2017 INTEGRATED REPORT

WBHO

2017

"The most important ingredient of our success as a construction company is our corporate memory. As every one of our projects is different, the challenge lies in tendering at the right price, at very low margins. There is no room for error. Our robust corporate memory as a result of long-term staff retention and effective succession planning enables us to produce these results."

"The successful delivery of projects has underpinned the strong operating performance of the group this year, yet goes further in establishing the foundation for strong relationships with our clients and other stakeholders."

CONTENTS

www.wbho.co.za

2017 HIGHLIGHTS

REVENUE
2017: R31,9 billion
2016: R30,7 billion

OPERATING MARGIN
2017: 3,1%
2016: 3,3%

EARNINGS PER SHARE
2017: 1 346 cents
2016: 1 322 cents

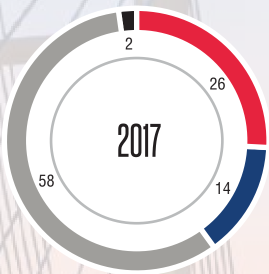
DIVIDEND
2017: 475 cents
2016: 448 cents

CASH
2017: R5,5 billion
2016: R5,8 billion

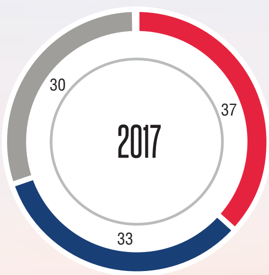
CASH GENERATED FROM OPERATIONS
2017: R1,1 billion
2016: R1,9 billion

Contribution by **SEGMENT** (%)

Revenue



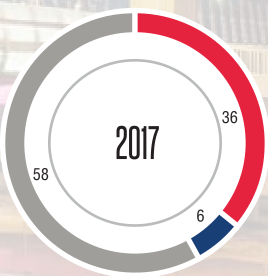
Operating profit



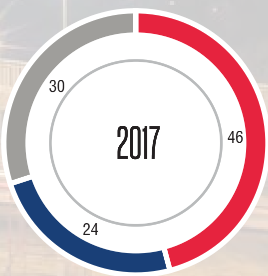
- Building and civil engineering
- Roads and earthworks
- Australia
- Construction materials

Contribution by **GEOGRAPHY** (%)

Revenue



Operating profit



- South Africa
- Rest of Africa
- Australia

THE WBHO WAY

OUR CULTURE AND SHARED VALUES ARE ENSHRINED IN OUR CODE OF CONDUCT. THEY ARE A SET OF GUIDING PRINCIPLES KNOWN COLLECTIVELY AS "THE WBHO WAY":

REPUTATION

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

QUALITY

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

COST-AWARENESS

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

TEAMWORK

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

CULTURE

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

ABOUT THIS REPORT

The directors of Wilson Bayly Holmes-Ovcon Limited (hereafter referred to as 'WBHO') hereby present the FY17 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 2017.

SCOPE AND BOUNDARY

This integrated report covers our fiscal year of 1 July 2016 to 30 June 2017. 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, other than our investment into the Byrne Group in the United Kingdom.

BASIS OF PREPARATION

This report has been produced in accordance with the disclosure requirements of the King Report on Governance for South Africa 2016 (King IV), the guiding principles and content elements suggested by the International Integrated Reporting Council (IIRC), the Listings Requirements of the Johannesburg Stock Exchange (JSE), International Financial Reporting Standards (IFRS) where applicable 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. There were no significant restatements from prior periods and external assurance has not been sought on the non-financial disclosures made in this report. The Audit committee is responsible for overseeing the content of this report and recommended the report to the Board for its approval.

STRUCTURE OF THIS REPORT

The report begins by presenting the business model which discusses the key inputs, processes, outputs and activities of the group. In the following section we provide stakeholders with an understanding of the material issues faced by the group during the year. At the outset of this section we explain the processes undertaken in determining which issues are material and require disclosure. Thereafter, an outline of the context in which we operate is provided, incorporating all pertinent geographies and sectors. Changes to our operating environment present both risks and opportunities for the group. After describing our internal risk management framework we provide insight into the strategic, operational and project risks and opportunities identified during the year. We also disclose issues which are deemed material to our stakeholders. At the conclusion of this section, we group our material issues under seven broad categories and stakeholders are presented with those matters within each category that we believe are necessary in obtaining a clear understanding of the events and circumstances the group was confronted with this year.

In the subsequent section we introduce our strategic objectives. Again, these are classified into six categories we believe are both crucial and fundamental to the success of a construction company. We then elaborate on how we deliver each strategic objective and the key performance indicators used to measure performance. We also discuss the specific interventions undertaken in addressing the material issues identified.

The applicable events and circumstances arising from our operating context, the impact that they had on our business and our response to them are then summarised in the "Year in review" table.

The Performance section of the report furnishes stakeholders with personal insights from our Chairman, CEO and CFO, followed by a summary of our financial performance and other relevant financial information. In the Outlook section we outline our expectations and interpretation of how markets and sectors will impact our business in the year ahead, together with an analysis of work on hand.

The final section of our report provides a synopsis of our Board of Directors, our governance structures and the key elements of governance that should be adopted within an organisation, and how we implement and manage them within WBHO. We then conclude our report with a discussion of the important governance initiatives.

We have strived to present only that information that is both relevant and material to making informed decisions about our business while remaining cognisant of our responsibility toward full disclosure and transparency. Supplementary information on our corporate citizenship is published online to enable stakeholders to gain deeper insight in respect of our human capital and skills development, transformation, environmental and quality performance for the year.

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.

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

Mike Wylie
Chairman

Louwtjie Nel
Chief Executive Officer

18 October 2017

STATEMENT OF COMPLIANCE BY COMPANY SECRETARY

I confirm that the company has lodged all returns, in respect of the year ended 30 June 2017, 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

18 October 2017

BUSINESS MODEL

INPUTS

HUMAN CAPITAL

Our people are our most important strategic assets. Having the right people in the right positions is fundamental to the successful delivery of projects and ultimately achieving our strategic objectives. By embedding our culture of shared values: "The WBHO Way", and promoting initiatives that guide and nurture our people, we are able to both attract and retain the necessary talent required to establish a proficient workforce and highly capable management teams. The high importance of this input culminates in three of our strategic objectives: "Capacity and talent management"; "Localisation and transformation"; and "Safety and environmental management".

SOCIAL AND RELATIONSHIP CAPITAL

Our ability to create value is interwoven with our relationships with our stakeholders. Our long-standing relationships with our clients enable us to generate repeat business on fair contractual terms and conditions. Equally, strong relationships with professional teams and our subcontractors and suppliers are essential in completing projects on time and to the required standards. In addition, we have well-established relationships with financial institutions enabling us to negotiate our financial requirements on reasonable commercial terms.

INTELLECTUAL CAPITAL

Bidding for, and securing, the right projects, for the right clients, at acceptable margins and contractual terms, and implementing these projects to the best of our capabilities, requires experienced and capable management armed with the right expertise, tools and processes. This is our "know-how" and the intellectual property that underpins our strategic objective, "Procurement and execution excellence".

NATURAL CAPITAL

Our operations and activities depend on natural resources, primarily fuel and energy sources. We understand and acknowledge that these are finite resources and seek to minimise our impact and protect the environments within which we operate. Our ISO14001-accredited environmental management system helps us monitor and report on our use of raw materials and our effect on the environment.

MANUFACTURED CAPITAL

This input, in our view, consists mainly of our infrastructure and, more specifically, our plant and equipment. Our modern fleet of well-maintained plant is carefully managed to meet the operational requirements of the business and enables our people to execute projects on time and to the required specifications. Accordingly, this input feeds two of our strategic objectives: "Flexibility and diversification" and "Procurement and execution excellence".

