struggle in the year with year-on-year GDP growth of 0,4% (unadjusted) to end of June 2018. Gross fixed capital formation continued to contract as capital spending by both the private sector and general government decreased. Fixed investment spending continued to be hampered by the constrained fiscal space, policy uncertainty (in the mining sector in particular), and very weak civil construction confidence.

South Africa: Annual GDP growth (%)



South Africa: Gross fixed capital formation (% of GDP)



Source: The World Bank and Statistics South Africa.

Business confidence in the South African construction sector has plummeted to a 17-year low and the industry as a whole is in severe distress with activity levels across all main sectors remaining subdued. Building activity continues to subside with pockets of activity limited to key development nodes. Civil engineering markets in general showed little sign of overall improvement despite some uptick in spending in the coal mining sector. The number of available roadwork projects also declined following lower spend from the South African National Roads Agency (SANRAL) as well as provincial government. In addition, the number of large-scale project opportunities has lessened resulting in heightened competition with mid-tier contractors.

The local currency was extremely volatile throughout the year and with over 60% of the revenue of the group derived offshore has the potential to significantly impact earnings. At year-end the closing exchange rate against the US dollar and Australian dollar was R13,72 and R10,16 compared to R13,00 and R9,99 a year ago, with an average rate of R12,83 and R9,95 (FY2017: R13,64 and R10,28) for the year.

MARKET DYNAMICS continued

Rest of Africa

This year the group's operations in the rest of Africa were largely centred in Botswana and Zambia in southern Africa; Mozambique in east Africa; and Ghana, Guinea and Burkina Faso in West Africa. Commodity-based activity contributes strongly towards the economies of each of these countries. Botswana's large diamond producer, Zambia has sizeable copper reserves, Mozambique is an emerging exporter of coal, and the West African countries have large bauxite and gold reserves. However, mining expenditure remains largely limited to essential capital and maintenance projects.

Large-scale infrastructure development in the region usually requires foreign aid to unlock projects and while there were some opportunities of this nature, these projects take significant time to reach financial closure.

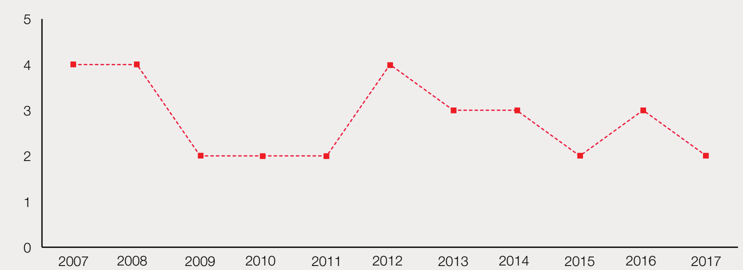
Building opportunities in Ghana have dwindled as the group's traditional client base appears to have lost appetite for this region.

Australia

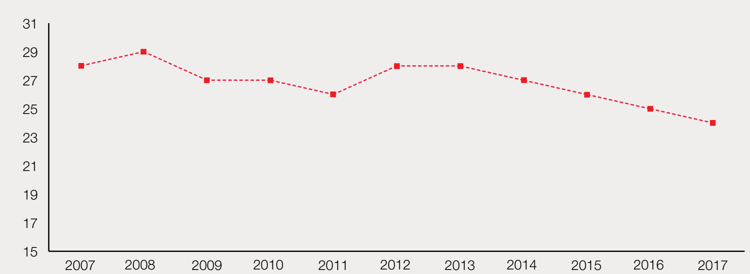
Australia has enjoyed a comparatively robust economic performance with demand being led by strong public investment growth amid a boost in infrastructure spending and private business investment picking up despite private consumption growth remaining subdued.

A housing boom driven by strong Asian investment has supported the Australian economy over recent years, has led to housing market imbalances and household vulnerabilities. A number of interventions by federal government to improve affordability for owner-occupiers has managed to suppressed demand within the residential sector. Strong tourism and preparations for the Commonwealth Games in 2018 have also driven activity in the hotel and leisure markets.

Australia: Annual GDP growth (%)



Australia: Gross fixed capital formation (% of GDP)



Source: The World Bank.

OPERATING CONTEXT AND MATERIAL ISSUES
CONTINUED

MARKET DYNAMICS continued

United Kingdom

Following the outcome of the Brexit vote in 2016, business investment in the United Kingdom (UK) subsided as investors held back due to both economic and political uncertainty. This, combined with severe winter weather, subsequently flowed through to the construction industry in 2017 where record levels of housebuilding failed to offset the impact of a decline in commercial and industrial projects. The industry staged a stronger than expected recovery in the second quarter of 2018 particularly in the north-west of England. House building and infrastructure projects, both of which enjoy government support, were the main drivers behind activity. Nonetheless, overall construction activity is expected to decline marginally for the 2018 year before recovering again in 2019 and 2020.

IMPLICATIONS FOR VALUE

Economic activity, gross domestic product (GDP) and gross domestic fixed investment growth, government expenditure, interest rates and consumer and business confidence all impact on spending patterns. This impacts the awarding of construction contracts, sales, capacity utilisation and margins across all business segments. WBHO operates in South Africa, the rest of Africa, Australia and the UK.

ASSOCIATED RISKS

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

STRATEGIC RESPONSE		KEY STAKEHOLDERS IMPACTED
SO1	Flexibility and diversification	Investors
SO2	Procurement and execution excellence	Employees
		Suppliers and subcontractors

SKILLS SHORTAGES AND CAPACITY CONSTRAINTS

EXPERIENCED MANAGEMENT AND COMPETENT ARTISANS ARE CRUCIAL TO PROJECT EXECUTION

The construction industry is a volatile 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.

While the poor quality of education for the majority of South Africans, particularly in maths and science, has historically resulted in low levels of engineering students being available to the industry, declining levels of local activity over recent years has alleviated this constraint. Nonetheless, the retention of engineers remains a key focus area.

Retention levels of seconded operational staff to the rest of Africa remained a concern during the year where long periods away from home are required. In addition, personnel are often headhunted for their experience and skill and motivated by dollar-based remuneration.

The construction labour market in Australia is currently highly competitive, driven by increased activity levels within the sector in recent years. This has resulted in an increase in the demand for, and remuneration of, project management and site leadership professionals. While this does not currently present a constraint to capacity, appropriate strategies for the retention of people is a key focus area given the substantial amount of work on hand in the country.

Conversely, the construction sector in the UK is facing a skills shortage with the recruitment of new talent failing to keep up with the rate of retirement. However, following a sharp decline in revenue within the Byrne Group in the current year, the alignment of the staff complement with activity levels was of primary importance.

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

OPERATING CONTEXT AND MATERIAL ISSUES
CONTINUED

LABOUR UNREST

LABOUR UNREST CAN IMPACT OPERATIONS SIGNIFICANTLY

The overall level of union representation within the group has increased to 22% from 19%. The increase in collective bargaining coverage and union representation is mainly due to the growth in headcount that occurred during the year.

Currently, in South Africa, 68% of our employees are covered by collective bargaining agreements which is 3% up from 2017. A three-year wage agreement is negotiated every three years; the current agreement expires early in the new financial year.

In total, 14% of our Australian employees (FY2017: 48%) are covered by collective bargaining agreements. A change in industrial relations legislation during the 2018 financial year, which was fast-tracked by the federal government, resulted in a series of stop-gap, one-year enterprise bargaining agreements (EBAs) with state-based unions so as to abide by those legislative changes and for the WBHO Australia business to remain qualified to work on federally funded work. This will require a further EBA to be negotiated with the unions during the course of the 2019 financial year.

IMPLICATIONS FOR VALUE

The construction industry employs a sizeable labour force. The labour environments in all geographies in which we operate can be highly politicised and sensitive, where on-site disruptions can be a regular threat. Union and wage negotiations must thus be carefully managed. The ability to conclude wage agreements will assist WBHO in providing predictability in the forecasting of costs and ensuring consistent application of employment practices across most of the group.

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

SAFETY AND ENVIRONMENTAL MANAGEMENT

INTENSIFYING PRESSURE FROM STAKEHOLDERS FOR ENHANCED RESPONSIBILITY

Construction is inherently dangerous in nature, and WBHO has a duty to ensure that the very highest health and safety standards are observed. We take responsibility for employee and subcontractor welfare, morale and productivity, as well as legal compliance. Although the sector has seen substantial safety improvements in 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 safeguarding the environment and ensuring the well-being of all of those affected by our 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 our workforce and the environment in which we operate is a fundamental human right and a moral imperative, which require continual investment into responsible business operations. A safe and healthy workforce contributes to an engaged, motivated and productive workforce that mitigates operational stoppages and reduces potential legal liabilities. Responsible environmental practices supports 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

OPERATING CONTEXT AND MATERIAL ISSUES
CONTINUED

REPUTATION AND CULTURE

A POSITIVE REPUTATION AND CREDIBILITY GENERATES REPEAT WORK

The reputation of the construction industry has generally been poor. The relationship between the construction industry and the government of South Africa has been strained in recent years due to the outcome of the Competition Commission inquiry in 2013 and a perceived unequal allocation of work towards the larger industry participants. Furthermore, the prolonged downturn in the economic and construction cycle has placed several construction companies in financial distress, which has impacted their ability to execute effectively on various projects.

IMPLICATIONS FOR VALUE

Maintaining a positive relationship and reputation with key stakeholders in both the public and private sectors are both 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

TRANSFORMATION

ACTIVE PARTICIPATION IN TRANSFORMATION IS KEY TO THE FUTURE SUSTAINABILITY OF THE INDUSTRY AND SOUTH AFRICA

Transformation is a key tool in addressing historical inequalities within South Africa and as such is a politicised and sensitive issue. We have a firm belief that transforming the construction sector and the local economy as a whole is a necessity. To that end, WBHO continues to play an active role to ensure that the transformation objectives of WBHO, the sector and of government are achievable.

IMPLICATIONS FOR VALUE

Due to the significant public spending directed towards the construction sector by government, transformation remains high on the political agenda. Maintaining appropriate empowerment credentials is crucial to the ability of the company to tender on public infrastructure projects.

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	Government
		Employees
		Communities

COMPLIANCE

A CHALLENGING REGULATORY AND POLICY ENVIRONMENT

Across the various operating geographies, there have been many new and amended laws impacting WBHO, including regulations relating to the 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 long-term investment decisions, the way we operate, and results in greater compliance-related costs, and affects the nature of the relationship between business and government.

ASSOCIATED RISKS

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

STRATEGIC RESPONSE		KEY STAKEHOLDERS IMPACTED
SO3	Reputation and relationships	Government
SO6	Localisation and transformation	Clients
		Investors

STAKEHOLDER ENGAGEMENT

OUR APPROACH

Our interaction with stakeholders covers a wide variety of groups including individuals, communities and organisations that are most affected by, or most likely to influence, our business. Engagement with our stakeholders is aimed at building mutually beneficial relationships.

Many informal and formal methods are used to gain and transfer information with our stakeholders. The insights gleaned through these channels are entered into our decision-making processes directly by our management teams, which inform the strategies of the business.

STAKEHOLDER RELATIONSHIPS

Stakeholder	Relationship	Engagement processes	Main concerns	Strategic objectives
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.	• Client perception surveys • On-site visits • Regular meetings • Media (editorial and advertorial) • Company events • Website updates • Integrated reports	• 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.	• SENS announcements • Printed and electronic media releases • Results presentations • Integrated reports • Company AGMs • Face-to-face management sessions • Analyst-hosted events	• Revenue growth • Operating margin • Return on investment • Dividends • Order book • Company sustainability • Executive remuneration • Leadership • Corporate governance	SO1 SO3
Employees	The success of our organisation is attributable to our people. We are committed to providing our employees with a safe, industrious and encouraging environment within which they can thrive and grow.	• Internal and on-site meetings • Union meetings • Newsletters • Notice boards and staff memos • Training initiatives • Awareness campaigns • Employee forums	• Remuneration • Career paths and growth opportunities • Training and skills development • Employment equity • Safety	SO4 SO5
Financial institutions	Financial institutions support our growth objectives through the provision of banking and guarantee facilities.	• Regular one-on-one meetings • Presentations • Electronic communications	• Debt-to-equity ratios • Liquidity • Financial and risk management processes	SO1
Suppliers and sub-contractors	Our ability to deliver quality services to our clients relies heavily on the quality of the services and products we receive from suppliers and subcontractors. As a result, we look to develop close working relationships with these stakeholders.	• Regular supplier audits • On-site visits and meetings • Electronic communications • Service level agreements	• Continuity of work • Payment terms • Safety requirements	SO2 SO5

Government	We regularly work with public sectors in different countries on large-scale infrastructural development projects.
	
	Government-appointed regulators are largely responsible for developing and enforcing policies and regulations for the construction industry.
		• Tenders
		• Industry forums
		• One-on-one meetings
		• Presentations
		• Skills development plans
		• B-BBEE scorecard submissions
		• Construction Industry Charter Council
			• Regulatory compliance
			  ◦ Safety
			  ◦ Environmental
			  ◦ Competition
			  ◦ Tax collections
			  ◦ Transformation
			  ◦ Employment equity
			• Job creation
			• Skills development
			• Enterprise development
				SO6
				SO5
				SO3

Communities	We seek to have a positive impact on the communities within which we operate by employing and training local people where possible and constructing local amenities as part of our socio-economic development (SED) commitments.	• Meetings and consultations • Community presentations • Site visits • Environmental impact assessments • Awareness campaigns • Sponsorships • Donations	• Employment opportunities • Environmental impact of our activities • Local SED initiatives	SO6

STAKEHOLDER ENGAGEMENT THIS YEAR

The issues discussed below are those most material to WBHO and our stakeholders for the year under review, and how we responded to those.

NEGOTIATING A NEW THREE-YEAR WAGE AGREEMENT IN SOUTH AFRICA

As previously indicated, in South Africa, 68% of our employees are covered by collective bargaining agreements and the current three-year wage agreement expires early in the new financial year. Wage negotiations have historically been coupled with on-site disruptions.

Key stakeholder impacted

Employees

Response

Subsequent to year-end, the civil engineering sector concluded a new three-year Settlement Agreement with respect to wages and conditions of employment. Negotiations regarding a new wage agreement began in late March 2018.

Employers, including WBHO, were represented by the South African Forum of Civil Engineering Contractors and the Consolidated Employers' Organisation, while employees were represented by the Building Construction and Allied Workers Union and the National Union of Mine Workers.

The settlement will come into force from promulgation by the Minister of Labour later in 2019. The negotiations were characterised by a deep understanding by all parties of the pressure under which the civil engineering sector has been operating for the last few years.

The parties agreed to a 7,5% wage increase across the board for the first and second years. The increase for the third year will be 7,5% or CPI, whichever is greater.

TURBULENT MARKET CONDITIONS LOCALLY, SUSTAINABLE MARGINS IN AUSTRALIA AND EXPANSION INTO THE UNITED KINGDOM

The current challenging economic environment has placed many construction companies under severe financial distress, even leading to some firms collapsing, leading to financial loss for many financiers and job losses for employees.

Various investors have questioned WBHO's expansion into the UK and the ability extract value from the initiative.

Key stakeholders impacted

Investors

Financial institutions

Employees

Response

WBHO follows a conservative approach when managing its finances, assuming low levels of debt and maintaining substantial cash balances. At year-end, WBHO maintained a gearing level of 2,9% and held cash and cash equivalents of R6,0 billion. A key achievement in the year, was the ability of our Australian operations to secure their own guarantee facilities from various Australian financial institutions. This will release guarantee capacity in South Africa to support our Africa operations and expansion into the UK market.

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. Refer to page 35 for more on the objective.

The Australian businesses have experienced strong growth over recent years, delivering a fewer number of larger scale projects, particularly within building markets, which carry increased execution risk. In the current year, we have also seen substantial growth in infrastructure markets. Our forward focus will be on project delivery, margin protection and selective bidding in order to achieve an improved operational performance.

Following stagnant growth within local markets over recent years, WBHO has been seeking growth opportunities in new markets to further diversify its earnings platform.
The construction market in the UK, which largely mirrors that of Australia, was identified as offering the most potential at acceptable levels of risk. Through the experiences of our clients and from our own research, we learnt that operating in non-English speaking European countries presents a unique set of challenges, and as a result, set our sights on the UK construction market. Local management teams from South Africa are working with the UK teams in order to optimise business processes.

IMPLEMENTATION OF THE VOLUNTARY REBUILD PROGRAMME

In FY2017, WBHO signed a Settlement Agreement, also known as the VRP, with the Government of South Africa, along with six other listed construction companies, to support transformation within the industry. Under this agreement, WBHO elected to mentor three black emerging contractors with a commitment to grow their combined turnover to within 25% of the turnover of the group's South African operations over a period of seven years, starting from 1 July 2017.

STAKEHOLDER ENGAGEMENT
CONTINUED

Key stakeholders impacted

Government

Communities

Response

During the first year of the VRP, various support interventions have been embedded and we have successfully bid on our first joint venture projects. We have also established a structured framework of meetings to ensure the continued focus to deliver on our engagement, to meet the expectations of our partners and to minimise the risk to WBHO.

Despite the current difficult trading conditions, two of our partner companies have increased their turnover substantially exceeding the minimum targets set by the VRP agreement. Regrettably, one of our partners is unable to participate on the programme in the future and we have sought to find a new partner going forward. We will continue to support them through our enterprise development initiatives.

Additionally, the seven participating listed entities are also required to contribute R100 million annually until 2030 to a trust to support various transformation-related initiatives. The Tirisano Trust was established during the year and the policy and annual plan completed. Benefits will soon flow to beneficiaries, with the first payment earmarked to support the eradication of pit latrines in schools.

COMMUNITY AND BUSINESS FORUM PARTICIPATION IN CONSTRUCTION PROJECTS

A consequence of low job creation and high levels of poverty has seen an increase in community unrest. Communities have been militant in insisting on jobs for their members, often presenting unrealistic demands characterised by infighting among their leaders. This has often been further exacerbated by individuals and business forums seeking to exploit communities for their own gain.

Key stakeholder impacted

Communities

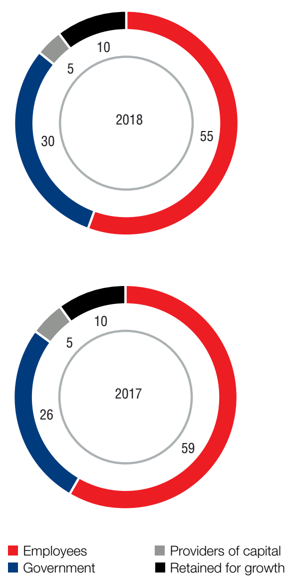
Response

We seek to have a positive impact on the communities within which we operate by employing and training local people where possible and constructing local amenities, such as clinics and schools, as part of our SED commitments. Where possible, we also proactively engage with local communities prior to commencing work on potentially affected projects. This, however, sometimes does not meet the expectations of community leaders. Poor service delivery and high levels of poverty and unemployment have resulted in numerous community-related disruptions and violence on various projects during the year. While the impact of these disturbances is currently mitigated contractually, a number of significant project delays were incurred on certain contracts.

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.

Wealth distribution (%)



Rm	2018	2017
CLIENTS		
Revenue*	**39 218**	35 586
SUPPLIERS		
Cost of materials and services*	**(32 243)**	(29 395)
WEALTH CREATED	**6 975**	6 191
EMPLOYEES		
Payroll costs	**3 591**	3 448
Share-based payment expense	**64**	58
INVESTORS		
Dividends paid to shareholders	**275**	277
FINANCIAL INSTITUTIONS		
Interest and finance charges	**8**	14
Lease costs	**7**	5
GOVERNMENT		
Taxes and duties*	**2 245**	1 729
COMMUNITIES		
Corporate social investment	**6**	6
WEALTH DISTRIBUTED	**6 196**	5 537
WBHO		
Attributable earnings (less dividends paid)	**539**	443
Depreciation	**240**	211
WEALTH RETAINED	**779**	654

Including value-added tax and sales tax where applicable.

WEALTH CREATED

WEALTH DISTRIBUTED

WEALTH RETAINED

STRATEGIC OBJECTIVES

Guided by our vision, our strategic objectives represent what we believe to be 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 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".

SO1 FLEXIBILITY AND DIVERSIFICATION

Flexibility and diversification are fundamental for success in the ever-changing market conditions that the construction industry continuously navigates. Our strategy needs to be fluid and adaptable, allowing us to proactively align our procurement activities with those markets offering the best value.

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

Our 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 enhance stakeholder value by providing stability to our 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

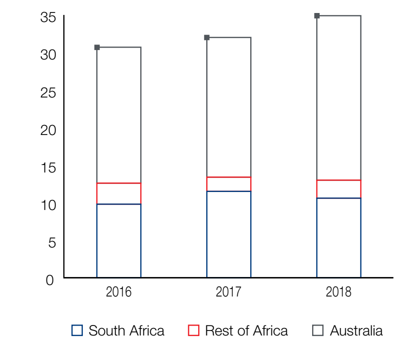
KPIs

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

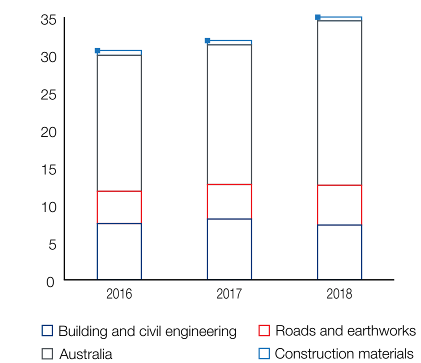
REFLECTING ON FY2018

- Capability to pursue opportunities across numerous sectors and geographies. Further expansion into the UK
- Sustained growth and essentially consistent earnings over time throughout fluctuating building, civil and road markets
- Revenue
  - Compound annual growth of 6% over five years
  - Revenue growth of 10% in FY2018
  - Strong revenue growth of 18% in Australia and 32% in the rest of Africa; and 7% decline in South Africa
- Operating profit
  - 6% growth in operating profit
  - Overall margin of 3,0% (FY2017: 3,1%)
- Strong order book of R49 billion

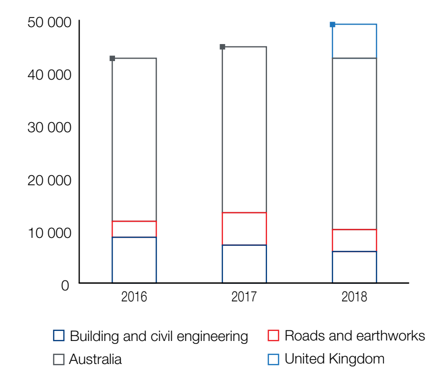
Revenue per geography (Rbn)



Revenue per segment (Rbn)



Order book per sector (Rbn)



STRATEGIC OBJECTIVES
CONTINUED

SO2 PROCUREMENT AND EXECUTION EXCELLENCE

These are simultaneous, continuous and interlinked processes within our business. The standard and quality of submitted bids directly impacts our operational performance. We seek to offer a fair price at acceptable levels of risk for all parties involved.

During the procurement phase, we target those projects that will best serve our strategic objectives and create value for our stakeholders. During the execution or operational phase that follows, brand equity and the reputation of the group are cultivated and maintained.

Confidence and credibility are generated when clients experience consistently high-quality work which, in turn, enhances our ability to secure future projects.

