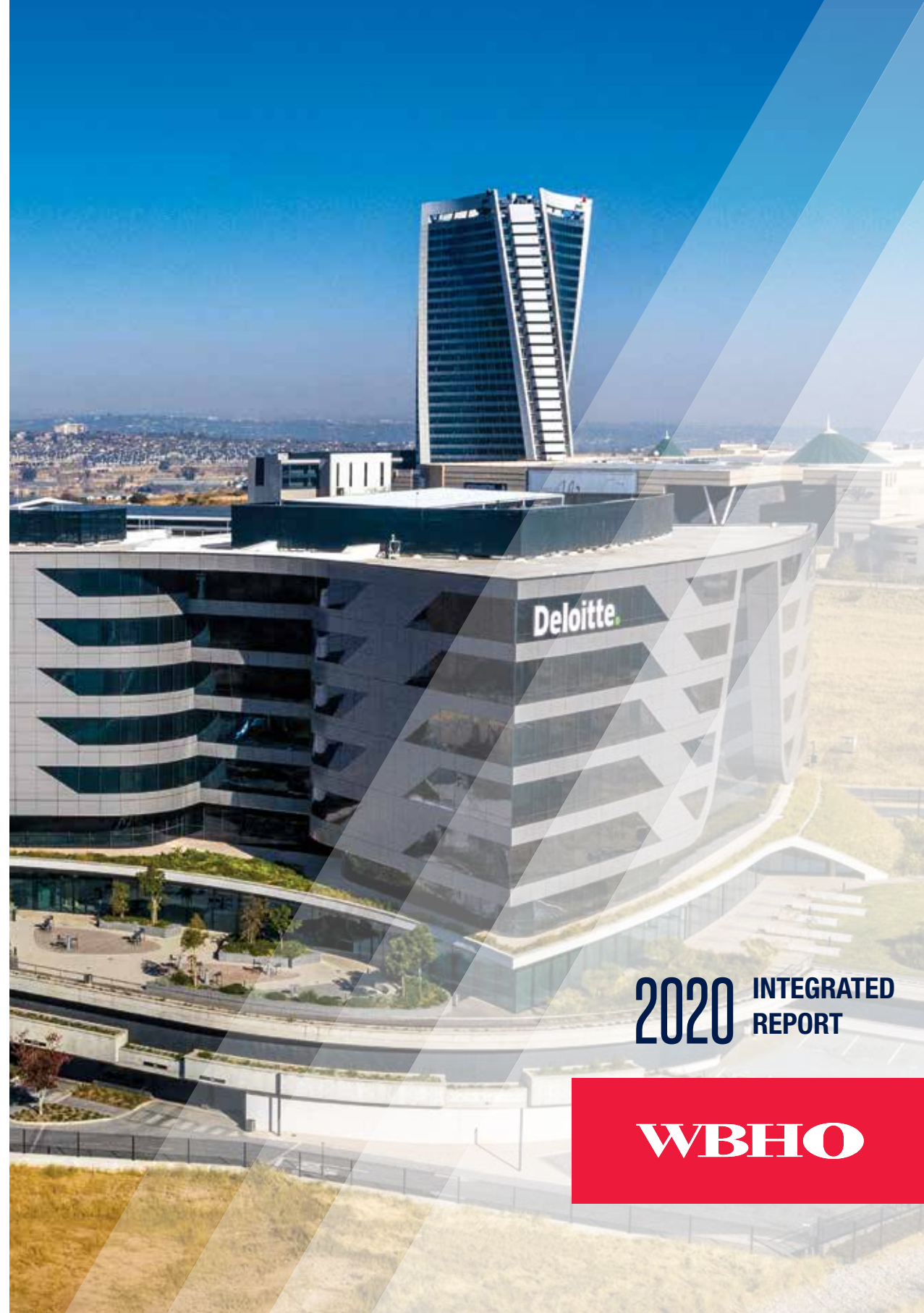




2020 INTEGRATED REPORT

WBHO



LOUWTJIE NEL
CHAIRMAN

FY2020 was one of the most challenging years ever faced by the Group, where numerous challenges were faced on multiple fronts. The weak domestic environment all but decimated the South African construction industry. While construction activity in Australia has been largely positive over recent years, this has sadly not reflected in our results. In the UK, both the Byrne Group and Russell-WBHO produced solid results for the year.



WOLFGANG NEFF
CHIEF EXECUTIVE OFFICER

Teamwork is one of the core values of The WBHO Way and this year it has never been more necessary. I was immensely proud of how we pulled together and stood together as we grappled with the consequences of the life-threatening coronavirus. Many hard decisions had to be taken, and by far the most difficult, was the need to reduce our headcount and let go of many of our loyal employees into an unknown environment. I thank each of them for their understanding and hope that our paths will cross once again when life returns to some form of normality.

CONTENTS

1	Performance highlights
2	About our Integrated Report
3	Board responsibility
3	Statement of compliance by Company Secretary
4	Message from the Chairman
8	Understanding WBHO
9	Quick facts
9	Vision
9	The WBHO Way
10	Geographic presence
12	What differentiates WBHO?
13	Creating value
14	Value creating business model
18	Material issues and operating context
36	Engaging and creating value for stakeholders
42	Strategic objectives
50	Risk management
56	Delivering value
57	Message from the Chief Executive Officer
62	Operational reports
80	Order book and outlook
86	Message from the Chief Financial Officer
98	Protecting value
99	Message from the Lead independent director
100	Board of Directors
102	Governance report
105	Audit committee report
109	Message from the Remuneration committee Chairman
110	Remuneration committee report
111	Remuneration and implementation report
122	Reference information
122	Abbreviations and acronyms
122	Financial definitions
123	Shareholders' diary
IBC	Statutory information

NAVIGATIONAL ICONS

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

NAVIGATION

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

CAPITALS

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

STAKEHOLDERS

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

MATERIAL ISSUES

-  Market dynamics
-  Reputation and culture
-  Project procurement and delivery
-  Transformation and localisation
-  Skills shortages and capacity constraints
-  Compliance
-  Labour and community unrest
-  COVID-19
-  Safety and environmental management

STRATEGIC OBJECTIVES

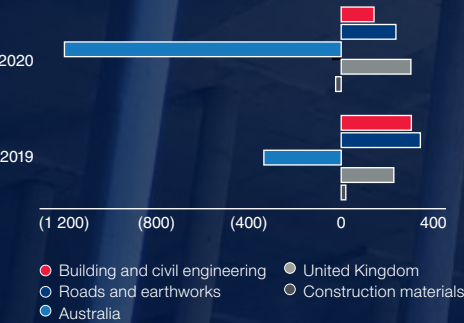
- SO1** Flexibility and diversification
- SO4** Capacity and talent management
- SO2** Procurement and execution excellence
- SO5** Safety and environmental management
- SO3** Reputation and relationships
- SO6** Transformation and localisation

CONTRIBUTION BY SEGMENT (Rm)

REVENUE



OPERATING PROFIT

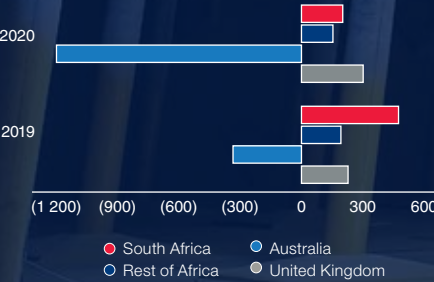


CONTRIBUTION BY GEOGRAPHY (Rm)

REVENUE



OPERATING PROFIT



WWW.WBHO.CO.ZA

PERFORMANCE HIGHLIGHTS

REVENUE

R43 billion
2019: R41 billion

LOSS PER SHARE

937 cents
2019: 939 cents
(earnings per share)

2020

CASH

R7,6 billion
2019: R6,0 billion

CASH GENERATED FROM OPERATIONS

R790 million
2019: R1,5 billion

OPERATING MARGIN

-1,2%
2019: 1,4%

ORDER BOOK

R35 billion
2019: R47 billion



WBHO is one of the largest construction companies in southern Africa and is listed on the Johannesburg Stock Exchange. Our vision is to be the leading construction company wherever we operate. The driving force behind WBHO is a core of dedicated, hands-on management professionals whose experience spans decades of major construction projects across three continents. Construction activities, that cover the full construction spectrum, are divided into three main operating divisions: Building and civil engineering, Roads and earthworks and Construction materials. WBHO's African offices are strategically located in Johannesburg, Cape Town, Durban and Port Elizabeth in South Africa as well as Gaborone in Botswana, Maputo in Mozambique, and Accra in Ghana. Our Australian subsidiary, WBHO Australia, has its headquarters in Melbourne, while our United Kingdom (UK) operations provide services out of London and Manchester.

ABOUT OUR INTEGRATED REPORT

The directors of Wilson Bayly Holmes-Ovcon Limited (WBHO) hereby present the 2020 Integrated Report. This report is prepared in accordance with the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework (the <IR> framework) and provides stakeholders with a concise and transparent assessment of WBHO's ability to use its expertise to create sustainable value.

SCOPE AND BOUNDARY REPORTING PERIOD

The WBHO Integrated Report (IR) is prepared and published annually. This report provides material information relating to our strategy and business model, operating context, material risks, stakeholder interests, performance, outlook and governance, covering the year 1 July 2019 to 30 June 2020. Any material events after this date and up to the Board approval date of 12 January 2021 have also been included.

OPERATING BUSINESS

The report covers the primary activities of the Group, its business clusters, key support areas and subsidiaries in the African, Australian and UK operations. Subsequent to the financial reporting period, the Group substantially concluded a share purchase agreement for the disposal of its Australian building business, Probuild Constructions Aust Pty Ltd (Probuild). The conclusion of the transaction remains subject to various shareholder and regulatory approvals. Detailed information on investments in which the Group holds only a minority stake is not included.

FINANCIAL AND NON-FINANCIAL REPORTING

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

TARGETED READERS

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

INTEGRATED THINKING AND MATERIALITY

The value creation story (see pages 13 to 49) is structured to reflect the relationship between the various elements involved in achieving stakeholder goals. By analysing the risks and opportunities identified in the operating context, stakeholder engagement process and internally identified risks and opportunities, the Group has determined which matters are most important to WBHO's value creation over the short, medium and long term. WBHO has used these as points of reference to ensure only those matters that could have a substantial effect on the ability to deliver stakeholder value are reported on.

COMBINED ASSURANCE

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

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements with respect to WBHO's financial position, results, operations and businesses. These statements and forecasts involve risk and uncertainty as they relate to events and depend on circumstances that occur in the future. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Consequently, any 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 and completeness of this Integrated Report and its supplementary information, 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.

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 <IR> Framework.

This Integrated Report was approved by the Board of Directors of WBHO on 12 January 2021 and is signed on its behalf by:

Louwtjie Nel
Chairman

Wolfgang Neff
Chief Executive Officer

12 January 2021

STATEMENT OF COMPLIANCE BY COMPANY SECRETARY

I confirm that the company has lodged all returns, in respect of the year ended 30 June 2020, 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

12 January 2021

FEEDBACK

For further information, please direct your questions, comments or suggestions to the Group Company Secretary, on +27 11 321 7200 or wbhoho@wbho.co.za.

REPORTING SUITE

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



Integrated Report (IR)

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

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



Audited Consolidated Financial Statements (AFS)

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

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



Environmental, Social and Governance Report (ESG)

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

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



Notice of annual general meeting (AGM)

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

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

CHAIRMAN



LOUWTJIE NEL



FY2020 was one of the most challenging years ever faced by the Group, where numerous challenges were faced on multiple fronts. The weak domestic environment has all but decimated the South African construction industry. While construction activity in Australia has been largely positive over recent years, this has sadly not reflected in our results. In the UK, both the Byrne Group and Russell-WBHO produced solid results for the year.

It is with great pleasure that I write my first report to you as Chairman of WBHO following Mike Wylie's retirement in November 2019. At the outset I'd like to once again extend both my personal thanks as well as that of the Board to Mike for his many years of service not only to WBHO, but also to the wider construction industry. Fortunately, Mike's experience is not lost to us entirely as he continues to chair the Tirisano Trust, set up by Government and the industry under the Voluntary Rebuild Programme to facilitate the support and growth of emerging contractors.

Following my election as Chairman, a number of other leadership changes took place in line with our succession policy. As I'm sure you are all aware by now, Wolfgang Neff took the helm as Chief Executive Officer and alongside that appointment, Riaan de Necker, Craig Jessop and Berto Smit were appointed to the Executive committee (Exco) as Group managing directors of the Roads and earthworks and the Building and civil engineering divisions respectively.

REFLECTING ON FY2020

It certainly hasn't been an easy time for the executive team with FY2020 possibly being one of the most challenging years ever faced by the Group, where numerous challenges were faced on multiple fronts. The weak domestic environment has all but decimated the South African construction industry over the last five years and trading conditions were not any better over the first half of FY2020. While construction activity in Australia has been largely positive over recent years, this has sadly not reflected in our results where large-scale losses on two problematic projects have overshadowed the successful delivery of many other high-quality projects. The UK market also softened during the year, and while the teams at both the Byrne Group and Russell-WBHO produced solid results for the year, finding replacement work was becoming more difficult.

Despite these headwinds, we were beginning to feel some cautious optimism by the mid-point of the reporting period. The Roads and earthworks division was well placed on a number of large SANRAL tenders as well as on a large multi-billion rand design and construct project for Airports Company South Africa, building order books were looking healthy in the coastal regions; and momentum was gaining around the gas-related infrastructure projects in Mozambique. While oversight of the Australian operations remained a priority, government elections in the UK had brought certainty in respect of Brexit as well as the promise of widespread public infrastructure spending.

Unfortunately, that optimism was short-lived as the severity of the COVID-19 pandemic and its effect on global markets became apparent. The world looked on in shock as people's lives and livelihoods across the globe were shattered. Watching loved ones pass on, seeing friends and family lose their jobs and having our personal freedom restricted in a way we have never experienced before has been exceptionally traumatic for many of our employees, over and above the anxiety of returning to work and facing exposure to this potentially deadly virus. Health and safety

has always been a top priority within the construction industry, and as a Group we pride ourselves on looking after the wellbeing of our people. Every conceivable measure was implemented on site and in our offices to ensure we limited the spread of COVID-19 as far as possible.

From a business perspective, the virus affected all areas of our operations to one extent or another. However, it was most felt in South Africa where the hard lockdown under Alert Level 5 and phased start-up of construction under Alert Levels 4 and 3 resulted in extensive costs, particularly as we decided to support our permanent employees by paying them in full over this period. While we were fully operational again by the end of the financial year, project awards had dried up as clients waited for more certainty before committing to large capital expenditure.

FY2020 was also the year we took a long hard look at our presence in Australia. A weakening currency (the rand to Australian dollar was just R4 in 2001), the South African sovereign downgrade earlier in the year and the trend towards higher value and more complex projects as well as the losses being incurred, prompted our decision to engage the latest unsolicited bid for the Probuild business.

The Group has had a presence in the Australian construction market since 2001 when it acquired a 40% interest in Probuild, a mid-tier construction business centred in Melbourne at the time. Over the next decade, with the support of the South African balance sheet, Probuild grew to become a tier one contractor with a national footprint. The Group sought to improve the overall Australian margin by entering the civil engineering and infrastructure market and acquired businesses in Western Australia, which have largely performed consistently over time. Growing infrastructure opportunities in Melbourne prompted a decision to gain entry to this market and the WRU project was to be the business's flagship project which, if completed successfully, would raise the profile of the infrastructure business in the region. Sadly, the opposite occurred and the project has been a thorn in our side for the last two years.

While we firmly believed the sale of Probuild would be in the best interest of all stakeholders both in Australia and South Africa, regrettably just prior to the approval of this report we were advised that one of the regulatory approvals had been declined.

Although all in all FY2020 was a year many of us would like to put behind us, we did have a few memorable highlights to celebrate. The origins of WBHO date back to 1970 when Wilson-Holmes (Pty) Ltd was formed by John Wilson and Brian Holmes. The Group listed on the Johannesburg Stock Exchange (JSE) in 1994 and this year marked our 50th anniversary. At a celebratory function held prior to COVID-19, existing and previous management had the opportunity to reconnect and reminisce over the 50-year journey of this long-standing and remarkable company. Another feather in our cap was being recognised as the most empowered company on the JSE after coming second in the previous year.

MESSAGE FROM THE CHAIRMAN
CONTINUED

TRANSFORMATION

At WBHO we are fully supportive of transformation, empowerment and upliftment that benefits people who have been historically deprived of opportunity as well as the many hard-working South Africans seeking work and the ability to support their families. Through its labour-intensive workforce and the depth of its supply chain, the construction industry has the ability to create immediate stimulus into the economy as well as providing transferable skills. Through our representation at the South African forum of Civil Engineering Contractors (SAFCEC) and the Construction Charter Council, we continue to engage with government for support of the wider industry and the pragmatic implementation of transformation policies that will have the desired effect. Most recently we have, in conjunction with other industry participants (both large and small), offered our views on the latest draft legislation, pointing out potential pitfalls and unintended consequences that may affect not only our industry, but business at large. As a Level 1 contributor since 2018, we are also proud to offer our clients enhanced scoring when they invest in our services.

GOVERNANCE

It is no secret that South Africa has been plagued by corruption over the last decade. Sadly, it is the poorest and most vulnerable of our society that suffer most. Sound governance is critical for an organisation to ensure that it creates value for all its stakeholders. At WBHO, the Board and management hold themselves to the highest ethical standards in the way they conduct our business, and we have the appropriate policies and processes not only to educate our staff, but also to detect and report upon any undesirable activities. The regular use of our anonymous tip-off line by our employees gives me confidence that the ethical culture we promote at a senior level is well-embedded throughout WBHO.

As a Board, we had difficult themes to address this year, and as Chairman I was reassured by the cohesive and collaborative manner in which we confronted these issues.

LOOKING AHEAD

For the first time in my career, the future has never seemed quite so uncertain. It is impossible to accurately predict what the ultimate impact of COVID-19 will be, but I have no doubt it will take some years for economies around the world to meaningfully recover. Unfortunately, the inability of the United States of America to get the virus under control and its resurgence across Europe as well as South Africa also means it is not yet behind us.

Nonetheless, we must remain positive and manage what is in front of us as best we can. The Group has secured a substantial amount of work since activity picked up after the end of the reporting period and order books are beginning to recover. As such, we are fortunate to have reasonable visibility of our activity levels for the next 12 months. Public infrastructure spending has been planned to support economic revival and while construction activity in general should benefit from it, we are also glad to have the opportunity to play our part in the restoration process.

In the event that the sale of Probuild is successful, although WBHO will be a smaller business moving forward, it will allow us to apply the lessons learned in Australia as we grow our two UK businesses.

APPRECIATION

On behalf of the Board and management, I would like to express our sincere appreciation to all our employees for their perseverance and dedication in weathering these abnormal times in support of the Group. Regrettably, current circumstances forced us to say goodbye to many of our staff and we offer our best wishes for their future success. I would also like to personally thank the Board members for their consistent support of the executive and management teams as well as the valuable insights and experience shared with us.

Sincere thanks to our shareholders, clients, suppliers and other stakeholders for your continued support, trust and loyalty, it is highly appreciated. We hope to soon put these difficult times behind us and look forward to working with you again in the year ahead.


Louwtjie Nel
Chairman

SABLE
CORNER

New office block consisting of a basement and four levels of office space

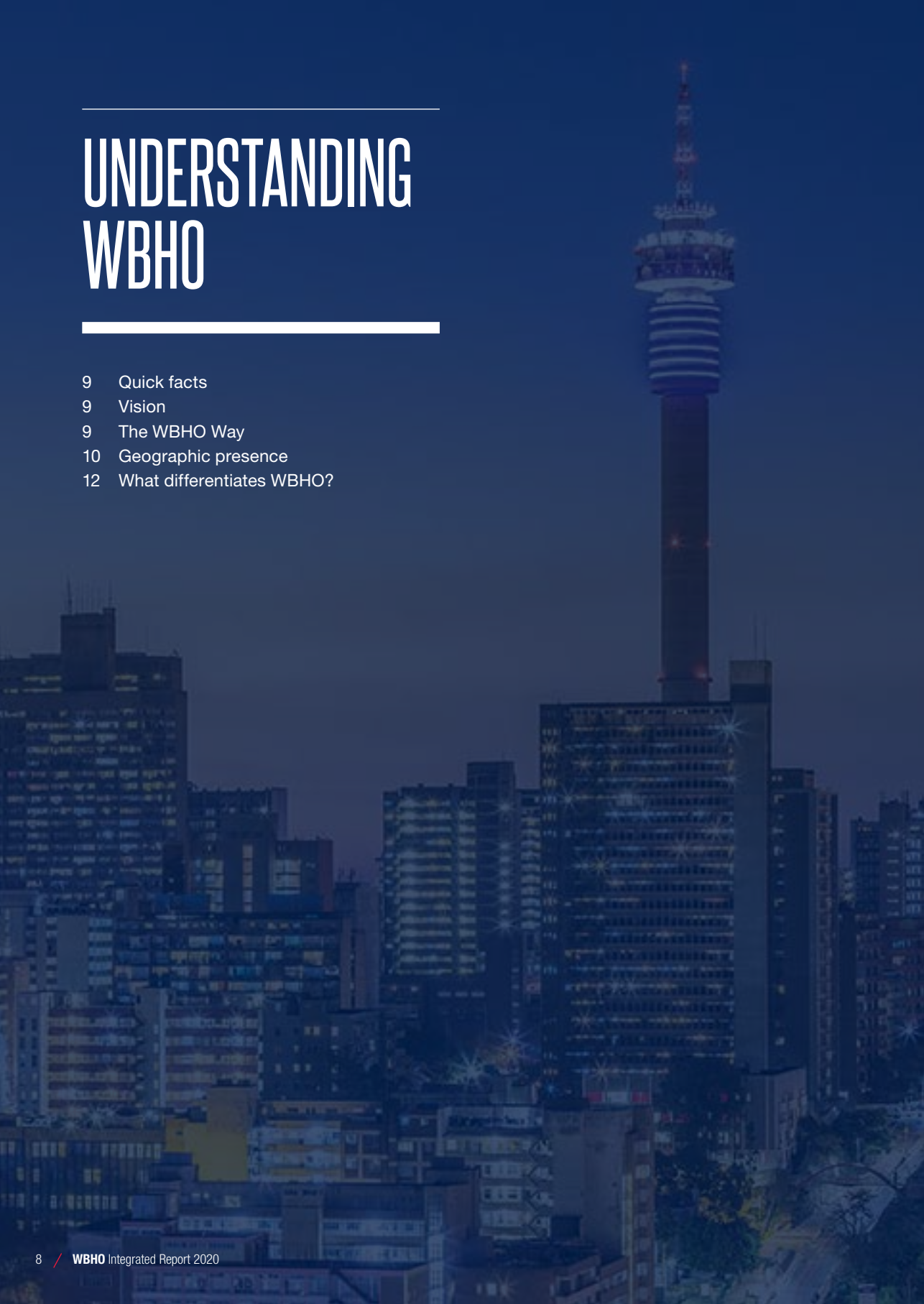
PROJECT VALUE

R129 million

PROJECT DURATION

14 months





UNDERSTANDING WBHO

- 9 Quick facts
- 9 Vision
- 9 The WBHO Way
- 10 Geographic presence
- 12 What differentiates WBHO?

QUICK FACTS

ESTABLISHED	LISTED ON THE JSE	MARKET CAPITALISATION	B-BBEE STATUS
1970	1994	R6 billion	Level 1

VISION

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

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

THE WBHO WAY

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



GEOGRAPHIC PRESENCE



AFRICA

REVENUE
R12,0 BILLION
(2019: R13,2 BILLION)

OPERATING PROFIT
R355,5 MILLION
(2019: R668,5 MILLION)

NUMBER OF EMPLOYEES
7 579
(2019: 9 509)*

* Restated to exclude Edwin Construction and Ikusasa Rail South Africa.



● BUILDING AND CIVIL ENGINEERING
● ROADS AND EARTHWORKS

● BUILDING
● INFRASTRUCTURE AND CIVIL ENGINEERING



UNITED KINGDOM

REVENUE
R6,5 BILLION
(2019: R5,7 BILLION)

OPERATING PROFIT
R302,0 MILLION
(2019: R228,0 MILLION)

NUMBER OF EMPLOYEES
773
(2019: 1 127)



AUSTRALIA

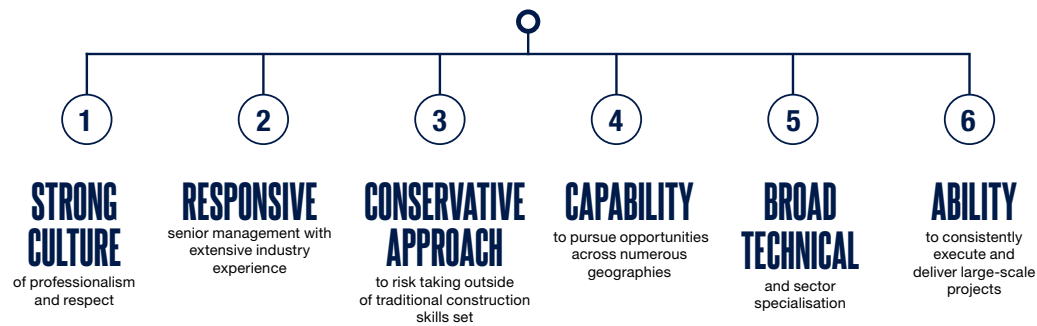
REVENUE
R24,7 BILLION
(2019: R21,7 BILLION)

OPERATING LOSS
R1 199 MILLION
(2019: R335,2 MILLION)

NUMBER OF EMPLOYEES
1 118
(2019: 1 139)



WHAT DIFFERENTIATES WBHO?



SERVICES OR PRODUCTS

We deliver our products and services through four business lines:



BUILDING AND CIVIL ENGINEERING

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



ROADS AND EARTHWORKS

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



PROJECTS

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



CONSTRUCTION MATERIALS

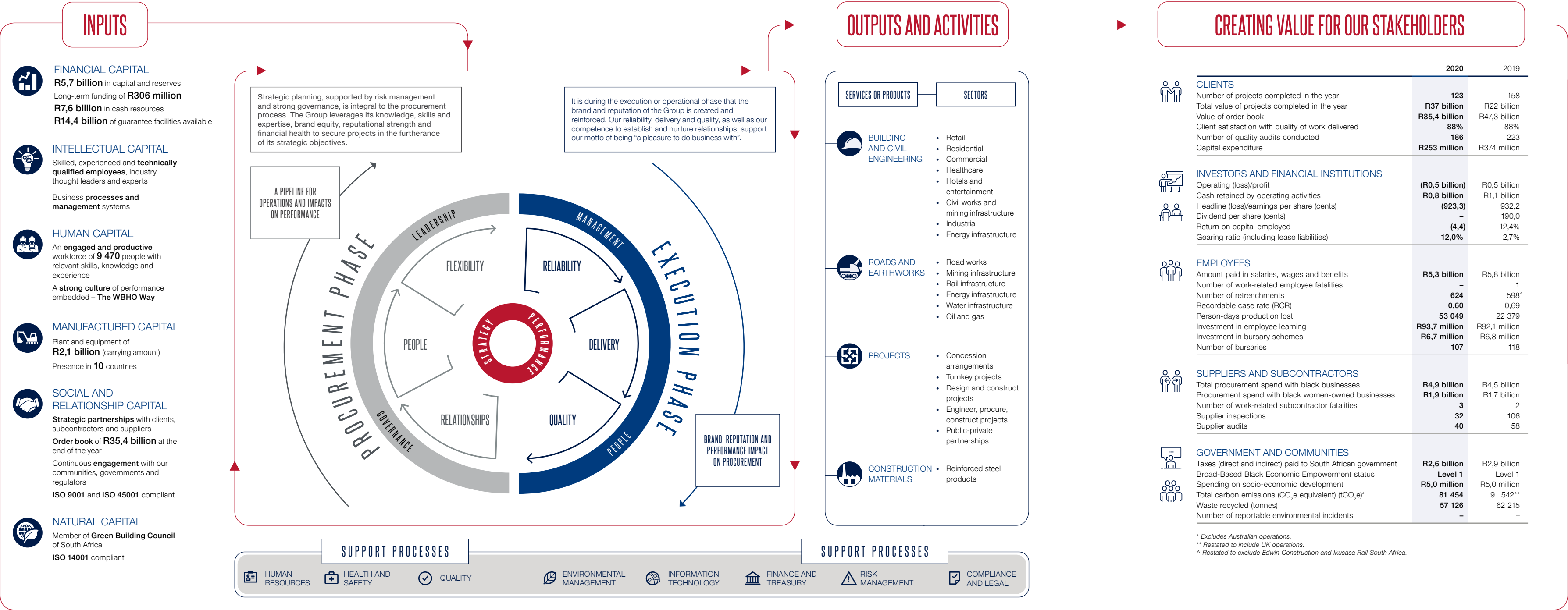
Operations that manufacture, supply and install long-steel products to the South African construction market.

CREATING VALUE

- 14 Value-creating business model
- 18 Material issues and operating context
- 36 Engaging and creating value for stakeholders
- 42 Strategic objectives
- 50 Risk management

VALUE-CREATING BUSINESS MODEL

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



COPPERTON AND GAROB WINDFARM

Erection of a pre-cast concrete facility for the manufacture and supply of 80 concrete towers 100 meters in height

PROJECT VALUE

R298 million

PROJECT DURATION

21 months

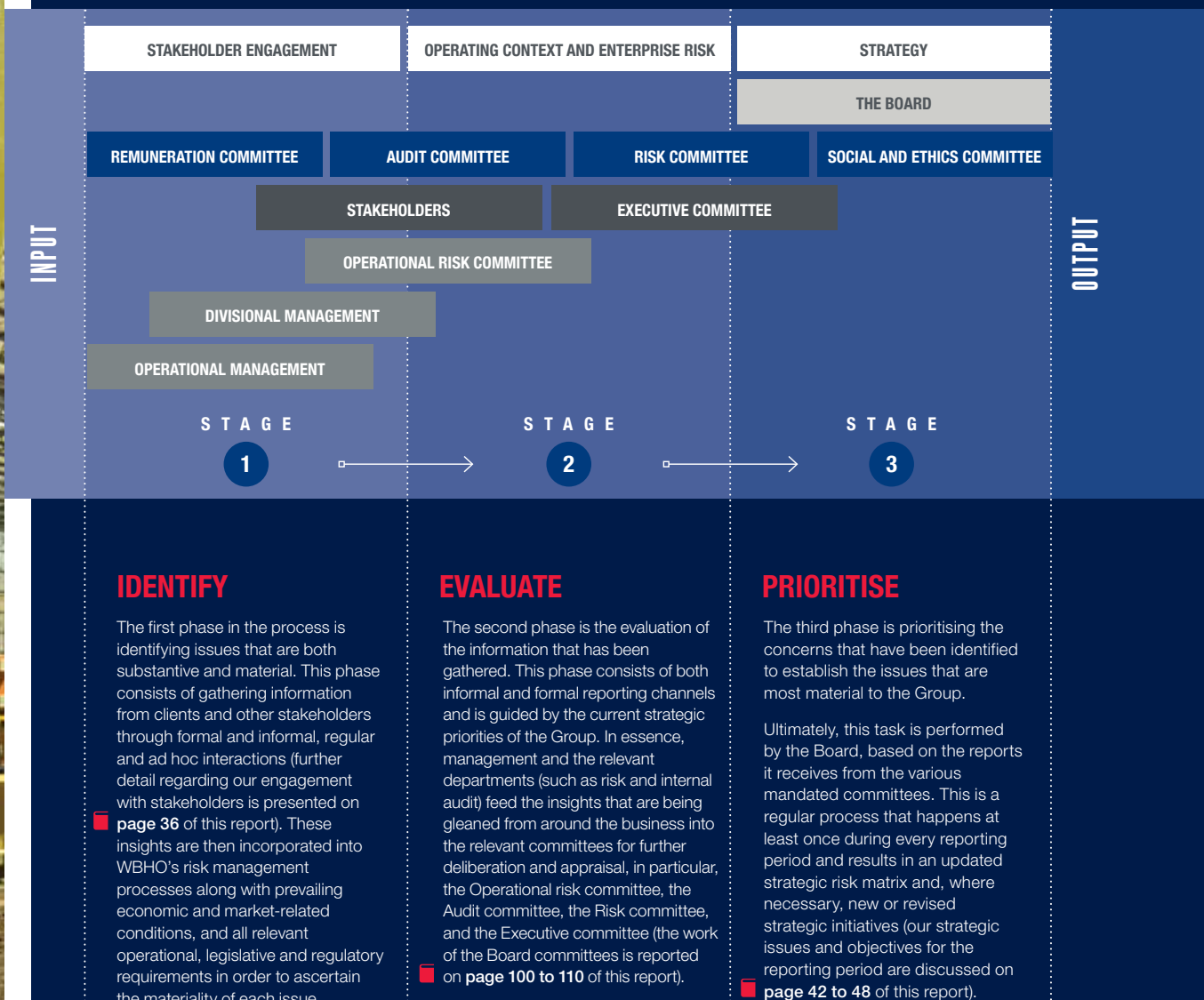


MATERIAL ISSUES AND OPERATING CONTEXT

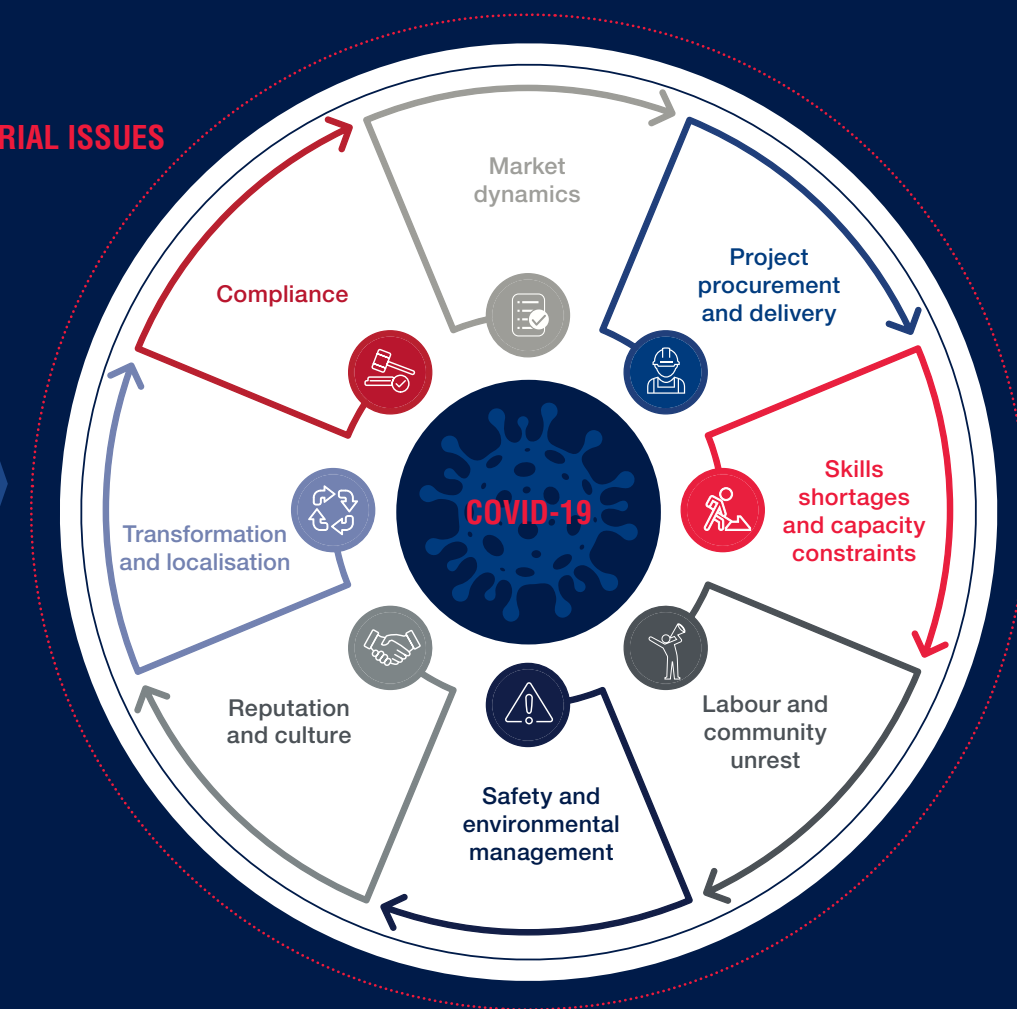
The material issues represent those matters that have the most significant impact on WBHO's ability to create value over time. These may change as new trends and developments shape the macro environment and stakeholders' needs evolve.

