WBHO

INTEGRATED REPORT 2016

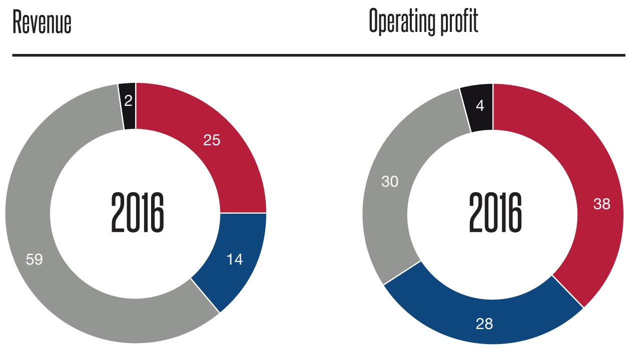
HIGHLIGHTS

MIKE WYLIE

CHAIRMAN

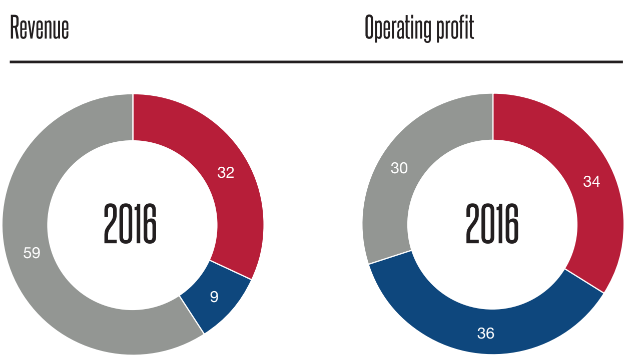
"The prevailing conditions in the construction industry changed little during the year. Driven by the private sector, building markets continued to be buoyant, while the mining and public sectors remained sluggish."

Contribution by segment (%)



- Building and civil engineering (including property developments)
- Roads and earthworks
- Australia
- Construction materials

Contribution by geography (%)



- South Africa
- Rest of Africa
- Australia

Revenue ↑
6,3% to R30,7 billion
2015: R28,8 billion (restated)

Operating margin ↑
to 3,3%
2015: 2,7% (restated)

HEPS ↑
Continuing operations
23,8% to 1 343 cents
2015: 1 085 cents (restated)

Cash ↑
44% to R5,8 billion
2015: R3,9 billion

ROCE ↑
to 22,9%
2015: 18,0%

Dividend ↑
22% to 448 cents
2015: 368 cents

"The overall performance of the group has been solid this year with most divisions meeting or exceeding our expectations. We are producing steady, organic growth in Australia where we have returned to profitability and, in spite of the current economic conditions, we have maintained overall activity levels within our African-based business."

LOUWTJIE NEL
CHIEF EXECUTIVE OFFICER

THE WBHO WAY

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

REPUTATION

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

QUALITY

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

COST-AWARENESS

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

TEAMWORK

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

CULTURE

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

CONTENTS

ABOUT THIS REPORT

The directors of Wilson Bayly Holmes-Ovcon Limited (hereafter referred to as "WBHO") hereby present the FY16 integrated report. The purpose of this report is to provide our stakeholders, which include our clients, employees, shareholders, investors and other interested parties, with the information (both financial and non-financial) that will enable them to formulate a broad, contextual overview of the operating context, strategic objectives and performance of the company for the year ended 30 June 2016.

ENHANCEMENTS TO THIS REPORT

This year, we have expanded the governance section of our report in order to provide a more integrated view of our governance activities and achievements. It features reports and commentary on several key aspects of governance, including risk management, assurance, compliance and ethics, and provides information on the key governance initiatives and challenges tackled by the group during the year. An overview of our Board of Directors that highlights the composition, experience and tenure of the Board has also been included. Detailed information about our Board of Directors and Board committees and our philosophy and approach toward sustainability are available under the governance and sustainability sections of our website at www.wbho.co.za. The remuneration report has been restructured to present the key elements of our remuneration policy, followed by detailed information of how these elements have been implemented in the current year. As always, the guiding intention behind the new reporting structure is still to answer the question of how the governance structure of the group supports its ability to create value in the short, medium and long term.

In keeping with previous reports, we have strived to balance accessibility and convenience with full disclosure and transparency. We have presented the critical information as concisely as possible in the body of this report, while also publishing supplementary information in respect of governance and our social, environmental and quality performance for the year online.

SCOPE AND BOUNDARY

This integrated report covers our fiscal year of 1 July 2015 to 30 June 2016. The scope of this report encompasses all operating subsidiaries of the group and covers relevant aspects of its African and Australian operations. There have not been any material changes during this reporting period in terms of the size, location, structure or ownership of the organisation.

BASIS OF PREPARATION

This report has been produced in line with the recommendations of the King Report on Governance for South Africa 2009 (King III), the Listings Requirements of the Johannesburg Stock Exchange (JSE) and the guiding principles and content elements suggested by the International Integrated Reporting Council (IIRC) and the Global Reporting Initiative (GRI). For more detail regarding our GRI application, please refer to the GRI content index published on the WBHO website. Restatements of prior year figures have been made in accordance with International Financial Reporting Standards (IFRS) and are fully disclosed in the summary consolidated financial statements included herein. There were no other significant restatements from prior periods and external assurance has not been sought on the non-financial disclosures made in this report. The Audit committee is responsible for overseeing the content of this report and recommended the report to the Board for its approval.

FORWARD-LOOKING STATEMENTS

This report may contain certain forward-looking statements that relate to the financial position and results of the operations of the group. If made, these statements are based on the views of the directors solely. Actual results may differ substantially from the expectations of directors, and readers are cautioned not to place undue reliance on these statements.

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

BOARD RESPONSIBILITY

The Board acknowledges its responsibility for the completeness and integrity of this report and its supplementary information. Assisted by its Audit committee, the Board has applied its collective mind to the preparation and presentation of this report and concluded that it is presented in accordance with the International Integrated Reporting Framework V1.0.

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

Mike Wylie
Chairman

Louwtjie Nel
Chief Executive Officer

11 October 2016

STATEMENT OF COMPLIANCE BY COMPANY SECRETARY

I confirm that the company has lodged all returns, in respect of the year ended 30 June 2016, that are required to be lodged by a public company in terms of the Companies Act of South Africa with the Registrar of Companies, and that all such returns are true, correct and up to date.

Shereen Vally-Kara
Company Secretary

11 October 2016

BUSINESS MODEL

INPUTS

HUMAN CAPITAL

Our people are critical to our success and sustainability. Through a combination of our culture of shared values, known as "The WBHO Way", and initiatives to attract, mentor and grow the best personnel, we have developed the skilled workforce and experienced management teams necessary to secure and deliver projects and grow as a company. The high importance of this input thus drives three of our strategic objectives: "Capacity and talent management"; "Localisation and transformation"; and "Safety and environmental management".

SOCIAL AND RELATIONSHIP CAPITAL

Our relationships with our stakeholders are dynamic assets that underpin our ability to create value. This importance is reflected in our "Relationships and reputation" strategic objective. Our close relations with clients ensure we are able to generate repeat business on reasonable contractual terms. We have also developed strong relationships with lending institutions to ensure that we have access to sufficient financial capital as and when required, on fair commercial terms.

INTELLECTUAL CAPITAL

Our "Procurement and execution" strategic objective is recognition of the importance of bidding for, and securing, the right projects, for the right clients, at the right margins and contractual terms, and then delivering these at the highest possible quality. Our capacity to submit quality bids and execute these with excellence is built on surrounding skilled people with the right tools and processes to achieve these aims. These tools and processes are our "know how" and the intellectual property that keeps us consistently excellent.

NATURAL CAPITAL

Like any organisation, we rely on a mixture of raw materials, fuel and energy to power our activities and, ultimately, to create value. As a member of the construction industry, we also acknowledge our moral and legal responsibility to safeguard the environment and operate in a sustainable manner. We monitor and report on our consumption of natural resources and impact on the environment through an ISO 14001 accredited environmental management system.

MANUFACTURED CAPITAL

From our perspective, this input is predominantly our infrastructure and, in particular, our fleet of high-quality plant. Our investment in superior plant and its maintenance ensures our people are able to deliver projects on time and to the highest standard. Accordingly, this input feeds into two of our strategic objectives: "Flexibility and diversification" and "Procurement and execution".

FINANCIAL CAPITAL

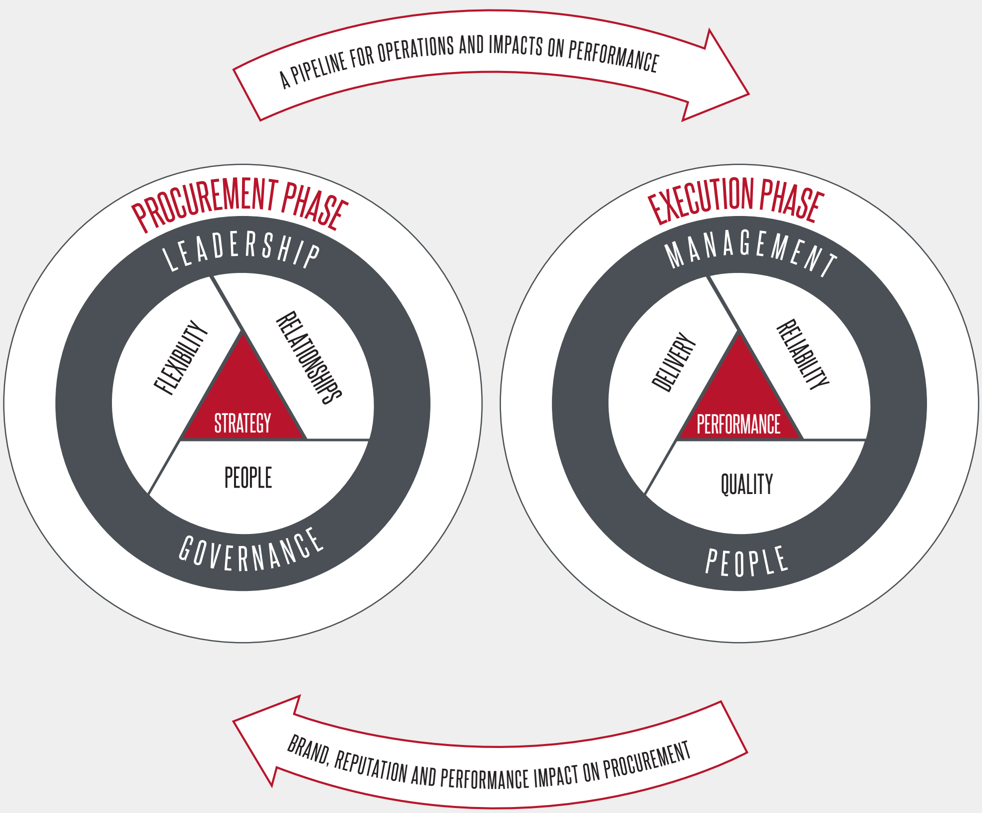
Given the contractual and cyclical nature of the construction industry, access to financial capital is a critical dependency and underpins our ability to procure work and grow. Chief among the specific financial inputs we require are working capital and sufficient guarantee facilities. We manage our working capital cycles, debt exposure and dividend policy carefully to ensure a conservative balance sheet.

BUSINESS PROCESSES

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

Strategic planning, risk management and governance form an integral part of the procurement process. During this process, the group leverages its inherent skills and expertise, brand and reputation, and financial strength to secure those projects that will achieve the implementation of its short to medium-term strategic objectives.

It is during the execution or operational phase that the brand and reputation of the group is created. The key fundamentals of reliability, delivery and quality, together with an ability to build and nurture relationships, underpin the motto of the group of being a "pleasure to do business with".



SUPPORT PROCESSES

- HUMAN RESOURCES
- FINANCE AND TREASURY
- RISK MANAGEMENT
- INFORMATION TECHNOLOGY
- SAFETY, HEALTH, ENVIRONMENT AND QUALITY
- COMPLIANCE

OUTPUTS AND ACTIVITIES

SERVICES/PRODUCTS

SECTORS

BUILDING AND CIVIL ENGINEERING

Industry-leading building and civil engineering teams with the capabilities to execute large-scale public and private projects across a wide variety of sectors throughout Africa and Australia.

Sectors:

- Retail
- Residential
- Commercial
- Healthcare
- Hotels and entertainment
- Civil works and mining infrastructure
- Industrial
- Energy infrastructure

ROADS AND EARTHWORKS

Adaptable and flexible roads and earthworks teams attuned to the complexities of operating in Africa with a modern fleet of plant supported by experienced logistics personnel. We provide comprehensive services for large-scale public and private projects across various infrastructural applications.

Sectors:

- Road works
- Mining infrastructure
- Rail
- Energy infrastructure
- Water
- Oil and gas

PROJECTS

Through our projects team, we have developed the necessary in-house specialist skills and strategic relationships with local and international partners to provide turnkey projects aimed at creating value and minimising risk for our clients.

Sectors:

- Concession arrangements
- Turnkey projects
- Design and construct projects (D&C)
- Engineer, procure, construct projects (EPC)
- Public private partnerships (PPP)

CONSTRUCTION MATERIALS

We offer quality long-steel products to southern African construction markets.

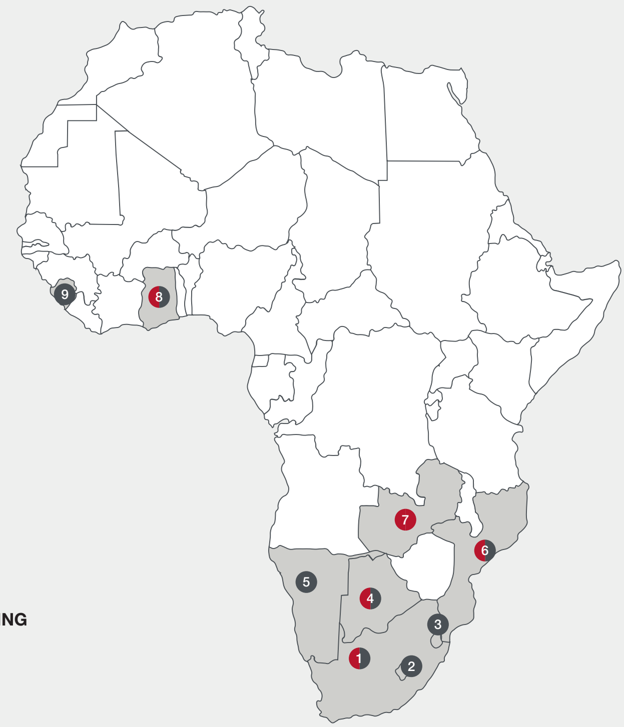
Sectors:

- Reinforced steel products

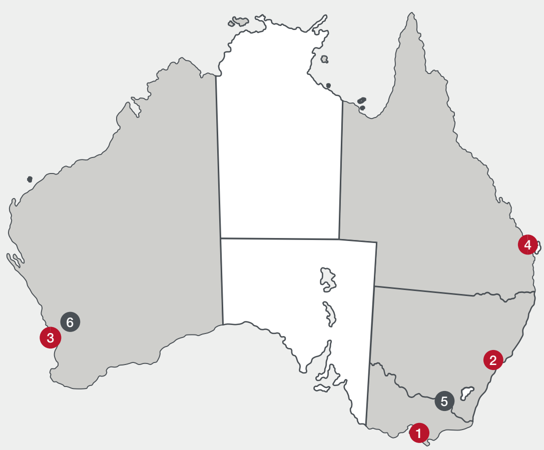
GEOGRAPHIES

AFRICA

1. South Africa
2. Lesotho
3. Swaziland
4. Botswana
5. Namibia
6. Mozambique
7. Zambia
8. Ghana
9. Sierra Leone



BUILDING AND CIVIL ENGINEERING
ROADS AND EARTHWORKS



AUSTRALIA

1. Melbourne (Victoria)
2. Sydney (New South Wales)
3. Perth (Western Australia)
4. Brisbane (Queensland)
5. Eastern region
6. Western region

BUILDING
CIVIL ENGINEERING

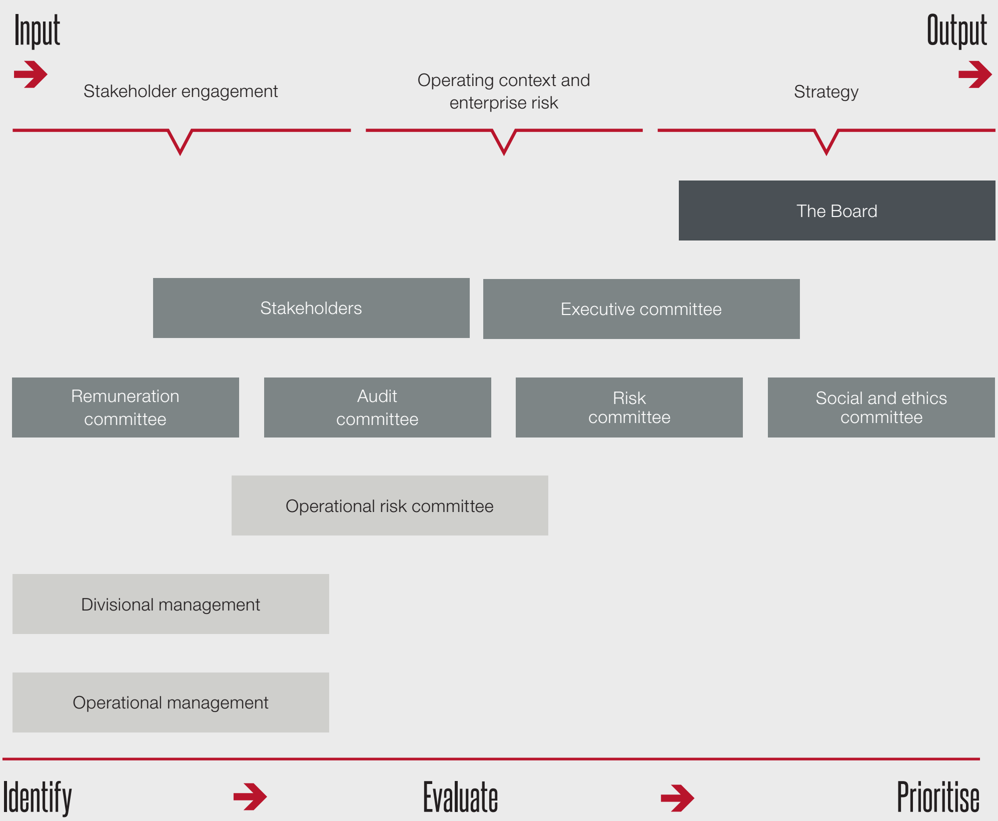
MATERIAL ISSUES

This section of our report describes each of our most material issues and how these influence us as an organisation. It describes in detail the circumstances in which WBHO operates, the key resources and relationships upon which the organisation depends, the key risks and opportunities WBHO faces, and how material issues can affect the ability of the group to create and sustain value over time. There have been no significant changes to the scope of our material issues from last year.

HOW WE DEFINE OUR MATERIAL ISSUES

We have determined "materiality" as anything that substantively affects the ability of the organisation to generate value over the short, medium and long term. We also consider "value" to be the benefit the group generates for itself, primarily in the form of financial returns, from the benefit it creates for other parties, such as clients, stakeholders and society at large.

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



Identify

The first phase in the process is identifying issues that are both substantive and material. This phase consists of gathering information from our clients and other stakeholders through formal and informal, regular and *ad hoc* interactions (further detail regarding our engagement with stakeholders is presented on page 20 of this report). These insights are then incorporated into our risk management processes along with prevailing economic and market-related conditions and all relevant operational, legislative and regulatory requirements of the various layers of divisional and departmental management across the group to ascertain the materiality of each issue.

Evaluate

The second phase is the evaluation of the information that has been gathered. This phase consists of both informal and formal reporting channels and is guided by the current strategic priorities of the group. In essence, management and the relevant departments (such as risk and internal audit) feed the insights that are being gleaned from around the business into the relevant committees for further deliberation and appraisal; in particular, the Operational risk committee, the Audit committee, the Risk committee, and the Executive committee (the work of our committees is reported on page 74 of this report).

Prioritise

The third phase is the prioritising of the concerns that have been identified to establish the issues that are most material to the group. Ultimately, this task is performed by the Board, based on the reports it receives from the various mandated committees. This is a regular process that happens at least once during every reporting period and results in an updated strategic risk matrix and, where necessary, new or revised strategic initiatives (our strategic issues and objectives for the reporting period are discussed on page 30 of this report).

OPERATING CONTEXT

In this section, we present a broad overview of the construction environment within the different regions, markets and sectors within which we operate. For a more detailed discussion of the impact of key circumstances, events and trends on WBHO during the year, please see the "year in review" table on page 34 of this report.

GEOGRAPHIES

WBHO services a broad range of building and civil engineering markets in three distinct geographies: South Africa, the rest of Africa and Australia.

SOUTH AFRICA

Despite being one of the largest economies on the African continent, the South Africa economy has for some time been characterised by exceedingly low growth, a volatile currency, rising inflation, low job creation and labour unrest, all further hampered by political instability, a persistent commodity price slump and the threat of downgrades by international ratings agencies. The resultant impact on private sector investment and public sector spending, on which the construction industry is reliant, has resulted in an increasingly challenging environment with fewer available projects particularly within civil engineering markets.

Mining expenditure has dwindled in this environment and large-scale government infrastructure spending, other than the Medupi and Kusile power stations, has not materialised.

While wide-scale labour unrest appears to have settled down, this has been replaced with a large amount of community unrest affecting a number of the construction projects of the group, especially in more rural areas.

The construction sector comprises approximately 3% of the South African economy and employs a significant proportion of the country's labour force. In the current environment, local revenues have shrunk and the sector shed approximately 8 000 jobs in 2016. Furthermore, increased competitiveness has drastically lowered margins in certain sectors, resulting in an increase in loss-making projects.

Black economic empowerment remains a focal point for government, with the generic codes of good practice being amended during the year in accordance with government's key priorities. Adherence to these laws and regulations adds further complexity to an already difficult environment.

The poor level of education in the country, particularly in the disciplines of mathematics and science, which form the basis of engineering degrees, compounds the lack of suitably qualified individuals within the sector; however, in light of the recent downsizing of many companies, this issue has not been as prevalent in recent years.

THE REST OF AFRICA

The group's operations in the rest of Africa are largely centred in Botswana, Mozambique and Ghana. The economies of each of these countries are heavily commodity-based, Botswana being a large diamond producer, Mozambique an emerging exporter of coal, and Ghana has substantial oil and natural gas reserves and is a large gold producer.

The effect of low commodity prices on these economies has seen reduced mining expenditure, with mining houses conducting only essential capital and maintenance projects. Being smaller economies, funding large-scale infrastructure development remains a challenge for governments, with foreign aid often necessary to unlock projects.

The group has traditionally focused on procuring projects from private clients in the retail, mining, toll road, gas and energy sectors, as well as public infrastructure projects in the water and sanitation sectors in southern Africa.