STRATEGIC INITIATIVES

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

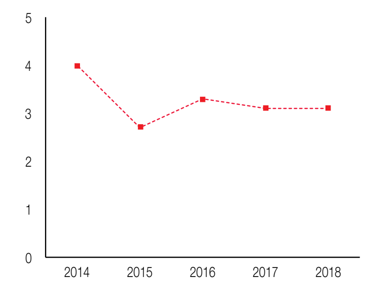
KPIs

- 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

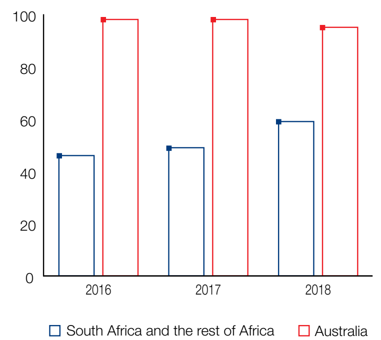
REFLECTING ON FY2018

- Continued focus on strict procurement controls and tender evaluation
- Declining of projects in the rest of Africa that do not meet risk parameters
- Inconsistent implementation of Public Finance Management Act (PFMA), 1999 guidelines
- Additional transformation requirements imposed by individual state-owned entities (SOEs)
- Two loss-making projects in Australia
- Increased margin in South Africa
- Weaker margins in West Africa
- Overall margin at lower end of target range
- Client quality perception maintained at 89%
- Effective quality systems – 100% of business covered by ISO 9001; and 100% audit coverage during the year

Operating margin (%)



ISO 9001 audit coverage (%)



65% OF COMPLETED PROJECTS IMPROVED ON TENDER MARGIN

2 LOSS-MAKING PROJECTS IN AUSTRALIA

ISO 9001:2015 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 through 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

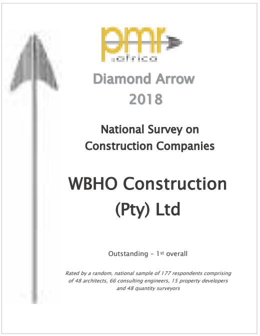
- Proactive stakeholder engagement
- Ethics programmes
- Regulatory compliance programme
- Corporate governance excellence
- Entrenching culture among new employees

KPIs

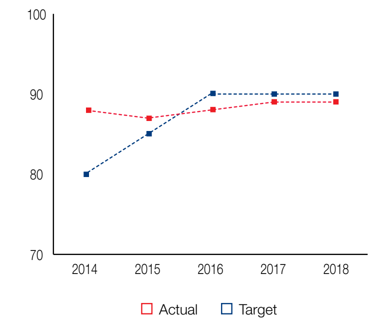
- Client perception survey ratings
- Percentage of negotiated projects
- Percentage of repeat work from clients

REFLECTING ON FY2018

- Standout contractor amongst industry peers in FY2018
- Strong culture of delivery, professionalism and respect embedded within the group
- Responsive senior management with extensive industry experience
- Awarded PMR.Africa 2017 and 2018 Diamond Arrow Award
- Instrumental in initiative to rebuild industry relationship with government
- Two out of three of the group's VRP partners exceeded minimum growth targets for the first year
- Community engagement



Client quality perception survey (%)



180 EMPLOYEES COMPLETED COMPETITION LAW TRAINING

32 EMPLOYEES COMPLETED ANTI-BRIBERY AND CORRUPTION

STRATEGIC OBJECTIVES
CONTINUED

SO4 CAPACITY AND TALENT MANAGEMENT

People management is of primary concern within the group. Effective employee development earns staff loyalty and their commitment to "The WBHO Way", and also attains our strategic goals of "procurement and execution excellence", and "transformation".

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

Right-sizing our 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. We call the process of dealing with these lags or overlaps "managing the gap". It is a constant challenge to ensure that the right skills and manpower are available at the right time.

STRATEGIC INITIATIVES

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

KPIs

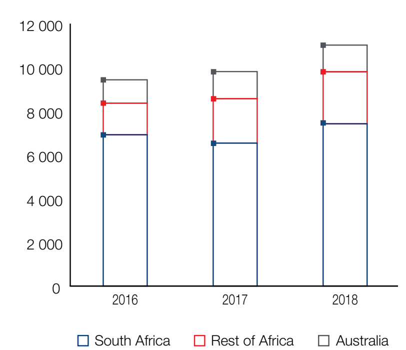
- Employees by region
- New hires
- Retrenchments
- Employee turnover (%)
- Training spend
- Training hours (average)
- Number of employees trained
- ECSA registration programme
- Number of learnerships
- Bursary spend
- Number of students receiving bursaries

For more on our human capital and skills development practices, see our separately published 2018 Supplementary report.

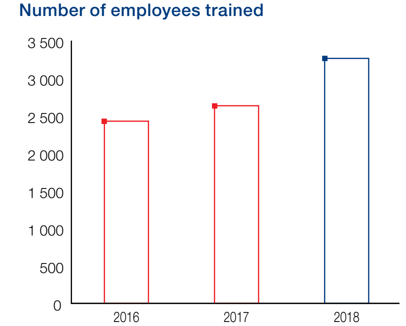
REFLECTING ON FY2018

- Increase in total headcount to 11 018 (FY2017: 9 837)
- Ability to attract top talent and grow next generation of leaders
- Maintained highly skilled and dedicated management teams
- Net increase of 25 engineers
- Significant investment in training in the year – 3 263 employees trained in South Africa and the rest of Africa. R85,7 million invested in training
- 333 retrenchments in the year (FY2017: 366)
- A new three-year wage agreement negotiated in South Africa and concluded enterprise bargaining agreements in Australia
- The number of "person days lost", representing the number of days lost due to strikes, work stoppages or non-attendance multiplied by the number of employees affected, increased to 19 835 days (FY2017: 5 175), mainly attributed to an unprotected strike at Saldanha and community and business forum disruptions.

Employees by region



Number of employees trained



Applicable to South Africa and rest of Africa only.

SO5 SAFETY AND ENVIRONMENTAL MANAGEMENT

As a contractor with an international footprint, operating across Africa, Australia and now the UK, it is essential that we hold ourselves to the very highest health and safety standards. Protecting the welfare of our employees and subcontractors results in healthy morale and undisrupted productivity. A proven safety record is also imperative in the procurement of work within some of our key markets, such as mining and the public sector.

As a good corporate citizen, we have a moral, ethical and legal duty to minimise and reduce our effect on the environment in the areas in which we operate. Compliance with environmental regulations and legislation strengthens our reputation and avoids legal and financial retribution.

STRATEGIC INITIATIVES

- Accident and near-miss reporting
- Visible Field Leadership (VFL) initiative
- Medical fitness programme
- Training and awareness programmes
- Safety Alert initiative
- Carbon disclosure project
- Water usage management

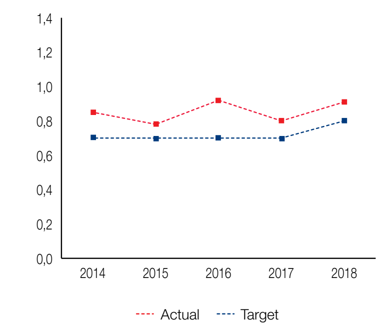
KPIs

- 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

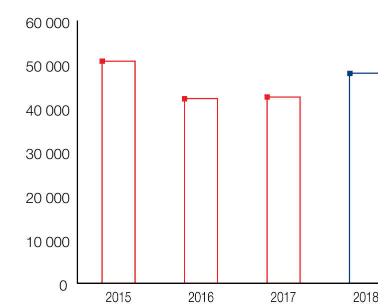
REFLECTING ON FY2018

- Disappointing increase in LTIFR from 0,80 to 0,91
- Three fatalities in South Africa
- Ongoing awareness interventions and focus on lead indicators
- Injuries sustained by subcontractors have decreased by 15% to 225 compared to 265 in FY2017.
- No reportable incidents recorded nor any fines for non-compliance with environmental laws and regulations.

Lost time injury frequency rate



Carbon emissions (tCO_2e)



3 FATALITIES (FY2017: 0)

ISO 14001:2015 CERTIFIED

ISO 18001:2015 CERTIFIED

100% EMS AND SMS COVERAGE

100% AUDIT COVERAGE

SO6 LOCALISATION AND TRANSFORMATION

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

STRATEGIC INITIATIVES

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

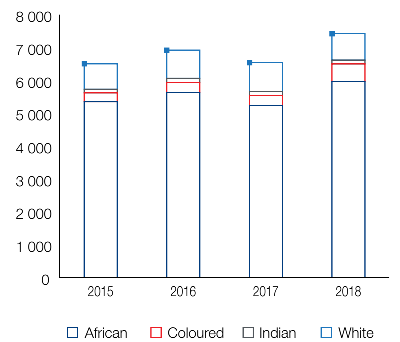
KPIs

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

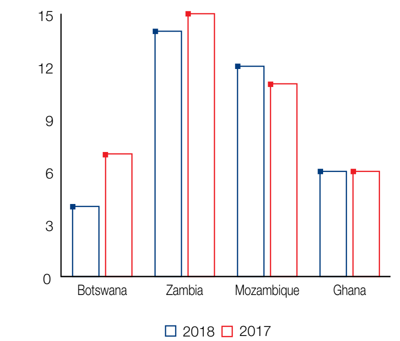
REFLECTING ON FY2018

- Amended Construction Sector Codes gazetted this year.
- WBHO proudly a Level 1 contributor under new Codes
- 89% black representation in South Africa
- WBHO has a developed long-term mutually beneficial relationships with various emerging contractors on its enterprise development programme and continues to invest in their future
- The Tirisano Trust, established to allocate industry contributions, held its inaugural meeting and identified first initiatives

Demographics of South African employees



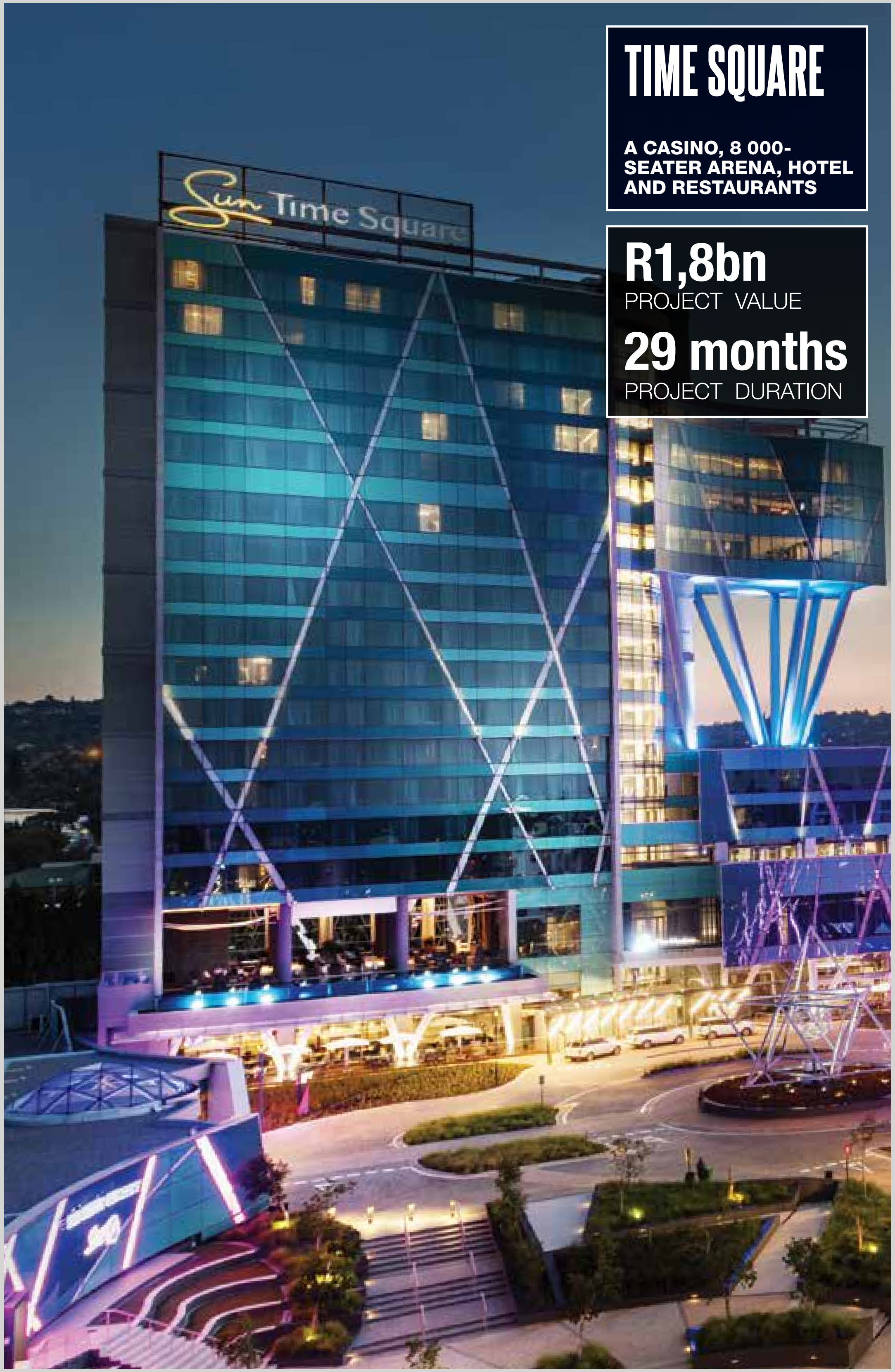
Localisation practices (%)



R3,7bn BLACK PROCUREMENT SPEND
(2017: R2,6bn)

R50,3m BLACK TRAINING SPEND
(2017: R37,9bn)

Level 1 B-BBEE STATUS
(2017: Level 4)



TIME SQUARE

A CASINO, 8 000-SEATER ARENA, HOTEL AND RESTAURANTS

R1,8bn
PROJECT VALUE

29 months
PROJECT DURATION

RISK MANAGEMENT

OUR APPROACH

WBHO realises that risk management is a fundamental management practice and 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. However, 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 dealing with 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 life cycle 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 (i.e. clients, professionals, labour and suppliers) 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.

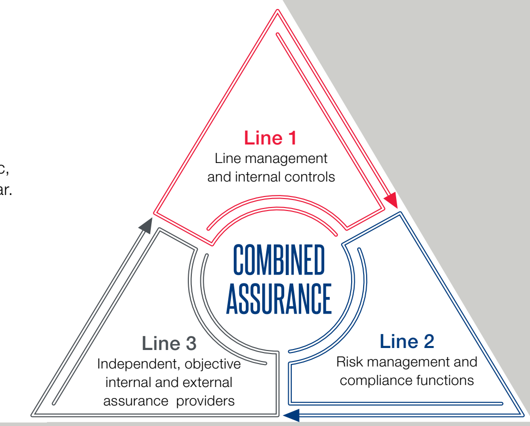
STRATEGIC RISK

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 risks are also assessed. These risks are presented to the Board, which then decides on the overall strategy of the group.

ASSURANCE

Assurance is an invaluable business tool enabling us to identify potential risks, understand our exposures, and ensure that the right checks and balances are in place to mitigate these risks.

The overarching framework, incorporating the three lines of defence illustrated in the following infographic, was presented to the Audit committee during the year.



The Board, through the Audit committee and supported by the Risk committee, is responsible for ensuring that the combined assurance model is applied in WBHO 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 fed into the various audit plans of the independent assurance providers of the group, namely, the environmental, safety and internal audit teams.

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

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

RISK TOLERANCE AND RISK APPETITE

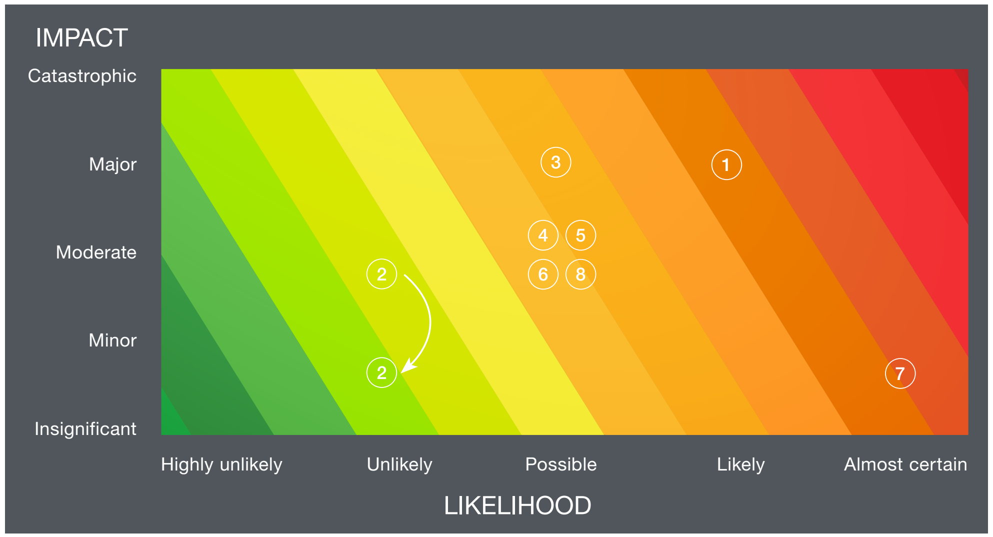
We understand and proactively manage risks within set risk appetite and risk tolerance levels in order to optimise business returns. We define risk appetite as the amount and type of risk that we are willing to take in order to meet our strategic objectives.

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 of risk are determined at business unit level and ultimately the group level. Project risks have been standardised to cover numerous individual site circumstances which allows for consistent reporting and aggregation of risk.

The heat map below illustrates the strategic business risks as determined by the enterprise risk management process.



	Risk and impact on value if not managed	Key response or mitigation	Strategic response
01	**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**.	• Structured risk assessment framework to align operations with identified risks • Ongoing review of intelligence sources in countries with higher political risk • Broad diversification across core competencies and geographical expansion • Flexible and responsive management • Strong logistical capabilities in more remote African regions	SO1
02	**Industrial action** *(uncontrollable)* The South African, Australian and UK labour markets are heavily unionised and unions wield significant influence. Industrial action can regularly occur and impacts on-site productivity, delivery and financial performance. The conclusion of a new three-year wage agreement in South Africa and improved industrial relations in Australia has resulted in this risk decreasing to **unlikely** and **minor**.	• Ongoing engagement with major unions • Where appropriate negotiate multi-year wage agreements	SO6 SO3
03	**Contracting with unreliable clients** *(controllable)* Due to the value and size of contracts, failure by clients in meeting their payment obligations can impact the group's cash flow and result in margin slippage and delays in project execution. The economic environment in target markets across Africa has resulted in this risk remaining **possible** and **major**.	• Robust due diligence process implemented to ensure clients are assessed prior to engagement • Review of payment terms and guarantees • Requirement for payment guarantees on most projects	SO2
04	**Procurement and execution risk** *(controllable)* Procurement and execution risk are closely linked to changes in market dynamics, skills shortages and talent management. In more competitive environments, margins are eroded thus requiring increased attention to 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. In addition, WBHO utilises the services of various suppliers and subcontractors. 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 new businesses in the UK and loss-making projects in Australia have resulted in this risk remaining **possible** and **moderate**.	• Structured planning and resource utilisation processes • Tender policy drafted and implemented including a formal tender approval authority matrix • Stringent monitoring of project performance	SO2
05	**Major safety, health, environmental or quality incidents** *(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. Although the group has implemented internationally recognised best practice systems across all operations, the risk of a serious safety or environmental incident remains **possible** with a **moderate** impact.	• Implementation of globally accredited quality, safety and environmental best practices across all operations • Ongoing prevention initiatives	SO5
06	**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**.	• Implementation and monitoring of a regulatory and legal matrix which is regularly updated for changes to laws and regulations	SO3
07	**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 has been rated **almost certain** yet the impact thus far has been **minor**.	• Process established to maintain relationships with community structures	SO6
08	**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 target for local employment. The group achieved a Level 1 B-BBEE status in South Africa this year. Nonetheless, Government's approach to transformation within the sector remains unclear and this risk remains **possible** and **moderate**.	• Implementation of a group retention strategy and management development programme targeted at historically disadvantaged individuals • Strategies developed and implemented to meet all elements of the scorecard	SO3 SO6

Risk unchanged Risk reduced

For further information on how these risks affect our material issues see pages 21 to 29 of this report.

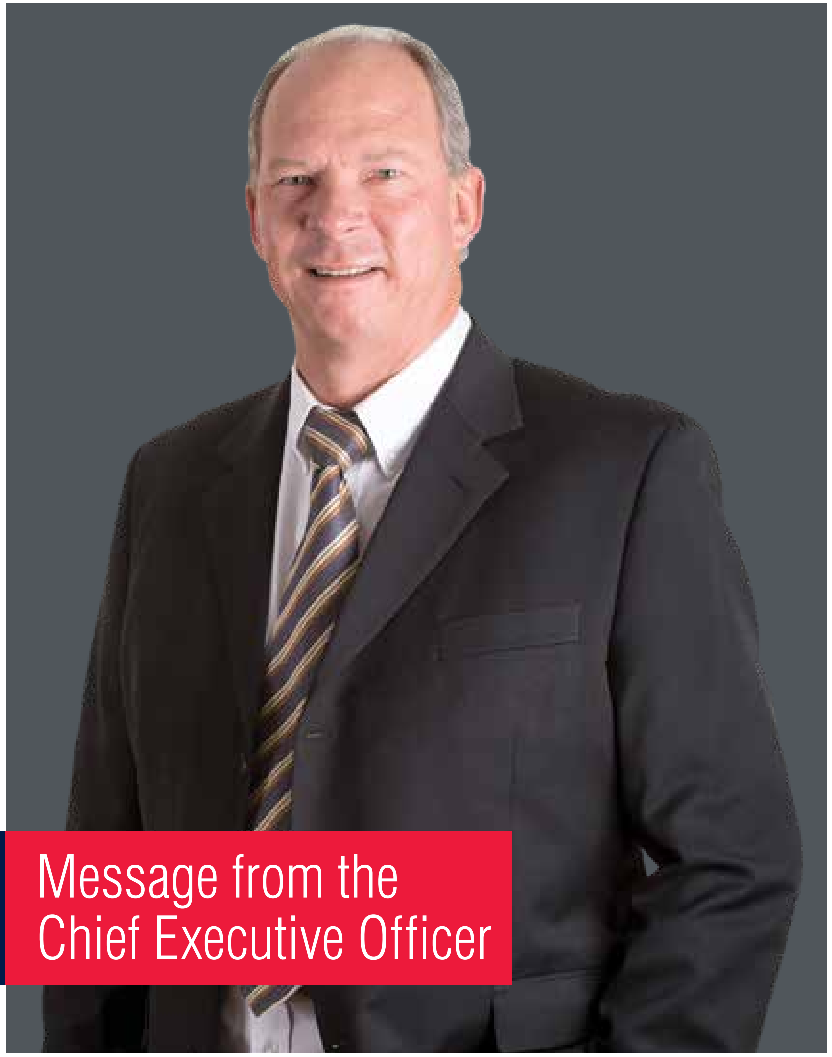
SASOL FINE ASH DAM 6

CONSTRUCTION OF 560 000m³ RETURN WATER DAM AND SERVICE CORRIDOR

R1,1bn
PROJECT VALUE

27 months
PROJECT DURATION

DELIVERING VALUE



LOUWTJIE NEL

Message from the Chief Executive Officer

A strong performance in South Africa and a growing infrastructure business in Australia supported steady results in a challenging environment. Our geographical and sector diversification strategy combined with our consistent ability to deliver projects on time to the right quality contributed to our performance.

Locally and in the rest of Africa, the operating environment remained subdued with the quantum and value of available work continuing to decline. In response, staying focused on sustaining our proud delivery record, stringently managing costs and maintaining an engaged workforce allowed us to ultimately deliver value to our clients. Offshore, the Australian construction markets remained buoyant and our business there has nearly doubled over the last five years as the size and complexity of projects we have bid upon and executed have grown.

CHIEF EXECUTIVE OFFICER'S MESSAGE
CONTINUED

OPERATING PERFORMANCE
In South Africa, slow economic growth, low levels of government spending on critical infrastructure and a cautious approach to investing by the private sector remained a key theme. Policy uncertainty and political instability have impacted investor confidence and significantly curtailed local and foreign investment. Revenue in South Africa declined by 7% to R10,7 billion this year. Despite the challenging conditions, the Civil engineering and Roads and earthworks divisions managed to grow their turnover due to some large-scale projects awarded in the previous year. This growth was however offset by lower activity in the Building divisions, especially within the Gauteng region, where a number of large projects reached completion with a lower new order intake. The growth in the higher-margin Civil engineering and Roads and earthworks divisions assisted an increase in operating profit by 10% to R525 million.

Margins remained under pressure driven by the lacklustre economic growth and increased competition as firms bid for fewer projects. A noticeable reduction in the size of available projects has further increased competition by enabling mid-tier construction firms to participate in tenders. In response, we have ensured costs are contained and leveraged our reputation for being dependable and consistent to remain competitive in this environment as many of our private clients are becoming more focused on timeous delivery rather than just obtaining the lowest price.

Performance from the rest of the Africa was mixed. Revenue improved by 32% to R2,4 billion with strong revenue growth in Botswana, Guinea, Mozambique and Zambia driven by investment in mining, rail and roads infrastructure. However, the overall operating performance from the region was impacted by a poor performance in West Africa, especially in Guinea and Burkina Faso.