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

HOW WE DEFINE OUR MATERIAL ISSUES



MATERIAL ISSUES



For the purposes of this report, the Group classifies the various issues identified through the process adjacent into the broad categories of material issues listed above. The Group prioritises these categories of material issues, each of which has a material impact on WBHO's ability to create value. The material issues of the Group are highly inter-related and changes or shifts in the underlying issues of any one category can result in changing dynamics within some or all of the other categories. Changes or movements in the underlying issues within each category are discussed under the respective headings on [pages 20 to 34](#) of this report.

This year "Project procurement and delivery" (a strategic risk of the Group) was identified as a being a material concern for both management and stakeholders. In addition, due to its widespread implications for the Group, the global COVID-19 pandemic was identified as both a strategic risk and material issue during the year. While the pandemic was identified as a separate material issue, it affects almost all of the existing categories of material issues of the Group and hence the impact thereof is highlighted and discussed under each of these categories.

MATERIAL ISSUES AND OPERATING CONTEXT

CONTINUED



MARKET DYNAMICS

IMPLICATIONS FOR VALUE

Construction activity is highly correlated with economic cycles. Fluctuations in gross domestic product (GDP) and gross domestic fixed investment (GDFI), commodity prices, interest rates and consumer and business confidence all impact on spending patterns and the required infrastructure to meet these trends. The various sectors and geographies within which the Group operates each have their own intrinsic risk profiles while also being exposed to differing effects of prevailing global and local economic cycles. This, in turn, impacts the awarding of construction contracts, capacity utilisation and margins across all business segments.

ASSOCIATED RISKS AND OPPORTUNITIES

- Ever-changing market conditions
- Rapid growth or decline in volumes of work procured
- Political instability
- Exchange rate volatility
- Over exposure to individual sectors/regions/clients
- Over trading in economic upturns
- Volatile earnings and margins
- Payment risk
- Erratic investor sentiment

OPERATING CONTEXT

WBHO conducts its operations in South Africa, the rest of Africa, Australia and the United Kingdom.

SOUTH AFRICA

The construction sector accounts for 3,3% of South Africa's GDP (2019) and employs circa 1 343 328 people (Q1:20) of which 34% are in the informal construction sector. Construction plays a key role in informal sector job creation and is the second-largest employer of private informal sector workers.

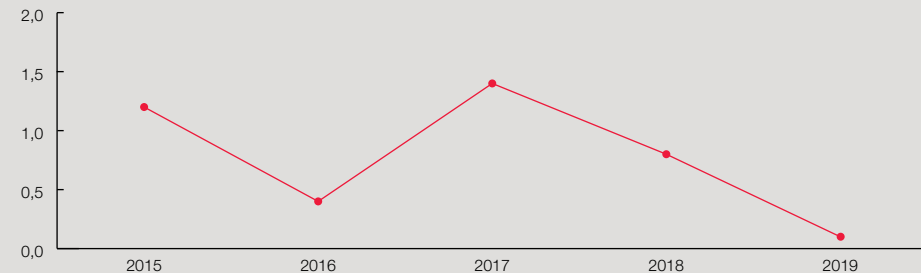
In South Africa, the last two quarters of 2019 and the first quarter of 2020 (pre-COVID) remained characterised by minimal economic growth and low levels of business confidence. This weak environment was then further bludgeoned by the impact of the global COVID-19 pandemic in the second quarter of 2020. South Africa's Q2:20 GDP contracted by a massive 51,0% quarter on quarter when the pandemic virtually halted the South African economy. Year on year GDP growth for Q2:20 fell by 17,1%, which places South Africa into its longest recession in 28 years.

Gross fixed capital formation declined by 12,2% between 2014 and 2019 and fell further in the first quarters of 2020. Reduced capital expenditure has a profoundly negative impact on construction sector output which has been in contraction since 2017. Public sector fixed investment in infrastructure has long been in decline due to the precarious fiscal situation of the government and, as a result, the construction sector has relied heavily on private investment to support activity over recent years. In Q1:20, real private sector fixed investment contracted by a deep 25,3% quarter on quarter (seasonally adjusted) after a previous 10,3% quarter on quarter contraction in Q4:19. This is further highlighted by a 43,9% decrease in the value of recorded building plans passed between January and June 2020, compared to that of January to June 2019.

The sovereign downgrade at the end of Q1:20 compounded the nation's economic woes even further. Both private sector fixed investment and public sector infrastructure expenditure, already in decline, now face the repercussions of "junk status" and the prevailing COVID-19 crisis, which does not bode well for the construction sector. Government's proposed infrastructure spending programme – part of the economic stimulus package aimed at countering the devastating impact of COVID – offers some hope for the sector; however, given ongoing budget deficits and a government debt to GDP ratio in excess of 60%, affordability remains a concern.

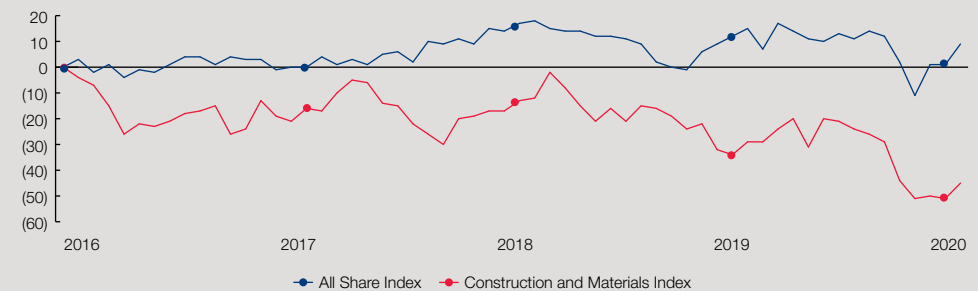
The current economic climate has seen significant depreciation of the rand against major currencies, including the Australian dollar. The emerging increased size and complexity of projects in Australia presents additional challenges in supporting the future of the Australian businesses.

South Africa: Annual GDP growth (%)



The effect of the protracted decline in both public and private investment on the local construction industry is clearly illustrated in the graph below. The sector has consistently underperformed against the overall South African market, resulting in significant erosion of shareholder value. Construction opportunities across all sectors have diminished, resulting in fewer and smaller available projects. Heightened competition and aggressive bidding have translated into an increased prevalence of loss-making projects. This environment has culminated in a number of corporate failures over recent years as well as a substantial decrease in employment levels (*material issue: Skills shortages and capacity constraints*). As a result, financial institutions have hardened their position towards the sector, seeking reduced exposure and an increased pricing of risk. The impact of COVID-19 on both indices is visible over the last quarter of the financial year, however, the recovery of the construction industry is far softer than that of the overall market.

Construction and Materials Index vs All Share Index (% change)



Sources: Statistics South Africa, Standard Bank and Absa Bank research, World Bank, Trading Economics

MATERIAL ISSUES AND OPERATING CONTEXT

CONTINUED



MARKET DYNAMICS (continued)

REST OF AFRICA

The Group's operations in the rest of Africa largely target the resource-intensive sectors within Botswana and Zambia in southern Africa, Mozambique in East Africa and Ghana in West Africa, while entering other territories on the continent on a project-by-project basis. Construction opportunities within these sectors are dependent on commodity demand cycles, with the effect that growth and prospects can vary significantly from year to year. Public sector road and water infrastructure projects as well as private sector building work are pursued where the Group is satisfied that potential payment risk can be substantially mitigated.

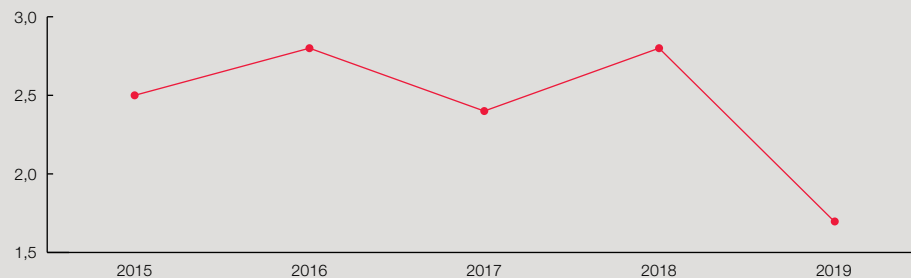
Improved copper and diamond prices and the commencement of the gas-related infrastructure works in Mozambique have, to some extent, supported economic activity and consequently construction opportunities in sub-Saharan target markets over recent years. In West Africa, improved gold and iron-ore prices had bolstered appetite for new capital projects with a simultaneous increase in requests for budget pricing. However, the loss of momentum in global expansion led to reduced demand for raw materials and appears to have delayed the feasibility of many of these projects.

The economies within the target markets of the Group in the rest of Africa did not escape the ramifications of COVID-19 where lockdowns were implemented to varying degrees of severity in all regions. The closing of international borders and strict quarantine regulations, where travel was permitted, essentially halted international trade between countries. Commodity prices in general dropped significantly in Q2:20 before staging a partial recovery, however, the gold price gained as investors fled for safety. Momentum in bringing projects to market was subsequently impacted as mining houses waited for markets to stabilise before committing to any new capital expenditure.

AUSTRALIA

The construction industry is a significant pillar of the Australian economy, being the third largest industry producing AU\$360 billion in revenue and approximately 9% of the nation's GDP. There are over 330 000 businesses nationwide employing over 1,1 million people (approximately 9% of the national workforce).

Australia: Real Annual GDP growth (%)



Sources: IMF and World Bank

The Australian economy has experienced uninterrupted economic growth over the last two decades, holding one of the highest growth rates of the developed world and being the world's 13th largest economy. As Australia has increased its economic integration with the Asia-Pacific region, the Australian economy has become increasingly dependent on China, its largest trading partner. China purchases over a third of Australia's exports, of which more than 70% are resource commodities. This integration has resulted in strong population growth and increased urbanisation, which have supported both building and infrastructure construction markets. GDP growth dropped to 1,90% in 2019, a 1,04% decline from 2018, where households and the consumer sector have struggled amid low wage growth. Nonetheless, the economy continues to be driven by high levels of business and government spending, which have driven strong growth in construction activity over recent years.

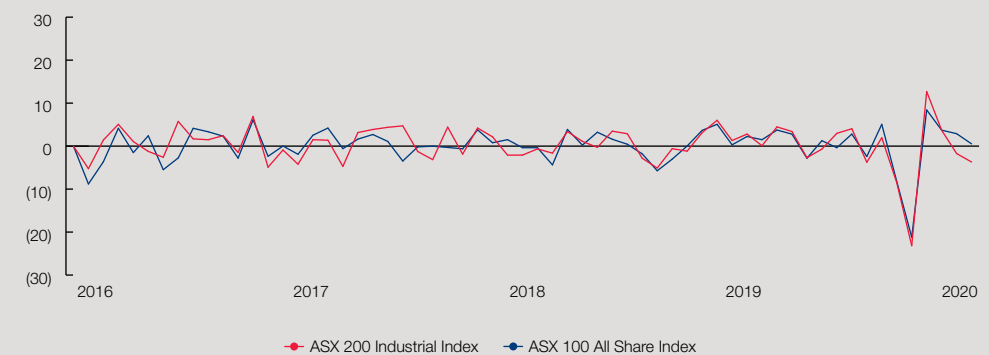
However, Australia's relationship with China deteriorated drastically in Q2:20, largely due to Australia's questioning of the origins of the COVID-19 pandemic resulting in both countries implementing deep felt economic and political sanctions. Chinese commercial investment in Australia fell by more than 47% to AU\$2,5 billion in 2019, and is expected to fall further amid tensions between the two countries according to the Australian National University's latest Chinese Investment in Australia database.

IMF forecasts predict GDP growth in Australia to fall to -6,7% in 2020 due to the outbreak of COVID-19. The Australian government classified construction as an "essential service" and subject to health, safety and social distancing requirements, construction sites remained open up until a hard lockdown was implemented in August (after the Group's reporting period) as a second wave of infections emerged.

Results from surveys indicate that a number of projects that were in the final stages of pre-construction (design development, tender pricing, etc.) were put on hold or are progressing at a slower, more cautious pace. Market indicators suggest a significant decline in commencement volumes over the next six to 12 months. The recently released RICS Q1:20 Australia Construction and Infrastructure Survey found that despite governments not mandating construction work stoppages, the robust expansion in activity levels recorded over the course of 2019 has contracted significantly in the first quarter of 2020.

Economic growth over recent years has supported higher levels of public spending aimed at providing the necessary infrastructure upgrades to meet the country's needs. This has resulted in increased public-private construction opportunities in infrastructure markets. Residential construction has been subdued due to government efforts to quell the foreign demand that has driven price inflation in the sector, creating affordability concerns for local residents. Non-residential building activity has experienced stable growth as investment in Melbourne and Sydney remained positive due to low vacancy rates. A focus on mixed-use developments combining retail, hotel and office space has resulted in the emergence of a number of mega projects. While retail activity has been muted until now, a positive recent trend is the large-scale repurposing of traditional retail centres into "destination retail", encompassing cinemas, dining and other entertainment alongside traditional retail formats. Financing conditions have however hardened in recent years with increased requirements for pre-sales and leasing pre-commits, particularly from Australian on-shore lenders. This has led to an increase in foreign lending, particularly from the United States of America.

ASX200 Industrial Index versus ASX 100 (% change)



MATERIAL ISSUES AND OPERATING CONTEXT

CONTINUED

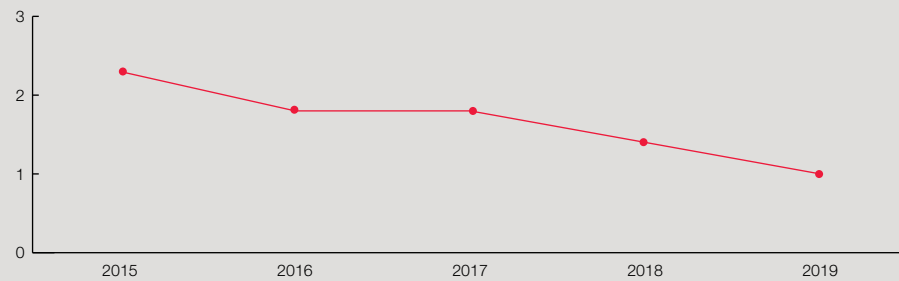


MARKET DYNAMICS (continued)

UNITED KINGDOM (UK)

The construction sector currently contributes £117 billion to the UK economy, approximately 6% of total economic output creating 2.4 million jobs. The UK is the sixth largest economy in the world and the second largest in Europe and until 2016 enjoyed stable economic growth. GDP growth has moderated since the 2016 Brexit referendum, dropping from above 2% to 1.1% in 2019. The UK's decision to leave the European Union (EU) damaged growth while other advanced economies experienced a broad-based upturn in growth in 2017 and early 2018. Uncertainty related to the Brexit negotiations spurred declines in business investment alongside the prospect of reduced access to foreign markets. A weaker exchange rate fuelled rising inflation, contributing towards weaker consumer spending and less economic growth.

United Kingdom: Real Annual GDP growth (%)



The uncertainty surrounding Brexit has affected the general construction industry, specifically in those sectors requiring high initial investments to generate long-term rates of return such as retail, commercial offices and industrial developments. A sharp fall in new orders through 2017 and 2018 saw significantly lower construction output from these sectors in 2019. The private housing sector showed some growth in 2019, assisted in part by the government's "Help-to-Buy" scheme, particularly in the North and the Midlands, which helped offset declining demand in London and the South East. Nonetheless, end-of-year data suggested that the UK construction sector struggled through the final quarter of 2019, with Brexit uncertainty and spending delays ahead of the general election being the most commonly cited factors for reduced construction activity. After the Conservative victory in the general election, optimism for the sector swelled in expectation of the ambitious infrastructure spending included in election promises despite concerns over shortages of suitably skilled construction workers and a dearth of "shovel-ready" projects.

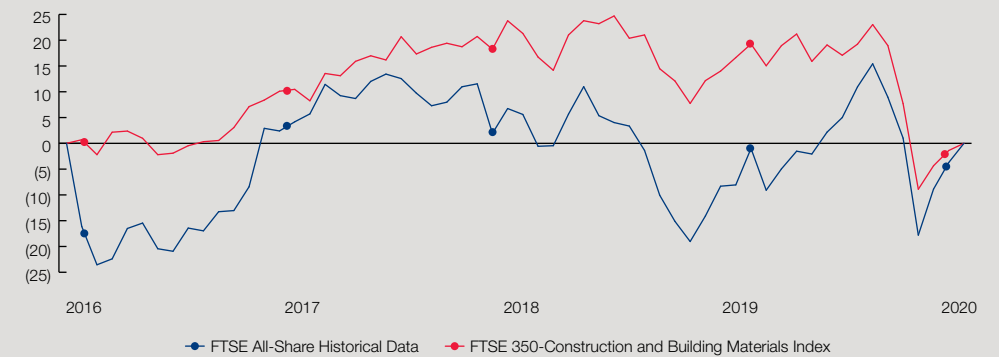
This optimism was short-lived as the COVID-19 pandemic and the lockdown of much of the UK economy from late March caused widespread disruption to economic activity. Britain's GDP slumped by 21.7% year on year in the second quarter of 2020 with fixed investment falling by 27% and government spending by 16.9%. While construction activity was permitted during the lockdown period, construction output in the UK fell by 35% in Q2:20, with new work decreasing by more than 40% according to the Office for National Statistics (ONS).

Like other countries, the UK government has promised wide-scale infrastructure spending aimed at driving a post-COVID economic recovery. In addition to the approval of the multi-billion pound HS2 railway project, housing projects amounting to £1.3 billion of investment are also in line for approval.

The Construction and Materials Index in the UK has generally outperformed the overall market since 2015, reflecting the favourable levels of both public and private investment in commercial and residential construction markets over the period. The graph highlights the initial reaction to Brexit in 2018 and the subsequent recovery thereafter. The impact of COVID-19 in Q1:2020 initially saw construction valuations drop to 2015 levels before regaining some of the losses over the next quarter.

Source: Office for National Statistics

FTSE Construction and Building Materials Index versus FTSE All Share Index (% change)



Strategic response

SO1

Flexibility and diversification

SO2

Procurement and execution excellence

Key stakeholders impacted



Investors



Employees



Suppliers and subcontractors

MATERIAL ISSUES AND OPERATING CONTEXT
CONTINUED



PROJECT PROCUREMENT AND DELIVERY

IMPLICATIONS FOR VALUE

Project procurement and delivery are continuous, inter-linked processes that underpin the Group's ability to create value. Although included as a strategic risk of the Group, project procurement and delivery are viewed as core competencies, and until this year, were not considered a material issue for management and stakeholders. The increased prevalence of loss-making and underperforming contracts, together with the extent of the losses incurred in Australia, have been a material concern in the year under review.

Market dynamics can have a profound impact on the Group's acceptance of risk when pursuing new work opportunities. In cycles of low demand and high competition, a less conservative approach to sector and client risk, contractual risk and specific project risks, including completion programmes, may be adopted to sustain activity levels and maintain workforce capacity. WBHO bids for projects through formal tender processes or direct negotiations with clients. Construction contracts generally take the form of remeasurable construction-only contracts, fixed price construction-only contracts or fixed price design and construct contracts, each with differing risk profiles and contractual terms. Bidding for these projects requires extensive experience as it involves a high degree of estimation supported by in-depth contractual and engineering know-how.

The proficient assessment and pricing of project risk is fundamental to submitting competitive bids and procuring new work upon which the sustainability of the Group is dependent. Estimation errors, non-identification of specific project risks, misinterpretation of key specifications and/or the misunderstanding of contractual terms at the time of bid submission have the potential to negatively affect productivity, create delays and ultimately result in penalties and losses during the execution phase.

Successful project delivery depends upon the effective implementation of the bid by managing both time and cost within the contractual terms. Substandard project management, under- or over-resourcing of projects and poor commercial management of the contract will ultimately result in reduced productivity, increased costs and the inability to meet contractual completion programmes. Conversely, strong project and commercial management together with innovative on-site engineering solutions create efficiencies, mitigate risk and reduce time and cost.

By its very nature, contractual claims are inherent within the live project environment. The ability to negotiate these claims in a manner that ensures the rights of the contractor are preserved, while at the same time maintaining professional and productive relationships with our clients is critical.

ASSOCIATED RISKS AND OPPORTUNITIES

- Margin erosion/improvement
- Loss-making projects
- Highly profitable projects
- Working capital risk
- Reputation and brand damage/enhancement

OPERATING CONTEXT

The Group has experienced a noticeable increase in procurement and project delivery risk in recent reporting periods.

The weak domestic economic environment and the impact of Brexit in the UK has resulted in competitive bidding on projects which, when combined with lower project values, has minimised opportunities for additional margin extraction which compensates for unforeseen on-site circumstances. The result is an increase in underperforming and loss-making projects.

On the other hand, strong economic growth in Australia saw the emergence of large-scale building and infrastructure mega-projects. The size and complexity of these projects present a different set of challenges at procurement and project delivery stages. The risk of underestimating the resources (both supervisory and operational) required to meet production outputs as well as the misinterpretation of engineering specifications increases significantly on projects of this nature. In the live project environment, the coordination of high volumes of resources across a large footprint alongside subcontractor performance and lead times for mechanical and electrical equipment require extensive project management experience. Mismanagement of any of these factors, or a combination thereof, culminates in the lengthy project delays often associated with these types of projects.

In the previous reporting period, the Group advised stakeholders of a material bidding error on the Western Roads Upgrade (WRU) project within the Group's infrastructure business in Australia. The error arose from a misinterpretation of the design specifications and resulted in a forecast loss of approximately AU\$50 million being recognised in FY2019. In the current period under review, project delivery was considerably delayed by the scheduling of state-prescribed utility owners (water, electricity, telecommunications, etc), the impact of COVID-19 and high levels of staff turnover with the result that the final package of the project will be completed approximately six months after the original completion date. From a cost perspective, in addition to the extra costs associated with the increased design scope recognised in the previous reporting period, cost overruns in respect of the utility providers, site running costs for an additional six months and costs associated with further scope creep due to ongoing design changes were accounted for in FY2020, bringing the forecast loss to AU\$133 million. The size of the loss has required significant funding from South Africa into Australia to ensure the infrastructure business is able to fulfil its contractual obligations.

The 443 Queen Street project, entailing construction of a residential tower in the Brisbane CBD, also suffered material delays over the period. The delays stemmed from a significant underestimation of the time required to meet the technical engineering specifications for the bulk earthworks and ground level support slabs during the construction phase, as well as legislation changes limiting the number of work days in the State of Brisbane from six to five. Together, these delays have culminated in an 18-month slippage against the original completion programme and a forecast loss of approximately AU\$30 million being recognised.

COVID-19

The primary impact of COVID-19 on project delivery manifested in lengthy delays as projects either ceased activity completely, or experienced reduced productivity. Management teams had to quickly come to terms with volumes of new legislation and procure large quantities of personal protective equipment (PPE), sanitising dispensers and educational and other signage in order to implement the necessary health and safety requirements (*material issues: Safety and environmental management and Compliance*).

COVID-19 also presented a number of contractual considerations, primarily the determination of the compensation due to the contractor, if any, for lost time, costs associated with the lockdown restrictions, the cost of implementing the legislated health and safety requirements as well as ongoing COVID-19-related costs and reduced productivity once work recommenced.

COVID-19 also affected existing bids on projects not yet awarded as these bids had not taken the impact of the pandemic into consideration. The additional costs of COVID-19 and reduced productivity also created estimation uncertainty on new work being procured.

Strategic response		Key stakeholders impacted	
SO1	Flexibility and diversification		Investors
SO2	Procurement and execution excellence		Employees
			Suppliers and subcontractors

MATERIAL ISSUES AND OPERATING CONTEXT

CONTINUED



SKILLS SHORTAGES AND CAPACITY CONSTRAINTS

IMPLICATIONS FOR VALUE

The construction industry is a fluctuating sector, regularly faced with a shortage or oversupply of skills depending on the amount of work available. Managing the gap between work-on-hand and the people required to execute that work, while at the same time retaining core teams and skills, is essential. Experienced management and competent artisans are crucial to project execution. Without an adequate base of experienced engineers and quantity surveyors, project delivery risk and commercial risk increase significantly. Developing and retaining skilled personnel are critical in managing these risks and underpin our ability to grow.

ASSOCIATED RISKS AND OPPORTUNITIES

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

OPERATING CONTEXT

Prior to COVID-19, the persistent low economic growth in South Africa and its impact on the local construction industry (*material issue: Market dynamics*) had resulted in recurring retrenchment processes as well as limited opportunities for meaningful career advancement. This, together with the increased risk to the personal safety of construction professionals and workers (*material issue: Labour and community unrest*), has led to an increase in the emigration of engineering professionals to countries that are considered safer and offer better career prospects. Furthermore, the decimation of a number of large construction companies in the country has created a vacuum in the training provided across all construction skill levels. Secondment of operational staff to regions far from home remains a challenge, particularly in West Africa where extended periods away from family and friends are required and maintaining a work-life balance is difficult. In Australia, before the impact of COVID-19, high levels of construction activity had increased market demand for skilled construction workers, placing pressure on main contractors and subcontractors to secure adequate levels of construction professionals and skilled labour for current and future projects. These shortages had also contributed towards margin pressure on construction projects as remuneration levels become inflated. Construction is a major sector of the UK economy, employing in excess of two million people. Before the emergence of COVID-19, the industry had been anticipating a skills shortage over the next decade. The recruitment of new talent was failing to keep up with the rate of retirement, which was exacerbated by existing skills and experience being lost to other sectors offering more stable work conditions, and in some instances, improved remuneration. The industry is also reliant on labour from other EU countries and the potential impact of stricter immigration controls arising from Brexit may also worsen any shortages.

COVID-19

At the beginning of FY2020, the African operations were balancing the need to reduce capacity against holding resources in anticipation of the award of a number of large-scale infrastructure and building projects. The cancellation, suspension and delays to project awards over Q2:20 (*material issue: Market dynamics*) resulted in a sharp decline in order book levels necessitating an immediate reduction in capacity across a number of business units and support functions. The Australian and UK operations also faced diminishing order books and took the necessary steps to reduce capacity. The hard lockdown regulations implemented in South Africa between 27 March 2020 and 1 May 2020 and the subsequent Alert Levels 4 and 3 restrictions, also resulted in large numbers of personnel being compelled to stay at home for various durations. While certain operational and support staff were able to work from home, most site-based personnel were unable to perform their duties. The South African government announced the Unemployment Insurance Fund COVID-19 Temporary Employer/Employee Relief Scheme in order to assist employees facing retrenchment as companies reacted to the lockdown regulations. In an environment where no revenue or cash could be generated, the business was required to assess its ability to support staff through this difficult time against preserving working capital reserves. In the UK, the government introduced the Coronavirus Job Retention Scheme, where companies could temporarily place staff on furlough and the government would continue to pay 80% of their salaries up to £2 500.

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



LABOUR AND COMMUNITY UNREST

IMPLICATIONS FOR VALUE

The construction industry employs a sizeable labour force, either directly or through the use of subcontractors. The labour environments in all geographies in which we operate can be highly politicised and sensitive. In addition, the South African social landscape is characterised by high levels of unemployment and poverty. WBHO has experienced a significant increase in the number of community-driven unrest events where community leaders have unrealistic expectations in respect of job opportunities for their members. The growing militant nature of these events, causing project delays, in some instances for months, and threatening the safety of WBHO employees and contractors is a serious concern. The matter is further exacerbated by individuals and business forums, also known as the “Construction Mafia”, seeking to exploit communities for their own gain. On-site disruptions can present a threat to other employees, particularly in South Africa where the use of local labour from communities for nearby projects is prescribed contractually. In addition to this potentially threatening environment, work stoppages impact productivity and create project delays. Project delays impact on the ability of WBHO to successfully complete projects on time. Many clients are also attempting to transfer the responsibility and liability of managing the communities onto contractors, increasing the operational and financial risk to the organisation. In respect of our core labour teams, it is essential to maintain transparent, cordial and professional relationships with trade unions and their on-site representatives, particularly in economic downturns where wage negotiations can prove to be challenging. The ability to conclude wage agreements assists in providing predictability when forecasting costs, ensures consistent application of employment practices and minimises disruptions.

ASSOCIATED RISKS AND OPPORTUNITIES

- Industrial action
- Additional costs, project delays and penalties
- Reduced productivity
- Negative investor perceptions
- Impact on quality, delivery and reputation

OPERATING CONTEXT

The overall level of union representation within South Africa has increased from 19% to 25% due to decrease in headcount of non-unionised employers and increased membership in light of the overall reduction in capacity. In South Africa, 60% of employees are covered by collective bargaining agreements which is down from 65% in FY2019. Wage negotiations are conducted and concluded centrally at the bargaining council annually. “Person days lost” in South Africa, being the number of days lost due to strikes, work stoppages or non-attendance increased from 22 379 to 44 340 due to work stoppages caused by local labour at the Klipspruit mine and the stoppages leading up to the suspension of the Zulti Pipeline project (see the *Roads and earthworks operational report*) caused by local communities seeking employment opportunities. In the rest of Africa, 9 079 days were lost due to local labour unrest on the Polihali site in Lesotho and the 9 500 man camp at the LNG project in Mozambique. In Australia, 25% (FY2019: 27%) of the Australian employees are covered by collective bargaining agreements. Enterprise bargaining agreements are currently annually concluded with state-based unions to enable compliance with legislative changes. This also enables the Australian business to remain qualified to work on state federal-funded projects. Employees in the United Kingdom do not form part of a central bargaining council. Employees are able to join a union directly but fees are paid by the individuals themselves. Membership lists to unions are not maintained by the UK businesses. There were no work stoppages in either region during the reporting period, however, unions in Australia prevented work at a number of sites in Sydney and Melbourne ahead of wage negotiations.

Strategic response	Key stakeholders impacted
SO3 Reputation and relationships	Clients
SO4 Capacity and talent management	Employees
SO6 Transformation and localisation	Communities

MATERIAL ISSUES AND OPERATING CONTEXT
CONTINUED



SAFETY AND ENVIRONMENTAL MANAGEMENT

IMPLICATIONS FOR VALUE

Construction is inherently dangerous in nature and WBHO has a duty to ensure the very highest health and safety standards are observed. The Group views the protection of its workforce and the environment as a fundamental human right and a moral imperative which requires continual investment into responsible business practices. A safe and healthy workplace results in an engaged, motivated and productive workforce that mitigates operational stoppages and reduces potential legal liabilities. In addition, maintaining an acceptable safety record is imperative in procuring work within certain sectors, particularly the mining and public infrastructure sectors.

The construction industry is considered a high-impact industry and the Group fully acknowledges its moral and legal responsibility for the safeguarding of the environment and the wellbeing of all of those affected by the operations of the business. Stakeholders are also becoming more aware of “green” issues, increasing the demand to operate in a sustainable and responsible manner. The Group employs responsible environmental practices that protect the natural environment from pollution, minimise construction waste and aim to reduce the carbon footprint of the Group. Effective implementation of the ISO 14001 certified environmental management system also reduces potential legal liabilities.

ASSOCIATED RISKS AND OPPORTUNITIES

- Project delays
- Reputational damage
- Criminal prosecution
- Financial penalties
- Potential disqualification from tendering in certain sectors
- Competitive advantage when procuring work in certain sectors
- Productive and motivated workforce

OPERATING CONTEXT

The Group takes responsibility for employee and subcontractor welfare, morale and productivity as well as legal compliance. Although the industry has seen substantial safety improvements over the last decade, the number of fatalities and serious injuries remain too high. Driving a culture of zero harm and eliminating fatalities remain critical priorities for construction companies, unions and governments in all jurisdictions in which the Group operates.

