



We are
WACO
international 



2018

**WACO INTERNATIONAL HOLDINGS
PROPRIETARY LIMITED**
Integrated Report 2018

Waco International is a leading equipment rental and industrial services business with operations in Africa, Australasia and the United Kingdom.

NAVIGATION THROUGHOUT THIS REPORT



Cross-references to information contained in this and other reports are indicated with this icon.

A list of useful industry terms and a glossary is provided on page 110.

MARKET LEADERSHIP

Waco International is an established leader in forming, shoring and scaffolding, portable sanitation and suspended access in South Africa. The Group is a leader in access scaffolding in Australasia. It has the second-largest relocatable and modular building hire fleet in South Africa. It has a niche position in relocatable and modular building in the United Kingdom and a small, but growing, share of South Africa's integrated hygiene services and elevated work platforms markets. The board and senior management views the size and quality of the Group's hire fleet and scale of its branch network as competitive advantages.

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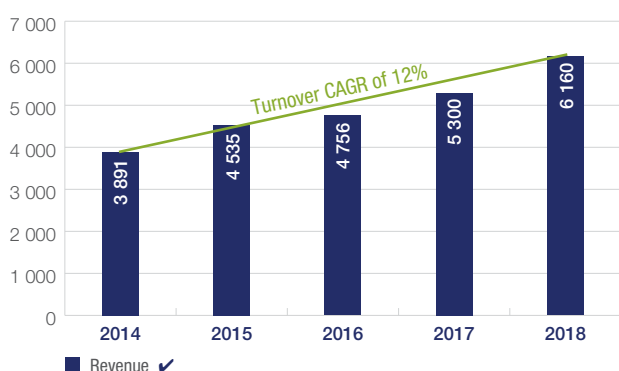
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PERFORMANCE OVERVIEW

Waco International grew revenue and earnings in 2018, while continuing to invest in future growth, despite challenging conditions in most of its markets.

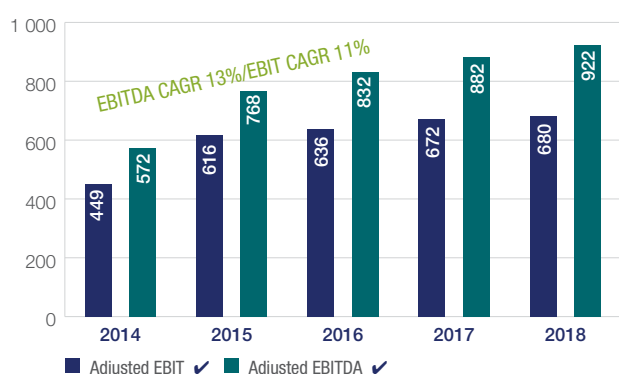
A TRACK RECORD OF RESILIENCE AND GROWTH

Strong revenue growth (R million)



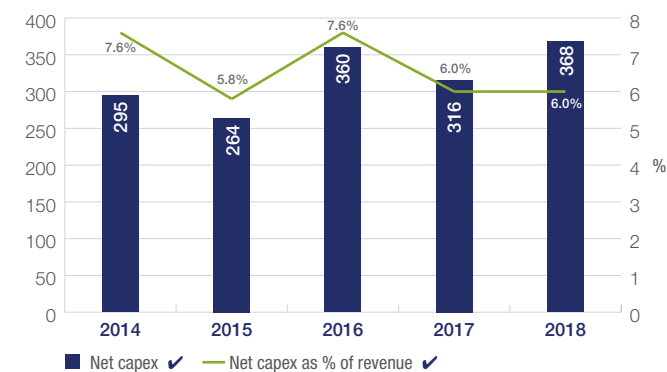
- Revenue grew 16% to R6.2 billion ✓
- 12% compound annual growth rate (CAGR) in revenue ✓

Operational leverage (R million)



- EBIT grew 1% to R680 million ✓
- 11% CAGR in EBIT ✓

Substantial investment in business (R million)

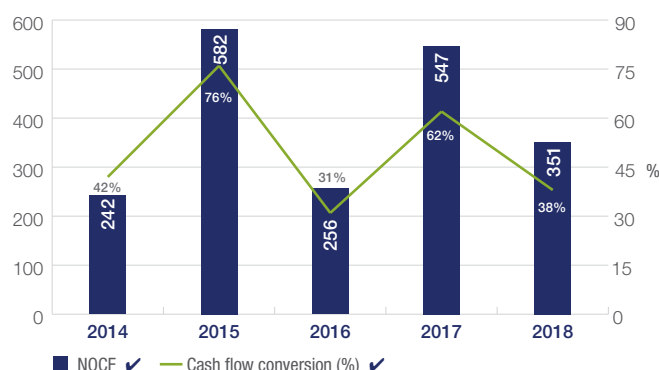


- Net fleet investment R1.6 billion (2014 – 2018)¹ ✓
- R445 million spent on bolt-on acquisitions (2014 – 2018)¹ (not included in net capex) ✓
- Acquired Star Scaffolds (Kwikform Australia), Pristine, Namchem and Rent-a-toilet (Sanitech)



Read more about the Group's performance on pages 42 and 51.

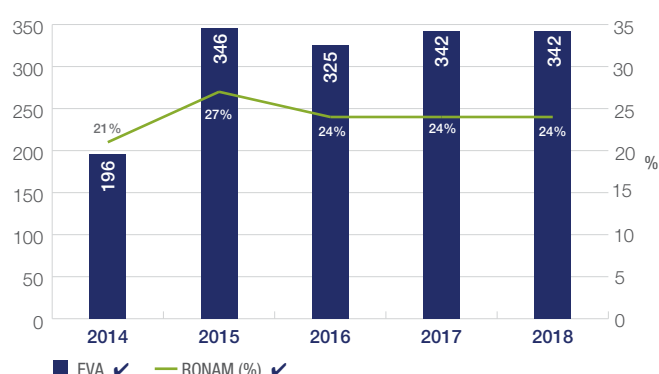
Positive cash generation (R million)



- Gearing within acceptable levels, allowing for further investment in net capex and small to medium acquisitions

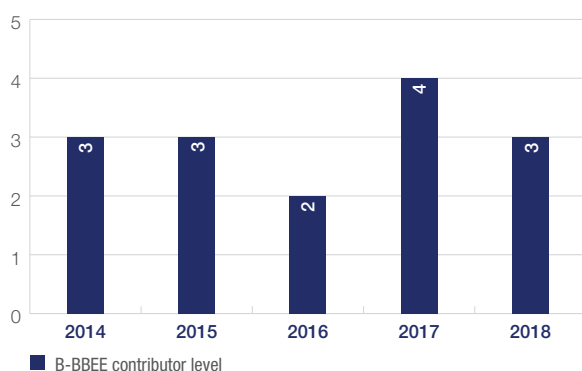
Net operating cash flow (NOCF)

Return on asset investment (R million)



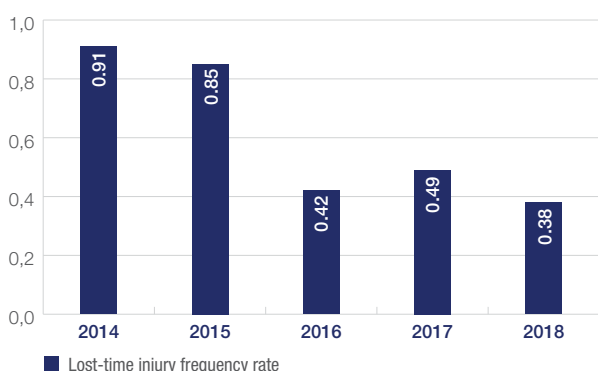
- 24% return on net assets managed (RONAM) ✓
- Economic value add (EVA) of R342 million (assuming a WACC of 12%) ✓

Transforming our business



- 52% black ownership
- 20% black women ownership
- Level 3 broad-based black economic empowerment (B-BBEE) contributor status
- The Group's B-BBEE contributor status declined under the revised B-BBEE codes introduced in April 2016
- The Group achieved level 2 towards the end of the 2018 calendar year²

Creating safer work environments



- Overall improvement in safety performance reflected in decline in LTIFR

¹ 2014 – 2018 indicates five years' performance data for the period 1 July 2013 – 30 June 2018.

² Refer to Annexures for the level 2 B-BBEE certificate.

ABOUT OUR INTEGRATED REPORT

REPORTING SCOPE AND BOUNDARY

This integrated report provides information about the governance, material risks and opportunities, strategy, performance and prospects of Waco International for the year 1 July 2017 to 30 June 2018. The report covers the operations of Waco International Holdings Proprietary Limited (referred to as Waco International, Waco or the Group). We report on matters that are material to our value creation process, including information about the outcomes of our business activities on stakeholders who are affected by our business.

Our reporting process is guided by the principles and requirements of the International Integrated Reporting Council's (IIRC's) International <IR> Framework, the King IV Report on Corporate Governance™ (King IV™)¹, International Financial Reporting Standards (IFRS), the Companies Act, 71 of 2008 (as amended) (Companies Act) and the Group's social and ethics committee charter.

Monetary amounts in the report are expressed in South African rand (ZAR), Australian dollars (AUD) New Zealand dollars (NZD) or British pounds (GBP). Financial information is provided in South African rand unless otherwise stated.

REPORTING APPROACH

The principle of materiality was applied to determine the content of this report. Material matters are defined as matters that have the potential to substantively affect our ability to create and sustain value over the short, medium and long term. We respond to material risks and opportunities through our business model and strategy.



Detail on our materiality process and primary material matters is provided on pages 25 and 28.

This integrated report demonstrates that Waco International has effectively executed its growth strategy to optimise value for its stakeholders. We show how our business model and strategy are shaped by an understanding of the relationships and resources we rely on to create value.

Our integrated reporting suite comprises the following reports:

Integrated report (IR)	Annual financial statements
Integrated account of our material matters, business model, strategy, financial and non-financial performance and prospects	Full consolidated financial statements for the year ended 30 June 2018
Corporate governance report	Independent auditor's report on the consolidated annual financial statements
Remuneration report	Directors' report
Summarised consolidated financial statements	Statement of corporate governance
Independent assurance report on selected financial and non-financial information	Audit and risk committee report
Independent auditor's report on the summarised consolidated financial statements	Board, Group executive management and audit and risk committee oversight
Board, Group executive management, audit and risk committee and social and ethics committee oversight	

Available online at www.wacointernational.co.za. Printed copies of the IR are available upon request.

Assurance

The summarised consolidated financial statements were extracted from the full audited statutory annual financial statements. Limited assurance on selected financial and non-financial information was obtained from the external auditors. These items are marked with a ✓ in this report. Waco International is confident that other data, which has not been externally audited, accurately reflects the business's performance and position, based on the combined assurance process indicated in the reporting suite table on page 79.

¹ Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.

End-user markets

Certain information relating to Waco's end-user markets, such as the percentage of the Group's revenues attributable to particular end-user markets, is based primarily on information collated by Waco's branches. To ensure end-user markets reflect Waco's key markets/industries, management assesses and adjusts the information where necessary. While we do not verify it independently, we have no reason to believe it is incorrect.

ADJUSTED FINANCIAL MEASURES

Waco has included measures in this report which are not defined by IFRS and which are used to assess the financial performance of its business. These include adjusted earnings before interest and tax (EBIT), adjusted earnings before interest, tax, depreciation and amortisation (EBITDA), net operating cash flow (NOCF) and return on net assets managed (RONAM). The Group's definitions of these measures can be found on page 109. All references to EBIT and EBITDA relate to adjusted EBIT and adjusted EBITDA.

Request for feedback

Waco International welcomes feedback on the 2018 integrated report. Stakeholders are invited to contact Eben le Roux (Chief Financial Officer) at ebenlr@wacoint.co.za.

BOARD APPROVAL

The board, with the assistance of the audit and risk committee, is responsible for the integrity of the integrated report. The board applied its collective mind to the preparation and presentation of the integrated report and is satisfied that it is a fair and accurate representation of Waco International's performance and prospects in accordance with the IIRC <IR> Framework. This integrated report was approved by the board and signed on its behalf by:



Royden Vice

Chairman

12 December 2018



Geoff Everingham

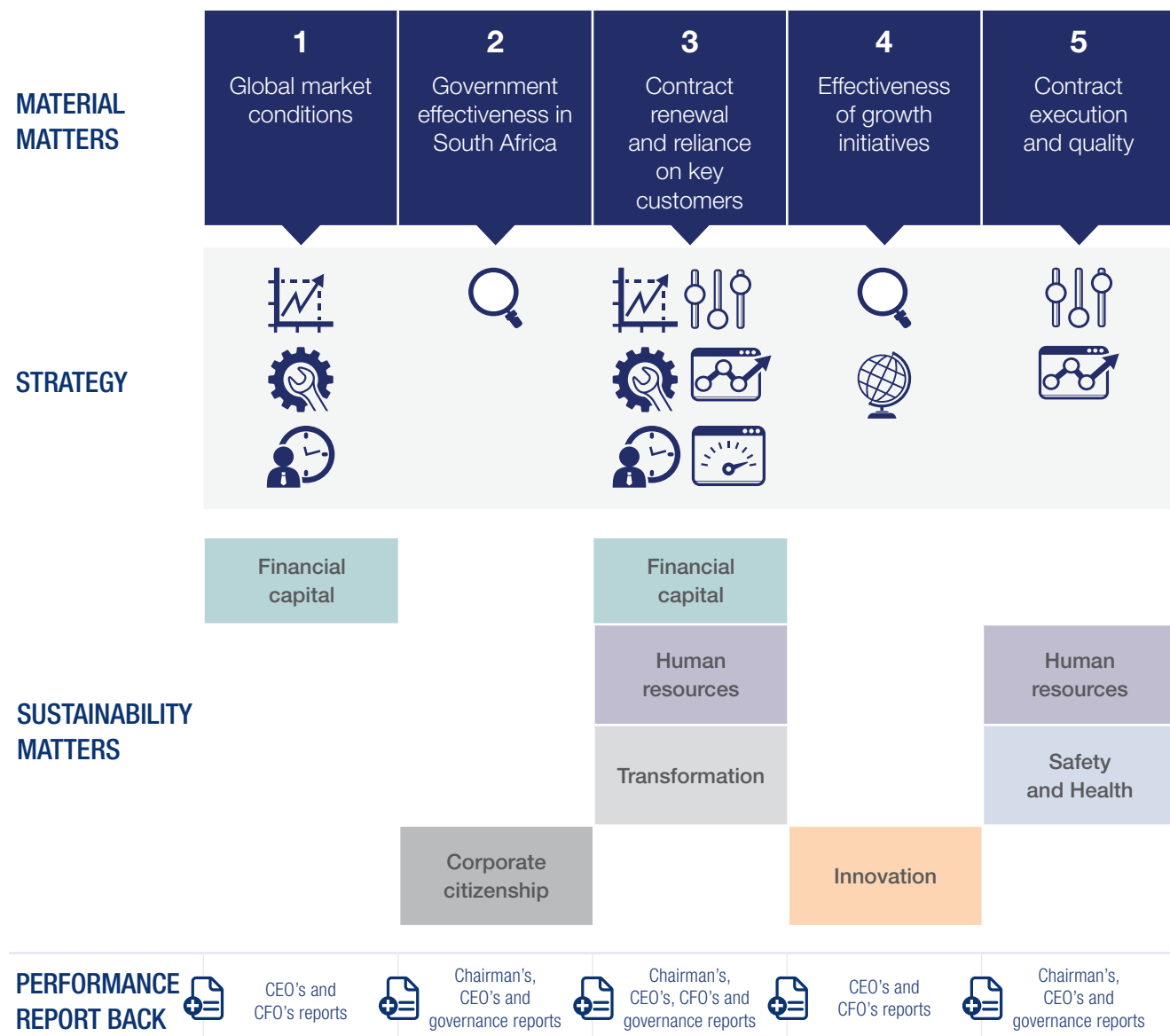
Chairman, risk and audit committee



Stephen Goodburn

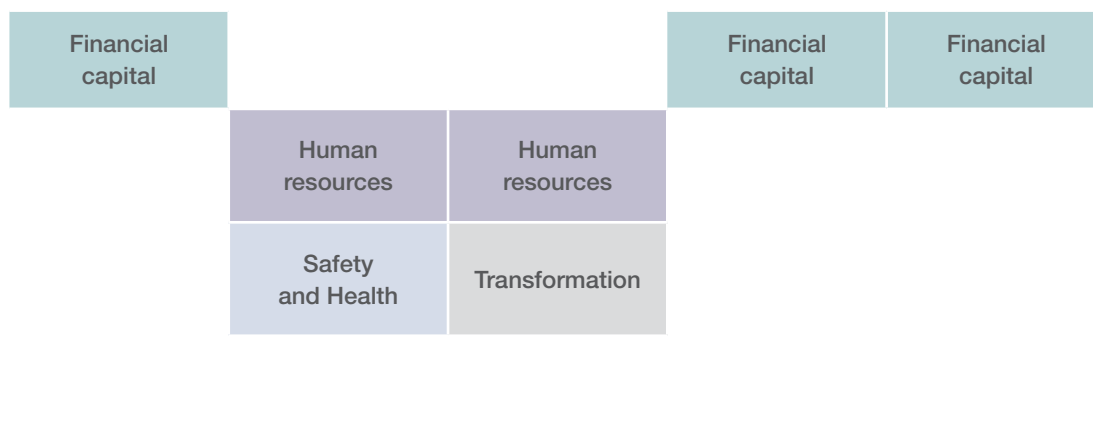
Chief Executive Officer

About our integrated report (continued)



Strategy

- Maintaining and growing profitability by managing pricing and cost to serve
- Optimising return on capital – existing fleet and new investment
- Maintaining order book quality and contract execution
- Retaining and developing skilled human capital
- Driving meaningful transformation
- Achieve positive EVA for all businesses
- Diversifying and expanding geographically
- Identifying and targeting new growth initiatives



CEO's and CFO's reports



Chairman's, CEO's and governance reports



Chairman's, CEO's and governance reports



CEO's and CFO's reports



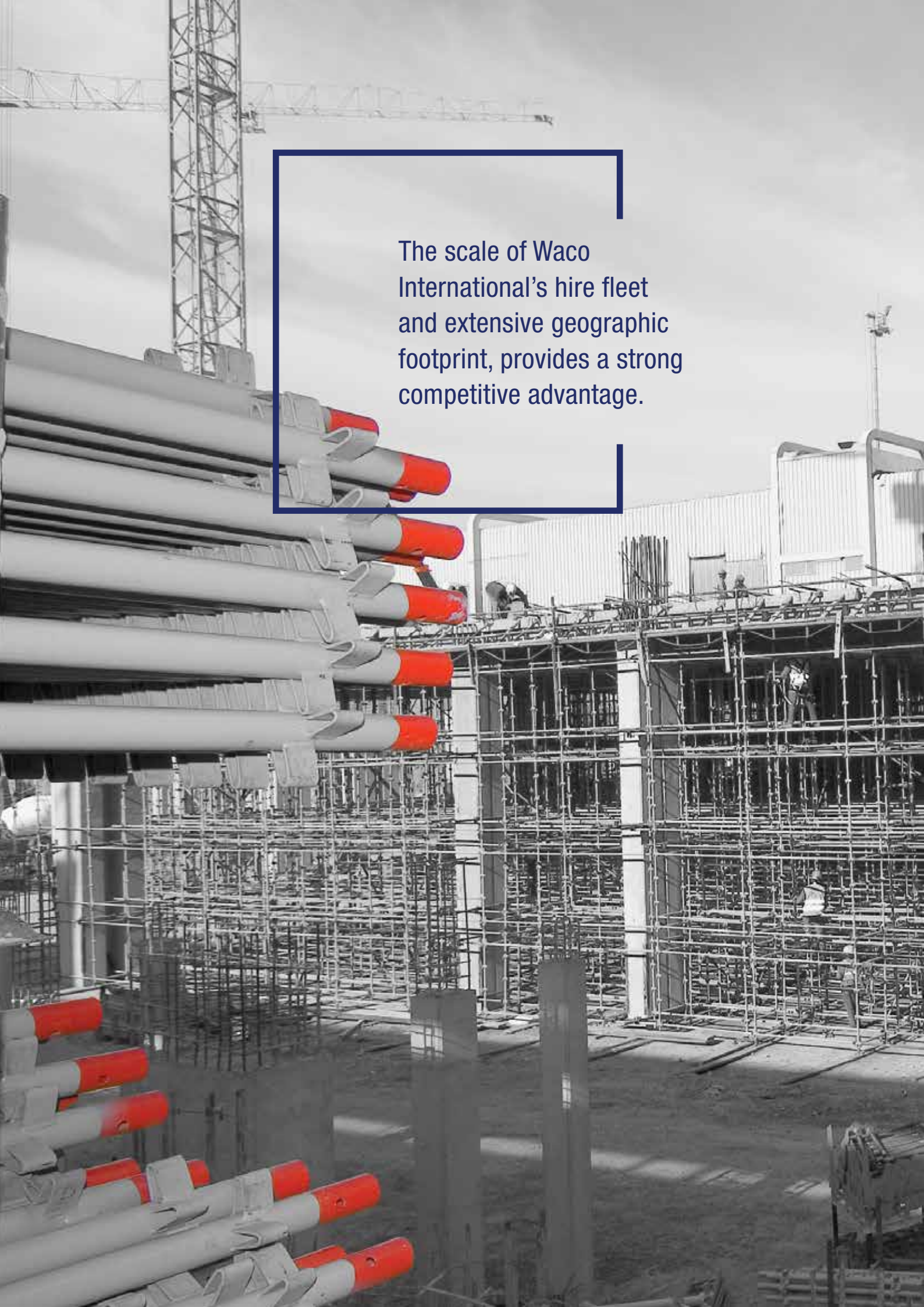
CEO's and CFO's reports



Chairman's, CEO's and governance reports

Material matters

- 1 Global market conditions
- 2 Government effectiveness in South Africa
- 3 Contract renewal and reliance on key customers
- 4 Effectiveness of growth initiatives
- 5 Contract execution and quality
- 6 Credit risk
- 7 Safety and health
- 8 Labour stability in South Africa
- 9 Liquidity risk
- 10 Cost pressures



The scale of Waco
International's hire fleet
and extensive geographic
footprint, provides a strong
competitive advantage.

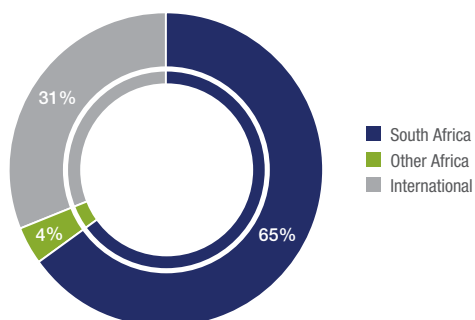


ORGANISATIONAL OVERVIEW

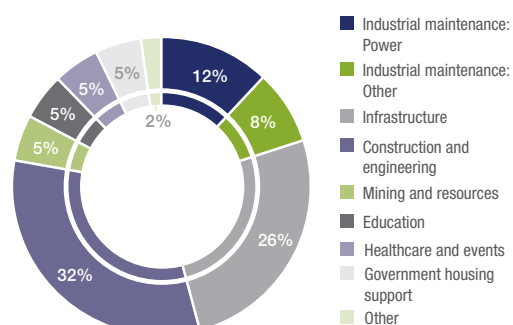
ORGANISATIONAL OVERVIEW

OUR DIVERSIFICATION ACROSS PRODUCTS, GEOGRAPHIES AND END USER MARKETS TO SOME EXTENT PROVIDES EARNINGS STABILITY THROUGH ECONOMIC CYCLES

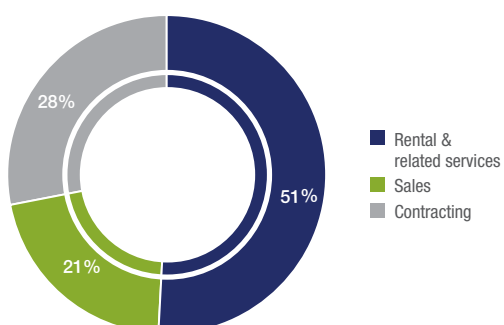
We operate across these geographies (EBITDA)



We service a range of industries



Our contracts and services are diverse (Revenue)



OUR EXTENSIVE FOOTPRINT AND
LARGE-SCALE FLEET ENABLE CROSS-
SELLING AND COST-SHARING
OPPORTUNITIES ACROSS OUR OPERATIONS.

>15 000
CUSTOMERS

>600
VEHICLES



APPROXIMATELY
31 000
RENTAL TOILETS



>100
BRANCHES

APPROXIMATELY
100 000 TONS
OF SCAFFOLDING

>5 600
RELOCATABLE
MODULAR BUILDINGS

3 GEOGRAPHIES



14 COUNTRIES



>45 000 TONS
OF FORMWORK

>9 000
EMPLOYEES



Organisational overview (continued)

GROUP STRUCTURE

This representation of Waco International's operations excludes non-material and dormant entities.



CORE BUSINESS ACTIVITIES

The scale, diversity and quality of Waco International's equipment hire fleet and footprint provide a strong competitive advantage

Formwork, shoring and scaffolding, and related services



Rental, sales, products and services related to formwork, shoring and scaffolding, suspended and aerial platforms and related services, including personnel supply, technical support services, insulation cladding, painting and blasting.

Market differentiators

- Well-established brands
- Size and quality of hire fleet
- Geographic footprint
- Industry experience and expertise, particularly on large, bespoke projects

Relocatable modular buildings



Rental and services related to relocatable modular buildings in which to live, work or learn, including technical support and project management. The buildings consist of modules or sections that can be linked together on site to form temporary or permanent structures.

Market differentiators

- Successful product innovation track record into niche market
- Ongoing investment in research and development
- Well-established brands

Sanitation and integrated hygiene solutions



Rental and servicing of portable sanitation products (portable chemical toilet rental and servicing, septic tank pumping and portable wastewater treatment plants) and integrated hygiene services (sanitisers, wipes, toilet tissue dispensers, sanitary bins, and hand washing and drying components, as well as contract cleaning and pest control services).

Market differentiators

- Well-established brand
- Size, quality and diversity of hire fleet
- Track record of innovation in new products and services, including integrated hygiene solutions, water-saving toilets and portable wastewater treatment plants

CORE BUSINESS PROCESSES

Group support services

- Strategy development
- Financial reporting and taxation
- Internal audit and risk management
- Human resources
- Compliance, legal and governance
- Treasury and corporate finance

Operational management

- Sales and marketing
- Operational risk management
- Fleet management
- Procurement and logistics management
- Human resources
- Compliance and legal
- Safety and health management
- Environmental management

Organisational overview (continued)

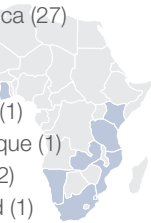
PORTFOLIO OVERVIEW

Waco Africa



Branches:

South Africa (27)
Ghana (1)
Kenya (1)
Mauritius (1)
Mozambique (1)
Namibia (2)
Swaziland (1)
Tanzania (1)
Zambia (2)



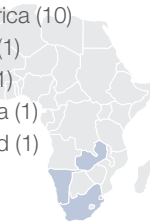
Branches:

South Africa (9)
Democratic Republic of Congo (1)
Ghana (1)
Mozambique (1)
Namibia (2)
Zambia (1)
Offshore (1)



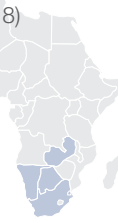
Branches:

South Africa (10)
Namibia (1)
Zambia (1)
Botswana (1)
Swaziland (1)



Branches:

South Africa (18)
Botswana (1)
Namibia (4)
Swaziland (1)
Zambia (2)



Branches:

South Africa (4)



Established in 1963

- Hire and sale of forming, shoring and scaffolding and associated services to a wide range of industries
- Manufacturing, design, technical advice and support
- Special projects requiring bespoke solutions

Established in 1945

- All-in-one service provider of access scaffolding, industrial painting, industrial corrosion protection, and thermal insulation and cladding
- Asbestos removal service and safety assessments
- Marine scaffolding and offshore personnel supply
- Seating, platform and related products for events
- Rope access

Established in 1995 Acquired in 2006

- Hire and sale of modular building solutions
- Provision of space to live, work and learn, including accommodation, ablution facilities and communal buildings, from site offices to three-storey office complexes, to attractive, safe and high-quality surrounds for learners
- Turnkey hospitality camp solutions (contractor accommodation)

Established in 1982 Acquired in 2007

- Hire of portable chemical toilets
- Regular servicing of portable toilets and septic tank pumping
- Integrated hygiene services, including rental and servicing of sanitisers, wipes, toilet paper dispensers, sanitary bins, hand washing and drying components, and contract cleaning and pest control
- Portable wastewater treatment plants

Established in 1978 Acquired in 2015

- Specialist supplier of powered access systems including suspended and aerial work platforms
- Design, installation, maintenance and after-sales services to the power generation, construction, mining, building and industrial maintenance sectors

1 Market leader in forming and shoring

11%

Group revenue share

1 Market leader in access scaffolding

29%

Group revenue share

2 In rental market

2%

Group revenue share

1 Market leader in portable sanitation

11%

Group revenue share

1 Specialty market leader in suspended platforms

2%

Group revenue share

R680 million

Revenue

R1 756 million

Revenue

R146 million

Revenue

R651 million

Revenue

R128 million

Revenue

991

Employees

4 709

Employees

135

Employees

2 838

Employees

175

Employees



More information on the operating businesses is provided in the performance review and outlook section beginning on pages 42 to 51.

Waco Kwikform Group



Branches:
Australia (13)



Established in 1987

- All-in-one access scaffolding service provider
- Hire of forming, shoring and scaffolding and associated services to a wide range of industries
- Rope access
- Industrial labour
- Design, technical advice and support



Branches:
Australia (1)



Established in 1985
Acquired in 2006

- Scaffolding, portable toilets, materials site sheds and materials hoists servicing the low-rise housing construction market in Western Australia
- Associated services including erection and transport



Branches:
Australia (4)



Established in 1990
Acquired in 2018

- Operates predominantly in the low-density residential construction market and supplies aluminium mobile and access scaffolding, roof and void protection, and related services



Branches:
New Zealand (2)



Established in 1999
Acquired in 2005

- All-in-one access scaffolding service provider and hire of forming, shoring and scaffolding and associated services, to a wide range of industries
- Design, technical advice and support



Branches:
New Zealand (5)



Established in 1972
Acquired in 2012

- All-in-one access scaffolding service provider and hire of forming, shoring and scaffolding and associated services, to a wide range of industries
- Design, technical advice and support

1 Market leader
in respective
markets

1 Market leader
in respective
markets

Growing
market
share

1 Market leader
in respective
markets

1 Market leader
in respective
markets

20%[✓]

Group revenue share

5%[✓]

Group revenue share

R1 234 million[✓]

Revenue

R323 million[✓]

Revenue

670[✓]

Employees

Premier Modular



Branches:
United Kingdom (1)

Established 1956
Acquired 1989

- Hire and sale of relocatable modular buildings
- Manufacturing, design and technical support
- Local team focused on research and development into product innovation



Niche market
– growing

20%[✓]

Group revenue share

R1 242 million[✓]

Revenue

236[✓]

Employees

An aerial photograph of a parade float moving down a street. The float is decorated with large, dark, leaf-like structures and a striped skirt. A large crowd of people is gathered on the sidewalks, watching the parade. In the background, there are several blue portable toilets and a black trash can. A banner on the right side of the float reads "vents Growing".