In Australia, revenue grew by 18% to R21,9 billion, supported by the ongoing infrastructure investment programme by the federal and state governments and active building markets. Early signs of moderation in residential markets are emerging as the government introduces legislative changes to address housing affordability. Although operating profit improved to R278 million (FY2017: R259 million), performance was unfortunately impacted by two material loss-making projects in Probuild.

EXPANDING OUR GEOGRAPHICAL FOOTPRINT
Following low growth on the African continent over recent years, we've been seeking opportunities in new markets to further diversify our earnings and improve shareholder returns. Last year we entered the construction market in the United Kingdom (UK) through the acquisition of an initial 40% interest in the Byrne Group. This year we increased our interest to 80% and then on 18 July 2018, just after our year-end, acquired 60% in Russells Limited and 31,7% interest in Russell Homes Limited.

Located in Manchester, Russells Limited is a main contracting business operating across all main sectors while Russell Homes Limited, which specialises in land acquisition and planning applications in respect of in-house and developer-led residential schemes, offers WBHO entry into the UK residential property market.

While the UK market has its own uncertainties, we have invested in respected businesses with competent management and a similar culture to our own. This brings about an exciting new chapter in WBHO's growth and I'm optimistic it will add value to all stakeholders.

CAPACITY AND TALENT MANAGEMENT
Managing the number, size and mix of our teams has been important this year, especially in an environment in which we have experienced growth in certain divisions, while others have contracted. Our overall headcount increased year-on-year to 11 018, mainly driven by increased activity in the Roads and earthworks division.

Our operations rely on having the right technical skills and manpower available to deliver our projects. Retention of engineers remains a keen focus area when developing future leaders, building our culture and delivering on the business's needs.

WBHO has, for many years, conducted an in-house engineering school aimed at providing training and support to our engineers and quantity surveyors in specific areas of the business. In the year, 111 employees attended various engineering-related initiatives through the school and we invested R85,7 million in training interventions across the African operations.

The successful outcome of any project is heavily reliant on how well it is bid upon. In a more competitive market we also had to strengthen our bid teams to ensure that we consistently target the right projects and submit thorough but competitive bids.

TRANSFORMATION
Our "localisation and transformation" objectives are key issues across all of the geographies in which we operate. Achieving representation within our management structures has been an ongoing focus for a number of years and we continue to progress in this regard. We now have black representation of 27% at top management level, 39% at senior management level and 52% at middle management level. This bodes well for future succession planning. 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.

I am delighted to report that, through a concerted effort by our teams, we have improved to a Level 1 status following the implementation of the Amended Construction Sector Codes this year. I truly believe that this is the only way to address broad-based transformation.

Of concern is the trend of various SOEs requiring service providers to demonstrate black ownership in excess of legislative procurement requirements which has created uncertainty in the industry. Over the past few years we have continued to build strategic relationships with black-owned construction companies in an effort to mitigate the future risk. We will continue to engage government in this regard.

SAFETY AND ENVIRONMENTAL MANAGEMENT
Construction is inherently a high-risk activity and we recognise that we have a moral and legal obligation to safeguard and protect the well-being of all of our stakeholders and the environment.

WBHO's LTIFR increased marginally to 0,90 (FY2017: 0,80). However, I regret to report that we lost the lives of three colleagues in work-related accidents during the year. My sincere condolences to the families of Randall Vraagom, Siphiwo Mabeta and Mkhululi Pitsha. Management continues to evaluate ways in which to prevent harm to our people, further improve safety awareness and to focus on improving safety throughout the group.

We are committed to the highest standards of environmental protection throughout all phases of construction by upholding the basic principles of environmental management. During FY2018, we successfully transitioned to ISO 14001: 2015 and are pleased to report that there were no reportable incidents recorded during the year nor any fines issued for non-compliance with environmental laws and regulations.

We pride ourselves on being part of both the Green Building and LEED (Leadership in Energy and Environmental Design) movements, which both address sustainability issues related to excess energy and water consumption; the pollution of air, water and land; the depletion of natural resources; and the disposal of waste from a construction perspective. To date, WBHO has been or is involved in 48 Green Building projects and two LEED projects. WBHO is an active member of the Green Building Council of South Africa.

OUTLOOK
Looking ahead, we foresee that the construction environment in South Africa and the rest of the continent will remain subdued over the short to medium term. While the recently announced economic stimulus is a positive step, the roll-out of government-led infrastructure projects in South Africa is likely to take time and remains a major concern. While the financial distress facing a number of our competitors may present an opportunity for WBHO and other mid-tier and emerging contractors to increase their market share, it is important to recognise that the local market is contracting further each year.

Our order book in South Africa and the rest of the continent stood at R10,2 billion at 30 June 2018, down 24% from the comparative period, driven by lower order intakes across all divisions.

Conditions in Australia are expected to remain favourable over the medium term as the Australian government's infrastructure programme gains momentum and appetite from international investors persists. The order book at year-end increased by 3,3% to R32,6 billion.

We begin the new financial year in the UK with a strong order book of R6,1 billion which increases to R11,0 billion when including the Russells business. Our entry into the UK market will offset declining markets in Africa and support future earnings given the likely impact of challenging local industry conditions.

APPRECIATION
In closing, I would like to thank the WBHO Board and executives, all of whom have provided valuable support and advice during the year. My thanks are also due to the entire WBHO team, who continues to demonstrate the incredible resilience and adaptability that has been necessary to ensure our continued success in these challenging times.

Finally, I would like to welcome the employees of Russells Limited and Russell Homes to our group. I look forward to many years of fruitful engagement as we grow together.

Louwtjie Nel
Chief Executive Officer

OPERATIONAL REPORTS

REVENUE (Rm)
2018: 7 302
2017: 8 136

OPERATING PROFIT (Rm)
2018: 332
2017: 385

OPERATING MARGIN (%)
2018: 4,5
2017: 4,7

CAPITAL EXPENDITURE (Rm)
2018: 76
2017: 67

PROJECTS NEGOTIATED (% OF PRIVATE WORK)
2018: 60
2017: 95

NUMBER OF EMPLOYEES
2018: 3 683
2017: 3 662

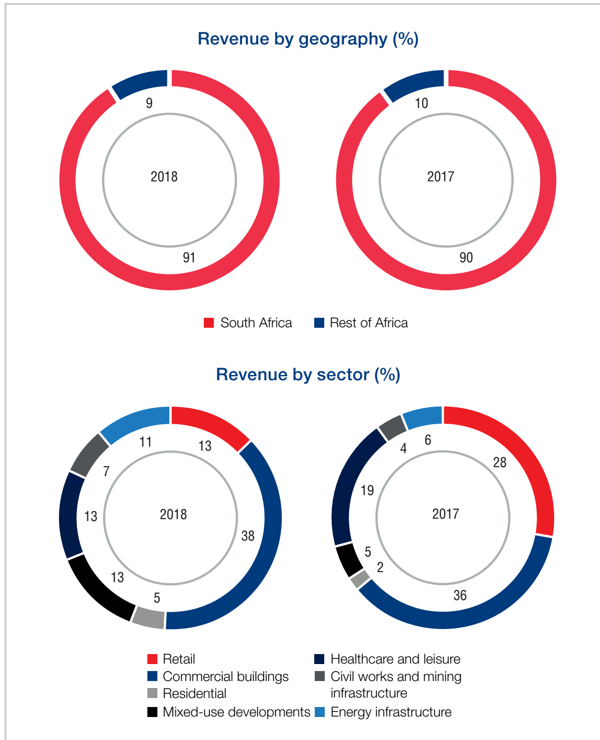
RETRENCHMENTS
2018: 205
2017: 224

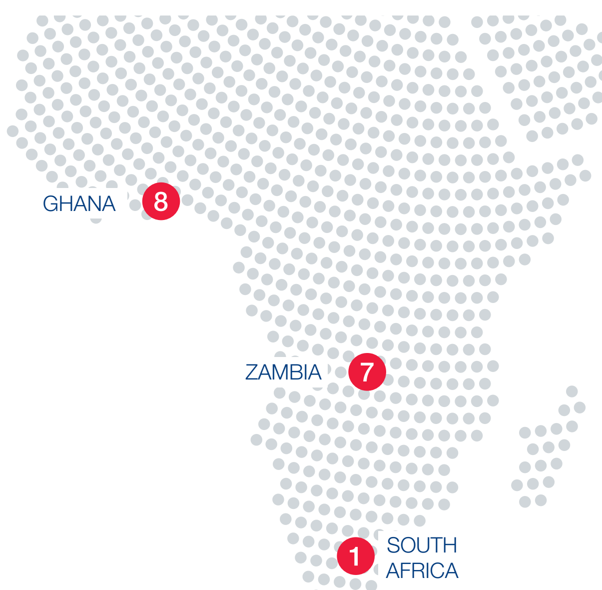
TRAINING SPEND (Rm)
2018: 37,4
2017: 16,3

LTIFR (PER MILLION MAN HOURS WORKED)
2018: 0,86
2017: 0,61

REVENUE DOWN 10%

BUILDING AND CIVIL ENGINEERING





The Building and civil engineering division experienced a challenging year. Total revenue declined by 10% to R7,3 billion on the back of shrinking building markets and the completion of a number of mega-projects in the previous year. A moderate improvement in activity within the Coastal building divisions and growth within the Civil engineering division alleviated some of these effects. Operating profit of R332 million (FY2017: R385 million) declined in line with lower revenue, and the operating profit margin of 4,5% slipped marginally from 4,7% last year. This reflects the more competitive environment in general, lower revenue from higher-margin design and construct projects in the current year, and a lower margin return from the Civil engineering division due to conservative profit recognition on a challenging major project.

The lower activity within the Building division at the beginning of the year, alongside further restructuring within the Civil engineering division, resulted in the retrenchment of 205 employees during the year. However, the overall headcount increased marginally from 3 662 to 3 683 due to appointments in the Coastal building divisions.

Capital expenditure increased to R76 million as did the training spend of the division which increased by 129% from R16,3 million to R37,4 million.

The division achieved a LTFIR of 0,86 for the year, up from 0,61 recorded in 2017. The safety performance was unfortunately impacted by two work-related fatalities. As a significant portion of our buildings business is subcontracted, we will continue to focus on improving the safety practises of our subcontractors.

BUILDING

- Declining revenue in Gauteng with fewer large-scale projects available
- Competing with mid-tier contractors on smaller projects
- Improved activity in all coastal regions with growth centred in KwaZulu-Natal
- Concentration of work in commercial office sector as retail sector remains subdued
- Increase in residential-only and mixed-use developments
- 60% of work remains negotiated
- Heightened margin pressure on work secured in the second half of the year
- Awarded PMR.Africa Diamond Arrow Award in 2017 and 2018

Subdued local economic conditions contributed to a significant decline in the number of large-scale building projects on offer, especially in Gauteng. With fewer large projects available, the division is now competing against more mid-tier contractors on smaller contracts – a strong theme across all regions in the year. Revenue declined by 17% to R6,1 billion (FY2017: R7,4 billion) and operating profit declined to R252 million (FY2017: R283 million). A notable achievement in these demanding conditions was the ability to again deliver no loss-making projects, extending the run to five consecutive years.

The commercial office sector continued to generate the highest levels of revenue for the division and was in line with levels from the previous year. The sector contributed 47% towards overall revenue and activity was centred in Gauteng where it comprised 66% of revenue for the region. Key projects completed in Gauteng this year include the iconic PwC twisted tower at Waterfall, the new head office for Discovery in Sandton, the redevelopment of 33 Baker Street in Rosebank and the Loftus Park commercial development in Tshwane. Significant ongoing projects include 92 Rivonia, a 4-star rated green building, and 2 Pybus both of which are office developments located opposite Sandton City, as well as the Rosebank Link opposite the Gautrain station in Rosebank. In the coastal regions, the Sable Park office development in the Western Cape and the CCI offices and ABSA regional head office, both on the Umhlanga Ridge, contributing toward activity.

Residential activity and mixed-use developments, which comprise elements of residential, retail, hotel and office space, saw a marked improvement during the year. Together, revenue from this sector more than doubled from the comparative period and contributed 27% towards the total building revenue. Major projects under construction from this sector encompass further phases of the 6 800m^2 Club Development and the Trilogy apartments at Menlyn Maine in Tshwane, the Umhlanga Arch in KwaZulu-Natal, the Yacht Club located at the Foreshore of the V&A Waterfront and the Palm Vue and Axis apartments in Century City as well as student accommodation in Summerstrand in the Eastern Cape.

The retail sector remains heavily subdued and revenue from this sector declined by 60%. Activity was concentrated in KwaZulu-Natal where the ongoing development in and around Umhlanga has offered opportunities. During the year the Cornubia Mall was completed while the extensions to the Gateway shopping centre will be completed early in the next financial year. In Gauteng, activity was limited to smaller refurbishments at the Sandton City and Eastgate shopping centres.

Following the completion of the casino at the Time Square mega-project in Tshwane last year, revenue from the hotels and casino sector has reduced to normalised levels. The hotel component of Time Square was largely completed this year and supported activity from the sector in Gauteng. The remaining activity was in KwaZulu-Natal where construction at the Sun Coast Casino resumed, following significant delays due to business forum disruptions in the previous year.

Industrial activity was concentrated mainly in the Eastern Cape, with the first phases of the Yekani project at the East London Industrial Development Zone being successfully handed over. The first phase of a project for BAIC, where a new car assembly plant is being developed in Port Elizabeth, is progressing well.

In Ghana, revenue dropped sharply – with our traditional customer base having lost appetite for the region, the international building team has struggled to replace existing projects. The design and construct contract incorporating new offices for Standard Chartered Bank on behalf of RMB Westport was completed and successfully handed over in the second half of the year, and construction of a new mall in Takoradi will continue into next year.

BUILDING AND CIVIL ENGINEERING
CONTINUED

CIVIL ENGINEERING

- Growth largely due to the execution of existing projects
- No significant improvement in overall civil engineering markets
- Increased mining infrastructure spending – mostly coal locally and copper in Zambia
- Construction of the commercial crude oil terminal facility proving challenging

While revenue from the Civil engineering division grew strongly to R1,2 billion (2017: R717 million) this year, growth was largely due to the execution of existing projects as opportunities from both the local market and West Africa remain limited. Government infrastructure investment plans continued to be impacted by budget constraints as well as lengthy and sometimes irregular procurement processes. Within the private sector, opportunities also remained subdued with business having taken a cautious approach to expansion in anticipation of various policy decisions, such as the revised mining charter.

The operational performance for the second half of the financial year improved significantly compared to a very challenging first half, which was impacted by a six-week strike and associated costs at the large-scale oil terminal in Saldanha. Operating profit decreased from R102 million to R80 million as increased competition eroded contract margins as well as the impact of two underperforming projects, one in South Africa and the other in Guinea. In both instances, the division underestimated the complexity and price of the projects, while the location of the Guinea project also made logistics extremely difficult to manage.

In the year, construction activities were mainly focused at the crude oil terminal in Saldanha (delivered together with the Roads and earthworks division) and the ongoing re-access works at the Kusile Power Station which comprised the majority of revenue generated.

The award of two new mid-sized mining infrastructure projects during the year, both for Exxaro, was welcome and hopefully indicative of an improving climate within the mining sector. These projects consist of a rapid load-out station at the Grootegeluk mine in Limpopo and a coal handling facility at Belfast. The division also secured its first marine work project in the second half of the year consisting of repair work at the Durban harbour. While the project is relatively small in nature, the division has been seeking to diversify into the sector to mitigate low levels of activity in traditional markets.

In Zambia there was a moderate improvement in overall activity during the year supported by civil works at the milling plant for the National Milling Corporation and smaller-scale projects within the mining and industrial sectors. Following an increase in the copper price activity on these mines in the second six months of the year, the division secured a significantly larger project for the construction of a new infrastructure surrounding the concentrator at the Mopani mine in Mufulira, Zambia, which will support further growth in FY2019.

In West Africa, the mining infrastructure projects in Guinea and Ghana also executed in conjunction with the group's Roads and earthworks division are nearing completion, but have been highly challenging.

OPERATIONAL REPORTS

REVENUE (Rm)
2018: 5 282
2017: 4 590

OPERATING PROFIT (Rm)
2018: 371
2017: 342

OPERATING MARGIN (%)
2018: 7,0
2017: 7,4

CAPITAL EXPENDITURE (Rm)
2018: 187
2017: 178

PROJECTS NEGOTIATED (%)
2018: 25
2017: 5

NUMBER OF EMPLOYEES
2018: 5 852
2017: 4 676

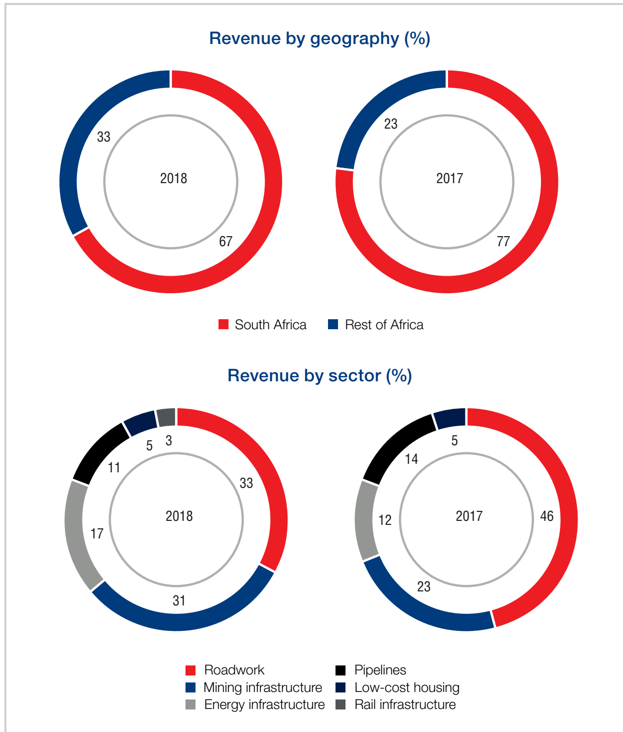
RETRENCHMENTS
2018: 38
2017: 21

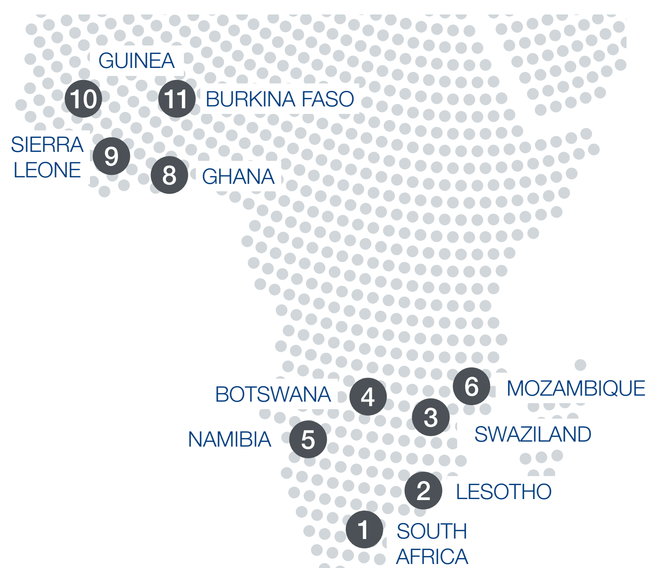
TRAINING SPEND (Rm)
2018: 32,1
2017: 49,5

LTIFR (PER MILLION MAN HOURS WORKED)
2018: 0,30
2017: 0,31

REVENUE UP 15%

ROADS AND EARTHWORKS





The Roads and earthworks division achieved solid growth following a strong order intake in 2017. Revenue increased by 15% to R5,3 billion. In what was a difficult market, revenue from South Africa was sustained at R3,4 billion and equal to that of the previous year, while revenue from the rest of Africa grew by 63% from R1,1 billion to R1,8 billion. Growth from the rest of Africa was spread across all key geographies comprising Botswana, Mozambique and West Africa.

Overall operating profit increase by 9% to R371 million (FY2017: R342 million) yet the overall operating margin decreased from 7,4% to 7,0% and was negatively affected by poor margins achieved in West Africa on a number of difficult projects discussed further below. Local margins improved due to the higher proportion of earthworks within the order book, but were hampered by the challenges encountered on the crude oil terminal facility.

Capital expenditure of R187 million increased in line with project requirements.

Following a healthy order intake and increased activity, the total headcount increased by 25% to 5 852 (FY2017: 4 676).

SOUTH AFRICA

- Revenue in line with FY2017 – largely supported by existing projects
- Roadworks and infrastructure for mining, energy and industrial sectors form the bulk of activity
- Two sizeable new coal mining infrastructure projects secured in the year
- Local pipeline market remains highly competitive – large proportion of work derived internally by offering clients a full suite of construction services
- New low-cost housing projects secured in KwaZulu-Natal and the Eastern Cape

Locally, roadworks and infrastructure for the industrial, mining and energy sectors comprised the bulk of work executed during the year. Roadworks largely consisted of revenue from projects secured in the prior period as the South African National Roads Agency (SANRAL) halted the issue of new tenders pending the finalisation of its future procurement policies. Large-scale road projects included upgrade construction to the N1 and N6 in the Free State and the N2 in the Eastern Cape and the completion of the upgrade to the Oxford Road intersection in Johannesburg. New road construction projects awarded this year consisted of road infrastructure for private clients, extensions to existing roads at Saldanha for the Western Cape provincial government, a new bridge for Transnet (also at Saldanha), rehabilitation of the N4 near Zeerust for a toll concession company, and the upgrade of a gravel road near Rust de Winter for the Gauteng provincial government. In recent years the division has successfully expanded its footprint nationally within the road sector and is well positioned for when SANRAL resumes spending.

Roadspan, our road surfacing business, also had a strong year on the back of the high levels of existing road construction, contracting not only internally but with the external market as well.

Revenue from the mining sector consisted mostly of ongoing construction at the Booysendal mine for Northam Platinum, however a new award for the infrastructure to extend the Klipspruit coal mine in Mpumalanga for South32 was further evidence of improving activity in the coal mining sector.

Other major infrastructure projects under construction include construction of a haul road and ash dam and accompanying earthworks and infrastructure for Sasol, roads and other infrastructure at the Clairwood Logistics Park in KwaZulu-Natal and the division's participation in the construction of the crude oil terminal facility at Saldanha.

Procurement within the local pipeline sector remains challenging with limited opportunities, tender irregularities and high competition with both large and small contractors. A large proportion of work this year was derived internally by offering clients a full suite of construction services alongside the group's other divisions. These included 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 Transnet at the Tarlton fuel depot and ongoing small works contracts for Eskom at Rosherville, Johannesburg Water, Egoli Gas, the City of Cape Town and Natref.

Each year the division also continues to construct well-built low-cost housing for rural communities in KwaZulu-Natal and the Eastern Cape.

REST OF AFRICA

- Strong growth with improved activity spread across all geographies
- New roadworks, pipeline and earthworks projects in Mozambique
- Improved mining infrastructure activity and a new rail project in Botswana
- Slow mobilisation at the outset of new projects in West Africa

In Botswana, revenue grew by 37% comprising mining infrastructure activity at the Debswana diamond mine in Orapa, ongoing construction of a pump station along the North South Carrier Pipeline and the inclusion of the Tshwele Hills rail project being executed by iKusasa Rail Africa.

In Mozambique, revenue increased by 76% following a sharp decline in FY2017. Activity in the region centred on the Vale coal mine, further rehabilitation of the EN4, pipeline infrastructure and services within the Temane and Pande gas fields for Sasol, and construction of a new 60 000m^2 transfer facility for Grindrod for the transportation of graphite to the Nacala port.

Revenue from West Africa also grew sharply by 77% due to various projects secured in Ghana, Guinea and Burkina Faso last year. The simultaneous award of these projects with some located in extremely remote areas resulted in delays in the mobilisation of resources (particularly plant and the local labour component required under the contract). Additional resourcing aimed at clawing back lost time have resulted in increased costs and weak margin performance.