With relatively small local construction sectors in these regions, foreign contractors have had a large presence. A consequence thereof is the limited availability and quality of local construction resources in the form of plant and equipment, materials, skilled labour and subcontractors. Strong logistical capabilities are key to operating successfully in these regions. Furthermore, localisation is becoming more of a priority, with governments insisting on the participation of local skilled and unskilled labour and limiting available work permits.

AUSTRALIA

The Australian economy continues to grow steadily, at around 3% per annum, due to a high standard of living and a world-class education system. Population growth of 1,4% for the 2015/16 year was fuelled by continuing immigration from Asia. Growing populations within the metropolitan cities around Australia have continued to create significant demand for apartment accommodation, shopping centre developments, hotels and schools.

The latest Australian Constructors Association Construction Outlook survey indicates a positive outlook for the construction industry, supported by further growth in apartment building and a recovery of activity in the commercial sector and, more specifically, the infrastructure sector, following significant commitments from the Australian federal and state governments on infrastructure projects over the next five years.

The building and construction industry is playing a key role in the transition of the Australian economy from a resources-based economy towards a more diversified economy.

The Australian construction environment is heavily regulated and has a high degree of unionisation, which has a significant impact upon the industry itself. Head contractors operate within defined tiers that indicate the size and value of projects on which they can bid and build, with “Tier one” being the highest.

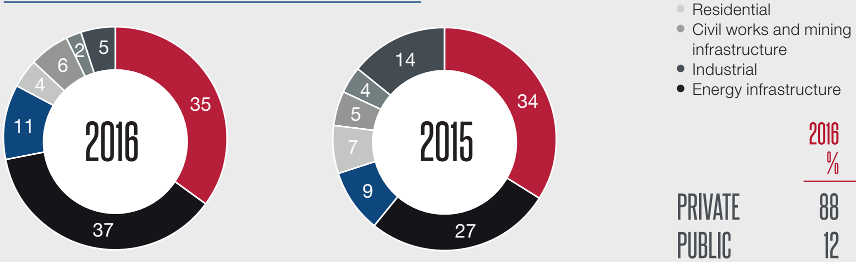
MARKETS AND SECTORS

The diverse market conditions encountered in previous years prevailed through FY16. High volumes of building work were sustained both locally and in Australia, while conditions within the local civil engineering market are considered to be at their worst in many years.

BUILDING AND CIVIL ENGINEERING

WBHO sources the large majority of its building projects from the private sector, but is, to a limited extent, exposed to the public sector through public healthcare and public private partnerships. Likewise, the Civil engineering division has traditionally sourced projects from private clients within the mining, industrial, oil and gas and agricultural sectors, but has been exposed to the public sector in recent years through the construction of the power stations necessary to alleviate the energy crisis experienced in South Africa.

Revenue by sector (%)



	2016 %	2015 %
PRIVATE	88	85
PUBLIC	12	15

Locally, various large-scale projects from within the retail and commercial office sectors again drove activity in FY16 and now comprise 72% of the division’s revenue, up from 61% in FY15. While the number of available retail projects began to subside during the year, the volume of work-on-hand carried over from FY15, together with some new awards this year, resulted in revenue from this sector remaining stable. Activity within the commercial office sector saw an upswing in FY15 with the division securing various new projects. Progress on these projects gained traction this year, which, together with additional new awards, resulted in revenue from this sector increasing substantially from 27% to 37% of total revenue. Projects from within the residential, healthcare and leisure and entertainment sectors further supported activity levels, comprising 15% of revenue, marginally down from 16% in the previous year. Residential and healthcare activity was centred in Cape Town, while in Gauteng the award of the Time Square Casino in Menlyn was a notable achievement.

Most civil engineering markets remained under pressure in FY16. The persistent commodity price slump continues to curb the number of available projects from the mining sector. Finding new work to replace completed projects has been challenging. Revenue in respect of energy infrastructure declined from 14% in FY15 to 5% in FY16, following the completion of the gas-fired power station in Mozambique and reduced activity levels at Kusile.

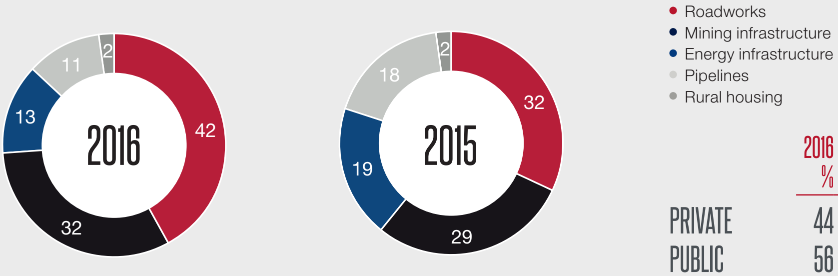
From a regional perspective, building activity outside South Africa remains confined to Ghana, where activity levels were consistent with the prior year with various retail developments under construction; however, lower civil engineering activity in the rest of Africa saw the overall contribution from the rest of Africa decrease from 22% to 19% of total revenue.

OPERATING CONTEXT
CONTINUED

ROADS AND EARTHWORKS

The Roads and earthworks division has a high exposure to public sector work and it tenders on road, rail, water, and energy-related infrastructure projects, as well as rural housing. Private sector work is commonly sourced from mining and oil and gas clients, as well as toll-road operators.

Revenue by sector (%)



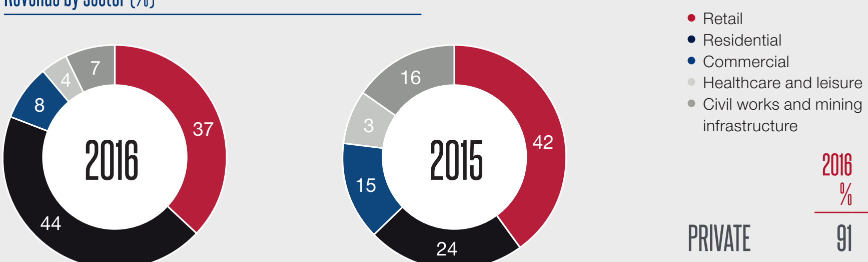
	2016 %	2015 %
PRIVATE	44	40
PUBLIC	56	60

The number of available roadwork tenders has increased over the last 12 months and the division secured a number of these projects, as is evident in the marked increase in the weighting of roadwork to 42% of total revenue (from 32% in the previous year). The majority of these projects were from the South African National Road Agency (SANRAL) and toll-road operators as spending on roadwork from provincial government has reduced noticeably in recent years. Intense competition within the sector continues to create margin pressure on these projects. Having completed the majority of local mining work on hand during the year, mining activity in South Africa reduced substantially. In contrast, mining activity in the rest of Africa increased, despite the constrained environment. A significant amount of work was secured on the coal mines in Mozambique, supported by a number of smaller projects in Botswana, Ghana and Sierra Leone. As a result, while lower in value, the proportion of mining-related revenue remained stable, increasing marginally to 32% of total revenue. While no new energy infrastructure projects were secured during the year, a limited number of opportunities remain available. Reduced activity at Kusile and the completion of the gas-fired power station, resulted in the proportionate revenue from this sector reducing to 13%. The pipeline market continues to offer opportunities each year; however, as two targeted large-scale pipeline projects did not materialise, revenue from this sector decreased from 18% to 11% of total revenue. While there were fewer opportunities in rural housing this year, the division continues to retain some exposure to this market.

AUSTRALIA

Strong Asian investment continues to support record levels of building activity in Australia, particularly in Victoria, New South Wales and Queensland. Although reduced mining-related construction will continue to weigh on industry conditions, its negative impact waned during 2016 and will likely diminish further in 2017.

Revenue by sector (%)



	2016 %	2015 %
PRIVATE	91	90
PUBLIC	9	10

Retail and residential projects continued to underpin activity again this year. Due to the high volume of residential work on hand at the outset of the year, the considerable increase in activity from this sector in FY16 was expected, growing to 44% of total revenue in Australia. With a number of high-rise residential towers under construction in Victoria, along with various apartment buildings in New South Wales, this sector continues to deliver a large number of projects to the construction industry each year. The ongoing urbanisation of the metropolitan cities has resulted in demand for additional retail developments. Retail activity was centred in Victoria and Queensland where extensions to two existing shopping centres and two new centres contributed to activity from this sector during FY16.

Due to a declining health and pharmaceutical market to which Probuild is exposed through its subsidiary Monaco Hickey, the business successfully entered the sub AU$50 million general building market during the year, which offers more opportunities.

The decrease in civil works and mining infrastructure from 16% of total revenue in FY15 to 7% was expected, due to the planned restructuring of the civil engineering business, WBHO Infrastructure and the growth in building activity. Diversification in the western region progressed well as projects from the road and telecommunication sectors were secured during the year and a presence in the regional mining sector was retained. A number of projects in the eastern states of Victoria and New South Wales were also targeted in order to gain entry into infrastructure markets in the eastern region. This goal was successfully achieved following the award of two road projects in the second half of the year.

CONSTRUCTION MATERIALS

During the year, the group exited the ready-mix and aggregate market through the sale of 3Q Mahuma Concrete Holdings (Pty) Ltd, a subsidiary of Capital Africa Steel (Pty) Ltd, due to distinctly competitive conditions.

The remaining business within this segment, Reinforced Mesh Solutions (RMS), supplies long-steel products to the South African construction industry. RMS has a national footprint with operations across most provinces, having opened a branch in Polokwane, Limpopo during the year. Chinese imports continue to impact the steel market, resulting in fluctuating volumes and prices which impact margins.

MANAGING RISK

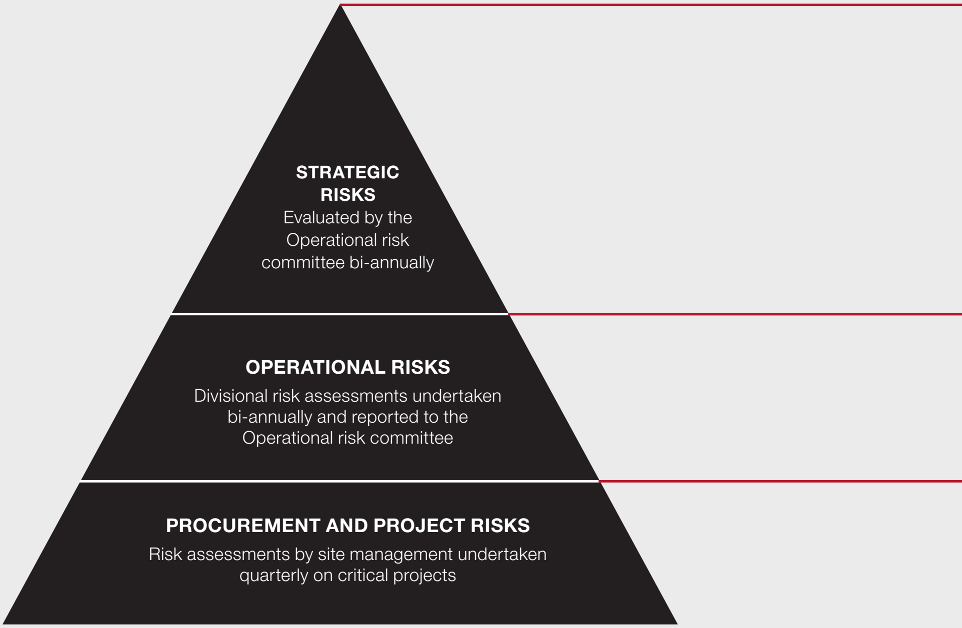
The following section presents is a concise overview of the risk management structures and processes of the group.

OUR APPROACH

WBHO understands that risk management is an essential element of good corporate governance and an integral part of sound management practice. Risk is inherent in all of the business activities of the group, and the objective of our risk management processes is not to eliminate risk, but to provide the structural means to identify, prioritise and manage this risk. By embedding risk management in company business processes in an explicit, practical way, a formal means for managing the risks associated with our operating environment is created.

The Board is ultimately responsible for risk governance and determines the level of risk tolerance within the organisation. The Board reviews the risk profile of the organisation bi-annually. As part of this process, the Board relies on the Risk committee and the internal audit function to review and report on strategic, operational and project risks.

RISK MANAGEMENT PROCESS



RISK MANAGEMENT METHODOLOGY

PROCUREMENT AND PROJECT RISK

Targeted projects are evaluated prior to bid submission and authority levels exist to define how tenders are escalated through the management structures of the group for approval. As with active projects, bids are evaluated against time and cost, while further consideration is given to available resources, client assessments, payment risk, margins, country risk and contractual terms outside of the norm.

Major projects are evaluated at least quarterly, as well as at key stages of the project lifecycle. These evaluations take the form of risk and opportunity schedules with focus on the key risks of time, cost, resources, contractual claims and stakeholder relationships. The results of these evaluations are presented at monthly management meetings. These schedules are then entered into the risk database of the group in order to identify trends and common themes across our project universe.

OPERATIONAL RISK

Operational risks are assessed at a divisional or business unit level. Taking cognisance of the individual operating environments, assessments are made of risks relating to current market dynamics, skills shortages, capacity, talent management and stakeholder relationships (clients, professionals, labour and suppliers). These risks are discussed at a senior management level and suitable strategies are developed to mitigate their impact. Once entered into the risk database, these risks are escalated to the Operational risk committee and, ultimately, the Risk committee.

STRATEGIC RISK

Noting the risks and trends contained within the operational risk assessments, the Risk committee evaluates the risk profile of the group in the context of delivering its strategic objectives. Assessments are made of the broader macro-environment, as well as corporate and compliance risk (both regulatory and legal). These risks are reported to the Board and the overall strategy of the group is reviewed accordingly.

- Operational risk committee reviews and identifies new strategic risk profile
- Operational risk committee presents the strategic risk profile to the Risk committee for final review and approval
- Risk committee reports the risk profile to the main Board

- Reported bi-annually to the Operational risk committee

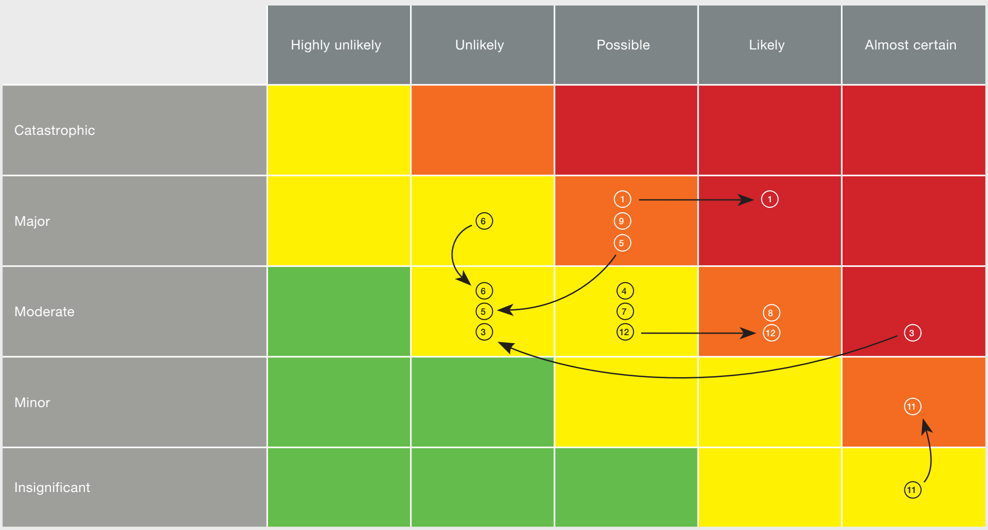
- Review risks on all projects quarterly and at key stages of the project lifecycle
- All high risks identified are reported quarterly at meetings of the main divisional board

MANAGING RISK
CONTINUED

ENTERPRISE RISK MANAGEMENT

The following diagram lists the top business risks emerging from enterprise risk management for the period. Each risk is categorised according to the potential severity of its impact and the current likelihood of it occurring. These strategic risks inform the material issues presented at the end of this section and each one is discussed in greater detail (together with our response to it) in the strategy section, which follows on page 30 of this report.

STRATEGIC RISK MATRIX



RISK 1:
Country risk
(uncontrollable)

Certain macro-economic conditions, including currency volatility, are beyond our control. Past country and bank downgrades have had an impact on the strength of the rand, which impacts the ability of the group to support certain Australian financial facilities from a rand-based balance sheet.

Increased political instability together with a low-growth environment have increased the risk of further country downgrades and a volatile currency during the year. As a result, we have changed the risk rating to **likely** while the impact remains **major**.

RISK 2:
Shortage of critically skilled staff
(controllable)

Construction requires various specialist skills in order to deliver projects successfully. Accordingly, ensuring that we retain the depth of skills required is a key strategic consideration.

Downgraded to the **operational** risk level in FY15.

RISK 3:
Industrial action
(uncontrollable)

The South African labour market is characterised by regular industrial action across multiple industries and unions are strong and active in Australia as well. Strike action impacts on productivity and delivery.

Following the conclusion of successful wage negotiations this year, which are effective until September 2017, this risk has been adjusted from **almost certain** to **unlikely**.

RISK 4:
Political instability
(uncontrollable)

Political instability can have a major impact on the economy of a country, affecting investor confidence, foreign direct investment and currency volatility.

The group also operates in various countries on the African continent, in an environment where regime changes can be regular and violent. This risk impacts not only the safety of the group's employees, but also the ability of the group to operate.

While there was very little political instability experienced across the geographies in the rest of Africa in the current year, the turmoil within the local political landscape and clear evidence of its impact on the economy resulted in the risk remaining unchanged as **possible** and **moderate**.

RISK 5:
Contracting with unreliable parties *(controllable)*

The group regularly contracts with new suppliers and clients. Due to the value and size of contracts, failure by the contracting parties can have severe implications, such as financial, operational and reputational.

Due to the prevailing conditions in the mining sector and the risk of non-payment, the impact of this risk was left unchanged at **major** and **possible**.

RISK 6:
Performance of non-controlled companies *(controllable)*

The group has investments in certain companies over which it may not have direct control. The performance of these companies can impact the performance of the group significantly.

The process of disposing of non-core businesses was essentially completed during the year which, when combined with the remaining associated companies performing satisfactorily, resulted in this risk being left as **unlikely**, with the potential impact reducing to **moderate**.

RISK 7:
Major safety, health, environmental or quality incident
(controllable)

Construction is inherently a high-impact and dangerous industry. Any major incident, while a tragedy in its own right, also has implications for the reputation and ability of the group to procure work in certain sectors.

The group implements globally accredited quality, safety and environmental best practices across all of its operations, together with various ongoing prevention initiatives. Due to the many inherent variables, the Board still believes an incident to be **possible** and has left the impact as **moderate**.

RISK 8:
Impact of changing market dynamics on growth *(uncontrollable)*

The group conducts operations in a number of differing sectors, geographies and economies, each affected by dynamics beyond the control of the group. A material deterioration in one or more of the markets would have a severe impact on the size and nature of the group.

Due to the impact of the prevailing conditions in civil markets on the current performance of the group, particularly the subdued mining sector, this risk has been left unchanged as **likely**, as the group is diversified across various geographies and sectors, the impact has also been left as **moderate**.

RISK 9:
Non-compliance to laws and regulations *(controllable)*

The group is subject to numerous laws and regulations in various territories. Non-compliance has significant reputational risk attached to it, the potential for fines and penalties, and the possibility of losing the necessary licences or accreditations needed to procure work.

The receipt of civil damages claims from the South African National Roads Agency during the year and the potential for further claims as a result of the Competition Commission investigation into the construction industry resulted in this risk being left unchanged as **possible** and **major**.

RISK 10:
Untimely loss of key personnel
(controllable)

The untimely loss of key black management remains a strategic risk but will be dealt with as part of the group's overall transformation risk in the future. The group, through its ongoing succession planning, has successfully navigated a number of changes in key leadership positions over recent years.

Downgraded to the **operational** risk level in FY15.

RISK 11:
Community unrest
(uncontrollable)

On projects near local communities, the group employs as much labour from the community as is realistic; however, often this does not meet the expectations of community leaders. Conflict also arises in respect of transport-related infrastructure where new routes impact existing service providers.

Poor service delivery and high levels of poverty and unemployment have resulted in numerous community-related disruptions and taxi violence on various projects during the year. While the impact of these disturbances is currently mitigated contractually, a number of significant project delays were incurred on certain road contracts and the risk has now been upgraded to **minor** as a result and it remains **almost certain.**

RISK 12:
Transformation
(partially controllable)

Transformation is a key challenge in South Africa. The construction industry benefits from significant public spending and, as a result, transformation within the sector remains high on the political agenda of the government.

In the current year, the amendments to the Construction Sector Scorecard requirements and the focus of the Department of Labour on our employment equity plan have elevated this risk from an operational to a strategic level. At the moment, the likelihood of this risk has been upgraded from **possible** to **likely** and the potential impact on the group is considered **moderate**.

STAKEHOLDER ENGAGEMENT

OUR APPROACH

This section of our report describes our relationships with the individuals, communities and organisations that are most affected by, or most likely to influence, our business. Interactions with our stakeholders continue to be focused on building mutually beneficial relationships. We employ a variety of informal and formal methods to gather and exchange information with our stakeholders. The insights we gain through these exchanges are fed directly into our decision-making processes through our management teams and inform the strategies of the group.

STAKEHOLDER RELATIONSHIPS

STAKEHOLDERS	RELATIONSHIP	ENGAGEMENT PROCESSES	MAIN CONCERNS
CLIENTS	Satisfied clients are critical to the ongoing success of the group. We seek to create and develop strong relationships with our clients through honest, clear and regular communication.	• Client perception surveys • On-site visits • Regular meetings • Media (editorial and advertorial) • Company events • Website updates • Integrated reports	• Quality of work • Capacity to deliver (skills and resources) • Reliability and expertise • Safety • Depth of senior management
INVESTORS	We aim to provide our shareholders and investors with returns of in excess 20%, which exceed the real growth in the economy and the construction sector, in particular.	• SENS announcements • Printed and electronic media releases • Results presentations • Integrated reports • Company AGMs • Face-to-face management sessions • Analyst-hosted events	• Revenue growth • Operating margin • Return on investment/ dividends • Order book • Company sustainability and resilience • Executive remuneration • Leadership • Corporate governance
EMPLOYEES	The success of our organisation is attributable to our people. We are committed to providing our employees with a safe, industrious and encouraging environment within which they can thrive and grow.	• Internal and on-site meetings • Union meetings • Newsletters • Notice boards and staff emails (memos) • Training initiatives • Awareness campaigns • Exit interviews • Employee forums	• Remuneration and benefits • Career paths and growth opportunities • Training and skills development • Employment equity • Safety
FINANCIAL INSTITUTIONS	Financial institutions support our growth objectives through the provision of banking and guarantee facilities.	• Regular one-on-one meetings • Presentations • Electronic communications	• Debt-to-equity ratios • Liquidity • Financial and risk management processes
SUPPLIERS AND SUBCONTRACTORS	Our ability to deliver quality services and products to our clients relies heavily on the quality of the services and products we receive from suppliers and subcontractors; as a result, we look to develop close working relationships with these stakeholders.	• Regular supplier audits • On-site visits and meetings • Electronic communications • Service level agreements	• Continuity of work • Payment terms • Safety requirements
GOVERNMENT	We regularly work with public sectors in different countries on large-scale infrastructural developments projects. Government-appointed regulators are largely responsible for developing and enforcing policies and regulations for the construction industry.	• Tenders • Industry forums • One-on-one meetings • Presentations • Skills development plans • B-BBEE scorecard submissions • Construction Industry Charter Council	• Regulatory compliance ◦ Safety ◦ Environmental ◦ Competition ◦ Tax collections ◦ Transformation ◦ Employment equity • Job creation • Skills development • Enterprise development
COMMUNITIES	We seek to have a positive impact on the communities within which we operate by employing and training local people where possible and constructing local amenities, such as clinics and schools, as part of our socio-economic development (SED) commitments.	• Meetings and consultations • Community presentations • Site visits • Environmental impact assessments • Awareness campaigns • Sponsorships • Donations	• Employment opportunities • Environmental impact of our activities • Local SED initiatives

MAJOR STAKEHOLDER ISSUES DURING THE REPORTING PERIOD

The following issues are among those that proved most material to both WBHO and our stakeholders during the period under review. Where relevant, these specific concerns have also been linked to material issues, which are discussed in detail in the material issues section of this report.