Our businesses' diverse operating environments directly impact our ability to create and sustain value. By understanding the challenges and opportunities in our operating environments, we can respond to them with our disciplined risk and opportunity management process.



CREATING VALUE

CREATING VALUE

OPERATING CONTEXT

Our businesses' diverse operating environments directly impact our ability to create and sustain value. By understanding the challenges and opportunities in our operating environments, we can respond to them with our disciplined risk and opportunity management process.

Macroeconomic environment

- Slow recovery in global economy
- Commodity exporting emerging markets are benefiting from upturn in some commodity prices
- These trends may be negatively impacted by slower growth in China, escalating trade protectionism, heightened policy uncertainty and geopolitical tensions in some regions

Our response

Waco International diversifies its operations across different geographic and sectoral markets to increase its resilience to economic cycles.

Global gross domestic product (GDP) growth (%)



Source: World Bank.

South Africa

- Stagnant economic growth
- Major power projects nearing completion, with limited infrastructure investment in the construction and infrastructure development sectors
- Low investor confidence due to policy uncertainty, corruption, inefficient bureaucracy, crime, and stringent financial and labour regulatory environment

Our response

Diversification remains a primary strategy for addressing external weaknesses in some markets. Over the past three years, our EBIT from non-South African markets has grown from 21% to 35%.

South African GDP growth (%)



Source: World Bank.



Read more about the Group's operating context in the Chairman's statement on page 42.

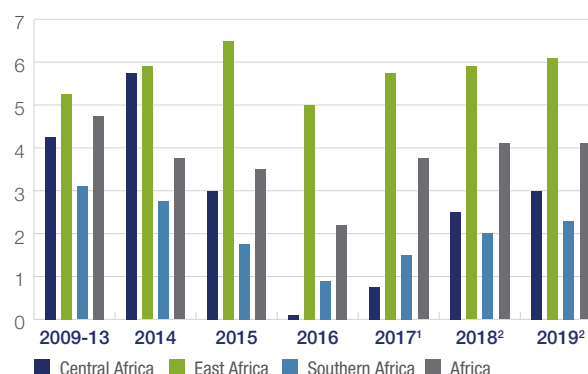
Rest of Africa

- African economies, excluding South Africa, have been resilient and are regaining growth momentum, although many continue to be hampered by sociopolitical turmoil
- Real output growth increased by an estimated 3.6% in 2017 and is expected to accelerate to 4.1% in 2018 and 2019
- Investment in power, water and transport infrastructure spend is critical to sustain growth

Our response

Based on our assumption that other markets in sub-Saharan Africa will continue outpacing those in South Africa, we continue expanding into the region to mitigate exposure to South Africa's cyclical construction industry.

Real GDP growth in selected subregions of Africa, 2009 to 2019 (%)



Source: African Economic Outlook – African Development Bank (January 2018).

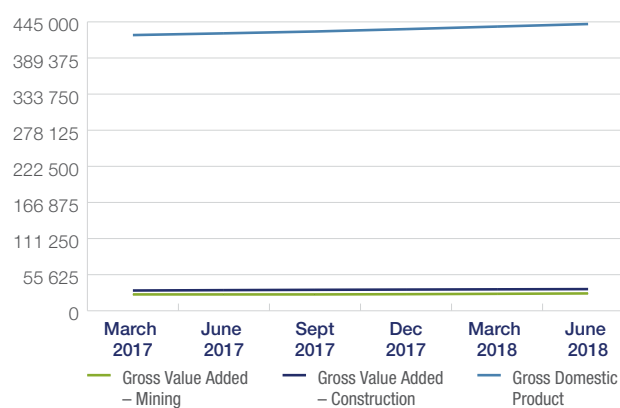
Australasia

- GDP is expected to grow at reasonable levels
- Engineering and construction sectors subdued as investment in mining is scaled back, but the industrial maintenance sector continues to grow modestly
- Australia's high-rise residential building cycle is slowing, but the non-residential building sector is growing
- New Zealand's outlook is positive owing to strong investment and exports

Our response

We continue to invest in growth initiatives, such as formwork and industrial services to diversify our offerings in Australia and New Zealand.

Growth in GDP



Source: Australian Bureau of Statistics.

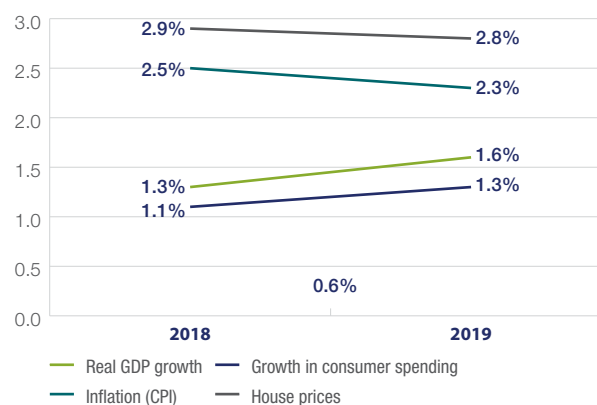
United Kingdom

- GDP growth predicted to decline to 1.4% in 2018 following Brexit-related uncertainty
- Construction output declined significantly during 2018 due to lower investment demand
- Stimulating growth requires more public and private sector investment in housing, transport infrastructure, skills and innovation

Our response

We re-engineered our core relocatable modular building products to diversify across geographic and sectoral markets and reduce dependence on the London market.

UK economy: Key projections (%)



Source: PwC Main Scenario Projections.

¹ Estimated.

² Projected.

BUSINESS MODEL

INPUTS

We use each of the six capitals to create and sustain stakeholder value.

Financial capital

- R2.1 billion invested over the past five years
 - › R1.6 billion million in fleet and fixed assets
 - › R445 million in acquisitions

Manufactured capital

- Large-scale, quality and geographically diverse hire fleet: Scaffolding and formwork equipment, suspended and aerial work platforms, relocatable modular buildings and portable toilets
- Logistics: Ownership or lease of 600 trucks and vehicles and use of subcontractors for logistics services
- Extensive branch footprint to deliver products to customers across the geographic footprint
- Investment in information technology (IT) hardware and software upgrades

Human capital

- 9 777 employees
- Management owns 11.94% of the Group's ordinary shares, ensuring their continued alignment with the strategy
- Regular engagement with employees and their representatives

Social and relationship capital

- Maintaining the confidence of investors and financiers
- Ensuring quality contract execution by engaging with contractors, suppliers and service providers
- Maintaining relationships with governments, regulatory and industry bodies
- Supporting local communities

Intellectual capital

- Ongoing research and development into innovative new products
- Continuous improvement in efficiency of operational processes
- Contract and order book management
- Inventory and logistics management

Natural capital

- The Group uses mainly fuel and steel natural resources, and does so responsibly

BUSINESS ACTIVITIES

Our portfolio of businesses comprises well-established brands that leverage off our extensive footprint to serve customers efficiently and cost-effectively.

Core business activities



Formwork, shoring and scaffolding, and related services



Relocatable modular buildings



Sanitation and integrated hygiene solutions

Core business processes supporting our activities

- Group support services
- Operational management

OUTPUTS

Our **business activities** generate the following products and services:

- Waco International provides equipment for rental and contracting services across a number of principal engineering, industrial maintenance, education, healthcare and events industries.
- The Group's primary waste products are fuel emissions and used oil from its hire fleet, and sanitary waste from its sanitation products and services. Waco responsibly disposes of waste, each business recycles and reduces waste.
- In following the Group strategy, Waco has diversified and increased its international exposure.

OUTCOMES

Our **business activities and outputs** have the following impacts on the six capitals.

Financial capital

- 12% revenue CAGR (2014 to 2018) ✓
- 33% gross profit margin ✓
- R922 million EBITDA ✓
- 24% RONAM ✓

Manufactured capital

- Hire fleet tonnage
 - › 100 000 tons scaffolding
 - › 45 000 tons formwork
 - › 31 000 portable toilets
 - › 5 600 relocatable modular buildings
 - › 180 aerial work platforms
- Branch footprint: Reduced overheads and cost to serve
- IT capability: Strengthened to improve functionality, reduce risk and support growth

Human capital

- Employee Wellness Programme uptake 2 500
- R16.2 million invested in training
- Short-term and long-term incentives
- One fatality of a community member
- Lost-time injury frequency rate (LTIFR) 0.38

Social and relationship capital

- R3.3 million spent on socioeconomic development
- B-BBEE level 3*
- Bopa Moruo empowerment partnership (25.1% ownership of Waco Africa)
- Waco Africa Employee Share Benefit Trust (5% ownership of Waco Africa)

Intellectual capital

- Market leaders: Form-Scaff, SGB-Cape, Sanitech, Skyjacks, Waco Kwikform Group
- Business longevity and market position: The portfolio includes long-standing and established brands. Their strong leadership is a competitive advantage

Natural capital

- No major environmental incidents
- Resource-efficient wastewater treatment plants installed to manage sanitary waste

* The Group achieved level 2 toward the end of the 2018 calendar year. Refer to Annexures for the level 2 B-BBEE certificate.



Waco is a market leader
with well-established brands.

**INVESTMENT
CASE**

INVESTMENT CASE

Our diversified business model offers a strong investment proposition with an attractive combination of resilience and exposure to growth opportunities.



**MARKET LEADER WITH
ESTABLISHED BRANDS**

- A portfolio of long-standing and well-established brands
- South Africa's market leader in forming, shoring and scaffolding, suspended access and sanitation services (toilet hire)
- Leading supplier of scaffolding in Australia and New Zealand
- Growing share of integrated hygiene services and elevated platforms
- Niche player in UK modular building sector



Business model – page 18
Portfolio overview – page 12



**SCALE AND
GEOGRAPHIC REACH**

- The hire fleet's scale, diversity and quality provide a strong competitive advantage, including the ability to win and support major projects
- Extensive geographic network of more than 100 branches service long-standing, established customers in key sectors
- Existing branch infrastructure provides leverage for growth
- Group management actively monitors fleet utilisation and profitability across regions and regularly redeploys hire equipment to more lucrative markets



Business model – page 18
Geographic footprint – page 8



**DIVERSIFIED BUSINESS
MODEL WITH MULTIPLE
GROWTH DRIVERS**

- Balanced and diversified across product, geography and end market, providing earnings stability through economic cycles
- Exposure to infrastructure spend without main contract risk
- Proven ability to move fleet between geographies to optimise return
- Scalable business model
- Growth drivers:
 - › Operational expertise and efficiency
 - › Revenue visibility because of long-term contracts
 - › Predictable revenue from rental model
 - › Proven ability to innovate



Group strategy – page 34



ESTABLISHED PRESENCE IN CURRENT AND FUTURE GROWTH MARKETS

- Organic growth driven by opportunities across geographies:
 - › South Africa: Future growth in construction and infrastructure spend
 - › Other sub-Saharan Africa: Growing economies with potential development in infrastructure (power and sanitation), mining, and oil and gas
 - › Australia: Growth in industrial maintenance with the resources sector moving from investment to output phase, complemented by a recovery in certain non-residential construction markets
 - › New Zealand: Solid growth in commercial and residential construction and industrial maintenance markets
 - › UK: Reengineered core relocatable modular building products to support diversification across geographic and sectoral markets to reduce dependence on London market
- Potential for further mergers and acquisitions – continued consolidation and expansion into new markets
- Ongoing focus on research and development of new products and services



Business model – page 18
Geographic footprint – page 8



DEMONSTRABLE TRACK RECORD OF FINANCIAL PERFORMANCE

- Five-year CAGR of 12% ✓ in revenue and 13% ✓ in EBITDA
- Steady growth in gross margin reflecting the positive impact of strategic interventions to improve efficiencies
- Turnaround in the financial performances of the UK and Australasian businesses
- Continued investment in the hire fleet and expanding branch network
- Diversified earnings across several geographies and currencies
- RONAM of 24% delivered ✓



Performance review and outlook – pages 41 to 51



ESTABLISHED AND EXPERIENCED MANAGEMENT TEAM

- Senior management has a proven track record of leading numerous organic and acquisitive growth initiatives, locally and offshore
- Management development programmes and leadership development pipeline are well-established
- Senior management owns 11.94% of the ordinary shares of the business ✓
- Balanced scorecard and Waco Growth Appreciation Rights Scheme (WGAR Scheme) incentivise high performance and growth



Governance report – page 75
Remuneration report – page 81



MATERIAL MATTERS

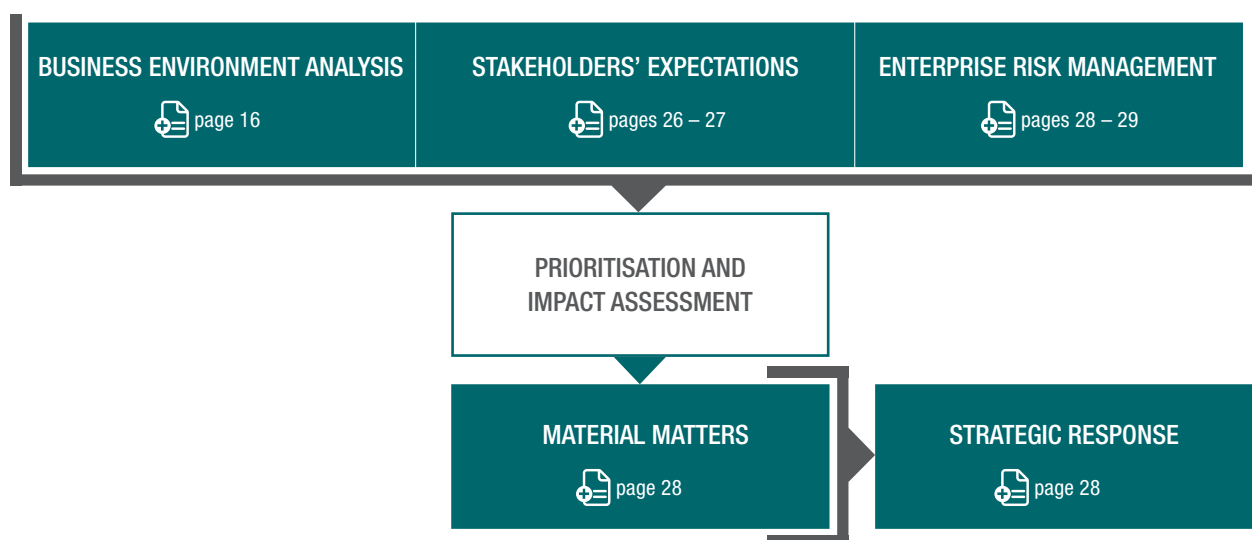
MATERIAL MATTERS

MATERIALITY DETERMINATION PROCESS

Determining and assessing material matters is an ongoing process in environments that change over time. Our material matters, which include risks, opportunities and stakeholder expectations, inform our strategy which in turn enables Waco International to create value in a dynamic environment.

The Group assesses risk in each of its businesses annually and ranks its strategic, financial, reporting, information technology (IT), compliance, reputational and operational risks, with a rating of low, medium or high. This assessment considers stakeholder expectations and concerns and is plotted against strategic targets and objectives.

The prioritisation process considers risks' and opportunities' likelihood, potential impacts and a reasonable time frame to determine the most material matters affecting the Group. These matters form the foundation for the Group's future materiality assessments as management aligns its strategic approach with the most critical factors in its operating environment over time.



STAKEHOLDER OVERVIEW

Stakeholder engagement is key to determining our material matters and sustaining growth. Proactive stakeholder engagement directs the Group's strategic objectives and operations. Waco International regularly engages stakeholders to strengthen its existing relationships and collaborate with a wide network of role players.

Stakeholder profile and influence on Waco	Nature of engagement
Customers Customers range from small businesses to global companies, and municipalities and governments. Customer service and satisfaction enable the Group to attract new business.	Waco engages customers through the customer relationship management function. It interacts before, during and after contract completion to ensure customer satisfaction.
Employees Employees work on a full-time, long-term or short-term contract basis and execute the Group's strategy. The Group strives for ethical, non-discriminatory and safe working environments, and provides employee development opportunities.	The Group engages during operations. Policies ensure fair remuneration and incentivise performance against strategy. The Group provides tertiary education bursaries for dependants of some permanent employees.
Labour-sourcing partners Waco employs labour brokers due to the variable location, scale and duration of projects in large-scale labour-intensive industries. Labour broker employees complement Waco's skilled labour and receive fair and equal treatment.	As major employers, Waco Africa and Kwikform Group depend on responsible labour-sourcing partners. Regular audits assess adherence to agreed ethical practices and standards.
Trade unions Waco supports its employees' right to collective bargaining, and its South African businesses engage with NUMSA, NUM, UASA, AMCU and Solidarity. Trade unions can influence employee productivity and morale.	The Group has formal recognition agreements and dispute resolution processes, and engages with employees and their representatives. Issues are managed via workplace forums and industrial relations consultants.
Investors and financiers The Group's shares are held by private equity shareholders and senior management. Investors provide capital for growth.	The Group extensively engages shareholders to communicate the business model and emphasise its value and future potential.
Contractors, suppliers and service providers Waco employs external service providers at various stages of the supply chain, as required. Relationships range from long-standing partnerships to project-by-project collaborations.	Engagements take place during business, and formalised interaction happens in the scoping, evaluation and contract structuring phases.
Governments Waco has operations in 14 countries. Public sector infrastructure projects account for most of Waco's current and future business.	Government representatives are engaged on public sector projects, and the Group complies with relevant legislation to maintain its licence to operate.
Regulatory and industry bodies Regulations determine the boundaries within which Waco operates. By participating in industry forums, Waco can influence regulatory processes and benchmark performance.	The Group undergoes accreditation processes to remain compliant with financial, safety and health, product quality and labour regulations.
Communities Waco sources labour from communities near its projects where possible. The Group's portable toilets and modular buildings benefit communities.	The Group supports the communities surrounding its operations. Waco offers longer-term employment to promising employees from those communities.

	Key expectations	Related material matters
	- Fair product and service cost - High-quality product and service - Responsible business and labour practices - Technical expertise and solutions	- Contract execution and quality - Contract renewal and reliance on key customers - Liquidity risk
	- Fair remuneration, performance recognition and reward - Safe working environment - Skills development and advancement - Effective two-way communication - Job security	- Contract execution and quality - Effectiveness of growth initiatives - Labour stability in South Africa - Safety and health
	- Return business and fair treatment - Long-term relationships - Fair remuneration	- Contract execution and quality - Labour stability in South Africa
	- Fair remuneration practices - Safe, non-discriminatory working environments - Meaningful shop steward capacity and leadership - Employment equity initiatives	- Contract execution and quality - Labour stability in South Africa - Safety and health
	- Sustainable profit growth - Responsible governance - Responsible safety, human resource and transformation practices	- Effectiveness of growth initiatives - Safety and health - Liquidity risk
	- Product and service cost and quality - Punctual and reliable payment process - Return business - Small, medium and micro enterprise (SMME) development	- Contract execution and quality - Effectiveness of growth initiatives
	- Regulatory compliance - Responsible governance - Sound safety and health record - Transformation	- Government effectiveness in South Africa - Labour stability in South Africa
	- Regulatory compliance - Knowledge sharing	Safety and health
	- Employment opportunities and social support - Engaging employees to support communities	Labour stability in South Africa

Material matters (continued)

MATERIAL MATTERS OVERVIEW

Waco International has identified the ten most significant risks and opportunities impacting the Group's ability to create sustainable value and execute its future growth objectives. The matrix below illustrates how Waco prioritises material matters according to the likelihood and impact of a risk or opportunity.



* New material matter in 2018.

Material matter	Risk, opportunities and impact	Strategic response
Global market conditions Volatile and declining global economic conditions and commodity cycles negatively impact Waco's markets.	Despite a marginal improvement in the global economy, conditions worsened in South Africa. Economic downturns impact the Group by weakening key sectors, such as construction, mining and infrastructure development. The Group operates across a diverse range of geographies and sectors which are impacted by global economic, social and political conditions. The scale, mobility and diversity of its hire fleet enables the Group to respond to risks and opportunities by pursuing higher-margin contracts with acceptable operational risk.	The likelihood of this material matter is controlled by: - diversifying across multiple market segments, products and customers; expanding geographically; - identifying and targeting new growth initiatives; and - optimising return on capital – existing fleet and new investment.
Government effectiveness in South Africa Ineffective leadership and delayed spending are stalling economic growth.	Ineffective leadership continues to inhibit economic growth and investor confidence. Policy uncertainty and corruption impact tendering and contract renewal, and a decline in investment is delaying the maintenance and development of critical infrastructure. The Group's B-BBEE rating and its relationships with local communities where it operates improve its prospects of success in tendering. The Group's presence and positioning in the rest of Africa reduces its exposure to the domestic market.	The impact of this matter is mitigated by: - driving meaningful transformation by increasing black ownership to 51% and improving the B-BBEE rating; - diversifying and expanding geographically; - identifying and targeting new growth initiatives; and - optimising return on capital – existing fleet and new investment.

Material matter	Risk, opportunities and impact	Strategic response
Contract renewal and reliance on key customers There is a high concentration of revenue and profits in a small number of contracts, which are subject to renewal at the end of the contract period.	Major projects involve longer-term contractual arrangements that require substantial resources and time. These are long-term sources of predictable revenue, but it is necessary to maintain relationships with key customers or source alternative revenue when they are completed. The Group has several major contracts, many of which are with one key customer and account for a large proportion of revenue and profit. Non-renewal of these contracts poses a risk to the Group's profitability. The Group is involved in large projects where it builds sustainable and value-adding relationships with major customers. These relationships, in turn, facilitate contract renegotiations and tenders.	The likelihood and impact of this material matter is mitigated by: • maintaining order book quality and contract execution; • driving meaningful transformation by increasing black ownership and improving the Group's B-BBEE rating; • diversifying and expanding geographically; • identifying and targeting new growth initiatives; and • retaining and developing skilled human capital.
Effectiveness of growth initiatives The Group needs to effectively develop each initiative to sustain its growth trajectory.	As market conditions worsen and core businesses mature, future growth depends on the successful execution of each initiative to ensure that it contributes to growth. The Group has a strong track record of developing and implementing growth initiatives. Research and development, ongoing capital expenditure and investment in bolt-on acquisitions are key contributors to growth.	The likelihood of this material matter is mitigated by: • retaining and developing skilled human capital; • diversifying and expanding geographically; and • identifying and targeting new growth initiatives.
Contract execution and quality Contracts' profitability depends on how they are managed, and the Group's reputation and ability to attract and retain business depend on the quality of our work.	Scoping, planning and executing contracts requires effective collaboration among role players, facilitated through competent and experienced project management. A project's controllable factors need to be managed well for the optimal outcome and relationship with the customer. Poor execution and quality could impact profitability. The Group has a proven track record in complex projects, which provides a sound platform for new opportunities. The Group's reputation for delivering high-quality products and services sets it apart in the market.	The impact of this material matter is controlled by: • maintaining and growing profitability by managing pricing and cost to serve; • maintaining order book quality and contract execution; • retaining and developing skilled human capital; and • diversifying and expanding geographically.
Credit risk* The Group's reliance on distressed sectors exposes it to the risk of customer default.	In the current economic environment, especially in emerging markets, there is an increased risk that the Group's customers may default in meeting their commitments on time. The Group understands its customers and markets, which allows it to mitigate short-term credit risks and identify longer-term work opportunities with customers. The Kwikform Group's insurance significantly reduces its credit risk, allowing the business to operate without undue disruption.	The impact of this material matter is controlled by: • maintaining order book quality and contract execution; and • diversifying and expanding geographically.

* New material matter in 2018.

Material matters (continued)

Material matter	Risk, opportunities and impact	Strategic response
Safety and health The Group's operations are labour-intensive and often involve high-risk activities.	The Group is responsible for ensuring its working environments are safe for employees, contractors and customers. Due to the high-risk activities in the Group's core sectors, such as working at heights and handling potentially hazardous waste material, best practice safety measures, training, and incident reporting are critical. Safety and health incidents pose a risk to the Group's reputation and relationships with existing and potential customers and have a negative impact on employee morale and productivity. Market-leading safety and health practices are a competitive advantage in tendering, and attracting and maintaining talent.	This material matter is managed by: retaining and developing skilled human capital.
Labour stability in South Africa Cost of living pressure, union rivalry, and disputes over conditions of employment jeopardise positive labour relations.	Politicised labour relations have increased industrial action in recent years. Labour unrest can cause costly delays to projects, while unsustainable expectations about wage increases reduce operating margins. The Group proactively maintains positive labour relations through regular formal and informal interaction with employees and their representatives. The direct impact of labour disruption is mitigated by the nature of hire service and contract structuring, as well as empowering and engaging with our employees and their unions. This reduces job losses and enables more rewarding careers for our people.	This material matter is managed by: - retaining and developing skilled human capital; and - driving meaningful transformation.
Liquidity risk* Economic pressures and delayed payments increase pressure on the Group to ensure that it has sufficient capital to fund its operations and growth strategy.	The Group maintains a strong balance sheet for sufficient flexibility to fund its strategy without excessive leverage. Failure to manage our debt will limit our ability to fund working capital. Waco's debt increased following the redemption of preference shares and a medium sized acquisition in Australia, but remains within the Group's limit of two times EBITDA. The Group's access to facilities at favourable rates and its track record of prudent financial management enable it to refinance its debt if necessary.	The likelihood of this material matter is mitigated by: - optimising return on capital – existing fleet and new investment; - maintaining order book quality and contract execution; and - regularly engaging with large clients and financiers.
Cost pressures* Volatility in the Group's markets increases the unpredictability of future costs.	Current market conditions and associated cost inflation could negatively affect profitability. The Group conducts a robust and detailed annual budgeting and forecasting process. These forecasts are revisited regularly to ensure that current information is used to minimise the impact of cost increases.	This likelihood of this material matter is mitigated by: - maintaining and growing profitability by managing pricing and cost to serve; - optimising return on capital – existing fleet and new investment; and - identifying and targeting new growth initiatives.

The board considered the following matters but, due to their low impact and low likelihood, did not elaborate on them in this report:

- Transformation in South Africa⁺
- African expansion⁺
- Accessing and retaining skills⁺
- Hire fleet management⁺

- Failures of mergers and acquisitions
- Uncertainty associated with Brexit
- Failure of key information systems
- Data breach of sensitive information

⁺ Material matter in 2017.

^{*} New material matter in 2018.



STRATEGY

STRATEGY

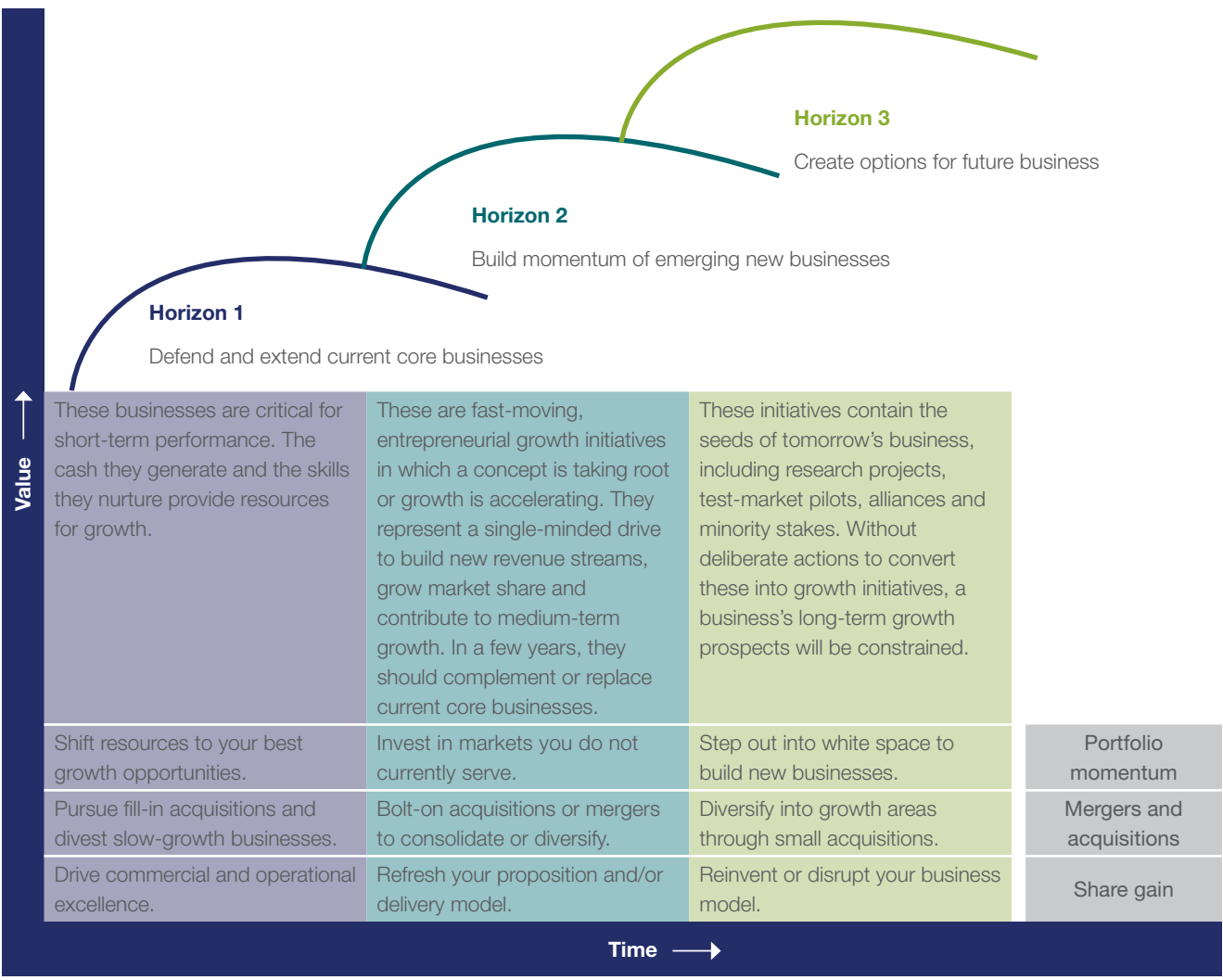
STRATEGY DEVELOPMENT

Expanding and diversifying as a leading equipment rental and industrial services business remains the predominant strategic aim of Waco International.

The Group capitalises on opportunities in sectors and geographic markets where entry barriers are high and access to capital is an advantage. To this end strategic initiatives, such as the Alchemy and Granularity of Growth frameworks and the Continuous Improvement programme are applied throughout the business.

The board and management regularly assess strategy against challenges and opportunities in the external environment and allocate resources to grow and sustain profitability. Group and operational executive management report to the board on material matters impacting performance and implementation of the strategy.