BOOYSENDAL MINE

NEW PLATFORM AND ROAD TO ACCOMMODATE EXTENSION TO THE MINE

R540m
PROJECT VALUE

24 months
PROJECT DURATION

OPERATIONAL REPORTS

REVENUE (Rm)
2018: 21 941
2017: 18 600

OPERATING PROFIT (Rm)
2018: 278
2017: 259

OPERATING MARGIN (%)
2018: 1,3
2017: 1,7

CAPITAL EXPENDITURE (Rm)
2018: 49
2017: 53

PROJECTS NEGOTIATED (%)
2018: 20
2017: 20

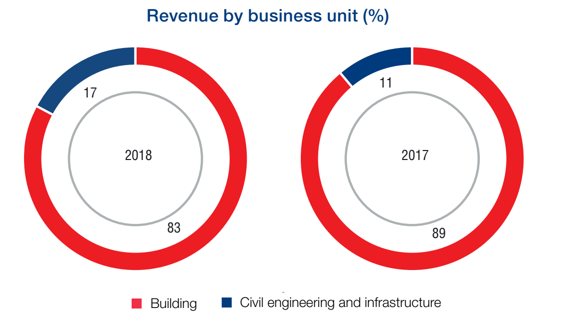
NUMBER OF EMPLOYEES
2018: 1 219
2017: 1 237

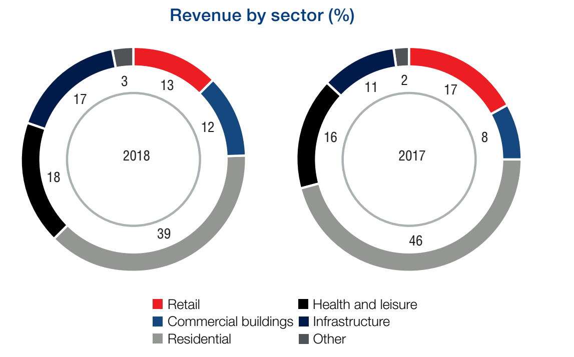
RETRENCHMENTS
2018: 86
2017: 21

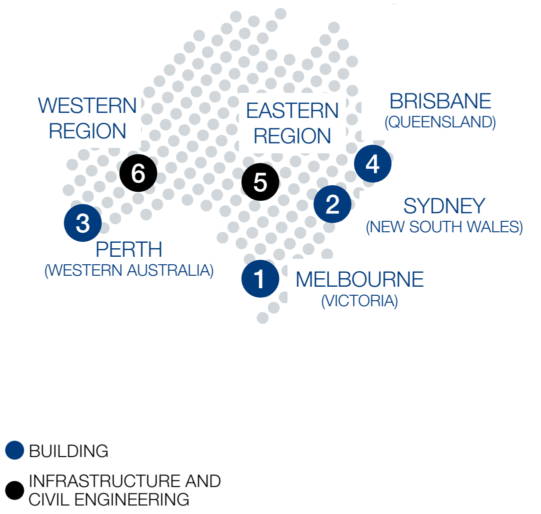
LTIFR (PER MILLION MAN HOURS WORKED)
2018: 1,72
2017: 1,88

REVENUE UP 22%

AUSTRALIA







The Australian business grew its revenue by 22% in dollar terms in the year to AUS$2,2 billion incorporating 14% growth from the building division and 86% growth from the infrastructure division, supported by the near unprecedented levels of infrastructure investment by the federal and state governments. Negative currency effects of R751 million resulted in growth of 18% when reporting in rands.

A notable achievement in the year was the ability to secure AUS$1,7 billion in work from existing clients.

Operating profit increased by 7% as lower profitability from the building business due to two loss-making contracts was supported by healthy profitability within the infrastructure business.

The focus on improved safety training and awareness contributed to an improvement in the LTIFR of 1,72 (FY2017: 1,88) in the year. The number of staff decreased marginally to 1 219 (FY2017: 1 237) having addressed capacity requirements for anticipated awards in the previous year.

BUILDING

- 14% growth from building divisions
- Melbourne and Sydney markets comprise 69% of building revenue
- Major projects under construction in all key states including the tallest residential towers built in both Melbourne and Sydney
- Shift away from residential-only projects toward mixed-use developments within project portfolio
- Programme over-runs result in losses on two major projects

The building business recorded good growth in all markets other than Queensland where, following steep growth and substandard performance in prior years, activity was purposefully suppressed to achieve consolidation within the region. The larger Melbourne and Sydney markets continue to drive the majority of building activity demonstrating growth of 26% and comprising 69% of total revenue. While the division successfully completed a number of large-scale and iconic residential towers and apartments in these cities at good margins during the year, two problematic projects, one in each city, hampered overall profitability. Both projects suffered programme delays resulting in additional costs in the current financial year to reach completion. Growth of 43% in Western Australia was due to ongoing construction at the AU$400 million Elizabeth Quay development in Perth.

The strong Asian demand, driven mainly by Chinese property investors, which has supported growth over recent years has also seen rising residential prices in the Australian market. A number of interventions by federal government to improve affordability for owner-occupiers has resulted in a shift away from residential-only projects to more mixed-use and hotel developments within the business' project portfolio. In anticipation of the slowdown, the business has been actively growing its exposure to commercial markets and in the year secured two additional projects in Victoria, with a combined value in excess of AU$500 million.

Prominent residential projects and mixed-use developments completed this year include the Victoria One and Marina Towers in Melbourne, the Discovery Point apartments and phase 2 of the Promenade residential apartments in Sydney.

Activity in Queensland was centred on the completion of the AU$280 million Jupiters Hotel and Casino on the Gold Coast.

The Monaco Hickey business in Melbourne, which previously focused on specialised medical and pharmaceutical facilities, has successfully restructured its project portfolio to include projects from the sub AU$50 million building market, improving profitability by 30% over the comparative period.

INFRASTRUCTURE AND CIVIL ENGINEERING

- Infrastructure markets supported by high levels of government spending
- Significant growth in the Eastern region as large-scale roadworks projects and two renewable energy projects generate increased revenue
- Moderate growth in the Western region and strong profit contribution

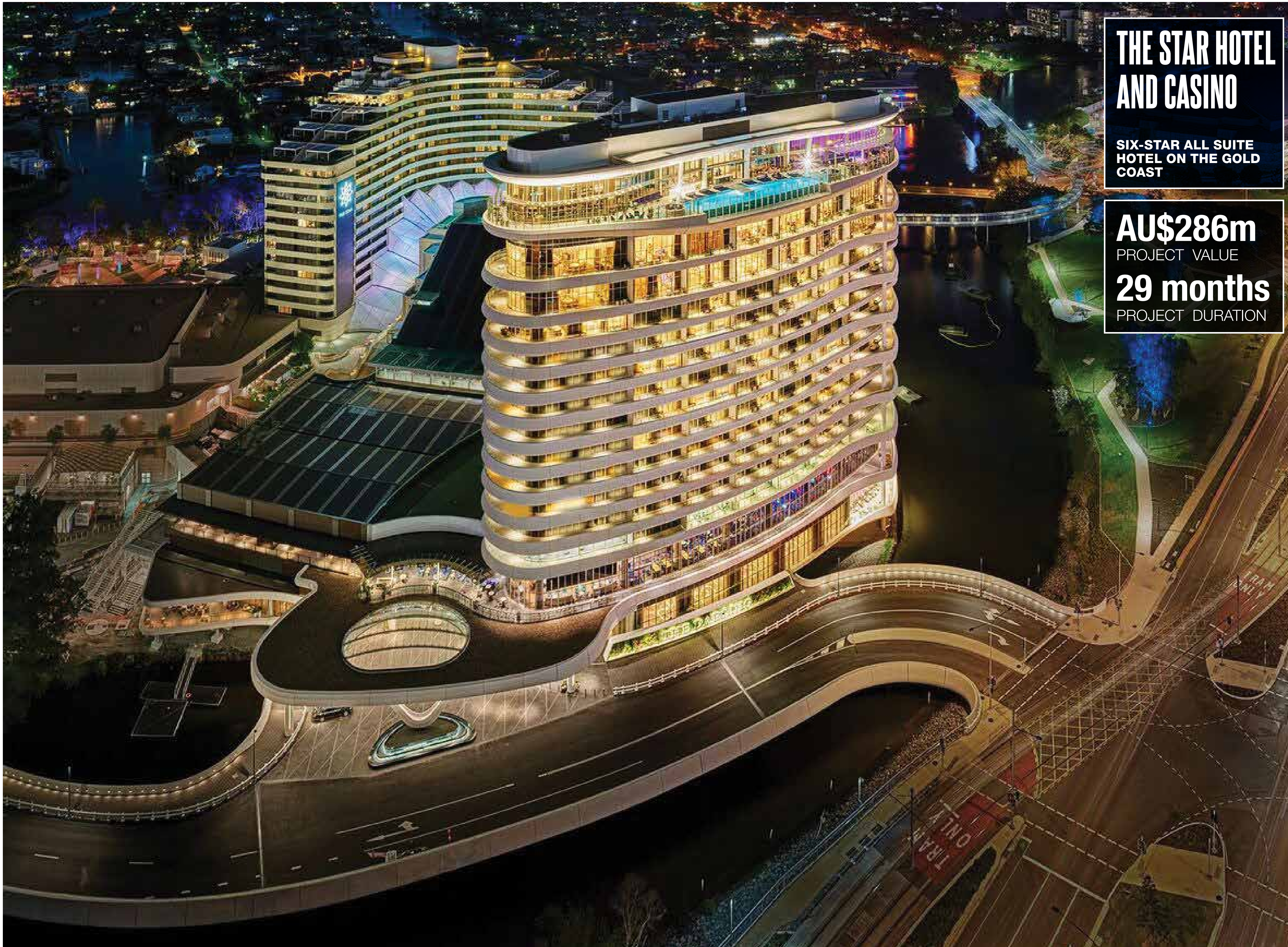
Following 63% growth in the prior year, the infrastructure business achieved further growth of 86% this year, with revenue increasing to AU$365 million which comprises 17% of total revenue in Australia. While the business has always had a strong presence and performed well in Western Australia, penetration of the Eastern markets in Victoria has been the focus in recent years. The award of the AU$600 million OSAR Western Road upgrade in Melbourne alongside in excess of AU$200 million of renewable energy projects in rural Victoria has seen the business mature in this market, with revenue exceeding that of the Western region for the first time. Nonetheless, the Western Australia business contributed strongly towards overall profitability in FY2018 financial year while the Eastern Region secured two additional new contracts during the year.

THE STAR HOTEL AND CASINO

SIX-STAR ALL SUITE HOTEL ON THE GOLD COAST

AU$286m
PROJECT VALUE

29 months
PROJECT DURATION



OPERATIONAL REPORTS

REVENUE (Rm)
2018: 501
2017: 579

OPERATING PROFIT (Rm)
2018: 5
2017: 2

OPERATING MARGIN (%)
2018: 1,0
2017: 0,4

CAPITAL EXPENDITURE (Rm)
2018: 3
2017: 11

TRAINING SPEND (R'000)
2018: 903
2017: 1 090

NUMBER OF EMPLOYEES
2018: 300
2017: 346

RETRENCHMENTS
2018: 0
2017: 66

LTIFR (PER MILLION MAN HOURS WORKED)
2018: 3,1
2017: 2,5

REVENUE DOWN 13,5%

CONSTRUCTION MATERIALS

REINFORCED MESH SOLUTIONS

- Steel supply impacted by low construction activity
- Influx of low-cost rebar suppliers
- Margins remain under pressure until construction activity improves
- The business remains profitable and cash positive in a difficult environment

The steel supply market remains particularly difficult. Demand has weakened over recent years as low mining and public infrastructure expenditure have impacted the traditional construction markets of the business. Revenue from external customers declined by 6% to R501 million.

Declining building markets and the emergence of various low-cost rebar suppliers have further increased margin pressure in the current year. Trading conditions in Gauteng remained challenging with low volumes. In the coastal regions, both the Cape and KwaZulu-Natal achieved satisfactory volumes, however, margins in KwaZulu-Natal were exceptionally competitive.

Poor profitability has been further compounded by the current state of the industry in general which has seen a number of companies enter business rescue in both the top- and mid-tier markets. This has resulted in increased write-offs and provisioning for bad debts. Overall the business achieved an operating profit of R5 million (FY2017: R2 million).

SUPPLY OF CUT AND BEND REBAR AND STOCK LENGTHS TO

OTMS SALDANHA TANK FARM

R124m
PROJECT VALUE

24 months
PROJECT DURATION

ORDER BOOK AND OUTLOOK

The group's total order book at 30 June 2018 increased by 8,9% from R44,9 billion to R49,2 billion. The increase comprises a 32% and 17% decrease in the order books of the Roads and earthworks and Building and civil engineering divisions respectively, a marginal increase of 3% in the order book of Australia and the inclusion of the order book in respect of the Byrne Group in the UK. The inclusion of the order book of Russells Limited acquired 18 July 2018 would add a further R4,6 billion to the order book for UK, bringing the total order book to R53,8 billion.

Having secured 92% of the revenue achieved in FY2018, and a further value of R6,4 billion secured since year-end, WBHO is well-positioned for the forthcoming year. Activity within the Africa business will likely remain subdued with potential growth stemming from Australia and the UK where sentiment remains positive.

AFRICA

South Africa
- Local construction industry in disarray – likely consolidation
- Economy needs a healthy industry to drive infrastructure development and job creation
- Change in political leadership and structural reform of SOEs promising – but unlikely to result in significant increase in public spending over the short term
- 12-month outlook for FY2019 stable with current volume of work
- Building margins under increased pressure
- SANRAL expected to resume tender activity in FY2019
- Mining infrastructure opportunities improving slowly

Rest of Africa
- Exit of key building clients from the West African market
- Negotiations with potential new clients challenging
- Award of contract relating to Lesotho Highlands infrastructure imminent
- Gas-related infrastructure projects in Mozambique should enter market in next 12 months
- Mining activity in Botswana, Mozambique and Zambia improving

AUSTRALIA

- Market sentiment remains positive, particularly within infrastructure sectors
- Smaller number of larger-scale building projects
- Consolidation of building business and renewed focus on project selection and delivery
- Potential to improve margin return with higher weighting of infrastructure projects

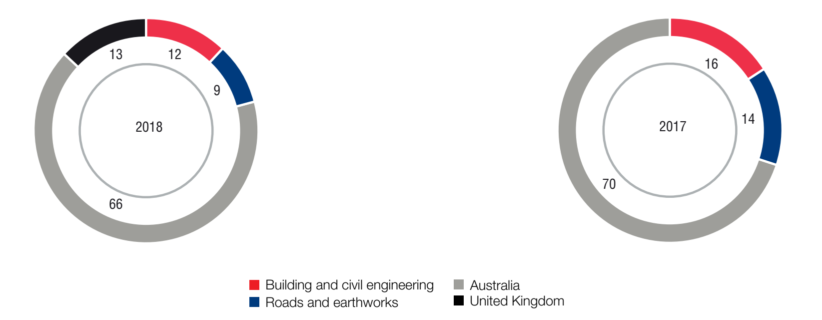
UNITED KINGDOM

- Improved order intake in Byrne Group over second six months of the year
- Restructuring complete and foundation laid for return to profitability
- Acquisition of Russells Limited strengthens UK footprint
- Russell Homes Limited provides access to UK residential markets
- Strong leadership and proven track record of profitability within the new businesses
- Ability to bid on larger projects with support from WBHO

ORDER BOOK BY SEGMENT

Rm	%	At 30 June 2017	**%**	**At 30 June 2018**	2019	2020 and beyond
Building and civil engineering	16	7 189	**12**	**5 985**	5 104	882
Roads and earthworks	14	6 161	**9**	**4 165**	3 551	613
Australia	70	31 526	**66**	**32 565**	19 795	12 770
United Kingdom	–	–	**13**	**6 446**	3 674	2 772
Total	100	44 876	**100**	**49 161**	32 124	17 037

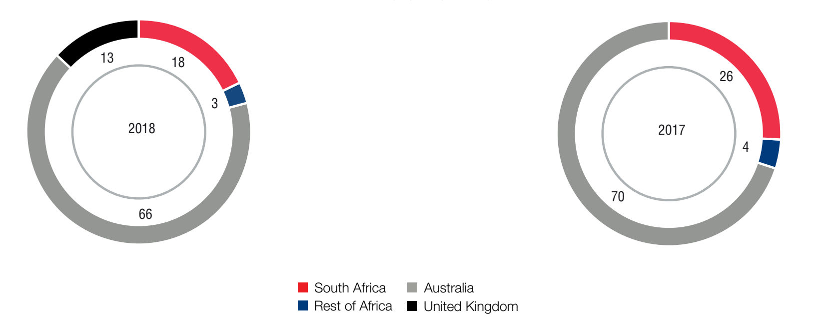
Order book by segment (%)



ORDER BOOK BY GEOGRAPHY

Rm	%	At 30 June 2017	**%**	**At 30 June 2018**	2019	2020 and beyond
South Africa	26	11 707	**18**	**8 698**	7 265	1 433
Rest of Africa	4	1 643	**3**	**1 452**	1 390	62
Australia	70	31 526	**66**	**32 565**	19 795	12 770
United Kingdom	–	–	**13**	**6 446**	3 674	2 772
Total	100	44 876	**100**	**49 161**	32 124	17 037

Order book by geography (%)

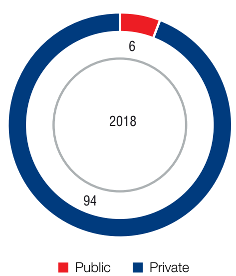


ORDER BOOK AND OUTLOOK
CONTINUED

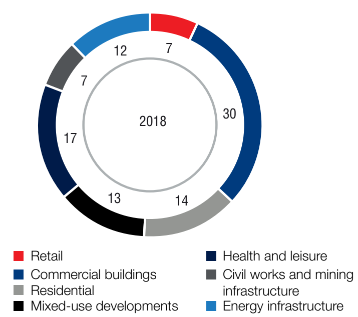
BUILDING AND CIVIL ENGINEERING

Rm	% growth	At 30 June 2018	At 30 June 2017
South Africa	(20)	**5 374**	6 738
Rest of Africa	35	**611**	451
Total	(17)	**5 985**	7 189

Public versus private (%)



Sector spread (%)



With the general building market remaining sluggish with fewer opportunities and smaller sized projects available, the order intake of the local building division has declined further in Gauteng. However, the order book remains stronger in the coastal divisions, particularly KwaZulu-Natal and the Eastern Cape. The division is also benefiting from reduced competition on those large-scale projects that are available, resulting in a greater share of an increasingly smaller market. Commercial office projects, and residential and mixed-use developments will again form the bulk of work to be executed.

New awards and significant ongoing projects that will support building activity in Gauteng this year include new offices for Deloitte at Waterfall, a development at 144 Oxford Road in Rosebank, extensions to the Milpark Hospital for Netcare and a new office development for Exxaro. In the coastal regions ongoing projects include the Oceans Hotel and the Umhlanga Arch development in KwaZulu-Natal and the Milkwood social housing project and a new packaging line for the South African Breweries in the Eastern Cape. One of the projects secured after year-end was new offices for Capitec in the Western Cape.

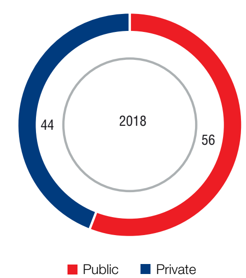
In Ghana, construction of the Takoradi mall and a refurbishment of Game stores in Accra are the only building projects on hand. The division has been seeking work from potential new clients, however negotiations have proved difficult with the division preferring to turn work down where the risk is deemed to be too high.

The Civil engineering division's order book at the beginning of the year was significantly bolstered by the award of the commercial crude oil terminal facility at Saldanha. Having executed a substantial portion of this work without fully replacing it from other civil markets, the order book declined once again. Activity in FY2019 will be supported by ongoing work from the energy sector at Kusile and completion of the crude oil terminal in Saldanha, the two local coal mining infrastructure projects secured during the year and the work at the Mopani copper mine in Zambia.

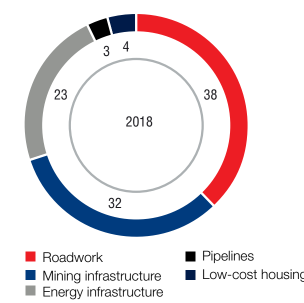
ROADS AND EARTHWORKS

Rm	% growth	At 30 June 2018	At 30 June 2017
South Africa	(33)	**3 323**	4 969
Rest of Africa	(29)	**841**	1 192
Total	(32)	**4 164**	6 161

Public versus private (%)



Sector spread (%)



The order book of the Roads and earthworks division at the beginning of the year was strengthened by the award of the crude oil terminal facility and a number of large-scale projects for private clients. As with the Civil engineering division, the division has not fully replaced the volume of work executed in FY2018 with new contracts. As such the order book has fallen back in line with the levels of FY2016.

Locally, ongoing construction of the ash dam and related infrastructure at Sasol and the crude oil terminal facility in Saldanha will extend well into the 2019 financial year, while various new road contracts secured during the year will sustain activity from this sector. Optimistically, the FY2019 year will see new work emerge from SANRAL. In recent years the division has supported a number of smaller emerging contractors, developing long-term mutually beneficial strategic relationships which are key to bidding on public infrastructure projects. The new projects for Exxaro and South32 will form the bulk of local mining activity in the year ahead. The ongoing construction at Sasol will also contribute strongly towards activity next year.

Mining infrastructure activity in Botswana has improved with the sizeable project secured in Orapa while other large public infrastructure projects for which tenders have been submitted offer further opportunities. In Mozambique, construction of section 19 of the EN4 continues alongside small works projects at the Vale coal mine. Preliminary bidding has also commenced on some early works for the gas fields.

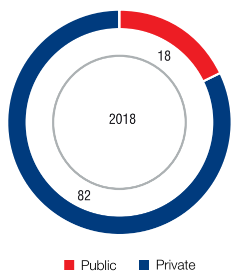
In West Africa, the three mining projects secured last year are largely complete, however additional work at the Ahafo gold mine in Ghana seems promising. In addition, the division is pursuing roadworks in the Ivory Coast and further mining infrastructure projects in Guinea and Ghana.

ORDER BOOK AND OUTLOOK
CONTINUED

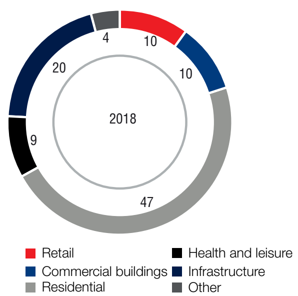
AUSTRALIA

Rm	% growth	At 30 June 2018	At 30 June 2017
Building	(19)	**23 997**	29 740
Infrastructure	380	**8 568**	1 786
Total	3	**32 565**	31 526

Public versus private (%)



Sector spread (%)



Economic growth in Australia is projected to continue at a robust pace. Exports and investment will have a positive impact, while consumption growth is anticipated to be more subdued. Strong global commodity markets remain an important source of income gains and growth, but also of uncertainty and risk. The slowdown and rebalancing in China could be a larger drag on growth than expected. High indebtedness of households remains a risk. Unexpectedly large corrections in house prices would reduce household wealth, and could cut consumption and damage the construction sector.

The Australian order book has been maintained at levels in excess of AU$3 billion with the infrastructure business now growing to 26% of the total book. Demand remains strong in both building and infrastructure markets and the business has migrated toward a smaller number or larger sized projects. Significant infrastructure spending by the federal and state governments, which while positive for activity levels, is also attracting increasing levels of international contractors and resulting in cost pressure on key materials such as concrete and steel. The high demand for construction professionals, particularly within infrastructure markets, is resulting in increased pressure on salary packages, which has spread to building markets as staff resources seek to move between sectors.

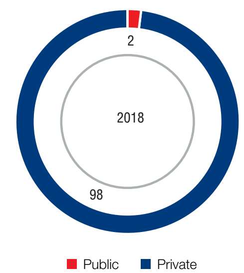
Projects from the residential, mixed-use and hotel sectors will continue to form the bulk of work to be executed in FY2019, particularly following the award of the near on AU$700 million West Side Place contract for the Far East Consortium in what is to be Melbourne's largest CBD residential development. The development consists of over 2 600 apartments, and the tallest hotel in the southern hemisphere. New awards from this sector in other states include the excavations for 443 Queen Street, a new residential development in Brisbane comprising three towers; and the AU$200 million mixed-use development in Western Australia comprising residential accommodation and a hotel. In the commercial space, the building business was awarded an AU$400 million contract for new offices for the Victorian Police Department on behalf of CBus Property.

The WBHO infrastructure business order book continues to be underpinned by the OSAR road project and renewable energy projects in the Eastern Region alongside ongoing maintenance contracts in the mining and industrial sectors in the Western Region. The high levels of infrastructure spending offer ample opportunity for the business to continue its growth trajectory.