FINANCIAL CAPITAL

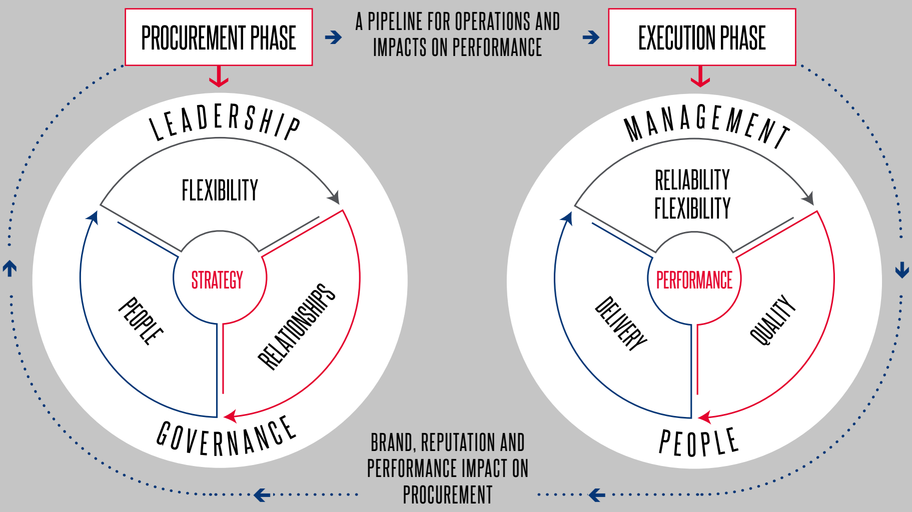
Financial capital is a key component to expanding our operations and driving growth. Working capital and sufficient guarantee facilities are specific financial inputs required in order to remain a sustainable business. The quantum of financial capital available is dependent on the financial health of the business and we carefully manage our working capital cycles, debt exposure and dividend policy to ensure a conservative balance sheet is maintained.

BUSINESS PROCESSES

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

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

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



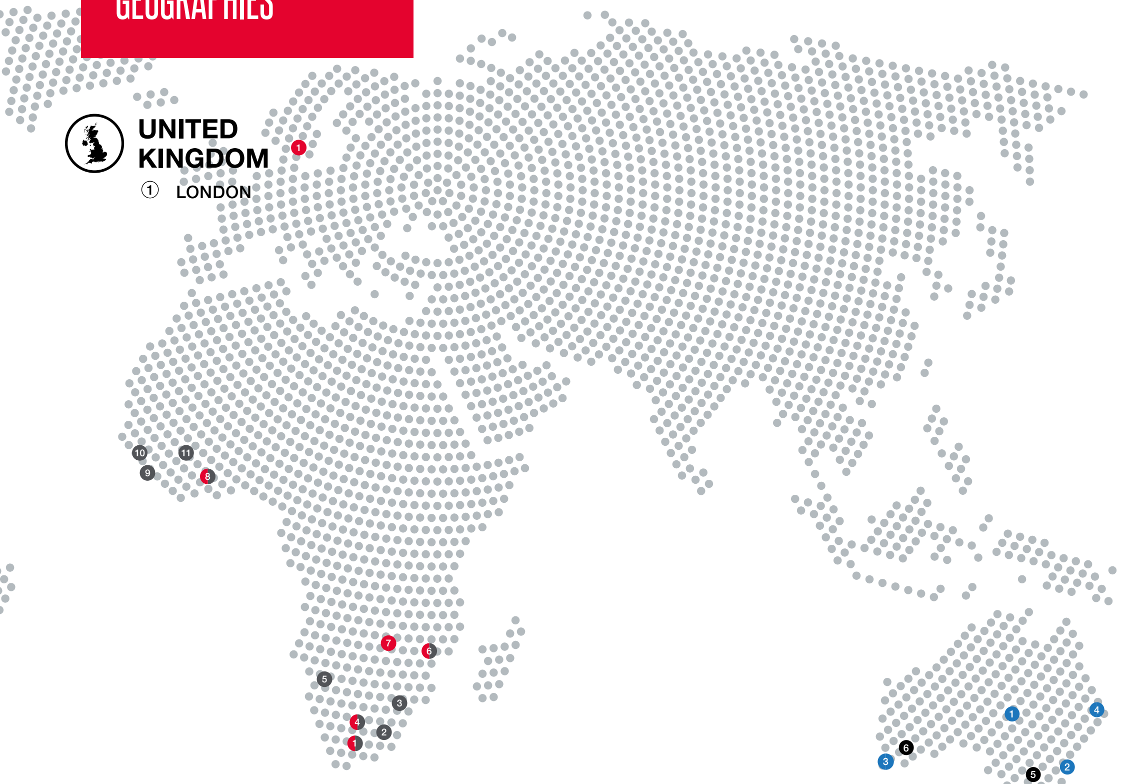
SUPPORT PROCESSES

- HUMAN RESOURCES
- QUALITY
- HEALTH AND SAFETY
- ENVIRONMENTAL MANAGEMENT
- FINANCE AND TREASURY
- INFORMATION TECHNOLOGY
- RISK MANAGEMENT
- COMPLIANCE AND LEGAL

OUTPUTS AND ACTIVITIES

SERVICES/PRODUCTS	SECTORS
BUILDING AND CIVIL ENGINEERING Industry-leading teams with the ability to execute major public and private projects across numerous sectors in Africa and Australia.	• Retail • Residential • Commercial • Healthcare • Hotels and entertainment • Civil works and mining infrastructure • Industrial • Energy infrastructure
ROADS AND EARTHWORKS Versatile and agile teams attuned to the intricacies of doing business in Africa with a modern fleet of plant supported by experienced logistics staff. We provide extensive services for major public and private sector projects across various infrastructural applications.	• Road works • Mining infrastructure • Rail infrastructure • Energy infrastructure • Water infrastructure • Oil and gas
PROJECTS This team has developed the necessary internal expertise and strategic partnerships with local and international service providers to implement turnkey projects that create value and minimise risk for our clients.	• Concession arrangements • Turnkey projects • Design and construct projects • Engineer, procure, construct projects • Public private partnerships
CONSTRUCTION MATERIALS Operations that manufacture, supply and install long-steel products to the South African construction market.	• Reinforced steel products

GEOGRAPHIES



UNITED KINGDOM

① LONDON

AFRICA

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

● 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 relationships upon which we depend, 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 26 of this report). These insights are then incorporated into our risk management processes along with prevailing economic and market-related conditions, and all relevant operational, legislative and regulatory requirements ascertain the materiality of each issue.

EVALUATE →

The second phase is the evaluation of the information that has been gathered. This phase consists of both informal and formal reporting channels and is guided by the current strategic priorities of the group. In essence, management and the relevant departments (such as risk and internal audit) feed the insights that are being gleaned from around the business into the relevant committees for further deliberation and appraisal; in particular, the Operational risk committee, the Audit committee, the Risk committee, and the Executive committee (the work of our committees is reported on page 110 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 36 of this report).

OPERATING CONTEXT

In this section, we present a broad overview of the construction environment and the events and circumstances impacting the different regions, markets and sectors in which we operate.

GEOGRAPHIES

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

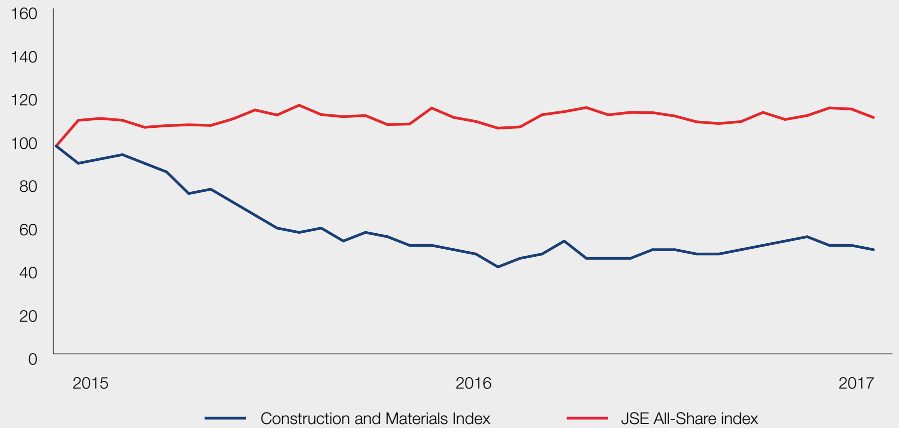
SOUTH AFRICA

The South African economy continued to struggle this year and growth remained negligible with a technical recession experienced in the second quarter of 2017. The currency has been volatile in response to numerous political events, a lack of clear policy from government and the consequential downgrades from various international credit ratings agencies. This environment is not conducive to job creation and business confidence remains low, resulting in both local and foreign private investment being lacklustre amid this uncertainty.