During the year the Group incurred five employee lost-time injuries and 12 subcontractor lost-time injuries within the African operations; one employee and 11 subcontractor lost-time injuries in Australia; and five employee and three subcontractor lost-time injuries in the UK. In total, 37 persons sustained lost-time injuries from 67 million hours of work over the period. A lost-time injury is an injury where an employee or other person is unable to return to work the next day. Sadly, the Group experienced three on-site fatalities within the Building division in South Africa (*Strategic Objective: Safety and environmental management; the Health and safety section of the supplementary ESG Report*).

In northern Mozambique, where sporadic outbursts of terrorist activity have occurred, the Group has gone to extreme lengths alongside its clients to implement stringent safety protocols to ensure the safety of our employees.

No citations for environmental non-compliance were issued to the Group during the year under review.



REPUTATION AND CULTURE

IMPLICATIONS FOR VALUE

The appointment of competent and reliable contractors is critical for clients to ensure the delivery of complex projects safely, to the correct specifications and quality and within contractual timeframes. Private sector clients are regularly prepared to negotiate projects with contractors that are consistently able to demonstrate their proficiency, while at the same time adopting a collaborative “can do” approach. Maintaining a positive relationship with key stakeholders and a trustworthy reputation in both the public and private sectors is critical to ensure repeat work and the credibility to tender on large projects.

ASSOCIATED RISKS AND OPPORTUNITIES

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

OPERATING CONTEXT

The duress experienced by large, medium and emerging contractors across all regions in the current environment has impacted the effective and timeous execution of various projects and has become a major concern for stakeholders. In addition, the increased prevalence of significant loss-making projects has depleted cash balances and resulted in deteriorating construction balance sheets, thus creating further unease over contractors’ ability to see challenging projects through to completion. However, the successful completion of loss-making projects in the midst of challenging and unforeseen site conditions can also enhance the reputation of the Group.

The competitive bidding environment has also led to an increase in contractual claims. With minimal margins available on projects, contractors are unable to absorb additional costs in respect of client-related variations and delays, while at the same time clients are managing project expenditure more carefully in order to contain costs and deliver expected returns. These contractual negotiations can in turn create potential strain on relationships (*material issues: Market dynamics and Project procurement and delivery*).

Concerningly, is that the government of South Africa’s perception of the larger construction industry participants over recent years, is that there is a lack of transformation and an unequal allocation of public spending in their favour (*material issue: Transformation and localisation*).

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

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

MATERIAL ISSUES AND OPERATING CONTEXT
CONTINUED



TRANSFORMATION AND LOCALISATION

IMPLICATIONS FOR VALUE

When applied effectively and ethically, broad-based transformation is a key tool in addressing historical inequalities within South Africa. Strong empowerment credentials are imperative for participation in large public infrastructure projects and WBHO is of the firm belief that transforming the construction sector, and the local economy as a whole, is a necessity.

Across the rest of Africa there is also a strong focus on increasing local participation in public spending, particularly in Mozambique, Botswana and Ghana where certain categories of tenders are restricted to citizen-owned companies only. In Botswana, the government has set up the Citizen Entrepreneurial Development Agency to provide fledgling citizen-based companies with technical, financial and managerial assistance. Ghana has a local content policy applicable to the roadwork and mining sectors which requires incorporating local ownership when bidding for projects. In Mozambique, and other territories, work permits are only issued to expatriates where it can be demonstrated that equivalent skills are not available in-country.

In Australia, most state governments have dedicated programmes aimed at improving Aboriginal employment and livelihoods, with the Aboriginal Participation in Construction (APiC) policy having relevance for the construction sector.

In the UK, while no formal policies exist specifically to support minority groups in construction, migrant labour and the associated perception that UK citizens are unable to find employment as a result thereof, was a significant catalyst in the decision to leave the European Union (EU).

ASSOCIATED RISKS AND OPPORTUNITIES

- 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 obligations
- Preferential allocation of public sector projects in favour of citizen-owned companies

OPERATING CONTEXT

Due to the significant public spending directed towards the construction sector by governments, transformation and localisation remain high on the political agenda.

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

During the year, two draft pieces of legislation were released for public comment, namely the Draft Public Procurement Bill (DPPB) and the Draft Employment Equity Amendment Bill.

The fundamental proposal within the DPPB is that the Act will enable the Minister of Finance to prescribe a framework for preferential procurement that can vary on a tender by tender basis meaning businesses will have no clear guidance on the transformation policy of government around which to plan. Businesses need policy certainty with regard to B-BBEE as investing in deliverables such as ownership, employment equity and enterprise and supplier development are long-term investments and decisions. In addition, the fundamental shift of control from statutory law to government executive discretion may have the unintended consequence of procurement entities throughout all levels of government using the wide range of proposed discretionary powers as an exclusionary tool.

The latest draft of the Employment Equity Amendment Bill published on 20 July 2020 includes controversial amendments to the Employment Equity Act, No 55 of 1998 which permit far greater intervention by the Minister and more red tape for employers hoping to do business with the State. The proposed Bill seeks to empower the Minister to identify national economic sectors and determine numerical targets for those sectors and then requires that the numerical targets set by employers comply with the sectoral targets set by the Minister. Secondly, the Bill proposes that before a certificate of compliance to a designated employer may be issued, the employer must have achieved the sectoral targets set by the Minister within three years, hence rendering targets tailored by individual employers to suit their employment equity plans as irrelevant.

The amendments included in these draft bills come at a time when business finds itself struggling with the fallout from the COVID-19 pandemic which has had a severe impact on both employers and employees. The South African government has committed to the large-scale roll out of infrastructure spending in an attempt to reignite the economy. Policy uncertainty and additional red tape when bidding for these projects should be avoided at all cost. Furthermore, widespread retrenchments carried out in response to the lockdown will have impacted negatively on many employers' employment equity plans, making compliance with broad-based sectoral targets even more challenging.

Strategic response	Key stakeholders impacted
SO6 Transformation and localisation	 Government  Employees  Communities

 COMPLIANCE

IMPLICATIONS FOR VALUE

Across the various operating geographies, new and amended legislation and regulations are continuously being implemented that impact WBHO. These include regulations relating to the construction industry, company and tax law, labour relations, environmental, health and safety standards, and the delivery of social objectives. Major transgressions can have serious consequences for the Group in terms of work stoppages, additional costs, fines, reputational damage and even criminal proceedings. As such, 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.

ASSOCIATED RISKS AND OPPORTUNITIES

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

OPERATING CONTEXT

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

During the year, new transformation-related legislation was gazetted for public comment in South Africa (*material issue: Transformation and localisation*).

In addition, the raft of new legislation and regulations promulgated in response to COVID-19 across all operating geographies had far-reaching implications in respect of increasing compliance risk over the reporting period.

Strategic response	Key stakeholders impacted
SO3 Reputation and relationships	 Government
SO6 Transformation and localisation	 Clients
	 Investors

POLOKWANE
BYPASS

Upgrade to the N1 Polokwane Bypass

PROJECT VALUE

R220 million

PROJECT DURATION

16 months

ENGAGING AND CREATING VALUE FOR STAKEHOLDERS

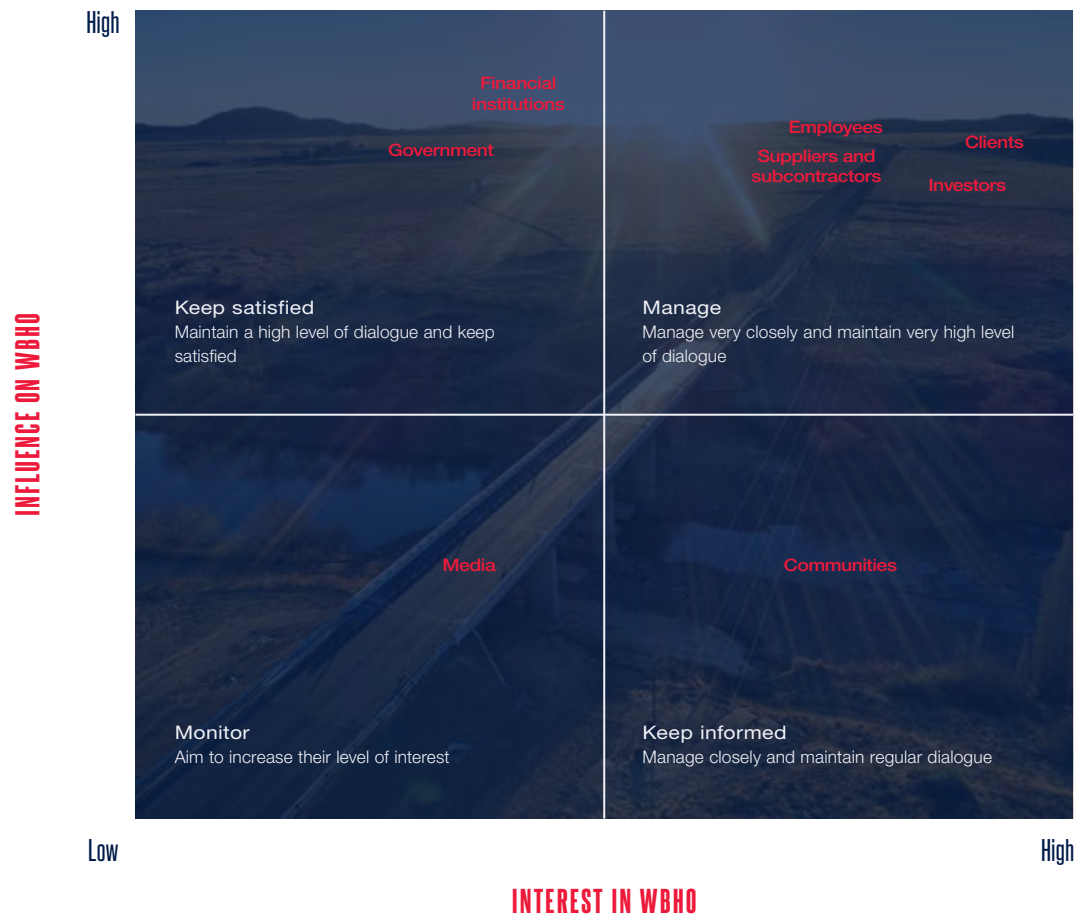
APPROACH

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

MAPPING WBHO'S STAKEHOLDERS

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

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



STAKEHOLDER RELATIONSHIPS

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

Stakeholders	Relationship	Engagement processes	Main concerns	Strategic response
Clients	Satisfied clients are critical to the ongoing success of the Group. We seek to create and develop strong relationships with our clients through honest, clear and regular communication.	• 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 • Financial strength	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 • Ethics	SO1 SO3
Employees	The success of WBHO is attributable to its people. The Group is committed to providing employees with a safe, industrious and encouraging environment within which they can thrive and grow.	• 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 • Job security	SO4 SO5
Suppliers and sub-contractors	The ability to deliver quality services to clients relies heavily on the quality of the services and products received from suppliers and subcontractors. As a result, WBHO seeks to develop close working relationships with these stakeholders.	• Regular supplier audits • On-site visits and meetings • Electronic communications • Service level agreements	• Continuity of work • Payment terms • Safety requirements	SO2 SO5
Financial institutions	Financial institutions support WBHO's growth objectives through the provision of banking and guarantee facilities.	• Regular one-on-one meetings • Presentations • Electronic communications	• Operational performance • Debt-to-equity ratios • Liquidity • Financial and risk management processes	SO1
Government	WBHO regularly works with public sectors in different countries on large-scale infrastructural 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	WBHO seeks to have a positive impact on the communities within which it operates by employing and training local people where possible and constructing local amenities as part of its socio-economic development (SED) commitments.	• 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

ENGAGING AND CREATING VALUE FOR STAKEHOLDERS

CONTINUED

SIGNIFICANT STAKEHOLDER CONCERNS COMMUNICATED DURING THE YEAR

Over the course of the financial year the following significant areas of concern were discussed with stakeholders.

IMPACT OF THE COVID-19 GLOBAL PANDEMIC ON THE OPERATIONS OF THE GROUP

The severity of the COVID-19 pandemic sent shock waves across the globe during 2020. Millions of people have been infected and many tragically lost their lives. As infections climbed, governments took unprecedented steps to contain the spread of the virus through widespread lockdowns. World economies and global markets faced severe disruptions and many people lost their source of income as businesses sought to contain costs and preserve liquidity in order to survive. While the tourism and hospitality sectors were worst affected, the construction industry in South Africa faced serious headwinds even prior to the pandemic. The loss of productivity and significant unrecoverable costs associated with the lockdown restrictions compounded an already challenging operating environment.

KEY STAKEHOLDERS IMPACTED



Employees

- Employees were naturally anxious about the impact of the lockdown regulations on job security and their ability to support their families.
- WBHO employs more than 9 000 staff that entails a high concentration of people particularly on building sites where numerous subcontractors are also present. Employees expressed concern over their exposure to the virus while at work.



Clients

- COVID-19 impacted the liquidity of our clients in equal measure. This together with the uncertainty around future market activity resulted in the termination, suspension or delay to both existing and imminent projects.



Investors

- Following the turmoil experienced within global markets, stock values tumbled as investors sought safer investments. Institutional investors largely remained in stock markets and were eager to obtain an understanding of the Group's ability to withstand the impact of the pandemic.



Suppliers and subcontractors

- The Group employs the services of a wide range of suppliers and subcontractors, from large corporate entities to labour-only artisans. Timeous payment in accordance with payment terms both during and after the lockdown was key to managing their cash flows.



Financial institutions

- The Group has a substantial value of guarantees in issue, provided by various major financial institutions. These guarantees may be called upon in the event of a breach of the Group's obligations under its contracts. Financial institutions sought clarity on the liquidity of the Group as well as the status of contractual claims in order to ascertain whether there had been any material changes to their exposure to the Group.

RESPONSE

Due to the substantial cash reserves maintained by the Group, we were able to support our permanent employees throughout the lockdown period as well as fulfil all payment obligations to suppliers. The Group also implemented all necessary safety protocols to ensure the safety of our working environment to limit the spread of the virus.

The Group communicated regularly and openly with employees during and after the lockdown period (if applicable) on aspects relating to their remuneration and future employment as well as safety interventions and education and training in respect of social distancing. Once it became necessary to reduce capacity, discussions with affected employees were conducted honestly and with compassion for the difficult situation being faced by all concerned.

Management also held regular feedback sessions with both investors and financial institutions to provide insight into the challenges faced in each area of operation as well as the overall financial position of the Group.

THE SCALE OF LOSSES INCURRED AND THE BROADER STRATEGY FOR THE AUSTRALIAN OPERATIONS

The Group first reported on the loss-making WRU project in Australia at 31 December 2018 at which time a AU\$50 million loss was forecast. While the expected loss remained at this value for the year ended 30 June 2019, by 31 December 2019 the expected loss had escalated to AU\$70 million before increasing further to AU\$133 million by 30 June 2020. The Group also reported a AU\$12 million dollar loss on the 443 Queen Street building project at 31 December 2019, which escalated to AU\$30 million by the end of the reporting period. The Group has guaranteed the performance of the Australian infrastructure business in respect of the WRU project, and to date, has provided AU\$100 million of funding to ensure the completion of the project.

KEY STAKEHOLDERS IMPACTED



Investors

- WBHO has traditionally always reported conservatively on problematic projects. Investors were unaccustomed to increased losses being forecast at each reporting period and engaged with management to obtain a detailed understanding of the extent of the challenges faced on the WRU and 443 Queen Street projects as the share value of the Group has been impacted as a result thereof.
- Operating margins in Australia have historically always been lower than those achievable within the other operations of the Group. Following the emergence of larger, more complex projects alongside losses incurred, investors expressed concern over the risk versus return now evident in Australia.



Financial institutions

- Given the significant funding provided from South Africa, financial institutions sought assurance that there were no looming liquidity constraints that might affect operational performance on contracts within the African operations for which they had provided guarantee support.

RESPONSE

After each reporting period, management held feedback sessions with both investors and financial institutions providing a detailed analysis of the challenges on the projects as well the potential impact on liquidity. To the extent it was able to do so, the Group also provided information in respect of the potential sale of the Australian Building business.

THE IMPACT OF PROPOSED EMPLOYMENT EQUITY AND PUBLIC PROCUREMENT LEGISLATION ON THE GROUP AND THE WIDER CONSTRUCTION INDUSTRY

During the year two draft pieces of legislation were released for public comment, namely the Draft Public Procurement Bill and the Draft Employment Equity Amendment Bill. The implications of the bills for the Group are discussed under the *material issue: Transformation and localisation* on **page 32** of this report.

The amendments included in these draft bills come at a time when business finds itself struggling with the fallout from the COVID-19 pandemic which has had a severe impact on both employers and employees. The South African government has committed to the large-scale roll out of infrastructure spending in an attempt to reignite the economy. Policy uncertainty and additional red tape when bidding for these projects should be avoided at all cost. Furthermore, widespread retrenchments carried out in response to the lockdown, will have impacted negatively on many employers' employment equity plans, making compliance with broad-based sectoral targets even more challenging.

KEY STAKEHOLDERS IMPACTED



Government

- Additional bureaucratic red tape in bidding for and awarding public tenders may have the effect of hampering the effectiveness of government's planned infrastructure roll-out aimed at stimulating the economy.



Employees

- Any further decline in public sector projects may have the undesirable effect of additional retrenchments being necessary within the construction industry.

RESPONSE

As the largest construction company in South Africa, the Group has representation on both the South African Forum of Civil Engineering Contractors (SAFCEC) as well as the Construction Charter Council. The Group offered its views to these bodies on the potential pitfalls and unintended consequences included in the legislation, which in turn have formulated their responses to government.

ENGAGING AND CREATING VALUE FOR STAKEHOLDERS

CONTINUED

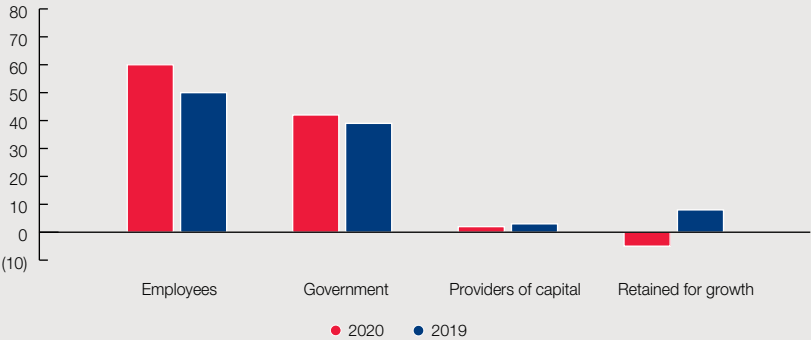
VALUE-ADDED STATEMENT

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

Rm	2020	2019	
 CLIENTS			WEALTH CREATED
Revenue*	48 597	45 888	
 SUPPLIERS AND SUBCONTRACTORS			
Cost of materials and services*	(42 408)	(38 457)	
	6 189	7 431	
 EMPLOYEES			WEALTH DISTRIBUTED
Payroll costs	3 672	3 669	
Share-based payment expense	44	48	
 INVESTORS			WEALTH DISTRIBUTED
Dividends paid to shareholders	109	184	
 FINANCIAL INSTITUTIONS			
Interest and finance charges	12	15	
Lease payments	23	8	
 GOVERNMENT			WEALTH DISTRIBUTED
Taxes and duties	2 605	2 920	
 COMMUNITIES			
Socio-economic development	5	5	
	6 470	6 849	
 WBHO			WEALTH RETAINED
Attributable earnings (less dividends paid)	(607)	299	
Depreciation	326	283	
	(281)	582	

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

Wealth distribution (%)



ABSA TOWERS

Redevelopment of existing 30-storey office tower with a mixed-use development comprising eight floors of office space, 21 floors of residential space and a clubhouse on the 15th floor

PROJECT VALUE
R220 million

PROJECT DURATION
26 months

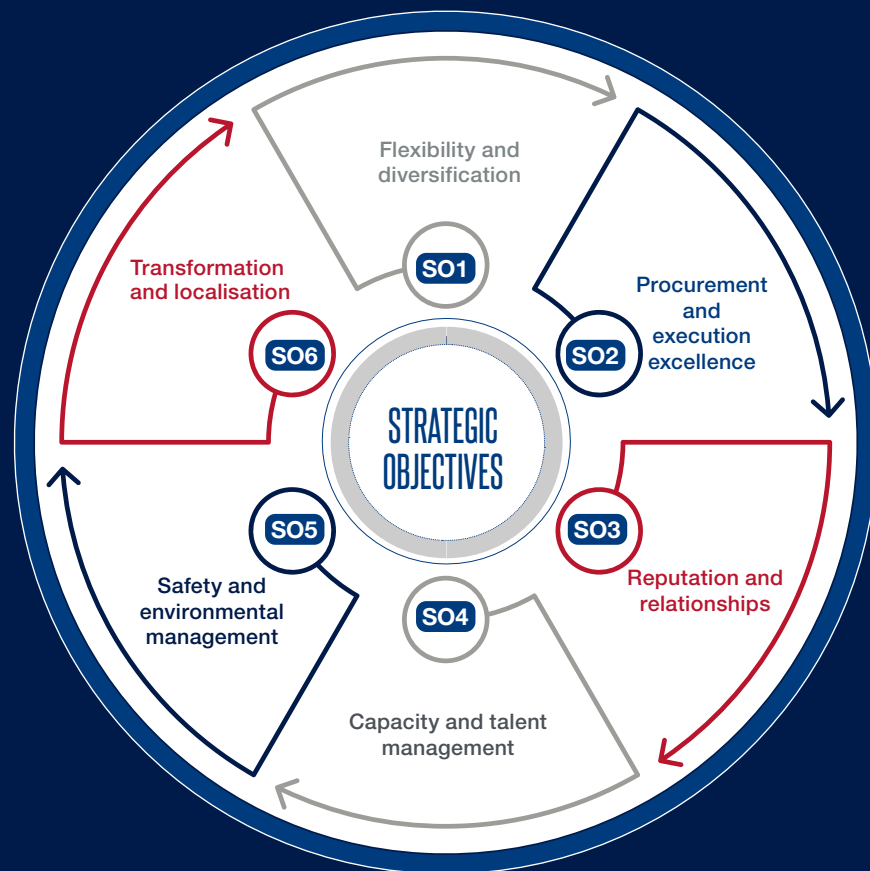
STRATEGIC OBJECTIVES

Guided by WBHO's vision, the strategic objectives of the Group represent the key attributes we believe are necessary for a successful and sustainable construction business and are linked to underlying strategic initiatives and specific metrics and indicators where applicable.

VISION

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

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



The following section provides information on the strategic objectives developed by the Board to mitigate the strategic risks, and in response to the material issues faced by the Group. In respect of each strategic objective, strategic initiatives are developed and implemented to create value over time. The key performance indicators used to monitor progress and/or measure performance, statistics and targets (where applicable) as well as specific high-level strategic action undertaken during the year under review are also reported upon. In-depth reporting of the strategic actions implemented during the year are included in the *Message from the CEO*, *Operational reports* and the *Message from the CFO* later in the Integrated Report as well as the supplementary ESG Report.

SO1 FLEXIBILITY AND DIVERSIFICATION

Flexibility and diversification are fundamental for delivering sustainable value from the highly fluctuating market conditions continuously confronting the construction industry.

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. Through its four business lines, the Group offers construction services to 12 different sectors in up to 10 countries across three continents. WBHO's strategy needs to be fluid and adaptable in order to proactively align procurement activities with those markets offering the best value. This, in turn, mitigates risk and enhances shareholder value by providing stability in earnings. Exposure levels to individual sectors and geographies are carefully managed over the short to medium term.

STRATEGIC INITIATIVES

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

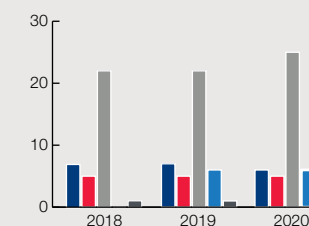
KEY PERFORMANCE INDICATORS

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

FY2020 SNAPSHOT

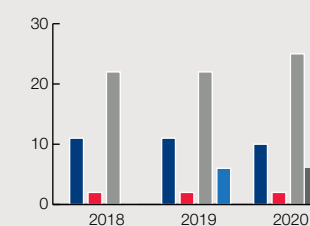
- Engagement with new clients across all sectors within an acceptable risk framework
- Streamlining of contracting models to gain entry to sub-R250 million market and ensure competitiveness against mid-tier contractors
- Continued targeting of the industrial/warehousing sectors in Gauteng, KwaZulu-Natal and the Eastern Cape
- Entrenching new position in the social housing market in the Eastern Cape
- Entry into public road sector in Ghana
- Development and marketing of fund-design-build models for West African infrastructure projects
- Focus on construction opportunities in Mozambique as gas-related infrastructure projects gain momentum
- Alignment of procurement activity within the UK operations towards anticipated infrastructure spending
- Negotiation of a share purchase agreement (subject to conditions precedent) for the potential sale of the Australian building operations, thereby substantially exiting the Australian market

Revenue per segment (Rbn)



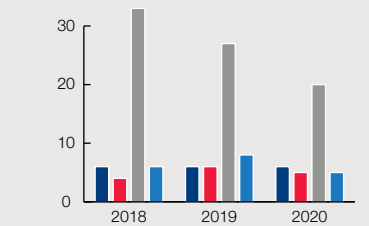
- Building and civil engineering
- Roads and earthworks
- Australia
- Construction materials
- United Kingdom

Revenue per geography (Rbn)



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

Order book per segment (Rbn)



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

STRATEGIC OBJECTIVES

CONTINUED

SO2 PROCUREMENT AND EXECUTION EXCELLENCE

The standard and quality of submitted bids directly impacts operational performance. WBHO seeks to offer a fair price at acceptable levels of risk for all parties involved. During the procurement phase, the Group targets those projects that will best serve WBHO's strategic objectives and create value for stakeholders. During the execution or operational phase that follows, brand equity and the reputation of the Group is cultivated and maintained. Confidence and credibility are generated when clients experience consistently high-quality work which, in turn, enhances WBHO's ability to secure future projects.

STRATEGIC INITIATIVES

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

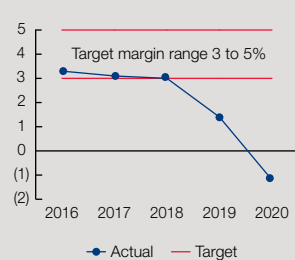
KEY PERFORMANCE INDICATORS

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

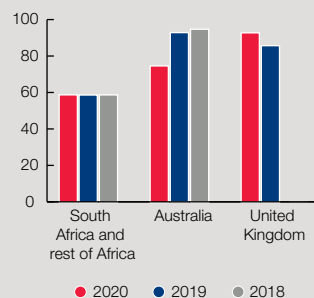
FY2020 SNAPSHOT

- First-time loss reported by the Group due to problem contracts in Australia
- Impact on operating margin of R397 million in unrecoverable costs incurred due to COVID-19
- African operations profitable despite lost productivity and additional cost
- Effective project delivery contributes to solid margins returned from UK operations despite COVID-19 restrictions
- Unprecedented losses incurred in Australia
- Additional AU\$82 million provision for expected total loss recognised on WRU project in Australia
 - Weekly management report back on project progress to Exco
 - Forecasting of expected costs proved challenging due to persistent scope creep, utility provider performance and COVID-19
 - Successful negotiation of claim with the State of Victoria
 - Progression of contractual claims against design consultants
- Bidding focussed on construction-only projects within Australian infrastructure business
- AU\$30 million provision for expected total loss on 443 Queen Street project in Brisbane
 - Underestimation of contractual programme to complete bulk excavations and foundations
 - Key management seconded from other states to assist with delivery

Operating margin (%)



ISO 9001 audit coverage (%)



67%

OF COMPLETED PROJECTS IMPROVED ON TENDER MARGIN (2019: 55%)

AU\$82m

LOSS PROVIDED FOR ON WRU PROJECT IN AUSTRALIA



CERTIFIED

100%

QMS COVERAGE

SO3 REPUTATION AND RELATIONSHIPS

A noticeable presence in the marketplace alongside a proven track record and a reputation for reliability, consistency and value are crucial to establishing and maintaining client relationships and our ability to bid on major projects. Our reputation hinges on our ability to deliver projects to the highest standards and to provide an all-inclusive "quality experience". Our commitment to "execution excellence" is achieved by embedding our culture throughout our business in doing things The WBHO Way. The WBHO Way embodies a set of shared values, including reliability, delivery and a focus on building relationships, which together underpin our motto of being a pleasure to do business with.

STRATEGIC INITIATIVES

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

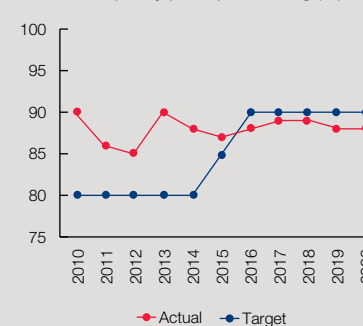
KEY PERFORMANCE INDICATORS

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

FY2020 SNAPSHOT

- Recognised as a standout contractor amongst industry peers in FY2020 following the award of the PMR Africa 2020 Diamond Arrow Award
- Widely considered one of the few remaining contractors able to execute large complex projects in South Africa
- WBHO, alongside its other group brands (Probuild, Byrne, and Russell-WBHO), is recognised as the preferred contractor on many engagements, built on a strong culture of consistent delivery, professionalism and respect
- Responsive senior management
- Developing and strengthening new and existing client relationships
- Client quality perception maintained at 88%
- Increasingly reliant on the tender market with fewer projects being negotiated as clients seek to obtain the most economical cost
- Effective communication and support of employees through lockdown embeds culture

Customer quality perception rating (%)



177

EMPLOYEES COMPLETED COMPETITION LAW TRAINING

60

EMPLOYEES COMPLETED ANTI-BRIBERY AND CORRUPTION TRAINING

SO4 CAPACITY AND TALENT MANAGEMENT

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

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

The overlapping nature of active and new projects means that they seldom begin and end in a linear manner. The number of staff required at the various stages of projects differs significantly. The process of dealing with these lags or overlaps is called "managing the gap". The right-sizing of our teams is a continuous process in order to match demand for our services with economic cycles. Effective recruitment processes and solid working relationships with the representative unions are essential in achieving this outcome.

STRATEGIC INITIATIVES

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

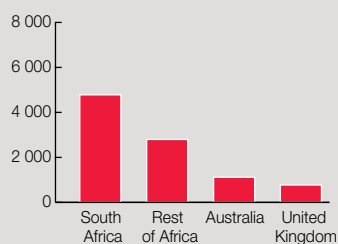
KEY PERFORMANCE INDICATORS

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

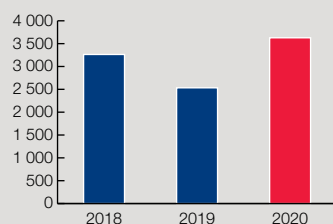
FY2020 SNAPSHOT

- Significant reduction in total headcount due to prevailing economic conditions compounded by impact of COVID-19
- 20% decrease in total headcount at 30 June 2020 to 9 470 (FY2019: 11 775)
 - 27% decrease in South Africa
 - 6% decrease in the rest of Africa
 - 2% decrease in Australia
 - 31% decrease in the UK
- Further 3% decrease in total headcount by 30 September 2020 due to impact of COVID-19
- Core skilled and management teams reduced
 - 624 retrenchments at 30 June 2020
 - Further 383 retrenchments of permanent staff by 30 September 2020
- 137% increase in person days lost (South Africa and the rest of Africa only) due to community disruptions
- Significant investment in formal and informal training of R101 million (FY2019: R100 million) in the year

Headcount by region



Number of employees trained



For more on our human capital and skills development practices, see WBHO's separately published 2020 ESG Report.

SO5 SAFETY AND ENVIRONMENTAL MANAGEMENT

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

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

STRATEGIC INITIATIVES

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

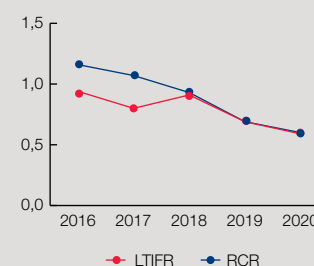
KEY PERFORMANCE INDICATORS

- ISO 45001: Safety management system (SMS)
 - Number of lost-time injuries and 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

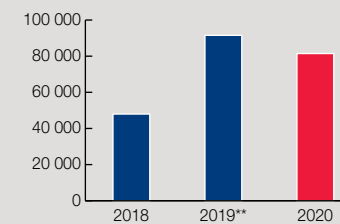
FY2020 SNAPSHOT

- ISO 45001 and ISO 14001 certification maintained across all regions
- Improved group LTIFR of 0,59 (FY2019: 0,69)
- Record low LTIFR of 0,41 maintained in FY2020 (FY2019: 0,41) within the African operations
- Three fatalities in South Africa (FY2019: three)
- Ongoing awareness interventions
 - 896 employees (FY2019: 1 378) from the African operations participated in health and safety training
- Zero reportable incidents recorded and zero fines levied for non-compliance with environmental laws and regulations

Lost-time injury frequency rate (LTIFR): Group



Carbon emissions (tonnes CO₂e)*



* Excludes Australian operations
** Restated to include UK operations

3 FATALITIES (2019: 3)



100% EMS AND SMS COVERAGE

For more on our safety and environmental management practices, see WBHO's separately published 2020 ESG Report.