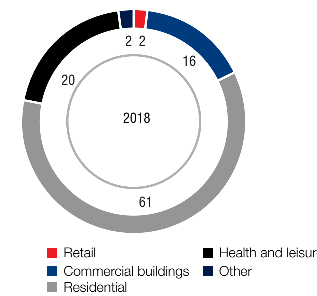
UNITED KINGDOM

Rm	At 30 June 2018	At 30 June 2017
Byrne Group	**6 446**	–
Including Russells (acquired 18 July 2018)	**4 592**	–
Total	**11 038**	–

Public versus private (%)



Sector spread (%)



Stagnant growth and margin pressure within the African business over a number years has prompted WBHO to seek growth opportunities in new markets in order to grow shareholder returns and further diversify the group's earnings. Last year the group acquired a 40% interest in the Byrne Group in London, which increased to 80% in June 2018. Subsequent to the end of the year, the group increased its footprint in the UK by acquiring a controlling interest in Russells Limited and a 31,7% interest in Russell Homes Limited which have a strong presence in the north-west of England. The combined order book of both businesses now comprise 21% of the group's order book having added R11 billion to the total.

The London construction market offers substantial opportunity and, following the restructuring of the Byrne Group and an improved order intake over the second six months of the year, the business is poised to return revenue volumes back to normalised levels and is expected to operate profitably. The secured order book includes work at Google's new head offices for 7 000 employees near London King's Cross station as well as two projects in London's Vauxhall area, Aykon London One (comprising two residential towers of 50 and 24 stories) and One Nine Elms, a 56-storey and 42-storey residential development. In respect of Ellmer Construction, the refurbishment, new build and fit-out contractor, the secured order book includes the refurbishment of 180 rooms at the Kingsway Hall Hotel in Covent Garden and the development of 26 high-end luxury apartments at Mayfair Park Residences in London's prosperous Mayfair district. In addition, Ellmer is working on refurbishing five floors and adding a further three floors to Cityside House in Aldgate.

The Manchester market is also strong and the Russells' businesses have relationships with many of the regional developers and housing trusts. With the support of WBHO the company aims to bid on large-scale projects in the region. Key projects in FY2018 include construction of the Axis Tower, 28 storeys of luxury apartments within a crystal steeple due for completion in 2020 and the refurbishment of Hanover House, a 100-year-old heritage building. Other large projects supporting activity in FY2019 include the Store Street residential apartment scheme and a new hotel for the Premier Inn. The homes business currently has two residential housing schemes under construction as well a number of other schemes in various stages of planning applications.

FIVE-YEAR FINANCIAL OVERVIEW

	FY2018	FY2017	FY2016	FY2015 Restated	FY2014 Restated
Extract from the financial statements (R'000)					
Revenue	**35 028 475**	31 906 660	30 650 309	28 823 384	25 721 683
Operating profit before non-trading items	**1 045 397**	986 297	1 004 557	768 417	1 029 446
Net financing income	**168 467**	240 894	203 014	115 942	114 091
Income tax expense	**(351 053)**	(319 161)	(395 715)	(244 572)	(332 149)
Net profit	**843 445**	771 217	721 850	494 646	771 573
Total assets	**18 623 856**	16 233 907	15 390 665	14 369 164	13 397 813
Total liabilities	**12 604 700**	10 793 507	9 703 815	9 540 979	8 576 624
Cash and cash equivalents	**5 992 461**	5 545 583	5 773 369	3 995 089	2 756 700
Shareholders' equity	**5 811 639**	5 300 505	5 428 429	4 565 742	4 547 413
Cash flows from operating activities	**927 687**	822 173	1 375 389	2 007 101	44 952
Cash flow from investing activities	**(308 871)**	(180 448)	421 905	(263 250)	(443 400)
Cash flow from financing activities	**(219 924)**	(531 136)	(322 322)	(294 550)	(240 846)
Statistics and ratios					
Market capitalisation	**8 970**	8 846	7 951	6 547	8 447
Number of employees	**11 018**	9 837	9 131	10 687	11 650
Operating profit margin (%)	**3,0**	3,1	3,3	2,7	4,0
Net profit margin (%)	**2,4**	2,4	2,4	1,7	3,0
Earnings per share (cents)	**1 534,3**	1 345,6	1 396,1	887,9	1 270,8
Headline earnings per share (cents)	**1 414,6**	1 307,9	1 342,9	1 085,0	1 276,4
Dividend per share (cents)	**475**	475	448	448	368
Current ratio (times)	**1,2**	1,2	1,2	1,2	1,2
Debt/equity ratio (%)	**2,9**	2,0	2,2	5,9	7,2
Effective tax rate (%)	**29,4**	29,3	31,9	33,1	30,1

KEY FINANCIAL INDICATORS

		FY2018	FY2017
Revenue growth	Target >10%	**9,8%**	4,1%
Operating margin	Target 3 – 4,5%	**3,0%**	3,1%
Return on capital employed	Target >20%	**19,8%**	22,3%
Cash and cash equivalents	↑ 8,0%	**R5 992 million**	R5 546 million
Earnings per share *(Continued operations)*	↑ 14,0%	**1 534 cents**	1 345 cents
Headline earnings per share *(Continued operations)*	↑ 8,1%	**1 415 cents**	1 308 cents
Adjusted earnings per share *(Excl. VRP agreement)*	↓ 2,5%	**1 534 cents**	1 574 cents
Adjusted headline earnings per share *(Excl. VRP agreement)*	↓ 8,0%	**1 414 cents**	1 536 cents
Ordinary dividend per share	–	**475 cents**	475 cents

CHARLES HENWOOD

Message from the Chief Financial Officer

WBHO produced a satisfactory financial performance in the year. Particularly pleasing was our ability to grow operating margins in South Africa in an extremely challenging environment which bears testament to the quality of the management teams. The expansion of our international footprint within the United Kingdom (UK) creates an additional source of revenue and earnings for the group to mitigate the impact of local industry conditions.

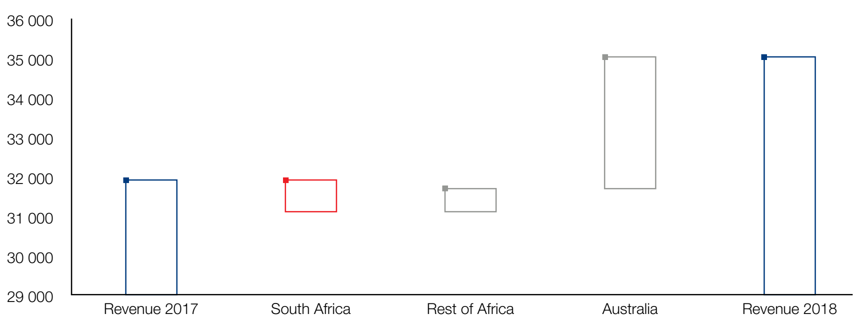
CHIEF FINANCIAL OFFICER'S REPORT
CONTINUED

FINANCIAL AND OPERATIONAL PERFORMANCE

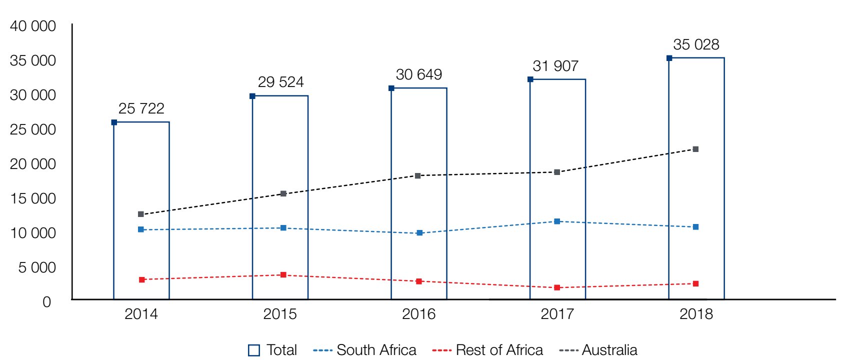
REVENUE

Group revenue increased by 10% from R31,9 billion to R35,0 billion in the year, driven by strong growth of 18% from Australia. Revenue from the African business decreased by 2% in aggregate, comprising a 7% decline in South Africa and a 32% increase in revenue from the rest of Africa, albeit off a lower base. The decrease in local revenue was primarily attributable to lower activity within building markets and the knock-on effect on the construction materials business. While local revenue from the Roads and earthworks division was broadly in line with the previous year, the division showed growth across all regions in the rest of Africa. The growth in revenue from Australia and the rest of Africa resulted in an increased contribution toward group revenue from 58% to 63% and 6% to 7% respectively, while the South African contribution dropped from 36% to 30%.

FY2018 revenue (Rm)



Revenue (Rm)



The graph above clearly highlights the impact of the weaker commodity cycle and the low economic growth environment in South Africa over recent years on our African businesses. Revenue growth across the continent has remained flat over the past four years with the graph demonstrating that revenue growth over the period has been driven by our Australian operations. Having delivered compound annual growth of 15% since FY2014 and further assisted by a weakening local currency, the Australian business now comprises 63% of total revenue compared to 48% in FY2014 and highlights the importance and benefit of our diversification strategy. The stagnant growth in Africa has been a strong contributing factor for the expansion of our international footprint into the UK.

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June

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

SEGMENTAL ANALYSIS

for the year ended 30 June

	Audited 2018 R'000	Audited 2017 R'000
Geographical revenue		
South Africa	**10 649 599**	11 453 907
Rest of Africa	**2 437 438**	1 852 776
Australia	**21 941 438**	18 599 977
Total revenue	**35 028 475**	31 906 660
Geographical operating profit		
South Africa	**524 653**	475 720
Rest of Africa	**185 629**	251 591
Australia	**277 906**	258 896
United Kingdom	**57 209**	–
Total operating profit before non-trading items	**1 045 397**	986 297

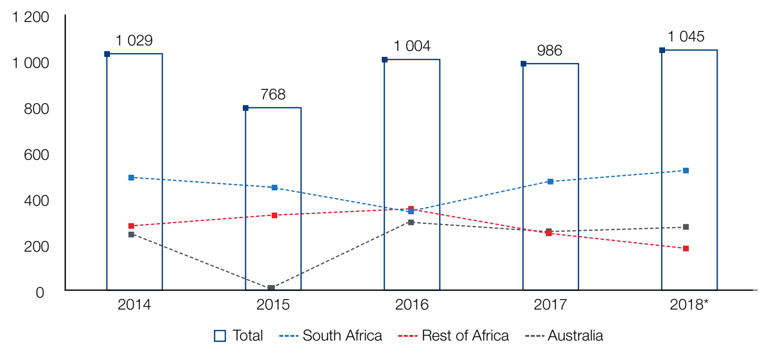
CHIEF FINANCIAL OFFICER'S REPORT
CONTINUED

OPERATING PROFIT

Total operating profit before non-trading items increased by 6% to R1,05 billion compared to R986 million in the previous year, resulting in an operating margin of 3%. Improved profitability from the Roads and earthworks division, Australia and currency gains of R80 million in the UK negated lower profitability from the Building and civil engineering and Construction materials divisions.

For information on the performance of the respective business units, refer to pages 52 to 71.

Operating profit before non-trading items (Rm)



** FY2018 Includes R57 million earned from our UK operations.*

The South African business continued to be the largest contributor to operating profit, with 50% (2017: 48%) of total operating profit generated in FY2018, followed by the Australian operations at 27% (FY2017: 26%) and the rest of Africa with 18% (FY2017: 26%). Since FY2014, operating profit growth has been subdued across all regions, largely driven by increased margin pressure as well as the impact of a number of loss-making project in the Australian businesses.

NON-TRADING ITEMS

Included in non-trading items is the financial effect of the additional interest acquired in the Byrne Group in the UK. The original valuation performed for the company at the acquisition date on 22 June 2017 included a forecast amount for earnings before interest, taxation, depreciation and amortisation (EBITDA) in respect of the 2018 financial year. The share purchase agreement allowed for the original valuation to be amended to include the actual EBITDA achieved for FY2018. In the event that the actual EBITDA was lower than the forecast EBITDA, the original shareholders had a pre-emptive right to recapitalise the business so that the original valuation was maintained. If the shareholders elected not to do so, WBHO would receive additional shares in the company. The total adjusted interest acquired after the issue of additional shares would be equivalent to the proportion of the group's original investment of £12 million to the total value of the amended valuation. Due to the extent of the losses incurred in the current financial year the original shareholders elected not to recapitalise the business with the result that on 18 June 2018 WBHO's interest in the company increased from 40% to 80%.

In terms of IFRS the group is required to dispose of its non-controlling interest for deemed proceeds equal to its percentage interest (40%) of the fair value of the company less the carrying amount of its investment. The controlling interest in the company is then acquired for a deemed purchase consideration equal to the percentage interest acquired (80%) of the fair value of the assets and liabilities acquired plus any additional cash consideration. Due to the mechanism described above no further cash consideration was payable for the additional 40% interest.

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

	R'000
Fair value of identifiable net assets	276 838
Proportionate share of non-controlling interests recognised	(55 368)
Group's share of net assets acquired	**221 470**

Fair value of previously held interest (deemed consideration)	110 735
Preference shares acquired	9 060
Group's share of net assets acquired	(221 470)
Gain on bargain purchase	**(101 675)**

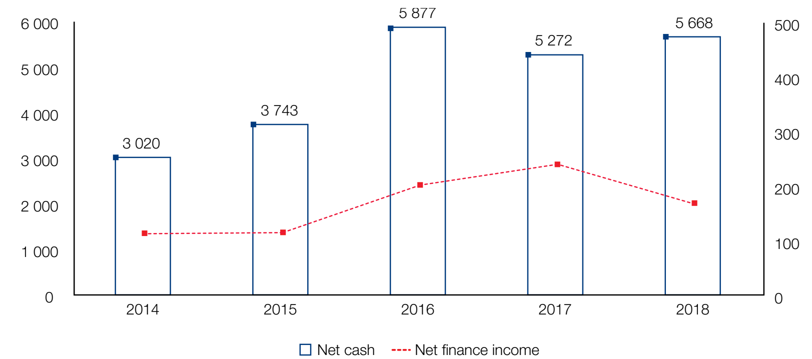
The share-based payment expense of R63,8 million recognised relates to the WBHO Share Plan for executive management and the existing broad-based and management share schemes in place.

NET FINANCE INCOME

Net finance income of R168 million (FY2017: R241 million) decreased by 30% year-on-year. The decline was mainly attributable to a decrease in mezzanine financing arrangements, an increase in interest paid in respect of capitalised finance leases and the transfer of funds in the third quarter to the UK (offering significantly lower deposit interest rates) in anticipation of the acquisition of the Russells businesses.

Steady profitability, strong contract management and strict cash management practices combined with a conservative approach to debt have contributed toward growing cash balances, and a corresponding upward trend in net finance income which comprised 14% of profit before tax in FY2018.

Net finance income vs net cash*



** Cash and cash equivalents less interest-bearing debt.*

INCOME TAX EXPENSE

Income tax expense of R351 million (FY2017: R319 million) increased by 10% in line with the growth in profit before tax, while the effective tax rate of 29,4% was consistent with the prior year rate of 29,3%.

The tax exposure of WBHO continues to increase as the group expands into various jurisdictions, which also increased the reporting and compliance requirements. WBHO makes use of suitable tax specialists to support the group in the various international tax jurisdictions.

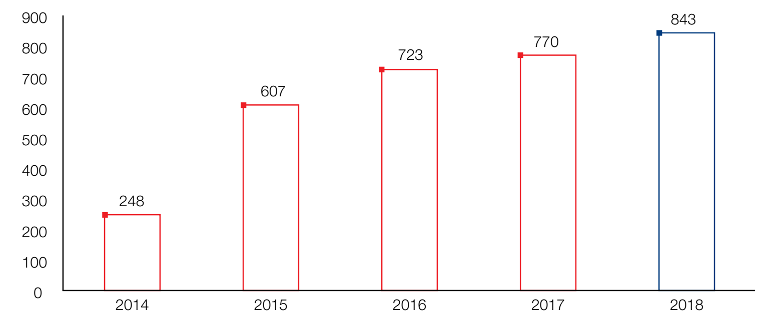
CHIEF FINANCIAL OFFICER'S REPORT
CONTINUED

NET PROFIT AND HEADLINE EARNINGS

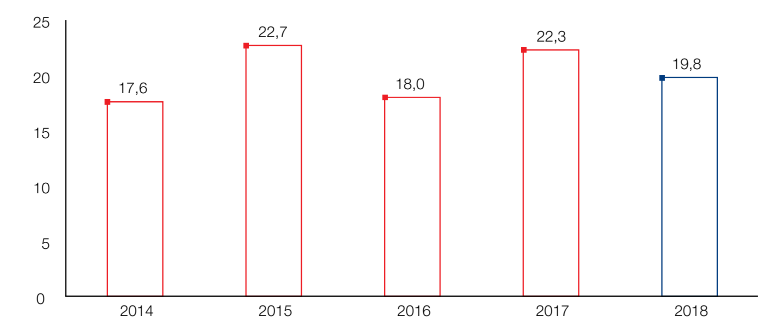
Net profit for the year increased by 10% to R843 million (FY2017: 770 million). Since FY2014, WBHO has generated an annual compound growth rate of 36%. Return on capital employed (ROCE) decreased to 19,8% (FY2017: 22,3%), which was marginally below the annual target of 20%. Since FY2016, WBHO has maintained an average ROCE of 20,0%.

Headline earnings for the year totalled R752 million (FY2017: R702 million), impacted by the net adjustment of R44 million for the transaction with the Byrne Group discussed previously as well as R19 million for the profit on sale of property, plant and equipment.

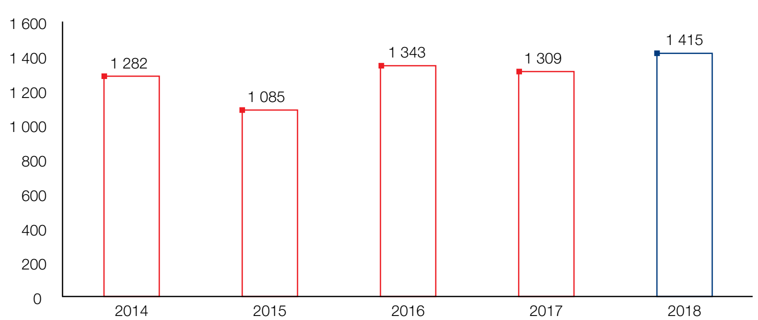
Growth in net profit (Rm)



ROCE (%)



Headline earnings per share from continuing operations (cents)



EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE – CONTINUING OPERATIONS

Earnings per share increased by 14% from 1 345,6 cents per share at 30 June 2017 to 1 534,3 cents per share at 30 June 2018. Headline earnings per share increased by 8% from 1 307,9 cents per share to 1 414,6 cents per share. Since FY2014, headline earnings per share has increased by 2,5% on an annual compound growth basis.

Included in earnings in FY2017 was a once-off expense relating to the VRP signed with government in the previous year. Adjusting for this once-off expense, earnings per share and headline earnings per share would have decreased respectively by 2,5% and 8% compared to the previous year.

RECONCILIATION OF HEADLINE EARNINGS

for the year ended 30 June

R'000	Audited 2018	Audited 2017
Continuing operations		
Attributable earnings	**815 872**	722 133
Adjusted for:		
Gain on loss of control of subsidiary	**(5 092)**	(9 607)
Loss on deemed disposal of equity accounted investments	**57 544**	–
Gain on bargain purchase of subsidiary	**(101 675)**	–
Profit from the disposal of property, plant and equipment	**(18 996)**	(14 345)
Non-controlling interest in above transactions	**645**	401
Tax effect of above transactions	**5 339**	3 813
Equity accounted investments:		
Profit from the disposal of property, plant and equipment	**(3 223)**	–
Impairment of investments	**1 097**	–
Tax effect of above transactions	**683**	–
	752 194	702 395

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

	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 2016	28 597	490 407	212 107	4 697 318	5 428 429
Profit for the year	–	–	–	722 064	722 064
Other comprehensive income (OCI)	–	(256 522)	–	(21 423)	(277 945)
Share of associate OCI	–	(33 933)	–	–	(33 933)
Dividend paid	–	–	–	(277 410)	(277 410)
Treasury shares acquired	–	–	(278 996)	–	(278 996)
Share-based payment	–	–	57 788	–	57 788
Share-based settlement	–	–	6 226	–	6 226
Changes in interests in subsidiaries	–	–	–	(45 718)	(45 718)
At 30 June 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 associate OCI	**–**	**(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)**
Changes in interests in subsidiaries	**–**	**–**	**–**	**(60 080)**	**(60 080)**
At 30 June 2018	**28 565**	**213 292**	**14 312**	**5 555 470**	**5 811 639**

CHIEF FINANCIAL OFFICER'S REPORT
CONTINUED

FINANCIAL POSITION

The financial position of WBHO remains strong. Total assets increased by 15% this year to R18,6 billion (FY2017: R16,2 billion), mainly due to the first-time consolidation of the Byrne Group. Consistent profitability over time has sustained strong cash balances and a positive working capital cycle eliminating any requirement for external debt other than for capital expenditure. Given the cyclical and often unpredictable nature of the construction environment, we believe this approach to be appropriate in providing flexibility to the group during difficult times, allowing the group to utilise internal cash resources to fund expansion and in protecting shareholder value.

PROPERTY, PLANT AND EQUIPMENT

	Approved	Actual	
Rm	FY2019	**2018**	2017
Property, plant and equipment		**1 883**	1 635
Depreciation		**240**	211
Capital expenditure			
Replacement	198	**283**	262
Expansion	94	**33**	47
Total	292	**316**	309

Property, plant and equipment predominantly comprises the group's fleet of plant and equipment. Capital expenditure to support increased activity within the Roads and earthworks division and the inclusion of the fleet of plant from the Byrne Group of R221 million contributed to the increase in the overall fleet size. Capital expenditure of R292 million, which is broadly in line with previous years, has been approved for FY2019, however, expenditure on the fleet and other fixed assets is assessed and managed in accordance with demand and activity levels at the time of purchase.

LONG-TERM RECEIVABLES

Rm	2018	2017
Mezzanine financing arrangements	**150**	282
Other long-term receivables	**273**	271
	423	553
Less: Current portion		
Mezzanine financing arrangements	**–**	(18)
Other	**(50)**	(88)
Total	**373**	447

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. Mezzanine financing in the amount of R132 million was repaid during the year. R39 million was invested in new projects, down from the previous year due to the financial commitments related to the new equity-accounted investments.

Other long-term receivables include loans to employees for shares of R147 million (FY2017: R200 million), which are secured by the shares issued, bear interest at variable rates and are repayable between five and 10 years. R15 million relates to consideration receivable in respect of the loss of control of Edwin Construction.

AMOUNTS DUE BY CUSTOMERS

Amounts due by customers relates to work executed that is yet to be certified. This will arise where there is a difference between the time of executing the works and the time at which it is certified, for example, where there are contractual milestones to be met or where there are unresolved claims between the parties. The increase of R1,1 billion in the current year relates predominantly to an amount of R620 million in WBHO Infrastructure in Australia of which R416 million relates to a significant under certification by the client on the OSAR Western Road upgrade project in Australia. WBHO Infrastructure has requested that the process be reviewed in order to better align the timing of payment with costs incurred. There are no single, individually significant claims, that remain unresolved at year-end. The consolidation of the Byrne Group at 30 June 2018 added a further R85 million to the balance.

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June

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

TAXATION

The increase in the net deferred tax asset relates mainly to an amount of R30 million recognised in respect of the consolidation of the Byrne Group. The balance consists of tax losses of R276 million (FY2017: R115 million) and timing differences of R364 million (FY2017: R460 million).

The current tax balance consists of foreign tax credits of R81 million (FY2017: R115 million), taxation refundable of R35 million (FY2017: R60 million) and a tax liability of R11 million (FY2017: R18 million).

Rm	2018	2017
Net deferred tax assets	**640**	575
Net current assets	**105**	123

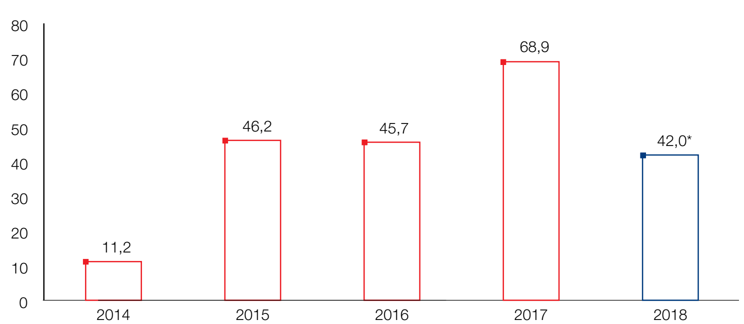
EQUITY ACCOUNTED INVESTMENTS

The group has grown the number of equity accounted investments to 11 this year. The purpose behind most of these investments is to utilise the financial strength of the group to support developments that unlock construction projects for its operations, while at the same creating future 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 businesses, providing its financial strength and construction expertise in order to support the growth of these businesses while penetrating new markets.