The construction sector, which comprises approximately 3% of the South African economy and employs an estimated 1,4 million people, has been particularly hard hit: on the whole, local revenues and order books have shrunk further and the industry continued to shed jobs in order to match capacity with available projects. There is stiff competition for work particularly within certain sectors, resulting in keen bidding, lower margins and an increased prevalence of loss-making projects.

Sentiment toward the sector is largely adverse from both investors and financial institutions and is reflected in the performance of the Construction and Materials Index in comparison to the JSE All-Share Index.

CONSTRUCTION AND MATERIALS INDEX VS JSE ALL-SHARE INDEX



The construction sector relies on private investment from the mining, energy, industrial and building markets. The latest publicly available reports on the mining sector indicate that capital expenditure has reduced by 31% over the last three years[1]. The negative impact on civil engineering construction markets over recent years has been pronounced, with little to no improvement in the current year. Some commodity prices rallied over the period, local mining expenditure showed minimal signs of recovery despite an increase in enquiries and budget pricing. Expenditure in respect of renewable energy has subsided amid Eskom's delays in advancing the Independent Power Procurement Programme, however, a number of infrastructure projects emerged from the oil and gas sector. The building sector has been a strong source of projects in recent years, particularly for WBHO, and while it has shown signs of slowing down it remained active during the year.

A large majority of public infrastructure spending in South Africa centres around the large state-owned entities: Transnet; Eskom and the South African National Roads Agency (SANRAL) each of which has been embroiled in negative publicity regarding procurement protocols and their financial health. As the scope of construction works at the Medupi and Kusile power stations has scaled down, construction-related expenditure from Eskom has declined. SANRAL has been relatively active over the last number of years and continued to offer a number of large-scale road projects to the market. The bulk of Transnet's capital expenditure currently relates to rolling stock purchases and therefore does not support the construction industry.

Following wage negotiations in 2015, a two-year bargaining agreement has been in place thus averting any wide-scale labour unrest. Strikes and work stoppages have generally been low-key and project specific.

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

The growth of the industry over the past 10 years alongside poor levels of education, particularly in the disciplines of mathematics and science, has resulted in a scarcity of skills. However, in light of the recent downsizing of many companies it as not been such a prevalent issue this year.

Black economic empowerment remains a focal point for government. This year the industry entered into a voluntary agreement with government aimed at creating meaningful transformation within the sector and redressing the strained relationship which arose from the Competition Commission's investigation into the sector a number of years ago. Additionally, the Draft Amended Construction Sector Codes were published toward the end of 2016 following lengthy negotiations between various stakeholders including government. The new Codes are industry specific and thus more appropriate than the Generic Codes of Good Practice that have been in place pending their finalisation. Nonetheless, they encompass increased targets and a higher number of points required to achieve particular levels.

Regulation of the industry is extensive and complex. Low levels of compliance to health and safety regulations in general resulted in new laws being promulgated this year with personal liability for responsible individuals.

In summary, it has been a difficult and challenging local environment in 2017.

1. 4th addition of the PwC report on the South African construction industry.

THE REST OF AFRICA

> Historically, the group's operations in the rest of Africa have been concentrated in Botswana, Zambia and Mozambique as well as in West Africa, including Sierra Leone, Guinea and Ghana.

Due to their abundance of natural resources the economies of these countries are heavily reliant on mining activity and in some instances oil production. Botswana is one of the largest diamond producer in the world, Mozambique a large exporter of coal while Ghana has substantial oil and natural gas reserves as well as being a large gold producer. Fluctuating commodity prices not only impact the volume of mining activity but also have a knock-on effect in the form of lower tax revenue. As a result, public infrastructure spending, which already often depends on donor funding, is further curtailed. The struggling Ghanaian economy has impacted building markets. In the current year, the group secured additional mining infrastructure projects in Guinea as well as one in Burkina Faso.

Operating in territories with sometimes unsophisticated economies adds a further layer of complexity in executing projects, particularly where the local language is not English. Mining houses often have various tax exemptions in place, which together with complicated regulation from local revenue authorities, adds further risk. In addition, mines are often located in remote areas requiring strong logistical support for our plant and equipment.

Weak and dual currencies also require careful management. Purchases of local supplies are predominantly cash-based and accounting and other records often require translation.

In order to mitigate the high payment risk associated with public entities, the group has traditionally focused on procuring projects from private clients in the retail, mining, toll road, gas and energy sectors although some public water and sanitation infrastructure projects have been undertaken. However, more recently the 'commodity price slump' has certainly impacted smaller mining houses and heightened this risk in the private sector as well.

The prioritisation of localisation with governments within the region has become a matter of course. Requirements for the participation of local skilled and unskilled labour and the limitation of work permits issued to expatriates has been expanded to include more onerous obligations in respect of local ownership of entities bidding on public projects. In Botswana specifically, government has introduced wide-scale procurement rules in respect of citizen-owned companies.

AUSTRALIA

The Australian economy remained robust during the year, growing by 2% in line with government targets. Construction activity accounted for 9% of the economy, up from 3% in the previous year, and remains a catalyst for job growth and economic activity.

Foreign investment into the Australian economy remains strong, particularly capital investment from Asia and international pension and sovereign funds seeking reasonable returns, a stable government and good security. Furthermore, a total of 2,1 million Chinese tourists visited Australia in 2016/2017 spending AU$8,3 billion, which represents a 45% increase over the prior year. Tourism Australia expects this to quadruple through to 2020.

The East coast metropolitan cities of Sydney, Melbourne and Brisbane are the largest beneficiaries of this investment, however investment into the Gold Coast in Queensland has increased alongside construction activity, as it readies to host the Commonwealth Games in April 2018.

Employment demand is healthy and with the low unemployment rate of 5,5%, is a strong driver of immigration. Population growth of 1,6% was driven by further strong immigration from Asia, and was higher than the 1,4% recorded in prior periods. Growth is centred in the large metropolitan areas, particularly Melbourne, Sydney and to a lesser extent, Brisbane and continues to drive both private and public infrastructure demand.

This positive market sentiment continues to support construction activity. Building markets are buoyant and despite significant growth in housing prices and efforts by regulators to address the highly political issue of housing affordability, residential activity has been constant. The recent boom in multi-level residential projects has been underpinned by Asian-based investment and various interventions including taxes and imports have been initiated to discourage property investors from the market in an attempt to lower demand and reduce housing and apartment pricing for owner-occupiers.

Infrastructure investment is increasing rapidly with an unprecedented level of spend occurring in cities on the eastern seaboard. The Australian government has committed to spending AU$70 billion from 1 July 2013 to 30 June 2021 on transport infrastructure alone, which bodes well for construction companies with civil engineering skills.

The Australian construction environment is heavily regulated. Head contractors operate within defined "tiers" which dictate the size and value of projects on which they can bid and build, with 'tier one' being the highest. Probuild is recognised as a tier one contractor in Melbourne and this year has made significant strides in achieving this status in other key states.

The industry has a high degree of unionisation which continues to have a significant impact. There are concerns about increased industrial militancy and demands for increases in remuneration and working conditions that are not proportional to productivity gains. In light of the significant infrastructure spend being executed, federal government, through the Australian Building and Construction Commission, announced that all employee bargaining agreements (EBAs) between contractors and their wage employees are to be compliant with the new Australian Building Code by 1 September 2017, far earlier than the original date of 28 November 2018. Non-compliance will technically result in contractors not being eligible to participate in federally funded projects, however very few, if any, tier one builders in Australia currently have code compliant EBAs. This remains an issue for the industry to resolve with government.

MARKETS AND SECTORS

The markets and sectors in which the group operates were again characterised by high volumes of building work in South Africa and Australia. Civil engineering markets remained subdued while the road sector continued to offer opportunities in South Africa and Mozambique.

BUILDING AND CIVIL ENGINEERING

Having built a reputation for reliability, WBHO negotiates a large proportion of its building projects with private developers both in South Africa as well as the rest of Africa. Tender activity is mostly prevalent in KwaZulu-Natal (KZN) and the Eastern Cape and includes some public sector projects, usually in the education and healthcare sectors. The division is also exposed to the public sector through public-private partnerships, although there have been few of these types of projects in recent years.

The Civil engineering division has traditionally sourced projects from both the private and public sectors, with a higher proportion of work being bid upon. Projects for private clients are primarily from the mining, industrial, oil and gas and agricultural sectors. Public sector projects are usually infrastructure focused and have been largely limited to the construction of new power stations.