CLIENTS: DELIVERY OF PROJECTS

Delivery of projects has been a key concern raised by our clients this year. Due to the difficult contracting environment, there have been a number of project delays within the industry at large. Delays on building projects can result in significant ramifications for clients in the form of delayed rental streams, unhappy tenants and disrupted logistics when moving offices.

1 *Material issue: Market dynamics;* 2 *Material issue: Skills shortages and capacity*

INVESTORS: CHANGING MIX OF WORK AND CIVIL DAMAGES CLAIMS

Institutional investors are paying attention to the increase in the proportion of revenue generated from Australia, higher volumes of building work, and declining revenues from civil engineering markets, all of which have had a negative impact on the group's operating margin and future potential earnings streams. Investors also expressed concern over the civil damages claims arising from the consent notices issued by the Competition Tribunal and the possible impact thereof on future profitability.

1 *Material issue: Market dynamics;* 5 *Material issue: Reputation*

EMPLOYEES: JOB SECURITY AND WORK-LIFE BALANCE

Further retrenchments within our Civil engineering and Roads and earthworks divisions continued to threaten job security for our employees in the first half of the year, although the environment has subsequently stabilised and this concern has now subsided.

The high volumes of building work on hand have often required extended working hours, including weekend work, which has placed onerous demands on our staff. An analysis of exit interviews conducted with individuals leaving the business, along with discussions with various site management, highlighted work-life balance as a concern of our employees.

2 *Material issue: Skills shortages and capacity*

GOVERNMENT: TRANSFORMATION

As a beneficiary of significant public sector spending, as well as employing a substantial proportion of the South African workforce, the construction sector is a key focus area for government in terms of its transformation objectives.

6 *Material issue: Transformation*

FINANCIAL INSTITUTIONS: POOR INDUSTRY CONDITIONS

Financial institutions provide large guarantee facilities throughout the supply chain of the construction industry. An increase in underperforming contracts, poor performances of a number of construction companies and subcontractors in general, and even the failure of businesses in recent years have raised concerns over their exposure to the sector. As a result, there has been increased scrutiny of the risk profile of projects prior to issuing guarantees as well as the size and value of facilities granted.

1 *Material issue: Market dynamics*

VALUE ADDED STATEMENT

		2016 (Rm)	2015 (Rm)
WEALTH CREATED	**CLIENTS**		
	Revenue*	34 497	32 723
	SUPPLIERS		
	Cost of materials and services	(26 572)	(25 578)
	Wealth created	7 925	7 145
WEALTH DISTRIBUTED	**EMPLOYEES**		
	Payroll costs	4 744	4 271
	Share-based payment expense	42	36
	INVESTORS		
	Dividends paid to shareholders	243	215
	FINANCIAL INSTITUTIONS		
	Interest and finance charges	19	35
	Lease costs	8	31
	GOVERNMENT		
	Taxes and duties*	2 124	1 904
	COMMUNITIES		
	Corporate social investments	4	3
	Wealth distributed	7 184	6 495
WEALTH RETAINED	**WBHO**		
	Attributable earnings (less dividends paid)	483	354
	Depreciation	258	296
	Wealth retained	741	650

* *Includes value added taxation and sales taxation where applicable*

MATERIAL ISSUES

The culmination of the material matter determination process is the following list of our most material issues in no particular order. Each material issue is linked to its associated risks and our strategic objectives, which are discussed in further detail in the subsequent strategy section on page 30 of this report.

1

MARKET DYNAMICS

Each of the various sectors and geographies from which the group sources its projects has its own inherent risk profile and corresponding margins, as well as being exposed to differing effects from both global and regional economic cycles at different times. Diversification is an important way of mitigating risk and reducing earnings volatility over the long term, but requires an equally diverse set of management capabilities.

Associated risks

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

Associated strategic objectives

- Flexibility and diversification
- Procurement and execution excellence

2

SKILLS SHORTAGES AND CAPACITY CONSTRAINTS

The construction industry is often faced with skills shortages depending on the amount of work available. Developing and retaining skilled personnel is critical to our ability to deliver projects and grow as a company. Ensuring efficient project execution requires experienced management teams, as such, keeping our teams intact is vital to achieving our short and medium-term objectives.

Associated risks

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

Associated strategic objectives

- Capacity and talent management

3

LABOUR UNREST

The construction industry employs a sizable labour force, and the labour environment is often highly politicised and volatile, particularly in South Africa where disruptions are commonplace.

Associated risks

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

Associated strategic objectives

- Reputation and relationships
- Capacity and talent management

4

SAFETY AND ENVIRONMENTAL MANAGEMENT

Construction is an inherently dangerous, high-impact activity. We have a duty to maintain the very highest health and safety standards to ensure employee and subcontractor welfare, morale and productivity, as well as legal compliance. We also have a moral and legal obligation to minimise our impact on the environment in the areas in which we operate.

Associated risks

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

Associated strategic objectives

- Safety and environmental management

5

REPUTATION AND CULTURE

A positive reputation is critical to developing and maintaining the close relationships with clients that ensure repeat work and the credibility to tender on large projects successfully.

Associated risks

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

Associated strategic objectives

- Reputation and relationships
- Procurement and execution excellence

6

TRANSFORMATION

Transformation is a key challenge in South Africa. The construction industry benefits from significant public spending and, as a result, transformation within the sector remains high on the political agenda of the government.

Associated risks

- Amendments to the Construction Sector Scorecard requirements
- Lower B-BBEE ratings
- Inability to tender on public infrastructure projects
- Failure to meet employment equity targets
- Sanctions from the Department of Labour
- Additional costs

Associated strategic objectives

- Localisation and transformation

7

COMPLIANCE

The construction industry is highly regulated. Regulatory and legal compliance is at the top of the governance agenda for the group. Compliance with the relevant legislation and regulations in each of the countries and sectors in which we operate is essential.

Associated risks

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

Associated strategic objectives

- Reputation and relationships
- Localisation and transformation

New offices for Growthpoint Properties: Kwa-Zulu Natal


Express

STRATEGIC OBJECTIVES

The vision of the group and its six strategic objectives are presented in this section. The strategic objectives are linked to underlying strategic initiatives and explicit metrics/indicators where these are available. The section concludes with our year in review table, which links our strategic objectives and initiatives to the key circumstances, events and trends affecting us during the year.

VISION

To be the leading construction company wherever we operate, being "a pleasure to do business with" by delivering quality solutions every time. We are adaptable and flexible enough to "go where the work is", even when conditions are challenging, without compromising our standards. We navigate competitive market conditions by being flexible, dependable and hard-working. We focus on nurturing strong client relationships by delivering on projects consistently.

1

FLEXIBILITY AND DIVERSIFICATION

Given that the construction environment is characterised by continually changing market conditions, we believe that flexibility and diversification are key attributes for success. Being flexible means our strategy is fluid and adaptable, thus enabling the proactive alignment of our procurement activities with those markets offering the best value.

We strive to maintain a low, fixed cost base in higher-risk territories, providing the flexibility to easily move between them in response to prevailing conditions.

The implementation of a long-term diversification strategy across different geographies and industry sectors, and a presence at numerous levels of the construction value chain, facilitates our growth objectives, mitigates risk and reduces earnings volatility.

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

Strategic initiatives and key considerations

- Geographic diversification and new markets
- Segment diversification and new markets
- Strategic project selection
- Sale of non-core businesses
- Rightsizing to market demand
- Specialised project services and innovation

KPIs

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

2

PROCUREMENT AND EXECUTION EXCELLENCE

Procurement and execution are simultaneous, continuous and interlinked processes within the group. The quality of submitted bids has a direct impact on the operational performance of the group. We strive to offer clients the right price at fair margins and an acceptable level of risk for all parties.

During the procurement process, we seek to identify and secure those projects that will achieve our strategic objectives and create value for our stakeholders. During the execution or operational phase that follows, the brand and reputation of the group is created.

A consistently high-quality experience for clients generates credibility and repeat work, and, in turn, enhances our ability to secure future projects.

Strategic initiatives and key considerations

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

KPIs

- Operating margin
- ISO 9001: Quality Management System
  - Coverage and audit outcomes
  - Training
  - Cost of rework and waste
- Actual versus tender analysis
- Loss-making projects

STRATEGIC OBJECTIVES
CONTINUED

3

REPUTATION AND RELATIONSHIPS

A visible profile in the marketplace and our reputation for reliability, consistency and value-for-money are critical to developing and maintaining close relationships with clients and being able to tender on large contracts successfully.

Our reputation stems not only from delivering a project to the highest standards, but also by providing an all-round "quality experience". This is achieved by our commitment to "execution excellence" and complimented by entrenching our culture and commitment to doing things "the WBHO Way" amongst our teams.

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

Strategic initiatives and key considerations

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

KPIs

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

4

CAPACITY AND TALENT MANAGEMENT

A key element of construction is people management: as demand fluctuates with economic cycles, so too do our resourcing requirements, meaning we are in a constant process of right-sizing our teams either upward or downward.

Robust recruitment processes and sound working relationships with labour unions are critical in achieving this outcome.

Active and new projects seldom end and begin in a linear fashion, while the number of workers needed at different stages of projects varies significantly as well, handling the resulting lags or overlaps we call "managing the gap". Making sure the right skills and manpower are available is a constant balancing act.

Providing our employees with tangible career development is crucial in earning their loyalty and commitment to The WBHO Way as well as achieving our procurement excellence and transformation strategic objectives.

Through our bursary schemes, inductions, on and off-site training initiatives and management development programmes, we aim to equip our personnel with the requisite skills at each of the key stages in their growth and development, while, at the same time, addressing the skills shortages faced by the construction industry as a whole.

Strategic initiatives and key considerations

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

KPIs

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

5

SAFETY AND ENVIRONMENTAL MANAGEMENT

As an international contractor with operations across Africa and Australia, it is imperative that we maintain the very highest health and safety standards, not only to ensure employee and subcontractor welfare, morale and productivity, but also because a proven safety record is essential in procuring work in some of our key markets, such as mining.

We also have a moral and legal obligation to minimise our impact on the environment in the areas in which we operate. Non-compliance with environmental legislation could harm our reputation and result in legal and financial penalties.

Strategic initiatives and key considerations

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

KPIs

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

6

LOCALISATION AND TRANSFORMATION

These objectives are key issues across all of the geographies in which we operate, in particular the transfer of skills and economic benefits to the previously disadvantaged and local inhabitants, as well as representation within our management structures.

We understand these two goals to be fundamental to our long-term sustainability.

Strategic initiatives and key considerations

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

KPIs

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

YEAR IN REVIEW

OPERATING CONTEXT	IMPACT ON OUR BUSINESS	STRATEGIC RESPONSE
SOUTH AFRICA		
CHALLENGING OPERATING ENVIRONMENT > Construction sector slump persists	• No growth in revenue • Lower overall margins due to change in mix of work • Increased scrutiny from financial institutions surrounding issuance of guarantees, size of facilities and risk profile of projects	• Leverage efficiencies, reputation and relationships to secure work • Early project identification and selection
SUFFICIENT BUILDING ACTIVITY ALTHOUGH OVERALL MARKET BEGINNING TO SOFTEN	• Further building revenue growth in FY16 • Uptick in commercial office activity • Healthy margins delivered • High volumes of work on hand • Ability to negotiate majority of projects • Increased market share	• Continued focus on execution • Cement reputation • Targeted recruitment to increase capacity • Training and skills development initiatives • Careful project identification and selection
FURTHER WEAKENING IN LOCAL MINING ACTIVITY IN FY16	• Lower revenues from Civil engineering and Roads and earthworks divisions • Heavier weighting toward roadwork within Roads and earthworks division • Impact on margins due to change in mix of work • Further reduction in order books	• Additional rightsizing of divisions' capacity to align with workload • Focus on delivery in order to leverage relationships • Focus on driving efficiencies to protect margins • Strict procurement controls to evaluate high-risk projects

POLITICAL INSTABILITY AND A LOW-GROWTH ENVIRONMENT
> Potential downgrades from ratings agencies
> Reduced spending from SOEs and provincial governments
> Poor service delivery
> Rising community activism
> High levels of unemployment
> Volatile currency
	• Limited construction-related infrastructure spend
	• Increased competition in provincial road market
	• Lower revenues for Edwin Construction and Roadspan
	• Community unrest impacting projects
	  ◦ Employment from local communities
	  ◦ Taxi violence on BRT projects
	• Positive currency impacts on financial statements
		• Explore new markets
		• Decision to dispose of asphalt plants
		• Proactive response to addressing community issues
		• Protection of contractual rights

HIGH LEVELS OF COMPETITION IN CONSTRUCTION MATERIALS MARKETS	• Poor trading in respect of 3Q Mahuma	• Sale of CSS and 3Q Mahuma finalised

OPERATING CONTEXT	IMPACT ON OUR BUSINESS	STRATEGIC RESPONSE
SOUTH AFRICA (continued)		
REPERCUSSIONS FROM COMPETITION COMMISSION FAST-TRACK SETTLEMENT CONTINUE	• Civil damages claims received from SANRAL • Proposed sanctions from the Construction Industry Development Board (CIDB) • Further negative press and impact on reputation	• Intention to defend civil claims • Intention to defend sanctions from CIDB • Build trusting relationship with government
INTENSIFIED GOVERNMENT TRANSFORMATION OBJECTIVES > Revised dti Codes of Good Practice issued > Alignment of Construction Sector Codes with revised dti Codes	• Difficulty in agreeing new Construction Sector Codes • More onerous targets • Lower ratings likely across the industry	• Input into development of new sector codes through Construction Sector Charter Council which were finalised in the current year • Operational management responsible and motivated to ensure we succeed
REST OF AFRICA		
CONSTRAINED ECONOMIC CONDITIONS PREVALENT ACROSS EMERGING MARKETS	• Building activity levels sustained on strength of FY15 order book • Developers and financial institutions more cautious over viability of projects • Longer lead-in times to secure building projects	• Mezzanine financing to unlock projects • Design and construct model provides clients with price certainty • Proven track record has enhanced reputation
LIMITED OPPORTUNITIES FROM MINING SECTOR	• Decrease in total revenue from the rest of Africa	• Focus on coal mines in Mozambique • Smaller efficient teams to execute OPEX budgets • Retain strategic presence in key geographies
DEPRECIATION OF LOCAL CURRENCIES > Liquidity constraints	• Currency impacts on financial statements	• Contracts negotiated in USD where possible • Proactive currency hedging
STRICTER LOCALISATION POLICIES	• Foreign companies precluded from certain tenders • Pressure on increased local ownership • Difficulty in obtaining work permits	• Training and development of local labour and staff • Expats only placed in critical roles to ensure delivery

YEAR IN REVIEW
CONTINUED

OPERATING CONTEXT	IMPACT ON OUR BUSINESS	STRATEGIC RESPONSE
AUSTRALIA		
ASIAN DEMAND SUSTAINS ACTIVITY IN BUILDING MARKETS > Easing of Victorian market anticipated > Persistent low activity levels in pharmaceutical market	• Further growth of 8% delivered after 20% growth in FY15 • Increase in number of large-scale projects on hand	• Growth in Queensland and New South Wales to reduce exposure to Victoria • Emphasis on delivery • Successful entry into sub AU$50 million general building market by Monaco Hickey
SUBDUED ACTIVITY FROM RESOURCES SECTOR IN FY16, BUT IMPACT LESSENING	• Able to renew certain maintenance contracts in second half of the year • Competitive, low-margin environment • Lower revenue from civil engineering business due to planned restructuring	• Diversification in western region gaining traction • Projects secured in telecommunication and road sectors
GOVERNMENT COMMITMENT TO CAPITAL INFRASTRUCTURE PROGRAMMES	• Opportunities in rail, renewable energy, road and defence sectors • Need to secure necessary resources to bid and execute potential projects • Working capital and guarantee facilities required to support growth in new markets • Order book improving	• Restructure of civil engineering resource-based business into a diversified national infrastructure business • Secured open prequalification across all states • Procurement teams in eastern region established ◦ Two projects secured in second half of FY16

Bus rapid transport project: Sandton

MESSAGE FROM THE CHAIRMAN

MIKE WYLIE

"We are working closely with government to make sure we play our part, both in terms of delivering the greatly needed enhancements to our national infrastructure, as well as by supporting emerging contractors and ensuring that our industry is ever more inclusive and transformed."

CHARTING A CAREFUL COURSE DELIVERS SUCCESS

The prevailing conditions in the construction industry changed little during the year. Driven by the private sector, building markets continued to be buoyant, while the mining sector remained sluggish and the anticipated public sector infrastructure development in South Africa failed to gain any real impetus. Reflecting these mixed conditions, the building divisions of the group in Africa and Australia continued to perform well and moderated the impact of lower activity levels within the civil engineering sectors globally.

Against this backdrop, the overall performance of the group has been excellent. It is pleasing to be able to report that revenue from continuing operations increased by 6% to R30,7 billion, which is the highest yet for the group. Our year-on-year operating profit before non-trading items also increased by 30%, climbing to R1 billion from R768 million, and our order book is sitting at an extremely healthy R43 billion.

AUSTRALIA RECOVERS PROFITABILITY

The growth in the operating profit of the group reflects the healthy recovery in profitability in Australia, up from R11 million to R300 million, where in the previous year losses on four civil engineering projects were recognised. The downturn in the Australian economy — expected as a result of the drop in resource prices — did not materialise during the period under review, and the continued demand for our services in Melbourne, Perth, Sydney and Brisbane resulted in a sharp uptick in both turnover and profit instead. We are confident that our entrance into the Australian metropolitan civil infrastructure segment, which is gaining traction, will make a positive contribution in the near future.

THE VRP SETTLEMENT AGREEMENT

I am very pleased to inform you that the Settlement Agreement (known as the Voluntary Rebuilding Programme, "VRP") was signed between the listed construction companies and Government represented, by the four Ministers of the Presidential Infrastructure Coordinating Committee (PICC), on the 11th October 2016. I believe this agreement will put an end to the negativity that has surrounded our industry for the past few years and unlock infrastructure projects, some of which we will build at a substantially lower cost than anywhere else in the world.

The VRP has essentially two elements. Firstly, a commitment that within seven years we will mentor three emerging black companies so that their combined turnover exceeds 25% of our South African turnover. In addition, we will make a contribution of R255 million to a development fund to expedite this.

It is important to understand that this contribution is not an additional competition fine, but a contribution to develop emerging black contractors, upskill the industry and fund specific infrastructure projects in rural areas. The target of 25% will ensure that these companies participate fully in Government's infrastructure spend. All this is in addition to our commitment and obligations incorporated in the Construction Charter.

Therefore, in addition to paying over R1 billion in taxes each year and employing over 9 000 people, WBHO is making a substantial contribution to the construction industry of South Africa.

CONSTRUCTION SECTOR CODES BACK ON TRACK

On a personal note, I was delighted to be part of the mediation team that helped finalise the new Construction Sector Codes. It was satisfying to mediate with Chris Jiyane, an old colleague and friend, who represented the interests of the emerging side of the industry. The new Codes are an important next step in the ongoing transformation of the industry, but it is so disappointing that the Department of Trade and Industry has not reinstated the old Construction Industry Codes, which were repealed because the industry was late with the new codes.

VALUE FOR MONEY AND COMPETITION

In my 2015 report, I mentioned what a treasure to South Africa our industry is. Costs of projects to our clients are significantly cheaper than anywhere else in the world, except perhaps China. On a recent trip to Australia, I picked up a property magazine because the lead article read "Thirteen of the Best Brilliant Buildings". Details and pictures of those thirteen buildings from all around the world were given and I could not resist undertaking a cost per metre squared comparison. South Africa featured once, for the Silo 1 building at the Victoria and Alfred Waterfront in Cape Town. This building was three times cheaper than the others, with the exception of one in China. South Africa is blessed with a great industry, which I am still not convinced many people appreciate.

We have noticed a disturbing trend in the awarding of some tenders when there has been flagrant disregard for procurement rules. This amounts to wasteful expenditure and undermines the credibility of our industry for delivering excellent value-for-money projects. I am confident that, with the VRP in place, we will now be able to bring these to the attention of the PICC ministers who will assist in putting a stop to this behaviour.

Recent data from the Department of Statistics suggests that the large construction companies are completing 19% of the construction work in South Africa, at extremely low margins approximating 3%. This illustrates that the large construction companies remain committed to the correct procurement standards.

CHANGES TO THE BOARD

On a sad note, we say goodbye this year to independent non-executive director, Nonhlanhla Mjoli-Mncube, who is unavailable for re-election this year after 10 years of devoted service to the Board. We thank Nonhlanhla for her important contribution to the success of the company. We wish her well in all of her future endeavours and have asked her to retain her position as a trustee of the Akani Trust, which will ensure our relationship with her continues. To fill the vacancy, Nosipho Siwisa-Damasane has been appointed as an independent non-executive director. Nosipho brings with her a wealth of experience garnered from her time in various senior management and executive roles at Transnet and the Richards Bay Coal Terminal. I would like to take this opportunity to welcome her to the team and look forward to the value she will offer WBHO in the future.

OUTLOOK AND APPRECIATION

While it is usually prudent to avoid making predictions about this industry, the order book of R43 billion suggests that the year ahead should be another good one for the group. Looking further ahead, the current low growth environment suggests that the private sector cannot be expected to sustain the industry indefinitely, and meaningful infrastructural development appears to be the key to ensuring continued growth and employment.

In spite of the prevailing conditions, we find ourselves in a strong position and this should be credited to the expertise, experience and unwavering commitment of our executive directors, management and staff. I would also like to thank the members of the Board for their continued enthusiastic support and guidance, which has also helped us chart a successful course through these testing conditions.

Mike Wylie
Chairman

MESSAGE FROM THE CEO

LOUWTJIE NEL

"It is especially gratifying to note that we had no material under-performing contracts during the year, a reflection of the time and effort that goes into selecting and finalising bids in terms of our procurement strategy and the enormous effort and skill displayed by our operational teams."