					Share of after-tax profit/(loss) (Rm)	
Entity	Industry	Country	Effective interest %	Carrying amount of investment (Rm)	**30 June 2018**	30 June 2017
Gigajoule International	Gas supply	Mozambique	26,6	161,3	**10,9**	12,4
Gigajoule Power	Power	Mozambique	13,0	110,7	**24,1**	18,9
Dipalopalo	Serviced accommodation	South Africa	27,7	61,3	**–**	–
DFMS Joint Venture	Serviced accommodation	South Africa	14,6	4,1	**4,1**	–
Edwin Construction	Road and civil construction	South Africa	49,0	95,2	**9,6**	–
iKusasa Rail SA	Railway maintenance and construction	South Africa	49,0	9,1	**(6,7)**	–
Catchu Trading	Property development	South Africa	50,0	95,1	**–**	–
IACS	Construction	South Africa	28,3	3,8	**–**	–
Byrne Group*	Building and civil construction	United Kingdom	40,0	–	**(46,8)**	–
Caulfield	Property development	Australia	30	135,2	**–**	37,6
The Glen Residential	Property development	Australia	20	69,3	**–**	–
Total				745,1	**(4,8)**	68,9

** Equity accounted until June 2018.*

Income from equity accounted investments (Rm)



** Excluding the Byrne Group.*

Gigajoule International, a shareholder in the Matola Gas Company which sells and distributes gas in Mozambique and Gigajoule Power, which provides electricity generated from a gas-fired power station (constructed by WBHO) both continue to perform well within their respective markets.

The operational phase of the serviced accommodation concession for Statistics South Africa commenced toward the end of the previous financial year. The outstanding finalisation of various contractual issues in respect of the construction phase of the concession has resulted in no profit to date being recognised by the private party. The DFMS Joint Venture responsible for providing the serviced accommodation on behalf of Dipalopalo has performed well over the period and has returned its first profits to partners.

The Caulfield development is a residential development in Melbourne, Australia. Following the completion of Precinct 1 in the previous financial year, no profitability has been recognised in the development in the current year. Pre-sales of Precinct 2 have progressed well, with this phase of the development now 99% sold. In addition, Probuild Constructions (Probuild) successfully negotiated the design and construct contract for the development which commenced in October 2017.

The Glen Residential is a property development in Australia in which Probuild has assumed an equity interest. As a result, Probuild will negotiate the construction contract for the development as well as earning a return on the equity invested.

Similarly, Catchu Trading is a residential development in Tshwane in which WBHO is a 50% equity investor. The construction contract for both phase 1 and phase 2 has commenced and the group will participate in the development profit as well.

Edwin Construction delivered an improved performance this year with revenue growing by 53%. Following subdued activity in the provincial road sector, the business has successfully diversified into new markets securing two new infrastructure projects for private clients during the year. Two road projects secured in the second half of 2017 also supported growth over the period.

The Byrne Group was accounted for as an associate up to the date on which an additional 40% interest was acquired and the performance of the company up until that date is reflected in the table above. The group has had a disappointing year due to a lower order intake and the start of a number of secured projects significantly delayed. This has adversely affected turnover in the period with revenue for the year to 30 June 2018 of £125 million compared to £303 million in the previous year. The business undertook positive action during the year to reduce its cost base in the face of declining revenue and project uncertainty, however, it has not been possible to mitigate the full impact of the reduced level of activity while also keeping core teams in place. The operating loss for the year amounted to £8 million (FY2017: Operating profit of £3,4 million), which includes £2 million in respect of retrenchment costs.

Byrne Brothers, the specialist concrete frame business, completed projects on Westfield Shopping Centre in Shepherds Bush, the Scalpel, an iconic 37-storey commercial development in the heart of the City of London and a 52-storey residential tower at One Blackfriars overlooking the River Thames.

Ellmer Construction completed projects at Young Street, a new-build of 53 residential apartments in London's Kensington, the fit-out of apartments at Quadrant 4 in London's Piccadilly and student accommodation at Goldsmiths, University of London.

During the year the group received dividends of R6 million from Gigajoule International and R10,9 million from Edwin Construction.

CHANGES IN NON-CONTROLLING INTERESTS

Rm	Description	% change	Consideration
Probuild	Share buy-back	3,5	82
Probuild	Acquisition	0,8	17
WBHO Infrastructure	Share issue	(4,9)	26

In terms of the shareholder agreements, Probuild acquired a further 3,8% interest from minority shareholders during the year at a cost AU$8,4 million, while WBHO Australia acquired a further 0,8% from minority shareholders at a cost of AU$1,6 million. The combined effect of these transactions resulted in an increase in the group's interest in Probuild of 4,6% from 80,4% to 85%.

In June 2018, WBHO Infrastructure issued 0,8 million shares to management for a consideration of AU$2,6 million. The group's effective interest in the company reduced from 95,1% to 90,1% as a result.

LIABILITIES AND PROVISIONS

Rm	2018	2017
Long-term liabilities	**324**	274
Less: Current portion	**(154)**	(81)
	170	193

Long-term liabilities consist of R136 million (FY2017: R120 million) in respect of capitalised finance lease agreements over plant and equipment, R127 million (FY2017: R136 million) in respect of the present value of the remaining Settlement Agreement liability and R41 million in respect of bank loans within the Byrne Group.

Financial guarantees issued to third parties amount to R10,7 billion, broadly in line with those in issue in the prior year. A key highlight of the year was the negotiation of a stand-alone guarantee facility for our Australian operations from a consortium of Australian financial institutions, secured on the strength of their own balance sheet, where previously these facilities required the support of the South African balance sheet. This creates additional guarantee capacity in South Africa to support our expansion into the UK market as well as our existing Africa operations. Over the medium term our goal is to strengthen the balance sheet of the Byrne Group in order to secure guarantee facilities locally with decreasing support from South Africa.

The group has guarantee facilities of R10,5 billion with various financial institutions of which R7,9 billion has been utilised, leaving an unutilised amount of R2,6 billion which is sufficient to cater for future growth prospects. Parent company guarantees to the value of R2,6 billion have also been issued.

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June

	Audited 2018 R'000	Audited 2017 R'000
Operating profit before working capital requirements	**1 126 373**	1 084 403
Working capital changes	**263 158**	32 225
Cash generated from operations	**1 389 531**	1 116 628
Net finance income	**186 129**	259 765
Taxation paid	**(362 634)**	(252 139)
Dividends paid	**(285 339)**	(302 081)
Cash retained from operations	**927 687**	822 173
Advances of long-term receivables	**(38 774)**	(265 356)
Repayment of long-term receivables	**131 923**	90 765
Repayment of contributed equity	**–**	152 211
Additional investment in equity-accounted investments	**(241 921)**	(202 962)
Disposal of equity-accounted investments	**–**	13 386
Proceeds on disposal of businesses	**–**	112 726
Proceeds from share buy-back in subsidiary	**–**	8 815
Proceeds on disposal of property, plant and equipment	**78 175**	130 369
Purchase of property, plant and equipment	**(238 274)**	(220 402)
Cash flow from investing activities	**(308 871)**	(180 448)
Repayment of borrowings	**–**	(21 288)
Transactions with owners	**(93 148)**	(184 531)
Purchase of treasury shares	**–**	(278 996)
Equity-settled incentives	**(63 611)**	–
Instalments in respect of capitalised finance leases	**(63 165)**	(46 321)
Cash flow from financing activities	**(219 924)**	(531 136)
Net increase in cash and cash equivalents	**398 892**	110 589
Foreign currency translation effect	**(31 002)**	(167 054)
Cash and cash equivalents at the beginning of the year	**5 545 583**	5 752 194
Cash and cash equivalents acquired	**83 756**	12 451
Cash and cash equivalents derecognised	**(4 768)**	(162 597)
Cash and cash equivalents at the end of the year	**5 992 461**	5 545 583

CASH

The cash balances increased by R447 million to R5,9 billion at 30 June 2018 from R5,5 billion at 30 June 2017. This comprises an increase of R461 million in cash balances in Australia, a net decrease in other cash balances of R99 million offset by the recognition of R84 million in cash on consolidation of the Byrne Group, which is now a subsidiary.

Cash generated from operations remains healthy, amounting to R1,4 billion compared to R1,1 billion generated in the comparative period and includes a cash inflow of R263 million through the working capital cycle (FY2017: R32 million). Of the R316 million incurred on capital expenditure this year, R238 million was acquired for cash and R78 million was financed. Instalments in respect of capitalised finance leases amounted to R63 million (FY2017: R46 million).

Other significant cash outflows include R242 million and R93 million advanced in respect of equity-accounted investments and the changes in shareholding discussed above.

Local and foreign cash balances amounted to R1,2 billion and R4,7 billion respectively, compared to R2,1 billion and R3,4 billion in the previous year. The decrease in local cash balances relates to the transfer of funds in the amount of R600 million to the UK in anticipation of the acquisition of Russells Limited (acquired subsequent to the financial year-end) and to provide financial support to the Byrne Group, if and when required.

EVENTS AFTER THE REPORTING DATE

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 amounted to £32,6 million and £3,3 million respectively. Full details of the transaction are included in note 5 of the summary financial statements. The remaining amount of R40 million relating to the sale of 3Q Mahuma Concrete Holdings (Pty) Ltd, concluded in the prior year and held in escrow pending the lapsing of the warranty period, was repaid subsequent to the financial year-end.

OUTLOOK

The outlook for the South African and broader African construction markets are likely to remain challenging through FY2019 with the combined order book for the region decreasing by 24%. We do, however, anticipate opportunities to materialise from the current turmoil within the local industry. Prospects in Australia and the UK continue to be favourable. The increased exposure to infrastructure projects in the Australian order book is a positive development while the addition of new work from the UK should offset declining activity levels in Africa. Our total secured order book of R53 billion (when including Russells) of which we expect to deliver approximately R34 billion in FY2019 remains healthy, growing by 20% in aggregate.

The ability to be flexible, focus on execution and maintain a low cost base will be crucial in these times. Integrating the recently acquired Russells businesses, optimising the UK operations and efficiently managing cash resources will be a key focus area in the year ahead.

In addition, the housing constraints in the UK offer a number of opportunities in the residential market. While we have taken a cautious approach to entering this market by assuming a minority interest in Russell Homes Limited, we anticipate this investment to realise value over the longer term.

APPRECIATION

I would like to conclude by thanking the executive team and my colleagues in the finance team for their support during the year. A special thanks for the guidance from the new Audit committee Chairman, Cobus Bester, as well as the other members of the Audit committee.

Charles Henwood
Chief Financial Officer

LAKESIDE OFFICES

SIX-STOREY HEAD OFFICE FOR EXXARO

R411m
PROJECT VALUE

18 months
PROJECT DURATION

PROTECTING VALUE

Confirmation from the Lead independent director

I confirm that the Board and its committees have successfully discharged their duties this year in accordance with their respective charters and mandates, as well as acted with the necessary independence of mind.

ROSS GARDINER

Message from the Lead independent director

MESSAGE FROM THE LEAD INDEPENDENT DIRECTOR

WBHO recognises that accountability and transparency are fundamental to investor trust and commercial sustainability. In order to provide a clear and transparent view of how the organisation is run, and by whom, along with the responsibilities and principles that guide and inform its decision-making processes, the corporate governance structures and processes of the organisation are outlined in the report.

GUIDING PRINCIPLES

Through the Board of Directors, WBHO endorses, and is committed to, the recommendations of the King Code of Corporate Governance Principles for South Africa (King IV™) as well as the requirements of the Companies Act, 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, and to consider more than just its financial performance, appraising the short- and long-term impacts of its operations on society and the environment at the same time.

Furthermore, WBHO must earn and maintain its social licence to operate in partnership with government and community stakeholders, thereby contributing towards a sustainable future in the countries in which it operates.

REFLECTING ON FY2018

In the year, Nomgando Matyumza resigned from the Board and as Lead independent non-executive director of WBHO, and I was appointed into the role as Lead independent director. Nomgando has made enormous and indelible contributions to the Board and the business during her tenure, and on behalf of the Board I would like to express my sincere appreciation to her.

This Governance report summarises WBHO's implementation of the King IV™ principles in its day-to-day activities and, recognising that embedding all principles takes time, also indicates the key focus areas for the forthcoming financial year as part of the respective Board committee reports.

The following governance information is available on our website at www.wbho.co.za/governance:
- Board Charter
- Key governance policies including the Code of conduct and Board diversity policy
- Details of other directorships of non-executive and executive directors

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.

This section of the report sets out the composition and experience of the Board. For further information regarding the role and responsibilities of the Board, together with the attendance of members at meetings for the financial year ended 30 June 2018, refer to page 96 of this report.

The full CVs of the directors together with other Board memberships is available at www.wbho.co.za.

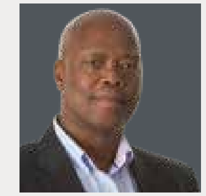
At 30 June 2018, the Board of WBHO consisted of eight directors, five of whom were independent and non-executive.

Michael (Mike) Stanley Wylie (68)
Executive Chairman

Date appointed to WBHO: 1 March 1975
Board member since: 11 July 1994
Qualifications: Pr Eng, BSc (Eng), BCom
Skills, expertise and experience: Engineering and finance
Industry experience: 43 years

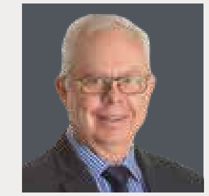
Charles Victor Henwood (54)
Chief Financial Officer

Date appointed to WBHO: 1 June 2010
Board member since: 9 November 2011
Qualification: BCom, BCompt (Hons), CA(SA)
Skills, expertise and experience: Finance
Industry experience: 29 years



Hatla Ntene (63)
Independent non-executive director

Board member since: 1 November 2017
Qualification: BSc (Surv), Dip Con Econ, Dip Civil Engineering, PRQS, PMAQS
Skills, expertise and experience: Quantity surveyor and governance



Cobus Bester (58)
Independent non-executive director

Board member since: 1 November 2017
Qualification: BCom (Acc) (Hons), CA (SA)
Skills, expertise and experience: Finance, taxation, governance and risk management

Elia Louw (Louwtjie) Nel (57)
Chief Executive Officer

Date appointed to WBHO: 22 June 1987
Board member since: 1 August 2008
Qualification: BSc (Eng)
Skills, expertise and experience: Engineering
Industry experience: 30 years

Savannah Nonhlanhla Maziya (50)
Independent non-executive director

Board member since: 25 October 2006
Qualification: BA (Hons), MBA
Skills, expertise and experience: Finance and mining

Karen Forbay (48)
Independent non-executive director

Board member since: 1 November 2017
Qualification: BCom, BCom (Hons) (Acc), HDip (Tax), PGDip (Leadership)
Skills, expertise and experience: Governance, finance and taxation

Ross Gardiner (55)
Lead independent non-executive director (British)

Board member since: 23 January 2014
Qualification: BSc (Hons) (Mining and Petroleum Engineering)
Skills, expertise and experience: Mining

DEMOGRAPHICS

COMPOSITION

Executive directors

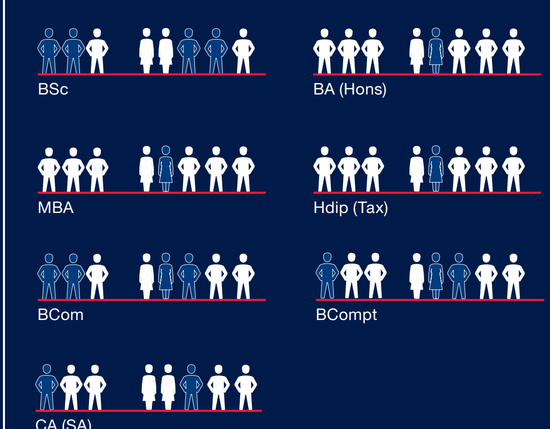
Non-executive directors

We have appointed a Lead independent non-executive director, Ross Gardiner, as the Chairman of the Board is an executive of the company.

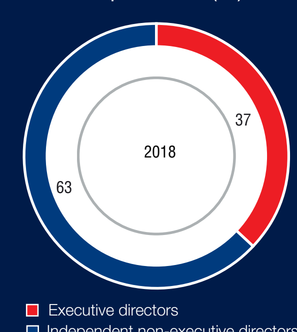
25%
of the Board members are female

37,5%
of the Board members are black

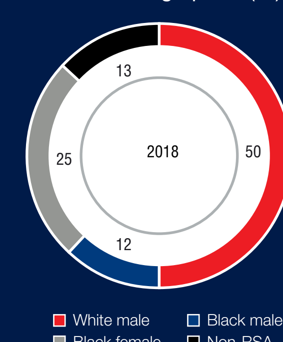
QUALIFICATIONS



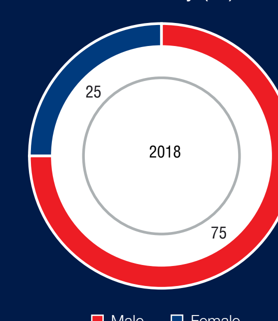
Independence (%)



Board demographics (%)



Gender diversity (%)



NON-EXECUTIVE DIRECTOR TENURE ON THE BOARD

GOVERNANCE REPORT

For WBHO, corporate governance means more than a set of frameworks, principles, policies and rules. It means abiding by principles and structures that enable us to facilitate and foster good relationships between the Board, shareholders, stakeholders and employees. We facilitate collaboration between our clients and their business partners. Good corporate governance is our vehicle to business integrity, successful business relationships and value for our stakeholders.

All of the African operations of the group are directly subject to the operational and governance structures, protocols and procedures set out in this governance framework. The governance structures and protocols of the Australian business are aligned with those of the group and include separate audit, risk and remuneration subcommittees as well as an outsourced internal audit function, all of which report to the relevant Board committees. Similar governance structures will be implemented for operations in the UK.

GOVERNANCE FRAMEWORK

SHAREHOLDERS AND STAKEHOLDERS

BOARD OF DIRECTORS

Responsible for strategic leadership and guidance and ensuring that the company remains a robust, successful business, responsive to stakeholders and accountable to shareholders.

AUDIT COMMITTEE
Oversight of financial risk management and ensuring the integrity of financial reporting
Refer to page 102 for committee report

RISK COMMITTEE
Oversight of the risk management framework and combined assurance reporting
Refer to page 105 for committee report

SOCIAL AND ETHICS COMMITTEE
Oversight of good corporate citizenship, encompassing ethical, legal, social and environmental governance
Refer to page 106 for committee report

NOMINATION COMMITTEE
Oversight of identifying and sourcing appropriately skilled directors, ensuring that an evaluation process is implemented across all subcommittees and main Board directors
Refer to page 107 for committee report

REMUNERATION COMMITTEE
Oversight of all remuneration policies and practices
Refer to page 108 for committee report

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

The Board as a whole and the individual directors have unrestricted access to the services of the Company Secretary. In addition, the Company Secretary is responsible for further embedding sound corporate governance practices within the business with the aim of improving all areas of compliance.

SHEREEN VALLY-KARA
Company Secretary

LEADERSHIP, ETHICS AND GOOD CORPORATE CITIZENSHIP

Leadership and ethics policies and procedures in place:

- Board and committee charters
- Code of Conduct
- Declaration of interest
- Anti-bribery and compliance policy, guidelines and procedures
- Competition compliance policy
- Whistle-blowing policy
- Tax policy
- Gender and racial diversity policy
- Communication and price sensitive information policy
- Gifts policy
- Annual review of the independence criteria of the non-executive directors as per King IV™
- Main Board directors policy

Good corporate citizenship policies and procedures in place:

- Climate change policy
- Environmental policy
- Occupational health and safety policy
- Quality policy
- Monitoring the alignment to the United Nations Global Compact (UNGC) and Organisation for Economic Co-operation and Development (OECD) principles within the WBHO environment

Driving and monitoring ethical behaviour

180 employees received Competition law training

31 reported cases through the hotline

0 incidents of human rights breaches reported

32 employees completed Anti-bribery and corruption training

BOARD CHARTER

The Board Charter encapsulates the Board's overall business philosophy, formalised duties and responsibilities, highlights the characteristics of the Board and individual Board members, sets out the policies, procedures and steps to be followed by the Board pertaining to the discharge of its duties and the conduct of its activities to ensure overall good corporate governance. The charter was reviewed and adopted during the year. The primary Board responsibilities in terms of the Board Charter are:

- Being the guardian of the values and ethics of the company
- Appointing and removing the CEO (in accordance with the terms of the Memorandum of Incorporation (MOI) of the company)
- Electing the chairperson and confirming the appointment on an annual basis
- Retaining full and effective control of the company
- Monitoring the implementation of the "corporate vision" and ensuring that there is compliance with both "the letter" and "the spirit" of the law at all times
- Communicating with stakeholders openly and timeously throughout the year

BOARD STATEMENT

The Board is satisfied that it fulfilled all its duties and obligations in the 2018 financial year.

ETHICAL CORPORATE CITIZENSHIP

Ethical business practices are set out in the WBHO's Board-approved and adopted code of Conduct. The Code actively promotes the set of core values covering reputation, quality, cost awareness, teamwork and culture, and serves as a guide to employees of the "The WBHO Way" of conducting business. The code also discusses employees' responsibility toward ensuring a safety culture, protection of the environment as well as ethical conduct, how to avoid possible conflicts of interest within specific areas of competence, Competition Act legislation and the duty of confidentiality.

The code affirms the values of responsibility, honesty, fairness and respect and dictates that all actions must be trustworthy and ethical. The Code also obliges all directors, officers and employees to interact with one another and with stakeholders with integrity.

GOVERNANCE REPORT
CONTINUED

Employees are required to adhere to the highest personal and moral standards possible and must demonstrate respect for the human dignity of all other people. All members of staff are expected to conduct personal affairs in a proper and responsible manner and must sign the Code of Conduct on commencement of employment.

In order to provide a full understanding of the code for all employees, it will be translated into various South African languages and distributed electronically as well as in print to ensure access by all staff. The Code can be found on WBHO's website at www.wbho.co.za/governance.

The company has a defined whistle-blowing policy which can be found under the Governance section of the website. This policy informs employees and other stakeholders of their duty to fight and report fraud, corruption and anti-competitive behaviour.

In terms of the Code of Conduct, there have been no issues of non-compliance, fines or prosecutions levied against WBHO or its management during the year.

WBHO also subscribes to the fundamental principles of human rights enshrined in the South African Constitution, the South African Bill of Rights and the 10 principles of the UNGC and OECD.

The policies and practices of the group are aligned with these principles and the organisation upholds the rights of all people to be treated with dignity and in a culturally appropriate manner. WBHO advocates the elimination of all forms of forced or compulsory labour and the employment of children younger than 18 years of age. Processes are in place to ensure that any breaches of human rights can be reported and investigated.

STRATEGY, PERFORMANCE AND REPORTING

Strategy, performance and reporting policies and procedures in place:
- Regular Board meetings and a specific annual strategic meeting are scheduled to focus on the short- and long-term strategy
- Through the Board Charter, the Board establishes strategic objectives and is responsible for performance of the group
- Quarterly review by the Board of the progress against strategic objectives
- Alignment of management incentive schemes to strategic objectives
- Review and approval of Integrated Report
- Transparent reporting to stakeholders
- Focus on value creation to achieve the strategic objectives as defined for all stakeholders
- Annual site visits by the Board to assess the operational environment aligned to the company's strategic direction

Refer to page 96 for attendance at Board meetings.

The Board takes overall responsibility and accountability for the success and sustainability of the group. Its role is focused primarily on exercising sound leadership and independent judgement when considering WBHO's strategic direction and overall performance, while always considering the best interests of all stakeholders.

As part of its duties, the Board is responsible for establishing strategic objectives, goals and key policies, identifying and monitoring key risk areas and key performance indicators of the business, approving the annual business plans, regularly reviewing progress against business plans and strategic objectives as well as reviewing reports for external publications.

WBHO acknowledges its responsibility and obligation to contribute towards those economies in which it operates through both taxes borne and taxes collected.