Large-scale retail and commercial office projects formed the bulk of activity in 2017, comprising 70% of the division's revenue. There was a noticeable reduction in retail activity in Gauteng following the completion of various projects, however overall activity levels from this sector were maintained due to two large projects in KZN. The significant increase in the proportion of revenue derived from the healthcare and leisure sectors was driven by large-scale projects in Gauteng, the Western Cape as well as KZN. Activity within the commercial office space is concentrated in Rosebank, Sandton, Midrand and Tshwane in Gauteng with additional projects in each of the coastal regions. Residential activity is based mostly in Cape Town, consisting of upmarket, luxury apartments. Revenue from this sector dropped from 4% to 2% this year but order intake showed some improvement over the second six months.

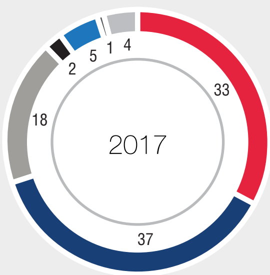
Any indications of a recovery in civil engineering markets were negligible in 2017. It seems likely that it will take time before the moderate improvement in commodity prices results in increased activity in the mining sector, which comprised 5% of the division's activity this year. Revenue in respect of energy infrastructure declined further from 5% in 2016 to 4% in 2017 as construction work at Kusile de-escalates, but was bolstered by the award of the commercial crude oil terminal at Saldanha.

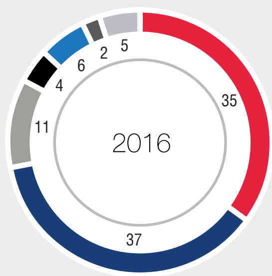
The decrease in the proportion of public sector work from 12% to 4% is mostly due to the completion of the serviced accommodation for the Department of Statistics in 2016 and the lower activity at the Kusile Power Station.

From a regional perspective, building activity outside South Africa remains confined to Ghana where activity levels were lower than those of the prior year, following the completion of various retail developments. The Building division currently has only one active project as the strained economy weighs on project feasibilities and investor perceptions. The Civil engineering division continues to retain a strategic presence in Zambia in anticipation of future activity on the copper mines and has focused on projects from the industrial and agricultural sectors to sustain activity. The division also expended into West Africa this year, partnering with the Roads and earthworks division of the group on projects in Guinea and Ghana.

Lower building activity from the rest of Africa and strong growth in South Africa resulted in the overall contribution from the rest of Africa decreasing further from 19% of total revenue in 2016 to 10% this year.

REVENUE
by sector (%)





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

	2017 %	2016 %
PRIVATE	96	88
PUBLIC	4	12

ROADS AND EARTHWORKS

The Roads and earthworks division has a far higher component of public sector work on which it tenders for road, rail, water, and energy related infrastructure projects as well as low-cost housing. Private sector work is commonly sourced from mining and oil and gas clients, as well as toll road operators.

Roadwork projects dominated activity this year comprising nearly half the division's workload. The local road sector was especially lively and made up 60% of South African revenue with large-scale projects in nearly all provinces. SANRAL was the main source of projects with limited expenditure seen from provincial government. The balance of roadwork entailed upgrades and maintenance to the EN4 toll road in Mozambique. Competition in the sector remains high and the high level of specification required for local projects adds additional risk.

Constituting 23% of total divisional revenue, mining infrastructure work delivered the second largest contribution. Local mining activity contracted further and amounted to 20% of the aggregate mining spend and just 5% of overall revenue. Mining activity also dropped off sharply in Mozambique. The award of a number of new projects in West Africa and ongoing projects in Ghana resulted in the most significant contribution coming from the region while projects in Namibia and Botswana also assisted in sustaining activity.

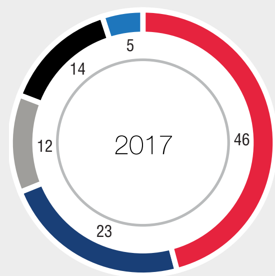
Activity in the energy sector was consistent with the previous year as new work for SASOL and construction of the crude oil terminal in conjunction with the Civil engineering division replaced work done for Eskom in 2016.

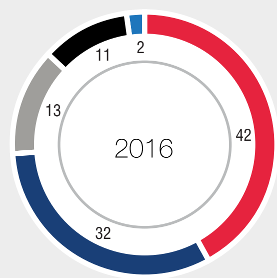
The pipeline market remains extremely competitive. State-owned entities in the sector have onerous empowerment requirements and projects are often broken into smaller packages in order to make them available to smaller emerging contractors. Nonetheless, the division secured some work from the public sector for Transnet.

Revenue from low-cost housing projects increased following new awards in the second six months.

Despite improved activity in West Africa, revenue contribution from the rest of Africa declined from 32% to 23% this year due to lower volumes of work in Botswana and Mozambique and strong growth in South Africa.

REVENUE
by sector (%)





- Roadwork
- Mining infrastructure
- Energy infrastructure
- Pipelines
- Low-cost housing

	2017 %	2016 %
PRIVATE	47	44
PUBLIC	53	56

AUSTRALIA

Both building and public infrastructure markets have been resilient in Australia this year. Through Probuild Constructions, the strength of the group has traditionally been in the building sector although it continues to expand its civil engineering exposure through WBHO Infrastructure.

Retail activity dropped off in 2017 following the completion of a number of large projects early on in the year. These projects were more than adequately replaced with various new high-rise residential projects in Melbourne and apartment blocks in Sydney. Residential activity in Brisbane slowed through the year. The percentages in the graph are slightly skewed as residential projects often incorporate mixed-use developments containing retail and sometimes office elements.

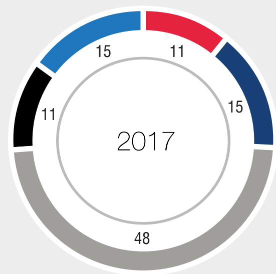
The strong increase in Chinese tourism has seen good growth in leisure markets with a number of new hotels under construction across all the operations of the group, and is reflected in the increase in contribution toward revenue from 4% to 15%. The business has a growing presence in the commercial sector which comprised 11% of revenue in the 2017 financial year up from 8% in the prior period. The increased proportion of work secured from these sectors is encouraging given that residential activity is soon expected to taper off.

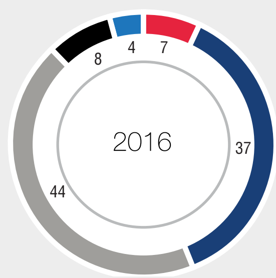
Probuild is also active in sub AU$50 million building markets through its subsidiary Monaco Hickey. Monaco Hickey has traditionally specialised in the health and pharmaceutical sectors and while it continues to retain a presence in these markets, it has successfully expended into mid-size commercial projects together with medium-density luxury apartments in order to sustain activity.

The added contribution from the infrastructure side of the business was a welcome development this year, significantly increasing its eastern seaboard presence following a restructuring in 2015. In the eastern states, activity is seated in the roadwork and renewable energy sectors, while in the west, ongoing maintenance contracts in the mining, industrial and telecommunications sectors contributed toward growth.

From a state perspective, our Australian operations remain concentrated in the major cities of Melbourne and Sydney which together comprise 68% of revenue. Penetration of the Sydney market has been protracted, however Probuild has made meaningful gains over recent years and is now well established in the state. Our entry into the Brisbane market is now firmly entrenched although some growing pains have been experienced following a loss-making project in the current year. Australia's western states have long been associated with high levels of economic activity from the resources sector. Although resources investment has reduced significantly in recent years, Perth has reasonable levels of activity in the building construction sectors consisting of a number of smaller projects and ad hoc larger projects.

REVENUE
by sector (%)





- Civil works
- Retail
- Residential
- Commercial
- Healthcare and leisure

	2017 %	2016 %
PRIVATE	90	91
PUBLIC	10	9

CONSTRUCTION MATERIALS

Over recent years the group has purposefully divested from non-strategic assets which included businesses within the pipe manufacture, quarry, ready-mix and aggregate markets. Our remaining investment in Reinforced Mesh Solutions (RMS), through Capital Africa Steel, is considered vital to the building operations of the group. RMS provides long-steel products to the South African construction market and has a national footprint with operations across most provinces. The group also offers specialist post-tensioning services to the construction market through VSL Construction.