Alchemy and Granularity of Growth



ALCHEMY OF GROWTH

Waco International's growth strategy is founded on McKinsey & Company's Alchemy of Growth framework, which views growth as an inherently positive and value-adding process that creates wealth and employment and fosters a sense of purpose at work.

As part of this strategy, the Group develops growth initiatives continuously as a pipeline rather than a static set of targets. This is done by defining stages of growth in three horizons for business optimisation and creation. This balances attention to, and investment in, both current performance and new opportunities for growth.

Each horizon provides a framework for growth and requires strategic responses intended to sustain the momentum of growth. Waco International responds continuously to the framework of horizon 1, to extend and defend current core businesses, by optimising the performance, utilisation, market share and reach of established businesses. This stage of growth requires solutions that allow underperforming businesses to take advantage of latent market potential.

While continuing to defend and extend its current core businesses in challenging market conditions, Waco International places an equally strong focus on horizons 2 and 3, to build new businesses with new revenue streams. The Group continues to extend existing core offerings to new customers, markets and geographies, and to introduce new products and services to existing customers, markets and geographies. The capital expenditure programme prioritises investment in the hire fleet and the development of growth initiatives.

Waco actively and constantly explores opportunities for future businesses under horizon 3. These include strategic alliances and partnerships, the creation of new sales channels, and bolt-on acquisitions that complement existing offerings or larger strategic acquisitions of adjacent or new businesses.

GRANULARITY OF GROWTH

McKinsey & Company's Granularity of Growth concept is founded on the belief that organisations should base their growth strategies on more detailed views of their markets to identify growth opportunities. The concept was implemented throughout the Group in 2017 to extend and refine the Alchemy of Growth strategy. It provided:

- deeper insight into the economic sectors most likely to grow;
- tools to maximise the benefits from identified opportunities; and
- an understanding of whether it is necessary to exit from any existing products, sectors and customers.

The Group further embedded the strategy in 2018, positioning Waco to capitalise on new opportunities and achieve its growth objectives over the next three years.

Through the Granularity of Growth strategy, Waco International has made significant progress in diversifying and expanding the geographic footprint of its industrial services. This mitigated the impact of slow growth in the domestic construction and infrastructure development markets.

Growth initiatives in industrial services included industrial labour and rope access in southern Africa and Australasia, and integrated hygiene services in southern Africa. Waco International made significant inroads into the education sectors in South Africa and the UK. The Group extended its sanitation and modular building offerings to mining operations in sub-Saharan Africa, doubling revenue from these two sectors in 2018.

STRATEGY OVERVIEW

Progress to date

Waco International measures and monitors progress in its strategic objectives against a set of clearly articulated performance indicators. These were established from a 2015 baseline after Waco International had substantively implemented its strategy formulated in 2011 to grow, diversify and optimise its businesses.

The strategy is responsive to external risks and opportunities and Waco International performs critical self-assessments and adjusts its strategic objectives accordingly.

New growth initiatives contributed to Group revenue and earnings are measured separately for the first two years to track the return on investment. Thereafter it is accounted for as "business-as-usual".

Strategy (continued)

Progress against strategic goals and targets

The Group continues to make progress against its strategic goals and targets, as detailed in the table below and pages that follow.

Strategic goals and targets	Progress	Future focus areas
Generate overall sustainable growth rate in shareholder value of 15% per annum Achieve this by: - growing EBIT by 10%; - achieving positive EVA for Kwikform Australia; - achieving positive EVA for Abacus; and - defending and extending businesses while executing growth initiatives.	3% CAGR (2015 – 2018) 2% CAGR (2015 – 2018) (R65 million) EVA (2015: (R85 million)) - Acquired Star Scaffolds to increase exposure to low-density housing market - Achieved positive EVA - Growth initiatives gained traction; contributing to revenue and EBIT - Implemented measures to address underperformance in difficult markets - Continued investing in growth initiatives	A number of initiatives are underway to maintain organic and acquisitive growth in difficult market conditions. - Targeting positive EVA in 2020 - Continue to grow formwork and industrial maintenance - Realise growth from acquisition - Focus on increasing exposure to logistics and industrial maintenance markets - Initiatives underway to support growth
Scale-up international businesses (including sub-Saharan Africa) to contribute >50% of EBIT by 2020 Other sub-Saharan operations targeting 12% of Group EBIT	35% EBIT contribution (2015: 12%) 7% EBIT contribution - Acquired Namchem and Rent-a-toilet in Namibia to increase exposure to sanitation market	- Realise value from new acquisitions in Australia and Namibia - Leverage investment in Transline Plus - Pursue targeted acquisitions
Diversify our business across products and geographies	66% contribution from forming, shoring and scaffolding (2015: 78%)	Realise value from new acquisitions and newly developed products, services and branches
Enhance our black economic empowerment (BEE) status	- Level 3 contributor status (2017: 4) - Waco Africa 52% black-owned (2017: 49.8%)	Achieve level 2 status

● Achieved ● Not met or partially achieved

Summary of objectives

The strategic objectives of the three overarching strategic focus areas and their relationship to the three horizons of the Alchemy of Growth framework are represented below. Specific initiatives are described in the pages that follow, with cross-references to more information in the report.

Alchemy of Growth	Strategic focus		Strategic objectives	2018 highlights
Horizon 1 Defend and extend current core businesses	 Optimise, defend and extend	     	- Maintaining and growing profitability by managing pricing and cost to serve - Optimising return on capital – existing fleet and new investment - Maintaining order book quality and contract execution - Retaining and developing skilled human capital - Driving meaningful transformation - Achieving positive EVA for all businesses	Business optimisation - Abacus achieved positive EVA Employee safety - Lost-time injury frequency rate of 0.38 (2017: 0.49) Employee development 67 historically disadvantaged South Africans (HSDAs) enrolled on Waco Africa Cadet Scheme 197 branch managers on Business Leaders Development Programme 25 employees attended an Executive Development Programme at the Gordon Institute of Business Science (GIBS) Transformation - B-BBEE level 3 (2017: Level 4) - Waco Africa 52% black-owned (2017: 49.8%)
Horizon 2 Build momentum of emerging new businesses Horizon 3 Create options for future business	 Expansion and growth	 	- Diversifying and expanding geographically - Identifying and targeting new growth initiatives	Other sub-Saharan Africa growth 29 branches in ten countries Acquisitions - R161 million invested in acquisitions, including Star Scaffolds (Australia), Pristine (South Africa), and Namchem and Rent-a-toilet (Namibia) New products and services - Transline Plus (Premier Modular) - Ezee 9 modular building (Abacus) - Resource-efficient underground rental toilet - ConstructAmesh - Aluminium Scaffolding (Small Hire) - Formwork screens and jump forms



Optimise, defend and extend



Maintaining and growing profitability by managing pricing and cost to serve

Rightsizing and growth of branch footprint and structure to market demand

- We conduct monthly assessments of all branches to measure current EVA against market conditions.
- The Group closes, restructures, relocates or consolidates branches where overheads are disproportionate to returns.
- Waco redeploys equipment and personnel to expose them to more favourable market conditions.

Leveraging operational efficiencies and synergies between businesses

- The Group is agile – it shares yards and resources to improve overheads.
- Waco increases its integration to better utilise its fleet and cross-sell between the businesses.

Working capital management

- By skillfully managing sales and procurement, Waco efficiently turns around contract receivables and subcontractor payables.
- Streamlined billing processes and contract structuring ensure inflows and outflows are co-ordinated to reduce debtors' days.



Optimising return on capital – existing fleet and new investment

Hire fleet management and pricing

- The Group builds on its experience in carefully balancing utilisation, maintenance and pricing.
- Annual capital expenditure budget allocation and regular reassessment allow the business to respond to new opportunities.
- A well-established refurbishment policy maintains the quality of the hire fleet.

Strategic allocation and relocation of hire fleet across operating geographies

- Equipment and personnel are moved within the Group's global network to increase exposure to high-return, high-margin contracts and markets.
- Scale, quality and diversity of the hire fleet, combined with depth of customer relationships, provide operational leverage.

Investing in scalable and efficient IT systems to support geographic expansion

- IT is a key enabler of growth through enhanced reporting and communication capability.
- The operating businesses implemented software upgrades, new systems and centralised servers, and replaced outdated hardware with superior technology.



Maintaining order book quality and contract execution

Contract selection

- The Group only pursues contracts that do not exceed the risk appetite, and that will generate sustainable profit margins.
- Waco evaluates projects based on a contract approval authority matrix which involves several rounds of assessment from operational to board level, depending on scale and risk.
- The Group balances win rates and project pipelines with the requirement for safe and compliant projects at sustainable margins.

Contract structuring with appropriate risk and pricing thresholds

- Where necessary, the Group formalises commercial manager and operational contract manager roles to improve contract quality and ensure terms and conditions of commercial contracts are suitable and adhered to.
- Waco structures contracts to include appropriate risk and pricing thresholds and built-in opportunity costs for project overruns.

Post-contract assessment process

- A formalised post-contract debrief process assesses and consolidates key learnings to improve procedures.
- The project execution key performance indicator includes "delivery on schedule, on specification and on budget".



Retaining and developing skilled human capital

Joint performance management framework

- Appropriate recognition and reward structures ensure a pipeline of talented employees.
- The primary mechanism for assessing performance, the balanced scorecard, considers key financial performance indicators (75%) as well as personalised goals (25%) as the bases for remuneration.
- Waco provides a long-term retention scheme (WGAR Scheme).
- Management owns 11.8% of the business.

Training and development programmes

- Employee development programmes are available at every level of the organisation.
- Internal candidates are preferred for promotion to available positions to encourage commitment and performance and sustain the organisational culture.
- The Group prioritises safety and health training.

Safety and health

- The Group allocates significant resources to managing safety and health, including weekly engagement (Toolbox talks) to raise employee awareness on site.
- Waco businesses collaboratively learn about performance, procedures and practices. Industry forums share knowledge and improve practices.
- The balanced scorecard remuneration process incorporates safety and health objectives to incentivise individual focus on this indicator.

Innovation and execution-focused culture

- The Alchemy of Growth framework and the Continuous Improvement ethos promote a culture of innovation and performance necessary in challenging economic conditions.
- The Group encourages employee innovation in products and/or processes. Several promising ideas have given rise to the new products and services in which the Group is investing for future growth.
- Research and development is ongoing.
- Co-operation occurs throughout the Group to share know-how, save costs and utilise assets more efficiently, leading to higher utilisation rates and RONAM.

Employee engagement

- Employee engagement takes place in various forms at different levels throughout the business.
- The Employee Wellness Programme supports employees who have personal or professional concerns.
- Employee engagement contributes to healthy industrial relations and ensures employees and their representatives are satisfied with their terms and conditions of employment.
- Toolbox talks, workplace forums and industrial relations co-ordinators maintain regular and productive engagement with employees.



Driving meaningful transformation

B-BBEE ownership

- The Group achieved a level 3 B-BBEE rating (under the revised codes).*
- Waco Africa is 52% black-owned.

Skills development programmes

- Waco Africa gives its HDSA employees the opportunity to improve their skills through the Cadet Scheme and compete for more senior roles.
- Waco Africa provides adult basic education and training (ABET) to employees to improve literacy and numeracy skills, and to empower individuals from historically disadvantaged backgrounds.



Achieving positive EVA for all businesses

- Kwikform in Australia continues to focus on achieving positive EVA in 2019 by growing its industrial maintenance business and improving the performance of its formwork growth initiative. This will mitigate the expected downturn in the Australian high-rise residential market over the next two years.
- Abacus achieved positive EVA in 2018. Premier Modular in the UK maintained positive EVA since 2015.

* The Group achieved level 2 toward the end of the 2018 calendar year. Refer to Annexures for the level 2 B-BBEE certificate.



Expansion and growth



Diversifying and expanding geographically

Other sub-Saharan Africa expansion plan

- The rest of Africa remains a large growth opportunity for South African businesses.
- Form-Scaff's and SGB-Cape's established sub-Saharan operations have provided a platform for the strategic introduction of Sanitech, Abacus and SkyJacks products to receptive markets.
- The Group develops country-specific business plans in response to risks and opportunities unique to each, with a focus on expanding in existing countries.
- Waco International employees fill key leadership roles, and the Group invests in local teams to drive operational excellence.
- A designated role is responsible for driving major projects with engineering, procurement and construction companies.
- External advisors assist the board in overseeing the Africa governance working group of the audit and risk committee to ensure the necessary financial resources and compliance mechanisms are in place.

Ability to move skills and fleet to markets/geographies to leverage optimal returns

- The hire fleet's scale and diversity provide operational leverage which, spread across a range of geographies, enables the movement of skills and equipment between businesses, markets and locations.
- The Group continuously monitors fleet utilisation and profitability across regions to strategically redeploy hire equipment to more lucrative markets.



Identifying and targeting new growth initiatives

Acquisitions – pursuing appropriate targets

- A good track record of value-adding bolt-on acquisitions that complement the existing offering and support the Group's position as a diversified industrial services business provides a firm base for growth.
- The Group remains alert to acquisition opportunities in adjacent and new businesses aligned with its stated objectives and organisational culture.
- The Group acquired Star Scaffolds to strengthen Kwikform in Australia. It acquired Pristine in South Africa, and Namchem and Rent-a-toilet in Namibia to expand Sanitech's offerings in sub-Saharan Africa.

Access new products and customers through active research, development and innovation in each business

Abacus

- Build Own Operate camps: A flexible accommodation product, ideal for large construction projects requiring personnel accommodation over long periods.
- Alternative Building Technology: A hybrid product between modular and bricks and mortar that is durable, quickly assembled, fire-rated and thermally insulated.

Sanitech

- Integrated hygiene services: Washroom solutions, deep cleaning, daily cleaning, pest control, septic tank pumping and industrial drain cleaning.
- NIC toilet: Suited to underground mining and informal settlement applications, using nanotechnology to keep the bowl clean and minimise water usage.
- Retro-fit kit: A stand-alone, flushable latrine with expandable bladder that can be fitted to existing latrines with minimal environmental impact.
- Portable wastewater treatment plants: Modular, containerised plant, which is designed to respond to lack of existing infrastructure in this area and reduce Sanitech's transport and dumping costs.

SGB-Cape

- QuikDeck: A suspended access platform product for which the Group has sole distribution rights in Africa.
- Rope access: Providing access inspection, non-destructive testing and work-at-height maintenance solutions where scaffolding and suspended aerial work platforms cannot reach.

Form-Scaff

- New and improved formwork systems.
- Small plant hire: Smaller, easily transported construction tools for rental, using existing branch footprint and customer relationships.
- Formwork screens and jump forms.

SkyJacks

- Aerial working platforms: Expansion of this offering as an extension of the suspended access platform offering.

Kwikform

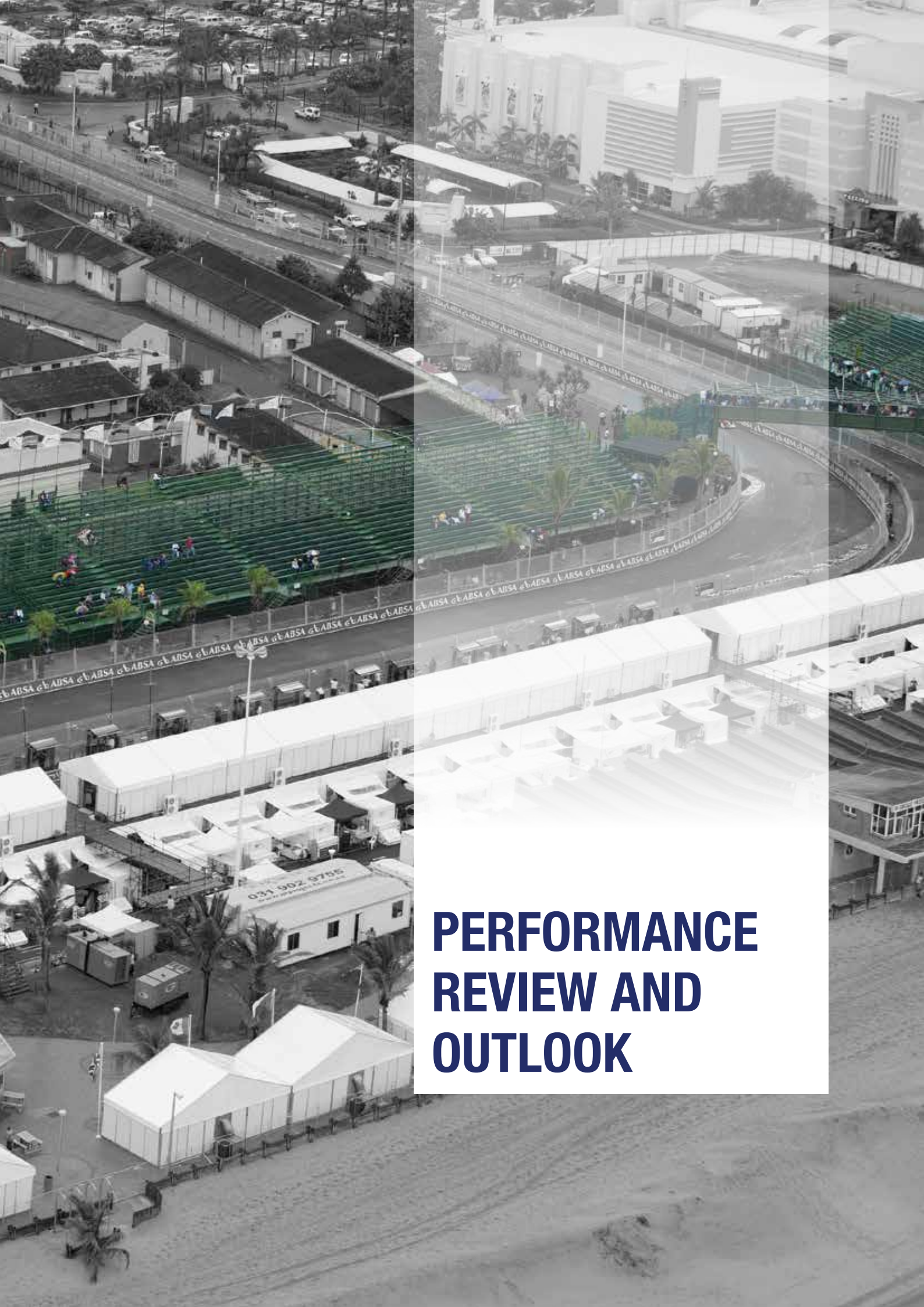
- Formwork.
- Rope access.
- Industrial labour.
- Painting and blasting.
- ConstructAmesh.
- Aluminium scaffolding (small hire).

Premier Modular

- Re-engineered fleet.
- Housing project.
- Transline Plus.

An aerial photograph of a large stadium with green seating. The stadium is surrounded by white tents and other structures. In the background, there are residential buildings and a forested hill. A white box highlights a section of the stadium seating.

The Group continued to deliver profitable growth despite difficult economic conditions in some of our key markets.



PERFORMANCE REVIEW AND OUTLOOK

CHAIRMAN'S STATEMENT

“The momentum of some of our businesses slowed in difficult operating conditions, but Waco International continued to achieve profitable growth and invest in sustainable long-term value.”

Royden Vice

Chairman

Waco International demonstrated its resilience in weak domestic markets by leveraging its spread of businesses across geographic and sectoral markets, and deploying resources to areas of the organisation that offer the best opportunities for growth now and in the longer term.

Our domestic operations with exposure to South African construction and infrastructure development were impacted by sustained weakness in their markets, but the non-construction businesses fared better, particularly Sanitech and Abacus, both of which gained market share. The international businesses performed well, with Premier Modular in the United Kingdom delivering a record performance, and Kwikform in Australia and New Zealand growing their core operations and strengthening new initiatives.

These performances were underscored by our strategy to defend and extend our core businesses in challenging markets, while continuing to invest in opportunities to sustain growth. We completed a number of bolt-on acquisitions during the year to strengthen Kwikform in Australia and Sanitech in sub-Saharan Africa.

OPERATING CONTEXT

Waco International's footprint across three principal geographies and 14 countries exposes the Group to the effects of global macroeconomic trends. While the global economy continues to show signs of moderate growth, and emerging economies benefit from the upturn in some commodity prices, events such as slower growth in China, escalating US trade protectionism, and rising geopolitical tensions in some regions threaten to slow this momentum.

The South African economy is lagging behind global and other African economies, as new political leadership grapples with the challenges of ineffective governance, corruption and the erosion of value in state-owned entities – which should be drivers of economic growth. The domestic construction sector has been heavily impacted by the lack of major public sector infrastructure investment and a lower appetite for private sector investment; this impasse is expected to continue as government tries to stabilise the country's state-owned entities. These challenges are reflected in the performance of Form-Scaff in South Africa.

Other economies in sub-Saharan Africa have been resilient and are regaining momentum, albeit from a low base, as improving global economic conditions, recovery in oil and metal prices and sustained domestic demand contribute to growth. However, socio-political turmoil has disrupted some of our operations in the region. We remain confident in the region's long-term growth potential, given that much-needed infrastructure investment will be an important contributor to sustained economic growth in Africa.

The Australian economy is expected to continue growing at reasonable levels, buoyed by private and public sector infrastructure investment. Kwikform is benefiting from modest growth in industrial maintenance, but there has been a slowdown in the high-rise residential market, which will be partially mitigated by an improvement in the non-residential building sector. New Zealand remains resilient as government investment in public infrastructure continues and private investment gains momentum.

In the UK, uncertainty related to Brexit is contributing to a decline in economic activity, with the construction sector impacted by rising input costs, skills shortages and lower investor demand.

While this does not bode well for large government-funded infrastructure projects such as the Hinkley Point nuclear power station project Premier Modular completed for EDF in 2018, we have mitigated concentration risk by increasing our exposure to markets throughout the United Kingdom.

STRATEGY

The objective of our management and shareholders is to create sustainable value by building a business with short, medium and long-term growth potential and an optimised capital structure. To create value, we continue to implement the Alchemy and Granularity of Growth strategies.

To support these strategies, we have continuous improvement initiatives, develop the necessary human resource capacity to implement our strategy effectively, and continue investing in our fleet and bolt-on acquisitions to strengthen businesses in growth markets. We conduct critical self-assessments to ensure that our strategy, and its implementation, remain effective in achieving our objective of sustainable growth.



Additional information on Waco International's strategy is available on page 31.

GOVERNANCE

Although Waco International is not listed on the JSE, we largely fulfil the governance requirements of a listed company and actively align our organisation with the principles of King IV Report on Corporate Governance™ (King IV™). The board maintains high standards of governance and reporting to ensure that we operate ethically in compliance with the regulations that govern all the jurisdictions in which we operate. The board and management set the tone of ethical leadership to instil a culture of ethical behaviour throughout the organisation. The board, management and all employees are required to comply with the Waco Code of Ethics.

The board provides strategic direction by assessing the effectiveness of the strategy in changing external environments and ensuring that we have the necessary resources to create sustainable value for our stakeholders. Executive management is accountable to the board for performance against strategic objectives.

Subcommittees assist the board in fulfilling its responsibility for overseeing the Group's compliance and assurance practices. The subcommittees are made up of executive and non-executive members, and have delegated responsibility to assist the board with its responsibilities in audit and financial controls, risk management, strategy development, remuneration, and social and ethics management. Independent non-executive director, Geoff Everingham, chairs the risk and audit committee; non-executive director, Jos van Zyl, chairs the social and ethics committee; and I chair the remuneration and strategic committees.

The Company Secretary prepares a questionnaire by which we annually evaluate the board, directors and subcommittees to improve their performance. Based on my experience as a director of listed companies, I engage with individual directors to provide feedback and address any matters that emerge from the process.

Waco International reviews the appointment of its auditors annually. We will undertake this exercise with diligence in 2019.

Safety

Safety remains a key governance focus given that much of our work exposes our employees to potential harm. We are responsible for ensuring that our employees understand the risks in the workplace and the role we all play in creating and maintaining safer work environments. Our operations implement a number of initiatives to heighten awareness and create a safety culture in which managers are visible role models for safe behaviour, and employees take personal responsibility for their safety and that of their colleagues.

While our lost-time injury frequency rate reflected sound safety performance, we experienced one devastating fatality of an unsupervised 18-month-old girl, Jesmin Mairong who ran under the wheels of one of our trucks that was providing services to an informal settlement. Waco International reviews all fatalities and serious incidents and applies measures to learn from mistakes and avoid reoccurrences. The Group offered its condolences to the family of the deceased child and assisted with their needs during this difficult time.



Additional information on Waco International's safety approach and performance is available on page 60.

Transformation

Transformation is a strategic imperative for Waco International as it enables the Group to continue growing in South Africa. This is primarily because our B-BBEE contributor status influences our competitiveness in tender awards. The board's strong focus on transformation has contributed to an increase in the black ownership of Waco Africa from 49.8% to 52% and an improvement in our B-BBEE contributor status to level 3¹.

The Group continued to provide skills development conducted by the Waco Training Academy established with our empowerment partner, Bopa Moruo. The training academy provides for all of Waco Africa's training requirements through learnership and internship programmes for unemployed HDSAs. In addition, the Waco Africa Cadet Scheme integrates black graduates into the business by offering the necessary support to ensure their chances of career success.

¹ Refer to Annexures for the level 2 B-BBEE certificate.

Performance review and outlook (continued)

Grayston Bridge collapse

The Department of Labour's inquiry into the collapse of the temporary M1/Grayston Bridge in October 2015 resumed hearings in July 2018. The Commissioner will set a new date for the matter to proceed once he has reviewed the evidence. Waco International has stated its position to the inquiry, supported by the findings of an independent investigation into the equipment we supplied to the project. We hope for a speedy resolution of this matter.

Competition Commission investigation

The Competition Commission investigation into alleged collusion by SGB-Cape in a tender for the renewal of a contract to provide industrial maintenance services to Eskom was handed over to the Competition Tribunal for prosecution in 2018. This occurred after Eskom withdrew its complaint to the Commission in 2017 and the Commission declined a request by Waco International to dismiss the case. The Tribunal requested an extension of time as it awaits the outcome of a separate legal challenge which may have a bearing on its current investigations.

OUTLOOK

We expect operating conditions in South Africa and the United Kingdom to remain challenging for another 18 to 24 months, while our targeted markets in Australasia are likely to continue growing at a reasonable pace over the same period.

In the prevailing market conditions, we will focus our attention on strengthening the resilience of our core businesses and

increasing the momentum of our domestic and international growth initiatives which are starting to make substantial contributions to Waco's financial performance.

We will also continue investing in other opportunities to achieve growth organically or by acquisition to ensure that our financial performance remains stable through economic cycles.

APPRECIATION

Waco International expects a high level of commitment from its people, particularly during challenging times. I would like to express my gratitude to everyone who played a role in our performance in 2018. My colleagues on the board and board subcommittees provided support and sound guidance on a range of important matters. Stephen Goodburn, his executive team and our employees, worked tirelessly to continue implementing our growth strategy and realising the potential of our organisation. Our investors, clients and customers all participate in our performance. I am confident that we have the necessary capacity to continue creating sustainable value for all our stakeholders.



Royden Vice
Chairman



CHIEF EXECUTIVE OFFICER'S REPORT



“Waco International experienced a challenging year, with many of its markets impacted by economic or political events and increased competition for fewer opportunities. Despite these external threats, the Group delivered profitable growth by continuing to defend and extend its established businesses, while developing new growth opportunities.”

Stephen Goodburn

Chief Executive Officer

Well-executed major projects in South Africa and the United Kingdom underpinned our performance for the second consecutive year. However, the more sustainable driver of profitability came from growth initiatives in the sanitation, modular building and industrial services sectors, which have been nurtured by our operations and are now becoming significant contributors to the revenue and earnings of Waco International.

The strategic objective to scale up our international operations as a buffer to cyclical domestic markets also contributed to our resilience, shoring up the Group's revenue and earnings against the effect of a severely weakened South African construction industry.

Another important highlight was the increase in black ownership of Waco Africa to 52% and the improvement in the Group's B-BBEE contributor status to level 3 in 2018. We achieved level 2 towards the end of 2018 calendar year.

Disappointingly, the proposed acquisition of Waco International by a Dubai-based private equity firm was terminated in March 2018 when the buyer was unable to fund the transaction after completing extensive due diligence.

STRATEGIC PROGRESS

The execution of Waco International's Alchemy and Granularity of Growth strategies contributed to the CAGRs of 12% in revenue and 11% in EBIT over the period from 2014 to 2018. Although growth slowed as operating conditions worsened, Waco International maintained positive EBIT growth; continued to invest in fleet maintenance and growth opportunities, including bolt-on acquisitions; and created sustainable value for shareholders and other stakeholders. During this period, the Group grew and diversified its businesses by capitalising on

opportunities in new and established markets and geographies and building a defensive portfolio of businesses. This should enable Waco International to defend its earnings other than those from completed major projects.

The Alchemy of Growth strategy enables the core businesses to sustain market-leading positions and create the value necessary to fund new growth initiatives. These are either new products and services, or expansion into new sectors able to generate new sources of revenue. They can develop into a new generation of core businesses that will fund the next phase of growth initiatives.

The more recently adopted Granularity of Growth strategy identifies opportunities to maximise returns on investment by leveraging existing assets and customer bases. Growth is pursued organically by growing market share or by bolt-on acquisitions to bulk up small operations. Opportunities developed by this process are now coming to fruition, as described in more detail on page 48.

In 2018, Waco International adopted an overarching strategic objective to:

Generate sustainable growth of 15% in shareholder value

A number of goals were implemented to achieve this objective in challenging operating conditions. Progress against these goals is discussed below.

Grow EBIT by 10% per annum to achieve a stretch target of R1 billion EBIT by 2021

Waco International's annual EBIT growth rate slowed over the past two years as a result of the current economic climate and the natural moderation that occurs in the growth of market

leaders trading in mature markets. Despite these pressures, the Group continued to deliver positive EBIT growth. Targeted plans were implemented to address underperformance in the “business-as-usual” activities of some of the core businesses, and many growth initiatives grew rapidly. Group forecasts indicate that the longer-term stretch target of R1 billion EBIT by 2021 remains achievable.

Achieve positive EVA for Kwikform Australia and Abacus

Abacus achieved positive EVA a year ahead of expectation after a significant intervention returned the business to profitability. The intervention involved incorporating the newly acquired Bychal containers into Abacus’s branch network, restructuring the business to reduce costs, launching the larger, cost-effective Ezee 9 building, and increasing exposure to the private education and mining sectors to reduce reliance on public schools. Abacus is now the second-largest supplier of rental modular buildings in South Africa. The business is strengthening its focus on growth opportunities in the logistics and industrial maintenance markets, including shutdown and maintenance projects in the petrochemical sector.

Kwikform Australia did not achieve positive EVA due to losses in its formwork growth initiative. However, the company appointed a forming specialist as manager, and the consequent change in the business’s targeted customer segment and product offering is expected to result in positive earnings in 2019. These interventions, combined with the acquisition of Star Scaffolds (which extends Kwikform’s offering to aluminium scaffolding in the Australian low-density housing sector) position the business to achieve positive EVA in 2020.