STRATEGIC OBJECTIVES

CONTINUED

SO6 TRANSFORMATION AND LOCALISATION

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

STRATEGIC INITIATIVES

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

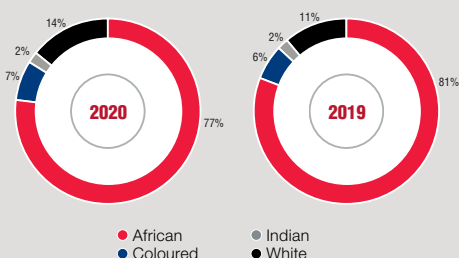
KEY PERFORMANCE INDICATORS

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

FY2020 SNAPSHOT

- WBHO proudly retains Level 1 status under the new codes
- Recognised as the most empowered company on the JSE
- 82% black ownership and 34% black women ownership in South Africa
- R4,9 billion black procurement spend (FY2019: R4,5 billion)
- Development of long-term mutually beneficial relationships with emerging contractors through joint ventures and an enterprise development programme
- Ongoing support of VRP initiative in a difficult trading environment:
 - Growth objectives for VRP partners remain attainable
 - R84 million contributed to the Tirisano Trust over four years
- 91% (FY2019: 93%) of the workforce in African countries, excluding South Africa, represented by citizens of the host country
- Joint venture agreements in place with citizen-owned companies in Botswana and Ghana
- Engagement with government in respect of proposed new legislation and potential impact on transformation objectives
- Proactive and transparent community engagement to support localised job creation and upliftment and minimise site disruptions

Demographics of South African employees



For more on our transformation journey, see WBHO's separately published **2020 ESG Report**.

Localisation in major African countries (%)

97%	BOTSWANA (2019: 98%)	78%	ZAMBIA (2019: 88%)
98%	GHANA (2019: 95%)	95%	LESOTHO (2019: 93%)
83%	MOZAMBIQUE (2019: 91%)	84%	ESWATINI (2019: 81%)

PENSTOCK TOWER AT FAD 6

A 45 meter high intake tower for the recycling of dirty water at the fine ash dam being constructed for Sasol at Secunda

PROJECT VALUE

R2 billion

PROJECT DURATION

62 months



RISK MANAGEMENT

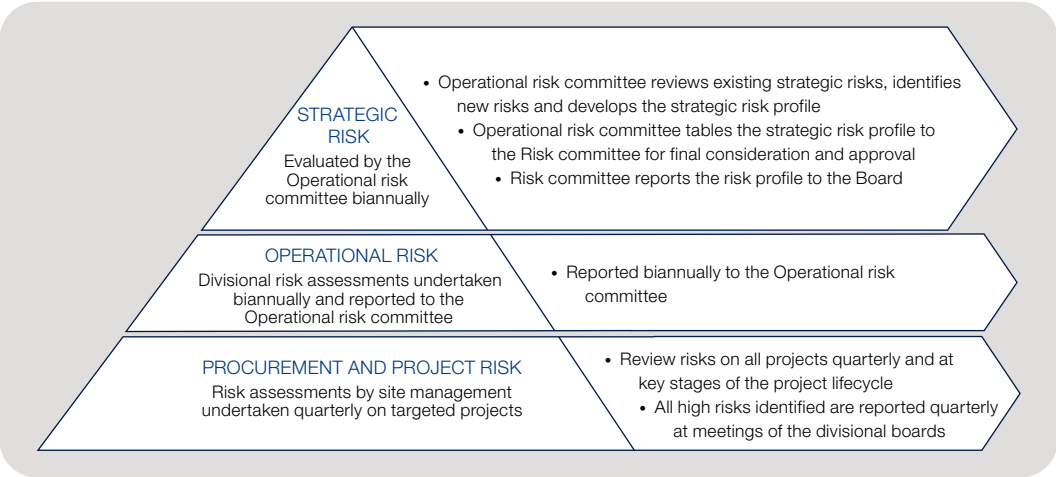
OUR APPROACH

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

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

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

RISK MANAGEMENT PROCESS



RISK MANAGEMENT METHODOLOGY

PROCUREMENT AND PROJECT RISK

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

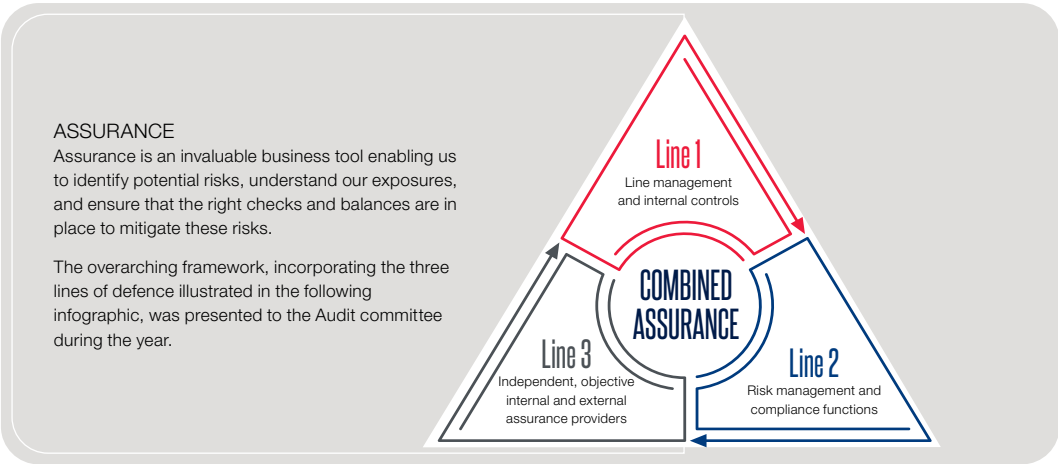
Major projects are assessed every three months as well as at crucial lifecycle stages of the project. These evaluations take the form of risk and opportunity schedules that focus on the key risks of time, cost, resources, contractual claims and stakeholder relationships. The outcome of these evaluations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

OPERATIONAL RISK

Operational risks are evaluated at a divisional or business unit level. Giving due consideration to the individual operating environments, risk assessments are made relating to current market dynamics, skills shortages, capacity, talent management and stakeholder relationships (clients, professionals, labour, suppliers and communities). 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 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.



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

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

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

Content and functions	Assurance provider	Level of assurance	Outcome
Annual financial statements	BDO South Africa Incorporated	Level 3	Unqualified audit opinion
B-BBEE rating	EmpowerLogic (Pty) Ltd	Level 3	Level 1 certified
Environmental management	BSI	Levels 2 and 3	ISO 14001 compliant
Occupational health and safety management	BSI	Levels 2 and 3	ISO 45001 compliant
Quality management	TUV Reinland	Levels 2 and 3	ISO 9001 compliant
Internal control environment	Deloitte South Africa	Levels 1 and 3	Reliance on internal controls

RISK TOLERANCE AND RISK APPETITE

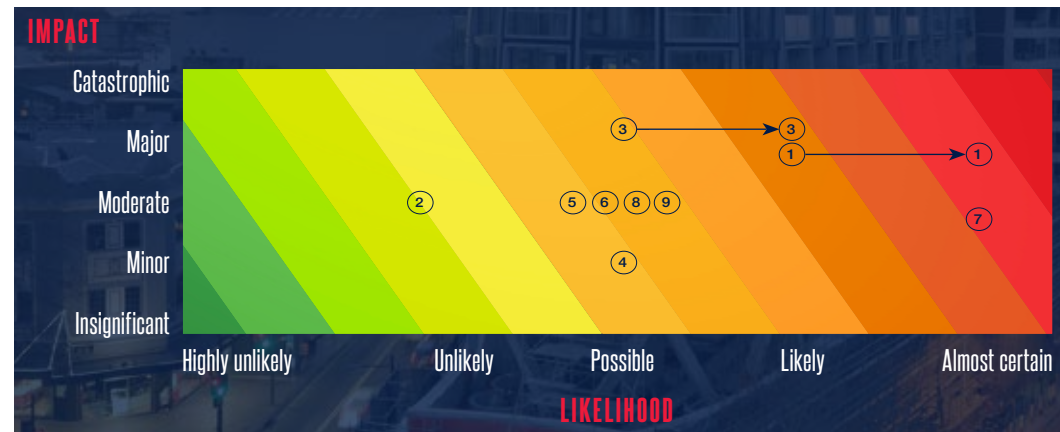
WBHO understands and proactively manages risks within set risk appetite and risk tolerance levels in order to optimise business returns. Risk appetite is defined as the amount and type of risk that the organisation is willing to take in order to meet its strategic objectives.

RISK MANAGEMENT

CONTINUED

ENTERPRISE RISK MANAGEMENT

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



	Risk and impact on value if not managed	Key response or mitigation
1 ↑ Strategic objective: SO1	Country risk and changing market dynamics (uncontrollable) The Group conducts business across numerous sectors and in various geographical locations. Various macroeconomic 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 impact of COVID-19 on global economies, the deteriorating Australia-China relationship, the unknown impact of Brexit on the United Kingdom and sporadic terrorist activity in Mozambique have resulted in this risk increasing to almost certain and the impact remaining major .	- Structured risk assessment framework in place to ensure operational procedures are aligned with identified risk - Ongoing review of market intelligence in countries with political conflict - Broad diversification across core competencies and geographical expansion or disinvestment - Flexible and responsive management - Strong logistical capabilities to access remote African regions
2 → Strategic objectives: SO6 SO3	Industrial action (uncontrollable) The South African and Australian labour markets are heavily unionised and unions wield significant influence. Regular industrial action can occur. Industrial action impacts on-site productivity, delivery and financial performance. In South Africa, a further increase in man days lost from 22 379 days in FY2019 to 53 049 days was primarily due to community unrest (Risk 7) and thus the risk remains at unlikely and moderate .	- Open and transparent dialogue with employees and their representatives - Ongoing, and regular engagement with major unions - Negotiation of multi-year wage agreements where possible
3 → Strategic objective: SO2	Contracting with unreliable clients (controllable) Due to the value and size of construction contracts, failure by clients to meet their payment obligations can impact the Group's cash flow, and result in margin deterioration and delays in project execution. The potentially ongoing impact of COVID-19 on existing and new clients has resulted in this risk increasing to likely with the impact remaining major .	- Robust due diligence processes in place to ensure clients are properly assessed prior to engagement - Stringent negotiation of payment terms and guarantees - Requirement for payment guarantees on majority of projects
4 → Strategic objective: SO5	Major safety, health or environmental incident (controllable) The construction industry is seen as a high-impact and hazardous sector. Any major incidents that occur have reputational implications for the Group, which can affect its ability to procure work. The Group has implemented internationally recognised best practice systems across all operations, however, the risk of a serious safety or environmental incident remains possible with a minor impact.	- Implementation of globally accredited safety and environmental best practices across all operations - Top-down responsibility and accountability to ensure culture is embedded at all levels of operations - Proactive information and knowledge sharing - Ongoing prevention initiatives - Regular training interventions

	Risk and impact on value if not managed	Key response or mitigation
5 → Strategic objective: SO2	Procurement and execution risk (controllable) Procurement and execution risk are closely linked to changes in market dynamics, skills shortages and talent management. In the existing competitive environment, margins have been eroded requiring an increased focus on project execution. The prevalence of these risks is determined with reference to the total residual value at risk across all projects and trend analyses obtained from the risk database. The Group widely utilises the services of suppliers and subcontractors on projects. COVID-19 has resulted in a number of business failures and increased risk of non-performance by suppliers and subcontractors. This has serious consequences for projects, which include financial, operational and reputational implications. The challenging construction environment in South Africa and the rest of Africa together with the major loss-making projects in Australia have resulted in this risk remaining possible and moderate impact.	- Structured planning and resource utilisation processes - Formal tender policy and tender approval authority matrix in place - Due diligence investigations undertaken on critical suppliers and subcontractors - De-risking of certain bidding strategies in Australia - Stringent monitoring of project performance via thorough forecasting of completion costs at critical stages of the project lifecycle - Implementation of globally accredited quality best practices
6 → Strategic objective: SO3	Non-compliance to laws and regulations (controllable) The Group is subject to numerous legislative and regulatory requirements across various geographies. COVID-19 resulted in the promulgation of extensive new legislation in all geographies temporarily increasing the risk of non-compliance. This has now been successfully mitigated. Non-compliance with any legislation 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 with a moderate impact.	- Urgent review and implementation of all COVID-19-related legislative requirements - Frequent review of regulatory and legal matrix together with monitoring of non-compliance - Updates and communication of changes to Code of Conduct and group policies as necessary
7 → Strategic objective: SO6	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. The prevalence of these incidents continues to increase with the result that the likelihood of this risk remains almost certain and the impact thereof moderate .	- Formal protocols developed on how to: - Engage with communities and business forums prior to construction - Manage relationships throughout the construction phase - Respond to disruptions and threats of violence - Appointment of community liaison officers - Increase in site security measures
8 → Strategic objectives: SO3 SO4 SO6	Transformation and localisation (partially controllable) Transformation within the construction sector remains high on the government's political agenda. Draft legislation in respect of employment equity and public procurement is not seen as business-friendly by the Group and may have implications for work prospects if promulgated in its current form. In other African countries as well as Australia, localisation practices are becoming more prevalent. These include limitations on work permits for expatriates and minimum targets for local employment. While the Group retained its Level 1 B-BBEE status in South Africa this year, government's policy on transformation within the sector remains unclear and this risk remains possible with a moderate impact.	- Strategies developed and implemented to meet all elements of the scorecard - Operational focus on elements within their control - Regular monitoring and reporting of performance against targets at management meetings and Transformation Exco - Retention strategy and management development programme for promising individuals of colour in place
9 Strategic objective: SO6	Meeting obligations under the Voluntary Rebuild Programme (VRP) (partially controllable) Participants in the VRP that elected to mentor emerging contractors are required to assist in growing the turnover of those contractors cumulatively to 25% of the participant's turnover by 2024, with a sub-minimum of 10% per annum. Penalties may be levied on any shortfall in meeting the sub-minimum targets from 2021. In the current economic environment, particularly following the impact of COVID-19, achieving any form of growth within the construction industry over recent years has been near impossible. Although the emerging contractors under the mentorship of the Group have successfully survived the impact of the pandemic, achieving year-on-year future growth of 10% may not be realistically deliverable. The Group considers the risk of penalties to be possible with a moderate impact.	- Ongoing implementation of mentoring programmes which include: - Assistance with bidding protocols - Assistance with implementation of enhanced OHS policies and procedures - Execution of projects in joint venture and on-site mentoring of employees - Progress towards meeting objectives identified in individual needs analyses - Engagement with government to motivate COVID-19 as a material adverse event under the Agreement

→ Risk unchanged ↑ Risk increased

For further information on how these risks affect our material issues see **pages 18 to 34** of this report.

UMHLANGA ARCH

A premium mixed-use development divided into upmarket office and retail space together with a luxury 15-storey Hilton-hotel and a 22-storey high-end residential tower

PROJECT VALUE

R808 million

PROJECT DURATION

31 months



DELIVERING VALUE

- 57 Message from the Chief Executive Officer
- 62 Operational reports
- 80 Order book and outlook
- 86 Message from the Chief Financial Officer

MESSAGE FROM THE

CHIEF EXECUTIVE OFFICER



WOLFGANG NEFF



It is an enormous privilege for me to write my first report to all our stakeholders as Chief Executive Officer of WBHO. We have unquestionably been through some interesting and demanding times over the course of 2020. I certainly haven't been able to ease into the role, and the guidance of Louwtjie and the Board, alongside the unwavering support of my executive and management teams, have been invaluable in navigating our way through these turbulent events.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

CONTINUED

I would like to take this opportunity upfront to voice my gratitude and appreciation not only to the Board and management teams, but to every member of staff for the dedication, commitment and sacrifice they have made over the last year as well as for the comradery they have shown. It hasn't been easy.

Teamwork is one of the core values of The WBHO Way and this year it has never been more necessary. I was immensely proud of how we pulled together and stood together as we grappled with the consequences of the life-threatening coronavirus. Many hard decisions had to be taken, and by far the most difficult, was the need to reduce our headcount and let go of many of our loyal employees into an unknown environment. I thank each of them for their understanding and hope that our paths will cross once again when life returns to some form of normality.

OPERATING CONTEXT AND PERFORMANCE

The overall performance of the Group was materially impacted by the significant losses incurred on the WRU and 443 Queen Street projects in Australia as well as approximately R400 million in unrecoverable costs incurred as a result of COVID-19. Together, these events culminated in the first-ever operating loss being reported by the Group, which has been extremely disappointing.

The South African economy has been in the doldrums for some time. Years of corruption have ravaged the finances of many state-owned entities requiring numerous bailouts by government. This, in turn, has resulted in a sustained decline in public sector spending, which is evidenced in our local order book where the percentage of public sector projects has steadily fallen. The low-growth environment has also affected private fixed investment. The consequence for the construction industry has been a persistent trend towards fewer and smaller projects across all sectors.

In the absence of bigger projects, it has been an ongoing focus within each operating division in South Africa to reduce running costs and optimise efficiencies in order to remain competitive, yet without compromising on the quality of projects upon which we have built our reputation. At the same time, we've needed to retain the necessary skills and capacity to execute large-scale projects. This has been a challenging balancing act which I believe we have successfully accomplished, as recently we have been able to secure and execute projects ranging from as low R20 million, right up to projects running into billions of rands.

Switching between sectors and geographies offering the most promising prospects has also been key to sustaining activity levels in a shrinking market. This has been most prevalent in the Building and civil engineering divisions where the number of projects from our traditional retail, commercial and mining infrastructure markets has subsided and we have concentrated on the warehousing and industrial building sectors.

Due to the hard lockdown implemented in April 2020, South Africa was also the worst affected region out of all our operations in respect of COVID-19 and where we incurred the most significant additional costs. Within this context, I feel we were still able to deliver reasonable results with revenue down by only 12% and an operating margin above 2% achieved.

In the rest of Africa, our main focus shifted towards southern Africa as opportunities in West Africa continue to take time to enter the market. The Roads and earthworks division had a strong year in Botswana where we had a number of good-sized mining infrastructure projects under construction. Activity in Mozambique is on the rise and we secured a number of projects up in Palma where the Total LNG project valued at \$23 billion got under way. This is the first of three LNG extraction projects being developed in the region, the other two being the ExxonMobil-led Rovuma project valued at \$23,9 billion and the \$4,7 billion Coral Floating LNG project. The Rovuma basin is located in a remote area of northern Mozambique and this is where our 20-year presence in the country and on-the-ground knowledge of local conditions has stood us in good stead when bidding on those sections of this massive infrastructure project that we have targeted. The prevalence of terrorist groups in the region is obviously a major concern, not only for myself and the Board, but also for our international clients. I have personally travelled to the site and am comfortable that the security measures that have been implemented, and which are continuously being improved upon, are sufficient to ensure the safety of WBHO's employees. The site leadership will continue to monitor any threat to our employees' safety and we will swiftly take appropriate action should the need arise.

In Australia, our attention was centred on monitoring the performance of the two loss-making projects and, over the second half of the year, on progressing negotiations for the possible sale of the building operations. Unfortunately, this was made all the more challenging by the travel restrictions imposed by the Australian government, which meant we were unable to visit the projects and provide input and corrective action into the difficulties we faced based on our own observations, nor could we engage in face-to-face conversations with the counterparty to the proposed sale and their representatives. The perpetual delays caused primarily by the non-performance of the utility providers and the additional works to be performed due to ongoing scope-creep, together with the difficulty this presented in accurately forecasting the costs to completion, have been immensely frustrating. However, this project is approaching completion and the complex groundworks on the 443 Queen Street project are also behind us.

Our recent diversification into the UK continues to prove successful. Shortly after my appointment, I visited both the Byrne Group and Russell-WBHO (Russells) and was encouraged by the similarities in culture that we share. While both businesses delivered commendable performances this year, I was particularly impressed by the further growth achieved by the Russell-WBHO team, while at the same time maintaining the operating margin.

CAPACITY AND TALENT MANAGEMENT

Managing the size and mix of our teams, as well as providing ongoing skills training and career development, is a key strategic objective behind delivering sustainable results. As I mentioned at the beginning of my report, in light of the prevailing global economic conditions and the impact of COVID-19 on future prospects, we have had to substantially reduce our resource base this year, particularly in South Africa. Across the Group the number of employees at 30 June 2020 had decreased by 2 305 from 11 775 to 9 470, of which 1 759 or 76% related to South Africa.

In order to adhere to responsible social distancing, we chose to curtail our training spend over the last quarter of the reporting period, nevertheless we still provided formal training to over 2 000 employees this year and supported over 110 bursary students in South Africa and the UK with their studies. Each year, countless hours of informal mentoring are also spent by site management in growing new talent within the Group.

SAFETY AND ENVIRONMENTAL MANAGEMENT

It is essential that WBHO holds itself to the very highest safety standards in order to protect the welfare of not only our employees but all personnel who visit and work at our sites. Commitment to a strong safety culture must be visibly demonstrated at the highest levels of management in order for it to be embedded within the organisation as a whole. Our Visible Field Leadership programme has been designed to achieve this objective. Training, awareness, accountability and competence alongside clear policies and procedures form the foundation of our safety approach. A proven safety record is also non-negotiable for our mining and public sector clients.

The Group's safety statistics at 30 June 2020 showed further improvement over the significant improvement achieved in FY2019. The lost-time injury frequency rate (LTIFR) improved from 0,69 injuries per million man hours at 30 June 2019 to 0,59 in the current year. There was a marked improvement from the UK operations while the African operation maintained the record low LTIFR of 0,41 achieved in the previous year. This continuous improvement is attributable to the "Safety First Initiatives" we developed and implemented a couple of years back. This year we reviewed these initiatives to assess their efficiency. New measures were added to further improve and ensure compliance. One important such measure was to engage with subcontractors more intensely to assist and guide them in maintaining more effective HSE management systems, both for their benefit and for that of the Group.

Sadly, Messrs Spehelele Buthelezi, Sandile Buthelezi and Mr Muziwengcebo Buthelezi, all subcontractor employees, tragically lost their lives in work-related incidents in South Africa. The Byrne Group experienced the first-ever fatality in its 50-year history, when a subcontractor employee, Mr Michael O' Sullivan passed away in an accident that was deemed to be non-work related after an external investigation. On behalf of the Board and management, I extend our sincerest condolences to the family, friends and colleagues of the deceased for their devastating loss.

COVID-19 obviously presented a number of health and safety challenges for us to overcome. Unlike some of the professional service industries, construction is not an activity that can be performed from home. High volumes of people work on our sites and we needed to develop various protocols that included screening of personnel, increased cleaning schedules, enforced sanitising and monitoring of social distancing, specifically in high traffic areas such as the access and exit points at sites as well as communal eating and sanitary areas. Where possible, some employees within our support services such as finance and administration did work from home. Where infections were detected, we employed rigorous tracing procedures to identify other employees who may have had contact and they were immediately sent to self-isolate pending a negative test result. The fact that as at 31 October we had experienced only 227 infections out of over 9 000 employees and over 20 000 subcontractor employees is testament to our efforts and I commend the team on a job well done.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER
CONTINUED

TRANSFORMATION AND LOCALISATION

Our "transformation and localisation" strategic objective remains a key focus across all of the geographies in which we operate. The construction industry in South Africa has made considerable progress in implementing broad-based transformation for many years and has regularly featured at the top of the JSE's most empowered companies. I am delighted to report that WBHO was recognised as the most empowered company on the exchange this year. This accolade requires a massive team effort and I am extremely proud of the achievement we have made.

We also take pride in developing the local communities in the areas in which we operate, and have appointed community liaison officers on a number of sites who strive to understand their needs which in turn also limits disruptions. We also work hard at employing and training local inhabitants in countries where we have a permanent presence.

The Voluntary Rebuild Programme, now in its fourth year, requires those contractors that elected to mentor emerging contractors to grow the cumulative turnover of those contractors to 25% of the participant's turnover by 2024, with a sub-minimum of 10% per annum. Although the emerging contractors under the mentorship of the Group have successfully survived the impact of the pandemic, in the current economic environment and given the state of the South African construction industry, achieving year-on-year future growth of 10% may not be deliverable realistically. We have engaged with government on this issue and continue to explore pragmatic and viable outcomes for the programme.

OUTLOOK

All in all, I believe the Group has successfully weathered the FY2020 storm and taken the necessary steps to ensure our future sustainability. Our financial position remains strong as we did not have to incur any additional external debt in order to support the Australian businesses through their challenges. As I outlined above, the capacity of the business has also been aligned with the available work on hand and the new projects that we expect to be awarded imminently.

From a procurement perspective, although certain projects have been permanently shelved or indefinitely delayed, there was a noticeable improvement in tender activity in South Africa once we entered Alert Level 1 and this has continued up until the date of this report. Following the recent award of the retail component of the Oceans mixed-used development in KwaZulu-Natal, Building order books in all of the coastal regions are looking healthy. After many years in the making, we will soon reach financial close on a multi-billion rand private-public partnership to design, construct and operate serviced accommodation for the Department of Agriculture, Land Reform and Rural Development. This project will provide a strong baseload of work for the Building team in Gauteng over the next two years. The Civil engineering and Roads and earthworks divisions are both well positioned to capitalise on construction opportunities emanating from the gas-projects in Mozambique as well as any public infrastructure spending in response to COVID-19. Similarly, WBHO Infrastructure in Australia, and both the Byrne Group and Russell-WBHO in the UK, stand to benefit from public infrastructure spending in their respective geographies.

While COVID-19 appears to be with us until such time as a vaccine is widely available, which according to current press reports will not be before mid-2021, we have secured sufficient work in the interim to see ourselves through until markets further stabilise.

APPRECIATION

Having thanked all our dedicated employees at the beginning of my report, in closing I'd like to thank our remaining stakeholders for their support and belief in us. Construction is the epitome of collaboration requiring the integration of design, project management, production and other specialist services within a safe environment. This is never a seamless process and is only possible through the commitment and willingness of all parties to achieve a common goal. As such, a special thanks goes out to our many subcontractors, suppliers and clients as well as the professional consulting teams we work with. Lastly, thanks to each of our investors, institutional and private, that believe in our ability to create sustainable value over time.

Wolfgang Neff
Chief Executive Officer

N4
BELFAST

The upgrade and rehabilitation of 27 km of existing single carriageway

PROJECT VALUE

R469 million

PROJECT DURATION

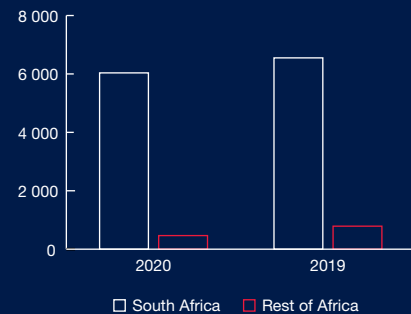
35 months



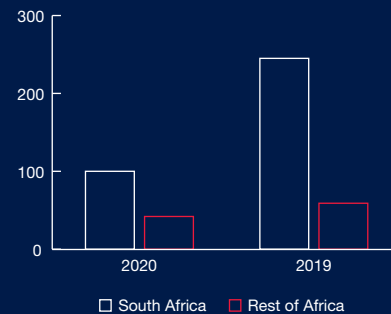
OPERATIONAL REPORTS

REVENUE (Rm)	OPERATING PROFIT (Rm)	OPERATING MARGIN (%)	CAPITAL EXPENDITURE (Rm)	PROJECTS NEGOTIATED (%)
2020: 6 495 2019: 7 338	2020: 142 2019: 304	2020: 2,2 2019: 4,1	2020: 27 2019: 37	2020: 34 2019: 40
NUMBER OF EMPLOYEES	RETRENCHMENTS	TRAINING SPEND (Rm)	LTIFR (per million man hours worked)	
2020: 2 073 2019: 3 616	2020: 155 2019: 183	2020: 43 2019: 40,6	2020: 0,53 2019: 0,25	

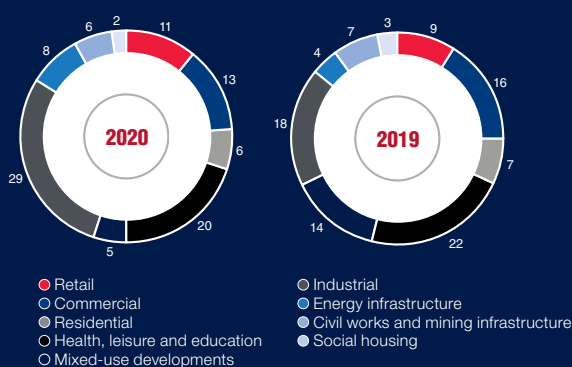
REVENUE (Rm)



OPERATING PROFIT (Rm)



REVENUE BY SECTOR (%)



BUILDING AND CIVIL ENGINEERING

The year in perspective

- Revenue down 12%
 - 8% decline in South Africa
 - 41% decline in the rest of Africa
- Operating profit down 53% due to R114 million in COVID-19-related costs
 - 1,7% margin in South Africa
 - 9,0% margin in the rest of Africa

Revenue from the Building and civil engineering division decreased by 11,5% over the preceding year while operating profit decreased by a substantial 53%. Prior to the lockdown restrictions, both revenue and operating profit forecasts had been broadly in line with the prior year performance. Direct COVID-19 costs amounted to R114 million and additional retrenchment costs amounting to R15 million reduced the operating margin to 2% compared to 4% at 30 June 2019.

Lower activity within the both the Building division and the Civil engineering division resulted in the retrenchment of a further 155 permanent employees during the year compared to 183 in FY2019. The overall headcount decreased by 1 543 from 3 616 to 2 073.

Capital expenditure reduced to R27 million (FY2019: R37 million) in line with the lower activity levels experienced, however training spend increased by 6% from R40,6 million to R43,0 million with 582 employees benefiting from formal training.

Having achieved a record low LTIFR of 0,25 last year, it worsened to 0,53 in the current year. In FY2020, 11 lost-time injuries occurred from 25 million hours worked compared to eight injuries from 31 million hours worked in the previous period. Of the 11 lost-time injuries that occurred, 10 of them were suffered by subcontractor employees. Regrettably, three of these 10 injuries were fatal. The division has intensified its monitoring of subcontractor HSE systems and compliance as a result.

Building

- Two and a half months of lost productivity due to COVID-19 resulted in approximately R736 million in lost revenue
- Significant unrecoverable costs of R97 million were incurred due to lockdown period
- Fewer negotiated projects have resulted in increased reliance on the tender market to procure work
- Competing successfully against mid-tier contractors in the sub-R250 million market in all regions
- Strong growth in the industrial building and warehousing sector
- The Gauteng and KwaZulu-Natal markets experienced less available opportunities – particularly in the commercial building sector
- The Western Cape and Eastern Cape regions delivered strong growth
- Focus on containing costs, improving efficiency and reducing waste on sites together with key competencies of on-time delivery, quality and relationships

Overall building revenues decreased by only 5% despite the impact of COVID-19, however activity within the different regions varied considerably.

Potential large-scale building projects in Gauteng, particularly in the retail and commercial office sectors, continue to be delayed with developers seemingly having difficulty securing sizeable tenancies in the current low-growth economic environment. In Gauteng, where revenue decreased by 25%, the division had experienced a marked decline in new orders even prior to COVID-19. The division has successfully adapted to compete against mid-tier contractors, regularly securing projects in the sub-R250 million market, however margins on these projects are fiercely competitive. With renewed pressure on private clients to reduce rentals, there is a noticeable intent to drive construction prices lower, either through open tender or intense negotiation.

The industrial buildings and warehousing sector continue to offer construction opportunities with the division completing one project and commencing four new projects from this sector in Gauteng during the period, the most prominent of which is construction of 125 000m² of warehousing space for DSV along with other associated buildings. The remaining three projects that commenced from this sector were secured in the sub-R250 million market. Activity in the commercial office space declined by 53% in the region. The remaining larger-scale projects comprising of the new head office for Deloitte in Waterfall, the 144 Oxford Street development in Rosebank and Menlyn Maine Towers in Tshwane were all substantially complete by the end of the year. Three new projects from this sector were secured and commenced during the period, again from the sub-R250 million market.

Ongoing construction of projects from the healthcare, residential and student accommodation sectors also supported activity within the region. These include the completion of the upmarket Trilogy Apartments and Units on Park student accommodation in Tshwane (in which the Group is co-developer) and the extensive additions to the Millpark Hospital for Netcare. A private state-of-the-art head and neck hospital, also in Tshwane, and the Jorissen Street student accommodation in the Johannesburg City Centre approached completion towards the end of the reporting period.

With fewer new-build projects available, the division has targeted various retail and commercial office refurbishments, the largest of which are the Jewel City rejuvenation project and the Absa Towers redevelopment both within the Johannesburg City Centre.

Overall, the coastal region produced a solid result where strong growth in both the Western and Eastern Cape, offset declining activity in KZN.

Activity in the Western Cape grew by 53%, supported by the award of a number of well-sized projects in previous financial periods. The division has good representation across all sectors in the region. Major projects consisted of new offices for Capitec Bank, construction of a new biomed facility for the Stellenbosch University and extensions to Woolworths at the V&A Waterfront, Checkers at Constantia Emporium and the Parow Exchange Retail Centre. Construction of the Rockefeller mixed-used development on Cape Town's Foreshore, comprising hotel, conferencing and residential spaces as well as the Augusta Apartments and 169 on Main from the residential sector also contributed towards activity levels.

BUILDING AND CIVIL ENGINEERING
CONTINUED

Following 63% growth in FY2019, revenue in the Eastern Cape grew by a further 31% in FY2020. Supported by both the ongoing construction of existing projects, as well as the commencement of new projects, the division is enjoying numerous construction opportunities from the industrial building and warehousing sector which comprised 81% of total activity in the region. Two new awards at the East London Industrial Development Zone will replace the two existing projects headed for completion in the first half of FY2021. A new paint shop for the BAIC Motor Group, a cold storage facility for APLI and the fit-out of a warehouse for Serephim, all at COEGA in Port Elizabeth, alongside alterations to a cold storage facility at the Woodlands Dairy and a warehouse extension to the Coca-Cola depot, make up the remaining projects from this sector. A recently completed retail project and two social housing projects make up the balance of work to be executed.