Trading conditions within the steel business remained challenging particularly in Gauteng, the North West and KZN. Strong competition within the sector has resulted in margin pressure and exceptionally keen pricing on contracts which has been further exacerbated by rising input costs.

The post-tensioning market is a growing area of the business and has seen increased activity in recent years. Projects are more contracting in nature as opposed to manufacturing, and as such, supervision of these operations has been realigned with our Civil engineering division following a problematic contract in KZN.

R217m
PROJECT VALUE

22 months
PROJECT DURATION

NORTHAM PLATINUM FURNACE

CIVIL WORKS AND STRUCTURAL STEEL FOR A NEW AC FURNACE

MANAGING RISK

OUR APPROACH

WBHO realises that risk management is a fundamental management practice and imperative to good corporate governance. While risk cannot be eliminated from business activities, the risk management process provides a methodised way to identify, prioritise and manage risk. By entrenching risk management within group business processes in a specific, practical manner, a formal means for managing the risks associated with the operating environment is established.

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

RISK MANAGEMENT PROCESS

RISK MANAGEMENT METHODOLOGY

PROCUREMENT AND PROJECT RISK

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

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

OPERATIONAL RISK

Operational risks are evaluated at a divisional or business unit level. Giving due consideration to the individual operating environments, risk assessments relating to current market dynamics, skills shortages, capacity, talent management and stakeholder relationships (clients, professionals, labour and suppliers) are made. These risks are presented and discussed at a senior management level and appropriate risk mitigation strategies are developed and refined. Once entered into the risk database, these risks are escalated to the Operational risk committee and, ultimately, the Risk committee.

STRATEGIC RISK

The risks and trends incorporated within the operational risk assessments inform the Risk committee's assessment of the risk profile of the group in the context of delivering its strategic objectives. The macro-environment, together with the corporate, regulatory and legal compliance risk are also assessed. These risks are presented to the Board, which then decides on the overall strategy of the group.

ENTERPRISE RISK MANAGEMENT

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

STRATEGIC RISK

The heat map diagram illustrates the strategic business risks as determined by the enterprise risk management process. The narrative below describes the events and circumstances which have resulted in changes to the likelihood and occurrence of these risks and inform the material issues of the group which are discussed in greater detail on page 32 of this report.

Users of this report are advised of changes to the heat map from that presented in FY16. Risks relating to the “shortage of critically skilled staff” and “untimely loss of key personnel” were relegated to operational risks in FY16 and as such do not appear in the current year. Furthermore, certain risk disclosures have been streamlined and the risks merged, thus, “political instability” has been incorporated into “country risk”. As a result the numbering of risks is also different to the prior year.

	Highly unlikely	Unlikely	Possible	Likely	Almost certain
Catastrophic					
Major			3 7	1	8
Moderate		2 4	5 10	6 9	
Minor					8
Insignificant					

RISK 1

COUNTRY RISK
(uncontrollable)

Various macro-economic factors, including unstable political environments, government policy, corruption and currency volatility, are beyond the group’s control. Regime changes can occur often and may be violent, which not only threatens the safety of employees, but also affects on-site productivity.

Recent political and economic events have resulted in a low-growth environment in South Africa and other African countries in which the group operates, and has prompted credit downgrades by various international ratings agencies. The impact on foreign and local investor confidence has reduced investment and contributed toward fluctuating exchange rates. Low levels of investment affect the ability of the group to procure work. Additionally, the sub-investment grade rating applied to our financial institutions may hamper our ability to support certain Australian financial facilities from a rand-based balance sheet. As a result, the risk rating remains **likely** and the impact **major**.

RISK 2

INDUSTRIAL ACTION
(uncontrollable)

The South African labour market is characterised by regular industrial action across multiple industries and in Australia, the industry is heavily unionised and unions wield significant influence. Industrial action impacts on-site productivity, delivery and financial performance.

Having negotiated a two-year bargaining agreement which remains effective until September 2017, industrial action has not been prominent within the local industry this year. In Australia, the federal government, through the Australian Building and Construction Commission, announced that all employee bargaining agreements are to be compliant with the new Australian Building Code by 1 September 2017. Few tier one contractors in Australia currently have code compliant EBAs. Negotiations with unions may be protracted, however unrest is unlikely. Non-compliance could result in contractors not being eligible to participate in federally funded projects.

The impact of this risk remains **moderate** but it is **unlikely** to materialise.

RISK 3

CONTRACTING WITH UNRELIABLE PARTIES
(controllable)
The group contracts with new suppliers and clients on a frequent basis. Due to the value and size of contracts, failure by the contracting parties to adhere to their contractual obligations can have serious consequences, which include financial, operational and reputational implications.

The impact of the commodity cycle has placed certain client balance sheets under strain, particularly within the mining sector, increasing the risk of non-payment. The low-growth environment has also inhibited the financial health of some suppliers which has affected their on-site performance.

As a result, the impact of this risk remains **major** and **possible**.

RISK 4

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 significantly impact the performance of the group.

In addition to existing investments, this year WBHO acquired a 40% stake in the UK-based Byrne Group and reduced its controlling interest in Edwin Construction from 57% to 49%. These transactions occurred late in the financial year and as existing associated companies performed in accordance with management's expectations, this risk remained **unlikely** and the impact **moderate**.

RISK 5

MAJOR SAFETY, HEALTH, ENVIRONMENTAL OR QUALITY INCIDENT
(controllable)
The construction industry is seen as a high-impact and somewhat hazardous sector. Any major incidents that occur have reputational implications for the group, which affects its ability to procure work.

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

RISK 6

CHANGING MARKET DYNAMICS ON GROWTH
(uncontrollable)
The group conducts business across numerous sectors and in various geographical locations, each affected by diverse economic factors beyond the control of the group.
A material deterioration in one or more of these markets could have a severe impact on the size and nature of the group.

Due to the lack of any meaningful recovery within the mining sector and its impact on civil engineering markets together with the recent softening of building markets in South Africa, this risk remains **likely**; however, due to the diversification of the group across geographies and sectors and the improved performance of the Roads and earthworks division, the impact remains **moderate**.

RISK 7

NON-COMPLIANCE TO LAWS AND REGULATIONS
(controllable)
The group is subject to numerous legislative and regulatory requirements across various geographies. Non-compliance with these requirements carries significant reputational risk, the potential for fines and penalties and the possible loss of the necessary licences or accreditations needed to procure work.

The group maintains a regulatory and legal matrix which is regularly updated for changes to laws and regulations. These changes together with any potential impact on the group are reported to the relevant functions and Board committees. Notwithstanding these controls and compliance procedures, due to the nature and complexity of the group's operations, the risk is still considered **possible** and **major**.

RISK 8

COMMUNITY UNREST
(uncontrollable)
Poor service delivery and high levels of poverty and unemployment significantly affect the quality of people's lives within township and rural communities. Community members are desperate for work in order to feed their families and this often results in unrealistic expectations of employment opportunities. On-site conflict may arise as a result of these unrealistic expectations not being met.

The group experienced significant project delays arising from community-related disruptions on a number of projects during the year. While the group proactively engages with communities before and during projects and the impact of these disruptions is able to be mitigated contractually, this continues to occupy significant management time and present a threat to employee safety. Consequently, the risk has now been upgraded to **major** and remains **almost certain**.

RISK 9

TRANSFORMATION

(partially controllable)

Transformation within the construction sector remains high on the government's political agenda. State-owned entities often impose additional empowerment requirements to those contained within the PFMA in order to prioritise the allocation of work to emerging contractors. Sector Codes that were not aligned with the Amended B-BBEE Codes of Good Practice were also repealed in November 2015 and required redrafting. Onerous penalties have also been introduced for companies that do not comply with their employment equity plans. The Roads and earthworks and Civil engineering divisions of the group often bid on public infrastructure projects. Meeting the necessary empowerment requirements is critical to procuring these projects.

WBHO dropped to a Level 4 Contributor following the repeal of the Construction Sector Codes which has impacted bidding and also raised concerns from private clients. In addition the Department of Labour continues to stringently monitor compliance with the employment equity plan of the group.