Defend and extend core businesses while executing growth initiatives

With the exception of SkyJacks’ aerial work platforms and Abacus, Waco International’s businesses in South Africa and Australasia are market leaders. Premier Modular in the UK is a niche, growing business. These businesses grow profits by optimising their size and branch networks, and leveraging operational efficiencies. Each Waco business implements the elements of the Group’s strategy that enable it to achieve its budgeted performance. The Group monitors and measures operational performance against a range of objectives and linked key performance indicators to ensure successful implementation of the strategy. This approach enables the Group to respond rapidly to operational under-performance or capitalise on opportunities, as demonstrated by the examples that follow.

Defending and extending core businesses

Through the Alchemy and Granularity of Growth strategies, many of Waco’s businesses have successfully diversified their operations to mitigate the risk of over-reliance on low-growth geographic markets or market sectors.

Premier Modular reduced its exposure to the London market from circa 70% to circa 40%, and expanded into the education, automotive, pharmaceutical and power sectors over the past two years, securing a major 30-month project to supply buildings to the Hinkley Point nuclear power station project. Premier Modular also extended its product range to include the new cost-effective

Transline Plus modular building as an alternative to its top-of-the-range buildings. Premier Modular achieved a record financial performance as a result of these new opportunities, but its “business-as-usual” activities lost some momentum in the process, and are receiving high-level attention.

Abacus shifted its full focus from the public education sector to private schools and the mining industry, and secured additional rental units as a result of the Bychal acquisition, increasing its fleet to 2 970 units, 516 of which are rented to private schools and 370 to mining sites.

Sanitech grew rapidly as it extended its core product range to new market sectors and expanded into integrated hygiene services. Sanitech acquired Rent-a-toilet and Namchem in Namibia to increase its exposure to the sub-Saharan Africa region; secured orders for its resource-efficient Khusela dry sanitation toilet (DST) in the agricultural and education sectors; increased the number of NIC rental toilets to 2 500; and introduced a smaller toilet for underground mining. The integrated hygiene services operation continued to grow market share, increasing its exposure to the pest control market through the acquisitions of Namchem in Namibia and Pristine in South Africa, and adding the JetVac industrial drain cleaning service to its product range.

The acquisition of Star Scaffolds forms part of Kwikform Australia’s plan to diversify away from the high-rise residential market, which is losing momentum.



Additional information on growth initiatives is available on page 48.

Rightsizing and aligning activities with market demand

Waco Africa defended its position in the domestic market by aligning its businesses with market demand. To this end, Form-Scaff, Abacus and SkyJacks restructured to reduce costs and leverage efficiencies. Cost-sharing initiatives included the amalgamation of Form-Scaff branches in Gauteng and Cape Town, and the consolidation of Form-Scaff, Sanitech, Abacus and SkyJacks production facilities into one multidisciplinary factory under a single management team.

To limit the impact of the restructure, 50 employees were redeployed to other Waco businesses; unfortunately, we were unable to redeploy all our employees after the restructuring and, as a result, 700 employees contracts were terminated or retrenched.

Performance review and outlook (continued)

Mitigating risk of contract renewal by sourcing additional revenue streams

Waco International protects its revenue by generating the bulk of its income from rental and contracting services, which offer more stable income over a longer period than sales activities. In 2018, rental and contracting services accounted for 79% of the Group's revenue and 83% of EBIT. A large proportion of these was attributable to major scaffolding and insulation projects undertaken by SGB-Cape for Eskom and Premier Modular's Hinkley Point power station contract for EDF. SGB-Cape's scaffolding contract is winding down, and the insulation contract for boiler units 3, 4 and 5 at the Kusile power station will continue for another 30 months.

Premier Modular's EDF contract was completed in 2018. The delayed start of the next round of major projects will put pressure on the Group, as we will need to find other work to replace these contracts, and it is likely to take up to 18 months to convert large tenders of this nature in the current environment.

Waco International plans to restore "business-as-usual" operations at SGB-Cape and Premier Modular, and improve the profitability of underperforming operations in sub-Saharan Africa, but the key to mitigating revenue loss from major contracts is the increasing contribution from growth initiatives.

Executing growth initiatives

The Granularity of Growth concept catalysed new growth opportunities which gained traction in 2018. As a result, industrial services grew in Australia and New Zealand, and Abacus and Premier Modular made significant inroads into the education sectors in South Africa and the UK. The Group also extended its sanitation and modular building offerings to mining operations in sub-Saharan Africa, doubling revenue from these sectors.

Premier Modular's new Transline Plus relocatable modular building grew significantly. Developed as a lower-cost alternative to its high-end products, Premier Modular marketed Transline Plus to a range of existing and new customers in industrial and infrastructure development sectors, and increased its rental fleet to 400 in one year.

Sanitech's integrated hygiene services business, which now accounts for 15% of Sanitech's revenue, is a small participant in its market. This creates the opportunity for significant future growth. Sanitech's new resource-efficient Khusela DST is a safe, environmentally sound alternative to pit toilets in informal settlements and remote locations, and it gained momentum during the year.

Waco International's culture of innovation and continuous improvement maintains the pace of its growth strategy. The Group works with universities in South Africa and the UK to improve the cost-efficiency of existing products and develop new growth initiatives. Innovative new products or services introduced in 2018 include Abacus's Ezee 9 modular building, a bigger and more cost-effective version of the Ezee 6 building, and Sanitech's industrial drain cleaning (JetVac) service.

Waco International has invested capital of R2.1 billion over the past five years. R368 million of 2018 capital expenditure was allocated to fleet maintenance, and R161 million to acquisitions to bulk up the Group's presence in sub-Saharan Africa and Australia. Since 2012, Waco International has successfully integrated 15 acquisitions into its business, including a number of bolt-on acquisitions for Sanitech and Abacus, and the acquisitions of United Scaffolding in New Zealand and Star Scaffolds in Australia. These contributed 11% to EBITDA in 2018 and are forecast to contribute 16% in 2019. If concluded, new acquisitions in the pipeline will increase Waco's exposure to formwork and equipment rental in South Africa and sub-Saharan Africa.

Diversify our industrial services and expanding geographically

The Granularity of Growth strategy has enabled Waco International to make significant progress in diversifying and expanding the geographic footprint of its industrial services to mitigate the impact of slow growth in the domestic infrastructure development market. Since 2015, as growth initiatives such as industrial labour and rope access have taken root in southern Africa and Australasia, and as the Group's exposure to the mining sector in sub-Saharan Africa and the education sector in South Africa in the UK has increased, revenue from forming, shoring and scaffolding activities reduced from 78% to 64%.

Scaling up international operations, including sub-Saharan Africa

Waco International continues to make progress towards its goal of a more balanced geographic revenue and earnings profile by increasing the earnings contribution of international operations,

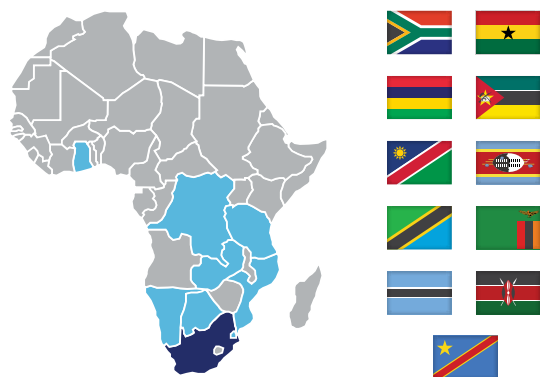
including operations in other sub-Saharan Africa countries, with the aim to achieve a 50% split by 2021.

The earnings profile illustrated alongside demonstrates how the EBITDA contribution of international operations grew from 21% to 35% over the five years since 2014. Growth in 2018 is largely due to acquisitions in Australia and Namibia. The strong performance of Premier Modular and the entry into Wellington, New Zealand in 2017, are other contributing factors, as is the focus on strengthening the presence and performance of the sub-Saharan Africa operations.

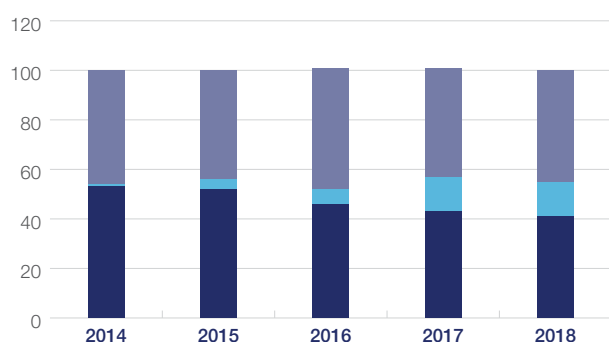
The Group's footprint in sub-Saharan Africa extends to 29 branches in ten countries, including a new branch in Kenya and the closure of unprofitable branches. Despite difficult operating conditions, the Group returned the operations in Tanzania and Ghana to profitability, but experienced slower activity in Namibia due to cutbacks in government expenditure.

EARNINGS PROFILE

Africa

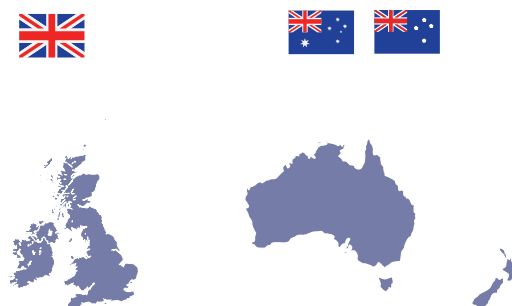


Revenue (%)

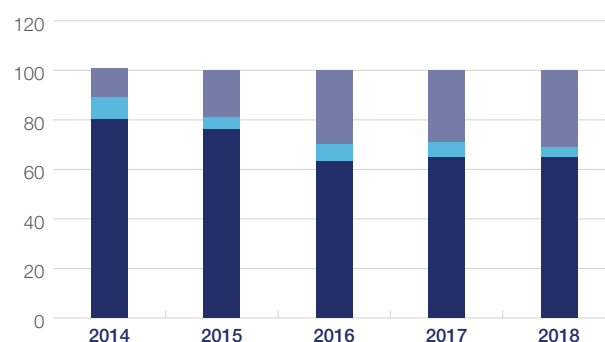


	2014	2015	2016	2017	2018
South Africa	53%	52%	46%	43%	41%
Sub-Saharan Africa	1%	4%	6%	13%	14%
International	46%	44%	48%	44%	45%

International



EBITDA (%)



	2014	2015	2016	2017	2018
South Africa	80%	76%	63%	65%	65%
Sub-Saharan Africa	8%	5%	7%	6%	4%
International	12%	19%	30%	29%	31%

Enhancing Waco Africa's B-BBEE status

Key contributors to the Group's improved B-BBEE status are:

- Waco Africa achieved 52% black ownership, including 20% black women ownership.
- Waco Africa created the Waco Africa Employee Share Benefit Trust, which has a 5% shareholding in Waco Africa. Dividends from the investment assist eligible black employees to fund primary and secondary school education for their children. The Group also funds the university education of students enrolled in the Waco Africa Cadet Scheme.
- BEE representation at senior management increased to 30%. Middle management BEE representation is 60%.
- Waco Africa established the Waco Training Academy, which is 51% owned by black-owned company Bopa Moruo and 49% by Waco International. The academy provides training for the Group and qualifies as an enterprise development initiative.
- A new programme will train 70 unemployed disabled South Africans as cleaners. Successful candidates are offered permanent employment by Sanitech.
- Waco Africa has a strong focus on preferential procurement and SMME development.

Performance review and outlook (continued)

Retaining and developing skilled human capital

To ensure that its people execute contracts safely and effectively, Waco International instils a performance-driven culture based on a balanced scorecard that incentivises good performance. The Group has stable, long-serving leadership and management teams, and promotes internal candidates unless external expertise is required in an area in which Waco is under-resourced. Three new human resource executives manage human capital development in Kwikform Australia, Waco Africa and Sanitech.

Waco employed 9 777 people (2017: 10 245) and invested R16.2 million (2017: R14 million) in training. The Group offers a range of Business Leaders and Employee Development Programmes to develop a pipeline of talent for succession. Management learnership and ABET programmes empower current employees with skills to improve their employment opportunities. Supervisor training was introduced in South Africa in 2018, and will be extended to the international operations. The Group trains up to 3 000 scaffolders annually.

Management prioritises safety and makes every effort to ensure that employees are adequately informed and equipped to maintain safer working environments. This commitment to safety is reflected in the decline in Waco International's LTIFR to a record low of 0.38 (2017: 0.49).

Waco International experienced industrial actions at its Kusile site. The Group maintained a high-level focus on procedures to facilitate positive and productive industrial relations.

OUTLOOK

Waco International's key markets in South Africa, the UK and Australia are likely to remain challenging. These macro-economic factors, combined with the completion of major contracts during 2019 and the lengthy lead time to secure replacement work of a similar size, will pressure the Group's ability to increase revenue and EBIT.

Our strategy has proven to be effective in mitigating the impact of economic cycles and enabling constant growth. We will continue implementing the elements of the strategy that achieve our organisational objectives. Our key focus areas are restoring performance excellence in our business-as-usual activities in South Africa and the UK, returning loss-making businesses in sub-Saharan Africa to profitability, achieving positive EVA in Australia, and ensuring that our growth initiatives achieve their full potential.

In the longer term, we hope to continue capitalising on opportunities to participate in major projects in more favourable construction cycles, while building our annuity income streams to underpin our operations, increase earnings predictability, and make further progress towards our ambitious growth targets.

APPRECIATION

Waco International would not have been able to overcome the challenges of 2018 without the support of the board, who backed the management team and provided access to capital when necessary. Our performance would not have been possible without the commitment and drive of our people, and the ongoing support we received from our customers and other stakeholders. The hard work that goes into sustaining value during the downturns positions us to create more value when economic cycles improve.



Stephen Goodburn

Chief Executive Officer



CHIEF FINANCIAL OFFICER'S REPORT

“Waco International achieved CAGRs of 12% in revenue and 11% in EBIT over the past five years. We invested over R2 billion in net capex, including various organic growth initiatives and acquisitions during the same period, making the Group more diversified and sustainable for the future. In addition, more than R1.4 billion in cash was distributed to shareholders.”

Eben le Roux

Chief Financial Officer

FINANCIAL PERFORMANCE AT A GLANCE

REVENUE	R6.2 billion increased 16% (2017: R5.3 billion)	↑
GROSS PROFIT MARGIN	33.4% declined 3.6% (2017: 37%)	↓
EBITDA	R922 million increased 5% (2017: R882 million)	↑
EBIT	R680 million increased 1% (2017: R672 million)	↑
OVERHEADS	R1.55 billion increased 5% (2017: R1.47 billion)	↑
NET CAPEX	R368 million up R52 million (2017: R316 million)	
RONAM	24.2% decrease 0.2% (2017: 24.4%)	↓
NET DEBT	R1.4 billion increased R467 million (2017: R933 million)	↑

Performance review and outlook (continued)

HIGHLIGHTS

Waco International maintained the momentum of revenue growth and continued investment in capital expenditure in 2018, but the Group's profit margins were impacted by difficult operating conditions in some of its key markets.

Group R million	2014	2015	2016	2017 (Restated)	2018	% change
Revenue ✓	3 891	4 535	4 756	5 300	6 160	16
Gross profit ✓	1 440	1 711	1 863	1 964	2 060	5
Gross profit margin (%) ✓	37.0	37.7	39.2	37	33.4	(3.6)
Total overheads ✓	1 005	1 144	1 336	1 467	1 553	6
EBITDA ✓	572	768	832	882	922	5
EBITDA CAGR (%) ✓			28	22	13	(9)
EBIT ✓	449	616	636	672	680	1
EBIT as percentage of revenue (%) ✓	12	14	13	13	11	(2)
NET CAPEX ✓	295	264	360	316	368	16
NOCF ✓	242	582	256	547	351	(36)
RONAM (%) ✓	21	27	24	24	24	–
EVA ✓	196	346	325	342	342	–
Debtors' days ✓	77	68	70	71	78	10
Net debt ✓	480	193	772	933	1 426	53

GEOGRAPHIC DIVERSIFICATION

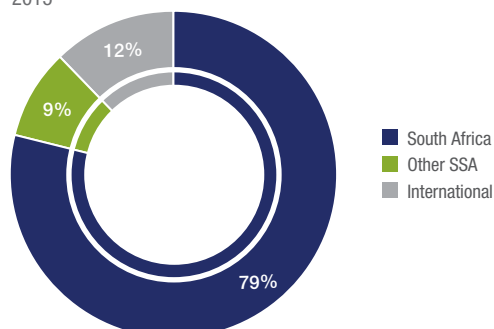
Waco International continued to make progress in its strategy to achieve a balanced geographic earnings profile by scaling its international operations to 50% of EBIT by 2020. Over the past three years, the international operations, including other markets in sub-Saharan Africa (SSA), grew their EBIT contribution from 21% to 35%, while the contribution of the South African operations decreased from 79% to 65%.

The international operations demonstrated the effectiveness of this strategic goal by mitigating the impact Form-Scaff had on the Group as a result of the downturn in South Africa's construction and infrastructure development sectors.

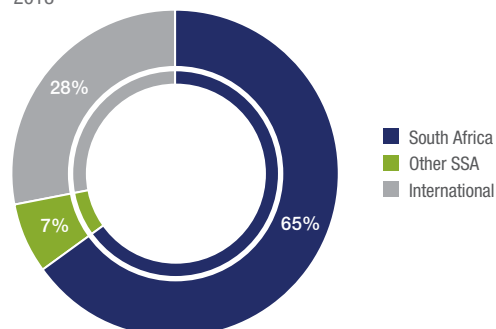
Commentary

- All businesses, other than Form-Scaff, achieved double digit revenue growth.
- Revenue remained well diversified across the businesses in the Group.
- Sanitech, Abacus and the international businesses achieved healthy growth in gross profit, reflecting increasing contributions from business as usual and growth initiatives.
- Despite the growth in revenue and profitability, the gross profit margin was impacted by lower revenue from rental activities that yield higher margins and increased contributions from contract revenue (SGB-Cape) and sales. SGB-Cape's margin was lower than the prior year due to a change in the mix of work and Kwikform in Australia also grew its industrial labour services business which is at a lower margin than hire Sanitech also grew its Integrated hygiene services business which is at a lower margin than toilet hire.
- Growth in overheads relative to 16% revenue growth reflected rightsizing activities to align businesses with market demand where appropriate.
- Optimisation measures were partially offset by investments in growth (expanding the footprint and resources where appropriate as well as acquisitions).
- EBITDA growth lagged revenue growth as Form-Scaff reported a substantial reduction in EBITDA. Most of the other businesses showed growth on the prior year with SGB-Cape recorded profit levels as in the prior year.
- The reduction in Form-Scaff's profitability as well as losses on the expansion into formwork in Australia affected the EBIT result.
- Waco International continued to invest in its fleet for replacement and geographic expansion as well as the implementation of growth initiatives. A number of these initiatives are expected to contribute to profitability in the years to come.
- Trading cash was impacted by a working capital outflow of R186 million. A portion of this was due to upfront payments received by SGB-Cape and Premier Modular in the prior year.
- Abacus achieved positive EVA.
- Kwikform Australia's EVA whilst negative has improved year on year.
- Cash flow was well managed throughout the year with an unfortunate increase in debtors' days at year-end mainly due to higher bad debts in the last quarter on the back of the decline in economic conditions in SSA.
- The increase in net debt reflects the repayment of R420 million of preference share capital and the acquisition of Star Scaffolds for R161 million, partially offset by internally generated cash.

EBIT by geography (%)
2015



EBIT by geography (%)
2018



Performance review and outlook (continued)

Waco Africa

Group R million	2014	2015	2016	2017	2018	% change
Revenue ✓	2 097	2 550	2 448	2 980	3 373	13
Gross profit ✓	995	1 171	1 150	1 230	1 264	3
Gross profit (%) ✓	47.4	45.9	46.7	41.3	37.5	(3.6)
EBITDA ¹ ✓	523	650	614	678	676	–
EBIT ✓	470	570	507	542	515	(5)
NET CAPEX ✓	241	177	193	205	220	7
NOCF ✓	246	498	228	383	421	10

International businesses

Group R million	2014	2015	2016	2017 (Restated)	2018	% change
Revenue ✓	1 794	1 986	2 308	2 320	2 788	20
Gross profit ✓	450	541	713	757	796	5
Gross profit (%) ✓	25.0	27.2	30.9	32.6	28.6	(4)
EBITDA ¹ ✓	70	144	252	259	290	12
EBIT ✓	0	81	164	183	208	14
NET CAPEX ✓	55	85	167	110	146	33
NOCF ✓	23	102	102	204	(21)	(110)

¹ Excludes administration and eliminations.

Commentary

- Form-Scaff's 18% reduction in revenue was due to low public and private sector investment in construction and infrastructure development.
- SGB-Cape increased revenue by 16%, a contributing factor to the increase in revenue is the change in the accounting treatment in the Tedoc SGB-Cape joint venture from equity accounting to proportional consolidation.
- Sanitech, Abacus and Skyjacks grew by 27%, 23% and 14%, respectively.
- Abacus and Sanitech both achieved strong growth in gross profit, reflecting the increasing contribution of growth initiatives and the restructuring of Abacus.
- SGB's revenue growth was generated at a lower margin due to a change in the mix of work.
- Form-Scaff maintained their gross margin % but overall gross profit fell as higher levels of competition for less work in the construction sector placed pressure on pricing.
- The higher contributions to gross profit provided by Sanitech's integrated hygiene services and additional revenue from SGB-Cape which are both at a lower gross margin than Form-Scaff rental revenue (which reduced) contributed to a decline in gross profit %.
- Sanitech, Abacus and Skyjacks grew EBITDA which was offset by the reduction in profitability of Form-Scaff and a slight decline at SGB-Cape.
- Waco Africa allocated net capex to the continued investment in fixed assets and fleet for replacement as well as new growth initiatives (including the expansion into Africa).

Commentary

- Kwikform Group increased revenue mainly due to growth in industrial services (labour) in Australia and New Zealand, and the acquisition of Star Scaffolds with effect from 1 January 2018.
- Premier Modular grew revenue as the Hinkley Point EDF contract made a substantial contribution and the new Transline Plus product gained traction.
- Kwikform Group and Premier Modular grew gross profit by R61m and R31m respectively.
- Kwikform Group's margin was impacted by fast-growing lower margin industrial services activities and ongoing losses in the formwork operations in Australia.
- Premier Modular experienced a reduction in gross profit margin due to the large contribution from sales (EDF project).
- International businesses maintained an earnings growth trend, offsetting lower EBITDA and EBIT in Waco Africa.
- Premier Modular increased EBIT by 29%, taking over as the largest contributor to international EBIT.
- Kwikform grew its business in Australia but formwork losses contributed to a 3% decline in Kwikform Group's EBIT.

The international businesses allocated net capex mainly to:

- formwork in Australia and growing the newly acquired Star scaffolding;
- business as usual for Premier Modular as well as the new Transline Plus building; and
- net capex for the international businesses grew at a higher rate than that of Waco Africa, in line with the strategy to increase international scale.
- Net cash outflow was due to higher working capital requirements and increased net capex.

STRATEGIC PROGRESS

Achieve sustainable growth of 15% in shareholder value

Waco International estimates the value of its shares based on a conservative price: earnings (PE) multiple of 9.5 and annual financial results. Therefore, the Group's shares were valued at R23.50 per share in 2015 and R28.11 per share in 2018, providing a compound annual growth rate of 6%. One of the key levers for achieving the target 15% growth in shareholder value is increasing the Group's EBIT growth from 1% in 2018 to 10% per annum in future.

Waco International will continue implementing the strategy which aims to deliver sustainable growth in EBIT in the future. Growing profitability in 2019 will however be a challenge due to the completion of some major projects as previously noted as well as the challenging economic environment, especially in South-Africa.

Achieve positive EVA for Kwikform Australia and Abacus

Premier Modular in the United Kingdom delivered substantially positive EVA with record results in revenue and EBIT in 2018. Premier Modular's performance was driven largely by its participation in the major EDF contract, and the growth of the hire division including the group's successful investment in the new Transline Plus modular building.

Kwikform in New Zealand also maintained positive EVA. The business delivered sound financial results as its new Wellington branch became profitable, and it continued to capitalise on growth opportunities in its markets. Kwikform Australia's did not achieve positive EVA because of ongoing losses in its formwork growth initiative. An improvement in the performance of formwork, BAU and the acquisition of Star Scaffolds are expected to support a positive EVA in the medium term.

Abacus returned to profitability and achieved positive EVA after a restructuring of the business to reduce the cost base whilst continuing to invest in the fleet. The business also grew its market share in the mining and private education sectors, reducing its reliance on the public education sector.

Defend and extend core businesses while executing growth initiatives

Waco International's mature core businesses intensified their focus on rightsizing footprints and optimising cost bases to improve profit margins. Form-Scaff limited its cost growth to a marginal increase, despite significant competitive pressure on prices and an increase in bad debts.

Waco International continued investing in geographically expanding its businesses and diversifying industrial services which are less capital intensive and provide annuity income. New products were added to existing or under-served markets to

generate new revenue streams. The Group invested capital of R368 million in business as usual and organic growth initiatives and R161 million in acquisitions to:

- grow its presence in sub-Saharan Africa;
- increase exposure to the toilet rental and integrated hygiene service sectors;
- increase Skyjacks' fleet of aerial work platforms;
- grow and diversify modular building offerings, with a strong focus on Premier Modular's new cost-efficient Transline Plus building;
- grow the formwork in Australia and NZ; and
- diversify its product offering in the low density residential market through the acquisition of STAR scaffolding.

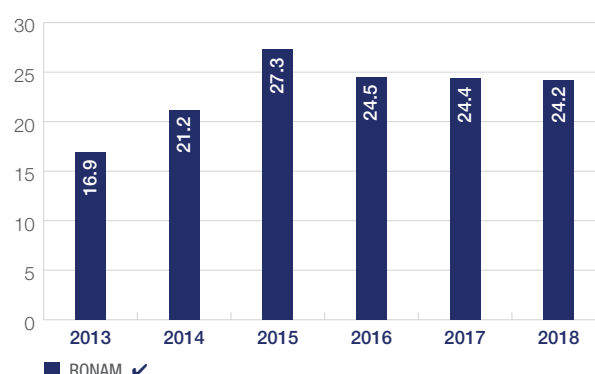


Additional information on growth initiatives is available on page 48.

Return on net assets managed

Waco International aims to continuously optimise the return on its capital invested. This combined with disciplined strategy execution enabled to Group to deliver RONAM of 24% (2017: 24%). Investment in capital expenditure over the past four years is delivering solid returns, with some growth initiatives, such as the investment in formwork in Australia and parts of the expansion into Africa, to contribute to the Group's financial performance from 2019.

Return on net assets managed (%)



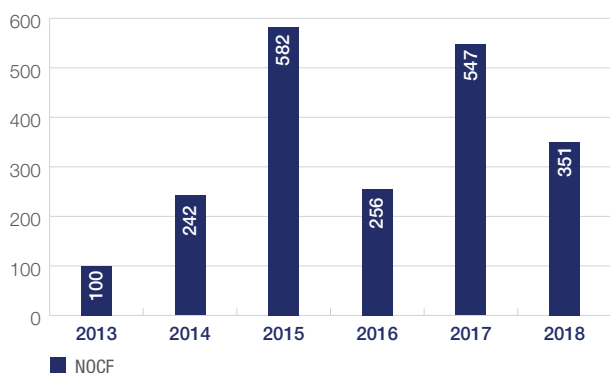
Working capital management

Waco International continued to fund working capital to support revenue growth in challenging operating environments. However, the deterioration in some of our operating environments resulted in a significant increase in bad debts as a few major customers were placed in business rescue towards the end of the financial year. We continue to monitor the situation closely.

Net operating cash flow

Net operating cash flow reduced by 36% to R351 million following a working capital outflow of R188 million on the back of the increased revenue and an increase in debtor days at year-end. 2017 also included upfront payments received for SGB-Cape and Premier Modular.

Net operating cash flow (R million) ✓



Abnormal expenses and income

Non-recurring expenses or expenses relating to the possible sale of the group are reflected as abnormal to enable management and shareholders to look at sustainable profitability. Refer to page 92 of the summarised annual financial statements, for details on these expenses.

Gearing and ability to fund growth

The Group's net debt increased by 50% to R1.4 billion due to the repayment of R420 million of preference share capital and the payment of R161 million to acquire Star Scaffolds in Australia which was to some extent offset by the cash generated by operations. At this level, debt remains within the Group's limit of two-times EBITDA.

Solid capital management has enabled Waco International to return R1.4 billion to its shareholders over the past three years, while maintaining its investment in current and future growth opportunities, even during difficult years.

OUTLOOK

The Group's strategic growth targets are a significant stretch. We will respond by maintaining our disciplined implementation of the Alchemy and Granularity of Growth strategies, while focusing on some specific financial interventions. These include:

- restructuring business costs if appropriate;
- monetising underperforming assets;
- managing our return on capital expenditure by investing in new and existing geographies, customer bases and revenue streams that offer the highest growth potential;
- achieving consistent earnings growth through diversification; and
- continuing to build scale internationally and increasing the earnings profile of our international businesses.

Eben le Roux
Chief Financial Officer



SUSTAINABILITY OVERVIEW

SUSTAINABILITY OVERVIEW

Waco International's sustainability overview reports on the economic, environmental and social impacts of the Group's business activities. The overview comprises six sub-sections, listed below, which record the Group's performance in a material social and environmental sustainability matter.

Safety and health

Waco International aims to achieve zero harm in the work environments under its control and supervision. The Group is responsible for the safety and health of its employees and other visitors to its business premises. It instils a values-based, common sense approach to safety to achieve its ultimate goal of zero harm, while ensuring that its safety management processes and procedures are appropriate and effective in making its work environments safer.

 page 60

Human resources

Waco International's ability to attract, retain and develop human capital throughout the Group supports the achievement of its strategic goals. Employees are offered an employee value proposition that combines transparency and engagement, fair remuneration, training and development with a partnership based on shared goals to achieve mutually beneficial outcomes.

 page 64

Transformation

Transformation is a strategic imperative for Waco International. The Group supports the transformation of its South African workforce in line with the requirements of the revised B-BBEE Codes of Good Practice and continues to focus on measures to achieve meaningful transformation, while also aiming for demographic representation in the other countries in which it operates.

 page 68

Environment

Waco International accepts its responsibility to protect environmental resources and endeavours to minimise its impact with monitoring, incident reporting and continuous operational efficiency improvements. The Group recognises that it can reduce costs by lowering its consumption of fuel, power and raw materials. This has resulted in the creation of resource-efficient products during the development of new growth initiatives.

 page 70

Innovation

Innovation is integral to Waco International's culture and intellectual capital and supports the achievement of the Group's growth objectives. Employees are motivated to continually identify and develop innovative growth opportunities and to apply the Continuous Improvement ethos in improving the efficiency of operational processes.

 page 72

Corporate citizenship

Waco International is committed to responsible corporate citizenship. The Group revised its approach to corporate social investment (CSI) to ensure a long-term sustained intervention rather than a "hand out". CSIs are allocated to projects that support communities in need, employ workers from communities near the Group's work operations and participate in the upliftment of local communities. Waco Africa provides an ABET programme for employees and oversees an education fund to provide children of employees with tertiary education bursaries.