In KZN, the division experienced a general decrease in building activity. Revenue decreased by 26% due to a reduced order intake over the period that was further exacerbated by the impact of COVID-19. As a result, the division was reliant on previously secured projects to underpin activity. Construction of the division's flagship project, the Umhlanga Arch mixed-use development, has progressed well, with the retail, office spaces, hotel and apartments now handed over. Warehousing was again a significant contributor to activity where four existing projects and the commencement of one new project comprised 36% of overall revenue in the region. The division also completed the Busamed Hillcrest Hospital, La Lucia Mall refurbishment and the Ridge 8 commercial offices during the year.

The procurement of new building projects within the Group's risk profile in the rest of Africa remains challenging. Having completed all existing projects in Ghana during the first six months of the year, the division turned its attention to the recently awarded refurbishment of a hotel in Lusaka, Zambia. While the project got off to a promising start, productivity was subsequently hampered by COVID-19 during which time the transport of materials and movement of expatriate staff were halted.

Civil engineering

- One and a half months of lost productivity equating to approximately R115 million in lost revenue and unrecoverable costs of R33 million incurred
- No improvement in civil engineering markets within mining and industrial sectors in South Africa
- Decrease in revenue of 32% due to:
 - Substantial completion of the commercial crude oil terminal facility at Saldanha
 - Slow start-up of replacement projects in both South Africa and Mozambique due to COVID-19
- Ongoing focus on alternative markets with the renewable energy sector offering increased opportunities
- New work in Mozambique offset the declining mining infrastructure activity in Zambia

Revenue from the Civil engineering division decreased by 32% this year. This was primarily due to the substantial completion of the commercial crude oil terminal facility at Saldanha (in conjunction with the Roads and earthworks division), which has provided a solid base-load of work over recent years, and the slow start-up of replacement projects in both South Africa and Mozambique due to COVID-19. Challenges finding new work in Zambia also contributed towards the lower revenue generated.

Locally, the division continues to successfully secure new work from sectors outside of its traditional mining and industrial markets where demand remains subdued. Within the renewable energy sector, the division secured a contract for the manufacture and supply of 80 concrete towers standing 100 metres tall for the Copperton and Garob wind farms near Prieska in the Northern Cape. Having erected a world-class, on-site pre-cast concrete manufacturing facility during the first half of the reporting period, production had geared up well prior to the onset of COVID-19. The division also completed a smaller project at the Nxuba Wind Farm in the Eastern Cape. The division successfully secured its first project from Rand Water during the year. The project consists of construction of a 158m diameter concrete reservoir with associated pipework and valve chambers in joint venture with VRP partner, Motheo Construction and another emerging contractor. The reaccess works at the Kusile Power Station also continued throughout the year.

In Mozambique, the division was awarded its first gas-related infrastructure project in consortium with the Roads and earthworks division and two international partners. The project consists of the erection of a 9 500 man camp and associated infrastructure to accommodate the large number of personnel arriving to work on what will be the largest infrastructure project in Africa. Even prior to COVID-19, productivity on the camp had been frustrated by the washing away of bridges and roads due to flooding and sporadic incidents of terrorist activity (necessitating the transport of all materials and equipment by barge) as well as a lack of construction materials to have been provided by the client. With an international client, the outbreak of COVID-19 in Europe affected the project as early as February 2020. Restrictions on international travel and 10 to 14 day quarantine periods on either side of borders continue to delay the project further and resulted in a small loss being reported for the year. The resolution of commercial claims remains an ongoing process.

In Zambia, work on the Ndola Brewery and Mopani copper mines, as well as the brewery in Lusaka have provided a steady pipeline of projects over recent years. Activity in the region fluctuates regularly around the timing of awarding of these projects. Having been further hampered by the effect of COVID-19 in FY2020, revenue decreased by a larger than normal 53% this year.

TSHWANE HEAD AND
NECK HOSPITAL

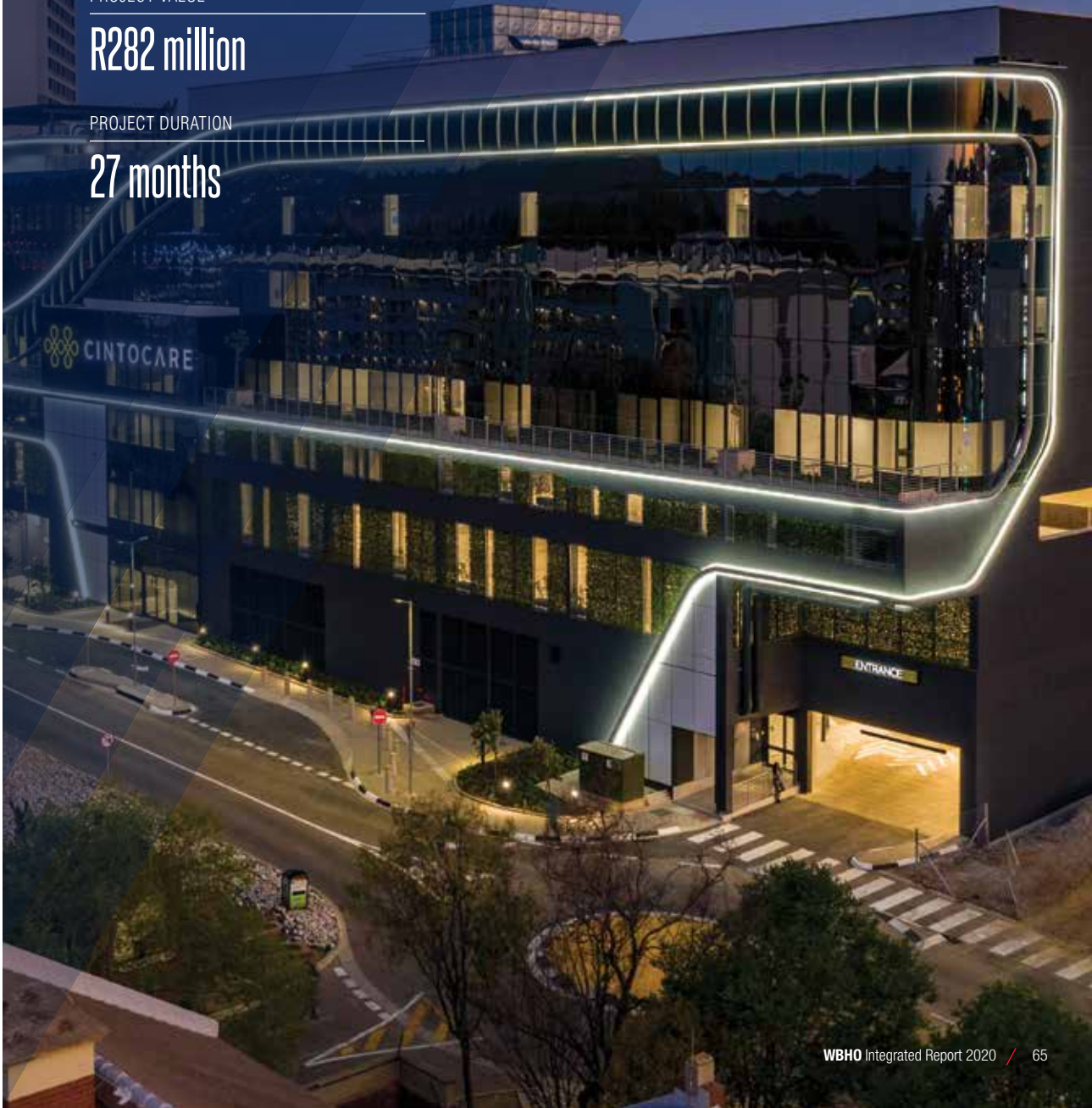
A new private head and neck hospital comprising theaters, mixed wards, basement parking and a rooftop garden

PROJECT VALUE

R282 million

PROJECT DURATION

27 months

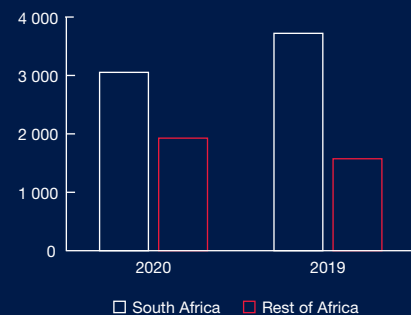


OPERATIONAL REPORTS

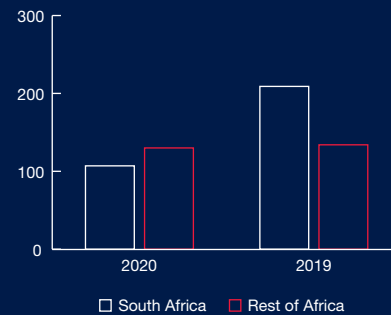
REVENUE (Rm)	OPERATING PROFIT (Rm)	OPERATING MARGIN (%)	CAPITAL EXPENDITURE (Rm)	PROJECTS NEGOTIATED (%)
2020: 4 980 2019: 5 295	2020: 237 2019: 343	2020: 4,8 2019: 6,5	2020: 116 2019: 237	2020: 8 2019: 21
NUMBER OF EMPLOYEES	RETRENCHMENTS	TRAINING SPEND (Rm)	LTIFR (per million man hours worked)	
2020: 5 097 2019: 5 617*	2020: 246 2019: 285*	2020: 26,8 2019: 39,6	2020: 0,20 2019: 0,43	

* Restated to exclude Edwin Construction and Ilkusasa Rail South Africa.

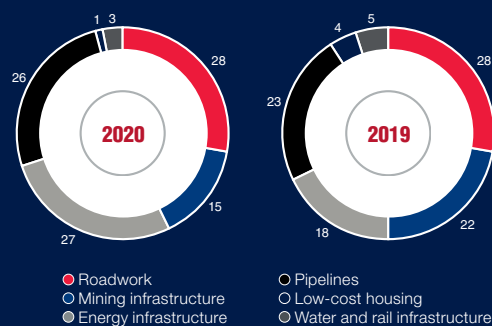
REVENUE (Rm)



OPERATING PROFIT (Rm)



REVENUE BY SECTOR (%)



ROADS AND EARTHWORKS

The year in perspective

- Decrease in revenue of 6% (2019: increase of 0,2%)
 - Revenue down by 18% in South Africa
 - 22% growth from the rest of Africa
 - 14% growth in Mozambique
 - 21% growth in Botswana
- Operating profit down by 31%
 - Margin of 4,8% (2019: 6,5%)
 - 3,5% margin in South Africa
 - 6,7% margin in the rest of Africa

Revenue from the Roads and earthworks division decreased by 6%. An 18% decrease in activity in South Africa, primarily due to COVID-19, was partially offset by increased revenue of 22% from the rest of Africa, where projects were affected to a lesser extent by the pandemic. The operating margin declined to 4,8% from 6,5% achieved in the comparative period due to direct COVID-19 costs amounting to R147 million, additional retrenchment costs amounting to R9 million and a more competitive market in general.

The overall headcount for the division decreased from 5 617 to 5 097. This comprised a decrease of 1 053 employees in South Africa where lower activity levels required a reduction in capacity, and an increase of 533 employees in the rest of Africa largely in support of the growth in Botswana and Mozambique. Some of the excess capacity in South Africa was transferred to operations in the rest Africa resulting in only 246 employees being retrenched compared to 285 in the previous financial year.

Capital expenditure decreased by R121 million to R116 million in FY2020 (FY2019: R237 million). This was partially due to a halt on all capex in the final quarter of the reporting period, but also due to the increased capex undertaken in FY2019 that sufficiently increased the plant complement to the levels necessary to deliver the projects on hand.

This year, the division improved its LTIFR from 0,43 to 0,20 experiencing just four lost-time injuries from over 19 million manhours worked.

Training spend declined by 32% percent from R39,6 million to R26,8 million, which was due to the reduction in headcount and minimal training taking place between April and June 2020. 879 employees received formal training.

Illegal work stoppages continued to cause disruptions this year. The division is predominantly impacted by rural communities on its mining infrastructure and roadwork projects as well as taxi associations on bus rapid transit projects in the cities. The main disruptions related to infighting between communities over the allocation of work at the Zulti Pipeline project in Richards Bay that led to its ultimate suspension and local labour issues on the Klipspruit mine in South Africa and the Polihali project in Lesotho.

South Africa

- Tracking prior year performance prior to onset of COVID-19
- Activity supported by roadwork, mining and energy infrastructure sectors
 - Active road projects in all major provinces
 - Additional work secured on existing coal mining infrastructure projects and power stations of Eskom
- Providing turnkey solutions on select projects continues to support pipeline activity
- Rail market is heavily depressed but longer-term prospects remain
- Impact of COVID-19 resulted in:
 - Imminent awards from SANRAL delayed until new reporting period
 - Cancellation of large-scale projects at ORT and CTIA for ACSA
 - One and a half months of productivity lost, equating to approximately R307 million in lost revenue
 - Significant holding costs in respect of people, plant and equipment
 - R156 million in unrecoverable costs incurred

In South Africa, roadwork projects, followed by infrastructure projects for the mining and energy sectors, again comprised the bulk of work executed during the year. Inland, upgrades to the N4 for TRAC and the N6 for SANRAL, as well as the reconfiguration of the Watt Street interchange for the Johannesburg Development Agency, continued through the year. In the coastal regions, extensions to trunk road 85 at Saldanha for the Western Cape provincial government, new bridges, access roads and rail formation for Transnet, also at Saldanha, and the upgrade to the provincial road between Worcester to Robertson were all completed. Two new awards were secured in the Eastern Cape, namely an access road into the Port of Ngqura and an upgrade of a provincial road constituting a portion of the Wildcoast Meander at Willowvale. The inland division is also responsible for the rehabilitation and upgrading of the MR16 and MR7 in eSwatini (Swaziland), a project partially financed by the Group, while the coastal division is constructing the advance civil infrastructure works for phase two of the Lesotho Highlands Water Project.

Following increased difficulty in collecting trade receivables over recent years, Roadspan, the road surfacing, asphalt manufacturing and bitumen supply business within the Roads and Earthworks operations, has strategically shifted procurement towards sustainable clients and reputable main contractors. While this resulted in a noticeable decline in revenue over the period, improved collections yielded increased profitability. During the year, Roadspan completed the R75 upgrade at Jansenville, surfacing at Worcester to Robertson, the R53 Potchefstroom to Ventersburg and section 19 and 20 of the EN4 in Mozambique.

ROADS AND EARTHWORKS
CONTINUED

The mining infrastructure projects for South 32 and Anglo American that have underpinned activity from this sector over the last two years are now complete. However, additional works have been secured at South 32. Within the energy sector, construction of a haul road, ash dam and accompanying earthworks and infrastructure for Sasol will continue into FY2022 and additional work was secured from Eskom for emergency repairs at the Camden Power Station. Construction of the crude oil terminal facility at Saldanha neared completion by 30 June 2020.

Providing clients with a turnkey solution for both civil engineering and pipeline construction services on select projects continues to prove successful and the division secured additional pipeline work at the Camden Power Station and Vlakkfontein reservoir in South Africa as well as at the 9 500-man LNG camp in Mozambique during the year. The pipeline infrastructure associated with the ash dam for Sasol continues to progress well while projects at the Klipspruit mine for South 32 and the crude oil terminal facility were completed during the year. The indefinite suspension of the Zulti Pipeline project due to community unrest was particularly disappointing and had a significant impact on the potential revenue growth expected from this business at the beginning of the year. Other pipeline projects for external customers include completion of phase 1 of the 1,2m diameter bulk water supply line, a term tender for the City of Cape Town for bulk water supply. The second phase of this bulk water supply contract was procured early in 2020 and will continue into FY2021.

Low-cost housing projects continue to make a positive contribution each year and the Group is proud of its role in providing high-quality affordable housing to rural communities.

Rest of Africa

- 22% growth from the rest of Africa
 - 14% growth in Mozambique
 - 21% growth in Botswana
 - Activity in West Africa limited to Ghana
- Mining infrastructure projects in Botswana contribute strongly but are nearing completion
- Progress on a road project in eSwatini and the early works for the Lesotho Highlands Water Project
- Existing gas-related infrastructure projects in Mozambique growing in size

Following healthy growth of 51% in Botswana in FY2019, ongoing construction on the various mining infrastructure projects for Debswana and the Khoemacau Copper Mine resulted in further revenue growth of 21% this year. However, these projects are all due for completion in the first half of FY2021 and prospects for new work have declined significantly in the wake of COVID-19

and a resurgence of Chinese contractors in the public sector construction market. Construction of the approach and bridge railways at the Kazangula Bridge over the Zambezi River between Zambia and Botswana also neared completion towards the end of the financial year.

Activity in Mozambique continues to rise as the division secures extra work packages related to Area 1 of the gas infrastructure project in Palma. In addition to the community road secured last year, the division was awarded a contract in joint venture for the bush clearing and mass earthworks for the LNG process plant platform as well as participation in the consortium for the erection of the 9 500 man camp. In the south of Mozambique, the division completed section 19 and 20 of the EN4 and executed various ongoing small works at the Vale coal mine near Tete.

Overall revenue from the West African region was maintained, albeit at relatively low levels. Completed projects in Guinea and Sierra Leone were replaced with new work in Ghana at the Ahafo and Obuasi gold mines. With limited mining infrastructure projects available, the division, in partnership with citizen-owned companies, successfully targeted and secured certain road projects in the public sector. Construction of these road projects is progressing well, however, obtaining timeous payment from the client is proving to be an ongoing challenge.

KLIPSPRUIT SOUTH
EXTENSION PROJECT

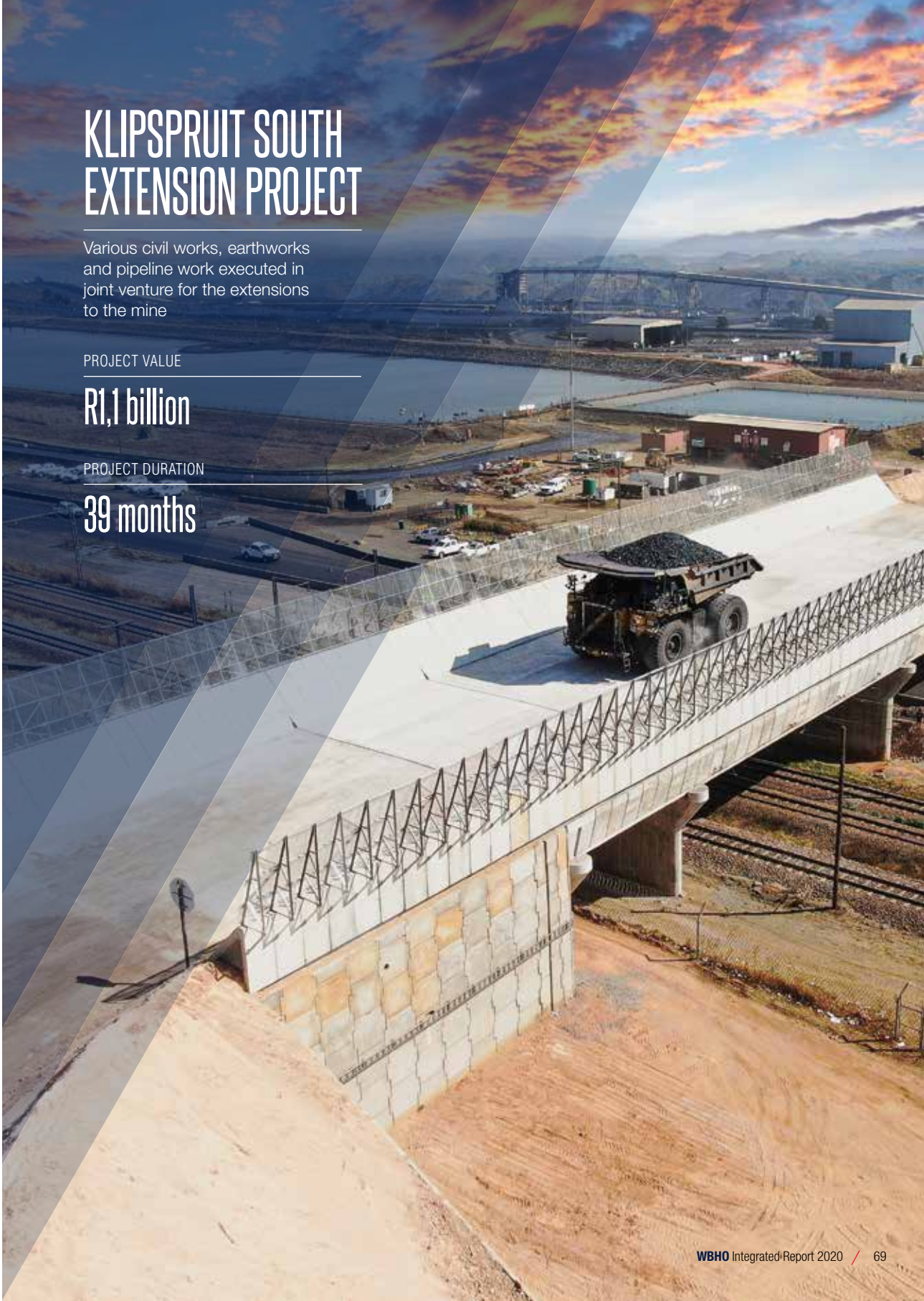
Various civil works, earthworks and pipeline work executed in joint venture for the extensions to the mine

PROJECT VALUE

R1,1 billion

PROJECT DURATION

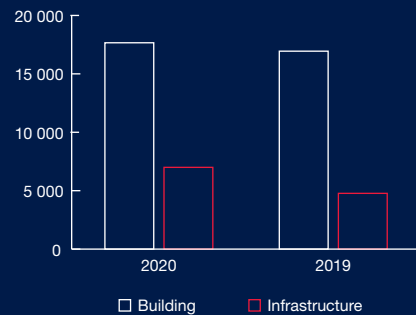
39 months



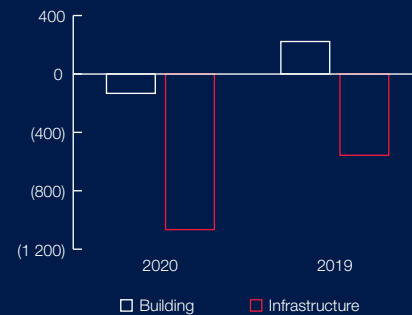
OPERATIONAL REPORTS

REVENUE (Rm)	OPERATING PROFIT (Rm)	OPERATING MARGIN (%)	CAPITAL EXPENDITURE (Rm)	PROJECTS NEGOTIATED (%)
2020: 24 657 2019: 21 713	2020: 1 199 loss 2019: 335 loss	2020: (4,9) 2019: (1,5)	2020: 89 2019: 82	2020: 19 2019: 23
NUMBER OF EMPLOYEES	RETRENCHMENTS	TRAINING SPEND (Rm)	LTIFR (per million man hours worked)	
2020: 1 118 2019: 1 139	2020: 136 2019: 116	2020: 5,4 2019: 4,8	2020: 0,84 2019: 0,73	

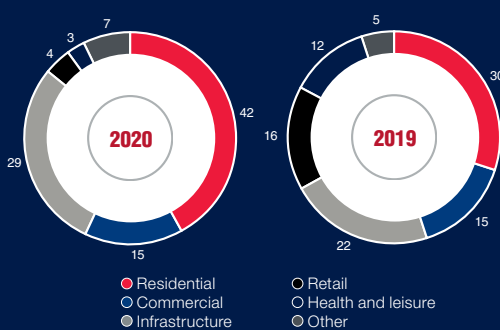
REVENUE (Rm)



OPERATING PROFIT (Rm)



REVENUE BY SECTOR (%)



AUSTRALIA

The year in perspective

- Overall Australian results dominated by the scale of losses on two challenging projects
- Forecast costs to complete increased materially during the year
- AU\$100 million of funding provided to date from South Africa for WRU
- Probuild able to self-fund losses on 443 Queen Street and assist with funding towards WRU

The performance of the Australian operations deteriorated further this year, impacted by additional provisioning on the WRU project within the infrastructure business and the 443 Queen Street project within the building business. COVID-19-related costs of AU\$4,0 million had a minimal effect on the already substantial losses incurred over the period.

Although a strong focus remains on ensuring a robust safety culture within the Australian operations, the LTIFR deteriorated marginally from 0,73 to 0,84 in the year. The number of lost-time injuries increased from 10 to 12 with approximately 14 million hours worked in both reporting periods. This remains well below the LTIFR of 1,73 in FY2018. The number of staff decreased from 1 139 to 1 118.

Building

- Strong growth delivered from Melbourne and Sydney markets supported by ongoing construction of existing mixed-use mega projects
- Positive increase in commercial building activity
- Melbourne and Sydney markets comprise 84% of total building revenue
- Reduced activity in Perth
- Activity in Queensland confined to delivery of 443 Queen Street:
 - Additional AU\$18 million loss provided for since interim results stems primarily from:
 - Prolongation of the programme due to change in legislation reducing the number of work days from six days to five days
 - Letting losses on subcontractor packages
 - Project is now well above ground and tracking revised completion programme
 - Majority of subcontractor packages are let and cost-to-completion is known

Revenue from the building business was sustained at AU\$1,7 billion for the year ended 30 June 2020. Good growth within the Victorian and New South Wales (NSW) markets offset a sharp decline in activity in Western Australia where the business struggled to replace completed projects.

The pre-COVID-19 environment in the building sector was quite buoyant. Following the implementation of additional taxes on foreign purchasers of Australian residential real estate,

Asian-based residential development continued to slow down. However, replacement activity was seen in the retail and office sectors, along with emerging government project spend in health and education. Financing conditions remained constrained with increased requirements for pre-sales and leasing pre-commits, particularly from Australian on-shore lenders. This has led to an increase in foreign lending, particularly from the United States of America.

The NSW market place continued to be highly competitive with several regional NSW-only builders of significant size being competitive against Probuild's national brand.

The following major projects were completed and handed over successfully this year: the new headquarters for the Victoria Police and Malt District commercial tower, both in Melbourne; and the Queens Wharf Excavation and Maritime project in Brisbane. The Edmondson Park mixed retail and residential project in NSW was also completed during the year.

Ongoing residential construction includes the multi-storey Greenland tower in NSW and in Victoria, the large-scale mixed-use residential and hotel development at Westside Place (the building business's largest project to date valued at approximately AU\$700 million) and the Sky Gardens tower above the Glen Shopping Centre. Work within the commercial sector continues at the MLC Centre in Sydney, a commercial tower for the listed company Dexus. Activity in the education sector also included a new tower at the Victoria University Campus in Melbourne and construction of student accommodation for the Curtin University in Perth. In Queensland, operational focus remains concentrated on the challenging 443 Queen Street residential project to ensure delivery for long-standing client, Construction and Building Unions Superannuation (Cbus).

Infrastructure and civil engineering

- Ability to procure new work in the Eastern region constrained by resource-intensive WRU project
- WRU plagued by a difficult on-site environment, ongoing delays and unforeseen costs throughout the year:
 - Perpetual delays and associated costs emanating from changed design scope
 - Poor performance and delays related to utility providers
 - Project completion now imminent
 - Six out of the eight packages have been physically completed
 - Completion of the final packages to be achieved within revised completion dates
 - Commercial completion in April 2021
 - Substantial claim agreed and settled with the State of Victoria
 - Claims against the design consultant and utility providers will continue to be pursued
- 8% decline in revenue in the Western region but consistent profit contribution

Revenue from the overall infrastructure business grew by 47% as the WRU project reached peak activity during the year, while the operating loss increased from R557 million to R1,1 billion.

EASTERN REGION

The performance of the Eastern Region business was dominated by the poorly performing and resource-intensive WRU project, which effectively limited capacity for procuring any new work. In response to the Eastern Region's poor performance, both generally and on the WRU project, a "Reset" strategy aimed at stabilising the business and focusing on suitable project opportunities that realistically match our capabilities and resources is currently being implemented.

WESTERN ROADS UPGRADE PROJECT

The WRU project is a single design and construct project consisting of eight packages for the widening of roads and upgrade of various intersections in suburban Melbourne. WBHO Infrastructure (WBHOI) is the lead contractor responsible for the delivery of the project to the concession company.

The anticipated costs to complete the project continued to increase over the period due to significant further unforeseen delays and associated costs arising from the discovery of additional unknown services (resulting in protracted design finalisation), subcontractor failures, significantly increased costs charged by utility providers to relocate their assets, costs associated with pursuit of claims from clients and consultants and persistent utility provider delays. Six of the eight projects were physically completed by 31 October 2020, with completion of a further package by the end of November and the final remaining package by the end of January 2021. Commercial acceptance of all projects is anticipated to be finalised by 30 April 2021.

Subsequent to 30 June 2020, WBHO Infrastructure reached agreement with the Victorian State Government with regard to extensions of time for the completion of the eight packages, settlement of the quantum of the claim submitted as well as agreeing the payment terms. This has significantly reduced the completion risk associated with the project as well as having a positive effect on the forecast cash flows of the Group. Having resolved its position with the Victorian State Government, WBHO Infrastructure will now pursue its entitlements against the design consultants.

The total forecast loss on the project increased by AU\$82 million during the year to AU\$133 million.

WESTERN REGION

In the Western region, while revenue and operating profit was marginally down over the comparative period, the business has consistently delivered solid profitability over recent years. In respect of COVID-19, productivity on some projects in the resources sector were initially impacted due to Fly-in-Fly-out roster changes, however, the changes were rapidly and effectively implemented, and the situation quickly returned to normal. CBH, Australia's largest grain exporter, suspended a few smaller projects which currently remain on hold.

WEST SIDE
PLACE

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

PROJECT VALUE

AU\$691 million

PROJECT DURATION

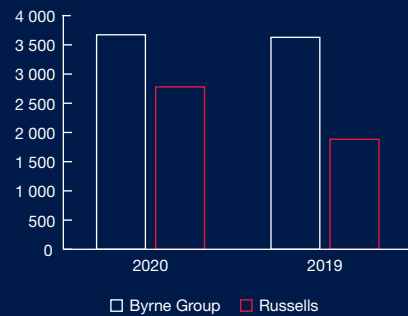
45 months



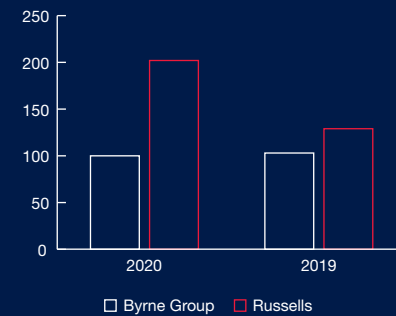
OPERATIONAL REPORTS

REVENUE (Rm)	OPERATING PROFIT (Rm)	OPERATING MARGIN (%)	CAPITAL EXPENDITURE (Rm)	PROJECTS NEGOTIATED (%)
2020: 6 452 2019: 5 684	2020: 302 2019: 228	2020: 4.7 2019: 4.0	2020: 5 2019: 13	2020: 17 (Byrne Group) 2020: 86 (Russell-WBHO) 2019: 7 (Byrne Group) 2019: 75 (Russell-WBHO)
NUMBER OF EMPLOYEES	RETRENCHMENTS	TRAINING SPEND (Rm)	LTIFR (per million man hours worked)	
2020: 773 2019: 1 127	2020: 40 2019: 14	2020: 1.9 2019: 3	2020: 1.64 2019: 3.94	

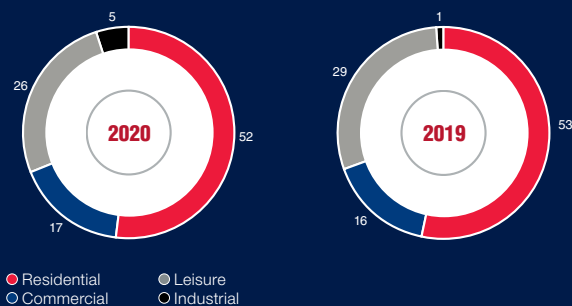
REVENUE (Rm)



OPERATING PROFIT (Rm)



REVENUE BY SECTOR (%)



UNITED KINGDOM

The year in perspective

- The London construction market continued to soften
 - Initial optimism after the general election in expectation of infrastructure spending by government subsided in the wake of COVID-19
 - Lingering uncertainty around Brexit continues to delay private fixed investment
- Manchester market showed signs of tapering off the back of high growth over recent years
 - Commercial building sector most affected
 - Residential sector remains strong due to demand for residential property
 - Prior to COVID-19 the hotel sector was also buoyant
- COVID-19 had a major impact on the UK economy
 - Private and public spending fell sharply
 - Construction output decreased by 35% over Q4:20
 - New work orders fell by 40%
 - Second lockdown in FY2021 has had minimal impact on operations

In spite of lower productivity achieved over the last four months of the reporting period, revenue and operating profit from the UK operations grew by 6.4% and 31% respectively in pound terms. Russell-WBHO delivered another strong performance, while the Byrne Group maintained profitability with that of the prior year. Direct COVID-19 costs had less of an effect on the UK operations due to its classification as an essential service and hence the ability to continue working. Non-recoverable COVID-19 costs amounted to £2.5 million.

The total headcount within the UK operations decreased by 354 from 1 127 to 773. The decrease occurred predominantly within the Byrne Group, as Byrne Bros executes its own construction works, while Ellmer Construction and Russell-WBHO mostly provide construction management services.

The LTIFR for the combined UK businesses improved significantly from 3.94 to 1.64.

Byrne Group

- The Group produced a solid performance in a challenging environment
 - 19% decrease in revenue within Byrne Bros – three client-suspended projects due to COVID-19
 - Partially offset by 9% growth within Elmers Construction – one client-suspended project due to COVID-19
- Activity was mostly underpinned by ongoing construction on existing projects
- Good representation across all sectors including residential, hotel, energy and commercial buildings
- Final stage of restructuring sees new managing directors appointed in both businesses alongside promotion of promising young talent

Revenue from the Byrne Group declined marginally by 8% from £202 million to £187 million, partially as a result of COVID-19, but also due to lingering uncertainty within the London construction market due to Brexit. New work opportunities were limited and certain competitors took on projects at unrealistic margins to sustain activity. Consequently, the ongoing construction of existing projects within the hotel, residential and energy sectors largely underpinned activity in the current reporting period. Operating profit of £5.2 million at a margin of 2.8% was consistent with the £5.8 million achieved in FY2019. The appointment of new managing directors in both the underlying operating businesses, Byrne Brothers and Ellmer Construction has proven successful.