A YEAR OF SOLID PERFORMANCE

The overall performance of the group has been solid this year, with most divisions meeting or exceeding our expectations. We are producing steady, organic growth in Australia where we have returned to profitability and, in spite of the current economic conditions, we have maintained overall activity levels within our African-based business. The performance of our building division in South Africa, in particular, was exceptional and I am delighted to report that every African country in which we operate was profitable, with our projects in Mozambique, Botswana and Ghana producing noteworthy performances.

It is especially gratifying to note that we had no material under-performing contracts during the year, a reflection of the time and effort that goes into selecting and finalising bids in terms of our procurement strategy and the enormous effort and skill displayed by our operational teams.

The group has delivered a number of iconic projects around the country and in Australia. Our ability to negotiate work rather than win it on tender is strengthened because our clients recognise that we are dependable and consistent, and will deliver to the standards that they require. An interesting trend related to this is that many of our private clients are becoming more focused on timeous delivery rather than just obtaining the lowest price.

A personal highlight for me was the successful completion of the single biggest retail centre in Africa. The opening of the Mall of Africa in Gauteng was an impressive achievement and the team involved is to be commended for its efforts.

Another accomplishment during the year was the fact that WBHO Infrastructure, our Australian civil engineering business, secured its first infrastructure projects in the eastern region. This achievement shows that the strategic decisions, efforts and investments we have made over the course of the last few years are starting to pay off.

We successfully sold some of our non-core businesses; completing the sale of Capital Star Steel and disposing of 3Q Mahuma Concrete.

CAPACITY AND TALENT MANAGEMENT

Managing the number, size and mix of our teams has been important this year, especially in an environment in which we have experienced growth in certain divisions, while others have contracted. In Australia, where we have increased our presence in certain states, we have had to build new teams to execute these projects and ensure that they contain the right balance of new employees with "old hands". Locally, the building division has also required additional personnel, while, in contrast, both the Civil engineering and Roads and earthworks divisions needed to reduce capacity. Retaining key skills within the business is always a priority and, where possible, existing staff from these divisions have been accommodated within our Building division.

WBHO has, for many years, conducted an in-house engineering school aimed at providing training and support to our engineers and quantity surveyors in specific areas of the business appropriate to their progression within the company and, at the same time, embeds our culture within these individuals. This year we formulated Level 3 of the programme, which targets upper middle management. I am extremely excited about the launch of this new programme, which will take place in early FY17.

SAFETY AND ENVIRONMENTAL MANAGEMENT

As always, safety remains a top consideration for us, and our focus is now on leading indicators, rather than lagging; for example, we are making increasing use of the on-site near-misses that we record, which enable us to identify areas of concern swiftly and to respond with targeted training and awareness campaigns where these are needed.

In terms of our safety performance, our LTIFR increased from 0,75 in FY15 to 0,94 this year, a result of a higher LTIFR in Australia, where some lost-time injuries occurred in the first half of the year. Sadly, one subcontractor work-related fatality was experienced during the year and I extend my personal condolences to the affected family, friends and colleagues.

We are also aware of our moral and legal responsibility to safeguard the environment and are pleased to be able to report that there were no reportable incidents during the period under review. We are committed to making environmental management even more integrated into the strategic thinking of the business and our processes as well and we look forward to aligning ourselves with the new ISO 14001:2015 standard in the year ahead.

TRANSFORMATION AND EMPLOYMENT EQUITY

Transformation and employment equity are areas of ongoing concern for us, both as an industry and a company. While it remains a challenging environment due to the scarcity of skills available, we have made good progress in the last year in terms of employment equity, in particular. It has been immensely satisfying to see our people grow and advance, and our progress in this area bodes well for the future. Part of this positive evolution has been the transfer of accountability for transformation to each division. Our management teams have embraced this move enthusiastically and it is very encouraging to see this shift already translating itself into appointments.

In February 2016, the Construction Sector Codes were repealed and the Revised Generic Codes of Good Practice became applicable. WBHO has, once again, played a pivotal role in aligning the new Construction Sector Codes with the Generic Codes and these were made available for public comment in July of this year, after which they will be submitted to the dti to be gazetted. I am proud of the constant role and contribution we make toward the transformation of our industry.

OUTLOOK AND PROSPECTS

Looking ahead, the short-term outlook remains reasonably positive. Our order book is healthy, although the heavier weighting toward building work, particularly in Australia, persists. Even in the civil engineering sector, where conditions are at the lowest they have been for years, positive signs are starting to emerge. We remain alert to opportunities in new geographies throughout Africa and our focus is on growing our market share across all of our divisions.

APPRECIATION

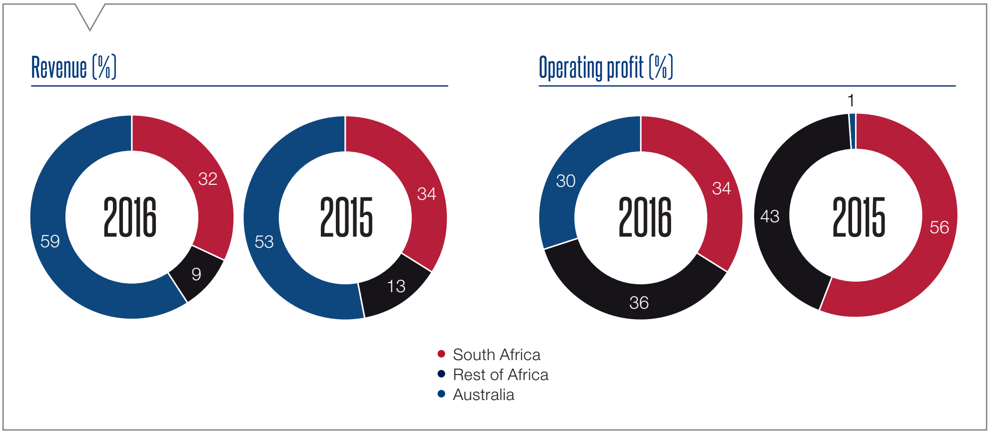
Once again, I thank our clients and other stakeholders for their ongoing support and loyalty and, in particular, I would like to thank our employees for their unwavering commitment, which has culminated in a strong set of results under challenging conditions.

Louwtjie Nel
Chief Executive Officer

OPERATIONAL REVIEW

GROUP

	2016 Rm	Restated 2015 Rm
Revenue	**30 650**	28 823
Operating profit	**1 005**	768



OPERATIONAL PERFORMANCE

The group delivered a solid operational performance in FY16. Further growth was achieved in Australia on the back of healthy building markets and limited exposure to the resources sector, where low commodity prices have impacted activity levels in the mining sector globally. Similarly, in South Africa and the rest of Africa the high levels of building activity experienced in FY15 were sustained through FY16; however, a higher exposure to weak civil engineering markets and limited construction-related public infrastructure spending, negated any growth in the local and African businesses. As a result, the Australian operations now comprise 59% of the total revenue of the group, compared to 53% in the prior year, with the South African operations decreasing from 34% to 32%, and the largest impact being on the operations from the rest of Africa, which decreased from 13% to 9% of total revenue. In FY15, revenue from the rest of Africa spiked by 21% to the highest levels ever achieved, following growth in building activity in Ghana and reaching peak construction activity on the gas-fired power station in Mozambique, this, in turn, mitigated lower levels of mining activity in general across the region. In the current year, while building activity in Ghana was largely sustained, the completion of the power station in the first half of the year and protracted lower levels of mining activity resulted in activity returning to previous levels.

The preceeding operating profit graphs above clearly demonstrate the impact of improved profitability from Australia on the overall performance of the group as the operating margin of 3,3% returned to within the target range. Profitability is evenly spread across all three geographies and highlights the low-margin environment characteristic of Australian building operations and strong profitability in the rest of Africa, following profit-taking on certain completed contracts and reasonable margins on what mining work is available. The operating margin in South Africa dropped from 4,4% to 3,6% due to fluctuations in the overall mix in work due to increased volumes of lower margin building and roadwork projects.

PROCUREMENT AND EXECUTION EXCELLENCE

In FY15 we reported on the rigorous strengthening of group-wide procurement controls and focused attention on adherence to our quality processes following an increase in under-performing projects, defined as those projects which do not achieve tendered margins. The outcome of these initiatives was evident in the current year as no material loss-making projects were experienced and the number of under-performing contracts reduced.

On-time delivery is always a key concern of our clients, but has been more prevalent this year amid the current difficult conditions within the industry. Our proficiency in consistently achieving this underpins our reputation and enhances our ability to negotiate a substantial amount of work. With high volumes of building work on hand both locally and in Australia, together with highly competitive civil engineering markets, particular emphasis has been placed on delivery in FY16. The initiatives implemented to achieve this are further elaborated upon in each of the divisional reports that follow.

As part of our commitment to delivering the highest-quality projects for our clients, the group implements an ISO9001-accredited quality management system (QMS) across all of its operations. The following table illustrates the QMS coverage and related audit coverage.

	2016			2015		
	Cost of re-work and waste	QMS coverage	Audit coverage	Cost of re-work and waste	QMS coverage	Audit coverage
South Africa and the rest of Africa	**0,18%**	**100**	**46**	0,14%	99	56
Australia	**0,15%**	**100**	**98**	0,02%	100	98

The decrease in the audit coverage in the African business arose from increased training and gap analysis interventions by quality personnel, which do not constitute formal audits, as well as audits, being focused on large-scale, higher-risk projects. Our rating from client perception surveys increased marginally from 87% to 88%, but still reflects a high level of satisfaction from our client base.

CAPACITY AND TALENT MANAGEMENT

Capacity management is a key element in realising efficient yet consistent delivery and has been a major priority this year as diverse market conditions have created contrasting capacity pressures within various divisions. Further rightsizing was performed within our Civil engineering division in the first half of the year and the Roads and earthworks division has reduced capacity this year. We believe we have now reached the end of this cycle, with our workforce in these divisions appropriately aligned with the volume of work on hand. Conversely, targeted recruitment to fill key positions has taken place within our Building divisions.

	2016			2015		
Employees by region and gender	Male	Female	Total	Male	Female	Total
South Africa	**6 032**	**887**	**6 919**	5 778	724	6 502
Rest of Africa	**1 508**	**77**	**1 585**	3 562	158	3 720
Australia	**914**	**153**	**1 067**	1 089	155	1 244
Total	**8 454**	**1 117**	**9 571**	10 429	1 037	11 466
Avoidable employee turnover (% of permanent employees)		**4,9%**			3,5%	

In aggregate, the workforce of the group decreased by 16,5% in FY16. The substantial reduction in employee numbers evident in the rest of Africa again reflects the lower activity levels experienced during the year, as well as alignment against anticipated activity levels for the year ahead. Pleasingly, the proportion of female employees has improved across all regions.

The group carefully monitors its avoidable employee turnover rate in order to detect concerning trends in reasons for employees seeking alternative employment. Where possible, exit interviews are conducted by independent members of management in order for leaving employees to freely voice any grievances or concerns. Avoidable employee turnover increased from 3,5% in FY15 to 4,9% in FY16, which remains well below our ceiling of 7% or less. Reasons for leaving range from work-life balance to better opportunities and personal circumstances.

Our dedication to consistent on-time delivery places significant demands on our employees, often requiring long hours at crucial stages of a project. Work-life balance emerged as a growing concern among employees and active steps have been take to address this issue, which include a rotation system for overtime to limit the impact thereof on our staff and their families.

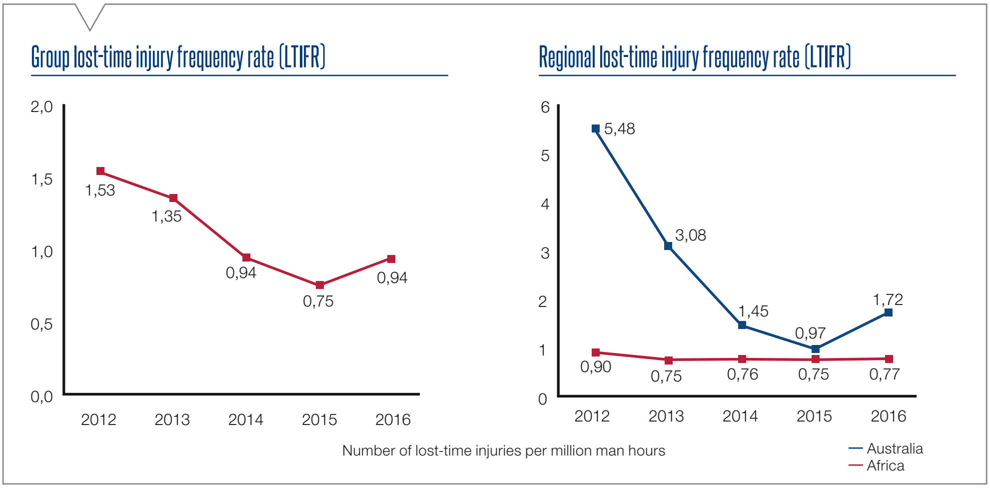
As an industry-leading contractor in both South Africa and Australia, WBHO is able to attract some of the top available talent. In order to retain this talent, we invest heavily in our employees' development throughout their careers, from their time at university through to senior management. Ongoing training and development is critical not only in achieving the strategic objectives of the group, but also in earning the loyalty and commitment of our employees. Through a mix of in-house, on-site and external training initiatives, employees maintain a logbook of their career development, which allows management to quickly identify and facilitate the requisite training necessary to further their progress within the company.

OPERATIONAL REVIEW
CONTINUED

South Africa and the rest of Africa	FY16	FY15
Total training and skills development spend (Rm)	**42,3**	30,7
Total employees trained	**2 427**	2 596
Bursary spend (Rm)	**4**	6
Number of bursaries awarded	**97**	107
Engineering school participants	**95**	53
Management development programme participants	**4**	15

While the number of employees trained within our African-based business decreased marginally by 7%, our overall investment in training increased by 38%. The number of bursaries also decreased and is aligned with the number of graduates that we believe can be absorbed into the business on completion of their studies. The WBHO engineering school consists of three levels, each aimed at providing employees with the necessary skills appropriate to their current role.

SAFETY AND ENVIRONMENTAL MANAGEMENT



Regrettably, the safety performance of the group deteriorated this year. While the LTIFR for South Africa and the rest of Africa remained consistent with the prior year at 0,77, the overall LTIFR increased from 0,75 to 0,94 following a number of lost-time injuries in Australia. Despite this increase, the attitude and commitment toward safety on all our sites continues to improve. Our migration to the monitoring and tracking of leading indicators over lagging indicators in recent years has allowed us to identify concerning trends on our sites and to align our safety alerts to raise awareness of these trends before injuries occur. These indicators include our all injury frequency rate, which includes all types of injuries, ranging from first aid provision to lives lost, and helps highlight broad personal injury trends across the group, as well as a register of near misses that records incidents that did not result in an accident, but could have caused serious harm. Injuries to hands and fingers and edge protection were flagged this year. As a result, a comprehensive investigation into our protective equipment was conducted and strict disciplinary measures introduced for non-compliance with safety policy in this regard. A standard practice in respect of edge protection was also implemented across all our building sites. Our Visible Field Leadership programme, which entails independent, on-site peer reviews of projects by senior site management, continues to be successful.

Unfortunately, we experienced one work-related fatality during the year, following a serious accident where a subcontractor in Cape Town fell from a height of five metres. There were also six incidents caused by members of the public that led to non-work-related fatalities during the year. These incidents were motor vehicle-related and we have been working with the South African National Roads Agency Ltd (SANRAL) — through the South African Forum of Civil Engineering Contractors (SAFCEC) — to find ways in which we can improve the client specifications relating to road projects in order to prevent further serious accidents from occurring. Measures that are being considered include: physical (concrete) barriers placed between construction employees and public motor vehicle traffic; vehicle speed reduction methods; and utilising the manpower and expertise of the Road Traffic Authorities to assist with the safe management of public traffic flow around construction sites.

The group retained its OHAS18001 certification of the safety management system, which is fully implemented on all sites and every site is subject to a safety audit during the course of the year. There has been a noticeable improvement by site personnel in addressing the concerns and issues raised from the audits and implementing the recommended corrective and preventative actions.

	FY16	FY15
OHAS18001 accreditation	✓	✓
SMS coverage	**100%**	100%
Audit coverage	**100%**	100%

Pleasingly, from an environmental perspective, no reportable incidents occurred during the year. As the construction industry is heavily water-reliant, the drought conditions and water restrictions experienced in South Africa this year were raised as worrying environmental risks. As a result, all of our construction sites conduct daily checks, monthly inspections and regular internal audits to monitor water wastage and mismanagement. Each site also reports monthly on its water consumption and source.

As part of our response to managing our carbon footprint, we have a Climate Change Policy in place that provides mechanisms for achieving objectives and targets relating to climate change. The group continues to participate in the Carbon Disclosure Project of the JSE voluntarily, and the carbon emissions in respect of our South African operations are disclosed in the table below:

	FY13/14	FY14/15
Scope 1 (tCO_2e)		
Direct emissions from owned or controlled sources	43 261,53	42 632,40
Scope 2 (tCO_2e)		
Indirect emissions from the generation of purchased energy	14 256,65	6 017,04
Scope 3 (tCO_2e)		
Indirect emissions (not included in scope 2) that occur in the value chain of the company	2 209,19	2 058,78
Total (tCO_2e)	59 727,37	50 708,22

The decrease in Scope 2 emissions can be attributed to a higher dependence on generators during the period under review, hence less national grid-supplied power being consumed. Going forward, there will be a greater focus on recycling as a means of reducing GHG emissions.

The environmental management system, which complies with best practice, is ISO14000 accredited and fully implemented across the group and, as with safety, all sites are subject to environmental audits.

	FY16	FY15
ISO14000 accreditation	✓	✓
SMS coverage	**100%**	100%
Audit coverage	**100%**	100%

The results of all safety and environmental audits are presented and discussed at divisional board meetings, Executive committee meetings and meetings of the Board of Directors.

TRANSFORMATION AND LOCALISATION

Transformation in South Africa remains a high priority for government and resulted in Revised Generic Codes of Good Practice being issued by the dti. Initially, the industry struggled to reach consensus on the New Construction Sector Codes; however, new Draft Codes were agreed upon in July 2016, following concerted efforts and lengthy negotiations to which WBHO made a valuable contribution as the SAFCEC representative on the Construction Sector Council and convener of the Established Sector membership organisations. These Codes have been submitted to the dti for gazetting and should soon be in place. The group will retain its Level 2 rating under the old Codes until October 2016.

OPERATIONAL REVIEW
CONTINUED

Employment equity has been an industry-wide challenge for many years and WBHO has been no exception in this regard. We have, however, made some good progress in FY16 with a number of black and female employees being promoted into senior management positions. The following table reflects the demographics of our South African employee base.

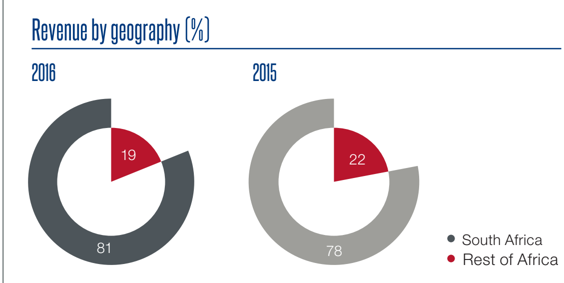
	Male					Female					
	African	Coloured	Indian	White	Total	African	Coloured	Indian	White	Total	Total
FY16	**5 027**	**216**	**91**	**697**	**6 031**	**602**	**92**	**33**	**161**	**888**	**6 919**
FY15	4 847	199	83	649	5 778	503	71	25	125	724	6 502

Furthermore, localisation is fast gaining traction in the rest of Africa, however, due to our long-standing presence in the region, we are proud to have developed strong teams of local staff in all the geographies in which we have a permanent residence.

	2016				2015			
	Botswana	Zambia	Mozambique	Ghana	Botswana	Zambia	Mozambique	Ghana
Total workforce	**313**	**283**	**490**	**468**	1 121	472	1 286	824
% of expatriates	**6,4**	**15,2**	**16,3**	**5,9**	4,0	11,9	13,1	5,5

BUILDING AND CIVIL ENGINEERING

	2016	2015
Revenue (Rm)	**7 536**	7 385
Operating profit (Rm)	**370**	352
Operating margin (%)	**4,9**	4,8
Capital expenditure (Rm)	**49**	75
Projects negotiated (% of private work)	**80**	69
Number of employees	**3 807**	3 750
Retrenchments	**112**	601
Training spend (Rm)	**13**	9
LTIFR (per million man hours worked)	**0,92**	0,98



Revenue from the Building and civil engineering divisions grew marginally by 2% as good growth from the Building divisions was offset by declining revenue from the Civil engineering division. Despite the lower revenue generated by the Civil Engineering division, the operating margin improved slightly, from 4,8% to 4,9% thanks to respectable margins being maintained on work executed.

The high levels of local building activity experienced in previous years were sustained in FY16, and building revenue from South Africa grew strongly by 26%. Although most of the growth was concentrated in Gauteng, revenue growth was also achieved in both the Western Cape and KwaZulu-Natal (KZN) while revenue from the Eastern Cape remained consistent with the previous year.

In Gauteng, the division has secured a number of large-scale commercial and retail projects in recent years, which include the Mall of Africa, new offices for Discovery, PricewaterhouseCoopers and the Department of Statistics, as well as the development of the Alice Lane and Menlyn Maine precincts, including the Time Square Casino in FY16. In the Western Cape, ongoing construction at the V&A Waterfront, the fit-out of a new hospital for Netcare and the completion of three residential apartment blocks were the main sources of construction activity during the year. In KZN, having completed the remaining commercial offices on the Umhlanga Ridge in the first half of the year, revenue was underpinned by retail activity in FY16, derived mainly from construction of the Ballito Junction shopping centre, awarded in FY15, and the newly awarded Cornubia shopping centre in Umhlanga in FY16. Revenue was further supported by a number of healthcare projects. Revenue from the Eastern Cape was generated from further extensions to the Greenacres shopping centre, ongoing construction of the new administration building for Transnet at COEGA, and new offices for SANRAL in Baywest.

Building activity in Ghana was again centred on retail developments and, following growth of 30% in FY15, revenue was sustained at these levels in FY16. In Accra, the refurbishment and extensions to the Accra mall, as well as construction of the Achimota shopping centre, were completed, while in Kumasi, construction of a new mall is progressing well.