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SAFETY AND HEALTH

Relevant material matters	Focus areas
• Safety and health • Hire fleet management • Contract execution and quality	• Values-based, common sense approach to safety • Safety and health training • Safety, environmental and quality accreditation

Context

Safety is a leading priority of management and every effort is made to ensure that employees are adequately informed and equipped to maintain safer working environments. This commitment to safety is reflected in the decline in Waco International's lost-time injury frequency rate (LTIFR) to a record low of 0.38 (2017: 0.49). This was below the target of 0.5.

However, the Group did not achieve its ultimate goal of zero harm as one fatality was reported. The Group also experienced a significant safety incident that resulted in serious injuries to two of its full-time employees. These incidents strengthened the resolve to implement measures to ensure meaningful learning from the incidents and, where possible, to avoid their recurrence. Additional details are available in the linked performance section on page 61.

The Waco International Employee Wellness Programme (EWP) offers holistic support to employees to enable them to function optimally in the physical, spiritual and financial spheres of their work and home lives.

The Group complies with occupational health and safety reporting standards in all the sectors and jurisdictions in which it operates.

Focus areas

The key safety and health focus areas that support the implementation of Waco International's strategic objectives are discussed on the next page.

Values-based, common sense approach to safety

Management approach

Safety risks are inherent to the operating environments of some Waco International businesses. The Group mitigates and manages these risks by instilling a values-based, common sense culture in which employees take personal responsibility for their safety and

that of their colleagues, while managers are visible role models of safe behaviour.

Line managers, safety managers and employees have a shared responsibility to identify and remedy unsafe environments. They report incidents when they occur, investigate the root causes and ensure lessons are learnt and shared across the Group. Waco International partners with customers to ensure that its safety standards are maintained on project sites controlled by customers.

The board is ultimately responsible for safety and it monitors progress against set targets. The targets include lead indicators, such as a "potential for harm" measure, which mitigates potential risks by reporting and managing them before they escalate, and lag indicators, such as lost-time injuries (LTIs), LTIFR, accidents, fatalities and hours lost, to measure and monitor the effectiveness of safety management. Regular safety visits are conducted by the Group's executive committee and operational management to ensure that safety control systems are in place and effective.

Key initiatives in the current year

Waco International focuses on identifying risks that may result in a safety incident. The Group encourages managers and employees to "see, fix and report" potentially harmful situations so that actions can be taken to mitigate or prevent harmful incidents. The emphasis on reporting potential-for-harm incidents has had a positive impact on safety performance during the past two years, particularly in Waco Africa.

All divisions recorded a decline in LTIs and Kwikform recorded positive safety results as a consequence of improved managerial oversight and the "return to work" management process. To ensure that employees with minor injuries do not stay away from work longer than is warranted by the nature of the injury, the Group conducts a return to work programme which includes managed medical reviews and temporary assignment of employees to lighter tasks, where possible.

Linked performance

The following table provides a summary of the Group's KPIs for safety performance:

	2018	2018 target	2017	2016	2015	2014
Formalised health and safety policy	Yes	–	Yes	Yes	Yes	Yes
Health and safety board agenda item (% of operating units)	100	–	100	100	100	100
Lost man-hours	5 123	–	6 060	3 057	4 762	6 788
LTIs	43	–	48	34	66	74
LTIFR	0.38	0.5	0.49	0.42	0.85	0.91
All-accident frequency rate (AFR)	2.73	5	3.46	3.45	4.54	4.96
Fatalities	1	0	1*	0	2	3

* This fatality occurred in circumstances beyond the control of Waco International.

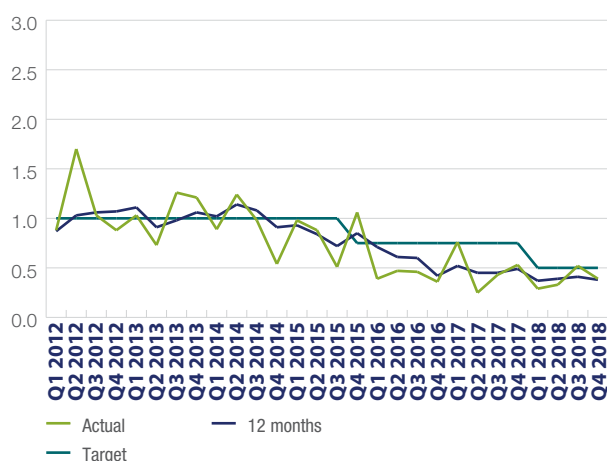
Regrettably, Waco International did not achieve its target of zero fatalities in 2018. An unsupervised 18-month child ran behind one of our reversing trucks in an informal area that was being serviced by our team. This fatality should not have happened as our standard operating procedures require that the drivers' assistants get out the vehicle and direct drivers when they reverse. The appropriate disciplinary actions were taken. In another serious incident that did not result in a fatality, two full-time employees of SGB-Cape were severely injured when equipment fell onto the deck where they were working.

The Group conducts detailed reassessments of policies and procedures after all major safety incidents and retrain employees and suppliers, where necessary.

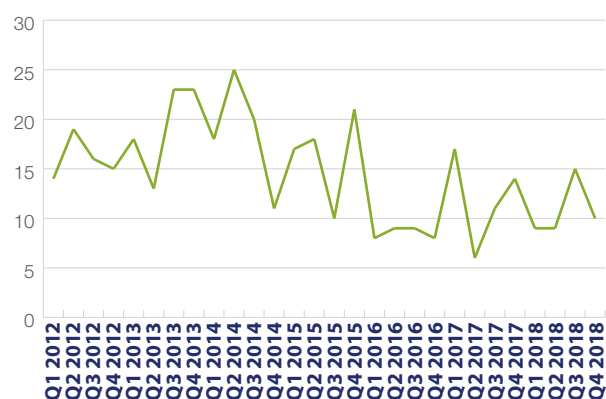
The main causes of all accidents during the current period were:

- Struck by: 28%
- Manual handling: 24%
- Workplace hazards: 18%
- Fall and slips: 12%

LTIFR



LTI per quarter



Sustainability overview (continued)

Safety and health training

Management approach

Safety training is provided for all Waco International employees. The training is linked to their operational roles and includes the safe use and application of equipment, tools and personal protection equipment. Responsibility for health and safety training cascades from operational to supervisory managers in each business. Toolbox talks provide a platform for informal Group discussions before work shifts to promote the Group's safety culture or focus on a specific safety issue. Risk assessments conducted at Toolbox talks enable feedback. Matters that arise from the assessments or feedback are addressed.

Linked performance

Training

Training in safety and health is a lead indicator that enables improved performance by guiding current actions. The Group invested R16.2 million (2017: R14.0 million) in formalised training for its employees.

Safety, environmental and quality accreditation

Management approach

Waco International's operating companies are accredited to management standards that aim to protect employees, safeguard the environment and ensure quality management systems. Regular auditing and assessment of these accreditations ensure that high standards are maintained in each management area. Waco Africa complies with the Waco Africa safety, health, environmental and quality policies and procedures.

Linked performance

The following table provides a summary of the accreditations of the Waco Africa operations:

	Form-Scaff	SGB-Cape	Sanitech	Abacus	SkyJacks
OHSAS 18001: International safety standard	All South African branches audited and certified	All branches audited and aligned with OHSAS 18001: 2007: All branches comply with Group policies and procedures	All South African branches accredited	All branches internally audited and certified	All branches adhere to policies and procedures, but not certified
ISO 14001: International environmental standard	All potential high-impact branches (five) audited and certified	All branches audited and aligned with ISO 14001:2015: All branches comply with Group policies and procedures	All South African branches accredited		All branches adhere to policies and procedures, but not certified
ISO 9001: International quality system standard	All South African branches audited and certified	All branches audited and certified	Scheduled for accreditation 2018/2019	All branches internally audited and certified	One division certified. Other division included in 2019 scope
Local accreditation	IRCA member for South Africa and Namibia Member of Institute for Working at Heights	Graded with NOSA 5 Star Integrated Risk Management Systems Member of Institute for Working at Heights Certified Asbestos Contractor with Department of Labour Member of South African Institute of Occupational Safety and Health Member of South African Quality Institute, Member of TIPSASA.	Member of Institute of Waste Management Member of South African Pest Control Association Member of FEDHASA	None	LME registered at departments of labour Member of Institute for Working at Heights

The international businesses are accredited to management standards with relevant bodies in their jurisdictions:

	Waco Kwikform	Premier modular (United Kingdom)
OHSAS 18001 International Safety standard	Waco Kwikform operates a safety management system (SMS) which is independently certified as complying with AS/NZS 4801:2001 Occupational Health and Safety Management Systems. The SMS is regularly assessed by an accredited third-party certification body accredited by JAS-ANZ (Joint Accreditation System of Australia and New Zealand). The scope of the SMS certification includes head office and the following branch locations: Sydney, Newcastle, Port Kembla, Canberra, Brisbane, Sunshine Coast, Mackay, Perth, Adelaide, Traralgon, Geelong, Melbourne and Hire West.	No
ISO 14001: International environmental standard	Not applicable	Accredited ISO 14001:2015
ISO 9001: International quality system standard	Waco Kwikform operates a quality management system (QMS) which is independently certified as complying with ISO 9001:2015. The QMS is regularly assessed by an accredited third-party certification body which is accredited by JAS-ANZ (Joint Accreditation System of Australia and New Zealand) and International Accreditation Forum (IAF). The scope of the QMS certification includes head office and the following branch locations: Sydney, Newcastle, Port Kembla, Canberra, Brisbane, Sunshine Coast, Mackay, Perth, Adelaide, Traralgon, Geelong, Melbourne and Auckland.	Accredited ISO 9001:2015
Local accreditations	Waco Kwikform is a member of the Achilles FPS Supply Chain Community. Achilles is an independent supply chain management company, providing industry with access to a database of suppliers that comply with the prescribed benchmark. Major users in the oil and gas sector (such as Santos) use Achilles to measure and rank potential tenderers. APL Kwikform and United Kingdom achieved the highest subcontractor rating within the Sitewise supply chain prequalification system. Sitewise is a government-run organisation which assesses contractor's health and safety capability and publishes a database that can be viewed by main contractors and principal organisations.	Achilles Utilities Vendor Database – United Kingdom utilities contractor approval scheme Achilles Building Confidence Contractors Health and Safety Assessment Scheme (CHAS) Forestry Stewardship Chain of Custody (FSC) certification Constructionline Alcumus Safe Contractor British Safety Council

Looking ahead

Waco International will continue to manage safety and health performance to ensure continuous improvement in its key performance areas.

Safety and health training and communication will remain a key focus area in 2019, assisting employees to understand their responsibility for improving safety in their work environments and ensuring managers are held accountable for safety performance in their areas of operation.

HUMAN RESOURCES

Relevant material matters	Focus areas
- Labour stability in South Africa - Accessing and retaining skills - Safety and health	- Human resources function - Talent management framework - Performance management framework - Employee Wellness Programme - Responsible use of labour brokers in South Africa - Industrial relations

Context

A high-performance culture based on sound ethical practices equips and motivates employees to fulfil Waco International's strategic objectives. The Group undergoes significant change as it grows organically and by acquisition; and it has become necessary to strengthen human resource (HR) management capacity within the operations to support the Group HR Executive in his role and provide strategic guidance to line management.

Waco International employs 5 265 permanent and 4 512 contracted people in its business operations across a range of geographic and sectoral markets. To remain competitive, the Group attracts, develops and retains the required expertise at all levels. Employees are required to commit to the Code of Ethics, which governs the behaviour and practices necessary for the business to function ethically and sustainably.

The Group HR Executive is a member of the Waco International executive committee and reports to the board. The board's remuneration committee has an oversight responsibility for the remuneration and incentivisation of employees, and the social and ethics committee has oversight of the ethical conduct and training and development of employees. Leadership and management teams at Waco International are stable and long-serving, and succession planning focuses on ensuring that transformation targets are met.

Waco International offers a range of business leadership and employee development programmes to develop a pipeline of

talent for succession. Management learnership and ABET programmes empower current employees with the skills necessary to improve their employment opportunities. Supervisor training introduced in South Africa in 2018 will be extended to the international operations. The Group trains up to 3 000 scaffolders annually.

The Group contracts with responsible labour brokers in South Africa to provide labour on a short-term basis for large-scale projects from local communities near operational sites. The Group converts contracted workers to permanent employee status, in line with the amendments of the LRA.

Focus areas

The key HR focus areas supporting the implementation of Waco International's strategic objectives are discussed below.

HR function

Management approach

Waco International has strengthened its HR management capacity in South Africa, Australia and the United Kingdom to align its HR functions with the Group's strategic objectives, while continuing to provide transactional and administrative services.

A scorecard is used to measure the overall effectiveness and efficiency of the Group's HR management.

The table below describes the frameworks that guide the Group in its HR management:

Organisational 3 Cs	People competencies 3 Cs	Business principles
These guide the way Waco International organises and rewards work and implements formal human resources programmes and activities	Characteristics the Group values in individual employees as it supports employees' ability to work effectively	The primary behavioural tools management uses to close the gap between the goal of a high-performance culture and its achievement
Capacity to deliver strategic objectives and promises to customers - Employee competence to do the work they are appointed to do - Employee commitment to do the work assigned to them	- Commitment - Curiosity - Courage	Referred to as TAP the Best Team: - Transparency - Accountability - Performance - Best practice - Teamwork

Key initiatives in the current year

All major divisions have the services of senior HR professionals. Two HR executives are responsible for Africa, one for Sanitech and another for SBG-Cape, Form-Scaff, Abacus and SkyJacks. The UK operations are serviced by an HR executive and another is responsible for Australia and New Zealand. In addition, the Group's major contract sites (Kusile and Chevron) have HR capacity as required by the contract. The addition of a Waco Africa HR manager responsible for Africa (other than South Africa and Sanitech) is under consideration.

HR executives report to the managing directors of their operations, with a functional reporting line to the Group HR Executive. They work in partnership with operational

management, sharing responsibility with line management for the achievement of strategic goals. They manage payroll teams and are jointly responsible for the overall capacity, effectiveness and efficiency of the Group's people structures and employees. Waco International borrows from the learnings of Harvard (Strategic IQ) to ensure that the Group has smart people supported by strategically aligned structures.

Linked performance

New jobs created over five years from 2014 to 2018 are shown below and demonstrate the growth of Waco International over this period. The increase in labour broker employees in 2017 was mainly due to the staffing requirements for our major projects.

	June 2018	June 2017	June 2016	June 2015	% growth (2015 – 2018)
Salaried	1 233	1 122	1 108	851	44.9%
Waged	4 032	3 671	2 619	2 356	71.1%
LDC	1 681	1 311	820	2	>100%
Labour broker employees	2 831	4 141	2 591	2 389	18.5%
TOTAL	9 777	10 245	7 138	5 598	74.65%

Talent management framework

Management approach

Talented individuals are identified within the Group for promotion into positions that are strategically important or require unique skills. By ensuring that specifically identified positions have a supply of ready successors to support current and future business objectives, talent management fulfils a risk management function. Talent management committees comprising managers or functional experts develop succession plans in each business.

Employee development programmes contribute to a pipeline of talent to meet the Group's management and leadership succession requirements. Customised management and executive development programmes play an important role in the development of innovative growth initiatives.

Employee development programmes offered by Waco International include:

Waco Africa Cadet Scheme

The Cadet Scheme provides high-potential individuals from previously disadvantaged backgrounds with core business skills. The scheme is offered to existing employees who do not have a matric certificate or NQF level 4 qualification. Cadets are enrolled in a learnership involving practical work and after-hours study towards an NQF level 4 in general management. This is followed by on-the-job mentorship and exposure to different elements of the business. The scheme is also available to internal or external graduate NQF level 4 candidates who receive on-the-job mentorship and rotate through the Group's business functions for a year.

Business Leaders Development Programme

High-performing or promising managers in South Africa and Australia are given the opportunity to enhance their business

leadership skills and strengthen their ability to manage others. A six-month curriculum offers skills development in key areas such as finance for non-financial managers, contract management, project management, change management and people management. The programme culminates in a team challenge, where teams present Action Learning Projects to improve the business and enhance growth.

Executive Development Programme

In partnership with GIBS, Waco International partners offers high-performing managers and senior managers exposure to leading global strategic thinking and the operational tools to execute strategic goals. The course is customised to the Group's needs. Each business nominates middle management candidates for the course. A valuable outcome of the programme is the development of new business ideas, many of which have become successful growth initiatives for the Group.

Operational training interventions

Daily on-the-job training interventions equip employees with functional and technical skills, enabling them to upskill and empower themselves within the Group.

Key initiatives the current year

Revitalised Induction Programme

Waco International has improved its Induction Programme to increase the pace at which new recruits integrate into the business and become effective in their roles. The Induction Programme is for new and certain existing employees at the head office and in the regional businesses.

Supervisory Development Programme

A business management for supervisors training course was offered to 24 SGB-Cape employees to equip them with basic business skills required in the management of major projects, with a focus on executing the projects to tendered margins.

Sustainability overview (continued)

The six-day course will be extended to supervisors at Form-Scaff, Sanitech and Kwikform Australia.

Converting labour broker supervisory level employees to permanent staff

Labour broker employees are deployed in entry-level positions and given the training and skills necessary for the work they undertake. The Group identifies high-performing skilled and supervisory labour broker employees and converts them to permanent, salaried employees.

Recruiting externally for the Waco Africa Cadet Scheme

Five university students were recruited for the Waco Africa Tied Bursars Scheme to increase the number of B-BBEE candidates

for the Cadet Scheme. The successful candidates will be sponsored at university and recruited into the Cadet Scheme once they graduate.

Linked performance

Waco International invested R16.2 million (2017: R14 million) in training to develop core and specific skills and increase the pace of transformation in its operating businesses.

Waco Africa Cadet Scheme	Business Leaders Development Programme	Executive Development Programme
67 cadets enrolled to date	197 managers enrolled to date	150 managers enrolled to date
No cadets enrolled in 2018 as the 22 enrolled in September 2017 and March 2018 completed their programme	0 managers enrolled in 2018	25 managers enrolled in 2018
67 cadets permanently appointed to date		
8 graduate cadets enrolled to date Sanitech in the process of appointing two graduate cadets		
1 graduate cadet appointed as branch manager or a similar level to date		

Waco International's succession plan for senior management identifies and develops two or three people for each role to ensure leadership continuity.

Senior managers with the capacity to influence the Group's long-term financial performance are placed on a retention plan based on participation in the Group's management share purchase and/or WGAR Scheme.

Performance management framework

Management approach

A high-performance culture is instilled throughout the Group and performance management is based on a results-driven approach. HR executives and line managers are responsible for the individual performance management and reward of their employees.

The Group's approach to performance and talent management is supported by a balanced scorecard mechanism which encourages individuals to contribute to initiatives that support growth and profitability and benefits high-performing individuals throughout the business.

The Group seeks to achieve two primary outcomes from its performance management process:

- Build a productive relationship between manager and employee
- Address the needs of the business

These outcomes are achieved through goal-setting, support and review and assessment interactions that take place between managers and employees during the annual performance management cycle.



More information on remuneration and reward, including the balanced scorecard, is available in the remuneration report beginning on page 83 of the integrated report.

Linked performance

Individual employee performance rating is taken into consideration when awarding bonuses or other financial rewards.

Employee Wellness Programme

Management approach

South African employees are offered an established Employee Wellness Programme (EWP), managed by an external service provider. The EWP provides confidential support and assistance to employees and their direct family members who are impacted by challenging personal matters.

Linked performance

EWP (South Africa)

The table below shows the KPIs for the EWP in South Africa:

	2018	2017	2016	2015
Employees with access to the EWP	2 500	1 500	1 500	1 400
Employees who used the EWP	404	356	473	517
Employees who used the EWP (%)	16	25	34	37
Individual cases	134	90	116	128
Work-related cases	44	57	96	124
Private cases	244	207	262	370
Formal referrals	26	19	35	28

Waco Kwikform offers its employees a counselling and wellbeing programme.

Responsible use of labour brokers in South Africa

Management approach

Waco International employs a significant number of people on its major projects, particularly those conducted by SGB-Cape in South Africa. As the nature of its work is largely project-based, the location and duration of SGB-Cape's labour requirements are variable. Therefore, it is necessary to use contracted labour supplied by labour brokers to achieve the required levels of labour efficiency.

This is undertaken in compliance with the LRA, which limits the duration of labour broker employee contracts to three months. The relationship with labour brokers is managed responsibly and ethically through a central database of accredited labour brokers who have passed a supplier evaluation process and comply with the criteria of the LRA, the Basic Conditions of Employment Act and the Pensions Fund Administration Act.

Key initiatives in the current year

The Group endeavours to employ skilled and supervisory labour broker employees on a permanent basis and extends this approach to a core of semi-skilled employees who can move between projects.

Industrial relations

Management approach

Waco International recognises the right of its employees to be members of labour unions and participate in collective bargaining. Contractual relationships with employees comply

with relevant labour regulations and sound business practices. Procedures are in place to facilitate positive and productive industrial relations, including weekly workplace forums, where line managers and industrial relations officers engage with employees and their representatives to identify and address workplace matters before they escalate. Line managers and industrial relations officers are jointly accountable with the Group HR Executive for the management of industrial relations.

South Africa and other primary operating jurisdictions experience labour instability and limited skills availability. Industrial action poses a significant challenge to domestic businesses and has been exacerbated by the impact of the economic downturn on labour and the politicisation of labour unions in recent years. Waco International structures contracts to minimise the potential negative impact of labour disruption and establishes individual relationships and performance assessments with employees.

Wage increases are governed by bargaining council agreements or direct negotiations with the relevant union representatives. Individual wage rates based on personal performance are not possible under these circumstances, therefore, the Group favours branch-based negotiations with unions where it is easier to manage or remove the influences of third-party agendas. However, these are difficult to achieve, and the Group's wage rates tend to be set by industry bargaining council agreements. The Group engages with labour unions to manage the trend of higher wage rate demands and keep wage rates at mutually acceptable levels.

Sustainability overview (continued)

Linked performance

Industrial action

	2018	2017	2016
Industrial actions			
• Direct	8	0	1
• Indirect		1	0
Days lost due to industrial action	304 hours	0	15 days
Revenue lost due to industrial action	R69 000 000	0	R600 000

Looking ahead

The strengthening of the Group's HR management across all operations will ensure that its HR function is well equipped to support strategic objectives.

As part of its talent management process, Waco International has improved its Induction Programme to strengthen the effectiveness of newly recruited employees.

Management and staff will be trained in the appropriate use of the disciplinary code and procedures in 2019.

Waco International will continue to facilitate positive labour relationships by ensuring that line managers maintain high levels of productive engagement with labour to reduce the number of work days lost to industrial action.

TRANSFORMATION

Relevant material matters	Focus areas
- Transformation in South Africa - Accessing and retaining skills - Contract renewal	- Bopa Moruo, equity partner of Waco Africa - Joint ventures and SMMEs

Context

Transformation is a strategic imperative for Waco International as it influences the Group's ability to maintain growth in South Africa. Appropriate measures are applied to achieve transformation targets.

Waco International's performance against government's B-BBEE targets influences its ability to operate sustainably in South Africa because the scores play a role in the awarding of tender contracts. Waco Africa has a level 3 B-BBEE contributor status under the Revised Codes (2017: level 4) and achieved a level 2 status towards the end of 2018*. The Group's strong focus on transformation has resulted in an increased black ownership of Waco Africa from 49.8% to 52%, including 20% black women ownership. B-BBEE representation is 30% at senior management level and 60% at middle management level. Waco International promotes BEE candidates to leadership positions where appropriate and enters into partnerships with black-owned businesses in mutually value-adding joint venture arrangements.

Waco Africa created the Waco Africa Employee Share Benefit Trust which has a 5% shareholding in Waco Africa to fund primary and tertiary school education. The Group also funds the university education of students enrolled in the Waco Africa Cadet Scheme.

Waco Africa established the Waco Training Academy which is 51% owned by black-owned company Bopa Moruo. The academy provides training for the Group and qualifies as an enterprise development initiative. A new programme will train 70 unemployed disabled South Africans as cleaners. Successful candidates are offered permanent employment by Sanitech. Waco Africa has a strong focus on preferential procurement and SMME development.

Historically disadvantaged South Africans benefit from mentorship and learnership programmes through the Waco Africa Cadet Scheme, while ABET empowers individuals with core skills that improve their employment opportunities.

Focus areas

The key transformation focus areas that support the implementation of Waco International's strategic objectives are discussed below.

Waco Africa Employee Share Benefit Trust

Dividends from the Waco Africa Employee Share Benefit Trust's 5% shareholding in Waco Africa assist eligible black employees to fund primary and secondary school education for their children.

* Refer to Annexures for the level 2 B-BBEE certificate.

Bopa Moruo, equity partner of Waco Africa

Bopa Moruo, a 100% black-owned company, has a 25.1% equity interest in Waco Africa and has been its empowerment partner since 2014, contributing significantly to the ownership score in Waco Africa's B-BBEE rating.

Waco International reached an agreement with Bopa Moruo to establish a Waco Training Academy with effect from 1 August 2016 to provide all training required by Waco Africa. Bopa Moruo owns 51% and Waco International 49% of the new academy, which qualifies as an enterprise development initiative.

Waco International employees manage the academy and ensure that it enables the Group to achieve more targeted training for previously disadvantaged candidates and have greater control over the cost of training.

Linked performance

An overview of the key transformation performance indicators in the Group's South African operations is provided in the following table:

	2018	2017	2016	2015
B-BBEE rating	3	4	2	2
B-BBEE scorecard	90.45	81.59	85.77	85.49
Black ownership (%)	52.14	48.73	43.06	43.06
Workforce (% by race)				
• White	14	24	23	20
• Black	80	70	68	71
• Coloured	3	3	4	4
• Indian	3	2	4	4
• Asian	0	0	0	0
• Other	0	1	1	1
Workforce (% by gender)				
• Male	86	92	87	90
• Female	14	8	13	10
Executive committee (% by race)				
• White	73	75	75	82
• Black	9	8	9	9
• Coloured	6	3	1	2
• Indian	12	14	13	5
• Asian	0	0	0	0
• Other	0	0	2	2
Executive committee (% by gender)				
• Male	91	89	91	92
• Female	9	11	9	8

Joint ventures and small, medium and micro enterprises

Management approach

The Group enters into mutually beneficial joint venture partnerships to improve its competitive position when bidding for tenders. Both parties contribute value to these partnerships, with Waco International providing training, skills transfer and equipment and the other party generally providing labour. This approach is used in the relationship with labour brokers who supply a permanent labour force, while the Group supplies technical expertise and equipment.

The creation of the Waco Training Academy with Bopa Moruo has resulted in the development of a new small enterprise jointly owned by Bopa Moruo and Waco International.

Looking ahead

The primary focus of the Group's transformation programme in 2019 will be the retainment of a level 2 B-BBEE contributor status for Waco Africa, which was achieved towards the end of 2018*.

* Refer to Annexures for the level 2 B-BBEE certificate.

ENVIRONMENT

Relevant material matters	Focus areas
- Contract execution - Sanitation and water solutions	- Environmental audits - Resource management - Sanitation and water solutions

Context

Waco International's impact on the environment is relatively low – as its fleet is replaced or refurbished after lengthy intervals. However, the Group endeavours to minimise its impact with monitoring, incident reporting and continuous operational efficiency improvements. The cost benefit of reducing consumption of fuel, power and raw materials provides the Group with an incentive to reduce its ecological footprint.

Environmental management is governed by a Group environmental policy and annual environmental plans developed by each business as they strive for continuous improvement in environmental management. An environmental peer group made up of operational executives responsible for safety, health and environmental (SHE) management ensures the operations' SHE management plans are compatible with Group policy and best practice is shared across the Group. Serious environmental incidents are reported to the peer group and lessons learnt are shared.

Focus areas

Key focus areas in the implementation of Waco International's environmental management are discussed below:

Environmental audits

Management approach

Operational management is encouraged to conduct self-directed environmental audits and submit the results in a formal report to the board. The audits review specific requirements of individual sites relative to local and international environmental policies. Senior management and employees responsible for environmental management regularly review compliance with Group environmental policy and plans.

Linked performance

The operations are at varying stages of environmental audits and peer groups establish the necessity and required frequency of audits at certain operations. Premier Modular and Kwikform conduct environmental audits at all sites, in compliance with regulatory requirements in the UK, Australia and New Zealand. SGB-Cape undertakes annual audits at all sites, while Sanitech and Form-Scaff aim to perform audits on three and five-year rolling cycles, respectively. SkyJacks and Abacus commenced audits in 2017.

Resource management

Management approach

Waco International's businesses all implement air, water, noise and waste management programmes through technologies, operating processes and treatment alternatives to reduce or eliminate waste and emissions. The Group aims to minimise energy used, whether directly or indirectly.

Materials are recycled, where possible, and equipment is refurbished rather than replaced when practical to do so. Waste is removed by accredited contractors whose compliance with sound environmental practice is validated. Hazardous waste is disposed of at reputable waste disposal plants in accordance with relevant environmental regulations.

Linked performance

Environmental incident

The Group did not experience any major environmental incidents during 2018.

Key environmental matters

Certain environmental matters represent potential risk for each of the Group's businesses, should they occur. These matters, and the way they are mitigated or managed, are discussed on page 71.

Environmental matters	Management of environmental matters	Form-Scaff	SGB-Cape	Sanitech	Abacus	SkyJacks	Premier Modular	Kwikform Group
Vehicle emissions	Vehicles are inspected and serviced regularly to reduce emissions to an acceptable level SGB-Cape has installed a MiXTelematics system in company vehicles to detect misuse Where companies use external contractors, the Group communicates with the contractors to monitor emissions	✓	✓	✓	✓	✓	✓	✓
Water and electricity emissions	The Group encourages responsible use of natural resources Several branches use harvested rainwater to flush toilets, and installed low-usage toilets A communication campaign at SGB-Cape encourages responsible use of natural resources, including switching off lights and air conditioners when not in use	✓	✓	✓	✓	✓	✓	✓
Hazardous and other waste	Service level agreements are in place with third parties for safe removal and disposal of hazardous waste The Group encourages reduction of other waste and use of recycling service providers where possible Waste steel and paper at Kwikform branches is disposed of by commercial recyclers; disposal of steel and aluminium scaffold components requires a destruction certificate Secure shredding contractors dispose and recycle sensitive Kwikform documents	✓	✓	✓	✓	✓	✓	✓
Disposal of sanitary waste	A service level agreement is in place with a third party for disposal of sanitary waste, and dumping permits have been obtained to dispose of waste Permits are held by Kwikform for the transport and treatment of solid and liquid human waste. These processes are governed by rigorous management controls			✓				✓
Water contamination	Spray-painting the fleet is done in an enclosed area and paint is stored securely to prevent contamination Abacus has installed and maintains oil traps Safe disposal of excess waste Kwikform undertakes quarterly environmental inspections in each branch				✓	✓		✓

Sanitation and water solutions

Management approach

South Africa is expected to be categorised as “water-scarce” by 2025 when it is estimated that two out of every three people will live in water-stressed areas. In Africa alone, more than 25 countries will be water-stressed.