Risk mitigation measures have included direct participation in the process of finalising and gazetting of the new Construction Sector Codes, forming strategic partnerships with emerging contractors and the signing of the VRP Agreement alongside proactive management of transformation targets within the group by a dedicated committee. The Board has identified transformation risk to be paramount to the long-term viability of the group and it remains **likely**. Due to the risk mitigation measures in place the potential impact is considered **moderate**.

RISK 10

PROCUREMENT AND EXECUTION RISK

(controllable)

Procurement and execution risk are closely linked with changes in market dynamics as well as skills shortages and talent management within the group. The prevalence of these risks is determined with reference to the project risk and opportunity schedules, trend analyses obtained from the risk database and the residual value at risk across all projects. Given the challenging industry conditions throughout our African operations, the risk of a material loss-making project is considered **possible** and the impact **moderate**.

STAKEHOLDER ENGAGEMENT

OUR APPROACH

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

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

STAKEHOLDER RELATIONSHIPS

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 in excess of 20%, which exceed the real growth in the economy and the construction sector, in particular.	• SENS announcements • Printed and electronic media releases • Results presentations • Integrated reports • Company AGMs • Face-to-face management sessions • Analyst-hosted events	• Revenue growth • Operating margin • Return on investment/ dividends • Order book • Company sustainability 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

STAKEHOLDER ENGAGEMENT

The issues discussed below are those most material to both us and our stakeholders for the year under review. We have linked these stakeholder concerns with the defined material issues where relevant, which are detailed more comprehensively in the material issues section on page 32.

CLIENTS:

New markets and project procurement

A number of clients have made enquiries into our appetite to deliver projects on their behalf in European markets. These discussions ultimately led to our new investment in the United Kingdom.

In terms of procurement in Africa, the governments of various countries on the continent require the construction of key public infrastructure services. Our Projects team has engaged directly with government departments to provide progressive, tailor-made bids to unlock these projects.

Material issue 1 *Market dynamics*

INVESTORS:

Acquisitions and changing mix of work

Management held individual discussions with analysts as well as participating in industry-wide conferences to discuss the performance and future outlook of the group. Key issues discussed included changing market conditions, particularly the sustainability of building markets locally and in Australia, the impact of strong order book growth within the Roads and earthworks division as well mining sector expenditure and the low levels of activity with civil engineering markets. The implications of the Settlement Agreement on our business were also explained.

Investors were also engaged on the strategy and motivation behind our acquisition of a 40% interest in the UK-based Byrne Group, the purchase of the remaining interest in Reinforcing and Mesh Solutions and the reduction of our interest in Edwin Construction.

Material issue 1 *Market dynamics*
Material issue 2 *Skills shortages and capacity constraints*

COMMUNITIES:

Balancing opportunities with expectations

The group has actively engaged with communities in the areas in which we work following a significant increase in community unrest directed at our operations. By holding discussions with community leaders prior to taking site occupation and agreeing what is possible in terms of available jobs, we have been able to reduce these occurrences. In addition we often undertake to build new facilities in order to improve the quality of life of these communities.

Material issue 3 *Labour unrest*
Material issue 5 *Reputation and culture*
Material issue 6 *Transformation*

EMPLOYEES:

Employment equity and job security

Some of our employees held a belief that careers within our local operations may have a ceiling based on race or gender. During the year, management engaged with staff to dispel this incorrect perception and reaffirmed our 'equal opportunities and equal pay for all' policy and philosophy. This message was reinforced through several merit-based promotions to senior positions from within the ranks of our staff.

It is a primary concern of our employees to further the education of their children in order to provide them with employment and an opportunity to create a better life for themselves and their families. Using our Akani scheme as a vehicle, we have formed an educational trust which has actively supported the education of the children of certain employees by providing full bursary funding including accommodation and books. In the year, we conducted workshops for over 5 500 of our employees, reaching 50 sites countrywide over a period of nine weeks, to assist them in making informed decisions when guiding their children's educational choices. The book was translated into four languages and allows employees to explain what they learned from the presentations with a booklet in their preferred language.

Material issue 2 *Skills shortages and capacity constraints;*
Material issue 5 *Reputation and culture*
Material issue 6 *Transformation*

GOVERNMENT:

Domestic transformation and over-border payment negotiations

The South African construction sector benefits from significant public sector spending and is a major employer, which makes it a key focus area for government in terms of its transformation objectives.

A momentous event during the year was the signing of the Voluntary Rebuild Programme (VRP) Agreement with the South African Government, to radically transform the South African construction industry. Through the VRP and the Tirisano Trust, we have a forum to engage with government ministers and address any concerns over industry matters.

In identifying our VRP partners, extensive engagement was held with industry bodies, the Black Business Council and our VRP partners themselves.

Among other factors, the strained economic environment in Mozambique led to payment concerns from a state-owned entity for the supply of electricity from Gigawatt Power, an associated company of the group. During the year, Gigawatt Power engaged with the Government of Mozambique to rectify the situation.

Material issue 1 *Market dynamics*
Material issue 5 *Reputation and culture*
Material issue 6 *Transformation*
Material issue 7 *Compliance*

FINANCIAL INSTITUTIONS:

Ratings downgrade repercussions and industry performance

Due to a challenging operating environment both locally and internationally, the South African construction industry has performed poorly as a whole, particularly in the current year. Market sentiment toward the industry is largely negative both with investors and financial institutions. Financial institutions provide significant facilities to the construction industry and have expressed concerns in respect thereof. This year, we have engaged regularly with those institutions that provide support to the group in an ethical and transparent manner on all the concerns raised. WBHO is in the fortunate position of maintaining a strong balance sheet, considerable cash reserves and sound profitability, all of which have eased these discussions and provide comfort to our bankers.

Conversely, the recent sovereign credit downgrades by major ratings agencies and the consequential impact on local banks has raised concerns from some Australian institutions over their ability to support our Australian operations. Lengthy discussions have been held with each institution with exposure to Australia to discuss the way forward.

We have also engaged with international financial institutions to explore opportunities to provide offshore support to Probuild, in Australia.

Material issue 1 *Market dynamics*
Material issue 7 *Compliance*

VALUE ADDED STATEMENT

Rm	2017	2016
CLIENTS		
Revenue*	**35 586**	34 497
SUPPLIERS		
Cost of materials and services*	**(29 065)**	(26 572)
WEALTH CREATED	**6 521**	**7 925**
EMPLOYEES		
Payroll costs	**3 778**	4 744
Share-based payment expense	**58**	42
INVESTORS		
Dividends paid to shareholders	**277**	243
FINANCIAL INSTITUTIONS		
Interest and finance charges	**14**	19
Lease costs	**5**	8
GOVERNMENT		
Taxes and duties*	**1 729**	2 124
COMMUNITIES		
Corporate social investment	**6**	4
WEALTH DISTRIBUTED	**5 865**	**7 184**
WBHO		
Attributable earnings (less dividends paid)	**445**	483
Depreciation	**211**	258
WEALTH RETAINED	**656**	**741**

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

WEALTH CREATED

WEALTH DISTRIBUTED

WEALTH RETAINED

R240m

PROJECT VALUE

17 months

PROJECT DURATION

SUNRISE LPG IMPORT TERMINAL

5 500 TONNE GAS STORAGE FACILITY

MATERIAL ISSUES

The list of our most material issues is discussed in this section and the issues do not follow any order of priority. We have identified six areas under which we classify the key issues we face as a business. Each issue is a result of the material issue determination process. The risks associated with these issues are presented alongside the relevant broad strategic objectives we employ to mitigate these risks. The specific events and circumstances encountered during the year under review are also highlighted.

1 MARKET DYNAMICS

The numerous industries and geographical territories from which the group acquires its work have their own intrinsic risk profiles and associated margins, while being exposed to differing effects from the corresponding global and local economic cycles. Diversification helps us mitigate risk and reduce the volatility of earnings over the long term.

ASSOCIATED RISKS

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

ASSOCIATED STRATEGIC OBJECTIVES

- Flexibility and diversification
- Procurement and execution excellence

KEY ISSUES IN FY17

- Uncertain political landscape and low-growth environment in South Africa
- Downgrades of South African sovereign investment rating and knock-on effects on local banks
- Low-levels of public infrastructure spending across Africa
- Enduring impact of commodity price 'slump' on African economies and civil engineering markets
- Strong tourism and population growth in Australia
- Government intervention in residential building markets in Australia
- Intensive public infrastructure spending in Australia

2 SKILLS SHORTAGES AND CAPACITY CONSTRAINTS

The construction industry is a volatile sector, often faced with a shortage or oversupply of skills depending on the amount of work available. Managing the gap between the work on hand and the people required is essential. Efficient project execution is dependent on experienced management teams and competent artisans. The poor quality of education for the majority of South Africans, particularly in maths and science, results in low levels of engineering students available to the industry.