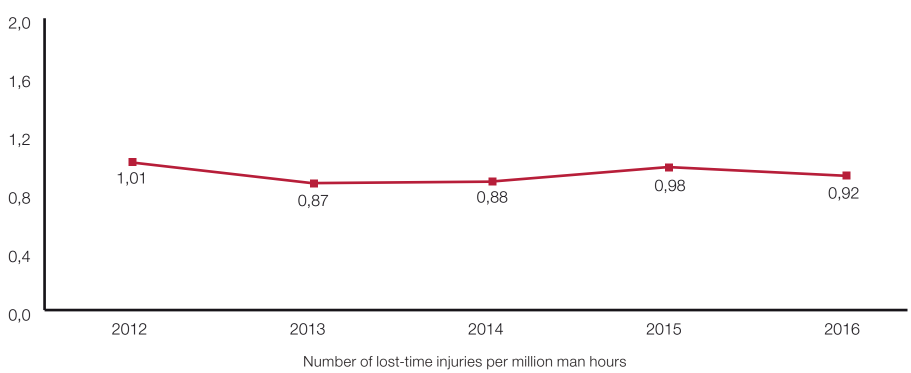
With the strong baseload of work each year, delivery of projects has been of primary focus, which we believe has been successfully accomplished and is evident in the increase in the percentage of negotiated work from 69% to 80% this year.

Due to its heavy reliance on the mining sector, the Civil engineering division has been particularly affected by the downturn in recent years with revenue decreasing by 40% in FY16. Having completed most existing mining projects during the current year, finding replacement work has been challenging and the continued right-sizing of the division has remained necessary, with 112 staff being retrenched. The extensions to the Cullinan Mill and a new parkade for Nedbank were completed in the second half of the year, while the re-access works at Kusile Power Station are ongoing. Revenue from the rest of Africa once again decreased, having completed the construction of a new gas-fired power station at Ressano Garcia, Mozambique, in conjunction with the Projects and Roads and earthworks divisions. The division continues to secure sufficient smaller-scale mining and industrial projects in Zambia to retain a presence in the region.

The division increased its training spend by 40% from R9,3 million to R13,0 million this year.

The safety performance of the division improved from 0,98 to 0,92 and has remained consistently below 1,0 for a number of years. WBHO takes responsibility for all people on our sites, regardless of whether they are our employees or not. In addition to our employees, we also report on injuries to all subcontractors and service providers under our supervision on our sites. The high number of subcontractors on our building sites adds additional complexity to managing safety as these are often smaller businesses with fewer resources and less mature safety practices. We address these challenges by insisting on submission of safety files prior to appointment, and a combination of on-site safety inductions, talks and mentoring.

Lost-time injury frequency rate

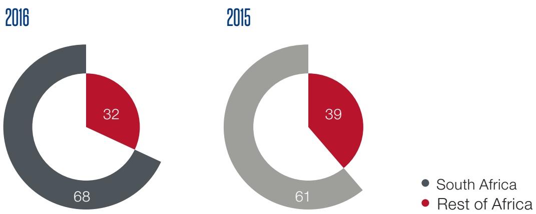


OPERATIONAL REVIEW
CONTINUED

ROADS AND EARTHWORKS

	2016	2015
Revenue (Rm)	**4 334**	5 282
Operating profit (Rm)	**283**	380
Operating margin (%)	**6,5**	7,2
Capital expenditure (Rm)	**53**	188
Projects negotiated (% of private work)	**14**	19
Number of employees	**3 283**	5 646
Retrenchments	**628**	843
Training spend (Rm)	**25**	16
LTIFR (per million man hours worked)	**0,51**	0,36

Revenue by geography (%)



In FY16, revenue from the Roads and earthworks division decreased by 18%, from R5,3 million to R4,3 million largely due to a decrease in revenue generated from the rest of Africa. Operating profit decreased by 26%, in line with the reduction in activity, but was also impacted by a decrease in the operating margin, from 7,2% to 6,5%, as the volume of lower-margin roadwork on hand increased further. Despite this, the division has produced resilient results in an extremely difficult and competitive market.

In South Africa, a marked decrease in mining-related revenue was, to some extent, mitigated by the award of a number of new road projects in various provinces, including the iconic M1 bridge project in Marlboro, the R24 to Rustenburg and N2 Grahamstown. In KZN, Edwin Construction was awarded a contract along the N5 near Harrismith and Roadspan Surfacing secured a large project on the N3 to Cedara; however, both Edwin Construction and Roadspan experienced lower revenue during the year due to lower spend from provincial governments and extremely competitive pricing. The asphalt business within Roadspan was particularly affected by this lack of activity and a number of plants have been mothballed. Construction of the bus rapid transport projects in eThekwini and Sandton also progressed well during the year. Local revenue was also impacted by the completion of the coal stock yard and ash dam at the Kusile Power Station, which have not been replaced. Following the completion and commissioning of the Mooi Mgeni pipeline in KZN, the Pipeline division has also struggled to find new work, having targeted two large-scale pipelines during the year that were not awarded.

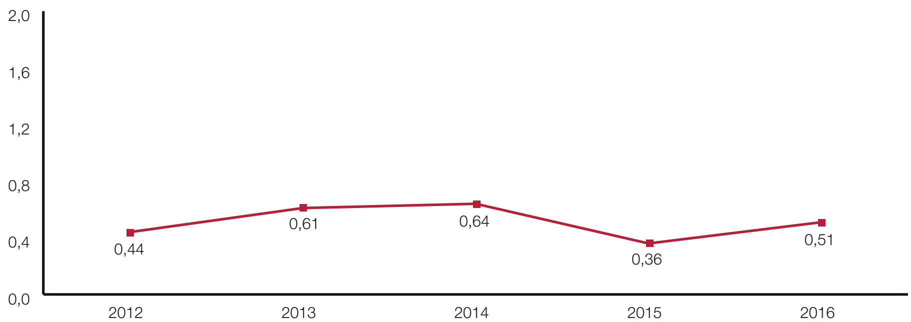
Revenue in Mozambique decreased substantially, with completion of the Ressano Garcia Power Station, however, the division performed well in replacing this work with various mining projects, which consisted of civil works for a railway workshop facility at Nacala, loop lines on the Vale coal line at Nampula, as well as a tailings facility for International Coal Ventures Private Limited (ICVPL) and coal handling for Vale, in Tete. Section 18 of the EN4 for Trans African Concessions (TRAC) was also completed this year. Having secured contracts for a tailings dam for the Debswana Mining Corporation and a tailings treatment plant in Jwaneng. Activity in Botswana was consistent with the prior year despite the Pipeline division completing the construction phase of the North South Carrier pipeline, which has now begun commissioning and trial operations will continue into FY17. In west Africa we continue to maintain a presence in Ghana by focusing on mining houses' operating expenditure requirements and also successfully completed a project in Sierra Leone.

The lower activity levels experienced overall meant that capital expenditure had to be strictly monitored in FY16. The replacement of mining-related plant and equipment subsided significantly as the workload continued to weaken, and only key items of plant were purchased on our roadwork contracts as there has been an increase in the amount of rental stock available as well.

A reduction in capacity was unavoidable this year, and the division retrenched an additional 622 employees during the year. Nonetheless, the division increased its investment in the training and development of employees with training spend increasing to R24,9 million (FY15: R16,4 million).

While the LTIFR of the division increased from 0,36 to 0,51, following an increase in lost-time injuries from subcontractors, it remains below the target of 0,7 set for the year.

Lost-time injury frequency rate

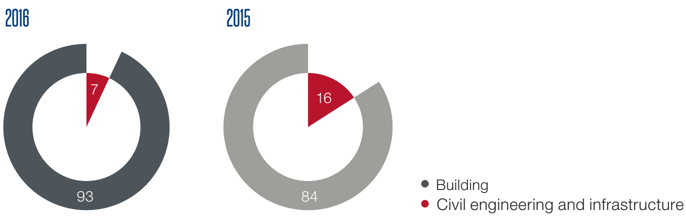


Number of lost-time injuries per million man hours

AUSTRALIA

	2016	2015
Revenue (Rm)	**18 113**	15 352
Operating profit (Rm)	**300**	11
Operating margin (%)	**1,7**	0,1
Capital expenditure (Rm)	**8**	45
Projects negotiated (% of private work)	**21**	11
Number of employees	**1 067**	1 244
New hires	**213**	279
Retrenchments	**39**	32
LTIFR (per million man hours worked)	**1,72**	0,97

Revenue by geography (%)



OPERATIONAL REVIEW
CONTINUED

Following strong growth of 42% in FY15, Probuild's building divisions delivered further growth of 18% in FY16. Good growth was again achieved in Victoria (VIC) where retail and residential activity were the main sources of work. The Eastland shopping centre was completed during the year and extensions to the Chadstone shopping centre will continue into FY17. Residential activity consisted of a number of residential towers secured toward the end of FY15, most notably the iconic Aurora apartments, as well as construction of the Caulfield Village development adjacent to the Melbourne Race Club. Entry into the Queensland market is now firmly entrenched and the business continues to perform well. Further growth was achieved this year following the award of two additional projects to the value of AU$360 million, which complemented the ongoing construction of the Grand Central shopping centre in Toowoomba and the now completed Iglu student accommodation. In New South Wales (NSW), revenue growth was moderate. Three large apartment blocks were completed during the year. In Western Australia (WA), building activity remained constrained owing to a subdued mining sector. Revenue from Monaco Hickey was again lower in FY16 as a consequence of a declining health and pharmaceuticals market; however, the business has successfully entered both the residential and commercial sectors during the year – as part of the broader strategy to expand the business into smaller projects in the general building market.

Revenue from WBHO Infrastructure (WBHOI), the Australian civil engineering business of the group, decreased substantially in FY16 as a result of the planned restructuring of the business. The western region has performed well in a declining market negatively affected by poor mining-related activity and has returned to profitability. In line with the strategic long-term focus of the business on being a national player in the infrastructure market, various projects within the road, resources and telecommunications sectors in the western region were secured, while a number of projects in the eastern states of VIC and NSW were also targeted. Two of these projects, both major transport infrastructure capital works, were successfully secured and construction commenced in the second half of the year. These projects, combined with lower restructuring costs, resulted in a better than expected performance.

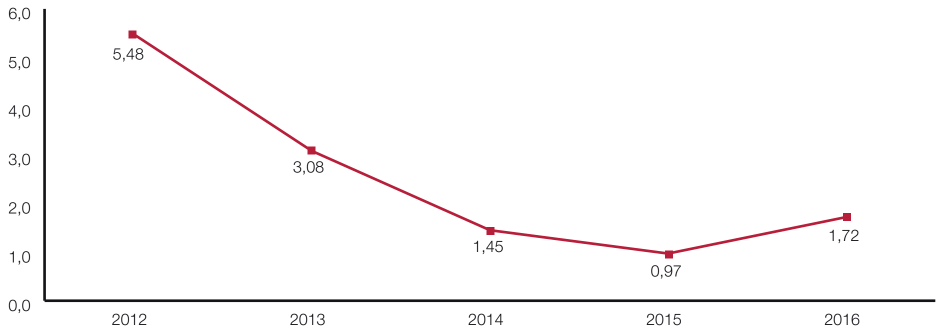
Capital expenditure reduced substantially as the infrastructure business was restructured and mining-related projects remained scarce.

The number of staff has decreased when compared to the previous financial year, primarily due to the restructuring of WBHOI in general, coupled with a restructuring of the WA operations of the building division. The latter restructuring was required in response to the general downturn in work in the greater Perth area, resulting from the slowdown in the resources sector.

Similar to the Engineering School conducted by the South African operations of the group, Probuild and WBHOI offer a graduate and cadet programme to employees and university students, aimed at providing them with core business and technical skills in the areas of design coordination, site coordination, contract administration, site supervision and leadership and personal development. Each module has assessment criteria that require participants to demonstrate their learning. There are currently 46 graduates and 28 students or "cadets", as they are known, on the programme.

Disappointingly, Australia safety performance worsened this year, following a concerning rise in lost-time injuries in VIC. After investigation, it was discovered that a significant number of these injuries were from the same subcontractor and a number of meetings were held between the senior management of Probuild and the subcontractor to address the issue. The investigation also highlighted that most of the injuries were sustained while performing complex high-risk activities. Corrective actions introduced include increased site supervision and inspections and safety management training, including subcontractor front-line management, safety improvement strategies from affected subcontractors and risk workshops for high-risk activities.

Lost-time injury frequency rate



Number of lost-time injuries per million man hours

CONSTRUCTION MATERIALS

	2016	Restated 2015
Revenue (Rm)	**648**	754
Operating profit (Rm)	**37**	13
Operating margin (%)	**5,7**	1,7
Capital expenditure (Rm)	**17**	19
Number of employees	**546**	577
LTIFR	**2,7**	5,7

Following the disposal of 3Q Mahuma Concrete Holdings during the year, continuing operations now consist only of Reinforced Mesh Solutions (RMS) where revenue decreased marginally in FY16 following growth in the prior period. Profitability improved significantly from R13 million to R37 million, achieving a margin of 5,7%. Demand from the local building sector continued to support activity levels in Gauteng, where we had a strong performance in the current year. Activity in Cape Town was also busy; however, operations in the Northern Cape near Kathu were slower due to lower mining activity. Output in KZN was also below expectations and was particularly affected by Chinese imports. We were, however, able to negotiate reduced input costs with key suppliers, which will assist in sourcing work in the year ahead. Operations in the northern provinces struggled with the Limpopo branch, which was initially established to service the Medupi Power Station, performing poorly and the newly opened Polokwane branch taking time to reach capacity. The order book and volumes for this branch have now grown and the outlook for the year ahead is promising. Lastly, the Nelspruit operation delivered excellent results in FY16.

CFO'S FINANCIAL REVIEW

CHARLES HENWOOD

"Another strong performance from our African-based Building divisions was partially diluted by a difficult year experienced by the Civil engineering division, while the Roads and earthworks division produced a resilient set of results amid subdued trading conditions."

KEY FINANCIAL INDICATORS	Target/growth	FY16	FY15
Revenue growth (%)	10,0	**6,3**	14,8
Operating margin (%)	3,0 to 4,5	**3,3**	2,7
Earnings per share (cents)	29,1	**1 322**	1 024
Headline earnings per share (cents)	10,6	**1 294**	1 170
Earnings per share (cents) – continuing operations	57,2	**1 396**	888
Headline earnings per share (cents) – continuing operations	23,8	**1 343**	1 085
Dividend per share (cents)	–	**448**	368
Return on capital employed (%)	20,0	**22,9**	18,0

The performance of the group this year signified a satisfying improvement over the disappointing results of the previous financial year. The Australian operations returned to normalised levels of profitability as the building divisions delivered a solid performance and further growth and, despite a reduction in revenue following the planned restructuring of the infrastructure business, it delivered better-than-expected results. Another strong performance from our African-based Building divisions was partially diluted by a difficult year experienced by the Civil engineering division, while the Roads and earthworks division produced a resilient set of results amid subdued trading conditions.

Revenue from continuing operations increased by 6% to R30,7 billion for the year ended 30 June 2016 as further growth within the building divisions of the group, both in Africa and Australia, continued to moderate the impact of lower activity levels within the mining and other civil engineering sectors.

The impact of these challenging conditions is evident within the African-based operations of the group, where revenue decreased by 7%, following declines in revenue from both the Roads and earthworks and Civil engineering divisions. Revenue growth in Australia reflects real growth of 8% in Australian dollar terms, but was assisted by a weaker rand, where currency effects amounting to R1,5 billion resulted in overall growth of 18%.

Operating profit before non-trading items increased by 31% to R1 billion from R768 million. This reflects the healthy recovery in profitability in Australia from R11 million to R300 million, where in the previous year losses on four civil engineering projects were recognised. Profitability from Australia this year was further supported by R48 million in unrealised exchange gains, following the devaluation of the rand. Profitability from African-based operations declined by 7% in line with lower activity levels.

While the overall margin of 3,3% reflects an improvement over the margin of 2,7% achieved at 30 June 2015, the volume of Australian-based projects, increased local building activity and a heavier weighting toward roadwork within the Roads and earthworks division, resulted in the margin being constrained towards the lower end of the targeted range of the group of between 3% and 4,5%.

Earnings per share from continuing operations increased by 57% from 888 cents per share to 1 396 cents per share at 30 June 2016. This reflects the improved operating performance from Australia, profit on the disposal of property in Australia, and the absence of any non-trading impairments in the current year.

Headline earnings per share from continuing operations, which ignores the effects of any impairments and profits or losses on disposal of assets, increased by 24% from 1 085 cents per share to 1 343 cents per share.

Full earnings per share increased by 29% to 1 322 cents per share, from 1 024 cents per share in the prior period, and this reflects the impact of the losses recognised on the disposal of businesses in respect of CSS, which have been disclosed under discontinued operations. Full headline earnings per share increased by 11% over the comparative period.

Return on capital employed (ROCE) was introduced as a measure of performance in the previous year. The target of 20% is aligned with the target set in respect of executive directors' remuneration. The group delivered a 23% ROCE this year and declared a gross dividend of 448 cents (FY15: 368 cents), an increase of 22%.

DISCONTINUED OPERATIONS (Rm)	FY16	Restated FY15
Revenue	**289**	601
Operating (loss)/profit before non-trading items	**(12)**	122
(Loss)/profit on disposal of operations	**(72)**	21
(Loss)/profit from discontinued operations	**(122)**	109
Non-controlling interest	**(82)**	34
Attributable (loss)/profit	**(40)**	75

Discontinued operations represent the trading of 3Q Mahuma Concrete (3Q), a ready-mix and aggregate business with operations in South Africa, and Capital Star Steel (CSS), the pipe factory in Mozambique. A significant achievement this year was the disposal of these non-core operations. 3Q was sold for a consideration of R140 million while R65 million was contributed toward the debt restructuring of CSS in order to facilitate the disposal. A loss of R67 million was incurred on the disposal of CSS, which largely consists of the recycling of currency gains previously recognised in equity. The more important aspect of this transaction was the disposal of net liabilities amounting to R278 million. A loss on disposal amounting to R5 million was recognised on the disposal of 3Q.

PROPERTY, PLANT AND EQUIPMENT (Rm)	Approved FY17	Actual FY16	Actual FY15
Property, plant and equipment		**1 710**	1 984
Depreciation		**242**	280
Impairment of property, plant and equipment		**–**	(54)
CAPEX			
Plant and vehicles			
Replacement	257	**84**	236
Expansion	47	**38**	30
	305	**122**	266
Land, buildings and other equipment			
Replacement	–	**4**	34
Expansion	–	**–**	27
	–	**4**	61
TOTAL	305	**126**	327

The lower activity levels experienced within the Roads and earthworks and Civil engineering divisions are further reflected in significantly lower capital expenditure of R127 million in the current year, which was restricted to the purchase and replacement of key items of plant. Accordingly, depreciation from continuing operations decreased from R280 million to R242 million.
The approved capital expenditure budget for FY17 amounts to R305 million.

CFO'S FINANCIAL REVIEW
CONTINUED

INVESTMENTS (Rm)	FY16	FY15
Investments	**202**	148
Investments in associates	**347**	204

INVESTMENTS

The increase in investments relates to a further investment of AU$2,5 million in the Caulfield property development in Australia, in which the group has a 30% interest. Probuild has completed Precinct 1 of the development. All units in this phase of the development have been sold, and cash inflows are expected in the next financial year.

INVESTMENTS IN ASSOCIATES

The group has an interest in three significant associates: Dipalopalo, a concession company responsible for the serviced accommodation of a new building for the Department of Statistics; Gigawatt Power, the concession company providing electricity generated from a gas-fired power station in Mozambique; and Gigajoule International, a shareholder in the Matola Gas Company, which sells and distributes gas in Mozambique.

In the current year, equity of R70 million has been invested within Dipalopalo and Gigawatt Power. The income from associates of R46 million recognised this year relates to the share of income for the group in respect of gas supplied by the Matola Gas Company and electricity generated by Gigawatt Power. No income has been recognised in respect of Dipalopalo during the year as construction of the building was only completed after year end.

LONG-TERM RECEIVABLES (Rm)	FY16	FY15
Mezzanine financing arrangements	**198**	531
Current portion	**(183)**	(531)
	15	–
Other long-term receivables	**274**	154
Current portion	**(193)**	(35)
	81	119
Total long-term receivables	**96**	119

The group provides mezzanine financing to key clients where opportunities exist to unlock developments and procure work. Interest is levied at rates higher than those which are obtainable from financial institutions and acceptable security is obtained. Mezzanine financing in the amount of R500 million was repaid during the year and R14 million was invested in new potential future projects.

Other long-term receivables include loans to employees for shares, which are repayable in FY17, and an amount of R140 million in respect of the consideration receivable from the sale of 3Q Mahuma Concrete Holdings (Pty) Ltd, of which an amount of R40 million will be placed in escrow for a period of two years upon settlement.

CASH BALANCES (Rm)	FY16	FY15
Cash generated from operations	**1 995**	2 553
Cash and cash equivalents	**5 773**	3 995
Bank overdraft (including disposal group)	**(21)**	(332)

A further highlight this year was the substantial increase in cash balances at 30 June 2016.

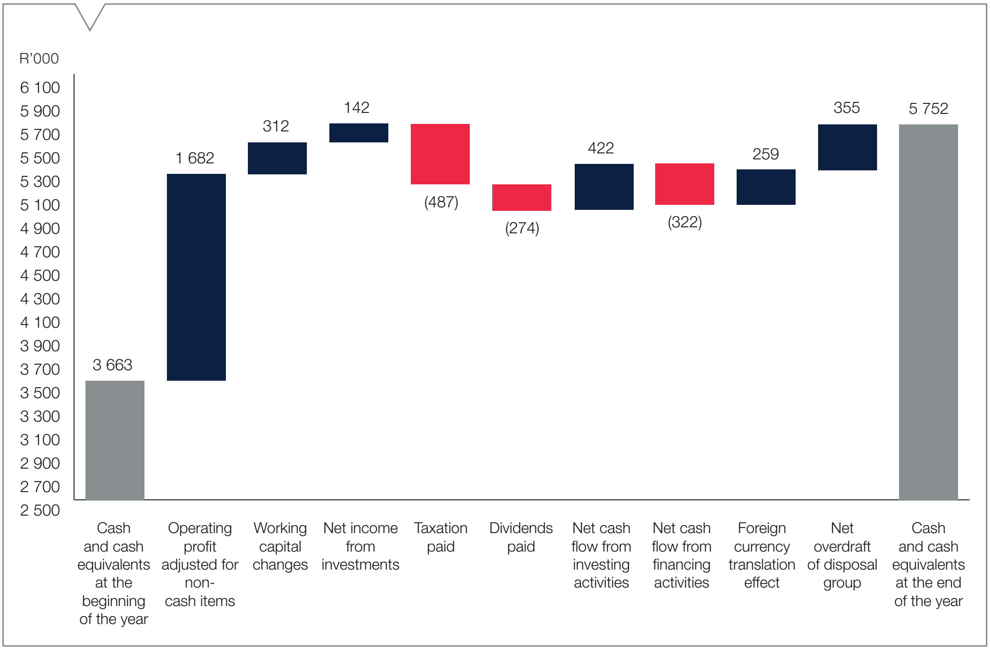
Strong cash generated from operations included working capital inflows of R312 million, aided by an increase in excess billings over work done, which is a function of the high proportion of building work on hand, and a reduction of R545 million in uncertified revenue. The repayment of mezzanine financing, currency gains and the disposal of debt of R355 million within discontinued operations further contributed to the 44% increase achieved.