Sanitech has developed several resource-efficient solutions for the increasingly water-stressed southern Africa region. Recognising the need for sanitation products that conserve water, are safe and hygienic, and offer a cost-effective solution to remote mining and industrial locations or informal settlements throughout the region, Sanitech’s innovative new sanitation concepts are designed to meet these needs. The steam clean toilet uses steam and a rotating bowl to save water and bypass the need for water infrastructure. The NIC toilet reduces water usage to 100 times less than a conventional domestic toilet. Its design makes it safe, particularly for children, who are at risk of falling into open pit toilets. Both the steam clean and NIC toilets are ideal for remote mining sites, informal settlements or building development sites that have not had municipal services installed. The Khusela DST is a standalone, flushable latrine with an expandable bladder that is designed to be installed in existing or new latrines. The Khusela DST has minimal environmental impact as it prevents contamination of ground water and contamination by airborne human waste, both common hazards of pit toilets. The Khusela DST is ideal for large-scale use in informal settlements.

Sustainability overview (continued)

With a rental stock of approximately 28 000 toilets in remote mining, informal settlement and industrial project sites, Sanitech uses its fleet of over 175 pump trucks to dispose of waste at dumping sites. To reduce the costs associated with waste removal, Sanitech developed portable and scalable wastewater and water treatment plants to enable it to treat waste on site. The plants are modular and can be powered by solar panels that compensate for a lack of existing infrastructure at remote locations. Developed for its own use, Sanitech has experienced growing demand for its product in a region where wastewater treatment facilities are severely undermaintained. The plants are installed at four sites in Port Elizabeth, Secunda, Steelpoort and Kendal, and are capable of processing approximately 4 million litres of waste monthly, resulting in a reduction in the Group's

related transport and dumping costs of approximately R400 000 per month.

Looking ahead

Waco International maintains its growth momentum by actively pursuing and researching ideas for innovative opportunities, while serving a need in its markets in an environmentally sound manner.

The environmental peer group and the ongoing formalisation and improvement in the reporting of environmental matters is contributing to increased sharing of best practice across the Group and compatibility of operational environmental management plans with Group policy.

INNOVATION

Relevant matters	Focus areas
- Effectiveness of growth initiatives - Accessing and retaining skills - Hire fleet management	Peer group

Context

Innovation plays an important strategic role in Waco International's growth strategy. The Group depends on devices such as Alchemy of Growth, Granularity of Growth and the Continuous Improvement ethos to promote a culture of innovation and generate appropriate returns on capital invested. Businesses and employees across the Group are encouraged to continually identify and exploit growth opportunities in existing and new markets and improvements in the efficiency of operational processes. The Business Leaders and Executive Development Programmes use Alchemy of Growth thinking to unlock new ideas that develop into growth initiatives. These are making an increasingly positive contribution to the Group's financial performance. Continuous improvement ideas and

initiatives, including the implementation of a new ERP system at Sanitech and IT upgrades across the Group, result in considerable cost and time saving, improved productivity and increased safety.

Looking ahead

Waco International is shifting to a more comprehensive, managed approach to innovation to ensure that research and development funding achieves the objective of profitable growth.

The innovation peer group has drawn up an innovation agenda which will reinforce a more consistent approach to innovation and sharing of best practice across the Group. New initiatives are submitted to an innovative register and the peer group monitors their progress and adoption.

Transline Plus: Strategy in Action

Premier Modular in the UK hires and sells relocatable modular buildings that it designs and manufactures. The fleet of approximately 2 000 units serves a niche market for high-end modular buildings that offer competitive advantages over low-cost alternatives, including bespoke design with multi-storey options, reliable service and delivery, and safety features, such as fire resistance.

Although these features command a higher price, growing competition placed pressure on profit margins. In particular, Premier Modular found it increasingly difficult to compete against lower-cost producers in the market for one, two and three-storey buildings. As a result, the company lost business and had difficulty penetrating new markets beyond London due to price sensitivity.

Premier Modular addressed this challenge and explored the opportunity to expand into a new market segment that generates estimated annual revenue of approximately £125 million by developing an innovative low-cost product differentiated by some of the unique selling points of its existing product.

Premier Modular conducted the necessary research and development, developed the first Transline Plus product and marketed it to a range of existing and new customers in industrial and infrastructure development sectors throughout the UK. While competitively priced, the incorporation of many of the aesthetic, size, safety, environmental and service benefits of higher-end products make Transline Plus a premier product and enhances its value.

Since the launch of Transline Plus a year ago, Premier Modular has grown its rental fleet of the new product to 400 and expects to maintain steady growth trend and an attractive return on capital invested as Transline Plus has enabled Premier Modular to shift to a lower-cost business model.

CORPORATE CITIZENSHIP

Relevant material matters	Focus areas
- Government effectiveness in South Africa - Transformation in South Africa - African expansion	- ABET (Waco Africa) - CSI projects - Waco International Charitable Foundation

Context

Waco International recognises the role of businesses as active role players in society identifying opportunities within their means to share value with a broad group of stakeholders. Group operations and employees are encouraged to participate in social investment activities.

Focus areas

Waco International invested R4.8 million (2017: R16.7 million) in social upliftment projects, as detailed in the table below:

Project	2018	2017	2016	2015
CSI projects	R3.3 million	R15.2 million	R6.2 million	R850 000
ABET	R0.8 million	R0.7 million	R1.2 million	R750 000
Waco International Charitable Foundation	R0.7 million	R0.8 million	R0.9 million	R0.7 million

ABET (Waco Africa)

Waco Africa offers employees an ABET programme which improves basic literacy and numeracy skills. At the beginning of the year, 84 employees were enrolled in the ABET programme. Of these, 59 were deemed ready to write the exams, of whom 53 passed. The remaining six, who were on the threshold, and the 25 who were not yet ready for the exam, will remain on the programme in 2019. They will be joined by new SGB-Cape enrolments in the power sector.

CSI projects

Waco has introduced a revised CSI policy based on the following key principles:

- Intervention should be local and bottom up
- Must represent a commitment to a long-term sustained intervention that offers a “hand up” rather than a “hand out”
- Employees are expected to invest some personal time in CSI projects
- Some form of tangible or intangible return on investment must be achieved
- Local organising committees have been elected to drive this process in each business unit and several proposals have been submitted to the executive committee for review and approval
- Growing Up Africa – agreement to donate services and use of equipment to the value of R3.1 million

Waco International Charitable Foundation

The Foundation oversees an education fund established in 2007 with a donation from management to provide the children of permanent full-time employees with tertiary education bursaries. The bursaries are awarded based on financial need and academic excellence. The Foundation focuses on courses of study aligned with its business activities as the bursars are encouraged to work for the Group after completing their studies.

Since its inception, the education fund has awarded bursaries valued at R5 million to the benefit of more than 100 students.

Looking ahead

Waco International will continue to support the upliftment of local communities by focusing on CSI initiatives to address socioeconomic challenges in the communities in which it works.



GOVERNANCE REPORT

GOVERNANCE REPORT

The board of directors is responsible for the governance of Waco International. Ensuring that the Group's activities are ethically sound, compliant within the relevant regulatory frameworks and considerate of stakeholder interests, is vital to its sustainability. The Group's strategic goals depend on effective decision-making processes with clear lines of authority and accountability.

GOVERNANCE ASSESSMENT

Waco International was a listed company until 2000. In the period since, the business retained its corporate memory and has been governed as far as possible according to the structures and procedures required of a public entity. The Group is committed to sound corporate governance and performed an internal review to assess areas where action could be taken to better align with King IV™ practices. The most significant steps identified in the assessment are summarised below.

Dedicated internal audit function

The internal audit function is responsible for monitoring and reporting on significant risks, and it has a direct reporting line to the Chairman of the Group, as well as the independent non-executive chairman of the risk and audit committee.

Board composition

The board of directors has governed the Group effectively within the private equity structure for the past six years. The current composition of the board does not reflect a public listed entity and will need to be reviewed, should the company embark on a listing.

Board committees

As provided for in the Group's memorandum of incorporation, the board is supported and assisted by four committees with clear mandates and oversight responsibility for various aspects of the business. Members of Group executive management participate in committee meetings by invitation to provide operational insights where needed.

LEADERSHIP

Board of directors

Non-executive directors

1. Royden T Vice (Chairman)

- Various qualifications, including CA(SA)
- CEO of Waco International from 2002 to 2011
- Appointed as Chairman in 2012
- Chairman of the remuneration committee and strategic committee

2. Geoff K Everingham (Independent)

- Various qualifications, including CA(SA)
- Emeritus Professor of Accounting at the University of Cape Town
- Appointed to the Waco International board in 2013
- Chairman of the risk and audit committee

3. Jonathan Matthews

- Various qualifications, including CA(SA) and CFA
- Ethos Private Equity
- Appointed to the Waco International board in 2015

4. Cassim Motala

- MBA and Associate in Management (AIM)
- RMB Ventures since 2007
- Appointed to the Waco International board in 2012

5. Jos T van Zyl

- Various qualifications, including CA(SA)
- Ethos Private Equity since 2006
- Appointed to the Waco International board in 2012
- Chairman of the social and ethics committee

6. Simon Murray

- BCom
- RMB Ventures since 2000
- Appointed to the Waco International board in 2016
- Resigned from the board in 2018

7. Ewan Gray

- Various qualifications, including CA(SA)
- RMB Ventures since 2013
- Appointed to the Waco International board in 2018

Governance report (continued)

Executive directors

1. Stephen JM Goodburn (Chief Executive Officer)

- BCompt (Hons)
- Joined Waco International in 1990
- Held various positions throughout the Group, including CFO from 1998 to 2011
- Appointed as Group CEO in 2011

2. Eben D le Roux (Chief Financial Officer)

- Various qualifications, including CA(SA)
- Joined Waco International as Corporate Finance Manager in 2004
- Finance Director for Australasia from 2007 to 2013
- Appointed as Group CFO in 2013

Group Treasurer and Company Secretary

1. Mark R Towler

- BCom
- Joined Waco International in 1993

Executive management board

Group executive leadership

1. Stephen JM Goodburn (Chief Executive Officer)

2. Eben D le Roux (Chief Financial Officer)

3. Gregory J Hart (Group HR Executive)

- BSocSci
- Joined Waco International in 2003 as Group Human Resources (HR) Executive

Operating businesses leadership

1. Eugenio de Sa (Managing Director of Premier Modular)

- CA(SA)
- Joined Premier Modular as Financial Director in 2000
- Appointed as Commercial and Operations Director in 2007
- Appointed as Managing Director in December 2008

2. Michael G Els (Chief Executive Officer of Waco Africa)

- BSc (Quantity Surveying)
- Appointed as CEO of Waco Africa in 2010

3. Robert Erasmus (Managing Director of Sanitech)

- MBA
- Joined Sanitech as Business Development Director in 2008
- Appointed as Managing Director in 2009

4. Rodney G Mill (Managing Director of Kwikform Group)

- Various qualifications, including BAppSc
- Joined Waco Kwikform in 1987
- Appointed as Executive General Manager in 2002
- Director of Waco Kwikform from 2006 to current
- Appointed as Managing Director in 2010

5. Alistair Bennett (Managing Director of SkyJacks)

- Higher National Diploma in Civil Engineering
- Joined SGB-Cape in 2006 and appointed as Divisional Director of SGB-Cape (coastal region) in June 2012
- Appointed as Managing Director of SkyJacks in May 2015

6. Mark Liquorish (Managing Director of Abacus)

- CA(SA)
- Joined Abacus as Managing Director in 2015

GOVERNANCE STRUCTURE

Board of directors

As the highest governing body, the board has ultimate responsibility for Group governance. The board met five times during the reporting period. These meetings were sufficiently attended, and the board is satisfied that it fulfilled its responsibilities in accordance with its charter.

Board committees

The board is supported and assisted by various committees with clear mandates and oversight responsibility for various aspects of the business. Members of the Group executive management participate in committee meetings by invitation to provide operational insights into any arising matters.

Executive management board

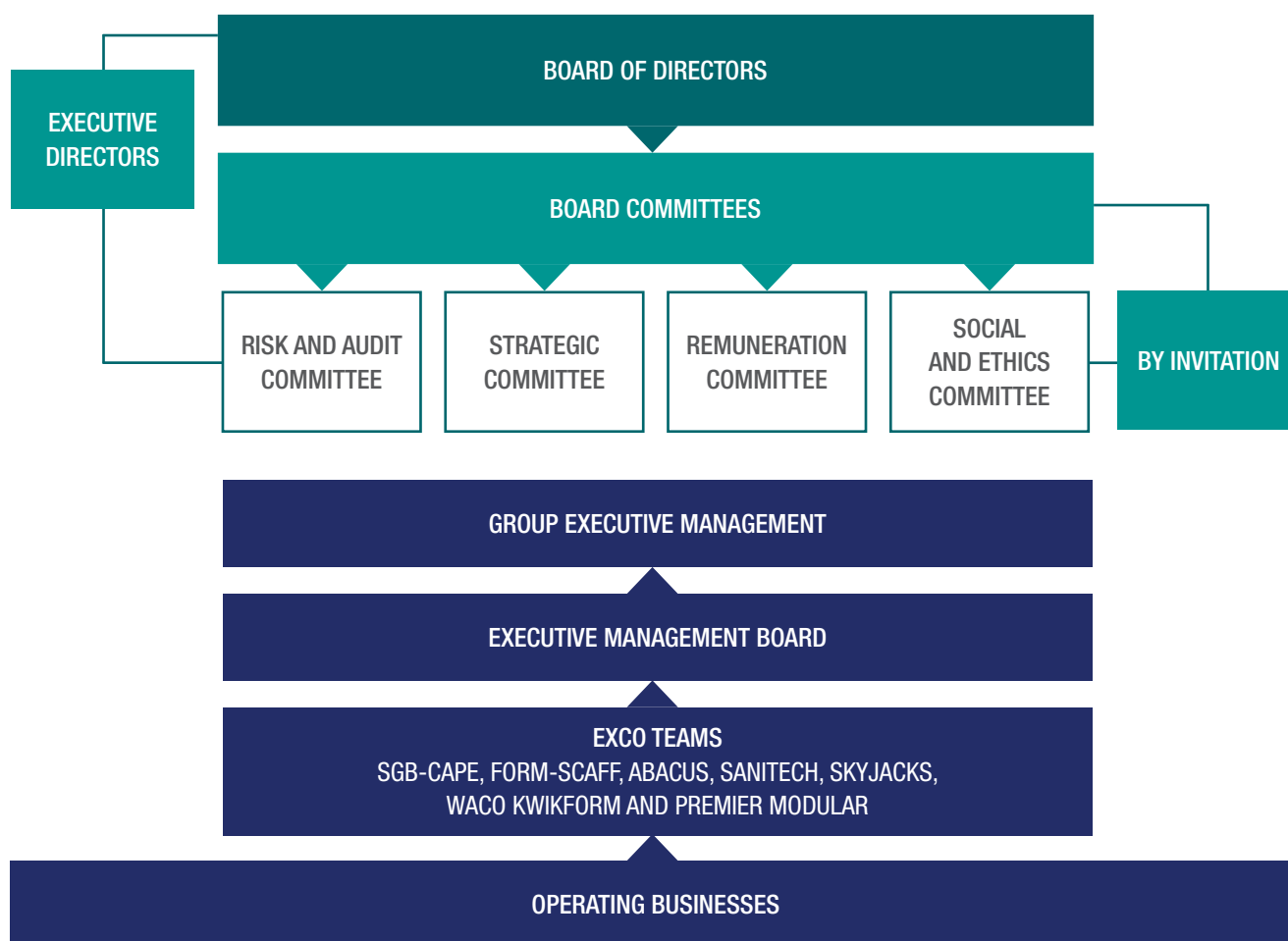
The executive management board is made up of the Group executive management team and the managing directors of the following business units: Waco Africa, Abacus, Sanitech, SkyJacks, Waco Kwikform and Premier Modular.

Executive committee teams

Executive committee teams comprise local management, divisional managing directors and Group executive management (CEO, CFO and HR Executive), and are responsible for the day-to-day operations of the major business units.

Group support services

Waco International has a small head office of ten employees, including the Group CEO, CFO, HR Executive, Treasurer, Corporate Finance Manager, Group Finance Manager, Internal Audit Manager, Head office Accountant and two support employees.



BOARD COMMITTEES OVERVIEW

The table below summarises the mandate, along with members and meeting attendance for each of the board committees. It also provides current material focus areas and commentary on relevant forthcoming changes to status:

Mandate summary	Members and attendance	Focus areas and relevant commentary
Risk and audit committee		
- Formulating and monitoring risk management policies and activities, including the annual Group-wide risk assessment - Assessing and monitoring health and safety reporting and performance - Ensuring governance compliance - Recommending the appointment of the external auditors, overseeing the external audit scope and process, and determining audit fees - Overseeing the scope and performance of internal audit	Geoff Everingham* (2/2) Cassim Motala (1/2) Jos van Zyl (2/2) Ewan Gray (1/2) <i>By invitation:</i> Royden Vice (2/2) Stephen Goodburn (2/2) Eben le Roux (2/2) Gregory Hart (2/2)	- Africa governance working group, ensuring adherence to legislation, appropriate governance and leveraging off existing footprint - Assessment of feedback from support services, including tax advisors and external auditors - Assessment of the impact of new IFRS pertaining to revenue recognition and leases, and implementation of appropriate actions - Embedding designated internal audit process

* Indicates committee chairman.

Governance report (continued)

Mandate summary	Members and attendance	Focus areas and relevant commentary
Strategic committee		
- Reviewing and approving the strategic plan developed by management - Monitoring the execution of the strategic plan by management - Reviewing, approving and submitting the annual budget to the board of directors	Royden Vice* (1/1) Stephen Goodburn (1/1) Eben le Roux (1/1) Cassim Motala (1/1) Jos van Zyl (1/1) <i>By invitation:</i> Ewan Gray (1/1) Jonathan Matthews (1/1) Dharishan Padiachy (1/1) Gregory Hart (1/1) Nomthi Tshongweni (1/1)	- Annual review of the progress of the strategy to date, review of the strategic objectives and identification of new initiatives - Ongoing focus on turnaround strategy for the Australian business and identification of key learnings from successful improvement in Premier Modular - Monitoring of conditions in the external environment to identify new regional and product market opportunities, with an emphasis on Africa
Remuneration committee		
- Reviewing remuneration and bonus policies of directors and senior management - Reviewing overall annual salary increases of employees - Developing and reviewing executive director succession plans - Monitoring and approving allocations of grants to the Group long-term incentive scheme - Nominating new directors and overseeing their orientation and evaluation	Royden Vice* (2/2) Jos van Zyl (1/2) Simon Murray (0/1) (resigned) Cassim Motala (2/2) <i>By invitation:</i> Stephen Goodburn (2/2) Gregory Hart (2/2) Jonathan Matthews (2/2)	- Assessment and benchmarking of remuneration practices for fairness and appropriateness - Phasing out of WGAR Scheme
Social and ethics committee		
- Monitoring compliance with relevant laws, regulations, and codes of business practice - Engaging meaningfully with relevant internal and external stakeholders - Identifying key sustainability and ethics risks and monitoring relevant indicators - Ensuring effective employee training and development programmes are in place - Overseeing corporate citizenship activities	Jos van Zyl* (1/1) Cassim Motala (1/1) Mike Els (1/1) Gregory Hart (1/1) <i>By invitation:</i> Stephen Goodburn (1/1) Eben le Roux (1/1) B Tlhabanelo (1/1) M Nicholson (1/1)	- Extend Waco Foundation bursaries to school learners to increase impact of the available benefits - Pursue opportunities to mitigate impact of new B-BBEE Codes

* Indicates committee chairman.

ETHICS

Ethics is an essential component of business, and the social and ethics committee carries formal responsibility in this area. The Waco Code of Ethics (Code) was developed for the Group as a whole to articulate the behaviours and practices required for the business to function ethically and sustainably. Every employee is required to sign acceptance of the Code.

A values-based summary of the Code is distributed so all managers and employees have a clear understanding of what the Code aims to achieve.

This summary of the Code is provided in the sustainability overview, available online. The full Code is available on the corporate website www.wacointernational.co.za.

Whistle-blowers' line

To reinforce the Code, a whistle-blowers' line is available to all employees, and all relevant communications are reported directly to management to identify appropriate responses. The line is managed by an external service provider according to a defined policy, which guarantees the anonymity of callers.

During the year under review, 14 cases of alleged unethical behaviour were reported via the whistle-blowers' line and investigated by senior management. These reported matters include abuse of company resources, unfair dismissals, favouritism, nepotism, submission of false receipts, irregularities with invoices paid, sexual harassment, intimidation, remuneration irregularities and unethical conduct.

Of these 14 cases, seven were unfounded, one case is still ongoing and six cases were concluded having confirmed inappropriate behaviour.

The following actions followed the 13 (i.e. 14–1) cases investigated during the year:

- Dismissals and/or final warnings – three individuals
- Resignation prior to dismissal – one individual
- One new policy implemented – one individual
- Coaching of employees – one individual

REGULATORY COMPLIANCE

The markets in which Waco International operates are subject to a broad spectrum of regulatory requirements, many of which are industry and country-specific. Compliance in key areas (including finance, tax, product and manufacturing accreditation, labour, environment, and health and safety) is a major focus for the Group, as non-compliance could impact the licence to operate.

Each operating business is responsible for monitoring the local regulatory environment in which it does business.

Operational management – with input from Group executive management – meets monthly to assess the impact of any material regulatory changes to determine how to align business practices accordingly and thereby maintain the necessary accreditation.

In terms of the other SSA businesses, the responsibility for compliant practices is assigned to the Africa governance working group of the risk and audit committee. The committee was established to support the Group's strategic drive into Africa,

ensuring adherence to the financial and legal requirements relevant to each specific country. The social and ethics committee supervises regulatory elements, such as labour practices and collective bargaining.

The Group participates in the appropriate industry bodies to remain abreast of the latest regulatory frameworks impacting its core industries, and contributes to the development of these frameworks wherever possible.

ASSURANCE

The Group's combined assurance process involves rigorous management controls and oversight responsibility at various authority levels, from operational executive management through to the board of Waco International. Risk management systems are embedded in each business and are articulated in the relevant standard operating procedures and quality assurance processes, with KPIs assigned as appropriate. Branch meetings and branch reviews are conducted regularly throughout the operating businesses. The exco of each operating business is responsible for monitoring performance, risks and progress of the strategic initiatives, and reports these monthly to Group executive management. The CEO reports to the board and shareholders monthly, and submits a comprehensive quarterly report to the board, including material matters requiring the attention of the appropriate board committees.

The internal audit function supports the risk and audit committee, board and the Group as a whole by monitoring the effectiveness of internal controls and assessing the risk appetite of the Group. Internal audit has a direct reporting line to the Chairman of the Group as well as the independent non-executive chairman of the risk and audit committee.

In accordance with the annual audit plan, the independent external auditors are contracted to conduct a full scope audit of the Group in accordance with International Standards on Auditing, which involves regular interaction, including planning and debriefing, with the risk and audit committee. Members of the Group exco and the internal audit function were responsible for overseeing the integrated reporting process. The board approved the report upon assessing its contents and structure, and upon recommendation from the risk and audit committee.

The combined assurance model follows the "five lines of defence" approach depicted below:

1. Risk management systems, policies, authority levels, standard operating procedures, quality assurance processes, internal controls and reporting
2. Management oversight and controls
3. Internal audit
4. External audit
5. Governance oversight

A photograph of a modern building with a facade of teal and grey panels. The building has multiple windows and a black brick base. A white rectangular frame is overlaid on the top left corner of the image.

Human capital is Waco International's
biggest asset.

The background image is a photograph of a modern, multi-story building with a distinctive facade of blue and grey panels. The building has many windows, some of which are visible. In the foreground, there are dark, silhouetted branches of a tree. The overall image has a professional, corporate feel.

REMUNERATION REPORT

Remuneration report (continued)

REMUNERATION PHILOSOPHY

To realise its strategic vision of growth and sustainable value creation, Waco International relies on the quality and depth of its human capital, both currently and into the future. Many of the Group's primary operating environments, most notably South Africa, are characterised by challenging labour conditions related to stability and access to skills. Attracting and retaining the required expertise at all levels is key to remaining competitive in the market.

Three key elements are used in determining an individual's base remuneration:

- The employee's performance as determined by our joint performance management system
- The position to which the employee is employed, and the relative market pay (compo ratio) for similar positions in the local market and the year-on-year movements in the market
- Strategic factors as determined by our talent management (TMC) processes and equity requirements

Remuneration practices that effectively reward and further incentivise performance and commitment are vital. The board is ultimately responsible for ensuring this takes place, with specific accountability assigned to the remuneration committee. The committee aims to foster a performance-driven culture, supported by remuneration practices which are:

- market-related;
- well structured and balanced; and
- transparent and fair.

Remuneration is benchmarked to the market annually, based on local and international data. Salary and wage increases are awarded in line with this data, which slightly lagged inflation in the current year. At current rates of remuneration, the board is comfortable with the Group's ability to attract and retain the appropriate skills for the business. In the UK business, temporary contract skills are in short supply, especially in the London area, but pressure is expected to ease with the slowdown in the market caused by Brexit.

Retention of senior and middle management is high, with little turnover experienced over the reporting period. However, high staff turnover is a concern in some categories of Sanitech staff. Management has reviewed the root cause and implemented plans to manage it downwards. Executives are currently retained by means of the management share scheme. However, a new arrangement for executive managers will be required if ownership changes.

Pay rates for wage earners are governed by the outcomes of wage negotiations with unions and bargaining councils. Personalised wage rates based on individual performance are not possible due to the environment, and branch-based negotiations are the preferred route when negotiating with unions, as the Group is better able to remove the influences of third-party agendas. However, this is increasingly difficult to achieve, and wage rates are agreed by industry bargaining councils. High wage rate demands are the norm in South Africa

and the Group enters into a number of labour disputes to keep actual wage rates at acceptable levels. Most of these have been resolved amicably.

Other than the use of the relevant market information relating to pay rates per position and the overall market movement, no consultants were used.

The board approved all recommendations presented by the remuneration committee, without amendment.

REMUNERATION POLICY AND STRUCTURE

Waco International's remuneration policy is linked to the availability of the talent pool, and seniority determines the weighting mix of the reward elements. Remuneration packages comprise a fixed element and variable incentive components. All incentive schemes are self-funded; in other words, the cost of the reward is included in the calculations of the financial targets to be met. An employee's total package is made up of three reward elements:

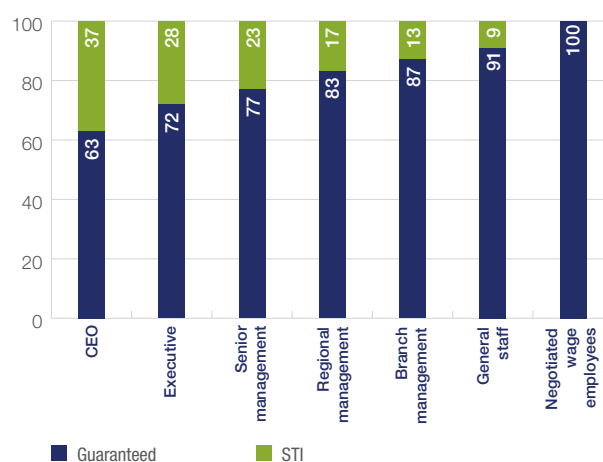
- Guaranteed total cost to company (TCTC) (fixed pay)
- Annual short-term incentive (bonus) (risk pay)
- A long-term incentive/retention scheme (cash-settled) (risk pay)

Seniority determines the proportional on-target mix between fixed and variable pay. The actual percentage split depends on performance against budget, agreed personal KPIs and growth in EVA above set hurdle rates.

The more senior the individual, as per the Hay grading system, the greater the percentage of risk pay. The following diagrams show the ranges between guaranteed pay and the on-target short-term incentive (STI).

On-target total compensation (guaranteed and risk) is benchmarked to the market at the 75th percentile for total compensation, while guaranteed pay is benchmarked to the market at the 50th percentile. Total compensation comparisons exclude long-term reward data. Actual percentages vary depending on performance.

Remuneration policy and structure



Fixed pay

Guaranteed TCTC comprises monthly salary and other benefits, the total of which is determined by skills, seniority (grading) and personal performance. Fees paid to non-executive directors are recommended by the remuneration committee for approval by the board.

Benefits versus cash

The guaranteed pay elements for salaried employees are based on a fixed TCTC. The actual cost of benefits received, such as medical aid, are paid by the company but taken into account when calculating an employee's cash salary. This structure affords employees some flexibility in determining their retirement

funding salary (between 100% and 60% of TCTC) and the level of medical aid cover received. Both elements are compulsory.

Wage rate employees receive a fixed wage per hour worked as negotiated with their representative union and/or bargaining council. Employees in South Africa are also members of a retirement fund for which the company makes an additional contribution ranging between 7.1% and 8% per annum, depending on the fund to which they belong. Wage earners in Australia are members of their respective state-run funds.

The following table provides a summary of the fixed element of the total remuneration package:

Guaranteed total cost to company			
	Monthly salary	Benefits	Non-executive directors' fees
Purpose	Fixed monthly earnings to provide for everyday living expenses proportionate to the skills, seniority (grading) and performance of the individual	Remuneration designed to incentivise, reward and retain employees	Fees paid to non-executive members of the board for their time and participation, including board and committee meetings
Applicable to	All employees	All permanent employees	Non-executive directors
Commentary	Individual performance, market movements and compo ratio are the key elements in determining an individual's pay Pay rates for employees covered by a union recognition agreement and/or bargaining council agreements are subject to annual negotiations with the relevant parties	Benefits include: • Retirement funding • Medical aid • Car allowance (if applicable) • Labour broker employees receive benefits from their respective employers • Cost of benefits is included in the cost-to-company fixed portion	Shareholders will vote on the proposed directors' remuneration at the annual general meeting

Incentive pay

The balanced scorecard is the primary STI mechanism and is a defining feature of the Group's approach to performance and talent management. The scorecard is structured to encourage individuals to contribute to specific initiatives that support the Group's overall growth and profitability, and it has been successful in benefiting high-performing individuals throughout the business. The management share purchase scheme and the long-term incentive structure (LTI), the WGAR Scheme, have had a positive impact on the retention of management over the last four years and are expected to continue to do so.

STIs: Balanced scorecard

Participating employees enter into a performance contract with the company, which sets out financial and non-financial KPIs. An on-target bonus is agreed, expressed as a percentage of guaranteed TCTC. The level of on-target bonus is based on seniority.