Contracts completed by Byrne Bros during the year included works to upgrade capacity by 40% at the underground Bank Station, the iconic 50-storey Aykon London One Apartments, substructure works at the new Google Headquarters at King's Cross, an expansion to the Royal College of Arts in Battersea and civil works at the Rookery South Energy Recovery Facility in Bedfordshire. Construction of the 56-storey and 42-storey towers at the One Nine Elm Street hotel and residential mixed-use development continued through the year alongside the redevelopment of the 1-5 Grosvenor site, where Byrne Bros is responsible for the structure for a new 189-room upmarket hotel and 26 residential apartments overlooking Hyde Park.

Projects within Ellmers Construction were predominantly centred in the heart of London and included the refurbishment of the 180-room Kingsway Hall Hotel in Covent Garden, the development of 26 luxury apartments and a spa at the Mayfair Park Residences, the refurbishment of five floors of commercial office space and addition of a further three floors to The Hickman in Whitechapel and several high-end residential apartments at 20 Grosvenor Square. Ellmer also secured work in respect of the residential section of the 1-5 Grosvenor site.

Russell-WBHO

- Further strong performance from the Russell-WBHO business
- Capitalising on the strong Manchester market resulted in additional growth of 34%
- Exceptional margin in excess of 7% maintained in FY2020
- Three large hotel schemes secured in FY2019 supported growth
- Residential sector also contributed strongly

While the overall Manchester market has recently shown signs of tapering, Russell-WBHO delivered exceptional growth in both revenue and profitability. Revenue grew by 34% from £105 million in FY2019 to £141 million this year, while operating profit increased from £7.2 million to £10.9 million at a margin of 7.7%.

UNITED KINGDOM CONTINUED

The residential and hotel sectors were the primary drivers of activity comprising 80% of revenue generated. Projects from the commercial office and industrial sectors made up the balance.

Over the period Russell-WBHO completed several high profile and profitable projects. In the Manchester city centre a number of office and residential projects were handed over, including the award-winning Axis Tower, a 28-storey residential scheme which is a major feature on the Manchester skyline. Additional residential projects delivered include the £17 million Vulcan Mill apartments for Artisan Investments and £6 million Manhattan apartments. In the commercial office sector, a £9 million office building forming part of the NOMA heritage regeneration masterplan and the £3 million St James' Tower Grade A office complex were also completed.

The business continues to develop its 15-year relationship with Lineage Logistics, with work in excess of £3.7 million completed on their cold storage and distribution facilities nationwide over the last 12 months.

Three large hotel schemes within the Manchester city centre, having a combined value of £125 million and the £80 million Oxygen Towers development, made good on-site progress during the year. These projects, along with a £33 million residential project forming part of the regeneration of the Chatham Docks in Kent, will continue to provide a significant contribution towards activity in FY2021.

OXYGEN TOWERS

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

PROJECT VALUE

£85 million

PROJECT DURATION

36 months



OPERATIONAL REPORTS

REVENUE (Rm)*	OPERATING PROFIT (Rm)	OPERATING MARGIN (%)	CAPITAL EXPENDITURE (Rm)	NUMBER OF EMPLOYEES
2020: 713 2019: 976	2020: 24 loss 2019: 20	2020: (3,5) 2019: 3,5	2020: 16 2019: 6	2020: 148 2019: 114
RETRENCHMENTS	TRAINING SPEND (Rm)	LTIFR (per million man hours worked)		
2020: 46 2019: 0	2020: 2,6 2019: 3,3	2020: 0,9 2019: 1,3		

* Gross revenue before eliminating inter-group.



CONSTRUCTION MATERIALS

Reinforced Mesh Solutions (RMS) and VSL Construction Solutions (VSL)

- Subdued and competitive market further impacted by COVID-19
- Aggressive pricing at unsustainable margins
- Increased input costs
- Rigorous cash and working capital management essential

The combined effect of the weak trading environment and COVID-19 resulted in revenue from the Construction materials businesses decreasing by 27% from R976 million to R713 million (before the elimination of inter-company revenue) and the reversal of an operating profit of R20 million achieved in FY2019 to an operating loss of R24 million this year.

Trading conditions within the steel supply industry were extremely difficult even prior to COVID-19. Declining building markets, which are the largest source of revenue for RMS, have resulted in unsustainably low margins which, together with lengthy payment terms and slower collections have increased pressure on cash flow. The impact of COVID-19 further

compounded an already challenging environment. Although RMS only ceased operations for the month of April 2020 under Alert Level 5, building construction in South Africa, on which the business is heavily reliant, only recommenced operations a further month later.

During the lockdown period the steel mills were forced to shut down their furnaces. The delayed start-up of certain furnaces resulted in a subsequent steel shortage which, alongside an overdue correction to pre-COVID steel prices, led to a sharp increase in the raw material costs of the steel supply merchants.

All inland branches experienced lower volumes and as such struggled to meet overhead expenditure, particularly the Johannesburg branch which carries the highest fixed cost base. With the exception of the Eastern Cape, where the Port Elizabeth and East London branches delivered good profitability, both the KZN and Western Cape branches incurred losses for the year.

VSL, which provides post-tensioning for concrete slabs as well as concrete repairs to the construction market also faced a challenging year where revenue declined by 44%. The new leadership appointed at the beginning of the year introduced stricter controls within the bidding environment with the effect that all new projects secured this year have delivered expected margins.

CLAIRWOOD LOGISTICS PARK

Supply and fixing of 535 tonnes of rebar by RMS for the construction of various warehouses by WBHO's KZN building division

ORDER BOOK AND OUTLOOK

GROUP ORDER BOOK DOWN 25% TO **R35 billion**

69% OF FY2020 REVENUE SECURED FOR FY2021

ORDER BOOK FOR AFRICAN OPERATIONS DOWN **15%**

AUSTRALIAN ORDER BOOK DOWN **28%**

UK OPERATIONS NOW COMPRISE **15%** OF TOTAL ORDER BOOK

The knock-on effect of COVID-19 on the global economy resulted in a number of imminent awards being delayed. The negligible intake of new work over the last quarter of the reporting period has had a detrimental effect on the secured order book and forward-looking pipeline of the Group at 30 June 2020.

The total order book decreased by 25% from R47 billion to R35 billion which comprises a 22% and 9% decrease in the order books of the Roads and earthworks and Building and civil engineering divisions respectively, a decrease of 28% in the order book relating to Australia and a 31% decrease in the order book of the UK operations.

AFRICA

South Africa

- Order book down 20%
- Local market conditions likely to remain subdued
- Sufficient work on hand to manage through this period
- Public infrastructure spending will benefit all operating divisions
 - Private-public partnerships opportunities on the rise
 - SANRAL has resumed the award of tenders
- Renewable energy sector gaining traction once again

Rest of Africa

- Order book up 23%
- Mozambique will be the dominant source of activity as gas infrastructure projects gain further traction
- Mining infrastructure opportunities remain in Botswana
- Activity in Zambia likely to taper further
- Potential design, fund and build projects in the road and energy sectors in West Africa

AUSTRALIA

- Order book down 28%
- Market sentiment is uncertain in the current environment
 - Hotel and leisure sectors likely to be most impacted
 - WBHO Infrastructure well positioned for opportunities
 - Low-risk construction-only projects to be targeted
- Australian government has committed to public infrastructure spending
- Potential rebound in retail activity as developments undergo repurposing

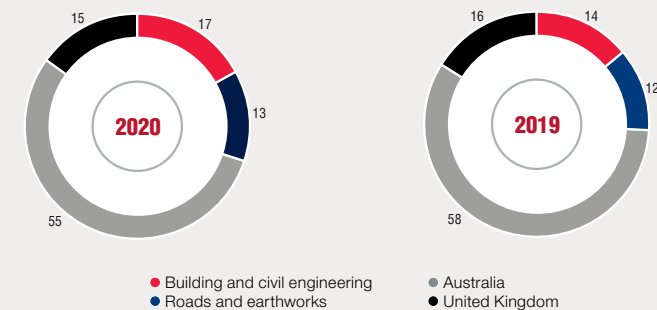
UNITED KINGDOM

- Order book down 31%
- Second wave of COVID-19 infections and further lockdowns are creating ongoing uncertainty
- Effect of the UK's exit from the EU still to be seen
- Widescale public infrastructure spending has been promised to mitigate impacts
 - Approval of HS2 rail project
 - Acceleration of large-scale residential developments
- Both the Byrne Group and Russell-WBHO have realigned procurement activity towards public sector

ORDER BOOK BY SEGMENT

Rm	%	At 30 June 2019	%	At 30 June 2020	2021	2022 and beyond
Building and civil engineering	14	6 446	17	5 858	5 296	562
Roads and earthworks	12	5 796	13	4 523	3 169	1 354
Australia	58	27 316	55	19 573	16 816	2 757
United Kingdom	16	7 810	15	5 407	4 660	747
Total	100	47 368	100	35 361	29 941	5 420

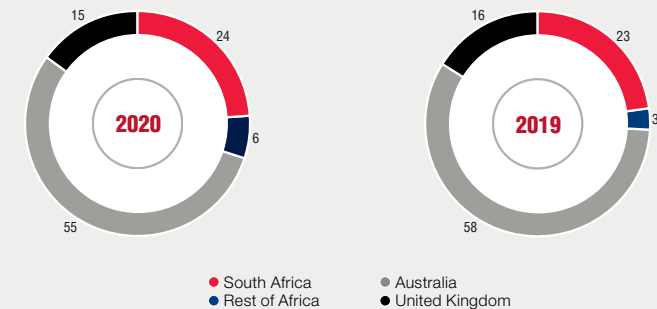
Order book by segment (%)



ORDER BOOK BY GEOGRAPHY

Rm	%	At 30 June 2019	%	At 30 June 2020	2021	2022 and beyond
South Africa	23	10 704	24	8 484	6 786	1 699
Rest of Africa	3	1 538	6	1 896	1 679	217
Australia	58	27 316	55	19 573	16 816	2 757
United Kingdom	16	7 810	15	5 407	4 660	747
Total	100	47 368	100	35 361	29 941	5 420

Order book by geography (%)



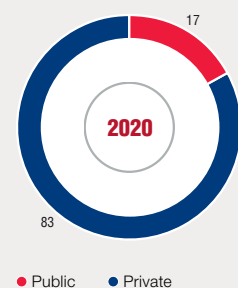
ORDER BOOK AND OUTLOOK

CONTINUED

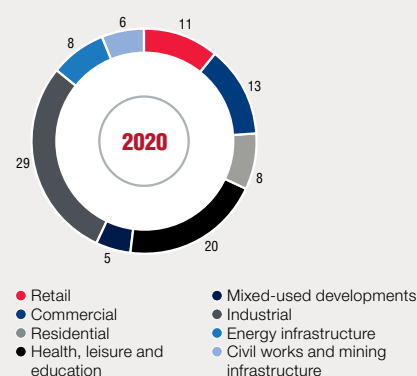
BUILDING AND CIVIL ENGINEERING

Rm	% growth	At 30 June 2020	At 30 June 2019
South Africa	(19)	5 155	6 348
Rest of Africa	617	703	98
Total	(9)	5 858	6 446

Public versus private (%)



Sector spread (%)



While general building markets in South Africa will likely deteriorate further in the wake of COVID-19, the recent award of various large and mid-sized new projects has resulted in the restoration of the division's order book to pre-COVID levels.

In Gauteng, the various projects under construction in the industrial building and commercial building sectors together with a number of recent awards will support activity into FY2021. In addition, the public-private partnership (PPP) contract for the design, build, operation and maintenance of a new serviced working environment for the Department of Agriculture, Land Reform and Rural Development is near to financial close. This large-scale building project valued at almost R2 billion will provide a baseload of building work in the region until the end of FY2022. Two additional bids have been submitted on another similar PPP project on which we hope to hear the announcement of the preferred bidder in the second half of FY2021.

In the Western Cape, while the market remains competitive, the division continues to successfully negotiate new projects with existing clients. Ongoing construction at the biomed centre and Rockefeller mixed-use development, as well as two new projects secured from the hotel and mixed-use sectors are included in the order book at 30 June 2020. The hotel project incorporates the conversion of an existing 28-storey building into a new hotel with associated amenities and the mixed-use project entails construction of an 80-room hotel, 122 residential apartments, three individual office buildings and two levels of

parking. Despite the termination of a large-scale upgrade to the Cape Town International Airport by the Airports Company South Africa (ACSA), the division has secured a further R1,4 billion in new projects subsequent to the end of the reporting period, the most prominent of which are the Harbour Arch residential development and a new data centre for Amazon.

The KZN building market hardened noticeably toward the back end of FY2019 and conditions have remained tough throughout this year. Further work secured at the Clairwood Logistics Park both during and subsequent to the reporting period will underpin activity alongside the ongoing construction at the Umhlanga Arch and Ridge Town Central, entailing construction of 220 apartments spread over four towers. The negotiation of a further new industrial project and a residential and retail component of a large-scale mixed-use development has significantly increased the available work on hand in the region and relieved some pressure of seeking work in the exceptionally competitive tender environment.

Following a strong order intake in excess of R1 billion over the course of FY2020, the division is well positioned to sustain the increased activity levels in the Eastern Cape next year. Industrial buildings and warehousing will continue to drive activity supported by two projects in the retail sector.

Building opportunities in Ghana remain limited. However, the division submitted competitive bids on two large projects which if

awarded will revive activity in the region. The division is actively pursuing opportunities in other regions and was awarded a new project for Grindrod in Mozambique and is hopeful for another potential award in Botswana. The refurbishment of the hotel in Zambia also continues throughout FY2021.

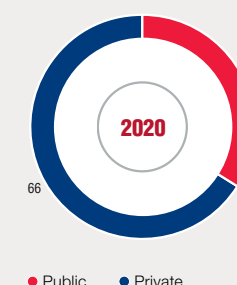
At 30 June 2020, the combined order book of the Civil engineering division remains in line with that of the previous year, where a decline in secured work in South Africa and Zambia has been

replaced with the award of the 9 500 man camp in Mozambique. A major project targeted by the division (in joint venture) was the re-tender of the marine works at the container terminal in the Durban Harbour. Disappointingly, after the successful due diligence of WBHO and its joint venture partner, Transnet later issued a suspension notice. Nonetheless, the division was recently awarded a new mining infrastructure contract for the construction of a coal silo at the Matla Coal Mine for Exxaro, which will support activity alongside further construction opportunities in and around the gas fields in Mozambique as well as in the renewable energy sector.

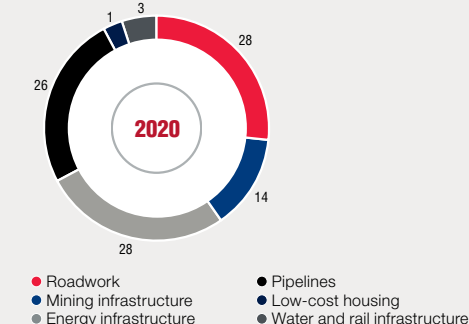
ROADS AND EARTHWORKS

Rm	% growth	At 30 June 2020	At 30 June 2019
South Africa	(22)	3 331	4 290
Rest of Africa	(17)	1 192	1 440
Total	(21)	4 523	5 730

Public versus private (%)



Sector spread (%)



Prior to COVID-19, the Roads and earthworks division had been eagerly anticipating the award of a R1,2 billion design and construct project at OR Tambo International Airport as well as a number of large-scale projects for SANRAL, where competitive bids had been submitted. During the lockdown period, ACSA announced the cancellation of all pending projects due to the devastating impact of travel restrictions. SANRAL also delayed the award of its projects over the lockdown period and has only recently resumed activity.

Locally, road construction on existing projects, both inland and within the coastal regions, as well as ongoing work at Sasol and the Camden and Medupi power stations should sustain activity for the year ahead. Additional works have been secured on existing mining infrastructure projects and the division is in line for the imminent award of one further mining infrastructure project.

The roadwork and infrastructure works in eSwatini and Lesotho respectively are both due for completion in FY2021.

Activity in Botswana is expected to taper in FY2021 as various mining infrastructure projects reach completion in the first half of next year. Additional work was secured at the Khoemachau Copper Mine after the current reporting period and the division has bid upon further work at Jwaneng for Debswana.

In Mozambique, the division continues to secure additional work on the gas infrastructure project at Palma, both directly from Total as well as from the EPC contractor CCS JV which, along with the work already on hand, will result in increased activity in the region over the course of FY2021.

The division is also pursuing various mining infrastructure projects in Ghana and Madagascar as well as a commercially funded design and construct road project in Liberia. If secured, these projects will substantially increase the order book at 30 June 2020.

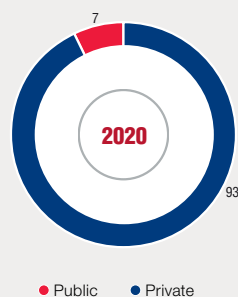
ORDER BOOK AND OUTLOOK

CONTINUED

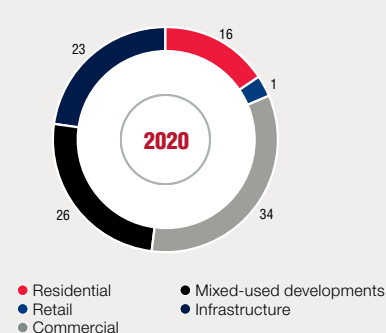
AUSTRALIA

Rm	% growth	At 30 June 2020	At 30 June 2019
Building	(20)	17 320	21 717
Infrastructure	(60)	2 253	5 599
Total	(28)	19 573	27 316

Public versus private (%)



Sector spread (%)



The previous fundamentals of population growth and strong local and foreign private fixed investment, that have supported building activity in Australia over recent years, are expected to be weakened over the short term due to COVID-19. Strict border control has resulted in a significant reduction in the number of inbound arrivals, which has thus had a severe effect on tourism and other sectors of the economy. However, the longer-term outlook still remains positive. Retail activity is expected to rebound with the trend of large-scale repurposing of traditional retail centres into "destination retail", including cinemas, dining and other entertainment alongside traditional retail formats, continuing. To ensure the business maintains capacity for these anticipated large retail project opportunities, teams have been engaged on smaller fit-out and commercial refurbishment projects. While client interest in new developments is once again beginning to emerge, the timing of conversion from scheme developments to commenced works is uncertain.

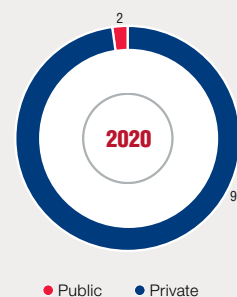
New awards during FY2020 that will support activity include a commercial tower in Melbourne with a contract value of AU\$217 million and a AU\$190 million build-to-rent residential project. This is the first build-to-rent project secured by Probuild in what will be a significant market sector for the next three to five years. Probuild is also the preferred bidder on a AU\$180 million fit-out for a new head office in Melbourne for a large listed pharmaceutical company along with two additional retail projects with a combined contract value of AU\$160 million.

The Infrastructure and civil engineering order book at 30 June 2020 amounts to AU\$189 million of which AU\$74 million relates to the Western region. With WRU nearing completion, bidding activity within the Eastern region will again be prioritised. The focus on securing construction-only road projects as well as projects in the renewable energy sector where the business has a successful track record will remain in place. Both the Federal and State governments have voiced intentions to support activity in the civil engineering and infrastructure sectors as a means of stimulating the Australian economy in response to COVID-19.

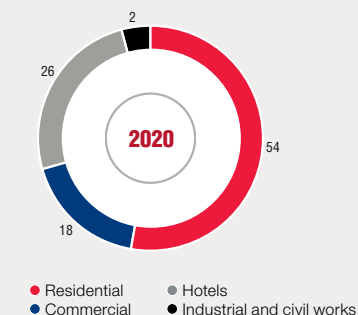
UNITED KINGDOM

Rm	% growth	At 30 June 2020	At 30 June 2019
Byrne Group	(25)	2 987	3 959
Russell-WBHO	(37)	2 420	3 851
Total	(31)	5 407	7 810

Public versus private (%)



Sector spread (%)



The combined order book of the UK operations declined by 31% over the comparative period comprising a 25% decrease in the order book of the Byrne Group and a 37% decrease in that of Russell-WBHO which stood at record levels at 30 June 2019. A competitive London market together with various delayed and suspended project awards were the main reasons for this decline. Projects to the value of £95 million have been secured since the end of the reporting period, with a further £77 million expected to be awarded later in FY2021.

Following the successful execution of the Rookery Pits contract in Bedfordshire, Byrne Bros was awarded a further £25 million contract for the same client at the Newhurst energy-from-waste facility during the year as well as a £14 million basement structure at the Wood Wharf mixed-use development next to Canary Wharf in London. The pre-construction agreement concluded during the year for Project Iodine, comprising a double basement and eight floors for the new digital hub for Santander, was successfully converted into a works contract after the reporting period. These new projects together with ongoing construction at Google's new head offices near the King's Cross station, the One Nine Elms development and 1-5 Grosvenor Place will form the bulk of work to be executed in FY2021.

Ellmer Construction's secured order book primarily consists of ongoing construction at 1-5 Grosvenor and the off-site, modular construction of the washrooms for Google's new head office. The award of a new £60 million hotel project in Marylebone is anticipated within the next three months.

In Manchester, the three previously mentioned large-scale hotel schemes will contribute strongly toward revenue for Russell-WBHO in FY2021. Subsequent to 30 June 2020, Russell-WBHO was also awarded a new £40 million contract for the conversion of the historic listed municipal buildings in Liverpool into a 180-room boutique hotel as well as a £19 million cold storage facility in Great Haddon.

MESSAGE FROM THE

CHIEF FINANCIAL OFFICER

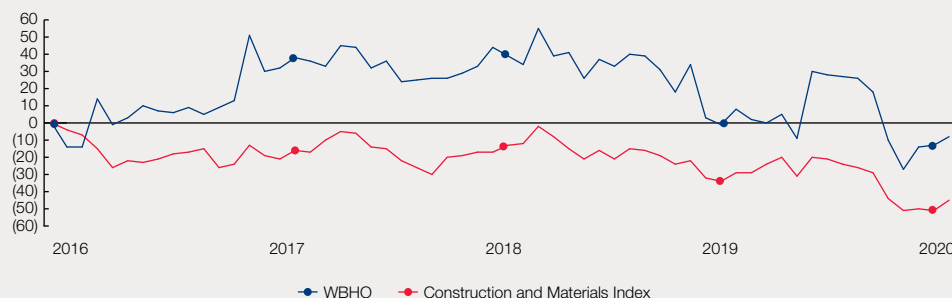


CHARLES HENWOOD

Further substantial losses in Australia resulted in a first-time overall loss being reported by the Group that overshadowed a credible performance in Africa within the context of COVID-19, as well as commendable growth in the UK. In spite of the loss incurred, strong working capital management across all geographies resulted in cash balances increasing above R7 billion.

Over the last five years the beleaguered construction industry in South Africa has been plagued by a shrinking market characterised by a zero-growth environment and diminished public infrastructure spending. Tragically, we have seen a number of our peers fall by the wayside or alternatively exit the market through the sale of their construction businesses over this period. COVID-19 could hardly have come at a worse time, and the impact on the sector has been considerable. WBHO alone incurred unrecoverable costs of R397 million. The Construction and Materials Index has lost 45% of its value over the last five years and investor sentiment toward the sector remains cautious.

WBHO share price versus Construction and Materials Index



Following the announcement of further losses in Australia and the impact of COVID-19, the share price of the Group has declined by 8,1% from R110 at 30 June 2019 to R101 at 30 June 2020. Although we continue to outperform the overall construction index, this represents negative growth for our investors over the last five-year period and is extremely disappointing for the management team.

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

Condensed financial statements (R'000)	2020	2019	2018	2017	2016
Revenue	43 080 295	40 614 297	35 028 475	31 906 660	30 650 309
Operating (loss)/profit before non-trading items	(541 341)	561 235	1 045 397	986 297	1 004 557
Non-trading items	(43 986)	(48 394)	(14 536)	(205 729)	(13 315)
Profits and losses from equity-accounted investments	109 284	51 958	(4 830)	68 916	45 659
Net finance income	165 851	183 447	168 467	240 894	203 014
Income tax expense	(197 921)	(199 253)	(351 053)	(319 161)	(395 715)
(Loss)/profit for the year	(508 113)	548 993	843 445	769 546	721 850
Property, plant and equipment	2 054 254	1 936 709	1 883 072	1 635 349	1 710 358
Right-of-use assets	406 690	—	—	—	—
Goodwill	1 085 894	921 103	531 117	523 613	572 102
Long-term receivables	283 598	346 916	373 136	446 924	298 135
Equity-accounted investees	1 105 159	1 069 822	745 059	650 246	347 171
Deferred tax assets	733 583	903 657	667 779	631 799	558 840
Contract assets	864 638	1 423 218	1 816 792	758 001	514 438
Trade and other receivables	6 212 471	6 716 352	6 213 877	5 635 000	5 111 251
Cash and cash equivalents	7 599 344	5 951 985	5 992 461	5 545 583	5 752 194
Other current assets	564 541	495 066	400 563	407 392	505 001
Total assets	20 910 172	19 764 828	18 623 856	16 233 907	15 369 490
Shareholders' equity	5 676 447	5 872 186	5 811 639	5 300 505	5 428 429
Non-controlling interests	205 173	261 645	207 517	139 895	258 421
Total equity	5 881 620	6 133 831	6 019 156	5 440 400	5 686 850
Lease liabilities	352 336	—	—	—	—
Long-term liabilities	305 984	193 164	169 718	192 637	34 581
Deferred tax liabilities	27 979	174 131	27 527	57 211	24 253
Contract liabilities	2 998 037	2 206 511	2 337 660	1 673 161	1 917 491
Trade and other payables	8 912 917	8 627 016	8 293 976	6 931 937	5 595 564
Provisions	2 368 563	2 414 682	1 764 968	1 913 262	2 059 645
Current tax liabilities	62 736	15 493	10 851	25 299	51 106
Total liabilities	15 028 552	13 630 997	12 604 700	10 793 507	9 682 640
Cash flows from:					
Operating activities	753 780	1 147 906	927 687	822 173	1 375 389
Investing activities	138 212	(867 136)	(308 871)	(180 448)	421 905
Financing activities	(230 478)	(444 500)	(219 924)	(531 136)	(322 322)

KEY FINANCIAL STATISTICS AND RATIOS

		2020	2019	2018	2017	2016
Revenue growth (%)	Target > 10%	6,1	15,9	9,8	4,1	6,3
Operating profit margin (%)	Target 3 – 4,5%	(1,3)	1,4	3,0	3,1	3,3
Earnings per share (cents)		(936,6)	938,7	1 534,3	1 345,6	1 396,1
Headline earnings per share (cents)		(923,3)	932,3	1 414,6	1 307,9	1 342,9
Dividend per share (cents)		—	190	475	475	448
Current ratio (times)		1,1	1,1	1,2	1,2	1,2
Debt/equity ratio (%)		12,0	2,7	2,9	2,0	2,2
Effective tax rate (%)		(63,8)	26	29,4	29,3	31,9
Return on capital employed (%)	Target > 20%	(4,4)	12,4	19,8	22,3	22,9
Closing share price		10 100	10 989	14 950	13 999	12 582
Market capitalisation (Rm)		6 049	6 578	8 970	8 846	7 951
Number of employees		9 470	12 121	11 018	9 837	9 131

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

CONTINUED

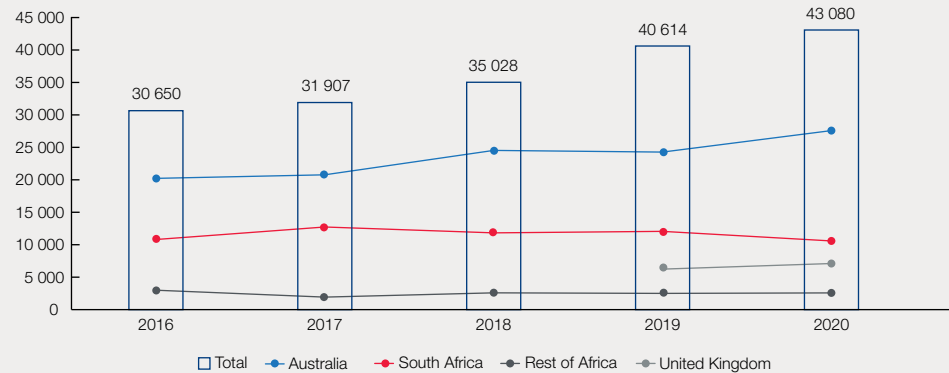
REVENUE

While Group revenue increased by 6% from R41 billion in FY2019 to R43 billion in the current year, revenue from South Africa decreased by 12% due to the COVID-19 lockdown regulations implemented over the last quarter of the reporting period. Revenue from the rest of Africa remained in line with the prior year, however, would likely have shown some growth had it not been for the closing of international borders that severely impacted activity in Mozambique. Revenue from both the Australian and UK operations increased by 14% in rand terms over the previous year, assisted by foreign currency translation gains amounting to R731 million and R431 million, respectively. The local currency weakened significantly towards the end of the reporting period, with the South African sovereign downgrade and the initial reaction to the impact of COVID-19 on the economy being the primary catalysts.

Overall, the African operations contributed 28% (FY2019: 33%) towards group revenue, the Australian operations 57% (FY2019: 53%) and the United Kingdom 15% (FY2019: 14%).

The revenue growth of 41% achieved over the past five years has been driven by growth within the Australian market and our acquisitions in the UK. There has been no growth achieved across Africa over the same period, and activity levels have in fact largely been sustained through securing a larger proportion of the shrinking construction market as the number of market participants has decreased.

Revenue (Rm)

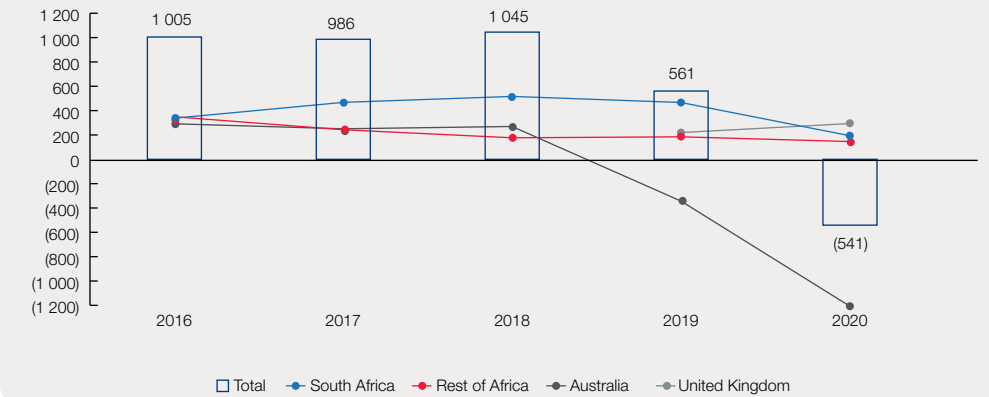


OPERATING (LOSS)/PROFIT

Operating profit before non-trading items reversed from a profit of R561 million in FY2019 to an operating loss of R541 million at 30 June 2020 due to the additional expected losses provided for on the WRU project, the loss-making 443 Queen Street project within Probuild and R397 million in potentially unrecoverable costs arising from COVID-19. The profitability of the Group was further affected by reduced productivity and lost profits over the last quarter of the reporting period, which is visible in the performance from the African operations where operating profit decreased by 47%. The operating margin of the Building and civil engineering division decreased from 4,1% to 2,2% and that of the Roads and earthworks division from 6,5% to 4,8% as a result. Despite an initial reduction in productivity due to COVID-19, the UK operations delivered improved profitability, increasing by 31% in pound terms due to the solid performances of both the Byrne Group and Russell-WBHO. With an operating profit of R302 million, the UK operations were the largest contributor toward profitability in FY2020. The combined Australian operations reported an operating loss of R1,2 billion. This consisted of a R133 million loss from Probuild and a R1,1 billion loss from WBHO Infrastructure arising from a further loss of AU\$82 million recognised on WRU in the year.

■ Detailed information on the performance of the respective business units can be found in the *Operational reports* on pages 62 to 79.

Operating profit before non-trading items (Rm)



CASH BALANCES AND NET FINANCE INCOME

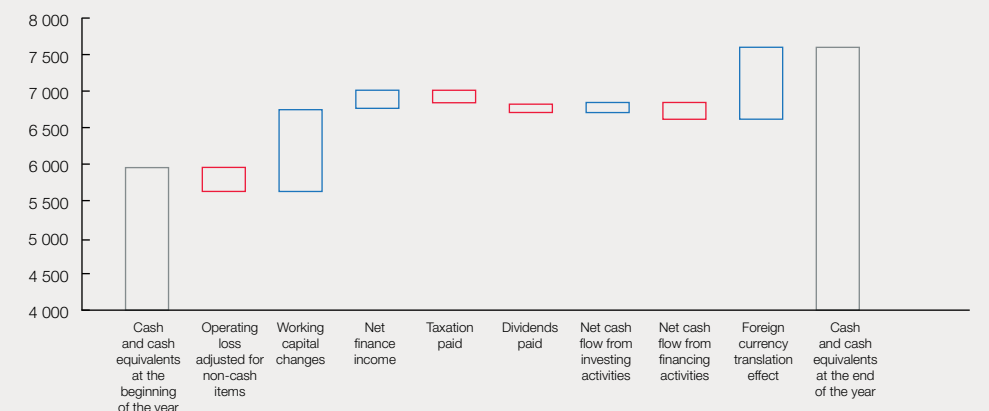
Our ability to grow our cash balances in this exceptionally challenging environment was extremely positive. The increase in cash from R6 billion in FY2019 to R7,5 billion at 30 June 2020 is primarily attributable to strong working capital management on our projects and foreign currency translation gains. Cash inflows arising from working capital changes amounted to R1,1 billion, compared to inflows of R33 million in the prior year. The foreign currency translation gain amounted to R985 million. Local cash balances in particular held up well, increasing to R1,9 billion up from R1,5 billion at 30 June 2019 even after sending AU\$54 million to Australia in support of the infrastructure business. Foreign cash balances increased from R4,5 billion to R5,7 billion.