Cash balances amounting to R2,6 billion (FY15: R1,7 billion) are held in South Africa, an increase of 53%, while R3,2 billion (FY15: R2,3 billion) is held offshore, of which 58% relates to Australia.

In addition to the flexibility that sizeable cash balances provide to the group in the form of mezzanine financing and investment opportunities, a significant portion of the guarantee lines extended to Probuild in Australia are supported from South Africa on the strength of the African balance sheet. The cash balances add substantial depth to the strength of this balance sheet and are key to the ongoing growth of the Australian operations.

Furthermore, the group remains alert to potential and viable acquisition and expansion opportunities in which to invest.

The graph below illustrates the movement in cash balances over the year:



ACQUISITION OF NON-CONTROLLING INTERESTS (Rm)	% acquired	Amounts raised in equity	Purchase price
Probuild Constructions (Aust) (Pty) Ltd	2,45	17	36
Renniks Construction (Pty) Ltd	12,5	1	6

During the year, members of Probuild's management exercised their put options, resulting in the acquisition of a further 2,79% interest in the company. The shares were acquired at a cost of R36 million and an amount of R17 million was debited to equity. A further 12,5% interest in Renniks Construction was also acquired at a cost of R6 million.

LIABILITIES (Rm)	FY16	FY15
Borrowings	**104**	252
Current portion	**(87)**	(139)
	17	113
Provisions	**2 060**	1 620
Guarantees issued to third parties (contingent liabilities)	**9 491**	6 206

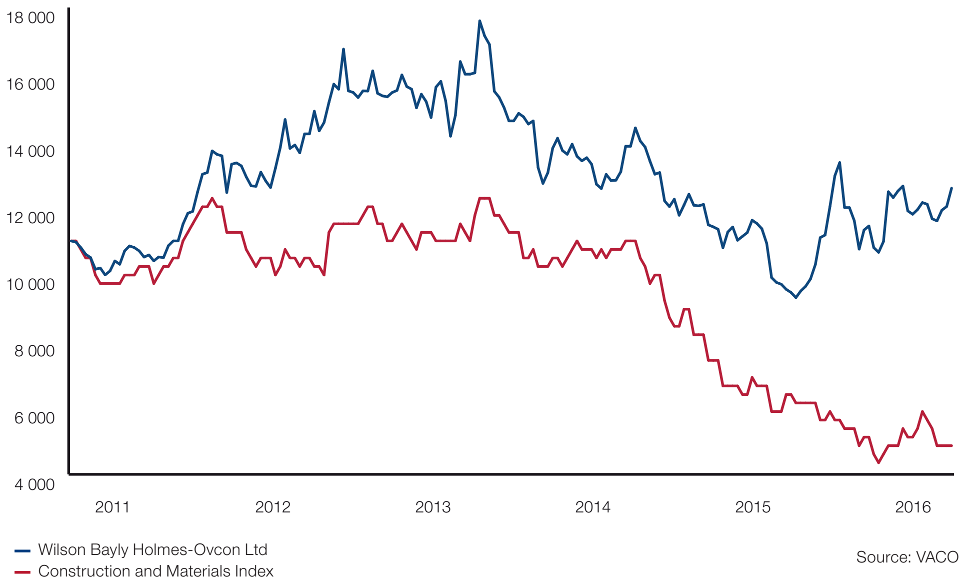
Borrowings largely represent capitalised finance lease agreements over plant and equipment, a significant portion of which was settled during the year. Limited new agreements were entered into during the year as a consequence of the much lower capital expenditure.

The increase in provisions of R440 million relates to provisions raised for costs to finalise engineer, procure and construct (EPC) projects to the required specifications, as well as an increase in the provision for annual bonuses due to improved profitability.

Guarantee facilities with various financial institutions amounted to R11,5 billion at 30 June 2016 and are sufficient to cater for future growth prospects with the unutilised portion amounting to R5,5 billion.

CFO'S FINANCIAL REVIEW
CONTINUED

Share price performance and market capitalisation



The share price closed at R125,82 at 30 June 2016, 26,8% higher than at 30 June 2015 and outperformed the Construction and Materials Index, which declined by 56,0% over the same period. This reflects the ability of the group to deliver consistently solid performances better than those of its peer group. The market capitalisation of the group increased by R1,4 billion to R8,0 billion (FY15: R6,5 billion).

OUTLOOK

The group begins the new financial year with a healthy order book of R42,7 billion, an increase of 14% over FY16. Having secured 80% of the revenue achieved in FY16 for the year ahead, the local Building and civil engineering division is well placed with activity levels and margins expected to be maintained. The decline of 20% in the order book of the Roads and earthworks division is indicative of current market conditions; however, should negotiations on certain imminent projects be successful, the outlook for the year ahead is satisfactory. While the Australian order book remains heavily weighted toward building work, and we expect similar margins from this division in FY17, we anticipate growth in the infrastructure business as the new strategy becomes fully implemented.

Charles Henwood
Chief Financial Officer

New offices for Discovery: Sandton


TiBER
WBHO
TiBER
WBHO
ersonal best
es celebration
Chad le Clos
Discovery Vitality Ambassador
Discovery
Vitality
40

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION
for the year ended 30 June 2016

The summary consolidated financial statements are prepared in accordance with the JSE Limited Listings Requirements, the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and, at a minimum, contain the information required by IAS 34, Interim Financial Reporting and the requirements of the Companies Act of South Africa.

The accounting policies applied in the preparation of the annual consolidated financial statements, from which the summary consolidated financial statements were derived, are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements.

The summary consolidated financial statements have been compiled under the supervision of the Chief Financial Officer, Charles Henwood CA(SA) and were authorised by the Board on 2 September 2016.

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

These summary consolidated financial statements for the year ended 30 June 2016 have been audited by BDO South Africa Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual consolidated financial statements, a copy of which is available on the company's website at www.wbho.co.za, or for inspection at the company's registered office.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF WILSON BAYLY HOLMES-OVCON LTD

The summary consolidated financial statements of Wilson Bayly Holmes-Ovcon Ltd (WBHO), contained in this report, which comprise the summary consolidated statement of financial position as at 30 June 2016, the summary consolidated statements of financial performance and other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of WBHO for the year ended 30 June 2016. We expressed an unmodified audit opinion on these consolidated financial statements in our report dated 2 September 2016. Our auditor's report on the audited consolidated financial statements contains an other matter paragraph: "Other reports required by the Companies Act" (refer below).

The summary consolidated financial statements do not contain all the disclosures required by IFRS and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY FINANCIAL STATEMENTS

The directors are responsible for the preparation of a summary of the audited consolidated financial statements in accordance with the JSE Limited's (JSE) requirements for summary financial statements, set out in the 'Basis of preparation' note to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of summary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

OPINION

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of WBHO for the year ended 30 June 2016 are consistent, in all material respects, with those consolidated financial statements, in accordance with the JSE Listings Requirements for summary financial statements, as set out in the "Basis of Preparation" note set out in the summary consolidated financial statements and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

The other reports required by the Companies Act paragraph in our audit report dated 2 September 2016 states that, as part of our audit of the consolidated financial statements for the year ended 30 June 2016, we have read the Directors' report, the Audit committee's report and the Company Secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.

BDO South Africa Inc.

Per: **Jeanie Roberts**
Director

Registered Auditor

2 September 2016

22 Wellington Road
Parktown
2193

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2016

	% change	Audited 2016 R'000	Restated Audited 2015 R'000
Revenue	6,3	**30 650 309**	28 823 384
Operating profit before non-trading items	30,7	**1 004 557**	768 417
Impairment of goodwill		**–**	(115 982)
Impairment of property, plant and equipment		**–**	(53 926)
Profit on disposal of property		**29 166**	14 813
Share-based payment expense		**(42 481)**	(36 235)
Operating profit		**991 242**	577 087
Share of profits from associate		**45 659**	46 189
Net finance income		**203 014**	115 942
Profit before taxation		**1 239 915**	739 218
Taxation		**(395 715)**	(244 572)
Profit from continuing operations	70,7	**844 200**	494 646
(Loss)/profit from discontinued operations		**(122 350)**	109 491
Profit for the year		**721 850**	604 137
Other comprehensive income			
Items that may be or have been reclassified to profit or loss			
Translation of foreign entities		**101 651**	(269 854)
Share of associates' comprehensive income		**28 618**	7 018
Recycling of translation of foreign operations through profit or loss		**284 086**	–
Total comprehensive income for the year		**1 136 205**	341 301
Profit attributable to:			
Equity shareholders of WBHO		**725 533**	565 531
Non-controlling interests		**(3 683)**	38 606
		721 850	604 137
Total comprehensive income attributable to:			
Equity shareholders of WBHO		**1 081 409**	301 719
Non-controlling interests		**54 796**	39 582
		1 136 205	341 301
Earnings per share – total operations			
Earnings per share (cents)	29,1	**1 322,3**	1 023,8
Diluted earnings per share (cents)	29,1	**1 322,3**	1 023,8
Headline earnings per share (cents)	10,6	**1 293,6**	1 169,5
Dividend per share (cents)		**448,0**	368,0

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2016

	% change	**Audited 2016 R'000**	Restated Audited 2015 R'000
Profit from continuing operations attributable to:			
Equity shareholders of WBHO		**766 031**	490 456
Non-controlling interests		**78 169**	4 190
		844 200	494 646
Earnings per share – continuing operations			
Earnings per share (cents)	57,2	**1 396,1**	887,9
Diluted earnings per share (cents)	57,2	**1 396,1**	887,9
Headline earnings per share (cents)	23,8	**1 342,9**	1 085,0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2016

	Note	**Audited 2016 R'000**	Restated Audited 2015 R'000	Restated Audited 2014 R'000
Shareholders' equity at the beginning of the year		**4 565 742**	4 547 413	4 423 257
Impact of prior period error	4	**–**	–	(43 827)
Shareholders' equity as restated		**4 565 742**	4 547 413	4 379 430
Profit for the year		**725 533**	565 531	422 742
Other comprehensive income		**355 876**	(263 812)	(21 490)
Dividend paid		**(242 864)**	(215 171)	(235 490)
Share buy-back		**(28)**	–	–
Derecognition of non-controlling interest		**(10 639)**	–	–
Treasury shares acquired		**–**	(52 079)	–
Share-based payment expense		**43 845**	32 117	33 337
Share-based payment settlement		**5 472**	845	12 496
Transactions with owners		**(14 508)**	(49 102)	(43 612)
Shareholders' equity at the end of the year		**5 428 429**	4 565 742	4 547 413

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2016

	Audited 2016 R'000	Restated Audited 2015 R'000	Restated Audited 2014 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	**1 710 358**	1 984 417	2 164 724
Goodwill	**572 102**	498 266	644 936
Investment in associates	**347 171**	203 923	97 847
Investments	**201 942**	148 465	96 997
Long-term receivables	**96 193**	118 943	292 345
Deferred taxation	**558 840**	462 279	365 903
Total	**3 486 606**	3 416 293	3 662 752
Current assets			
Inventories	**210 314**	215 108	259 025
Amounts due by customers	**514 438**	1 058 957	929 688
Trade and other receivables	**5 111 251**	5 090 207	4 955 738
Taxation	**294 687**	355 900	356 268
Cash and cash equivalents	**5 773 369**	3 995 089	2 756 700
Total	**11 904 059**	10 715 261	9 257 419
Assets held for sale	**–**	237 610	477 642
Total assets	**15 390 665**	14 369 164	13 397 813
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	**28 597**	28 625	28 625
Non-distributable reserves	**702 514**	297 321	578 873
Retained earnings	**4 697 318**	4 239 796	3 939 915
Shareholders' equity	**5 428 429**	4 565 742	4 547 413
Non-controlling interests	**258 421**	262 443	273 776
Total	**5 686 850**	4 828 185	4 821 189
Non-current liabilities			
Cash-settled share scheme liability	**17 571**	22 734	18 761
Borrowings	**17 010**	112 530	166 142
Deferred taxation	**24 253**	47 708	32 591
Total	**58 834**	182 972	217 494
Current liabilities			
Excess billings over work done	**1 917 491**	1 499 471	1 417 028
Trade and other payables	**5 508 209**	5 570 407	4 699 740
Borrowings	**87 355**	139 045	147 201
Provisions	**2 059 645**	1 619 749	1 313 421
Taxation	**51 106**	97 150	110 379
Bank overdraft	**21 175**	–	115 605
Total	**9 644 981**	8 925 822	7 803 374
Liabilities associated with disposal group held for sale	**–**	432 185	555 756
Total equity and liabilities	**15 390 665**	14 369 164	13 397 813

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2016

	Audited 2016 R'000	Audited 2015 R'000
Operating profit before working capital requirements	**1 681 906**	1 410 626
Working capital changes	**312 949**	1 142 304
Cash generated from operations	**1 994 855**	2 552 930
Net finance income	**141 641**	69 531
Taxation paid	**(487 234)**	(363 767)
Dividends paid	**(273 873)**	(251 593)
Cash retained from operations	**1 375 389**	2 007 101
Cash flow from investing activities		
Advances of long-term receivables	**(14 000)**	(247 477)
Repayment of long-term receivables	**500 284**	16 058
Additions to investments	**(27 874)**	(58 127)
Loans advanced to associate	**(68 353)**	(67 132)
Proceeds on disposal of operations	**–**	161 106
Restructuring of debt on disposal of operations	**(65 114)**	–
Proceeds on disposal of property, plant and equipment	**213 168**	134 758
Purchase of property, plant and equipment	**(116 206)**	(202 436)
Net cash flow from investing activities	**421 905**	(263 250)
Cash flow from financing activities		
Repayment of borrowings	**(141 272)**	(24 109)
Transactions with owners	**(41 720)**	(64 538)
Treasury shares acquired	**(28)**	(52 079)
Installments in respect of capitalised finance leases	**(139 302)**	(153 824)
Net cash flow from financing activities	**(322 322)**	(294 550)
Increase in cash and cash equivalents	**1 474 972**	1 449 301
Foreign currency translation effect	**259 212**	(146 214)
Overdraft in respect of disposal group at the beginning of the year	**(332 180)**	(268 450)
Cash and cash equivalents at the beginning of the year	**3 995 089**	2 641 095
Overdraft/(cash and cash equivalents) disposed of	**355 101**	(12 823)
Overdraft in respect of disposal group at the end of the year	**–**	332 180
Cash and cash equivalents at the end of the year	**5 752 194**	3 995 089

NOTES TO THE
AUDITED RESULTS
for the year ended 30 June 2016

	Audited 2016 R'000	Restated Audited 2015 R'000
1. RECONCILIATION OF HEADLINE EARNINGS		
Continuing operations		
Attributable profit	**766 031**	490 456
Adjusted for:		
Impairment of goodwill	**–**	99 283
Impairment of property, plant and equipment*	**–**	49 953
Profit on disposal of property, plant and equipment*	**(41 215)**	(35 011)
Tax effect	**12 038**	(5 359)
Headline earnings from continuing operations	**736 854**	599 322
Total operations		
Attributable profit	**725 533**	565 531
Adjusted for:		
Impairment of goodwill	**–**	99 283
Impairment of property, plant and equipment*	**–**	49 953
Profit on disposal of property, plant and equipment*	**(41 755)**	(35 011)
Profit on disposal of associate*	**–**	(2 464)
Net loss/(profit) on disposal of operations*	**13 939**	(26 418)
Tax effect	**12 125**	(4 904)
Headline earnings	**709 842**	645 970

** Net of non-controlling interests.*

2. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE

Following a decision to dispose of non-core operations in previous years, both 3Q Mahuma Concrete Holdings (Pty) Ltd (3Q) and Capital Star Steel (Mozambique) (CSS) have been classified as discontinued operations. Both operations were disposed of in the current year. 3Q was sold for a consideration of R140 million, and R65 million was contributed towards debt restructuring in order to facilitate the disposal of CSS.

	Audited 2016 R'000	Restated Audited 2015 R'000
Revenue	**289 235**	601 006
Operating (loss)/profit before non-trading items	**(11 831)**	122 490
Profit on sale of associate	**–**	4 435
(Loss)/profit on disposal of operations	**(71 548)**	20 573
Profit on sale of property	**1 217**	–
Onerous contracts	**(14 753)**	–
Impairment of loans	**(2 683)**	–
Operating (loss)/profit	**(99 598)**	147 498
Net finance costs	**(13 520)**	(20 932)
(Loss)/profit before tax	**(113 118)**	126 566
Taxation	**(9 232)**	(17 075)
(Loss)/profit for the year	**(122 350)**	109 491
(Loss)/profit attributable to:		
Equity shareholders of WBHO	**(40 498)**	75 077
Non-controlling interests	**(81 852)**	34 414
	(122 350)	109 491
Disposal group held-for-sale		
Property, plant and equipment	**–**	206 079
Inventories	**–**	5 000
Trade and other receivables	**–**	10 418
Taxation	**–**	29
Cash and cash equivalents	**–**	16 084
Total assets	**–**	237 610
Trade and other payables	**–**	(10 382)
Borrowings	**–**	(73 540)
Bank overdraft	**–**	(348 263)
Total liabilities	**–**	(432 185)

3. ORDINARY SHARES

Ordinary shares in issue ('000)	**63 190**	66 000
Weighted average number of shares ('000)	**54 870**	55 236
Diluted weighted average number of shares ('000)	**54 870**	55 236

NOTES TO THE
AUDITED RESULTS (continued)
for the year ended 30 June 2016

4. RESTATEMENT OF PRIOR YEAR FIGURES

During the year, the group became aware of errors made in calculating the secondary tax on companies (STC) for the 2009 and 2011 financial years. At year end, it was also discovered that in the prior year inter-company revenue from Capital Africa Steel (Pty) Ltd had not been eliminated.

During the year, 3Q Mahuma Concrete Holdings (Pty) Ltd was also classified as a discontinued operation. The impact of the restatements are disclosed below:

Statement of financial position

	Retained earnings R'000	Taxation liability R'000
Balance at 30 June 2014 as previously reported	3 983 742	66 552
Taxation and accrued interest	(40 886)	40 886
Accrued interest 2014	(2 941)	2 941
Restated balance at 30 June 2014	3 939 915	110 379
Balance at 30 June 2015 as previously reported	4 286 772	50 174
Taxation and accrued interest	(40 886)	40 886
Accrued interest 2014	(2 941)	2 941
Accrued interest 2015	(3 149)	3 149
Restated balance at 30 June 2015	4 239 796	97 150

Statement of financial performance and other comprehensive income

	Revenue R'000	Contract costs R'000
As previously reported at 30 June 2015	29 522 972	(27 376 407)
Reclassification of discounted operations	(468 780)	424 395
Elimination of inter-company revenue	(230 808)	230 808
	28 823 384	(26 721 204)

	Profit for the year R'000
As previously reported at 30 June 2015	607 286
Accrued interest 2015	(3 149)
	604 137

Earnings per share and total headline earnings per share (cents)

	Earnings per share	Headline earnings per share
As previously reported at 30 June 2015	1 029,5	1 175,2
Impact of restatement	(5,7)	(5,7)
	1 023,8	1 169,5

There was no impact on the statement of cash flows.

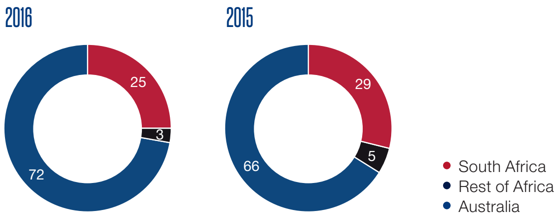
New processing plant for
Petra Diamonds SA Ltd: Cullinan

ORDER BOOK AND OUTLOOK

GROUP

	2016 %	2016 Rm	2015 %	2015 Rm
Order book by segment				
Building and civil engineering	**20**	**8 683**	24	9 136
Roads and earthworks	**8**	**3 041**	10	3 789
Australia	**72**	**30 976**	66	24 507
Total	**100**	**42 700**	100	37 432

Geographic spread (%)



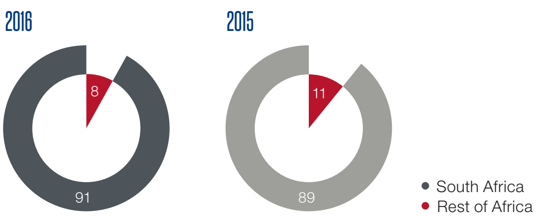
The order book at 30 June 2016 has increased by 14% over the prior period and reflects a sharp increase in the order book of the Australian building divisions, while the Building and civil engineering and Roads and earthworks order books have declined, both locally, as well as in the rest of Africa.

The Australian order book now comprises 72% of the total book and the African book has dropped to 28%, compared to 34% at 30 June 2015. While the proportion of the book may seem heavily weighted toward Australia, the Australian order book traditionally has a longer horizon. Only 64% of the Australian order book relates to FY17, whereas 79% of the African book relates to FY17.

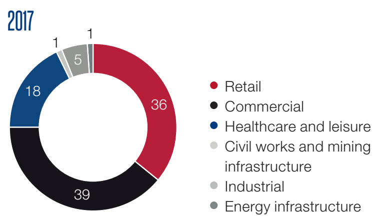
Due to the increased activity in Australia and the continued heavy weighting toward lower margin building and roadwork, margins are likely to remain at the lower end of the targeted range of the group over the short to medium term.

BUILDING AND CIVIL ENGINEERING

Geographic spread (%)



Sector spread (%)



The local building market continues to deliver sufficient major projects each year. The reputation of the Building division for being the contractor of choice in South Africa has resulted in a significant increase in market share in recent years. With 78% of FY16 revenue already secured for FY17, activity levels and margins are expected to be sustained over the short to medium term.

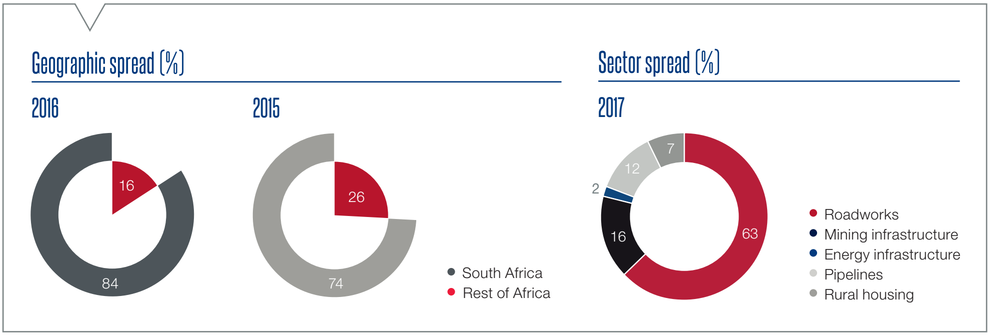
In Gauteng, new contract awards in the second half of the year include Times Square at the Menlyn precinct, offices at Loftus Park in Tshwane and an office development at 92 Rivonia in Sandton. These projects, together with ongoing construction of offices for Discovery in Sandton, PricewaterhouseCoopers in Waterfall, Midrand and the Thavani Mall in Limpopo will comprise the main source of activity in FY17.