The tax policy of the group ensures transparent and responsible tax practices within the organisation and in accordance with the relevant tax laws of all jurisdictions aimed at respecting the different interests of all stakeholders.

Refer to pages 16 to 47 for further detail regarding WBHO's business model, strategy, risk and opportunities and performance against objectives.

Driving and monitoring strategy, performance and reporting

Reviewed management incentive structures to ensure alignment to the long-term strategy of the company

Our three executive directors are evaluated on their performance which is rated against financial and non-financial KPIs

GOVERNING STRUCTURES AND DELEGATION

Governance structure and delegation policies or procedures in place:
- Delegation of authority policy and framework
- Corporate governance framework
- Board committee terms of reference and annual work plan agreed
- Combined assurance and risk management framework
- Remuneration policy
- IT policies to ensure acceptable use of IT resources as well as ensure IT security
- Competition law compliance policy and programme
- Directors' induction processes and ongoing exposure to the business

WBHO BOARD

WBHO has a unitary board structure, comprising a majority of non-executive directors, independent of management. As at 30 June 2018, the Board comprised eight directors, of whom five were independent non-executive directors (including a lead independent director) and three executive directors. A formal policy and procedure applies to all nominations and appointments, which are confirmed by shareholders at the following annual general meeting.

Emphasis is placed on ensuring that the Board composition reflects diversity in the broadest sense. The Board is committed to ensuring diversity, including that of backgrounds, experience, skills, geography, race, age, gender and ensuring that this diversity is also reflected in its composition. In line with the JSE Listings Requirements, the Board has adopted a gender and race diversity policy and has set a target of 25% female and 30% black director representation on the Board. At year-end, female directors represented 25% and black directors represented 37% of the Board composition.

Brief biographies of all the directors outlining their qualifications and skills are included on pages 90 and 91.

Board appointment process and re-election of directors

The Board, supported by the Nomination committee, is responsible for the nomination, selection and appointment of directors to the Board in line with the principles and procedures set out in the Appointments of Main Board Directors policy, which is available online.

Apart from a candidate's skills, experience, availability and likely fit, the Board considers the candidate's demonstrated integrity, proven leadership as well as other directorships and commitments to ensure that they will have sufficient time to discharge their role properly.

The rotation of non-executive directors is governed in terms of the company's MOI. The MOI requires one third to retire from office at each annual general meeting (AGM), the longest serving retiring first. Non-executive directors serving less than nine years shall serve no longer than three consecutive years after their last reappointment or approval of appointment at an AGM. All non-executive directors serving more than nine years shall retire annually and, if eligible and meeting the independence assessment criteria, be put forward for re-election. Any re-election of a director shall be informed by the annual performance assessment conducted by the Board and Chairman as well as consideration of the results of any independence assessment carried out.

Performance, diversity requirements, Board continuity and independence are considered when recommending directors for appointment or re-election. The appropriate diversity balance includes but is not limited to skills, industry experience, race and gender.

At the 2018 AGM, Ms Savannah Maziya will retire and being eligible, is available for re-election.

The retirement age for non-executive directors is 70 years and 60 years for executive directors, however, in respect of executive directors, their conditions of employment may be extended dependent on the continued value offered by the executive director in question.

GOVERNANCE REPORT
CONTINUED

The table below reflects attendance of each director and committee members to the Board and committee meetings.

	Date first appointed	Board	Audit committee	Risk committee	Remuneration committee	Nomination committee	Social and ethics committee
Independent non-executive directors							
Ross Gardiner (Lead)	23 Jan 2014	6/6	4/4	2/2 (Chair)	3/3	2/2 (Chair)	2/2 (One as Chair)
Cobus Bester	1 Nov 2017	4/4	3/3 (Chair)	2/2		1/1	
Karen Forbay	1 Nov 2017	4/4	3/3	2/2		1/1	2/2
Savannah Maziya	25 Oct 2006	6/6	4/4	1/2 A	3/3 (Chair)	1/2 A	
Hatla Ntene	1 Nov 2017	4/4			1/1	1/1	2/2 (One as Chair)
Gando Matyumza[1]	23 Feb 2009	2/2	2/2	1/1		1/1	1/1
James Ngobeni[2]	25 Oct 2006	2/3 A				1/1	
Nosipho Damasane[3]	1 Sep 2016	0/0	0/0	0/0	0/0	0/0	0/0
Executive directors							
Mike Wylie	11 Jul 1994	5/6 (Chair) A			3/3 BI	2/2	
Louwtjie Nel (CEO)	1 Aug 2008	6/6	4/4 BI	2/2 BI	3/3 BI	2/2 BI	
Charles Henwood (CFO)	9 Nov 2011	6/6	4/4 BI	2/2 BI	3/3 BI	2/2 BI	
Management							
Samuel Gumede	24 Jan 2018						2/2
Terry Armstrong[4]	19 Mar 2012						1/2
Shereen Vally-Kara	19 Mar 2012						2/2
Andrew Logan	13 Sep 2013						2/2

A – Apology tendered.
BI – By invitation.
[1] Resigned 24 November 2017.
[2] Retired 22 November 2017.
[3] Nosipho Damasane resigned before any Board or subcommittee meetings were scheduled for the new financial year.
[4] Resigned 31 December 2017.

Changes to the Board

During the year the following changes occurred:

- Gando Matyumza resigned with effect from 24 November 2017 as independent non-executive director and lead independent director. Ross Gardiner was appointed as lead independent director in her place
- James Ngobeni retired as director and was not available for re-election at the AGM of 22 November 2017
- Nosipho Damasane resigned from the Board during August 2017 to accept a full time senior executive position with a major listed company

Hatla Ntene, Cobus Bester and Karen Forbay joined the Board with effect from 1 November 2017 as independent non-executive directors.

Director independence and conflicts

The Board ensures that it has the expertise, independence and diversity it needs to function independently. The Nomination committee regularly assess the independence of directors and report on this to the full Board. Independence of the Board from the management team is achieved by:

- Appointing a lead independent director
- Maintaining a majority of non-executive directors including independent non-executive directors
- Ensuring the remuneration of non-executive directors is unrelated to financial performance
- Entitling all directors to seek independent professional advice where necessary and at the company's expense
- Evaluating the independence of individual directors holistically and on a substance over form basis.

During the year, the Nomination committee assessed the independence of Savannah Maziya, who has served more than nine years on the Board as independent non-executive director. In assessing her independence, the Board considered her performance and factors that may impair independence, including directors' interests, and demonstrated behaviour. The Board is satisfied that she adequately demonstrated the required levels of independence to appropriately execute her duties. Her appointment is reviewed on an annual basis and her reappointment will be re-evaluated annually before being proposed for re-election.

In terms of the Companies Act, directors are required to disclose their external interests. When directors become aware that they have a direct or indirect interest in any existing or proposed transaction with an entity of WBHO, they are required to notify the Company Secretary who in turn informs the Chairman. Directors are obliged to regularly update any changes in these interests and the Company Secretary makes relevant enquiries of directors prior to or during each Board meeting. This process was adhered to for the year under review and no directors were required to recuse themselves from any discussions as a result of personal conflicts of interest. Any potential professional conflicts of interest are fully disclosed by the director concerned and noted in the Board minutes. The lead independent non-executive director deals with matters where the Chairman may be conflicted.

Members of the Board are encouraged to seek independent legal advice, at WBHO's cost, during the execution of their fiduciary duties and responsibilities, if so needed. During the financial year, no independent advice was sought by the Board. Members also have, at all times, direct access to WBHO's internal and external auditors, the Company Secretary, and all members of the executive management.

Chairman

The Executive Chairman, Mike Wylie, is not considered independent as stipulated by the recommendations of King IV™. While the appointment is not aligned to best practice, the Board is of the opinion that his experience and knowledge of the construction industry and the group is critical to the chairmanship and in helping the Board in setting the strategic direction of the group. The Board is satisfied that the non-independence of the Chairman is properly addressed by the composition of the Board and particularly by the appointment of Ross Gardiner as the Lead independent director. The Nomination committee annually reviews the performance of the Chairman. The committee had evaluated the Chairman's performance in May 2018 and unanimously re-elected him for another year.

Lead independent director (LID)

The LID is responsible to assist the Chairman in the execution of his duties and such other functions as the Board may wish to delegate to the LID. Where the Chairman is absent or unable to perform his duties or where the independence of the Chairman is questionable or impaired, the LID serves in this capacity for as long as the circumstances that caused the Chairman's absence or inability or whereas conflict exists.

The LID's role is to:

- Preside at all meetings of the Board at which the Chairman is not present or where the Chairman is conflicted, including any session of the independent directors
- Call meetings of the independent directors, where necessary
- Serve as principal liaison between the independent directors and the Chairman
- Perform all such functions that cannot be performed by the Chairman due to his absence or the existence of a conflict of interest
- Liaising with major shareholders if requested by the Board in circumstances or transactions in which the Chairman is conflicted
- Performing other duties that the Board may from time to time delegate

GOVERNANCE REPORT
CONTINUED

Responsibilities of the Chairman and Chief Executive Officer
The responsibilities of the Chairman and CEO are clearly defined and separated, as set out in the Board Charter and the policy on the division of responsibilities. The separation of responsibilities of the Chairman, CEO and LID is designed to ensure that no single person or group can have unrestricted powers and that appropriate balances of power and authority exist on the Board. The Chairman is responsible for leading the Board and for ensuring the integrity and effectiveness of the Board and its committees. In contrast, the CEO is responsible for the effective management and running of the group's business in terms of the strategies and objectives approved by the Board.

Director development
Newly appointed directors are provided with induction and training at WBHO's expense. In addition, relevant new developments are communicated to directors at Board meetings, including those regarding the Companies Act, corporate governance and other relevant legislation.

During the year under review:
- The Audit committee attended a materiality workshop arranged by our technical consultants
- Mr Ross Gardiner, our LID, accompanied management on a visit to Australia for various Board meetings and site visits
- Two of the non-executive directors who were recently appointed as members to the Social and ethics committee attended a social and ethics workshop at the Institute of Directors earlier in the year. All members of this committee also attended an induction programme on the purpose of the committee and how it fits into the overall corporate governance of a company

Succession planning
Succession for senior positions in the organisation involves identifying suitable candidates internally, wherever possible, and providing them with support, shadowing opportunities and mentorship. Identified candidates also receive further professional development via enrolment with reputable global business schools. A succession plan is being formulated for both the Chairman and CEO.

Board and committee evaluations
The Board and committees annually assess their performance against the respective charter and terms of reference. Due to the retirement of one non-executive director and the resignation of two non-executive directors in the year and the consequential appointment of three new directors in November 2017, the Board evaluation has been rescheduled to November 2018 and the various subcommittee evaluations to early 2019.

Driving and monitoring governing structures and delegation

Three new non-executive directors appointed to the Board

Average tenure of non-executive directors of 4 years

Independence of long-serving non-executive director assessed and confirmed

Various director development initiatives undertaken

Board and committee evaluation scheduled for the new financial year

GOVERNANCE FUNCTIONAL AREAS
Certain functions in the performance and affairs of WBHO are delegated to Board and management committees, including risk, technology and information, compliance, remuneration and assurance governance, to assist the Board in properly discharging its duties.

The Board has established a delegation of authority policy, which sets out matters specifically reserved for determination by the Board and those matters delegated to its committees and to management. The functions exercised by the Board and those that are delegated are subject to ongoing review to ensure that the division of functions remains appropriate.

Each Board committee acts within agreed written terms of reference that are reviewed and updated annually. The Chairman of each Board committee reports back to the Board on the deliberations of the committee meeting, and minutes of committee meetings are provided to the Board for noting.

The Chairman of each Board committee is required to attend the AGM to answer questions raised by shareholders.

Refer to pages 102 to 107 of the report for the Board committee reports and pages 109 to 119 for the group's Remuneration report.

The governance functional areas contemplated in King IV™ are embedded in the underlying elements of the group's integrated reporting and thinking process. Oversight and report back of these functional areas are maintained by the Board and its committees as follows:

Functional area	Committee oversight	Report back
Risk	Risk	Material issues, Risk committee report
Technology and information	Risk/Audit	Information technology
Compliance	Audit, Risk, Social and ethics	Integrated compliance, Risk committee report
Assurance	Audit	Assurance, Audit committee report, Supplementary information
Stakeholder communications	Social and ethics	Stakeholder communications, stakeholder engagement
Remuneration	Remuneration	Remuneration committee report, Remuneration report
Corporate citizenship	Social and ethics	Social and ethics committee report, Supplementary information

INTEGRATED COMPLIANCE
WBHO is made aware of and complies with all relevant legislation and anticipates the statutory requirements of all bills and other regulations. The Social and ethics committee assumes oversight over the compliance function within the group. The compliance function of the group includes a compliance officer assisted by the secretariat, internal legal counsel and other assurance providers from the support services of the group. Assessments of legal compliance are regularly undertaken by independent legal experts in key areas of the business in order to provide additional assurance. The compliance function provides guidance and assurance to WBHO and the Board and its relevant committees on the level of compliance within the organisation, while also promoting a corporate culture of compliance. It ensures that all business, legislative and administrative processes and procedures are implemented, monitored and adhered to, thereby reducing the potential for reputational risk. WBHO has a zero risk appetite for regulatory non-compliance and there were no significant shortcomings requiring remedial action in the current year. The compliance function and processes are subjected to an internal audit review on a regular basis.

Refer to pages 37 and 46 for further detail regarding WBHO's mitigation of the risk of non-compliance to laws and regulations.

INFORMATION TECHNOLOGY
The Board is responsible for the governance of information technology (IT), assisted by the Audit and Risk committees. Management adopted recognised corporate governance practices and best practice when formulating the IT governance framework that has been approved and implemented. IT risk management forms part of the IT governance framework as well as the risk management framework. As such, it is proactively embedded into the risk management process of the company.

The IT Steering committee holds quarterly meetings with senior divisional and financial management to ensure that IT is prioritised in accordance with group strategy and the current business needs of the organisation. The committee is responsible for ensuring effective, appropriate IT support and governance.

IT investment and expenditure budgets are presented to the Executive committee for approval following consultation with divisional management with due consideration of the overall business requirements. The Executive committee is kept apprised of actual expenditure against the approved budget.

Appropriate controls have been implemented to ensure that all organisation, employee and client information is properly protected in compliance with the Protection of Personal Information Act.

The IT control environment is assessed annually by both the internal and external auditors and an independent external penetration test is conducted every two years to assess the IT security over the network.

The internal audit function will perform a maturity assessment of IT governance as a whole in the year ahead.

Driving and monitoring governance functional areas

Reviewed terms of reference for all committees

Established a subcommittee of the Risk committee to monitor the mechanisms of the VRP in meeting its targets

STAKEHOLDER RELATIONSHIPS

Stakeholder relationships policies and procedures in place
- Annual engagement plan for key stakeholders

In the execution of its governance role and responsibilities, the Board has adopted a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

Part of WBHO's approach in governing stakeholder relationships involves shareholders' views being heard and fully considered. All holders of the same class of shares issued by the company are treated equitably. The rights and obligations attached to each class of ordinary shares are set out in the company's MOI.

AGMs provide an opportunity for the Board to interact with and account to shareholders. They provide an update to shareholders on the group's performance and offer an opportunity for shareholders to ask questions and vote on resolutions. The final results presentations are held in Johannesburg and Cape Town. Management has one-on-one meetings with analysts and investors. In addition, analysts, investors and journalists are allocated time to discuss the results telephonically. The Chairman and CEO also attend live in-studio interviews.

The Board and key members of management, including the group managing and financial directors, are present and available to answer questions. The external auditors attend the AGM and are also available to answer questions.

Minutes of the meeting are available from the Company Secretary's office. The outcome of the voting that took place is published through SENS and is posted on the group's website after the meeting.

Refer to pages 30 to 33 of the report for the various material stakeholder groups identified, how they impact value creation, key issues raised and how these were addressed.

OTHER GOVERNANCE MATTERS

DEALING IN SECURITIES

According to the Board-adopted policies in place, directors as well as certain other managers are prohibited from dealing in shares in periods immediately prior to the announcement of WBHO's interim and year-end financial results and at any other time deemed necessary by the Board or as required in terms of the JSE regulations.

Directors need written clearance from the Chairman prior to trading in the shares. The Chairman consults with the executive directors before granting the clearance to ensure that there is no material price-sensitive information that has not been disclosed to the market. Clearance is provided on receipt of a written request from the director and once the necessary signatures of the designated directors have been obtained.

During the reporting period, the group has complied with the Listings Requirements and disclosure requirements as prescribed by the JSE.

COMPANY SECRETARY

Shereen Vally-Kara (57) has an FCIS qualification and joined WBHO on 1 June 2007. She was appointed as the Company Secretary to the Board on 24 October 2007. In addition to obtaining a certificate as a chartered secretary in 1994, she completed an advanced management programme at the Wits Business School in 1996 and received a certificate in corporate governance from the University of Johannesburg.

The Board as a whole and the individual directors have unrestricted access to the advice and services of the Company Secretary, who provides guidance to the Board and to the directors with regard to how their responsibilities are to be discharged. The Company Secretary is exposed to the daily operations of the company, further embedding and embracing good corporate governance with the aim to improve all areas of compliance.

The Company Secretary has oversight of the induction of newly appointed directors and training of all directors, including regular updates when changes in legislation and regulations occur that affect the company. In consultation with the Chairman and the Chief Executive Officer, the Company Secretary ensures that the annual Board plan is set and that the Board agendas are relevant to Board decision-making.

At year-end the Board evaluates the competency and effectiveness of the company secretary, as required in terms of the JSE Listings Requirements. The evaluation process includes an assessment of the company secretary's eligibility, skills, knowledge and execution of duties.

The Board confirms that the Company Secretary:
- Maintained an arm's length relationship with the Board and the directors, noting that the Company Secretary is not a director of the company and is not related to any of the directors
- Is independent from management and does not have executive duties and responsibilities, aside from the core responsibilities of a Company Secretary
- Is not a material shareholder of WBHO and is not party to any major contractual relationship with the group

The certificate that the company is required to issue in terms of Section 88(2)(e) of the Companies Act is on pages 2 and 3 of the audited consolidated financial statements.

SPONSOR

WBHO fully understands the role and responsibilities of the sponsor as stipulated in the JSE Listings Requirements and has cultivated a good working relationship with its sponsor, Investec Bank Limited. The company is satisfied that the sponsor has executed its mandate with due care and diligence for the year under review.

BOARD COMMITTEE REPORTS

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

COBUS BESTER
Chairman – Audit committee

AUDIT COMMITTEE RESPONSIBILITIES

The committee has adopted an appropriate 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, cash flow and treasury status of the company on a quarterly basis, including solvency and liquidity of entities in the group
- 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 suitability of 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 risks as it relates to financial reporting, IT risks as it relates 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 and assurance providers 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 duties in compliance with the Companies Act and the JSE Listings Requirements, and best practice in corporate governance, as set by King IV™.

During the year, specific focus was placed on strengthening various governance and internal control processes including review of the combined assurance model and IT governance as well as on-boarding new committee members. In outsourcing the internal audit function, the committee sought to support improved independence, gain access to best practice and trends, create flexibility around resourcing and achieve cost efficiencies.

In addition, the committee also focused on various operational matters, including expansion into the United Kingdom, operational performance of the Australian business, evaluating large projects and monitoring various loss-making projects and WBHO obligation in terms of the VRP.

In the year ahead, the committee will focus on improving entity level controls including tendering and IT governance audits, integration of the Russells businesses, identifying problem contracts early to mitigate appropriately, review the implementation of IFRS 15 *Revenue from Contracts with Customers,* IFRS 9 *Financial Instruments* and finally monitor King IV™ implementation across the organisation.

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.

Members at 30 June 2018	Member since	Board status
Cobus Bester	1 November 2017	Independent non-executive
Ross Gardiner	28 April 2014	Lead independent director
Karen Forbay	1 November 2017	Independent non-executive
Savannah Maziya	29 August 2017	Independent non-executive

Refer to pages 90 to 91 for detailed qualifications and experience of committee members.

Refer to page 96 for attendance to meetings.

Key members of management, Chief Audit Executive and external auditors attend each meeting by invitation. 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 and Touche both in Africa and Australia. Following the expansion into the United Kingdom the committee will monitor and assess the need for a formal internal audit function over the coming year. 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 CAE

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 provided to the group.
- Reviewed and approved the external audit plan, including the proposed scope and audit fee and determined the nature and scope of non-audit services. All non-audit-related services are governed by an appropriate approval framework. No non-audit-related services were provided during the year.
- Held separate meetings with the external auditor without management being present and 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 2018. 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 Inc of 32 years as the external auditors of the group as well as the tenure of three years of Ms J Roberts as the designated lead partner and the potential impact thereof on the independence of the firm.
- 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 re-appointment of BDO South Africa Inc. as the external auditors for the 2019 financial-year and confirm that Ms J Roberts is not required to rotate but be confirmed as the designated lead partner for the forthcoming year.

COMMENTS ON AUDIT MATTERS

With respect to key audit matters, addressed by BDO in their external audit report, the committee provided some insight at a high level as to the oversight function of the committee:

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 computation of the percentage of completion. 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

Over the past view years WBHO has concluded various acquisitions and recognised goodwill as fair values of acquired assets and liabilities exceeded the net consideration paid. By its nature testing for goodwill impairment involves significant judgement.

The committee considered the appropriateness of valuations models and key assumptions applied in the assessment of goodwill for FY2018. 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 closed contract provisions 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 representation made by WBHO's legal team of significant known and potential significant claims against the company.

The committee is satisfied that the provisions are adequate to cover significant claims against the group.

BOARD COMMITTEE REPORTS
CONTINUED

Business combination: Byrne Group Limited
During the year, WBHO acquired an additional 40% of the Byrne Group Limited to bring the total shareholding to 80%. This transaction was complex from an accounting perspective as WBHO first had to dispose of its non-controlling interest for deemed proceeds equal to its percentage interest (40%) of the fair value of the Byrne Group less the carrying amount of its investment. This resulted in a loss on disposal of R58 million. The controlling interest was then acquired for a deemed purchase consideration equal to the percentage interest acquired (80%) of the fair value of the assets and liabilities acquired plus any additional cash consideration. No cash consideration was payable for the additional 40% interest acquired and this resulted in a gain on bargain purchase of R102 million.

The committee considered the accounting treatment and is satisfied that all identifiable assets and liabilities were recognised at fair value after a detailed review including identifying any possible intangible assets. No further intangible assets were identified. The acquisition resulted in a gain on bargain purchase due to the losses made in the current financial year.

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 WBHO's financial reporting procedures are operating appropriately. The committee reviewed and considered the annual financial statements and the 2018 Integrated report and has recommended it for approval by the Board.

Solvency and liquidity
The committee reviewed quarterly assessments by management of the going concern premise of the company before recommending to the Board that the company and the group will be a going concern in 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 group's finance function and of the Chief Financial Officer.

Effectiveness of internal controls
Using WBHO's combined assurance model and the related assurance obtained from the various assurance providers in the three lines of defence as a basis, the committee recommended to the Board that it issues a statement as to the adequacy of the group's internal control environment. The committee also considered the effectiveness of the chief audit executive and internal audit function and monitored adherence to the annual internal audit plan.

Cobus Bester
Audit committee Chairman

The Risk committee's primary purpose is to oversee the risk management framework, monitor and measure the value at risk within the organisation and ensure appropriate risk mitigation controls are in place

ROSS GARDINER
Chairman – Risk committee

RISK COMMITTEE RESPONSIBILITIES
The committee has adopted an appropriate formal terms of reference and is responsible for:

- Establishing and maintaining an understanding of the risk universe that needs to be addressed if the group is to achieve its objectives
- Ensuring that a thorough business risk assessment is undertaken and that a risk profile is compiled by management
- Monitoring the risk management of the group
- Satisfying corporate governance reporting requirements

The risk management system includes the establishment of various policies and processes, procedures and tools for identifying, measuring, monitoring, managing and reporting all material risks to which WBHO is exposed.

The enterprise risk management framework sets out the key principles that guide the implementation of risk at all levels. It provides the necessary foundations and organisational structures for managing risk within WBHO, and dictates how risk management should be embedded within all business units to ensure that effective risk management strategies are integrated into all operational contexts.

Risk management focuses on the relationship between risk and its impact on achieving objectives. Risk management is an integral part of the management processes designed to enhance the effectiveness of the group when forming part of the culture and is embedded in its daily practices and business processes.

The committee confirms that it has discharged its responsibilities as mandated by the Board and best practice in corporate governance, as set by King IV™.