The decrease of R86 million in cash outflows related to capital expenditure from R223 million to R137 million reflects some of the measures we undertook to preserve cash as the uncertainty surrounding the pandemic emerged.

Phases within two of the property developments in which the Group had an equity interest were completed during FY2020 and resulted in cash inflows of R291 million. However, further equity contributions of R24 million were reinvested in additional phases.

A further 10% interest was acquired in Russell-WBHO at a cost of R106 million.

FY2020 cash flow movement (Rm)

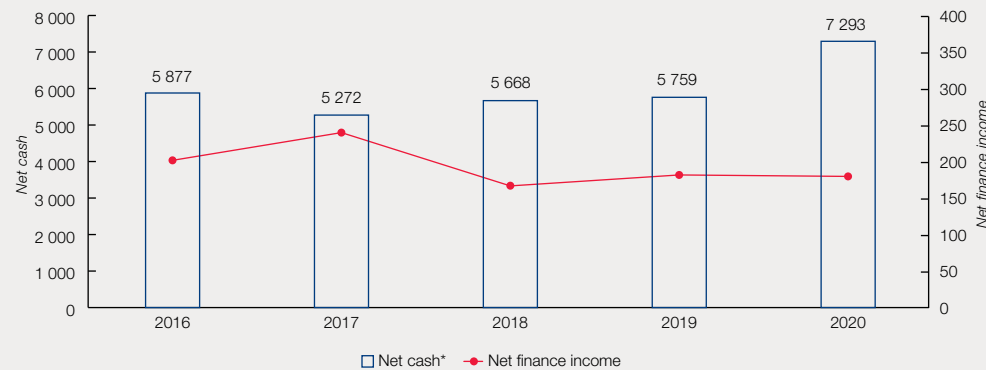


MESSAGE FROM THE CHIEF FINANCIAL OFFICER

CONTINUED

Net finance income declined to R166 million (FY2019: R183 million) primarily due to increased finance costs of R18 million being accrued on new lease liabilities recognised in terms of IFRS 16.

Net finance income versus net cash (Rm)



* Cash and cash equivalents less interest-bearing debt.

INCOME TAX EXPENSE AND TAXATION BALANCES

Despite the loss before tax recognised, the Group nonetheless reported an income tax expense of R198 million (FY2019: R199 million). This is due to the fact that no further deferred tax asset was created in respect of the losses within the infrastructure business in Australia as it is improbable that the full extent of such losses would be utilised within the next five years. R169 million of the R198 million tax expense relates to current tax payable, with the balance of R29 million relating to deferred tax.

Rm	2020	2019
Net deferred tax asset	706	730
Net current tax asset	137	152

The net deferred tax asset comprises assessed tax losses of R215 million (FY2019: R221 million) available for set off against future taxable income and timing differences of R491 million (FY2019: R508 million). Deferred tax assets have not been recognised on tax losses in subsidiaries amounting to R1,3 billion (2019: R156 million). In the current reporting period we also derecognised deferred tax assets on tax losses of R122 million that resulted in a deferred tax expense of R36 million.

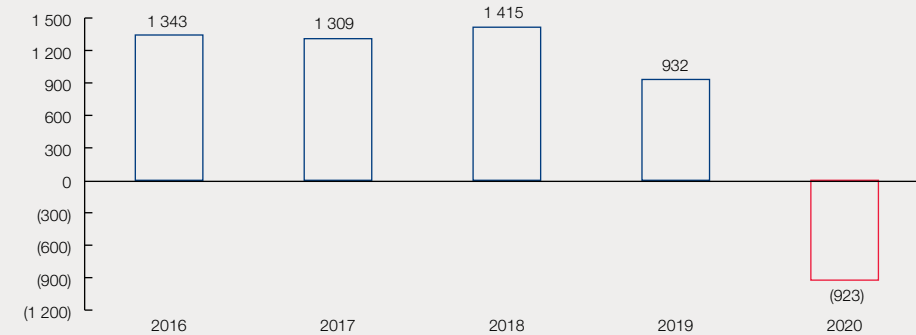
The current tax balance consists of foreign tax credits of R38 million (FY2019: R48 million), taxation refundable of R161 million (FY2019: R119 million) and a tax liability of R62 million (FY2019: R15 million).

With tax compliance and reporting becoming increasingly onerous across all jurisdictions in which the Group operates, managing and mitigating the tax risk of the Group is of primary importance. Due to COVID-19, tax collections have dropped significantly for most revenue authorities and it is with concern that we have already observed an increase in tax audits. WBHO adopts a practical and ethical tax structure, employing both dedicated internal tax professionals as well as making use of suitable specialist tax consultants to ensure the Group adheres to its tax obligations across all tax jurisdictions.

EARNINGS AND RETURN ON CAPITAL

Earnings per share declined by 200% from earnings of 939 cents per share at 30 June 2019 to a loss of 937 cents per share at 30 June 2020. Headline earnings per share also decreased by 199% from 932 cents per share to a loss of 923 cents per share. The headline loss for the year amounted to R491 million (FY2019: earnings of R495 million), with the only significant adjustment to attributable earnings being a recycling of the foreign currency reserve amounting to R14 million in respect of certain African subsidiaries that were deregistered in the reporting period.

Headline earnings per share (cents)



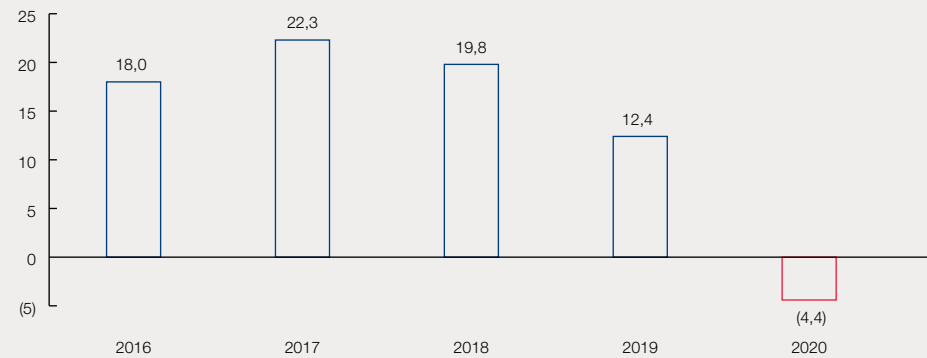
RECONCILIATION OF HEADLINE EARNINGS FOR THE YEAR ENDED 30 JUNE

R'000	Audited 2020	Audited 2019
Attributable earnings from continued operations	(497 827)	498 528
Adjusted for		
FCTR recycled through OCI	14 250	–
Profit from the disposal of property, plant and equipment	(4 510)	(5 607)
Non-controlling interest in the above transactions	150	826
Tax effect of above transactions	(2 786)	1 460
<i>Equity-accounted investees:</i>		
Profit from the disposal of property, plant and equipment	(64)	(75)
Tax effect of above transactions	18	21
Headline earnings from continued operations	(490 769)	495 153

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

CONTINUED

Return on capital employed (%)



The Group delivered a negative return on capital employed (ROCE) this year due to the losses for the period that were declared. The annual target of a return of 20% has not been adjusted as we believe this still to be achievable in a normalised environment.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment predominantly comprises the Group's fleet of plant and equipment. The increase this year is largely attributable to exchange rate fluctuations and a lower depreciation charge as a result of the reduced activity experienced during the COVID-19 lockdown period. Total capital expenditure amounted to R253 million, of which R137 million was acquired for cash and R116 million was financed.

On 1 July 2019, the Group adopted IFRS 16: *Leases*. In terms of this standard, there is no longer a distinction between finance leases and operating leases in respect of lessees. A right-of-use asset and corresponding lease liability is recognised in respect of each lease, with the exception of those leases that qualify for the low value asset or short-term lease exemption. At transition date, the Group recognised right-of-use assets to the value of R407 million and lease liabilities of R422 million.

Rm	2020	2019
Property, plant and equipment	2 054	1 937
Depreciation for property, plant and equipment	250	283
Right-of-use assets	407	–
Depreciation for right-of-use assets	76	–

Rm	Approved 2021	Actual 2020	2019
Capital expenditure			
Replacement	248	180	294
Expansion	10	73	80
Total	258	253	374

A reliable and effective fleet is compulsory to meet the productivity targets on mining infrastructure and road projects. The Group has developed a plant replacement philosophy aligned with demand and activity levels. The expansionary capex incurred in FY2020 was predominantly directed toward supporting increased activity in Mozambique. While further capex of R258 million has been provisionally approved for FY2021, each individual capex request is assessed on its merits, taking cognisance of activity levels, the cost and availability of similar plant within the rental market and the prospects of future projects requiring plant with the same application.

EQUITY-ACCOUNTED INVESTEEES

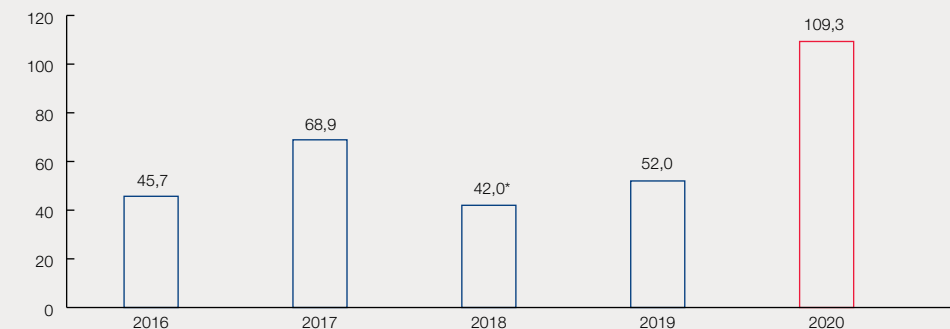
The Group utilises its financial strength to support property developments; develop engineering, procurement and construction projects; and invest in concession projects in order to unlock construction opportunities for its operations, while at the same time creating higher-margin income streams.

Investments in concession projects create annuity income, while returns on property investments are realised once construction of the development and transfer of the properties have been completed.

The table below sets out the different types of investments undertaken by the Group, amounts invested and loans advanced as well as any profits realised or losses incurred during the financial year:

Entity	Industry	Country	Effective %	Investment and loans Rm	Share of after-tax profit/(loss) 30 June 2020 Rm	30 June 2019 Rm
Construction						
Edwin Construction	Road and civil construction	South Africa	49	84	4,0	(0,4)
iKusasa Rail SA	Railway maintenance and construction	South Africa	49	3,3	(8,0)	(5,4)
IACS	Construction	South Africa	29,3	3,8	–	–
Concessions						
Dipalopalo	Serviced accommodation	South Africa	27,7	57,8	–	–
DFMS Joint Venture	Serviced accommodation	South Africa	14,6	4,6	2,3	1,8
Gigajoule International	Gas supply	Mozambique	26,6	246,1	23,2	38,6
Gigajoule Power	Power	Mozambique	13,0	164,9	9,5	13,4
Property development						
Catchu Trading – phase 1	Property development	South Africa	50	28,7	22,6	–
Catchu Trading – phase 2	Property development	South Africa	50	30,6	–	–
Caulfield – phase 2	Property development	Australia	30	53,2	56,0	–
The Glen Sky Garden	Property development	Australia	20	131,1	–	–
Property developers						
Russell Homes Limited	Residential schemes and house builder	United Kingdom	31,7	298,1	0,2	4,0
Expected credit loss				(0,9)	–	–
Total				1 105,2	109,3	52,0

Income from equity-accounted investments (Rm)



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

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

CONTINUED

Edwin Construction continued to struggle in the current market having secured only one reasonably sized road project as it commenced FY2020. The business was able to secure some smaller infrastructure projects in the water and rail sectors which supported activity to a lesser extent. The Group received a dividend of R15,7 million from Edwin Construction during the year.

The local rail market offered no rail projects of any major significance during the year. As such, with only minor maintenance projects available to support activity, iKusasa Rail SA was forced to incur further retrenchment costs resulting in additional losses. The outlook for the business remains uncertain over the short term as construction opportunities in this sector remain limited for the foreseeable future.

The operational phase of the serviced accommodation concession for Statistics South Africa delivered expected profits during the period. Included in finance income is interest of R7,5 million received on the loan to the Dipalopalo Concession.

The Matola Gas Company sells and distributes gas in Mozambique and Gigajoule Power is a concession company supplying electricity generated from a gas-fired power station, in which Gigajoule International is a shareholder. Both businesses performed broadly in line with expectations having experienced minimal COVID-19 related disruptions within their respective markets. The Group recognised combined after-tax profits of R32,7 million during the year and is expecting a cash dividend of R57 million which was declared subsequent to the reporting period. Catchu Trading is a residential development in Tshwane in which WBHO holds 50% of the equity. With the construction contract for phase 1 now complete, 87% of pre-sales of apartments were successfully converted. All external debt has been settled and the Group's share of the resulting development profit amounted to R22,6 million after tax. Potential schemes for the development of phase 2 continue to be pursued.

In Australia, the final settlement of apartment sales from Precinct 2 of the Caulfield development allowed for the repayment of the remaining contributed equity and an after-tax profit of AU\$5,3 million being recognised in the current year. Probuild has subsequently been awarded the contract for construction of a new building on the Precinct 2 (North) site.

Construction of the Glen Sky Garden above the Glen shopping centre in Melbourne was completed in November 2020. At 30 November 2020, 77% of the available apartments had been pre-sold.

Russell Homes achieved revenue of £18 million in FY2020 compared to £21 million in FY2019. While a slowdown in housing sales due to COVID-19 impacted profitability this year, these sales will now occur in FY2021. Profit before tax decreased from £846 thousand to £15 thousand as a result. A new £27 million scheme commenced at the Littleborough site during the year and a further two schemes are projected to commence in the coming period. Finance income of £347 thousand was received in respect of the loan of £10,6 million from Russell-WBHO to Russell Homes Limited. The increase in the loan relates to the initial funding of the Littleborough scheme that commenced during the year.

LONG-TERM RECEIVABLES

Rm	2020	2019
Mezzanine financing arrangements	301	155
IFRS 16 lease receivable	18	–
Other long-term receivables	236	238
	555	393
Less:		
Expected credit loss allowance	(2)	(2)
Current portion	(269)	(45)
Total	284	346

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.

In lieu of the significant funding required for Australia and the impact of COVID-19, no new financing arrangements were approved in the current year. The increase in mezzanine financing arrangements relate to commitments given in FY2019 and related to funding approved in order to secure projects for both the Building and civil engineering and Roads and earthworks divisions. At the time of my report, the funding advanced in respect of the building project has been repaid including interest and participation in the development. The construction of the project was also profitable.

Other long-term receivables include loans to employees for shares of R192 million (FY2019: R152 million), R17 million of consideration receivable outstanding in respect of the loss of control of Edwin Construction in FY2017, of which two instalments remain and a vendor financing loan that was settled in FY2021.

CONTRACT ASSETS AND LIABILITIES

Rm	2020	2019
Contract assets	865	1 423
Contract liabilities	2 998	2 206

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

The decrease in contract assets of R558 million was predominantly due to the certification of revenue on the WRU project. Contract assets within the infrastructure business in Australia declined from R542 million to R103 million as a result. A further R213 million relates to unapproved variations within Probuild, the Australian building business. The remaining balance comprises R513 million relating to the African operations and R43 million to the UK operations. These contract assets relate mostly to the timing of certification and materials on-site.

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

The increase of R791 million in contract liabilities relates primarily to Probuild as the business placed a strong focus on managing its working capital in the current environment.

PROVISIONS, LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Rm	2020	2019
Provisions	2 369	2 415
Lease Liabilities	431	–
Long-term liabilities	405	295
Less: Current portion	(177)	(102)
	659	193

Long-term liabilities consist of R162 million (FY2019: R154 million) in respect of capitalised finance lease agreements over plant and equipment, R128 million (FY2019: R139 million) in respect of the present value of the remaining Settlement Agreement liability including capitalised interest and a R112 million gearing loan raised this year over the Group's 50% co-development interest in the Units on Park student accommodation in Tshwane.

In terms of IFRS 16: Leases, the Group raised lease liabilities of R431 million over property and vehicles previously classified as operating leases. The majority of the lease liability relates to the leased premises in Australia and the UK.

Financial guarantees issued to third parties amount to R10,1 billion compared to R8,9 billion in FY2019.

The Group has guarantee facilities of R14,4 billion with various financial institutions, of which R9,3 billion has been utilised, leaving an unutilised amount of R5,1 billion which is sufficient to cater for future growth prospects. Parent company guarantees to the value of R796 million have also been issued.

EVENTS AFTER THE REPORTING PERIOD

On 3 June 2020 we advised stakeholders of an unsolicited indicative, non-binding and conditional proposal from a major international construction and civil services company to acquire the Group's interest in Probuild, our Australian building business.

We have received numerous unsolicited approaches for the Probuild over recent years which have not been pursued. However, our ability to support the ongoing growth of the Australian operations has become increasingly constrained as the value of the rand has deteriorated. This has been further hampered by the credit downgrades of the major South African banks that mirror the sovereign downgrades applied to the government of South Africa. We felt it to be in the best interests of the Australian operations as well as ourselves to pursue this current offer.

While at 30 June 2020, negotiations had not progressed sufficiently for the sale to be considered highly probable, subsequent to the end of the reporting period, principle agreement was reached on the majority of the key terms to be included in the transaction documents. The proposed transaction has been taken through various regulatory and counterparty approvals and unfortunately we have been informed that one of the necessary regulatory approvals has been denied.

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

CONTINUED

OUTLOOK AND GOING CONCERN

The extent of the losses incurred in Australia together with the impact of COVID-19 on all areas of operation as well as future work procurement, meant that understanding the outlook for the Group and assessing the appropriateness of preparing the consolidated financial statements on the going concern basis within that context, was a key consideration for both the Board and the external auditors.

In respect of future work, a noticeable uptick in activity has been visible over the first half of the new reporting period and the Group has secured a sizeable amount of new work including a number of high-value projects. Due to the long-term duration of construction projects, these awards provide the Group with sufficient work over the next 12 months. The right-sizing of the business that was implemented during FY2020 as well as in the first quarter of FY2021 has also reduced the fixed-cost base of the Group.

In respect of medium-term prospects, the South African, Australian and UK governments have all committed to widespread public infrastructure development as part of the economic stimulus packages aimed at relieving the devastating effects of COVID-19 on economies. Our sector diversification in all operating geographies means we are well placed to participate in these opportunities. The gas infrastructure projects in Mozambique, the renewable energy sector in general and a number of proposed large-scale public-private partnerships in South Africa also offer real prospects for additional future work.

In addition to assessing the forward-looking pipeline of the Group, we also considered the following information:

- The extent and sufficiency of provisioning on onerous contracts
- Available work-on-hand, the 12-month budget to 30 June 2021 and the latest updated forecast in respect thereof
- The adequacy of steps already taken to reduce the fixed-cost base of the Group
- The level of external debt and the necessary cashflows required to service it
- Available financial facilities and existing cash reserves

From this information we prepared a 12-month rolling cash flow forecast against which we have tracked our actual cash flows.

As I mentioned earlier in my report, despite the substantial losses reported this year, cash generated from operations remained healthy, amounting to R790 million. While it is anticipated that the overall liquidity of the Group will be constrained over the short term, the cash reserves of R7,6 billion will allow us to adequately manage our liquidity position.

With a net tangible asset value (shareholders' equity less goodwill) amounting to R4,6 billion there are no solvency concerns for the overall Group and although the banking sector has sought to reduce its exposure to the wider construction industry, our balance sheet strength and strong relationships have ensured the ongoing support of our guarantee and other facility providers. The Group continues to operate within its facility limits and has access to asset finance facilities to fund capital expenditure where necessary.

APPRECIATION

I would like to conclude by firstly thanking the finance teams across the Group for their dedication over this extremely difficult trading year. A further special thanks to the Board and the members of the Audit committee for their support and guidance.



Charles Henwood
Chief Financial Officer

MENLYN MAINE

A new dealership for Toyota together with seven levels of office space and four levels of basement parking

PROJECT VALUE

R291 million

PROJECT DURATION

18 months



PROTECTING VALUE

- 99 Message from the Lead independent director
- 100 Board of Directors
- 102 Governance report
- 105 Audit committee report
- 109 Message from the Remuneration committee Chair
- 110 Remuneration committee report
- 111 Remuneration and implementation report

MESSAGE FROM THE

LEAD INDEPENDENT DIRECTOR



ROSS GARDINER



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

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

A number of corporate scandals over recent years have tested public trust in the private sector. WBHO steadfastly maintains zero tolerance for corruption and we actively encourage our staff to use our whistleblowing lines. We have acted decisively where we have identified wrongdoing. This philosophy is carried through to our client and supplier relationships. We understand that the trust of stakeholders takes time to build, and that it can be lost in an instant. We are all focused on demonstrating that we, as a business, truly live ethically.

The Board provides continuous oversight of significant matters, acting as an independent check and balance for the executive

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

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

Ross Gardiner
Lead independent director

BOARD OF DIRECTORS

WBHO recognises that accountability and transparency are fundamental to investor trust and that good governance contributes to value creation in the short, medium and long term. A summarised account of the work done by the Board during the 2020 financial year follows, and describes how the Board has applied principles of good governance in order to enable and support the Company's value creation process.

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

BOARD OF DIRECTORS

The WBHO Board of Directors is responsible for developing the strategy of the organisation with management. It retains full and effective control of the Company and is responsible for the implementation of the strategy of the Group.

BOARD COMPOSITION

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

LEADERSHIP ROLES AND FUNCTIONS

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

EXECUTIVE



LOUWTJIE NEL (59)
Chairman

Qualifications: BSc Eng
Board member since: 1 August 2008
Skills, expertise and experience: Engineering
Industry experience: 32 years
Other significant directorships: WBHO Group companies



WOLFGANG NEFF (49)
Chief Executive Officer

Qualifications: BSc Eng (Civil), Pr.Eng, Pr.CPM
Board member since: 20 November 2019
Skills, expertise and experience: Engineering
Industry experience: 26 years
Other significant directorships: WBHO Group companies



CHARLES HENWOOD (57)
Chief Financial Officer

Qualifications: BCom, BCompt (Hons), CA(SA)
Board member since: 9 November 2011
Skills, expertise and experience: Finance
Industry experience: 31 years
Other significant directorships: WBHO Group companies

NON-EXECUTIVE



ROSS GARDINER (57)
Lead independent non-executive

Qualifications: BSc (Hons) (Mining and Petroleum Engineering)
Board member since: 23 January 2014
Skills, expertise and experience: Mining and risk management
Industry experience: 36 years
Other significant directorships: New Africa Mining Fund 3 (Pty) Ltd



COBUS BESTER (61)
Independent non-executive

Qualifications: BCom (Acc) Hons, CA(SA)
Board member since: 1 November 2017
Skills, expertise and experience: Finance, taxation, governance and risk management
Industry experience: 33 years
Other significant directorships: Bombela Operating Company (Pty) Ltd



HATLA NTENE (65)
Independent non-executive

Qualifications: BSc (Surv), Dip.Con, Econ, Dip.Civ.Eng, Pr.CPM, PRQS, PMAQS
Board member since: 1 November 2017
Skills, expertise and experience: Quantity surveyor and governance
Industry experience: 31 years
Other significant directorships: Calgro M3 Holdings (Pty) Ltd, The Don Group Ltd, Mvua Property Partners (Pty) Ltd, Aecom South Africa Group Holdings (Pty) Ltd



KAREN FORBAY (50)
Independent non-executive

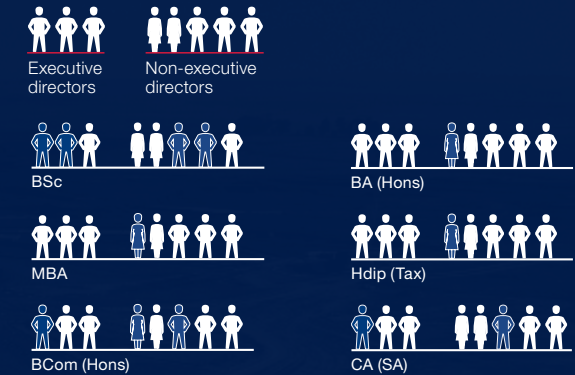
Qualifications: BCom, BCom (Hons) Economics and Finance, BCom (Hons) Accounting, Hdip (Tax), Post Graduate Diploma (Leadership)
Board member since: 1 November 2017
Skills, expertise and experience: Governance, finance and taxation
Industry experience: 3 years
Other significant directorships: KMF and Associates (Pty) Ltd



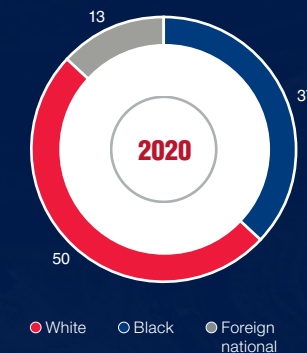
SAVANNAH MAZIYA (52)
Independent non-executive

Qualifications: BA (Hons), MBA
Board member since: 25 October 2006
Skills, expertise and experience: Finance and mining
Industry experience: 16 years
Other significant directorships: Bunengi Holdings (Pty) Ltd, Sibanye-Stillwater Ltd, Rand Water, WSP Group Africa, Parsons Brinckerhoff Africa (Pty) Ltd

BOARD COMPOSITION



DEMOGRAPHICS (%)



37%
OF THE BOARD MEMBERS ARE BLACK

75%
OF THE BOARD MEMBERS ARE MALE

25%
OF THE BOARD MEMBERS ARE FEMALE

EXECUTIVE DIRECTOR TENURE ON THE BOARD



NON-EXECUTIVE DIRECTOR TENURE ON THE BOARD



GOVERNANCE REPORT

GOVERNANCE FRAMEWORK

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

BOARD				
Responsible for strategic leadership and guidance and ensuring that the Company remains a robust, successful business, responsive to stakeholders and accountable to shareholders.				
BOARD COMMITTEE				
AUDIT COMMITTEE Oversight of financial risk management and ensuring the integrity of financial reporting	RISK COMMITTEE Oversight of the risk management framework and combined assurance reporting	SOCIAL AND ETHICS COMMITTEE Oversight of good corporate citizenship, encompassing ethical, legal, social and environmental governance	REMUNERATION COMMITTEE Oversight of all remuneration policies and practices	NOMINATION COMMITTEE Oversight of identifying and sourcing appropriately skilled directors, ensuring that an evaluation process is implemented across all subcommittees and main Board directors
CEO				
EXECUTIVE COMMITTEE (comprising the executive directors and prescribed officers)				
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 for monitoring progress against VRP targets and developing strategy to ensure the ultimate obligation is achieved

BOARD EFFECTIVENESS

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

The Board has five standing committees through which it executes some of its duties namely: Audit, Risk, Social and ethics, Remuneration and the Nomination committees. Each committee has adopted formal terms of reference and is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the year. The Audit committee and Remuneration committee reports are included in this report. For more on the membership, attendance at meetings, key focus areas in the year and planned focus areas for FY2021 for the remaining committees, refer to the detailed governance report included in the separately published ESG Report.

Separate Audit and Remuneration committees have been established in Australia. In the UK, while the establishment of Audit and Remuneration committees will be finalised in FY2021, formal procedures currently exist to provide governance over these areas and report thereon at the relevant Board subcommittees.

A Delegation of Authority Framework is in place and the Board is satisfied that the framework contributes to role clarity and effective exercise of its responsibilities.

The table below summarises the key activities undertaken by the Board in the year as well as planned focus areas for FY2021.

	Desired outcomes	Activities in the year	Specific planned focus areas for FY2021
Leadership, ethics and corporate citizenship	- An ethical and effective leadership, resulting in the achievement of strategic objectives and positive outcomes - Establish and monitor an ethical culture - Maintain WBHO's responsible corporate citizenship status	- Conducted a review of relevant Board Charter, committee terms of references and policies including division of responsibility, independence of non-executive directors - Further enhanced the existing provisions for declaring conflicts of interest, with particular focus on the tender process - Displayed independent and effective judgement on material matters - Review of the Code of Conduct and Delegation of Authority Framework - Monitored and implemented all COVID-19-related controls and precautions	- Implement the Group compliance framework - Ongoing review of COVID-19-related impacts and compliance requirements
Strategy, performance and reporting	- Realisation of the WBHO's core purpose and values through its strategy - A well-considered strategy, taking into account the operating environment, risks and opportunities, with the intent to deliver sustained long-term value - Appropriate alignment and monitoring of key performance measures and targets for assessing the achievement of the strategic objectives - Reliable external reports that enable stakeholders to make an informed assessment of the Company's performance	- Monitored the performance and implementation of the approved strategy - Approved key performance metrics and targets for FY2020 - Reviewed detailed divisional business reports at half year and year end to highlight any emerging issues and risks - Approved the FY2020 budget - Approved the 2020 Integrated Report, annual financial statements and accompanying results announcements - Reviewed solvency, liquidity and going-concern status - The non-binding proposal for the purchase of Probuild Construction in Australia necessitated continuous Board meetings to deliberate and strategise on the risks and opportunities in proceeding with this proposal and to provide guidance to management on the key terms of this material transaction.	- Monitor construction delivery on the WRU project in Australia, as well as any further variations and potential claims against professional designer - Review and interrogate the strategic direction and objectives in relation to risks, opportunities, resources and relationships at the annual Board strategy session

	Desired outcomes	Activities in the year	Specific planned focus areas for FY2021
Risk, oversight and compliance	- Strengthened diversity in thought, experience and independence of the Board and its committees - Continued improvement in the performance and effectiveness of the Board - Achieved gender and racial diversity targets at Board level - Substantial compliance with the spirit and principles of King IV™	- No new independent non-executive directors appointed in the year - Monitored progress made in terms of the gender diversity - Considered the recommendations of King IV™	- Ongoing review of COVID-19-related risks - Develop a privacy policy in accordance with the Protection of Personal Information Act - Consider the compliance or legislative risk matrix for each country where WBHO has a physical office - Conduct an independent Board and subcommittee evaluation
Remuneration	- Fair, responsible and transparent remuneration practices - Alignment between executive director and stakeholder interests	- Reviewed WBHO's remuneration policy and implementation plan in line with WBHO's strategy - Paid specific attention to the performance measures of the short- and long-term incentive scheme - Determined the overall value of the short-term incentive pool with the necessary accrual raised by financial year end	Ongoing review of remuneration structures to industry norms as well as performance
Stakeholder relations	- Stakeholder-inclusive approach in the execution of governance roles and responsibilities - Reasonable needs, interests and expectations of stakeholders, balanced in the best interests of the Company over time	- Identified material stakeholders and oversaw the extent of stakeholder engagement - Oversaw facilitation by management of regular and pertinent communication with shareholders	Ongoing monitoring of stakeholder engagement
Corporate governance	Appropriate governance structures and processes to ensure effective control of the Company	- Considered the independent assessment of long tenure directors - Achieved voluntary diversity targets at Board level and continued improvements in the performance and effectiveness of the Board - Implemented virtual meetings and strengthened electronic communication in response to COVID-19. Quarterly Board and sub-committee meetings from May 2020 encouraged electronic participation to ensure that adequate social distancing was in place and that regulations were adhered to	- Review of the corporate governance framework and Delegation of Authority policy by the Board - Review and monitoring of remedial action as part of the IT governance framework



MESSAGE FROM THE
AUDIT COMMITTEE CHAIRMAN

COBUS BESTER

Dear shareholders,
I am pleased to present the Audit committee report for the 2020 financial year. The year presented the committee with a number of difficult and complex issues to oversee. At the forefront of these was the impact of COVID-19 and the material losses incurred in Australia on the financial position and liquidity of the Group. We also gave in-depth consideration as to whether these resulted in any significant going concern implications.

In these uncertain times, prudent financial management alongside transparent communication with stakeholders is more imperative than ever. As a committee we endeavour to ensure that the financial processes and controls of the Group are sufficiently robust to ensure the integrity of WBHO's financial reporting.

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

We also gave attention to various accounting and IFRS technical matters that arose during the year, followed the progress of the information technology (IT) governance initiatives undertaken and obtained confirmation from the internal auditors on the resolution of all medium- and high-risk findings within their reports. I was particularly pleased to note an increase in the number of projects achieving satisfactory or better internal audit reports to 81% and that no projects were reported to have a weak control environment.

While the committee will continue to operate within its mandate and ensure that meetings address all regular matters reserved for its consideration, we will also focus on the following areas in FY2021:

- Financial performance and cash and working capital management in the context of COVID-19 and a turbulent economic environment
- Monitor the remaining costs to be incurred in completing the WRU project
- Oversee the finalisation of the enhanced IT governance policies and procedures implemented

In closing, I would like to thank my fellow committee members for their contribution and support at committee meetings as well as to commend Charles Henwood, the Chief Financial Officer, and the entire finance team for their role in navigating this exceptionally challenging year and for their commitment to ensuring robust financial management and transparent reporting on the difficult issues confronted.

Cobus Bester
Audit committee Chairman

AUDIT COMMITTEE REPORT

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

AUDIT COMMITTEE RESPONSIBILITIES

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

- Performing its statutory duties as prescribed by the Companies Act, with specific reference to audit quality, auditor independence and financial policies and reporting concerns
- Considering the financial performance, financial position and cash flows of the Group on a quarterly basis
- 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 and fraud, IT and non-compliance risks as they relate 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 provided within the Group as well as any external 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 including the committee's assessment of the solvency and liquidity of the Group

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 aligned with best practice in corporate governance, as advocated by King IV™.