In KZN, we expect strong activity in FY17, underpinned by the ongoing construction of two major shopping centres, Ballito Junction, due for completion in FY17; and Cornubia shopping centre in Umhlanga, due for completion in FY18. In the commercial office sector, the division secured a project for the construction of new offices for ABSA late in FY16. Additional opportunities within the entertainment and healthcare sectors are also being pursued. In the Western Cape, activity is expected to taper due to the completion of various projects at the V&A Waterfront in the first half of the year. A number of projects in the residential apartment and healthcare sectors are being targeted for the second half of the year.

In the rest of Africa, the Building division has secured its first commercial office development and is the preferred contractor on an additional retail development in Ghana, while ongoing construction of the Kumasi Mall will continue into the second half of FY17.

While conditions within the civil engineering industry are considered to be at the lowest levels seen in many years, positive signs are beginning to emerge. A number of large infrastructure projects have recently been brought to the market and certain mining houses are again making enquiries in respect of budget prices, with projects that had previously been shelved now seemingly being resurrected. In the year ahead, the Civil engineering division will continue with the re-access works at the Kusile Power Station and construction of a new furnace for Northam Platinum. The Civil engineering division, in conjunction with the Roads and earthworks division, is also the preferred contractor for the construction of a world-class commercial crude oil terminal facility at Saldanha in the Western Cape. Various potential mining projects are also being targeted for the second half of the year. In Zambia, future work will be centred at Mopani copper mine and there is potential for further opportunities at the mine, as well as opportunities from the agricultural sector.

ROADS AND EARTHWORKS



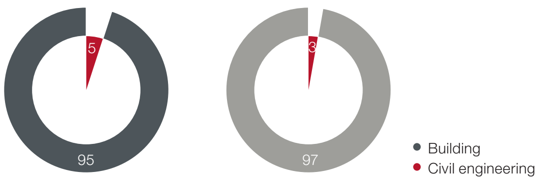
The Roads and earthworks order book has decreased by 16% from FY15. Subsequent to the completion of the gas-fired power station and a number of mining-related projects in Mozambique in FY16, it is expected that activity in the rest of Africa will decrease in FY17; however, a significant portion of this work has been replaced with local projects. A further R480 million has been secured post the financial year end. As mentioned above, the division is the preferred contractor for the construction of a commercial crude oil terminal facility in Saldanha, which will provide a significant amount of work for the earthworks and pipeline businesses within the division. Additionally, the division is at an advanced stage of negotiations with the developer of a logistics park in KZN, as well as further opportunities in the mining sector, which is showing signs of recovery. Having secured a large number of roadwork projects in FY16, the weighting toward this sector will increase further in FY17, creating added margin pressure. Roadspan, in particular, has a robust order book, while Edwin is also expecting increased activity in the year ahead. In Botswana, construction of a new pump station along the North South Carrier pipeline along with various smaller-scale, mining-related projects, will support activity next year; in Mozambique, work on the coal mines will continue through the first half of the year, with the potential for additional packages to be secured. In addition to targeting a further section of the EN4, the division is exploring a number of opportunities in other east African countries. The order book in west Africa remains subdued; however, the division is adept at securing sufficient ongoing short-term projects to retain a presence in the region.

ORDER BOOK AND OUTLOOK
CONTINUED

AUSTRALIA

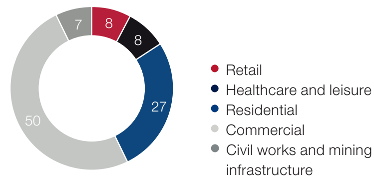
Geographic spread (%)

2016 | 2015



Sector spread (%)

2017



The continued strength in Australian building markets is clearly reflected by the growth in Probuild's order book. Probuild is considered to be one of two dominant builders in Melbourne, Victoria. This year, the group has focused on strengthening its footprint in other states in order to decrease potential overexposure to the Victorian market should demand begin to subside. As a result, at 30 June 2016 the order books of Queensland, New South Wales and Western Australia have shown exceptional growth, while the Victorian order book has decreased by 16%. In Victoria, completion of the Werribee shopping centre, extensions to the Chadstone shopping centre, the expansion of the Melbourne Convention and Exhibition Centre and broader South Wharf precinct, and construction of six residential towers, will drive activity in FY17. In New South Wales, the second phases of the Promenade and Shore apartments are the main source of work, while in Western Australia, the group was recently awarded a project for the construction of The Towers and Ritz Carlton at Elizabeth Quay, the AU$500 million centre piece of Perth's most prestigious waterside precinct. Construction activity in Queensland for FY17 will largely comprise completion of the Toowoomba shopping centre, Cooparoo Square, a mixed-use development and the six-star Jupiter Hotel on the Gold Coast.

While retaining its presence in Western Australia, WBHO Infrastructure has emphasised pursuing infrastructure opportunities in Victoria and New South Wales this year, culminating in the award of two road projects in the second half of the year and increasing the civil engineering order book by 77%. Successful execution of these projects is key to building relationships and demonstrating capability in these markets in order to further the strategy of the division to be a significant player in the national infrastructure market. Additional opportunities are being pursued in the renewable energy, road, port and rail sectors. The western region has renewed a number of maintenance contracts in the mining and oil and gas sectors, while successfully securing major capital works in the resources and road sectors, enabling the division to increase its order book by 30% compared with the prior period. It is particularly pleasing to note that the division has secured projects to the value of R1,2 billion subsequent to 30 June 2016.

CONSTRUCTION MATERIALS

Reinforcing Mesh Solutions begins the new financial year with a reasonable volume of work on hand. The Cape Town branch has a good baseload of work and having secured work on two solar farms in the Northern Cape, we expect the operations in Kathu to have a busy year. Volumes in Gauteng tapered off toward the end of FY16, and it is necessary to replace these projects to maintain capacity. Order books of the Nelspruit and Polokwane branches remain healthy.

Cable stay bridge over the M1: Sandton

GOVERNANCE REVIEW

This section of the report presents the corporate governance practices of the group for the reporting period. It includes an overview of the current governance structures and reporting processes, followed by a discussion of the key governance tasks addressed during the year. These tasks have been tied to the governance structure primarily responsible for addressing them, either the Board or one of its sub-committees.

MESSAGE FROM LEAD INDEPENDENT DIRECTOR

As the WBHO Board of Directors, we recognise that accountability and transparency are fundamental to investor trust and commercial sustainability. This requires us to deliberate and act with fairness, responsibility and integrity. It also obliges us to consider more than just our financial performance, appraising the short and long-term impacts of our operations on society and the environment at the same time.

We are committed to maintaining robust standards of corporate governance and are guided in this regard by the sound recommendations of the King Code of Corporate Governance Principles for South Africa (King III), the dictates of the Companies Act, No 71 of 2008 and the JSE Listings Requirements. Our commitment is not simply an expression of compliance, however, but a reflection of our sincere belief that such standards represent the foundation of the future success of the company.

As the Board, we appreciate that good governance requires us to articulate the overarching values and standards to which we hold ourselves accountable as a group, provide unifying oversight, and identify and implement the right guidelines, policies and procedures to help the business achieve its strategic objectives.

The WBHO Board undertakes a formal of its effectiveness each year. During the period under review, the Board was independently evaluated by an external party, which ensured a vigorous process. Members of the Board also evaluates their individual performance during the year. These evaluations covered strategic skills, understanding of the business and its context, and the ability of members to apply objectivity, independence and judgement when required. Going forward, we will undertake full external Board, committee and individual assessments.

Following this evaluation, the Board is satisfied that the Board and its committees are performing effectively and that there is the appropriate balance of skills, experience, independence and knowledge of the group to enable the directors to discharge their respective duties and responsibilities effectively.

Nomgando Matyumza
Lead independent non-executive director


BOARD OF DIRECTORS

The WBHO Board of Directors is responsible for developing the strategy of the organisation with management. It retains full and effective control of the company and is responsible for the implementation of the strategy of the group. This section of the report sets out the composition and experience of the Board. For further information regarding the role and responsibilities of the Board, together with the attendance of members at meetings for the financial year ended 30 June 2016, please see the governance section of our website.

Mike Wylie (66)
Chairman

Tenure:
14 years
Industry experience:
41 years
Qualifications:
Pr Eng; BCom (Hons)

Louwtjie Nel (55)
Chief executive officer

Tenure:
8 years
Industry experience:
29 years
Qualifications:
BSc (Eng)

Charles Henwood (53)
Chief financial officer

Tenure:
6 years
Industry experience:
27 years
Qualifications:
CA(SA)

Nomgando Matyumza (53)
Lead independent director

Tenure:
6 years
Qualifications:
CA(SA)

Nonhlanhla Mjoli-Mncube (57)
Independent non-executive director

Tenure:
10 years
Qualifications:
BA; MCRP

Savanah Maziya (47)
Independent non-executive director

Tenure:
10 years
Qualifications:
MBA; BA (Hons)

James Ngobeni (64)
Independent non-executive director

Tenure:
10 years
Qualifications:
BA; MCRP

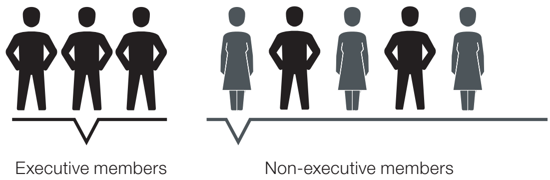
Ross Gardiner (53)
Independent non-executive director

Tenure:
2 years
Qualifications:
BSc (Eng)

DEMOGRAPHICS

For the period 1 July to 30 June 2016, the Board of WBHO consisted of eight directors, five of whom were independent and non-executive.

COMPOSITION



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

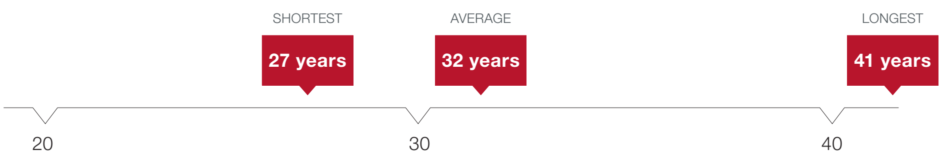
37,5% of the Board members are female.

4 The Board of Directors met four times during the year.

50,0% of the Board members are black.

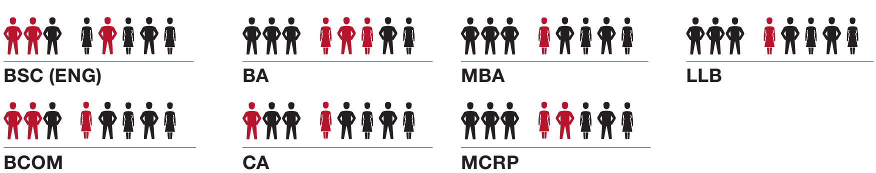
EXPERIENCE

YEARS OF INDUSTRY EXPERIENCE (EXECUTIVE DIRECTORS)



TENURE ON THE BOARD

QUALIFICATIONS



GOVERNANCE STRUCTURES

The following diagram illustrates our existing governance structures and reporting processes:

SHAREHOLDERS AND STAKEHOLDERS

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Responsible for financial risk management and ensuring the integrity of financial reporting

RISK COMMITTEE

Responsible for oversight of the risk management framework

SOCIAL AND ETHICS COMMITTEE

Responsible for good corporate citizenship, encompassing ethical, legal, social and environmental governance

NOMINATION COMMITTEE

Responsible for identifying and sourcing appropriately skilled directors

REMUNERATION COMMITTEE

Responsible for attracting, retaining and motivating world-class employees

EXECUTIVE COMMITTEE

Responsible for assisting the CEO in managing the day-to-day operations of the group. The committee recommends policies and strategies to the Board and, once approved, monitors the implementation thereof. In addition, mandates are given to the committees below to oversee specific areas of importance on behalf of the Executive committee (Exco).

INFORMATION TECHNOLOGY STEERING COMMITTEE

Responsible for ensuring effective, appropriate IT governance and support

CREDIT COMMITTEE

Responsible for assessing all capital projects against financial, technical and strategic objectives

TRANSFORMATION COMMITTEE

Responsible for implementing initiatives to achieve the strategic transformation objectives of the group

SKILLS DEVELOPMENT COMMITTEE

Responsible for ensuring the training and skills development programmes of the group are co-ordinated and effective

Further information regarding the governance structures, processes and guiding principles of the group, including our King III register, committee charters, Code of Conduct and Board composition and attendance, can be found on the WBHO website at www.wbho.co.za/governance.

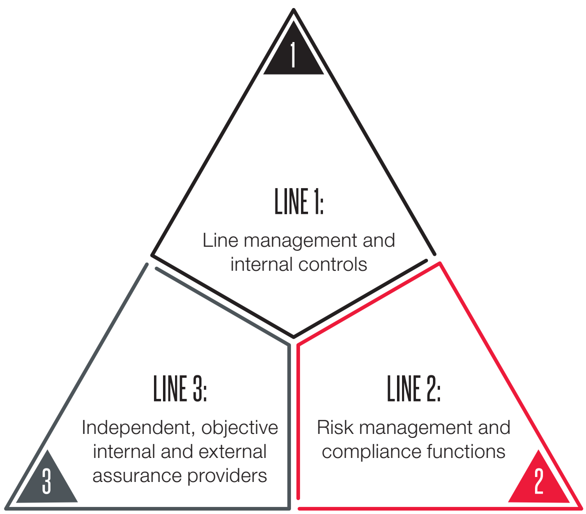
KEY ELEMENTS OF GOVERNANCE

ASSURANCE

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

PROGRESS TOWARDS GLOBAL COMBINED ASSURANCE (KING III, PRINCIPLE 3.5)

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



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

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

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

KEY ELEMENTS OF GOVERNANCE
CONTINUED

RISK
Risk is inherent in all of the business activities of the group. By embedding risk management into company business processes in a practical way, a structural means for identifying, prioritising and managing the risks associated with WBHO business activities is created.

The Board is, ultimately, responsible for risk governance and determines the level of risk tolerance within the organisation. The Board reviews the risk profile of the organisation bi-annually. As part of this process, the Board relies on the Risk committee and the internal audit function to review and report on strategic, tactical and operational risks.

Further detail regarding the risk processes and structures of the group are presented on page 16 of this report.

ETHICS AND VALUES
Ethics and corruption are addressed through the Social and ethics committee of the group. Our ethical standards and practices are promoted and maintained through a code of conduct, which is reviewed regularly and available online, and an anonymous fraud hotline, WBHO Alert.

The group Code of Conduct describes a clear set of values, policies and procedures and applies to all WBHO employees. It covers a wide range of ethics and corruption-related topics and policies, including gifts and sponsorships, irregularities, theft, fraud and whistle blowing. If an employee would like to report or discuss something anonymously, he or she can contact WBHO Alert using the free telephone service number 0800 202 121 or by emailing wbhoalert@telkomsa.net.

WBHO also subscribes to the fundamental principles of human rights enshrined in the South African Constitution, the South African Bill of Rights and the 10 principles of the United Nations Global Compact (UNGC). The policies and practices of the group are aligned with these principles and the organisation upholds the rights of all people to be treated with dignity and in a culturally appropriate manner. WBHO advocates the elimination of all forms of forced or compulsory labour and the employment of children younger than 18 years of age. Processes are in place to ensure that any breaches of human rights can be reported and investigated.

COMPLIANCE
Compliance is integral to the commercial, professional and ethical conduct of the group. As well as making sure the group is meeting the requirements of all relevant legal and regulatory codes and frameworks, the compliance function is tasked with ensuring an appropriate set of policies and controls are in place to entrench the values and professional conduct requirements of the group.

The compliance officer of the group is primarily responsible for overseeing and managing regulatory compliance issues within WBHO.

In addition to the Code of Conduct, the group maintains a matrix of all laws that affect, or could potentially affect, the organisation. These laws are arranged into three categories: the first being those laws impacting the daily operations of the group; the second includes those laws that may impact the group on an *ad hoc* basis; and, lastly, those laws likely to have only a remote influence on the group.

STATEMENT OF COMPLIANCE
The Board considers that it and the company have complied with the provisions of the King Code of Corporate Governance Principles for South Africa (King III); the dictates of the Companies Act, No 71 of 2008; and the JSE Listings Requirements throughout the year.

KEY GOVERNANCE INITIATIVES

SEPARATION OF AUDIT AND RISK COMMITTEE

In recognition of the growing sophistication of our business and a need for enhanced clarity and control of risk management processes, we separated our Audit and risk committee into its two distinct functions during the year.

Board risk oversight has been enhanced as risk management functions now have improved visibility to the Board and reporting lines are more distinct. The new Risk committee has also facilitated a more forward-looking focus on risk management through the presentation of richer management information.

Looking ahead, a key focus area will be to define the split of responsibilities and roles between the two committees even more explicitly and to take further steps to ensure the alignment of both committees. In order to reduce the risks of gaps or overlaps, such steps will include cross-committee memberships, synchronising or holding joint meetings when appropriate, and the sharing of agendas, minutes and reports.

INDEPENDENT BOARD EVALUATION

A comprehensive, independent evaluation of the Board was undertaken to ensure that the Board remains effective and has the appropriate skill set and experience to deliver on its mandate. This entailed an internal and external evaluation of the Board and its committees, individual director performance and an evaluation of company governance arrangements.

OUTSOURCING OF INTERNAL AUDIT FUNCTION

Internal auditing is an essential aspect of effective governance as it helps an organisation objectively and systematically evaluate and improve its financial and managerial reporting, legal and regulatory compliance, risk management, internal controls and asset management.

During the year, the internal audit function of the group was outsourced successfully. For many years, the group has been served by an in-house internal audit function, staffed by full-time internal audit and risk professionals; however, the need to create additional capacity to meet the future demands of the business, together with the challenges of attracting, training and retaining the diverse range of skills and experience required, keeping abreast of global best practice and maintaining costs at an acceptable level, prompted the group to enhance this function.

Following a diligent, thorough process led by the Audit committee, which included assessments of different firms based on their audit methodologies, risk management processes, skills and expertise of their teams and previous sector experience, formal presentations and personal interviews with the engagement directors and managers by the Audit committee chair and CFO, the Board elected to outsource the internal audit function to Deloitte & Touche, with effect from 1 July 2016.

Members of the existing in-house internal audit team have been transferred to the new auditors as full-time employees and will continue to serve WBHO, as well as other clients, as part of the Deloitte & Touche team.

ENHANCEMENTS TO RISK MANAGEMENT PROCESSES

One of the tasks undertaken by the newly formed Risk committee during the year was to standardise and refine the risk reporting processes of the group. As well as consolidating and standardising the risk policies of the group, the committee has standardised the reporting of risks at site-level. The data captured by this new reporting process is now fed into an enhanced risk matrix, which maps operational risks to divisional and, in turn, strategic levels. Linking and monitoring actual risks in this manner generates meaningful data and analytics, which can be used to provide management with relevant and appropriate risk information. The new processes also enable the group to aggregate and measure total risk exposure against the risk tolerances of the group and to respond timeously, where appropriate.

KING III PROGRESS

In keeping with previous years' commitments, we addressed several principles during the period under review. Where appropriate, detailed discussion regarding the issue addressed or improvements made is provided in the report of the committee responsible. Our full King III Register can be downloaded in PDF format from the online version of our integrated report.

We are also monitoring developments regarding the migration to the broader, bolder governance envisioned in the King IV Report, in particular, the emphasis on being less prescriptive, yet more transparent, through the consolidation of the number of principles and clearer disclosures.

RECRUITMENT OF REPLACEMENT NON-EXECUTIVE DIRECTOR

Independent non-executive director, Ms Nonhlanhla Mjoli-Mncube, will not seek re-election to the Board of the company in November 2016 and the Nomination committee has identified Ms Nosipho Siwisa-Damasane as a suitable candidate for appointment to the Board in her stead. Ms Siwisa-Damasane will also assume Nonhlanhla's role as chair of the Social and ethics committee.

COMMITTEE ACTIVITIES FOR THE YEAR

By providing oversight in general and through implementing specific initiatives, the Board and its committees ensure that the group is driven by robust, consistent standards of corporate governance. The following committee reports that follow provide further insight into the focus areas and primary activities of the committees during the period under review. For detailed information regarding changes to the committees and the attendance of members, please refer to the governance section of the WBHO website.

AUDIT COMMITTEE REPORT

MEMBERS

Nomgando Matyumza (Chairman)
Nonhlanhla Mjoli-Mncube
James Ngobeni
Ross Gardiner

Each of the members of the Audit committee are independent non-executive directors. There were no changes to the composition of the committee during the year. The committee meets at least four times a year to fulfil its mandate. Shareholders approve and re-elect committee members at the annual general meeting of the company. The CEO, CFO, members of senior management, the chief audit executive and representatives of the external auditors attend committee meetings by invitation.

RESPONSIBILITIES

The Audit committee has executed its duties and responsibilities during the 2016 financial year in accordance with its terms of reference as these relate to the accounting, internal auditing, internal control and financial reporting practices of the group. The operation of the committee is guided by a detailed charter, which is informed by the Companies Act and King III and is approved by the Board.

The committee performed several statutory duties for the Board during the year under review including:

- monitoring the adequacy of financial controls and reporting;
- reviewing the audit plans of the external and internal auditors and their adherence to these plans;
- reviewing, and recommending for adoption by the Board, all financial information for public disclosure;
- considering the extent of non-audit services undertaken by the external auditors;
- ensuring that the financial reporting of the group complies with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa;
- reviewing and make recommendations to the Board on all financial matters; and
- considering the expertise and experience of the CFO and financial function.

ACTIVITIES DURING THE YEAR

In order to discharge its statutory obligations, the committee is required to monitor the integrity of the accounting practices and financial statements of the group and satisfy itself that these are appropriate, accurate and comply with all aspects of the International Financial Reporting Standards (IFRS), as well as making an assessment of the overall financial health of the group. To that end, the committee reviews the report of the Chief Financial Officer (CFO), which details the performance of the group against budgets, major projects by division, loss-making projects by division, significant transactions that are not part of ordinary course of business, tax affairs, changes in accounting policies, major litigation and the expertise of the finance function.

The internal audit plan is reviewed and approved at the first committee meeting of each financial year. Furthermore, the committee considers reports received from both the internal and external auditors of the group, as well as the Australian Audit committee. Internal audit reports include results from the audits of projects and administrative departments as well as an assessment of the internal control environment in general. The committee also reviews activity on the WBHO Alert line, which is monitored by the internal audit function. Close attention is paid to whether the external auditors are able to place reliance on the internal control environment of the group when conducting their audit. No material concerns in relation to the control environment were brought to the committee's attention during the year.

The committee satisfied itself that the external auditor of the group is independent and capable and, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the year under review. The committee affirmed that limited non-audit services were performed by the external auditors in the form of tax administration services in certain African countries and that these services did not affect their independence in any way.

The committee also provided oversight regarding the integrated reporting processes of the group and the integrity of this report. Once satisified, the committee recommends this report to the Board for its approval.

Upon the review of a documented assessment of the going concern of the group, including key assumptions prepared by management and the external auditors, and having ensured that the annual financial statements fairly present the financial position of the company, the Audit committee has satisfied itself that the company will operate as a going concern for the foreseeable future.