During the year, specific focus was placed on establishing a further subcommittee, namely VRP Risk committee to focus on the mechanisms of the VRP in meeting its targets.

In the year ahead, the delegation of authority framework will take cognisance of the delegation of risk management tasks in order to provide completeness.

Risk management is discussed in detail and presented on page 42 of this integrated report.

MEMBERSHIP AND ATTENDANCE AT MEETINGS
The committee members comprised four independent non-executive directors. All members have the requisite business, financial and leadership skills for their positions.

Members at 30 June 2018	Member since	Board status
Ross Gardiner	28 April 2014	Lead independent director
Cobus Bester	1 November 2017	Independent non-executive
Karen Forbay	1 November 2017	Independent non-executive
Savannah Maziya	29 August 2017	Independent non-executive

For detailed qualifications and experience of committee members see pages 90 to 91.

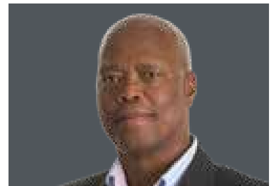
The CEO, CFO, members of senior management including the finance and risk management functions, and the Chairman of the Operational risk committee attend committee meetings by invitation

Refer to page 96 for attendance to meetings

Ross Gardiner
Risk committee Chairman

BOARD COMMITTEE REPORTS
CONTINUED

The Social and ethics committee enhances the oversight of key social issues within WBHO, including entrenching sustainability in its long-term strategy



HATLA NTENE

Chairman – Social and ethics committee

SOCIAL AND ETHICS COMMITTEE RESPONSIBILITIES

The Social and ethics committee has been constituted in terms of section 72(4) of the Companies Act, 71 of 2008, as amended, and its accompanying regulations to implement the mandate prescribed by regulation 43(5).

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

- Social and economic development, including the group's standing in terms of the goals and purposes of:
  - 10 principles set out in the UNGC
  - OECD recommendations regarding corruption
  - Employment Equity Act
  - Broad-Based Black Economic Empowerment Act
- Good corporate citizenship, including the group's:
  - Promotion of equality, prevention of unfair discrimination and reduction of corruption
  - Contribution to development of the communities in which its activities are predominantly conducted
  - Record of sponsorship, donations and charitable giving
- The environment, health and public safety, including the impact of the group's activities and of its products or services
- Consumer relationships, including the group's advertising, public relations and compliance with consumer protection laws
- Labour and employment, including:
  - The group's standing in terms of the International Labour Organization Protocol on decent work and working conditions
  - The group's employment relationships, and its contribution towards the educational development of its employees

For more on WBHO's transformation efforts, human capital, health and safety, environmental issues and quality for the year under review, refer to the separately published Supplementary report.

The committee confirms that it has discharged its responsibilities as mandated by the Board, its statutory duties in compliance with the Companies Act and best practice in corporate governance, as set by King IV™.

During the year, specific focus was placed on correcting the composition of the committee in line with King IV™ as well as familiarising new members on the workings and expected outputs of the Social and ethics committee in terms of its mandate.

In the year ahead, the regulatory risk matrix of key foreign legislation from those geographies outside of South Africa, the impact and likelihood of occurrence emanating from such legislation and identification of mitigating controls and risk owners will be a focus.

MEMBERSHIP AND ATTENDANCE AT MEETINGS

The committee members comprised of three non-executive directors, the Company Secretary and two members of management. All members have the requisite business, financial and leadership skills for their positions.

Members at 30 June 2018	Member since	Board status
Hatla Ntene	1 November 2017	Independent non-executive
Karen Forbay	1 November 2017	Independent non-executive
Ross Gardiner	1 November 2017	Lead independent director
Samuel Gumede	21 November 2017	Group legal counsel
Shereen Vally-Kara	19 March 2012	Group Company Secretary
Andrew Logan	13 September 2013	Group Financial Manager

For detailed qualifications and experience of non-executive committee members see to pages 90 to 91.

Members of senior management from the human resources, safety, environmental, quality, transformation and legal functions attend meetings by invitation.

Refer to page 96 for attendance to meetings.

ANNUAL CONFIRMATIONS

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

Social and ethics responsibilities

The committee is satisfied that the group's social and ethics procedures and controls are operating appropriately.

Hatla Ntene
Social and ethics committee Chairman

The Nomination committee's primary purpose is to support the Board in the execution of its duties with respect to the Board matters

ROSS GARDINER

Chairman – Nomination committee

NOMINATION COMMITTEE RESPONSIBILITIES

The committee has adopted an appropriate formal terms of reference. The Nomination committee identifies and recommends individuals for Board appointments. Members of the committee consider specific skills, Board composition requirements and gender balance when nominating candidates. The committee also assists with dismissals; succession planning of the Board, CEO and senior management; reviewing committee structures; and reviewing Board and committee performance. The committee is responsible for ensuring the integrity of the nomination process.

The committee confirms that it has discharged its responsibilities as mandated by the Board, its statutory duties in compliance with the Companies Act and best practice in corporate governance, as set by King IV™.

During the year, specific focus was placed on succession planning at Board level for non-executive and executive directors as well as top management.

In the year ahead, Board evaluation will receive special attention as well as continued focus on succession planning.

MEMBERSHIP AND ATTENDANCE AT MEETINGS

The committee comprises five independent non-executive directors and the Chairman of the Board. The committee is chaired by the Lead independent director. All members have the requisite business, financial and leadership skills for their positions.

Members at 30 June 2018	Member since	Board status
Ross Gardiner	24 November 2017	Lead independent director
Cobus Bester	1 November 2017	Independent non-executive
Karen Forbay	1 November 2017	Independent non-executive
Savannah Maziya	1 September 2017	Independent non-executive
Hatla Ntene	1 November 2017	Independent non-executive
Mike Wylie	11 November 2011	Executive Chairman

For detailed qualifications and experience of non-executive committee members see to pages 90 to 91.

The Chief Executive Officer and Chief Financial Officer attend by invitation.

Refer to page 96 for attendance to meetings.

Ross Gardiner
Nomination committee Chairman

The Remuneration committee supports the Board in the execution of its duties with respect to the implementation of fair and equitable remuneration frameworks and performance assessments of the executive directors and executive management

SAVANNAH MAZIYA
Chairman – Remuneration committee

REMUNERATION COMMITTEE RESPONSIBILITIES

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

- Determining, agreeing and developing the company's general policy on non-executive, executive and senior management remuneration
- Ensuring that the company remunerates directors and executives fairly and responsibly and that disclosures of director remuneration are accurate, complete and transparent
- Appraising on employee reductions and union negotiations

The committee confirms that it has discharged its responsibilities as mandated by the Board, its statutory duties in compliance with the Companies Act and best practice in corporate governance, as set by King IV™.

Refer to pages 109 to 119 for the Remuneration report.

During the year, specific focus was placed on properly constituting the committee membership by the appointing one additional member.

In the year ahead, the Board evaluation will be expanded to include a greater focus on the role of the CEO and accompanying responsibilities as well as succession planning for emergency situations.

MEMBERSHIP AND ATTENDANCE AT MEETINGS

The committee comprises three independent non-executive directors. All members have the requisite business, financial and leadership skills for their positions.

Members at 30 June 2018	Member since	Board status
Savannah Maziya	25 October 2006	Independent non-executive
Ross Gardiner	11 March 2014	Lead independent director
Hatla Ntene	1 November 2017	Independent non-executive

For detailed qualifications and experience of non-executive committee members see to pages 90 to 91.

The Chairman of the Board, Chief Executive Officer and Chief Financial Officer attend by invitation.

Refer to page 96 for attendance at meetings.

Savannah Maziya
Remuneration committee Chairman

REMUNERATION REPORT

OUR APPROACH TO REMUNERATION

WBHO aims to remunerate all employees fairly and reward individual performance in a way that is able to attract, motivate and retain key personnel. The Remuneration committee (Remco) oversees the formulation and implementation of WBHO's remuneration policy.

Refer to pages 108 and 107 for the Remuneration committee and Nomination committees reports, including composition, members' duties and attendance to meetings and key focus areas during the year.

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.

The Remuneration committee believes that the remuneration policy, elements of which are disclosed below, achieves these objectives.

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 Deloitte 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 2018 financial year and decided to leave them unadjusted. See below for further detail.

NON-BINDING ADVISORY VOTE ON THE 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 FY2015, FY2016 and 2017 annual general meetings were as follows:

Remuneration policy	Votes for	Votes against	Votes abstained
23 November 2017	96,7%	3,3%	0,2%
16 November 2016	99,7%	0,3%	0,1%
12 November 2015	98,6%	1,4%	1,5%

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.

The remuneration policy has been fully complied with in the current year without any deviation therefrom.

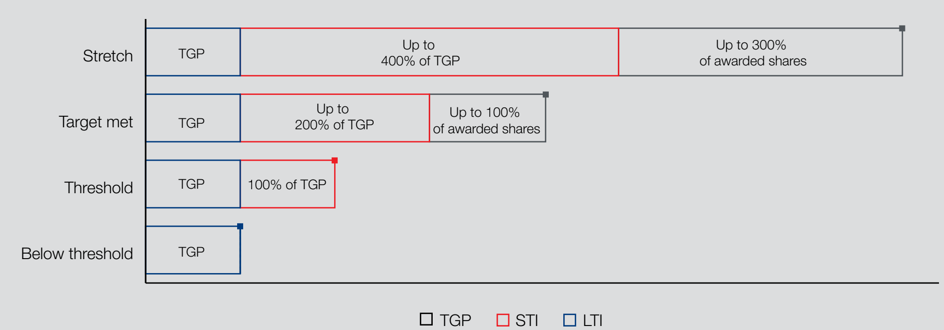
REMUNERATION REPORT
CONTINUED

KEY ELEMENTS OF THE REMUNERATION POLICY

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. Increases are effective in March and July of each year for Africa and Australia respectively.
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)		
STIs 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 employees:	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) • Operating profit • Headline earnings per share • Return on capital employed • Cash generation Personal: (30% weighting) (not limited to the following) • 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 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	**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	**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. There is no vesting period, however, 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 JSE. The components of the WBHO Share Plan are: • 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

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 2018:

Maximum performance incentive	STI	LTI
Threshold	100% of TGP	0% to 99% of awards
Target met	Up to 200% of TGP	100% to 299% of awards
Stretch	Up to 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	2 981	2 981	2 981
STI	2 981	5 962	11 924
Performance shares (Offer 2015)	–	8 671	13 007
Share appreciation rights (Offer 2014)	–	682	682
Total	5 962	18 296	28 594

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.

GENDER EQUALITY

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

IMPLEMENTATION REPORT

The Remuneration committee approved inflationary increases for South African senior management and executives of 5,5% (2017: 6,7%). The average increase for the remainder of employees in South Africa was 6,5% (FY2017: 6,9%). Senior management in Australia received average increases of 0,3% (FY2017: 3,24%), while the remaining employees received average increases of 4,1% (FY2017: 3,2%).

EMPLOYEE BENEFITS

R'000	2018	2017
Salaries and wages	**4 077 240**	3 777 954
Benefits and other contributions	**581 833**	545 029
	4 659 073	4 322 983

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

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 2017 and amounted to R421 million (2017: R391 million).

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

The table below summarises WBHO's executive directors' and prescribed officers' remuneration for FY2018.

R'000	TGP	STI	Vested LTI[1]	2018 Total	TGP	STI	2017 Total[2]
Executive directors							
MS Wylie	**1 957**	**5 522**	**–**	**7 479**	2 080	5 479	7 559
EL Nel	**2 981**	**7 382**	**8 769**	**19 132**	2 696	7 470	10 166
CV Henwood	**2 873**	**7 028**	**8 307**	**18 208**	2 703	7 348	10 051
	7 811	**19 932**	**17 076**	**44 819**	7 479	20 297	27 776
Prescribed officers							
PJ Foley[3]	**7 367**	**7 000**	**8 307**	**22 674**	2 594	7 000	9 594
SN Gumede[4]	**1 785**	**2 200**	**–**	**4 273**	–	–	–
EA Mashishi	**2 201**	**3 500**	**4 615**	**10 316**	2 075	4 500	6 575
RM Smith	**2 622**	**6 700**	**8 307**	**17 629**	2 395	6 500	8 895
S Vally-Kara	**1 588**	**900**	**2 308**	**4 796**	1 440	900	2 340
TR Armstrong[5]	**1 706**	**–**	**–**	**1 706**	2 092	4 750	6 842
	12 526	**20 300**	**23 537**	**61 394**	10 596	23 650	34 246
	20 337	**40 232**	**40 613**	**106 213**	18 075	43 947	62 022

[1] The performance shares allocated in March 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 pages 114 to 117.

[2] No LTI awards vested in 2017.

[3] PJ Foley was seconded to the United Kingdom on 1 August 2017 and is remunerated in pound sterling.

[4] SN Gumede was appointed on 24 January 2018.

[5] TR Armstrong retired on 31 December 2017.

REMUNERATION REPORT
CONTINUED

SHORT-TERM INCENTIVES

The financial targets set by the Board for FY2018 in respect of each key performance indicator (KPIs) as well as the performance against these targets are disclosed in the table below:

Targets		2018			2017	
KPIs	**Threshold**	**Target**	**Stretch**	Threshold	Target	Stretch
Operating profit (Rm)	**1 038**	**1 201**	**1 382**	1 005	1 085	1 256
Headline earnings per share (HEPS) growth (%)	**0**	**6,6**	**9,6**	0	8,1	11,1
Return on capital employed (ROCE) (%)	**17,5**	**20**	**24**	17,5	20,0	24,0
Cash generation (Rm)	**5 546**	**5 656**	**5 823**	5 002	5 102	5 204

Performance KPIs	Results	Result achieved	**2018 Score (%)**	2017 Score (%)
Operating profit (Rm)	1 045	Threshold	**25**	32
HEPS growth (%)	8,1	Target	**41**	17
ROCE (%)	19,8	Threshold	**41**	67
Cash generation (Rm)	5 992	Stretch	**42**	42
Total score			**149**	158
Maximum attainable score			**280**	280

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

KPIs	**Personal scorecard**	**Financial scorecard**	**Total % score**	**Maximum % of TGP**	**Actual STI per score**	**Actual STI awarded**
2018						
EL Nel	99	149	248	400	7 382	7 382
CV Henwood	96	149	245	400	7 028	7 028
MS Wylie	108	149	257	400	5 022	5 522

While the percentages may appear above market norms, 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 62,5%.

Mr Wylie's awarded STI was adjusted upwards by R0,5 million for his role in the implementation of the Settlement Agreement as his TGP was adjusted downward in the current year in anticipation of reduced involvement in the business.

LONG-TERM INCENTIVES

During the year 136 000 (FY2017: 119 500) share appreciation rights and 130 000 (FY2017: 119 500) 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 HEPS compared against average CPI plus 3%. The average calculation is determined annually in three-year cycles. At 30 June, the hurdle criteria for 2014 was met. The 2016 and 2017 hurdle criteria were not met.

Tranche	Threshold (cents)	Actual (cents)	Share price on issue date (R)	**Share price at 30 June 2018 (R)**	Result
2014	1 386,5	1 414,6	115,4	**149,5**	Hurdle achieved
2016	1 580,6	1 414,6	147,5	**149,5**	Hurdle not achieved
2017	1 418,7	1 414,6	146,8	**149,5**	Hurdle not achieved

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 (2014 and 2015 issue)	50%	14%	16%	20%
ROCE (2016 and 2017 issue)	50%	14%	19%	23%
TSR	50%	7th position	5th position	2nd position
Potential award		0% – 99% of award	100% – 299% of award	300% of award

The actual performance against the criteria at 30 June 2018:

Performance criteria	**Offer 2014 Performance shares**	**Offer 2015 Performance shares**	**Offer 2016 Performance shares**	**Offer 2017 Performance shares**
ROCE	21,0%	22,6%	21,0%	19,8%
TSR	2nd	1st	5th	5th
Result				
ROCE	Stretch	Stretch	Target met	Target met
TSR	Stretch	Stretch	Target met	Target met
Award	300%	300%	151%	119%

LONG TERM INCENTIVES VESTED DURING THE YEAR

Performance shares	
Offer 2014	
Award price	R115,4
Award date	2015/03/16
Vesting date	2018/03/16
Stretch target achieved	300% of awarded shares vested

	Number of awards	Number of vested shares	Value of shares at vesting date
Executive directors			
EL Nel	19 000	57 000	8 768 880
CV Henwood	18 000	54 000	8 307 360
Prescribed officers			
PJ Foley	18 000	54 000	8 307 360
S Vally-Kara	5 000	15 000	2 307 600
RM Smith	18 000	54 000	8 307 360
EA Mashishi	10 000	30 000	4 615 200
Total	88 000	264 000	40 613 760

REMUNERATION REPORT
CONTINUED

LONG-TERM INCENTIVE AWARDS OUTSTANDING AT 30 JUNE 2018

	Offer 2014		Offer 2015		Offer 2016		Offer 2017		Awards vested during the year	Total	
Award price		R115,4		R118,41		R147,47		R146,76			
Award date		2015/03/16		2015/12/07		2016/12/07		2017/12/07			
Vesting date – Performance shares		2018/03/16		2018/12/07		2019/12/07		2020/12/07	2018/03/16		
Vesting period – Share appreciation rights		From 2019/03/16		N/A		From 2019/12/07		From 2020/12/07	–		
		to 2022/03/16		N/A		to 2023/12/07		to 2024/12/07	–		
Threshold met at 30 June 2018				300%		151%		119%			
Name	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 2018	Fair value at 30 June 2018[1]
Executive directors											
EL Nel											
Performance shares	19 000	2 192 600	29 000	3 433 852	17 500	2 580 725	19 000	2 788 440	(19 000)	**65 500**	**20 337 233**
Share appreciation rights	20 000	–	–	–	17 500	–	20 000	–	–	**57 500**	**682 000**
CV Henwood											
Performance shares	18 000	2 077 200	26 000	3 078 626	16 000	2 359 520	18 000	2 641 680	(18 000)	**60 000**	**18 475 210**
Share appreciation rights	19 000	–	–	–	16 000	–	18 000	–	–	**53 000**	**647 900**
Prescribed officers											
PJ Foley											
Performance shares	18 000	2 077 200	26 000	3 078 626	16 000	2 359 520	18 000	2 641 680	(18 000)	**60 000**	**18 475 210**
Share appreciation rights	19 000	–	–	–	16 000	–	18 000	–	–	**53 000**	**647 900**
RM Smith											
Performance shares	18 000	2 077 200	26 000	3 078 626	16 000	2 359 520	18 000	2 641 680	(18 000)	**60 000**	**18 475 210**
Share appreciation rights	19 000	–	–	–	16 000	–	18 000	–	–	**53 000**	**647 900**
EA Mashishi											
Performance shares	10 000	1 154 000	16 000	1 894 539	10 000	1 474 700	11 000	1 614 360	(10 000)	**37 000**	**11 390 405**
Share appreciation rights	11 000	–	–	–	10 000	–	12 000	–	–	**33 000**	**375 100**
S Vally-Kara											
Performance shares	5 000	577 000	7 000	828 861	4 000	589 880	5 000	733 800	(5 000)	**16 000**	**4 932 015**
Share appreciation rights	5 000	–	–	–	4 000	–	5 000	–	–	**14 000**	**170 500**
Total performance shares awarded	88 000	10 155 200	130 000	15 393 131	79 500	11 723 865	89 000	13 061 640	(88 000)	**298 500**	**92 085 283**
Total share appreciation rights awarded	93 000	–	–	–	79 500	–	91 000	–	–	**263 500**	**3 171 300**
Total awards	**181 000**	**10 155 200**	**130 000**	**15 393 131**	**159 000**	**11 723 865**	**180 000**	**13 061 640**	**(88 000)**	562 000	95 256 583

[1] *The thresholds achieved at 30 June 2018 have been used to calculate fair value. Offers 2016 and 2017 have yet to vest therefore the percentages used in the calculation of fair value may be different to those at the vesting dates.*

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	**2018**	2017
AJ Bester[1]	**415**	–
N Damasane[2]	**–**	430
KM Forbay[1]	**379**	–
RW Gardiner	**814**	557
NA Matyumza[3]	**441**	744
SN Maziya	**552**	488
NS Mjoli-Mncube	**–**	286
JM Ngobeni[4]	**69**	391
H Ntene[1]	**364**	–
	3 034	2 896

[1] Appointed 1 November 2017
[2] Resigned 16 November 2016
[3] Resigned 24 November 2017
[4] Resigned 22 November 2017

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**
23 November 2017	98,93%	1,07%	0,45%
16 November 2016	100,00%	–	0,11%
12 November 2015	99,21%	0,78%	1,48%

The average percentage increase proposed for directors' fees is 6% (FY2017: 6,5%). The proposed fees for non-executive directors in respect of FY2019 are disclosed below.

R'000	2019	2018
Lead independent director	353	333
Non-executive director	221	208
Chairman of Audit committee	335	316
Chairman of Risk committee	164	154
Chairman of Remuneration committee	164	154
Chairman of Social and ethics committee	164	154
Committee members (per meeting)	31	29

DIRECTORS' AND PRESCRIBED OFFICERS' SHAREHOLDING

		2018			2017	
'000	**Direct**	**Indirect**	**Total**	Direct	Indirect	Total
Executive directors						
MS Wylie^	**–**	**276**	**276**	–	317	317
EL Nel	**291**	**1**	**292**	261	–	261
CV Henwood	**66**	**–**	**66**	36	–	36
Non-executive directors+						
SN Maziya+	**–**	**237**	**237**	–	233	233
NS Mjoli-Mncube+	**–**	**–**	**–**	132	233	365
JM Ngobeni+	**–**	**–**	**–**	132	233	365
Prescribed officers						
PJ Foley	**76**	**–**	**76**	78	–	78
RM Smith#	**47**	**–**	**47**	18	–	18
TR Armstrong	**–**	**–**	**–**	14	415	429
EA Mashishi*#	**–**	**118**	**118**	–	116	116
S Vally-Kara	**8**	**–**	**8**	–	–	–
	488	**632**	**1 120**	671	1 547	2 218

^ 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 and calculated based on a predetermined threshold. Should the share price at 30 June 2018 be applied to the formula, no shares would vest with the partners.

** Included in the 117 935 indirect shares disclosed in the above table are 100 000 allocated shares in respect of the empowerment initiative of the group and 17 935 shares acquired with dividends from the allocated shares. The allocated shares 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 vesting date and calculated based on a predetermined threshold. Should the share price at 30 June 2018 be applied to the formula, the director would not receive any of the 100 000 allocated shares in terms of the formula. He would, however, receive the 17 935 dividend shares net of any taxation owing.*

 # RM Smith and EA Mashisi have 0% (FY2017: 1.8%) and 33% (FY2017: 33%) interest in Edwin Construction (Pty) Ltd respectively.

OTHER LONG-TERM INCENTIVE SCHEMES

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

	WBHO Management Trust	**Akani Share Scheme**	
'000		**Black partners**	**Employees**
Total shares/options allocated or in issue	1 130	830	1 818
Allocations/issues in the current year	–	–	414
Dividend shares purchased	n/a	14	42
Shares vested in the current year	55	–	66
Share bought back/to be bought back	–	–	3 494
Shares available for future allocations	2 137	–	912

Further details in respect of the above schemes are available online in the audited 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 economic empowerment
Black	African, Indian and Coloured
GDP	Gross domestic product
LTI	Long-term incentives
LTIFR	Lost time injury frequency rate
IT	Information technology
IFRS	International Financial Reporting Standards
King IV™	King IV Report on Corporate Governance for South Africa
MOI	Memorandum of Incorporation
OECD	Organisation for Economic Co-operation and Development
RCR	Recordable case rate
ROCE	Return on capital employed
STI	Short-term incentives
SED	Socio-economic development
SANRAL	South African National Roads Agency
VRP	Voluntary Rebuild Programme

FINANCIAL DEFINITIONS

Current ratio	Current assets/current liabilities
EBITDA	Earnings before interest, taxation, depreciation and amortisation
Gross profit margin	Gross profit/revenue
Market capitalisation	Number of issued shares x closing 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

STATUTORY INFORMATION

WILSON BAYLY HOLMES-OVCON LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1982/011014/06)
Share code: WBO
ISIN: ZAE000009932
(WBHO)

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COMPANY SECRETARY

Shereen Vally-Kara ACIS

AUDITORS

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SPONSOR

Investec Bank Limited

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