In addition, maximum and threshold performance levels for bonus payments are set, i.e. bonuses are capped. The maximum bonus level is 2.5x the on-target percentage for achievement of 120%+ of budget and 0.5x of the on-target percentage for achievement of 90% of budget respectively. If less than 90% of budget is achieved, no bonus is payable. Refer to the table on the next page.

Remuneration report (continued)

Incentive schemes

STI

Balanced scorecard

Applicable to all salaried employees not on a commission or sales incentive scheme

KPIs are directly linked to the budgets set by the board to ensure demonstrable contribution to the Group's strategic initiatives

At-risk annual bonus calculated according to rating scale of general financial and individualised non-financial performance indicators

75% financial KPIs – delivery against targets for key financial measures at operating business level

25% personal goals – delivery according to a set of predetermined non-financial measures explicitly linked to the role played by the employee in achieving specific strategic growth objectives

The Group has a number of sales incentives and commission schemes. These are restricted to direct sales employees and are self-funding in that the employee's cost of employment plus a contribution to overheads must be recovered before commissions are paid

LTI

WGAR Scheme

Applicable to certain members of senior and middle management

When growth in the appreciation measure (EVA) is achieved, the participant is rewarded according to a predetermined allocated percentile for their seniority level

Vesting of the appreciation rights is staggered over a period of four years with partial vesting (one-third) after two and three years to encourage long-term retention

Rights are allocated at a new strike price on an annual basis

The nine senior executives participate in a phantom share appreciation rights scheme which tracks the actual value of a Waco International share at a given multiple

Management Co-investment Trust

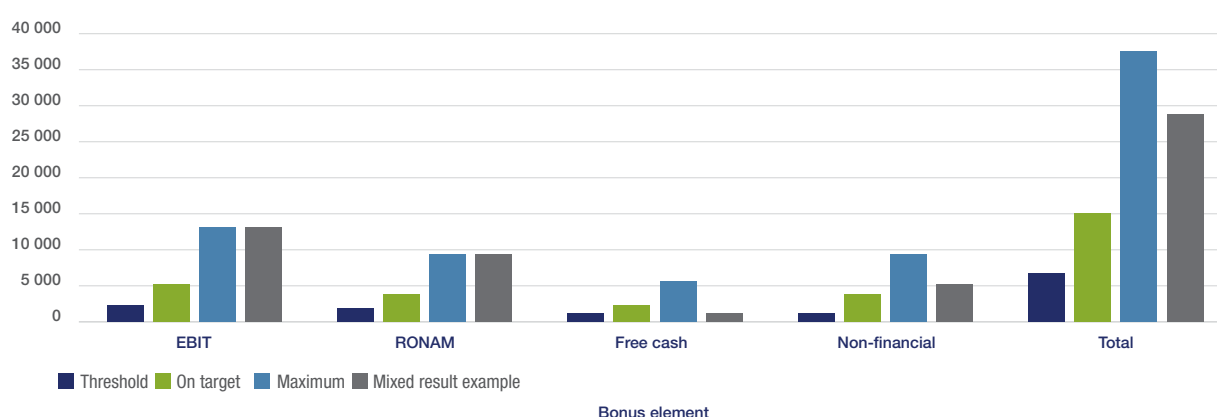
Management investment structures were available to senior management in their capacity as shareholders in the private equity structure

Senior management invested directly in the business via a co-investment trust, holding 11.8% direct ordinary equity in the Group

	Threshold % of guaranteed TCTC at 90% of budget	On-target % of guaranteed TCTC at 100% of budget	Maximum % of guaranteed TCTC at 120+% of budget
CEO	30	60	150
Executive	20	40	100
Senior management	15	30	75
Regional management	10	20	50
Branch management	7.5	15	37.5
General staff (salaried)	5	10	25

Each KPI is weighted differently and calculated discretely, then added to determine the total bonus due, as demonstrated in the example below:

Balanced scorecard

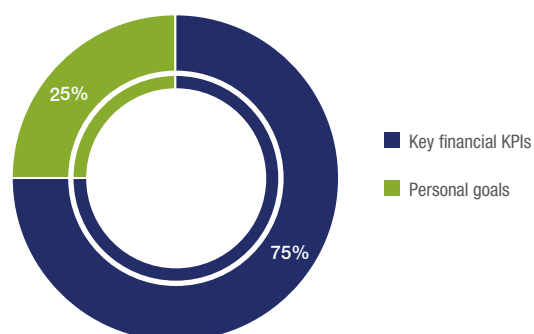


A typical short-term balanced scorecard weighting is as follows:

- EBIT: 25%
- RONAM: 25%
- Cash: 25%
- Personal: 25%

Most employees have split EBITDA/EBIT targets, which are normally 90% own business and 10% for one business level above, i.e. 90% branch and 10% region (branch manager) or 90% region and 10% business (regional manager).

Balanced scorecard rating scale



LTIs – Waco Growth Appreciation Rights

Participating employees are defined as employees who the board believes have the ability to influence the long-term profitability of the Group, or employees for whom some form of retention is appropriate due to their specialised skills and/or knowledge. Participants are awarded Waco Growth Appreciation Rights units (WGAR units) at a strike price equal to a financial measure (KPI) that the board believes is representative of long-term sustainable growth (currently EVA). These units vest over a period of four years, at which time any underlying improvement in the set KPI will result in a cash bonus payment for the participant.

WGAR units are allocated using an outcomes-based methodology. This which means that an LTI bonus payment is made to the participant at the end of the vesting period, given an acceptable level of Group performance over that period. On-target LTI bonus payments (percentage of guaranteed TCTC) are based on seniority and the percentage used for the STI scheme, as demonstrated in the table above.

In 2016 the board introduced a share appreciation rights scheme for executive managers who have a substantial holding in the Waco International Management Co-investment Trust and have not participated in the WGAR Scheme. This scheme tracks the actual changes in the Waco International share price at a given multiple. Thresholds are in place and if they are not achieved no benefit is due. A compounded 15% annual growth rate in share price delivers an on-target benefit to the participant.

Remuneration report (continued)

REMUNERATION IN PRACTICE

The remuneration committee review and approves annual salary increases, directors' remuneration, bonus payments and LTI awards. Wage increases are subject to the applicable bargaining council agreement or direct negotiations with the relevant union representatives.

Salary increases

Key salary review elements are:

- Market conditions in each region
- Overall proposed increase by business unit
- Year-on-year increase, taking into account increases and decreases in headcount
- Increase awarded to the top 10 earners and bottom 10 earners
- Increases to the direct reports of the managing directors
- Performance rating spread for each business unit
- Ratio of salaries paid relative to turnover and EBITDA

Performance management framework

Waco International has a results-driven approach to performance management, underpinned by the acknowledgement that work is performed by individuals and therefore should be managed and rewarded on an individualised basis, where possible.

Accordingly, a number of interactions take place at key points in the annual performance management cycle:

- Goal-setting
- Support
- Review and assessment

At the end of the cycle, the manager rates the employee on a five-point scale, which is used in part to determine the appropriate financial reward.

History of salary increases awarded and financial ratios

The following table indicates salaries as at 1 July as a percentage of EBITDA and turnover since 2014. The year-on-year increase indicates the overall increase in payroll from 1 July the previous year, taking into account increases or decreases in headcount and employee mix.

	Year	Employees	Increase (%)	Year-on-year (%)	EBITDA ratio (%)	Turnover ratio (%)
Kwikform	2018	179	2.57	23.50	119.59	11.07
	2017	141	2.80	16.32	107.97	11.57
	2016	129	2.85	(0.15)	87.88	9.51
	2015	128	2.90	(6.56)	124.05	10.17
	2014	143	2.71	5.44	508.37	11.73
Premier Modular	2018	103	2.30	7.40	60.38	7.52
	2017	93	3.06	11.02	74.10	8.15
	2016	91	3.09	13.59	109.14	10.62
	2015	81	2.44	11.19	131.54	9.35
	2014	73	2.21	8.19	212.51	9.31
Waco Africa1	2018	536	5.64	6.52	56.34	11.01
	2017	540	6.08	1.96	46.30	10.69
	2016	544	6.08	17.83	50.98	12.74
	2015	473	6.19	18.63	42.30	10.14
	2014	418	6.57	19.85	45.01	10.40
Sanitech	2018	318	5.49	13.21	47.68	12.50
	2017	286	6.05	16.62	48.47	13.43
	2016	247	5.69	9.31	42.44	13.03
	2015	233	5.83	24.12	41.44	13.82
	2014	196	6.80	11.76	43.69	13.37
Abacus	2018	45	5.92	(10.83)	56.23	13.97
	2017	50	4.17	4.56	384.16	17.94
	2016	50	5.83	6.26	193.19	17.34
	2015	50	6.48	14.12	115.67	12.64
	2014	43	6.28	29.62	154.07	14.93
SkyJacks	2018	53	5.55	(4.85)	57.62	15.10
	2017	61	5.92	57.77	63.81	17.73
	2016	41	5.79	1.36	55.57	16.10
	2015	48	5.39	–	106.82	40.99

Directors' remuneration

The table below provides details of the remuneration of directors during the 2018 financial year.

	Remuneration (R million)		
	Executive	Non-executive	Total
Salaries	8.7	–	8.7
Fees	–	1.1	1.1
Benefits	0.3	–	0.3
STIs	5.9	–	5.9
LTIs	–	–	0
Pension	1.3	–	1.3
Medical aid	0.1	–	0.1
Securities issued	1.8	–	1.8
Total	18.1	1.1	19.2

Bonus payments

Key bonus review elements are:

- Balanced scorecard weighted measures
- Performance of the individual and the bonus scheme level of the individual

Given the business results and individual performance, there is complete transparency regarding the bonus amount due to an individual. Bonuses are calculated according to a predetermined sliding scale and can therefore be estimated by the individual once the results are published. This aligns employee performance with the Group's strategic objectives.

Bonuses awarded for 2018 were based on the EBITDA/EBIT*, RONAM and free cash flow results of the different operating businesses. Lower-level region or branch results were used when applicable.

	2018	2017	2016	2015	2014
EBITDA (R million)*	922	882	832	768	572
EBIT (R million)*	680	672	636	616	449
NOCF (R million)	351	547	256	582	242
RONAM (%)	24.1	24.4	24	27.3	21.2

* KPI measure changed from EBITDA to EBIT in 2018.

Using historical constant currency, bonuses are 77% of what was paid last year, i.e. R54.3 million versus R70.85 million. In year-end actual exchange rates, the cost of the bonuses in rand value is R62.9 million.

Summary of proposed bonus payments (rand)	2018	% of 2017	2017	2016	2015	2014
Waco International	5 701 109	51	11 208 029	7 077 741	12 085 987	8 995 924
Waco Africa	15 758 242	45	34 846 672	21 058 682	36 812 396	34 543 192
Sanitech	7 323 341	214	3 426 166	4 555 459	6 370 293	8 581 827
Abacus	5 618 681	2 212	254 000	1 806 528	4 594 033	3 564 037
Kwikform	7 576 151	85	8 909 534	11 759 629	14 925 185	2 152 695
Premier Modular	11 350 383	115	9 849 134	8 375 698	6 779 696	5 444 766
SkyJacks	611 275	26	2 349 957	1 723 348	902 863	–
Total	53 939 181	76	70 843 491	56 357 085	82 470 454	63 282 441

Remuneration report (continued)

History of bonus payments as a percentage of TCTC for that bonus period:

	Year	Bonus paid (local currency)	% bonus to salary
Kwikform (AUD)	2018	1 056 483	6.0
	2017	1 244 572	8.7
	2016	1 585 344	13.0
	2015	2 186 690	17.9
	2014	355 911	2.7
Premier Modular (£)	2018	966 134	18.7
	2017	838 349	17.5
	2016	712 931	16.5
	2015	577 081	15.1
	2014	463 453	13.5
Waco Africa²	2018	15 758 242	6.8
	2017	34 846 672	16.2
	2016	21 058 682	10.0
	2015	36 812 396	20.6
	2014	34 543 192	23.0
Sanitech	2018	7 323 341	9.5
	2017	3 426 166	5.1
	2016	4 555 459	7.8
	2015	6 370 293	12.0
	2014	8 581 827	20.3
Abacus	2018	5 618 681	28.4
	2017	254 000	1.1
	2016	1 806 528	8.5
	2015	4 594 033	23.1
	2014	3 564 037	20.5
SkyJacks	2018	611 275	3.4
	2017	2 349 957	12.4
	2016	1 723 348	14.4
	2015	902 863	7.6

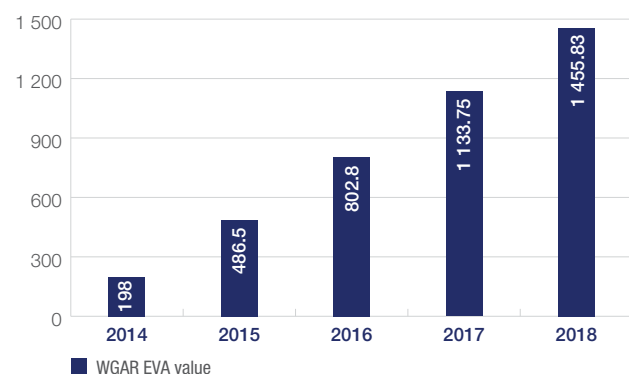
LTI awards

Waco Growth Appreciation Rights Scheme

In September 2018, 19 505 WGAR units were allocated to 231 participants at a strike price of R1 455.83 million.

The history of the EVA strike price is as follows:

History of EVA strike price (R million)



¹ For the period 2014 to 2018, this consisted of Form-Scaff and SGB-Cape data only.

The value of the EVA WGAR units in play (vested and unvested):

	Number of WGAR units	Allocation	Already vested	Value per WGAR unit at 30 September 2018
2014	23 948	Units allocated to 149 participants at an EVA strike price of R198 million	Fully vested and paid	R30.13 million or R202 165 per participant
2015	13 265	Units allocated to 170 participants at an EVA strike price of R486.5 million	Two-thirds vested	R12.8 million or R75 636 per participant
2016	16 160	Units allocated to 184 participants at an EVA strike price of R802.8 million	One-third vested	R10.5 million or R57 353 per participant
2017	17 450	Units allocated to 208 participants at an EVA strike price of R1 133.75 million	Not vested	R5.6 million or R27 021 per participant
2018	19 505	Units allocated to 231 participants at an EVA strike of R1 455.83 million	Not vested	Nil

FUTURE FOCUS AREAS

Waco International's remuneration system has proven to be effective over a number of years and the Group does not anticipate fundamental changes under the current ownership structure. The Group will continue to monitor the market for shifts in best practices and market conditions, which will inform the structure and levels of reward.

Staff turnover for Sanitech remains high but given the numerous interventions in place this is expected to reduce significantly in 2019. Due to a shortage of skills in New Zealand there is significant upward pressure on salaries to attract and retain key staff.



The Group's track record of strong growth and good cash generation has supported substantial investment that has yielded sound returns.



**SUMMARISED
CONSOLIDATED
FINANCIAL
STATEMENTS**

EXTRACT FROM THE DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

OVERVIEW OF THE GROUP'S PERFORMANCE

Waco International is a profitable business that has delivered attractive returns over the past five years. The Group's track record of strong growth has delivered significant operational leverage, while good cash generation has supported substantial investment that has yielded sound returns.

During 2018, the Group's diversification strategy, along with its disciplined execution of major projects and heightened focus on improving operational efficiencies and managing cost to serve, mitigated the impact of difficult operating conditions in Africa and Australasia, while a number of growth initiatives delivered increasing returns on investment. This has ensured that, although growth was lower than historic growth rates, the Group still delivered growth in 2018.

The reconciliation of profit for the year to adjusted EBIT and adjusted EBITDA is as follows:

R thousand	2018	2017	2016	2015	2014
Reconciliation of profit to adjusted EBIT and EBITDA					
Profit for the year	258 103	266 838	452 324	375 189	245 686
<i>Adjusted for:</i>					
Income tax	137 056	83 665	104 374	127 015	110 554
Net finance expense	122 210	156 687	45 294	67 890	78 875
Net non-recurring expenses	162 622	164 333	34 465	45 423	13 847
Cost related to the acquisition of business ¹	9 978	—	238	883	1 405
Earnout bonus reversal (<i>Bychal</i>)	(21 619)	—	—	—	—
Impairment of goodwill (<i>Bychal</i>)	24 504	—	—	—	—
Branch closure and retrenchment costs ²	—	30 539	25 409	22 144	5 925
Onerous leases	—	—	—	21 485	—
Equipment conversion costs	—	—	—	—	5 592
Expenses incurred on proposed listing/sale ³	19 512	5 675	48 175	—	—
(Insurance refund)/settlement of legacy claim	(7 498)	(8 958)	19 493	—	—
Grayston bridge legal costs	1 803	6 824	12 920	—	—
Gain on distribution from trust	—	—	(62 911)	—	—
Loss/(profit) on disposal of subsidiary	—	26 572	(9 591)	—	—
Impairment of loan receivable	—	17 939	—	—	—
Reversal of impairment of loan	—	—	(1 336)	—	—
Provision for ESOP trust bursaries	6 665	—	—	—	—
Competition Commission legal cost	2 539	—	—	—	—
Impairment of Australian equipment and equipment located in Chile ⁴	126 993	85 742	—	—	—
Other non-recurring (income)/expenses	(255)	—	2 068	911	925
Adjusted EBIT	679 991	671 523	636 457	615 517	448 962
<i>Adjusted for:</i>					
Depreciation	242 390	209 768	194 060	150 832	122 008
Amortisation	87	964	1 164	1 152	1 089
Adjusted EBITDA	922 468	882 255	831 681	767 501	572 059

¹ The acquisition-related cost was for the business acquisition of Star Scaffolding in January 2018. These costs are once-off costs related to the acquisition and, therefore, management is of the opinion that these costs should not form part of the sustainable earnings of the Group.

² It is Waco's policy to only include branch closure and retrenchment costs as abnormal costs, if the costs are associated with a major restructure approved by the board or in cases of a substantial change in a divisional business model. Any other branch closure costs are assessed as part of the normal day-to-day operations of the Group and not treated as abnormal. During the current year the Group incurred circa R3 million in branch closure and retrenchment costs.

Branch closure and retrenchment costs disclosed in prior years related to separate plans to restructure different divisions of Waco and did not recur in a given division in consecutive periods. For this reason, management was of the opinion that these costs should not form part of sustainable earnings of the Group.

³ Third-party expenses relate to the costs incurred by Waco in regard to a potential sale of the Group in February 2018 and the proposed listing in 2016 respectively. This is assessed as shareholder activity and therefore not included in the sustainable earnings of the Group.

⁴ The impairment of hire equipment relates to the Australasia business. The Australasia group's profits fell below expectation and continued to do so subsequent to year-end by a significant margin. The factors driving this underperformance vary, but management is of the opinion that the profitability of certain low-utilisation product lines will not return to the previously expected levels and have therefore performed an in-depth fair value assessment of all obsolete and underperforming product lines. While impairment indicators are considered and the provision for obsolescence is calculated on an annual basis, the impairment of entire product lines is not considered to be a recurring occurrence within the Kwikform Group due to the relatively static nature of access scaffolding which allows for long useful lives of a particular product type.

The Group continues to deliver sustainable growth at EBIT and EBITDA level. Sustainable EBITDA has grown 4% year-on-year while sustainable EBIT has grown 1% year-on-year.

The effects of foreign currency exchange fluctuations had a marginal effect in comparison to the prior year. Foreign exchange losses recognised in the current year amounted to R6.2 million (2017 R 42.4 million). Foreign exchange gains and losses recognised by the Group relate primarily to intercompany loans between entities with different functional currencies. It is not the Group's policy to hedge these intercompany loans.

The Australia, New Zealand and United Kingdom branches account for approximately 32% (2017: 30%) of the Group's sustainable EBITDA*. Fluctuations in exchange rates therefore affect the translation of these foreign currency profits into South African rand.

* Sustainable EBITDA is calculated to exclude any effects of foreign currency translations. Management compares sustainable EBIT and EBITDA internally on a constant currency basis.

Average exchange rates used by the Group have been provided for comparison purposes.

	2018	2017
ZAR:AUD1	R9.92	R10.20
ZAR:NZD1	R9.12	R9.64
ZAR:GBP1	R17.26	R17.16

Overview

Discounting the effects of the aforementioned non-recurring items, the Group delivered solid results, despite sustained weakness in the South African construction and infrastructure industries.

The Group benefited from the consistent performance of SGB-Cape in South Africa and Premier Modular in the United Kingdom, largely due to remedial interventions in prior years and the success in major contracts such as EDF (nuclear power station in the UK) and Kusile. In other instances where businesses have experienced difficulties, we have restructured as required and continuously applied measures to protect or grow revenue, and optimise financial performance in line with our Alchemy of Growth strategy.

Granularity of Growth

During 2018, the Group embedded the Granularity of Growth concept to identify opportunities to generate more growth in its existing markets, products sets and customers bases, and to seek out new sources of revenue in niche markets. The management team has actively pursued this more targeted approach to resource allocation and growth throughout Waco International. The progress achieved so far has contributed to the Group's ability to build resilience in low-growth environments and innovate new sources of growth that will secure its long-term future.

Acquisitions

The acquisition of Star Scaffolds in Australia was concluded during January 2018, as part of the Group's expansion into different sectors. Star Scaffolds operates predominantly in the low-density residential construction market and supplies aluminium mobile and access scaffolding, roof and void protection, and related services. The aim is to grow this business further which will, in turn, benefit the Group, making it less reliant on the vagaries of specific markets and products. Star Scaffolds delivered on expectations, contributing to the Group's profitability in 2018.

Outlook

The current global economic outlook is mixed and volatile. As the global cyclical upswing approaches its two-year mark, the pace of expansion in some economies appears to have peaked, and growth has become less synchronised across countries. Among emerging markets and developing economies, growth prospects are also becoming more uneven, amid rising oil prices, higher yields in the United States, escalating trade tensions, and market pressures on the currencies of some economies with weaker fundamentals.

In the markets we serve, the outlook remains mixed. Uncertainty stemming from Brexit in the UK and the change in leadership and political instability in South Africa are clouding economic projections. This is somewhat counteracted by the more positive outlook in Australia, New Zealand and the rest of Africa.

The Group generates most of its revenue from contracting and rental services that offer annuity-type income over periods ranging from six months to two years. This, to some extent, provides a buffer against cyclical industries such as the struggling construction sector in South Africa. Currently, about 63% of the Group's EBITDA is generated in South Africa, whose economy remains stagnant, with low growth projections on a macroeconomic scale.

Our long-term strategy is to continue to diversify our Group by taking advantage of opportunities in new and established markets and geographies where there is growing demand for our diversified equipment rental and industrial products and services, especially in sub-Saharan Africa, where real output growth is expected to accelerate in 2018 and 2019.

Australia and New Zealand have largely positive outlooks. However one of our key markets, high rise residential in Australia, is expected to slow substantially. This is compensated for by buoyant non-residential starts with commercial and public service investment picking up. In New Zealand, high profitability, low financing costs, housing shortages and government demand should support investment. Forecasts are for government consumption to grow due to plans to boost spending on health, education and a house building program. Capacity constraints could however impact on the positive outlook for New Zealand.

In the United Kingdom, growth has slowed, with construction output also falling, due to weak confidence, softening investor demand and rising costs. Looking beyond the Brexit uncertainty, the key challenge for the government is to boost productivity levels, which will require increased public and private investment, which is a positive for the markets in which we operate in.

It is clear from the preceding information that in the main the economic environment will remain a challenge for at least the next 18 to 24 months.

Nevertheless, acquisitions concluded in 2018, as well as existing growth initiatives and improvements in areas of our business as usual not currently giving us the required returns, should contribute to the future growth prospects of Waco International. We will also continue to look at further acquisitions and growth opportunities which meet our strategic objectives.

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

R thousand	Note	2018	2017 (Restated)
Revenue		6 160 647	5 300 268
Cost of sales		(4 100 186)	(3 336 535)
Gross profit		2 060 461	1 963 733
Other income	2	9 711	10 333
Distribution expenses		(917 114)	(854 356)
Administration expenses		(480 336)	(455 505)
Impairment of hire equipment	5	(141 323)	(110 898)
Other operating expenses	3	(14 030)	(46 460)
Results from operating activities	4	517 369	506 847
Finance expense		(128 051)	(122 910)
Finance income		12 093	8 633
Foreign exchange loss		(6 252)	(42 410)
Net finance expense		(122 210)	(156 687)
Share of profit of equity-accounted investee		–	343
Profit before income tax		395 159	350 503
Income tax		(137 056)	(83 665)
Profit for the year		258 103	266 838
Other comprehensive income			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		37 151	(159 781)
Total comprehensive income for the year		295 254	107 057
Profit attributable to:			
Owners of the company		204 684	213 687
Non-controlling shareholders		53 419	53 151
		258 103	266 838
Total comprehensive income attributable to:			
Owners of the company		241 835	53 906
Non-controlling shareholders		53 419	53 151
		295 254	107 057
Earnings per share			
Basic and diluted earnings per share (rand)		1.14	1.08

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

R thousand	Note	2018	2017
ASSETS			
Equipment for hire	5	2 407 372	2 252 537
Property, plant and equipment		171 154	170 664
Goodwill		172 197	104 155
Intangible assets		11 179	335
Deferred tax assets		47 238	46 211
Equity-accounted investees		–	1 337
Other investments		432	6 486
Total non-current assets		2 809 572	2 581 725
Inventories		211 431	241 589
Trade and other receivables		1 311 194	1 089 621
Prepaid tax		27 053	2 773
Cash and cash equivalents		247 978	307 393
Total current assets		1 797 656	1 641 376
Total assets		4 607 228	4 223 101
EQUITY			
Stated ordinary share capital		1 134	1 134
Preference shareholder capital		356 285	699 326
Foreign currency translation reserve		242 476	205 325
Accumulated profit		592 281	462 614
Total equity attributable to equity holders of the group		1 192 176	1 368 399
Non-controlling interest		386 321	332 902
Total equity		1 578 497	1 701 301
LIABILITIES			
Interest-bearing borrowings		1 563 606	1 106 396
Other long-term liabilities		58 344	41 709
Deferred tax liabilities		78 571	68 936
Employee benefits		39 413	80 824
Total non-current liabilities		1 739 934	1 297 865
Bank overdrafts		–	24 433
Trade and other payables		988 378	937 408
Derivative financial instrument		2 992	5 941
Employee benefits		137 209	104 726
Provisions		20 187	41 427
Interest-bearing borrowings		110 000	110 000
Tax payable		30 031	–
Total current liabilities		1 288 797	1 223 935
Total liabilities		3 028 731	2 521 800
Total equity and liabilities		4 607 228	4 223 101

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

R thousand	Stated ordinary share capital	Preference share- holder capital	Foreign currency translation reserve	Accumu- lated profit	Total	Non- controlling interest	Total equity
Balance at 30 June 2016	1 141	965 176	365 106	353 081	1 684 504	282 751	1 967 255
Total comprehensive income for the year							
Profit for the year	–	–	–	213 687	213 687	53 151	266 838
Other comprehensive income							
Foreign currency translation differences	–	–	(159 781)	–	(159 781)	–	(159 781)
Total comprehensive income for the year	–	–	(159 781)	213 687	53 906	53 151	107 057
Transactions with owners recorded directly in equity							
Treasury shares repurchased during the year	(7)	–	–	(13 035)	(13 042)	–	(13 042)
Preference shares repurchased during the year	–	(164 803)	–	–	(164 803)	–	(164 803)
Dividends paid to preference shareholders	–	(192 166)	–	–	(192 166)	–	(192 166)
Dividends paid to minority shareholders	–	–	–	–	–	(3 000)	(3 000)
Accumulated reserves attributable to preference shareholders	–	91 119	–	(91 119)	–	–	–
Balance at 30 June 2017	1 134	699 326	205 325	462 614	1 368 399	332 902	1 701 301
Total comprehensive income for the year							
Profit for the year	–	–	–	204 684	204 684	53 419	258 103
Other comprehensive income							
Foreign currency translation differences	–	–	37 151	–	37 151	–	37 151
Total comprehensive income for the year	–	–	37 151	204 684	241 835	53 419	295 254
Transactions with owners recorded directly in equity							
Preference shares repurchased during the year	–	(225 892)	–	–	(225 892)	–	(225 892)
Dividends paid to preference shareholders	–	(192 166)	–	–	(192 166)	–	(192 166)
Accumulated reserves attributable to preference shareholders	–	75 017	–	(75 017)	–	–	–
Total contributions by and distributions to owners	–	(343 041)	–	(75 017)	(418 058)	–	(418 058)
Balance at 30 June 2018	1 134	356 285	242 476	592 281	1 192 176	386 321	1 578 497

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

R thousand	Note	2018	2017
Cash flows from operating activities			
Operating cash flow before working capital changes	6	895 365	908 528
Working capital changes	7	(186 074)	(45 713)
Finance costs paid		(126 964)	(123 189)
Finance income received		8 699	7 314
Income tax paid		(119 132)	(123 640)
Net cash from operating activities		471 894	623 300
Cash flows from investing activities			
Additions of property, plant and equipment		(36 463)	(49 071)
Additions of equipment for hire		(431 560)	(343 245)
Proceeds from disposal of property, plant and equipment		2 852	530
Proceeds from disposal of equipment for hire		97 224	75 688
Additions of intangible assets		–	(60)
Acquisition of subsidiaries		(161 139)	(79 570)
Proceeds on disposal of financial instrument		6 054	–
Disposal of subsidiaries, net of cash disposed		–	(1 233)
Disposal of investment in equity securities		–	11 620
Dividends paid (<i>redemption A preference shares</i>)		(192 166)	–
Net cash from investing activities		(715 198)	(385 341)
Cash flows from financing activities			
Interest-bearing borrowings repaid		(129 837)	(117 895)
Interest-bearing borrowings raised		580 284	342 439
Other long-term liabilities repaid		(27 418)	(559)
Repurchase of treasury shares		–	(13 042)
Repurchase of preference shares		(225 892)	(356 969)
Net cash from financing activities		197 137	(146 026)
Net (decrease)/increase in cash and cash equivalents		(46 167)	91 933
Cash and cash equivalents at 1 July		282 960	223 747
Effect of exchange rate fluctuations on cash held		11 185	(32 720)
Cash and cash equivalents at 30 June		247 978	282 960

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation to the summarised consolidated financial statements

Waco International Holdings Proprietary Limited (the company) is a company incorporated and domiciled in South Africa. The summarised consolidated financial statements of the company as at and for the year ended 30 June 2018 comprise the company and its subsidiaries (together referred to as the Group and individually as Group entities). The summarised consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 12 December 2018.

The summarised consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements.

The accounting policies applied in the preparation of the audited consolidated financial statements, from which the summarised consolidated financial statements were derived, have been applied consistently by all Group entities to all periods presented in these financial statements, except for the adoption of new or revised standards. The application of said standards has had no effect on the financial statements.