RISK COMMITTEE REPORT

MEMBERS

Ross Gardiner (Chairman)
Nomgando Matyumza
Nonhlanhla Mjoli-Mncube

Each of the members of the Risk committee are independent non-executive directors. There were no changes to the composition of the committee subsequent to its establishment during the year. The committee meets at least twice a year to discuss risk-related issues. The CEO, CFO, members of senior management and the chairman of the Operational risk committee (ORC) attend committee meetings by invitation.

RESPONSIBILITIES

The Risk committee oversees the governance of risks faced by the group on behalf of the Board. Its primary objectives during the year, which are outlined in the risk management charter, were to:

- establish and maintain an understanding of the risk universe that needs to be addressed if the group is to achieve its objectives;
- ensure that a thorough business risk assessment is undertaken and that a risk profile is compiled by management;
- monitor the risk management of the group; and
- satisfy corporate governance reporting requirements.

ACTIVITIES DURING THE YEAR

During the year, the committee reviewed the strategic, operational and project risk reports compiled by the risk department, management's assessments of the risk ratings and mitigation actions to be undertaken. The committee also evaluates the implementation and effectiveness of previous mitigation actions implemented by management.

Having simplified the risk framework, policies and procedures, as well as defining the risk appetite and risk tolerance levels for the group in previous years, the focus in the current year was to standardise the project risk registers and risk and opportunity schedules to facilitate the easier consolidation and analysis of this information, in order to be able to identify concerning trends more quickly and easily assess the risk exposure of the group against tolerance levels.

SOCIAL AND ETHICS COMMITTEE REPORT

MEMBERS

Nonhlanhla Mjoli-Mncube (Chairman)
Nomgando Matyumza
Terry Armstrong (Management)
Shereen Vally-Kara (Company Secretary)
Andrew Logan (Management)

The Social and ethics committee consists of five members. There were no changes to the composition of the committee during the year. The committee meets at least twice a year to discuss related issues.

RESPONSIBILITIES

The broad-reaching mandate of the Social and ethics committee is to act as the "conscience" of the organisation and to ensure that WBHO conducts itself as a responsible corporate citizen. To perform this function, the committee monitors and informs the activities of the organisation from a variety of perspectives, including: social and economic development; ethical standards and decision making; environmental, health and public safety accountability; responsiveness to stakeholders; and labour and empowerment objectives.

The Social and ethics committee fulfils an oversight role from a compliance perspective and its primary functions, which are outlined in the Social and ethics committee charter, are to:

- ensure that WBHO conforms to all appropriate legislation and standards of best practice;
- ensure that the United Nations Global Compact (UNGC) principles, in terms of labour and human rights, are upheld;
- obtain confirmation of adherence to environmental and health and safety laws; and
- advance the empowerment and transformation objectives of WBHO (which include preferential procurement, corporate social investment and emerging contractor development).

COMMITTEE ACTIVITIES FOR THE YEAR
CONTINUED

ACTIVITIES DURING THE YEAR
A highlight during the year was the successful alignment of the South African and Australian Codes of Conduct. During the year, the group also approved two new polices, one covering the use of social media by employees, and the other updating the guidelines regarding anti-corruption and bribery practices. A reflection of the ongoing commitment of the group to upholding the highest legal, moral and ethical standards is the updated Anti-Bribery and Corruption Compliance Policy, consisting of an explicit set of guidelines and procedures covering a wide range of situations, and seeks to ensure that all employees are able to transact transparently, ethically and with confidence. It includes descriptions of potentially corrupt practices and prohibits the payments of facilitation fees and bribes, as well as explaining how gifts and contributions may be given and received.

The group recognises that the use of social media has become commonplace in modern society and that these mediums are used by employees to communicate — directly or indirectly — with clients, partners and other target audiences. At WBHO, we believe in open communication and employees are encouraged to discuss their work and share their passions. Accordingly, the Social Media Policy provides employees with helpful and practical advice on how to avoid articulating potential misunderstandings when using these platforms.

In the course of discharging its annual duties, the committee also reviewed and reaffirmed the standing of the group in terms of the wide range of regulations and laws with which the group must comply, including the UNGC principles, the requirements of the Organisation for Economic Co-operation and Development (OECD) and the regulations set out by the International Labour Organisation (ILO).

The committee also reviewed the group legal matrix and received reports from the environmental and health and safety teams in order to confirm that the group continues to adhere to all relevant environmental and health and safety laws, to assess the impact of potential regulatory and legal changes and to make sure that all necessary interventions are in place.

In terms of B-BBEE, the committee monitored progress towards the new Construction Sector Codes and reviewed the group scorecard and employment equity targets. In the context of the uncertainty around the new Codes, the committee satisfied itself that the required positive leadership is being demonstrated in this area. The committee also reviewed the FY17 socio-economic development (SED) investments and participants.

NOMINATION COMMITTEE REPORT

MEMBERS
Nomgando Matyumza (Chairman)
Nonhlanhla Mjoli-Mncube
James Ngobeni
Ross Gardiner
Savannah Maziya

There are five members of the Nomination committee. There were no changes to the composition of the committee during the year. The committee is chaired by lead independent director, Nomgando Matyumza. Mike Wylie, Louwtjie Nel, Charles Henwood and Wayne Reddie attend by invitation.

RESPONSIBILITIES
The Nomination committee identifies and recommends individuals for Board appointments. Members of the committee consider specific skills, Board composition requirements and gender balance when nominating candidates. The committee is also responsible for ensuring the integrity of the nomination process.

ACTIVITIES DURING THE YEAR
As well as fulfiling its annual mandate, the committee met during the period under review to discuss candidates to fill the vacancy arising from the non-availability of independent non-executive director, Nonhlanhla Mjoli-Mncube from November 2016. After following its processes, the committee recommended to the Board the appointment of Nosipho Siwisa-Damasane as an independent non-executive director to the Board. Her appointment is to be approved by shareholders at the next annual general meeting of the company.

REMUNERATION COMMITTEE REPORT

MEMBERS

Savannah Maziya (Chairman)
Ross Gardiner

The Remuneration committee consists of at least two independent non-executive directors and it is currently chaired by non-executive director, Savannah Maziya. The other committee member is Ross Gardiner. Senior executive management is invited to meetings to provide adequate background to the matters that are debated.

Subsidiaries in Australia are governed by a separate Remuneration committee, consisting of executive Board members, which follows similar procedures to those conducted in South Africa. The final authorisation of Australian increases and incentives is given after a detailed presentation has been made to the Chairman, CEO and CFO of WBHO.

RESPONSIBILITIES

The role of the Remuneration committee is to assist the Board in ensuring that directors, executives and senior management of the company are fairly and responsibly remunerated, and that the disclosure of director remuneration is accurate, complete and transparent. Meetings take place bi-annually, at times when bonuses are awarded and when increases are decided.

The committee reports directly to the main Board of WBHO and submits all of its decisions to the Board for final ratification. Its major responsibilities, which are outlined in the Remuneration committee charter, include:

- assisting in the planning and structuring of the company remuneration policy;
- reviewing and approving both executive and non-executive packages;
- advising on performance and other incentive-based schemes for both executives and employees;
- reviewing and recommending to the Board all proposals for executive share-based and other short and long-term incentive schemes; and
- advising on the notice periods stipulated in employment contracts for the prescribed officers of the company.

ACTIVITIES DURING THE YEAR

The Remuneration committee met in November to review and approve annual incentives for employees by category and met again in February to review and approve employee increases by category, taking cognisance of the economic environment, the consumer price index (CPI) and the financial performance of the group, as well as benchmarking against industry standards. The committee also reviewed and approved the packages of the executive directors, prescribed officers and other key members of senior management at the same time.

In August, the committee met to review and approve the personal scorecards of the executive directors and prescribed officers and their corresponding short-term incentives (STIs), taking cognisance of the financial performance of the group as a whole and relevant divisions, as well as key non-financial performance indicators and forecast FY17 profitability. The committee also sets the financial targets for executive directors for the year ahead.

REMUNERATION REVIEW

OUR APPROACH TO REMUNERATION

Remuneration within Wilson Bayly Holmes-Ovcon Ltd (WBHO) is aligned to corporate strategy and adheres to the principles set out in the King Report on Governance for South Africa 2009 (King III) as well as the requirements of the Companies Act of 2008 in relation to the remuneration of directors and principal officers.

WBHO aims to fairly remunerate all employees and reward individual performance in a way that is able to attract, motivate and retain key personnel.

The group's remuneration policy, which is available online under the governance section of the company's website at www.wbho.co.za/governance, defines the principles to be applied when determining remuneration for employees including both executive and non-executive packages. The policy aims to align the interests of senior executives with the interests of shareholders and with the business strategy formulated by the Board, particularly in regard to how performance-based rewards are to drive performance.

In FY15 the remuneration policy was revised to update the policies on long-term incentives and short-term incentives awarded to executives and senior management. The policy received 98% approval by shareholders at the 2015 annual general meeting.

KEY ELEMENTS OF THE REMUNERATION POLICY

	Element	Implementation
TOTAL GUARANTEED PACKAGE (TGP)		
Reflects an individual's skills, performance, location in relation to place of residence and experience, and is benchmarked against comparable industry packages.		
Basic salary		
Hourly paid employees	Cash	Determined annually at the Industry Bargaining Council through negotiations between industry and employee representatives, with increases effective in September.
Salaried employees	Cash	Determined annually taking cognisance of inflationary pressures and group and individual performance and in most instances includes a 13th cheque, with increases effective in March.
Executive directors and prescribed officers	Cash	Determined annually, recognising the role and responsibility of delivery of strategy and results. While taking cognisance of comparable guaranteed executive pay levels within the industry, the guaranteed pay levels of executive directors are set below the median level in order to minimise the gaps in salary between executive directors and key senior operational management and maintain cohesion within the team.
Benefits		
All employees		Competitive, market-aligned benefits including provident fund contributions, medical aid, leave pay, vehicle allowances, subsistence allowances and various other allowances appropriate to an employee's role and location.
SHORT-TERM INCENTIVES (STI) (VARIABLE PAY)		
Reward the individual performance of employees taking cognisance of their relevant roles and responsibilities, are assessed annually, approved by the Remuneration committee (Remco) and payable in November of each year.		
Hourly paid employees	Cash	Bonuses are determined at Industry Bargaining Council levels through a process of negotiations between industry and employee representatives.
Salaried employees	Cash	Annual appraisal by management in accordance with the performance management processes of the group, taking cognisance of the overall performance of the group and individual performances of the relevant division and employee.
Prescribed officers and senior management	Cash	Assessed against a predetermined target for headline earnings per share, a particular division's contribution to the group and other economic, social and environmental targets and carrying a heavier weighting than TGP.

	Element	Implementation
Executive directors	Cash	Assessed based on the financial performance of the group against predetermined targets set by the Board as well as personal scorecard objectives and carrying a heavier weighting than TGP. The key performance indicators on which evaluations are based are as follows: Financial (70%): • Operating profit • Headline earning per share • Return on capital employed (ROCE) • Cash generation Personal (30%) (not limited to the following): • Transformation • Safety and environmental • Leadership/relationships • Reputation
LONG-TERM INCENTIVES (LTI) The purpose of the LTIs is to retain and reward employees for their contribution toward the creation of shareholder value over the long term.		
Hourly paid and salaried employees	Share incentive awards Akani share scheme	An empowerment share scheme rewarding black individuals with service in excess of five years. A fixed number of shares are allocated to employees. The dividends from the allocated shares are utilised to acquire actual shares on the open market which then vest after five years. Additionally, a proportion of the allocated shares may vest with employees after five years depending on the share price performance over the period in accordance with a predetermined formula.
Senior and middle management	Full recourse shares and/or share options	Issued to select individuals in acknowledgement of their contribution and to achieve the group's retention strategies. Both the shares and options have a five-year vesting period. In respect of shares, interest-free loans are raised at the time of award and settled at the time of vesting. Dividends earned over the vesting period are utilised to reduce the loan.
Executive directors, prescribed officers and senior management	Share incentive awards	Aligned with the performance of the group and benchmarked against comparable listed entities on the Johannesburg Securities Exchange.
	WBHO Share Plan	The components of the WBHO Share Plan are: • Performance shares (PS) where value is created through growth or maintenance of returns relative to competitors • Share appreciation rights (SARs) where value is created through share price growth

IMPLEMENTATION REPORT

The Remco approved average cost of living increases for South African senior management and executives of 6,7%. Average increases for the remainder of employees in South Africa was 6,3%. The higher increase for senior management and executives took into account the zero percent increase implemented in FY15. Senior management in Australia received average increases of 3,3%, while the remaining employees received average increases of 3,4%.

Total STIs paid during the year amount to R313 million (2015: R447 million). The lower incentives paid during the year are largely due to significantly lower incentives earned in Australia in FY15 following a poor performance in that year.

Employee benefits	2016 R'000	2015 R'000
Salaries and wages	**4 158 066**	3 702 224
Benefits and contributions	**545 034**	545 614
	4 703 100	4 247 838

REMUNERATION REVIEW
CONTINUED

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

Executive directors	TGP R'000	STI R'000	LTI R'000	Total R'000
2016				
EL Nel	**2 496**	**8 461**	**–**	**10 957**
CV Henwood	**2 405**	**8 065**	**–**	**10 470**
MS Wylie	**1 978**	**7 179**	**–**	**9 157**
2015				
EL Nel	2 427	5 246	–	7 673
CV Henwood	2 305	4 936	–	7 241
MS Wylie	1 932	4 272	–	6 204

Prescribed officers	TGP R'000	STI R'000	LTI R'000	Total R'000
2016				
PJ Foley	2 306	7 200	–	9 506
RM Smith	1 870	6 000	–	7 870
TR Armstrong	1 921	4 750	–	6 671
EA Mashishi	1 917	5 500	–	7 417
S Vally-Kara	1 343	800	–	2 143
2015				
PJ Foley	2 238	5 000	–	7 238
RM Smith	2 105	5 000	–	7 135
TR Armstrong	1 867	3 800	–	5 667
EA Mashishi	1 828	4 500	–	6 328
S Vally-Kara	1 266	500	–	1 766
MJ Sprott*	1 259	2 375	–	3 634
L Cohen+	1 190	1 550	–	2 740

** Retired June 2015.*

+ Resigned March 2015.

CALCULATION OF STIs

Determined by performance scorecards weighted as follows:

- 70% for financial targets; and
- 30% for personal scorecard objectives.

The financial targets set by the Board for FY16 in respect of each key performance indicator are disclosed below:

KPI	Result achieved	Result	FY16 score (%)	FY15 score (%)
Operating profit (R'000)	Above target	1 004 557	**85**	0
HEPS growth (%)	Above target	10,1	**49**	15
ROCE (%)	Achieved stretch	22,9	**86**	64
Cash generation (R'000)	Exceeded stretch	5 752 194	**42**	42
Total score			**262**	121
Maximum attainable score			**280**	280

The improved performance of the group in FY16 is clearly reflected in the financial scores achieved by the executive directors.

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

	Personal scorecard	Financial scorecard	Total % score	Maximum % of TGP	Actual STI per score	Actual STI awarded
El Nel	97	262	359	400	8 960	8 461
CV Henwood	94	262	356	400	8 562	8 065
MS Wylie	101	262	363	400	7 179	7 179

While the maximum attainable percentage of TGP may appear above market norms, stakeholders are reminded that the actual TGP of executive directors is deliberately set below the industry benchmark which necessitates a higher STI percentage. In line with the policy of the group to manage the salary gap between the executives and senior management, a portion of the incentives awarded to the executives this year has been deferred until FY17.

CALCULATION OF LTIs

During the year 194 000 (2015: 128 000) performance shares and no share appreciation rights (2015: 137 000) were allocated to executive directors, prescribed officers and key members of senior management.

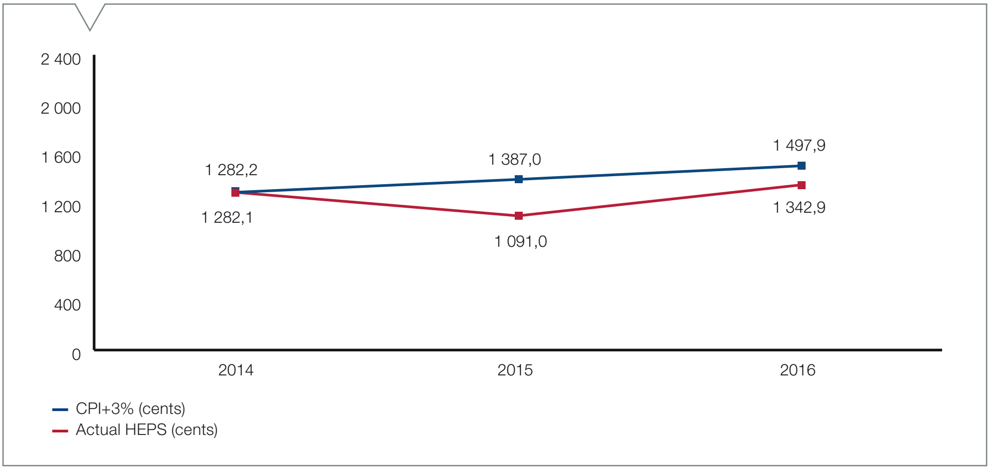
	2016			2015		
	Share appreciation rights ’000	Performance shares ’000	Total ’000	Share appreciation rights ’000	Performance shares ’000	Total ’000
Executive directors						
EL Nel	**20**	**48**	**68**	20	19	39
CV Henwood	**19**	**44**	**63**	19	18	37
Prescribed officers						
PJ Foley	**19**	**44**	**63**	19	18	37
S Vally-Kara	**5**	**12**	**17**	5	5	10
RM Smith	**19**	**44**	**63**	19	18	37
EA Mashishi	**11**	**26**	**37**	11	10	21

SHARE APPRECIATION RIGHTS (SARs)

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

The performance threshold to be achieved is growth in headline earnings per share (HEPS) by the average officially published CPI plus 3%. The calculation of the average percentages is determined annually in three-year cycles.

The graph below illustrates the actual HEPS to date against CPI+3% growth.



REMUNERATION REVIEW
CONTINUED

PERFORMANCE SHARES

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

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

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

The targets for each performance criteria are set by the Board and are disclosed in the table below together with the actual results achieved:

Performance criteria	Weight	Threshold	Target	Stretch	Tranche 1 result	Tranche 2 result
Return on capital employed (ROCE)	50%	14%	16%	20%	20.5%	22.9%
Relative total shareholder return (TSR)	50%	7th position	5th position	2nd position	2	1
Potential award		0% – 99%	100% – 299%	300%		

NON-EXECUTIVE DIRECTORS' REMUNERATION

Directors' fees are determined by Remco and ratified by the main Board and shareholders. Fees payable reflect the role and responsibilities of individual directors and attendance at Board and committee meetings.

	2016 R'000	2015 R'000
NNM Matyumza	**629**	656
NS Maziya	**414**	350
NS Mjoli-Mncube	**366**	437
JM Ngobeni	**357**	351
RW Gardiner^	**411**	366

^ Appointed 23 January 2014.

The average percentage increase proposed for directors' fees is 4,6%. The proposed fees for non-executive directors in respect of 2017 are disclosed below:-

	2017 R'000	2016 R'000
Lead independent director	312	**295**
Non-executive director	195	**184**
Chairman of Audit committee	296	**280**
Chairman of Remuneration committee	145	**137**
Chairman of Risk committee	67	**64**
Chairman of Social and ethics committee	67	**64**
Committee members (per meeting)	27	**24**

DIRECTORS' AND PRESCRIBED OFFICERS' SHAREHOLDING

	2016			2015		
	Direct '000	Indirect '000	Total '000	Direct '000	Indirect '000	Total '000
Executive directors						
EL Nel	**261**	**–**	**261**	261	–	261
CV Henwood*	**36**	**–**	**36**	–	100	100
MS Wylie^	**–**	**758**	**758**	–	900	900
Non-executive directors+						
NS Maziya	**–**	**724**	**724**	–	712	712
NS Mjoli-Mncube	**–**	**724**	**724**	–	712	712
JM Ngobeni	**–**	**724**	**724**	–	712	712

* *During the year 100 000 shares held in the share schemes vested after settlement of all liabilities related to the shares. The participant held 36 286 shares in total.*

^ *The indirect shares are held in trusts in which the director has no beneficial interest.*

\+ *Shares disclosed in the above table represent allocated shares in respect of the empowerment initiative of the group and do not represent the number of shares likely to vest upon fulfilment of the vesting conditions. The number of WBHO shares that will ultimately vest is dependent on the market value on vesting date based on a predetermined threshold. Using the share price at 30 June 2016, the partners would receive no shares in terms of the formula, but would receive 90 873 shares acquired with dividends over duration of the scheme. This would result in a total vesting of 90 873 shares on the assumption that all taxes due would be paid by the partner. The indirect shares reflected at 30 June 2016 consist of 633 333 allocated shares and 90 873 dividend shares purchased on the open market.*

	2016			2015		
	Direct '000	Indirect '000	Total '000	Direct '000	Indirect '000	Total '000
Prescribed officers						
PJ Foley	**78**	**–**	**78**	78	–	78
RM Smith	**18**	**–**	**18**	18	–	18
TR Armstrong	**14**	**504**	**518**	14	514	528
EA Mashishi	**2**	**114**	**116**	2	114	116
MJ Sprott*	**–**	**–**	**–**	91	–	91
L Cohen+	**–**	**–**	**–**	49	–	49

* *Retired June 2015.*

\+ *Resigned March 2015.*

OTHER LONG-TERM INCENTIVE SCHEMES

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

'000	WBHO Share Trust	WBHO Management Trust	Akani Investment Holdings (Pty) Ltd	Edwin Construction Employee Share Incentive Trust
Total shares/options allocated or issued	–	693	4 784	251
Allocations/issues in the current year	–	–	255	–
Dividend shares purchased	n/a	n/a	479	n/a
Vesting period	n/a	5 years	5 or 10 years	5 years
Shares vested/bought back in the current period	50	50	2 809	38
Shares available for future allocations	42	1 319	2 109	349

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

STATUTORY INFORMATION

WILSON BAYLY HOLMES-OVCON LIMITED

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

REGISTERED OFFICE AND CONTACT DETAILS

53 Andries Street
Wynberg, Sandton, 2090
PO Box 531
Bergvlei, 2012
Telephone: +27 11 321 7200
Fax: +27 11 887 4364
Website: www.wbho.co.za
Email: wbhoho@wbho.co.za

COMPANY SECRETARY

Shereen Vally-Kara
ACIS

AUDITORS

BDO South Africa Inc.

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd
70 Marshall Street
Johannesburg, 2001
PO Box 61051
Marshalltown, 2107
Telephone: +27 11 370 5000
Fax: +27 11 370 5271

SPONSOR

Investec Bank Limited

SHAREHOLDERS' DIARY

Financial year end	30 June
Final results announced	September
Integrated report published	October
Interim results announced	February
DIVIDEND	
Interim	
> approved	February
> payable	April
Final	
> approved	August
> payable	October

www.wbho.co.za