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
- Procurement and execution excellence

KEY ISSUES IN FY17

- Increase in activity within Roads and earthworks division
- Rapid commencement of four projects in West Africa
- Targeting of employees by competitors in West Africa
- High demand for construction professionals in Australian infrastructure markets

3 LABOUR UNREST

We have to carefully manage the process of wage negotiations as the construction industry employs a sizeable labour force. Both the local and Australian labour environments are highly politicised and sensitive, where on-site unrest can be a regular threat.

ASSOCIATED RISKS

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

ASSOCIATED STRATEGIC OBJECTIVES

- Reputation and relationships
- Capacity and talent management

KEY ISSUES IN FY17

- Community unrest linked to employment demands
- Regulation of employee bargaining agreements in Australia

4 SAFETY AND ENVIRONMENTAL MANAGEMENT

Construction is characteristically dangerous in nature and we have a duty to ensure the very highest health and safety standards are observed. We take responsibility for employee and subcontractor welfare, morale and productivity, as well as legal compliance. Our moral and legal obligations extend to minimising our environmental impact in the areas in which we do business.

ASSOCIATED RISKS

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

ASSOCIATED STRATEGIC OBJECTIVES

- Safety and environmental management

KEY ISSUES IN FY17

- Fatality in Australia
- Crane collapse in Australia post year-end
- Third party driving habits in and around our roadwork projects
- Supplier and subcontractor compliance
- Extensive safety and environmental legislation

5 REPUTATION AND CULTURE

A reputation of good standing is essential to establishing and preserving the long-term relationships we have with clients and the credibility and integrity to successfully bid on major projects.

ASSOCIATED RISKS

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

ASSOCIATED STRATEGIC OBJECTIVES

- Reputation and relationships
- Procurement and execution excellence

KEY ISSUES IN FY17

- Strained relationship with the Government of South Africa following Competition Commission inquiry in 2013
- Reputational consequences of the fatality and crane collapse in Australia

6 TRANSFORMATION

Due to the significant public spending directed toward the construction sector by government, transformation remains high on the political agenda. We, as WBHO, have a firm belief that transforming the construction sector, and the local economy as a whole, is a necessity. To that end, we have played an active part to ensure that the transformation objectives of WBHO, the sector and of government are achievable.

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
- Execution of projects with VRP partners
- Meeting VRP obligations
- Additional costs

ASSOCIATED STRATEGIC OBJECTIVES

- Localisation and transformation

KEY ISSUES IN FY17

- Drop in scorecard rating to Level 4 Contributor
- Inconsistent application of PFMA guidelines by state-owned entities
- Negotiation of New Construction Sector Codes
- Differences of opinion with emerging contractors in agreeing new codes
- Requirement for citizen-owned companies on government projects in Botswana

7 COMPLIANCE

With the construction industry being highly regulated, legal and regulatory compliance is a priority for the Board. Compliance with the relevant legislation and regulations in the countries and sectors in which we do business is essential and grants us our licence to operate.

ASSOCIATED RISKS

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

ASSOCIATED STRATEGIC OBJECTIVES

- Reputation and relationships
- Localisation and transformation

KEY ISSUES IN FY17

- Referral of “Cape Town Stadia Meeting” and N17 project to Competition Tribunal
- Ongoing defence of civil claims from City of Cape Town

STRATEGIC OBJECTIVES

Our group vision and six strategic objectives are discussed in this section. These strategic objectives represent what we believe to be the key attributes necessary for a successful construction company and are linked to underlying strategic initiatives and specific metrics/indicators where applicable. We also discuss how these initiatives have been implemented in the current year. Lastly, we have included our year in review table, which presents a synopsis of our material issues, their impact on our business and our strategic response.

VISION

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

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

1 FLEXIBILITY AND DIVERSIFICATION

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

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

Our growth objectives are facilitated through the implementation of a long-term diversification strategy across different geographies and industry sectors and at multiple levels of the construction value chain. This in turn helps mitigate risk and enhances stakeholder value by providing stability to our earnings.

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

STRATEGIC INITIATIVES

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

KPIs

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

FY17 STRATEGY IN ACTION

- Strategic entry into UK construction market
- Strategic entry into local and African rail market
- Entry of Civil engineering division into West Africa
- Reduced reliance on Victorian market in Australia
- Major projects secured in all key states in Australia
- Further entry into infrastructure market in eastern states in Australia

2 PROCUREMENT AND EXECUTION EXCELLENCE

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

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

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

STRATEGIC INITIATIVES

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

KPIs

- Operating margin
- ISO9001: Quality Management System
  - Coverage and audit outcomes
  - Training
  - Cost of rework and waste
- Actual versus tender analysis
- Occurrence of loss-making projects

FY17 STRATEGY IN ACTION

- Adherence to tender processes and controls
- Strengthened bidding teams
- Adaptation of operational model in competitive road sector
- Bolstering of quality assurance team
- Enhanced risk management processes

STRATEGIC OBJECTIVES
CONTINUED

3 REPUTATION AND RELATIONSHIPS

A noticeable presence in the marketplace alongside a proven track record and a reputation for reliability, consistency and value, are crucial to establishing and maintaining close client relationships and our ability to bid on major projects.

Our reputation has developed through delivering projects to the highest standards and providing an all-inclusive “quality experience”. Our commitment to “execution excellence” is achieved by embedding our culture throughout our business in doing things “The WBHO Way”.

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

STRATEGIC INITIATIVES

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

KPIs

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

FY17 STRATEGY IN ACTION

- Responsiveness and approachability of senior management on difficult projects
- Signing of VRP agreement
- Anonymous ethics survey conducted
- Launch of outsourced tip-off line to increase independence

4 CAPACITY AND TALENT MANAGEMENT

People management is of primary concern within the group. Right-sizing our teams is a continuous process in order to match demand with economic cycles. Effective recruitment processes and solid working relationships with the representative unions are essential in achieving this outcome.

The overlapping nature of active and new projects means that they seldom begin and end in a linear manner. The number of staff required at the various stages of projects differs significantly. We call the process of dealing with these lags or overlaps “managing the gap”. It is a constant challenge to ensure that the right skills and manpower are available at the right time.

Effective employee development earns staff loyalty and their commitment to “The WBHO Way”, as well as attaining our strategic goals of “procurement and execution excellence”, and “transformation”.

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

STRATEGIC INITIATIVES

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

KPIs

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

FY17 STRATEGY IN ACTION

- Prompt resolution of capacity constraints in West Africa
- Regular staff rotation on cross-border projects
- Targeted recruitment within local Roads and earthworks divisions
- Launch of Engineering School 3
- Streamlined performance management system
- R64 million spent on training and development

5 SAFETY AND ENVIRONMENTAL MANAGEMENT

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

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

STRATEGIC INITIATIVES

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

KPIs

- OHSAS18001: Safety management system
  - fatalities
  - LTIFR, RCR
  - alcohol and drug test results
  - coverage and audit outcomes
- ISO14001: Environmental management system
- Environmental incidents
  - carbon emissions
  - coverage and audit outcomes

FY17 STRATEGY IN ACTION

- Strengthening of safety and environmental teams
- External audits of safety and environmental management systems
- Increased investment in safety and environmental training
- Expansion of VFL programmes to additional divisions
- Site-wide safety awareness stoppages
- Focused interventions based on trend analysis