The summarised consolidated financial statements are presented in South African rand, which is the presentation currency of the Group. The functional currency of the holding company of the Group is South African rand. All the financial information presented in South African rand has been rounded to the nearest thousand unless indicated otherwise.

The summarised consolidated financial statements do not include all the statements, accounting policies and disclosures required in the consolidated and separate financial statements and should therefore be read in conjunction with the Group's audited consolidated and separate financial statements as at 30 June 2018 that are available on request from Eben le Roux at ebenlr@wacoint.co.za or for no charge at the company's registered offices during normal business hours. This report was compiled under the supervision of Mr Eben le Roux CA(SA), Chief Financial Officer, and Mrs Bernadette Cohn CA(SA), Group Financial Manager.

1.2 Estimations and judgements applied by management in applying accounting policies

The following estimations and judgements, which could have a significant effect on the 2018 financial statements, were made by management in applying the accounting policies at 30 June 2018.

Impairment of obsolete equipment for hire

The Group reviews and tests the carrying value of hire equipment annually or when events or changes in circumstances suggest that the carrying amount may not be recoverable by comparing the recoverable amounts to these carrying values.

Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of recoverable amounts of each group of assets.

The recoverable amounts of cash-generating units (CGUs) and individual assets have been determined based on the higher of value in use and fair value less cost of disposal (FVLCD) calculations. Expected future cash flows used to determine the value in use or FVLCD of hire equipment is inherently uncertain and could materially change over time.

They are significantly affected by a number of factors including utilisation and forecasts, together with economic factors such as the discount rates, foreign currency exchange rates, and market trends and market saturation.

When determining the value in use, management applies significant judgement to forecasting future cash flows and determining the appropriate discount and growth rates to be applied.

Impairment of trade receivables

Management identifies impairment of trade receivables on a continuing basis. The estimation of the requirement for impairment is based on the current collectability of the trade receivables, as well as taking into account the historical factors with regard to impairment of trade receivables. Management believes that the impairment is appropriate and there are no significant trade receivables that are doubtful and have not been provided for.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcomes of these matters are different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

1.2 Estimations and judgements applied by management in applying accounting policies (continued)

Taxation (continued)

The Group recognises the net future tax benefit related to deferred tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Assessing the recoverability of deferred tax assets requires the Group to make significant estimates related to expectations of future taxable income.

Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

R thousand	2018	2017
2. OTHER INCOME		
Insurance claim proceeds	7 498	10 143
Other	2 213	190
	9 711	10 333
3. OTHER OPERATING EXPENSES		
Amortisation of intangible assets	(87)	(964)
Acquisition of business combination costs	(9 978)	(256)
Impairment of loan receivable	–	(17 939)
Impairment of goodwill (<i>Bychal</i>)	(24 504)	–
Reversal of earn-out provision (<i>Bychal</i>)	21 619	
Loss on sale of subsidiary	–	(26 572)
Other	(1 080)	(729)
	(14 030)	(46 460)
4. RESULTS FROM OPERATING ACTIVITIES		
The following items were charged/(credited) to results from operating activities:		
Depreciation		
– property, plant and equipment	40 703	37 533
– equipment for hire	201 687	172 235
Amortisation of intangible assets	87	964
(Profit)/loss on disposal of:		
– property, plant and equipment	(158)	798
– equipment for hire	(31 625)	(48 039)
– subsidiary	–	26 572
Operating lease expense	233 509	213 719
Recognition of impairment loss on equipment for hire	141 323	110 898
Australasia product line (<i>refer to note 5</i>)	126 993	–
Australia legacy and Chile equipment	–	85 742
Other impairment losses on equipment hire	14 330	25 156
Expenses incurred on proposed sale	19 512	5 675
Research and development cost	150	140
Professional fees	15 849	15 536
Auditors' remuneration	12 040	10 232
Audit fee	7 888	7 347
Non-audit-related fees (<i>Acquisition of Star Scaffolds</i>)	1 261	–
Tax services	2 891	2 885
Other professional service fees	1 086	1 201
Employee costs	2 329 178	1 919 212
Salaries and wages	2 217 487	1 801 704
Defined contribution expense	57 058	69 186
Provision for ESOP Trust bursaries	6 665	–
Other long-term employee benefits	47 968	48 322
Number of employees	9 777	10 271

Notes to the summarised consolidated financial statements (continued)

R thousand	Total	Scaffolding, shoring and formwork	Modular buildings	Sanitation equipment	Motorised equipment
5. EQUIPMENT FOR HIRE					
<i>Cost</i>					
Balance at 1 July 2016	2 791 547	2 078 510	448 482	163 733	100 822
Acquisition of business	36 811	–	32 315	4 496	–
Additions	343 245	190 443	64 230	63 535	25 037
Transfers (to)/from inventory	11 271	–	(332)	–	11 603
Disposal of business	(59 088)	(59 088)	–	–	–
Disposals	(47 232)	(21 399)	(17 926)	(2 707)	(5 200)
Effect of movements in exchange rates	(212 477)	(153 136)	(59 264)	(63)	(14)
Balance at 30 June 2017	2 864 077	2 035 330	467 505	228 994	132 248
Acquisition of business	93 863	83 555	–	10 308	–
Additions	431 560	205 526	129 301	42 111	54 622
Transfers from inventory	151	–	91	–	60
Disposals	(178 189)	(131 206)	(30 493)	(8 602)	(7 888)
Effect of movements in exchange rates	49 165	22 501	26 903	(3)	(236)
Balance at 30 June 2018	3 260 627	2 215 706	593 307	272 808	178 806
<i>Accumulated depreciation and impairment losses</i>					
Balance at 1 July 2016	391 413	225 926	84 043	70 238	11 206
Depreciation for the year	172 235	88 368	38 896	33 539	11 432
Recognition of impairment losses	110 898	110 898	–	–	–
Disposal of business	(6 255)	(6 255)	–	–	–
Disposals	(19 583)	(7 700)	(10 077)	(1 806)	–
Effect of movements in exchange rates	(37 168)	(20 968)	(16 227)	(6)	33
Balance at 30 June 2017	611 540	390 269	96 635	101 965	22 671
Depreciation for the year	201 687	98 870	44 477	43 363	14 977
Recognition of impairment losses	141 323	141 323	–	–	–
Disposals	(112 590)	(82 558)	(20 429)	(7 929)	(1 674)
Effect of movements in exchange rates	11 295	4 133	7 156	9	(3)
Balance at 30 June 2018	853 255	552 037	127 839	137 408	35 971
<i>Carrying amounts</i>					
At 30 June 2017	2 252 537	1 645 061	370 870	127 029	109 577
At 30 June 2018	2 407 372	1 663 669	465 468	135 400	142 835

- 5.1 The Group reviews and tests the carrying value of hire equipment annually or when events or changes in circumstances suggest that the carrying amount may not be recoverable by comparing the recoverable amounts to these carrying values.

Included in the R141 million impairment is R127 million which relates to the Australasia business.

Subsequent to year-end the following internal indicators of impairment were identified in the Australasia business:

- (a) The first forecast of the 2019 financial year came up short compared to what was budgeted
- (b) Certain product lines have continued to show very low utilisation, with no real prospects to improve

As a result of the above, together with the Group's drive to sell low-utilised items/excess stock, management has performed an in-depth assessment to determine whether any write-off/impairment existed at 30 June 2018 on the Australasia hire equipment stock.

Management grouped the assets of the Australasia business into the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash inflows from other assets or groups of assets ("CGU").

For these CGUs the recoverable amounts have been determined based on the higher of value in use and fair value less cost of disposal ("FVLCO") calculations.

To determine whether any of these CGUs may be impaired, the higher of value in use (defined as: “the present value of future cash flows expected to be derived from an asset or CGU”) or fair value less costs of disposal (“FVLCD”) (defined as: “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”) is compared to the carrying value of the asset/CGU.

Based on this in-depth assessment performed by management, it was identified that these internal impairment indicators provided evidence of conditions that already existed at 30 June 2018. As required by IAS 10, the Group recognised the impairment in its financial statements.

Below is a summary of the relevant CGUs and the impairment that was recognised:

CGU	Carrying amount ¹	Recoverable amount ¹	Impairment ¹
Australia:			
Base scaffolding ²	601 094	1 107 656	–
Hire West ³	44 262	7 715	36 547
Formwork ⁴	76 392	31 807	44 585
Star Scaffolding ⁵	93 540	279 288	–
New Zealand:			
APL ⁶	146 512	120 319	26 193
United Scaffolds ⁷	28 979	400 785	–
Obsolete stock items ⁹			19 668
Total			126 993

¹ All amounts in R'000

² Scaffolding was valued at its recoverable amount, which resulted in nil impairment. The recoverable amount was based on the value in use applying a discounted cash flow model.

³ The housing demand has dropped substantially over the past two years and is only expected to improve from 2021. Following the identification of impairment, Hire West was valued at its recoverable amount which was based on the fair value less cost to sell, being the scrap value of frames.

⁴ The recoverable amount for formwork was on the fair value less cost to sell.

⁵ The fair value of the Star Scaffolding assets was determined at the acquisition date of 1 January 2018 and continued to deliver revenue in line with expectations. The recoverable amount was based on the value in use applying a discounted cash flow model, indicating significant headroom which resulted in a nil impairment.

⁶ APL impairment relates to formwork. Refer to 4 for determination of recoverable amount of formwork. The remaining scaffolding business of APL indicated significant headroom in the discounted cash flow model and had no indication of impairment.

⁷ The recoverable amount was based on the value in use applying a discounted cash flow model, indicating significant headroom which resulted in a nil impairment.

⁸ The following assumptions were used in the various value in use calculations:

- Management projected cash flows for a period of five years using the most recent budget/forecasts. Cash flow projections beyond this period were determined by extrapolating the projections based on the budgets/forecasts using a growth rate of 3% which represents the recent historic average and forecast inflation rate of Australia.
- Discount rate of 10.27% was used, which represents the weighted average cost of capital as determined by UBS and adjusted for factors specific to the Australasia operations.

⁹ Stock items with utilisation below 50% were not considered to contribute to the earnings and were excluded from the value-in-use assessments. The recoverable amount for these items was determined using the fair value less cost to sell, being the scrap value of steel.

¹⁰ When measuring the fair value of the above CGUs, the Group used observable market data as far as possible and applied Level 1 “Quoted prices (unadjusted) in active markets for identical assets or liabilities” of the fair value hierarchy as required by IFRS 13.

¹¹ Impairment losses were recognised in profit or loss (refer to note 4).

Notes to the summarised consolidated financial statements (continued)

R thousand	2018	2017
6. OPERATING CASH FLOW BEFORE WORKING CAPITAL CHANGES		
Profit before income tax	395 159	350 503
<i>Adjusted for:</i>		
Net finance expense	122 210	156 687
Non-cash items	377 996	401 338
Depreciation of property, plant and equipment	40 703	37 533
Depreciation of equipment for hire	201 687	172 235
(Profit)/loss on disposal of property, plant and equipment	(158)	798
Profit on disposal of equipment for hire	(31 625)	(48 039)
Loss on disposal of subsidiary	–	26 572
Amortisation of intangible assets	87	964
Recognition of impairment loss on loan	–	17 939
Share of profit of equity-accounted investee	–	(343)
Impairment of goodwill	24 504	
Recognition of impairment loss on equipment for hire	141 323	110 898
Recognition of impairment loss on trade receivables	58 433	37 670
Recognition of write-down on inventory	–	1 018
Reversal of earn-out provision	(21 619)	–
Non-cash movement in provisions	(24 959)	24 817
Non-cash movement in employee benefits	(12 689)	28 356
Deferred income raised/(recognised)	7 233	(6 776)
Other non-cash items	(4 924)	(2 304)
	895 365	908 528
7. WORKING CAPITAL CHANGES		
Decrease/(increase) in inventories	25 498	(39 644)
Increase in trade and other receivables	(213 310)	(213 804)
Increase in trade and other payables	1 738	207 735
	(186 074)	(45 713)

8. SEGMENTAL INFORMATION

2018

R thousand	Forming, shoring, scaffolding and related services		Modular buildings, sanitation and related services		Administration and eliminations	Total
	International	Africa	International	Africa		
Revenue	1 556 998	2 564 269	1 230 551	808 829	–	6 160 647
Cost of sales	(1 028 897)	(1 623 383)	(962 387)	(485 519)	–	(4 100 186)
Gross profit	528 101	940 886	268 164	323 310	–	2 060 461
Adjusted EBIT	87 204	375 590	121 124	139 905	(43 832)	679 991
Adjusted EBITDA	135 890	468 001	153 992	207 602	(43 017)	922 468
Depreciation	48 686	92 409	32 783	67 698	814	242 390
Interest expense	7 054	20	186	–	120 791	128 051
Interest income	28	–	72	–	11 993	12 093
Non-current assets	1 066 651	2 175 221	650 417	765 329	(1 848 046)	2 809 572
Current assets	434 721	672 461	362 059	299 038	29 377	1 797 656
Total assets	1 501 372	2 847 682	1 012 476	1 064 367	(1 818 669)	4 607 228
Non-current liabilities	(351 956)	219 806	(5 750)	(179 320)	(1 422 714)	(1 739 934)
Current liabilities	(213 962)	(332 007)	(431 331)	(189 080)	(122 417)	(1 288 797)
Total liabilities	(565 918)	(112 201)	(437 081)	(368 400)	(1 545 131)	(3 028 731)
Capital employed	935 454	2 735 481	575 395	695 967	(3 363 800)	1 578 497

2017

Revenue	1 272 378	2 322 924	1 047 954	657 012	–	5 300 268
Cost of sales	(686 650)	(1 341 429)	(876 624)	(431 832)	–	(3 336 535)
Gross profit	585 728	981 495	171 330	225 180	–	1 963 733
Adjusted EBIT	88 616	453 143	94 645	90 750	(55 631)	671 523
Adjusted EBITDA	132 717	533 710	126 030	144 960	(55 162)	882 255
Depreciation	39 757	80 565	35 730	53 275	441	209 768
Interest expense	4 331	(388)	81	116	118 770	122 910
Interest income	26	4 670	17	–	3 920	8 633
Non-current assets	1 010 836	2 266 484	428 388	734 220	(1 858 203)	2 581 725
Current assets	310 235	448 862	436 067	118 188	328 024	1 641 376
Total assets	1 321 071	2 715 346	864 455	852 408	(1 530 179)	4 223 101
Non-current liabilities	(118 273)	(35 555)	(9 723)	(148 657)	(985 657)	(1 297 865)
Current liabilities	(212 329)	(324 486)	(436 205)	(128 072)	(122 843)	(1 223 935)
Total liabilities	(330 602)	(360 041)	(445 928)	(276 729)	(1 108 500)	(2 521 800)
Capital employed	990 469	2 355 305	418 527	575 679	(2 638 679)	1 701 301



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INDEPENDENT AUDITOR'S REPORT ON THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Waco International Holdings Proprietary Limited

Opinion

The summarised consolidated financial statements, which comprise the summarised statement of financial position as at 30 June 2018, the summarised statement of profit or loss and other comprehensive income, the summarised statement of changes in equity and the summarised statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of Waco International Holdings Proprietary Limited for the year ended 30 June 2018.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the basis of preparation described in note 1.1.

Summarised consolidated financial statements

The summarised consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to audited financial statements of Waco International Holdings Proprietary Limited. Reading the summarised consolidated financial statements and our report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and our report thereon. The summarised consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 6 December 2018. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the basis of preparation as described in note 1.1.

Auditor's responsibility

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

KPMG Inc.

Per M Hassan

Chartered Accountant (SA)
Registered Auditor
Director
12 December 2018

KPMG Inc. is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Inc. is a Registered Auditor in public practice, in terms of the Auditing Profession Act 26 of 2005.

Registration number 1999/021543121

Executive Chairman	Prof Wiseman Nkuhlu
Directors	Full list on website

The company's principal place of business is at KPMG Crescent,

85 Empire Road, Parktown, where a list of the directors' names is available for inspection



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INDEPENDENT ASSURANCE PRACTITIONER'S REPORT ON SELECTED FINANCIAL AND NON- FINANCIAL INFORMATION DISCLOSED IN THE INTEGRATED REPORT 2018

To the directors of Waco International Holdings Proprietary Limited

We have undertaken a limited assurance engagement on selected financial and non-financial information, as described below, and presented in the Integrated Report 2018 to stakeholders of Waco International Holdings Proprietary Limited ("Waco International") for the year ended 30 June 2018 ("the report"). This engagement was conducted by a team that included assurance specialists with relevant experience in reporting on financial and non-financial information as well as detailed knowledge of Waco International.

Subject matter and related assurance

We have been engaged to provide a limited assurance conclusion on the following financial and non-financial information for the financial years ended 30 June 2014, 2015, 2016, 2017 and 2018 ("financial periods"), prepared in accordance with Waco International's internally developed guidelines and marked with a ✓ on the relevant pages in the report:

- Accuracy of the following financial ratios for the 2014 to 2018 financial periods:
 - › Compound annual growth rate in revenue ("CAGR");
 - › Earnings before interest and tax ("EBIT") CAGR;
 - › Earnings before depreciation, amortisation, interest and tax ("EBITDA") CAGR;
 - › EBIT as a percentage of revenue;
 - › Gross profit margin percentage;
 - › Net operating cash flow ("NOCF");
 - › Return on net assets managed ("RONAM");
 - › Economic value add ("EVA");
 - › Cash flow conversion percentage;
 - › Net capital expenditure ("net capex");
 - › Net capex as a percentage of revenue;
 - › Group revenue share;
 - › Debtors days; and
 - › Net debt.
- Accuracy of the following financial ratio for the 2017 to 2018 financial periods:
 - › Revenue growth percentage.
- Accuracy of the following financial data for the 2014 to 2018 financial periods:
 - › Revenue;
 - › Adjusted EBIT;
 - › Adjusted EBITDA;
 - › Total overheads; and
 - › Gross profit.

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KPMG Inc. is a Registered Auditor in public practice, in terms of the Auditing Profession Act, 26 of 2005

Registration number 1999/021543121

Executive Chairman	Prof Wiseman Nkuhlu
Directors	Full list on website

The company's principal place of business is at KPMG Crescent,

85 Empire Road, Parktown, where a list of the directors' names is available for inspection

Independent assurance practitioner's report on selected financial and non-financial information disclosed in the integrated report 2018 (continued)

- Accuracy of senior management ownership percentage in the ordinary shares of Waco International for the 2018 financial period; and
- Accuracy of number of employees (non-financial data) for the 2014 to 2018 financial periods.

Directors' responsibilities

The directors are responsible for the selection, preparation and presentation of the financial and non-financial information in accordance with Waco International's internally developed guidelines. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to financial and non-financial performance, and design, implementation and maintenance of internal control relevant to the preparation of the report that is free from material misstatement, whether due to fraud or error.

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors* issued by the Independent Regulatory Board for Auditors, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

KPMG Inc. applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's responsibility

Our responsibility is to express a limited assurance conclusion on the selected financial and non-financial information based on the procedures we have performed and the evidence we have obtained. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected financial and non-financial information are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves assessing the suitability, in the circumstances of Waco International's use of its internally developed guidelines as the basis of preparation for the selected financial and non-financial information, assessing the risks of material misstatement of the selected financial and non-financial information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected financial and non-financial information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included inquiries, inspection of documents and system reports, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Recalculated the stated financial ratios (as set out in the subject matter paragraph) for the 2014 to 2018 financial periods from the underlying audited consolidated financial data for those periods;
- Agreed the financial data for the 2014 to 2017 financial periods to the signed Integrated Report 2017 noting accuracy of information;
- Agreed the financial data for the 2018 financial period, as well as any prior year restatements, to the accounting and reporting systems and / or 2018 issued annual financial statements of Waco International noting accuracy of information;
- Recalculated the senior management ownership percentage in the ordinary shares of Waco International for the 2018 financial period from the underlying audited consolidated financial data for the period;
- Agreed the non-financial data to the accounting and reporting systems; and
- Verified the mathematical accuracy and internal consistencies of the report.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether Waco International's selected financial and non-financial information has been prepared, in all material respects, in accordance with its internally developed guidelines.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected financial and non-financial information as set out in the subject matter paragraph for the 2014 to 2018 financial periods, are not prepared, in all material respects, in accordance with the entity's internally developed guidelines.

Other matter

Our report does not extend to any disclosures or assertions relating to future performance plans and/or strategies disclosed in the report.

The maintenance and integrity of Waco International's website is the responsibility of Waco International management. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the report or our independent limited assurance report that may have occurred since the initial date of its presentation on Waco International's website.

Restriction of liability

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected financial and non-financial information to the directors of Waco International in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than Waco International for our work, for this report, or for the conclusion we have reached.

KPMG Inc.



Per M Hassan

Chartered Accountant (SA)

Registered Auditor

Director

12 December 2018

ANNEXURES

USEFUL TERMS

Operational definitions

Alchemy of Growth	The Alchemy of Growth is a framework based on “three horizons” guiding companies on a strategy of sustainable growth through the management of current performance while maximising future opportunities. The <i>Alchemy of Growth</i> was written by Mehrdad Baghai, Stephen Coley and David White. Copyright 1999, 2000 by McKinsey & Company, Inc., United States.
Balanced scorecard	The fundamental mechanism driving the Group’s joint performance management framework. The Waco International balanced scorecard considers key financial indicators (75%) as well as personalised individual growth targets (25%) as the basis for remuneration.
Fleet utilisation	Operational efficiency measurement of the utility Waco International derives from its assets/fleet. Measured by units of fleet on site over total units of fleet.
Forming	Formwork systems are primarily used in the in situ casting of concrete columns, walls and floor slabs in the construction of high-rise residential, commercial and industrial buildings, as well as governmental infrastructure construction projects (such as bridges, dams and tunnels). Formwork systems consist of reusable, standard fixtures and related accessories that hold concrete in place while it sets. These fixtures define the shape of the concrete until it is self-supporting and vary in complexity, depending on the design composition of the structure being built.
Granularity of Growth	Waco International introduced the Granularity of Growth concept in June 2016 to extend and refine the Alchemy of Growth strategy. The concept, also developed by McKinsey & Company, is founded on the belief that companies should base their growth strategies on more detailed views of their markets to identify growth opportunities.
Hire fleet	The equipment which the Group offers to customers to hire, including forming, shoring and scaffolding equipment, relocatable modular buildings and portable toilets.
Hygiene services	Integrated hygiene services, including the rental and servicing of sanitisers, wipes, toilet tissue dispensers, sanitary bins, and hand washing and drying components, as well as contract cleaning and pest control services.
Lost-time injury frequency rate (LTIFR)	A lost-time injury (LTI) is defined as an incident resulting in a fatality, permanent disability or time lost from work of one day/shift or more. LTIFR is a measurement of the number of lost-time injuries within a given period relative to the total number of hours worked in the same period. For ease of comparison across companies and industries, a standard rate of one LTI per 200 000 hours is assumed, i.e. $LTIFR = (LTIs / \text{actual man-hours worked}) \times 200\,000$.
Other sub-Saharan Africa	Sub-Saharan African countries excluding South Africa.
Price: earnings	The ratio of share price to earnings per share.
Relocatable modular buildings	Modular buildings consist of modules or sections linked together on site to form temporary or permanent structures. Modules are manufactured in a controlled factory environment and, as a result, many of the time delays associated with traditional building methods (including inclement weather, material shortages, delivery problems or labour shortages) are minimised. Due to the factory-controlled environment, safety and health can be closely monitored, minimising the probability of incidents. The buildings can be disassembled, relocated and utilised elsewhere.
Sanitation services	Sanitation services include the hire of portable chemical toilets, regular servicing of portable toilets, as well as septic tank pumping.

Operational definitions

Scaffolding	Scaffolding is a framework system usually used to facilitate temporary access. It entails the provision of safe, elevated access platforms for workers to carry out a range of tasks in the construction and maintenance of buildings, civil engineering structures, industrial facilities, ships, oil rigs and other structures. It is also used as a stand-alone system, such as temporary spectator seating or platforms for public entertainment events.
Shoring	Shoring (also referred to as falsework) refers to the use of scaffolding systems and other products to provide support at varying heights to horizontal formwork systems for casting floor slabs, bridge decks and other concrete structures.
Suspended and aerial platforms	Powered access systems to facilitate working at height solutions across a range of industries.

Financial definitions

Adjusted EBITA/EBITDA	Adjusted EBITA/EBITDA for certain events that management believes are of a capital or non-recurring nature and not representative of Waco International's ongoing business, and which the Group eliminates for the purpose of providing investors with a measure of its financial performance, which is in line with certain measures that management considers important in evaluating Waco International's underlying performance, and which management relies upon in the day-to-day operation of the business.
Compound annual growth rate (CAGR)	Growth in key metrics over time.
Constant currency	A constant exchange rate that eliminates the effects of exchange rate fluctuations over different financial periods and is used to show financial performance numbers excluding currency fluctuations.
Days sales outstanding (DSO)	Days sales outstanding is a measure of the average number of days that it takes to collect cash from a customer after a sale has been made.
EBIT	Earnings before interest and tax, as defined by IFRS.
EBITA	Earnings before interest, tax and amortisation.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Economic value add (EVA)	EVA is the operating profit earned by the business less the notional cost of financing the business's capital (12%). Waco International evaluates the EVA of an investment over a number of years to drive sustainable long-term growth in shareholder value. This is managed by incorporating EVA as a long-term incentive measure.
Net capital expenditure	Investment in expansion initiatives and maintenance requirements less proceeds from fleet sales.
Net operating cash flow (NOCF)	The amount of cash generated from the business operations, calculated by adjusting net income (pre-tax and interest) for depreciation, amortisation, changes to net working capital and net capital expenditure.
Net working capital	Net working capital represents the difference between current assets, inventory and trade and other receivables, and the current liabilities, trade and other payables of the Group.
Return on net assets managed (RONAM)	EBIT as a percentage of the average net assets managed over the course of a reporting period.

GLOSSARY

ABET	Adult basic education and training
AMCU	Association of Mineworkers and Construction Union
BEE	Black economic empowerment
B-BBEE	Broad-based black economic empowerment
BLDP	Business Leaders Development Programme
Board	The board of directors of Waco International Holdings Proprietary Limited
CAGR	Compound annual growth rate
Net capex	Net capital expenditure
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Code	Code of conduct
Companies Act	Companies Act of South Africa, 71 of 2008 (as amended)
DSO	Days sales outstanding
EBITDA	Earnings before interest, tax, depreciation and amortisation
EDP	Executive Development Programme
EVA	Economic value add
Exco	Executive committee
GDP	Gross domestic product
GIBS	Gordon Institute of Business Science
HR	Human resources
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
<IR> Framework	Integrated Reporting Framework
IT	Information technology
King IV	King IV Report on Corporate Governance ^{TM1}
KPI	Key performance indicator
LTI	Lost-time injury
LTIFR	Lost-time injury frequency rate
MOI	Memorandum of incorporation
NIC	New informal concept
NOCF	Net operating cash flow
NUM	National Union of Mineworkers
NUMSA	National Union of Metalworkers of South Africa
RMB	Rand Merchant Bank
RONAM	Return on net assets managed
SCT	Steam clean toilet
Solidarity	A South African trade union
SMME	Small, micro and medium enterprise
TAP the Best Team	Transparency, Accountability, Performance, Best practice and Teamwork (Waco International's business principles)
TCTC	Total cost to company
UK	United Kingdom
UASA	Formerly named United Association of South Africa
WGAR Scheme	Waco Growth Appreciation Rights Scheme
WGAR units	Waco Growth Appreciation Rights units

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CURRENCY CONVERSION TABLE

Group ZAR	2018		2017		2016		2015		2014		Constant currency rate
	Average	Closing	Average	Closing	Average	Closing	Average	Closing	Average	Closing	
Australian dollar (AUD)	9.92	10.14	10.20	9.93	10.62	11.13	9.47	9.40	9.48	9.96	9.48
British pound (GBP)	17.26	18.06	17.16	16.80	21.47	20.10	18.00	19.30	16.89	18.01	16.89
US dollar (USD)	12.83	13.73	13.51	12.96	14.63	15.01	–	–	10.37	10.58	10.37
New Zealand dollar (NZD)	9.12	9.29	9.64	9.46	9.79	10.64	8.77	8.39	8.56	9.27	8.56



Waco Africa (Pty) Ltd

BBBEE Contribution Level:

2

BEE Supplier Recognition:

125%

A Transformex Generic Verification Scorecard

Products and Services	Support Services to the Construction and Engineering Industries			
Physical Address	181 Barbara Road, Cnr Barbara and Tunney Road, Elandsfontein, Gauteng			
Registration Number	2012/000665/07			
Vat Number	4390260539			
Name of divisions/subsidiaries included in analysis			VAT Number	
SANITECH			4440260539	
SKYJACKS			4370268015	
ABACUS SPACE SOLUTION			4390260539	
FORM-SCAFF			4390260539	
SGB-CAPE			4390260539	

Scorecard Elements	Maximum Score	Company Score	Analysis	Results
BEE Ownership	25.00	25.00	Black Economic Ownership:	51.81%
BEE Management Control	19.00	10.88	Black Voting Rights:	52.59%
Skills Development	25.00	15.70	Black Women Ownership:	19.94%
Enterprise & Supplier Development	44.00	40.12	Black Designated Ownership:	11.81%
Socio-Economic Development	5.00	5.00	Principles Used (FTP/MFT/CCP)	FTP
Total Score	118.00	96.70	Empowering Supplier	YES
Certificate Number	WAC001G3121118		Issue Date	29 November 2018
Issue Number	1		Expiry Date	28 November 2019

This verification is an analysis of information collated as at October 2018 and is based on the methodology as per the Department of Trade and Industry's, Amended Codes of Good Practice on BBBEE (Gazette 36928) released 11 October 2013

BEE Contributor Status	BEE Procurement Recognition Levels
Level One Contributor	135%
Level Two Contributor	125%
Level Three Contributor	110%
Level Four Contributor	100%
Level Five Contributor	80%
Level Six Contributor	60%
Level Seven Contributor	50%
Level Eight Contributor	10%
Non-Compliant Contributor	0%

For Transformex CC

For Transformex CC
TRANSFORMEX CC, Reg 2007/043419/23
Contact 011 477-5622 or visit www.transformex.co.za



BVA 151
COR07-C: GENERIC VERIFICATION CERTIFICATE V01/R05/0712

ADMINISTRATION

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Email: stepheng@wacoint.co.za

Chief Financial Officer: Eben le Roux
Email: ebenlr@wacoint.co.za

Company Secretary: Mark Towler
Email: markt@wacoint.co.za

Registered auditors

KPMG Inc.

85 Empire Road, Parktown, Johannesburg, 2193

Switchboard: +27 11 647 7111

Principal banker

The Standard Bank of South Africa Limited and Barclays

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Forward-looking statements

Certain statements in this report may constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Waco International Holdings Proprietary Limited and its subsidiaries to be materially different from the future results, performance or achievements expressed or implied by such forward-looking statements. The Group undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events. These have not been reviewed or reported on by the Group's auditors.



Africa

www.sgbcape.co.za



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