Beyond its normal duties, the Audit committee specifically focused on the following matters in FY2020:

Focus area	Activities and explanation
Impact of COVID-19 and the funding of material loss-making contracts on solvency, liquidity and going concern	In conjunction with management, at each quarterly meeting the committee reviewed and evaluated the 12-month forward-looking cash forecasts of the Group as well as the level of external debt and available financial facilities. The assessment took into consideration the expected costs to complete the problematic projects in Australia and associated funding required from South Africa as well as the potentially unrecoverable costs related to COVID-19. The committee also reviewed a full list of loss-making and underperforming projects to assess whether there was an increased prevalence of these in the other operations of the Group.
Accounting and IFRS technical matters in respect of the financial statements	On 1 July 2019, the Group adopted IFRS 16: <i>Leases</i> and applied a number of the practical expedients offered by the standard. Both management and the external auditors reported to the committee on the implementation of the standard and the steps taken to ensure appropriate methodologies were used and disclosure made in the annual financial statements. This matter is fully described in the change in accounting policy note to the annual financial statements.
IT governance	IT governance is an important focus of the committee. In FY2019, the committee obtained an external assessment of information security, the IT control landscape, enterprise architecture and the quality of operations and IT support to the business. In FY2020, management implemented various changes to policies and procedures to further enhance governance in these areas. The committee followed the progress of the project and received regular feedback from management. The outstanding items of the project will be finalised in FY2021 at which time updated external confirmation of the enhancements will be provided to the committee.
Corporate governance	The committee considered a report on the level of WBHO's compliance with King IV™. The committee noted the progress to date and that the majority of gaps identified in previous periods had been addressed. The elevated role that the committee would need to assume in terms of the JSE guidelines and amended Listings Requirements arising from COVID-19 were evaluated with a planned roll-out to be effected in FY2021.

COMPOSITION AND ATTENDANCE AT MEETINGS

During the year under review the committee members comprised independent non-executive directors. All members have the requisite business, financial and leadership skills for the position.

Composition	Appointed	Meeting attendance	Other regular attendees
Cobus Bester (Chairman)	1 November 2017	4/4	- Chief Executive Officer - Chief Financial Officer - Finance - Information technology - Internal auditors - External auditors
Karen Forbay	1 November 2017	4/4	
Ross Gardiner	28 April 2014	4/4	
Savannah Maziya	29 August 2017	2/4*	

* Apologies tendered.

Refer to pages 100 to 101 for detailed qualifications and experience of committee members.

Designated advisors may be invited to meetings from time to time. The Chairman also met separately with management and the external auditors and internal auditors prior to each meeting. During the year under review, no closed sessions with management or internal auditors were held for committee members only.

INTERNAL AUDIT

The Group outsources its internal function to Deloitte, both in Africa and Australia. The internal audit function in the United Kingdom is currently managed in-house with the aim to obtain external assurance in the near future.

- During the year the committee:
- Confirmed the independence of the internal auditor
 - Approved the fees to be paid to the internal auditor
 - Reviewed the internal audit plan for the year
 - Held regular feedback meetings with the Chief Audit Executive

EXTERNAL AUDITOR

- 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 auditor 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. All non-audit related services are governed by a formal approval framework.
 - Reviewed and approved the external audit plan including the proposed scope.
 - Held separate meetings with the external auditor without management being present at which 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 2020. An unqualified audit opinion was expressed.
 - Assessed the quality of the external audit, and overall the Audit committee is satisfied with the quality of the external audit performed for the year, after having:
 - Made enquiries with management regarding their overall experience of the external audit quality. No significant matters were brought to the attention of the committee.
 - Reviewed the reports submitted as well as the quality of engagement with the external auditors at committee meetings.
 - Considered the 34 years' tenure of BDO South Africa Incorporated (BDO) as the external auditor of the Group as well as the tenure of two years of Mr J Schoeman as the designated lead partner and the potential impact of that on the independence of the firm. The matter of audit firm rotation will be considered in 2023 and the committee will make a recommendation in this regard for shareholder consideration and voting at the relevant AGM.

- After review of the 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 AGM, the reappointment of BDO as the external auditors for the 2021 financial year and confirm that Mr J Schoeman is not required to rotate from his position, but be confirmed as the designated lead partner for the forthcoming year.

COMMENTS ON AUDIT MATTERS

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

RECOGNITION OF CONTRACT REVENUE AND RELATED CONTRACT ASSETS AND LIABILITIES

Revenue and margin recognition on construction contracts requires significant judgement to determine current and future financial performance. The committee assessed the methodology and judgement applied by management, focusing on the measurement of progress on contracts where the performance obligations are delivered over time as opposed to a point in time. The committee discussed the matter with the external auditors to understand their related audit procedures and the 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

WBHO has recognised goodwill, being the excess of the fair values of acquired assets and liabilities over the net consideration paid, on various acquisitions in South Africa, Australia and the United Kingdom. By its nature, the testing of goodwill for impairment involves significant judgement.

The committee considered the appropriateness of the valuations model and key assumptions applied in the assessment of goodwill for FY2020. The committee is satisfied that the models and assumptions applied were appropriate and consistently applied in the assessment of the impairment of goodwill. No impairment charge was recognised in the year.

COMPLETENESS AND ADEQUACY OF CONTRACT AND OTHER PROVISIONS

Construction companies are exposed to various claims, possible legal disputes and other construction-related provisions during and after the construction phase. Determining the levels of required provisions requires judgement based on past experiences and known current factors.

AUDIT COMMITTEE REPORT

CONTINUED

The committee considered management's representation of current and potential claims related to construction activities. The committee also considered the representation made by the Group legal function of known and potential claims against the Group. The committee is satisfied that the provisions recognised are adequate to meet any significant claims instituted against the Group.

ONEROUS CONTRACTS

The financial performance of the Group was significantly impacted by the recognition of a material provision in respect of the remaining anticipated future costs to complete the Western Roads Upgrade (WRU) project. These costs escalated during the reporting period due to ongoing delays and unforeseen costs associated with government-stipulated utility providers.

The committee considered the appropriateness of management's position paper, models and the assumptions applied in the determination of the anticipated future costs. The committee is satisfied that the methodology and judgements applied by management are adequate.

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 WBHO's financial reporting procedures are operating appropriately. The committee reviewed and considered the annual financial statements as well as the 2020 Integrated Report and recommended it for approval by the Board.

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

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 (CFO) AND THE FINANCE FUNCTION

Considered and satisfied itself of the appropriateness of the expertise and adequacy of resources within the finance function of the Group and specifically of the CFO.

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. The committee satisfied itself that the internal audit function is independent and had the necessary resources, standing and authority to discharge its duties.



MESSAGE FROM THE REMUNERATION COMMITTEE CHAIRMAN

SAVANNAH MAZIYA

Dear shareholders, WBHO had a difficult year in FY2020 which was further exacerbated by the COVID-19 pandemic. Pleasingly, despite the loss of revenue and additional costs incurred over the final quarter of the reporting period, WBHO was able to continue paying their staff during the lockdown period. Regrettably though, it was also necessary for the business to undertake a process of right-sizing in response to the contracting economy.

In spite of the losses incurred due to problematic projects in Australia and the impact of COVID-19, short-term incentives for executives remained payable in accordance with the remuneration policy. A key consideration was assessing the appropriateness of awarding short-term incentives in light of the overall financial underperformance of the Group. When viewed holistically, the losses on two projects in Australia form part of a wider performance of the executive team which included proactive management to limit the effects of COVID-19 on the Group, a profitable performance in Africa and solid results from the UK. In recognition of this, the committee elected to award the incentives per the policy. However, a portion of the incentives for the executives responsible for the Australian performance was suspended pending finalisation of the WRU project. This decision was not applied to the CEO due to his having only assumed the role at the midpoint of the reporting period. The committee also approved the award of short-term incentives to employees within the African operations in acknowledgement of their efforts in successfully navigating the COVID-19 pandemic and sustaining a profitable performance amidst the turbulent environment experienced throughout the year.

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

In FY2020, the Remuneration committee specifically focused on:

- Bedding down the executive succession plan implemented in the year
- Implementation of the succession plan for the Australian operations
- The effect of the COVID-19 pandemic on all employees in the context of the Group's decision to continue remunerating employees in full
- Monitoring remuneration practices and reports ensuring alignment with the requirements of the remuneration policy
- Reviewing the annual remuneration report to be disclosed in this Integrated Report
- Remuneration packages and benefits for executive directors including any termination benefits payable
- Ensuring that executive remuneration packages are effective in delivering WBHO's strategy and the right behaviour
- Drafting and approving a Malus and Clawback Policy which addresses the recoupment of incentives paid to participants as a result of material misstatement in the audited accounts of the Group or the Company or in the event of an error, inaccurate or fraudulent information which had an impact on the value calculated for the incentive

In FY2021, specific attention will be placed on ensuring consistent reporting upon remuneration structures across all regions. The process of forming a remuneration committee in the United Kingdom will be completed in FY2021. The Byrne Group and Russell-WBHO are to submit separate proposals for individual committees within their respective businesses, which will be aligned with the methodology applied in South Africa, taking into account prevalent trends in the UK.

Gender equality remains an important focus area and WBHO is committed to ensuring that men and women in equivalent roles are paid equally. There is still work to be done to further improve the gender balance at a management level, and the leadership team and Board are working closely together to achieve this important goal. We are also conscious of the wage gap between lower level employees and senior management and the ongoing debate on how this should be measured and managed.

APPRECIATION

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

Savannah Maziya
Remuneration committee Chairman

REMUNERATION COMMITTEE REPORT

REMUNERATION GOVERNANCE

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

RESPONSIBILITIES

The committee has adopted an appropriate formal terms of reference and is responsible 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 disclosure of directors' remuneration is accurate, complete and transparent
- Monitoring compliance with the remuneration policy

MEMBERSHIP

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

For detailed qualifications and experience of non-executive committee members see **page 100**.

REMUNERATION CONSULTANTS

Where appropriate, Remco obtains advice from independent remuneration consultants. The Group utilised the services of Deloitte as independent remuneration consultants in determining the quantum and mix of long-term incentive (LTI) awards for FY2020. Remco also reviewed and amended the targets for short-term and long-term incentives for FY2020. These adjustments are disclosed in the implementation report. The targets for short-term and long-term incentives for the 2021 financial year have not been adjusted.

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

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

In terms of the JSE Listings Requirements, shareholders are required to cast a non-binding advisory vote on the remuneration policy as presented in this report. Voting results on our remuneration policy and implementation report at the FY2017, FY2018 and FY2019 annual general meetings were as follows:

	Remuneration Policy			Implementation report		
	Votes for	Votes against	Votes abstained	Votes for	Votes against	Votes abstained
20 November 2019	93,50%	6,50%	0,03%	93,41%	6,59%	0,03%
21 November 2018	96,02%	3,98%	0,01%	96,55%	3,45%	0,01%
23 November 2017	96,74%	3,26%	0,21%	96,50%	3,50%	0,21%

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

REMUNERATION AND IMPLEMENTATION REPORT

REMUNERATION PHILOSOPHY AND POLICY

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

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

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

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. A primary purpose of the policy is 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 utilised to drive performance. The policy was amended for the adjustments to the short and long term incentive targets.

GENDER EQUALITY

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

GUIDING PRINCIPLES

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

Guaranteed remuneration packages aligned to a performance-oriented philosophy, benchmarked against comparable industry packages, and for executive directors and senior managers, set below the median	Short-term incentives which reward high-performing employees for their performance contribution to the Group, divisional cluster and division in which they work based on a scorecard of economic, social and environmental targets	Long-term incentives which reward both company performance and individual/team/project performance
--	---	--

REMUNERATION AND IMPLEMENTATION REPORT

CONTINUED

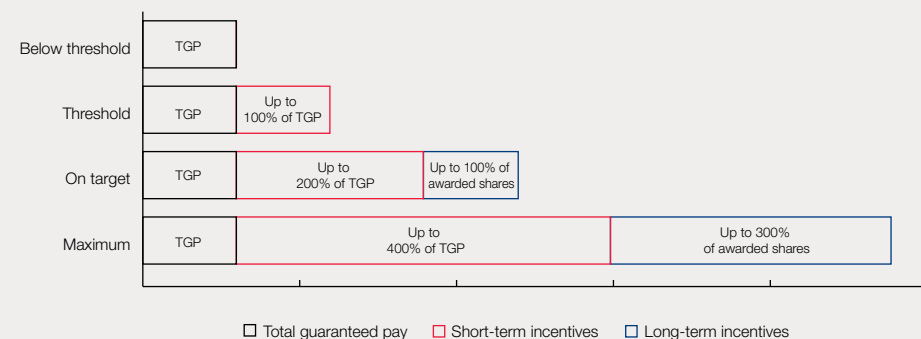
KEY ELEMENTS OF THE REMUNERATION POLICY

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

Element	Eligibility	Implementation
TOTAL GUARANTEED PACKAGE (TGP)		
Reflects an individual's skills, performance, location in relation to place of 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, for SA employees.
Salaried employees	Cash-settled	Determined annually taking cognisance of inflationary pressures, Group and individual performance and in most instances includes a 13th cheque based on pensionable salary. Increases are effective in March of each year for South African operations and in July for the Australian and UK operations.
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)		
STI's reward the individual performance of employees taking cognisance of their relevant roles and responsibilities, are assessed annually based on performance at 30 June, approved by the Remco, and payable in November or December of each year.		
Hourly-paid employee	Cash-settled	Bonuses are determined at industry bargaining council levels through a process of negotiations between industry and employee representatives.
Salaried employees	Cash-settled	Annual appraisal by management in accordance with the Group's performance management processes taking cognisance of the overall performance of the Group and individual performance of the relevant division and employee.
Prescribed officers and senior management	Cash-settled	Assessed against a predetermined target for headline earnings per share, their relevant division's contribution to the Group and other economic, social and environmental targets and carrying a heavier weighting than TGP.
Executive directors	Cash-settled	Assessed based on the financial performance of the Group against predetermined targets set by the Board as well as personal scorecard objectives and carrying a heavier weighting than TGP. The key performance indicators on which evaluations are based are as follows: Financial: (70% weighting) - Operating profit - Headline earnings per share growth - Return on capital employed (ROCE) - 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 scheme-allocated shares may vest with employees after five years depending on the share price performance over the period in accordance with a pre-determined formula.
Senior and middle management	Full recourse shares and/or share options Employee share purchase plan	Full recourse and/or share options Issued to select individuals in acknowledgement of their contribution toward the performance of the Group and to achieve the Group's retention strategies. Both the shares and options have a five-year vesting period. In respect of shares, interest-free loans are raised at the time of award and settled at the time of vesting. Dividends earned over the vesting period are utilised to reduce the loan. Employee share purchase plan In Australia, shares under this scheme are sold to individuals at market value. Loans are advanced at statutory interest rates in order to purchase the shares. A five-year vesting period applies and employees are required to remain in employment in order to retain their shares. The potential for capital growth in the shares is aligned with the financial performance of the business along with the talent retention objectives.
Executive directors, prescribed officers and senior management	Share incentive awards	Share incentive Aligned with the performance of the Group and benchmarked against comparable listed entities on the Johannesburg Securities Exchange. The components of the WBHO Share Plan are: - 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 AND IMPLEMENTATION REPORT

CONTINUED

EXECUTIVE DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

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

GUARANTEED PAY

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

VARIABLE PAY

Performance-based variable pay carries a significantly heavier weighting than guaranteed pay particularly when rewarding the operational performance of senior directors and key management, with the result that STIs can form the major portion of their total remuneration, although their total remuneration (guaranteed and variable pay in combination) is aligned with industry norms. The remuneration scenario's for executive directors at difference performance levels are reflected in the diagram on [page 113](#).

MALUS AND CLAWBACK

From May 2020, the Remuneration committee introduced a Malus and Clawback Policy which permitted the committee to reduce or claw back vested and unvested STI and LTI awards under the following circumstances:

- A material misstatement resulting in an adjustment in the audited consolidated accounts of the Group or the audited accounts of any member company of the Group where the Board is satisfied that the employee has contributed to and is responsible for such misstatement; and/or
- Where any information used to determine the quantum of an incentive remuneration amount was based on an error or inaccurate or fraudulent information.

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 2020:

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

The maximum potential award for each target has been applied in calculating the amounts below.			
	Threshold R'000	Target R'000	Stretch R'000
Chief Executive Officer			
TGP	3 342	3 342	3 342
STI	3 342	6 684	13 368
Performance shares (offer 2016)	–	1 373	4 119
Share appreciation rights (offer 2014 ¹ and 2016)	–	–	–
Total	6 684	11 399	20 829

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

CONTRACTS AND RESTRAINTS OF TRADE

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

NON-EXECUTIVE DIRECTOR FEES

The remuneration of non-executive directors is determined on an annual basis based on proposals from Remco, after being compared with that of selected peer companies. The recommendations from Remco are submitted to the Board for ratification prior to inclusion in the notice to the annual general meeting for formal shareholder approval and apply with effect from 1 October of that financial year.

Non-executive directors sign service contracts with the company upon appointment. Non-executive remuneration is determined and paid quarterly, based on the annual fee. A penalty is deducted for non-attendance at any meeting. Any additional time spent on company business is paid at a fixed hourly rate. Any travel and accommodation expenses of non-executive directors are not included in the fees and paid by WBHO.

IMPLEMENTATION REPORT

This section of the report explains the implementation of the remuneration policy by providing details of the remuneration paid to executive and non-executive directors for the financial year ended 30 June 2020.

GUARANTEED PAY ADJUSTMENTS

Taking into consideration the prevailing market conditions, affordability, shareholders' expectations and performance, the Remuneration committee approved inflationary increases for South African senior management and executives of 4,29% (FY2019: 6%). The average increase for the remainder of employees in South Africa was 5% (FY2019: 6%).

Both senior management and the remaining employees in Australia received no increases in FY2020 (FY2019: 5,1% and 3,6% respectively). Senior management in the United Kingdom received average increases of 4% (FY2019: 6,1%), while the remaining employees received average increases of 4,3% (FY2019: 4,3%).

The committee is satisfied that appropriate salary adjustments have been made, thus placing the organisation's remuneration levels in line with best practice and its remuneration philosophy.

EMPLOYEE BENEFITS

R'000	2020	2019
Salaries and wages	4 701 672	5 150 401
Benefits and other contributions	616 268	615 581
	5 317 940	5 765 982

Total STIs paid during the year amounted to R354 million (FY2019: R439 million) and include amounts paid to directors and prescribed officers. The STIs have been based upon the performance of individual business units alongside the overall audited results of the Group for the year ended 30 June 2020.

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

The table below summarises WBHO's executive directors' and prescribed officers' remuneration for FY2020.

R'000	2020				2019			
	TGP	STI	Vested LTI	Total	TGP	STI	Vested LTI	Total
Executive directors								
MS Wylie ¹	819	–	–	819	2 028	3 042	–	5 070
EL Nel ²	3 155	3 918	2 210	9 283	3 151	4 505	11 722	19 378
WP Neff ³	1 848	4 746	1 263	7 857	–	–	–	–
CV Henwood	3 217	3 940	2 021	9 178	3 039	4 286	10 510	17 835
	9 039	12 604	5 494	27 137	8 218	11 833	22 232	42 283
Prescribed officers								
AF de Necker ⁴	1 663	4 125	1 263	7 051	–	–	–	–
PJ Foley ⁶	7 795	3 600	2 021	13 416	10 089	3 750	10 510	24 349
SN Gumede	2 464	2 000	–	4 464	2 310	1 800	–	4 110
CA Jessop ⁴	1 810	3 700	1 263	6 773	–	–	–	–
EA Mashishi	2 503	1 600	1 263	5 366	2 365	2 000	6 468	10 833
RM Smith ⁵	–	–	–	–	2 774	5 500	10 510	18 784
S Vally-Kara	1 826	800	505	3 131	1 733	800	2 830	5 363
	18 061	15 825	6 315	40 201	19 271	13 850	30 318	63 439
	27 100	28 429	11 809	67 338	27 489	25 683	52 550	105 722

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

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

³ Appointed as Chief Executive Officer with effect from 20 November 2019.

⁴ Appointed on 1 December 2019.

⁵ RM Smith retired on 30 June 2019.

⁶ PJ Foley has been seconded to the UK and is remunerated in pound sterling.

REMUNERATION AND IMPLEMENTATION REPORT

CONTINUED

SHORT-TERM INCENTIVES

The financial targets set by the Board for FY2020 in respect of each key performance indicator as well as the performance against these targets are disclosed in the table below. Having taking cognisance of the current operating environment, Remco adjusted the ROCE target for FY2020 to 17,5% which was the original target at inception of the scheme.

Targets						
KPI	Threshold	2020 Target	Stretch	Threshold	2019 Target	Stretch
Operating profit (Rm)	561	603	702	1 045	1 206	1 387
HEPS growth (%)	0	5,7	8,7	0	6,6	9,6
ROCE (%)	14,0	17,5	21,0	17,5	20,0	24,0
Cash generation (Rm)	5 952	6 071	6 250	5 414	5 523	5 685

Performance					
KPI	Results	Result achieved	2020 Score (%)	2019 Score (%)	
Operating profit (Rm)	(541)	Not achieved	–	–	
HEPS growth (%)	(199)	Not achieved	–	–	
ROCE (%)	(4,4)	Not achieved	–	–	
Cash generation (Rm)	7 599	Stretch	42	42	
Total score			42	42	
Maximum attainable score			280	280	

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

KPI	Personal scorecard	Financial scorecard	Total % score	Maximum % of TGP	Actual STI per score	Actual STI awarded
EL Nel	98	42	140	400	4 418	3 918
WP Neff	100	42	142	400	4 746	4 746
CV Henwood	96	42	138	400	4 440	3 940

While the percentages may appear above market norms, the stakeholders are reminded that TGP is deliberately set below the median which necessitates a higher STI percentage. The actual STI awarded as a percentage of the maximum potential award is approximately 31% for EL Nel and CV Henwood and 36% for WP Neff.

A decision was taken by Remco to adjust the calculated STI's for EL Nel and CV Henwood downward by R500 000 each, which will be reassessed upon finalisation of the WRU project.

LONG-TERM INCENTIVES

During the year 204 500 (FY2019: 157 500) share appreciation rights and 197 000 (FY2019: 151 000) performance shares were allocated to executive directors, prescribed officers and key members of management.

Share appreciation rights

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

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

Tranche	Threshold (cents)	Actual (cents)	Share price on allocation date (R)	Share price at 30 June 2020 (R)	Result
2014 ¹	1 643,59	(923,4)	115,40	101,00	See below
2016	1 832,57	(923,4)	147,47	101,00	Hurdle not achieved
2017	1 643,59	(923,4)	146,76	101,00	Hurdle not achieved
2018	1 640,14	(923,4)	144,85	101,00	Hurdle not achieved
2019	994,61	(923,4)	142,58	101,00	Hurdle not achieved

¹ Two thirds of this allocation are subject to vesting as the HEPS hurdle was achieved in the prior year, however, share price appreciation was not achieved, resulting in zero shares vested to date. One third of the allocation will not vest as the HEPS hurdle was not achieved at 30 June 2020.

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. The target and stretch percentages for ROCE have been adjusted to the percentages initially set at the inception of the scheme in line with market conditions and achievability.

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, KAP Industrial Holdings, Nampak, Murray & Roberts, Raubex, Stefanutti Stocks, Hudaco, Barloworld and Pretoria Portland Cement. After being placed into business rescue, Basil Read and Group 5 have been replaced by KAP Industrial Holdings and Nampak in the current year.

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 (applicable to Offer 2019)	50%	14%	16%	20%
Adjusted ROCE (applicable to Offers 2016 to 2018)	50%	14%	19%	23%
TSR	50%	7th position	5th position	2nd position
Potential award		0% – 99% of TGP	100% – 299% of TGP	300% of TGP

Actual performance against the criteria at 30 June 2019, which is applicable to Offer 2016 that vested in November 2019, and 30 June 2020 which is applicable to the remaining offers.

Performance criteria	Offer 2016 Performance shares	Offer 2017 Performance shares	Offer 2018 Performance shares	Offer 2019 Performance shares
ROCE	18,2%	9,3%	4,0%	(4,4%)
TSR	5th	2nd	2nd	3rd
Result				
ROCE	Threshold exceeded	Not achieved	Not achieved	Not achieved
TSR	Target	Stretch met	Stretch met	Target exceeded
Award	92%	150%	150%	117%

Long-term incentives vested during the year

Performance shares

Offer 2016

Award price	R147,47
Award date	7 December 2016
Vesting price	R137,19
Vesting date	18 November 2019
Achieved	92% of awarded shares vested

	Number of awards	Number of vested shares	Value of shares at vesting date
Executive directors			
EL Nel	17 500	16 111	2 210 268
WP Neff	10 000	9 206	1 262 971
CV Henwood	16 000	14 730	2 020 809
Prescribed officers			
AF de Necker	10 000	9 206	1 262 971
PJ Foley	16 000	14 730	2 020 809
CA Jessop	10 000	9 206	1 262 971
EA Mashishi	10 000	9 206	1 262 971
S Vally-Kara	4 000	3 683	505 271
Total	93 500	86 078	11 809 041

REMUNERATION AND IMPLEMENTATION REPORT

CONTINUED

	Offer 2014 ¹	Offer 2016	Offer 2017		Offer 2018	Offer 2019	Awards vested during the year	Awards forfeited during the year	Total				
Award price	R115,40	R147,47	R146,76		R144,85	142,58							
Award date	2015/03/16	2016/12/07	2017/12/07		2018/12/13	2019/11/18							
Vesting date – Performance shares	–	2019/12/07	2020/12/07		2021/12/13	2022/11/18							
Vesting period – Share appreciation rights	From 2019/03/16 to 2022/03/16	From 2019/12/07 to 2023/12/07	From 2020/12/07 to 2024/12/07		From 2021/12/13 to 2025/12/13	From 2022/11/18 to 2025/11/18							
Threshold met at 30 June 2018	–	92%	71%		50%	117%							
	Number of awards	Number of awards	Market value at issue date	Number of awards	Market value at issue date	Number of awards	Market value at issue date	Number of awards	Number of awards	Number of awards at 30 June 2020	Fair value at 30 June 2020 ²		
Name													
Executive directors													
EL Nel													
Performance shares	–	17 500	2 580 725	19 000	2 788 440	17 000	2 462 450	18 000	2 566 440	(16 111)	(1 389)	54 000	5 454 000
Share appreciation rights	20 000	17 500	–	20 000	–	18 500	–	18 000	–	–	(6 667)	87 333	–
WP Neff													
Performance shares	–	10 000	1 474 700	11 000	1 614 360	12 000	1 738 200	21 000	2 994 180	(9 206)	(794)	44 000	4 444 000
Share appreciation rights	11 000	10 000	–	12 000	–	13 500	–	22 500	–	–	(3 667)	64 883	–
CV Henwood													
Performance shares	–	16 000	2 359 520	18 000	2 641 680	16 000	2 317 600	19 000	2 709 020	(14 730)	(1 270)	53 000	5 353 000
Share appreciation rights	19 000	16 000	–	18 000	–	17 500	–	20 000	–	–	(6 333)	84 167	–
Prescribed officers													
AF de Necker													
Performance shares	–	10 000	1 474 700	11 000	1 614 360	12 000	1 738 200	19 000	2 709 020	(9 206)	(794)	42 000	4 242 000
Share appreciation rights	11 000	10 000	–	12 000	–	13 500	–	20 000	–	–	(3 667)	62 333	–
PJ Foley													
Performance shares	–	16 000	2 359 520	18 000	2 641 680	16 000	2 317 600	19 000	2 709 020	(14 730)	(1 270)	53 000	5 353 000
Share appreciation rights	19 000	16 000	–	18 000	–	17 500	–	20 000	–	–	(6 333)	84 167	–
CA Jessop													
Performance shares	–	10 000	1 474 700	11 000	1 614 360	12 000	1 738 200	19 000	2 709 020	(9 206)	(794)	42 000	4 242 000
Share appreciation rights	11 000	10 000	–	12 000	–	13 500	–	20 000	–	–	(3 667)	62 333	–
EA Mashishi													
Performance shares	–	10 000	1 474 700	11 000	1 614 360	12 000	1 738 200	13 000	1 853 540	(9 206)	(794)	36 000	3 636 000
Share appreciation rights	11 000	10 000	–	12 000	–	13 000	–	14 000	–	–	(3 667)	56 333	–
SN Gumede													
Performance shares	–	–	–	–	–	6 000	869 100	7 000	998 060	–	–	13 000	1 313 000
Share appreciation rights	–	–	–	–	–	6 000	–	7 000	–	–	–	13 000	–
S Vally-Kara													
Performance shares	–	4 000	589 880	5 000	733 800	5 000	724 250	7 000	998 060	(3 683)	(317)	17 000	1 717 000
Share appreciation rights	5 000	4 000	–	5 000	–	4 000	–	7 000	–	–	(1 667)	23 333	–
Total performance shares awarded	–	93 500	13 788 445	104 000	15 263 040	108 000	15 643 800	142 000	20 246 360	(86 078)	(7 422)	354 000	35 754 000
Total share appreciation rights awarded	107 000	93 500	–	109 000	–	115 500	–	148 500	–	–	(35 667)	537 833	–
Total awards	107 000	187 000	13 788 445	213 000	15 263 040	223 500	15 643 800	290 500	20 246 360	(86 078)	(43 089)	891 833	35 754 000

¹ Two thirds of this allocation are subject to vesting as the HEPS hurdle was achieved in prior year, however share price appreciation was not achieved, resulting in zero shares vested to date. One third of the allocation will not vest as the HEPS hurdle was not achieved at 30 June 2019.

² The thresholds achieved at 30 June 2020 have been used to calculate fair value. Offers 2018 and 2019 have yet to vest therefore the percentages used in the calculation of fair value may be different to those at the vesting dates.

REMUNERATION AND IMPLEMENTATION REPORT

CONTINUED

NON-EXECUTIVE DIRECTORS' REMUNERATION

WBHO compensates and remunerates non-executive directors in a manner that 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	2020	2019
AJ Bester	598	630
KM Forbay	455	484
RW Gardiner	840	906
SN Maziya	557	819
H Ntene	505	556
	2 955	3 395

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
20 November 2019	96,64%	3,36%	0,00%
21 November 2018	98,12%	1,66%	0,01%
23 November 2017	98,93%	1,07%	0,45%

The average percentage increase proposed for directors' fees is 5,0% (FY2019: 6,0%). The proposed fees for non-executive directors in respect of FY2021 are disclosed below.

	2021	2020
Lead independent director	392 400	373 700
Non-executive director	245 700	234 000
Chairman of Audit committee	372 500	354 700
Chairman of Risk committee	182 100	173 400
Chairman of Remuneration committee	182 100	173 400
Chairman of Social and ethics committee	182 100	173 400
Committee members (per meeting)	34 000	32 350

DIRECTORS' AND PRESCRIBED OFFICERS' SHAREHOLDING

'000	Direct	2020 Indirect	Total	Direct	2019 Indirect	Total
Executive directors						
MS Wylie [^]	–	–	–	–	522	522
EL Nel [*]	348	1	349	340	1	341
WP Neff	34	–	34	–	–	–
CV Henwood	106	–	106	106	–	106
	488	1	489	446	523	969
Non-executive directors[*]						
NS Maziya [*]	–	242	242	–	240	240
	–	242	242	–	240	240
Prescribed officers						
AF de Necker	48	–	48	–	–	–
PJ Foley	102	–	102	102	–	102
CA Jessop [^]	32	16	48	–	–	–
RM Smith	–	–	–	90	–	90
EA Mashishi [#]	18	–	18	37	–	37
S Vally-Kara	22	–	22	20	–	20
	222	16	238	249	–	249
	710	259	969	695	763	1 458

[^] The indirect shares are held by related parties.

^{*} Indirect shares disclosed in the above table represent allocated shares in respect of the empowerment initiative of the Group and do not represent the number of shares likely to vest upon fulfilment of the vesting conditions. The number of WBHO shares that will ultimately vest is dependent on the market value of the shares on the vesting date, based on a pre-determined threshold. Using the share price at 30 June 2020, the director would receive no shares in terms of the formula.

[#] EA Mashishi has a 33% (FY2019: 33%) interest in Edwin Construction (Pty) Ltd.

There are no pre-concluded agreements in existence over the directors' and prescribed officers' shareholdings which are subject to security, guarantee, collateral or otherwise.

OTHER LONG-TERM INCENTIVE SCHEMES

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

'000	WBHO Management Trust	Black partners	Employees
Total shares/options allocated	1 013	725	1 236
Allocations/issues in the current year	–	–	263
Dividend shares purchased	n/a	5	21
Vested in the current year	(10)	–	(47)
Shares to be bought back	–	–	(298)
Shares available for future allocations	2 267	–	380



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

REFERENCE INFORMATION

Abbreviations and acronyms	
B-BBEE	Broad based black economic empowerment
Black	African, Indian and Coloured
GDP	Gross domestic product
IFRS	International Financial Reporting Standards
IT	Information technology
LTI	Long-term incentive
King IV™	King IV Report on Corporate Governance for South Africa, 2016
MOI	Memorandum of Incorporation
LTIFR	Lost-time injury frequency rate
RCR	Recordable case rate
SAFCEC	South African Forum of Civil Engineering Contractors
SANRAL	South African National Roads Agency
SED	Socio-economic development
STI	Short-term incentive
VRP	Voluntary Rebuild Programme
WRU project	Western Roads Upgrade project
Financial definitions	
Current ratio	Current assets/current liabilities
EBIDTA	Number of issued shares x close share price at year end
Gross profit margin	Gross profit/revenue
HEPS	Headline earnings per share
Market capitalisation	Number of issued shares x close share price at year end
Net profit margin	Net profit/revenue
Net working capital	Sum of inventory and trade receivables less trade payables
NPAT	Net profit after tax
ROCE	Return on capital employed
Solvency ratio	(Current assets less cash and cash equivalents)/current liabilities

SHAREHOLDERS' DIARY

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

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

53 Andries Street
Wynberg, Sandton, 2090

PO Box 531
Bergvlei 2012

Telephone: +27 11 321 7200
Fax: +27 11 887 4364
Website: www.wbho.co.za
Email: wbhoho@wbho.co.za

Shereen Vally-Kara
FCIS

BDO South Africa Incorporated

Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg 2196
South Africa
Telephone: +27 11 370 5000
Fax: +27 11 370 5271

Investec Bank Limited