6 LOCALISATION AND TRANSFORMATION

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

STRATEGIC INITIATIVES

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

KPIs

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

FY17 STRATEGY IN ACTION

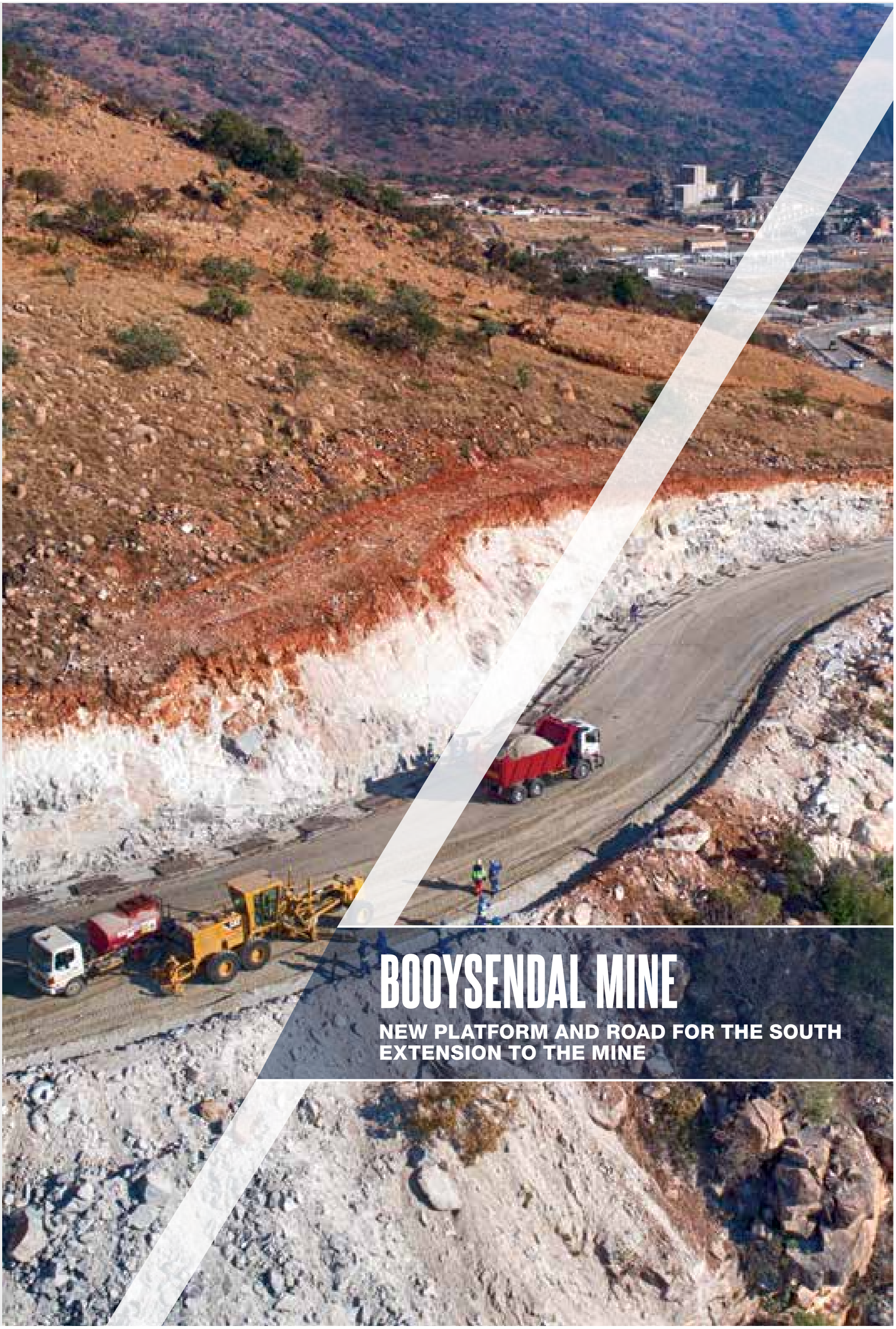
- Signing of VRP Agreement with government and appointment of VRP partner companies
- Active participation in negotiation of new Construction Sector Codes
- Mutually beneficial partnerships with emerging contractors
- Additional capacity within transformation department
- Close monitoring of employment equity plan by the Transformation committee

YEAR IN REVIEW

OPERATING CONTEXT	IMPACT ON OUR BUSINESS	STRATEGIC RESPONSE
SOUTH AFRICA		
LOW-GROWTH ENVIRONMENT AND UNCERTAIN POLITICAL LANDSCAPE • Funding and budget constraints • Poor investor confidence • Downgrades to sovereign investment rating and knock-on effects on local banks • Poor service delivery and growing poverty levels ***Material issue*** 1 *Market dynamics*	• Challenging environment for the industry as a whole • Low levels of large-scale public infrastructure spending • Diminishing spend from state-owned entities (SOEs) • Possible concern from international financial institutions over creditworthiness of local bank paper • Increased community unrest o unrealistic employment demands	• Focus on sectors offering opportunities (road/energy/industrial) • Cultivate and strengthen relationships with private clients – particularly within Roads and earthworks and Civil engineering divisions • Entry into new markets: o UK construction market via 40% investment into Byrne Group o rail infrastructure markets via acquisition of iKusasa Rail • Proactive engagement with international and local financial institutions • New facilities negotiated with international insurance bond providers • Early and transparent engagement with community leaders
ENDURING IMPACT OF COMMODITY "SLUMP" DESPITE IMPROVING PRICES IN FY17 • Minimal signs of any meaningful recovery in the mining sector ***Material issue*** 1 *Market dynamics*	• Anticipated projects continue to be postponed • Low order book levels associated with this sector • Sustained competition and margin pressure	• Expanded focus to include coastal markets and marine construction • Entry in West Africa alongside Roads and earthworks division • Further right-sizing of Civil engineering division albeit at far lower levels
INCREASED ACTIVITY WITHIN ROAD, ENERGY AND INDUSTRIAL SECTORS • Poor driving habits of third party road users ***Material issue*** 1 *Market dynamics* ***Material issue*** 2 *Skills shortages and capacity constraints* ***Material issue*** 4 *Safety management*	• Strong order intake for private clients within Roads and earthworks division over second six months o 20% growth in SA revenue o 95% growth in local order book o heavier weighting toward lower-margin roadwork persisted • Anchor project secured for Civil engineering division • Four motor vehicle-related fatalities	• Adaptation of procurement and execution strategies on road projects • Targeted recruitment to bolster capacity • Careful internal resource management • Increased traffic diversion, calming and speed reduction measures implemented
SATURATION OF LOCAL RETAIL AND COMMERCIAL MARKETS ***Material issue*** 1 *Market dynamics*	• Weaker performance from Building divisions over the second six months • 17% decrease in order book at 30 June 2017 • Margin pressure on new work	• Expanded client base and project selection criteria • Increase in tendered projects

OPERATING CONTEXT	IMPACT ON OUR BUSINESS	STRATEGIC RESPONSE
SOUTH AFRICA (CONTINUED)		
STRAINED RELATIONSHIP WITH GOVERNMENT • Following the outcome of the Competition Commission Inquiry into the industry in 2013 • Intensified focus on transformation within the industry ***Material issue*** 5 *Reputation and relationships* ***Material issue*** 6 *Transformation* ***Material issue*** 7 *Compliance*	• Additional transformation procurement requirements from SOEs over and above guidelines included in PFMA • Repeal of original Construction Sector Codes and delays in negotiating and gazetting New Sector Codes • Drop to a Level 4 Contributor on generic codes • Continued monitoring of employment equity plan by the Department of Labour (DOL) • Civil damages claim received from City of Cape Town • Referral of "Stadia meeting" and N17 project to the Competition Tribunal	• Signing of ground-breaking VRP Agreement with government o creating meaningful transformation in the industry o R1,5 billion investment from the industry for furthering of transformation initiatives specific to the construction industry o settlement of civil damages claims with SANRAL • Formation of strategic relationships with VRP partner companies • Joint ventures with emerging contractors • Active participation in development of New Sector Codes • Improvement to a Level 3 Contributor on generic codes • Preparation of legal defence on all outstanding Competition Commission-related matters
REST OF AFRICA		
WEAK ECONOMIC ENVIRONMENT OF RESOURCE-BASED AFRICAN ECONOMIES • Historically low oil prices • Protracted impact of low commodity prices • Sovereign credit downgrade in Mozambique ***Material issue*** 1 *Market dynamics*	• Lower tax collection from revenue authorities • Public infrastructure curtailed • Limited opportunities within mining sector • Subdued building market in Ghana o prolonged negotiations to close-out opportunities • 34% decline in revenue from the rest of Africa o sharp decline in activity in Mozambique and Botswana • Heightened payment risk	• Expand footprint to new territories o New work in Burkina Faso • Strategic targeting of available opportunities o roadwork in Mozambique o water and pipeline projects in Namibia and Botswana • Tailor-made bid proposals providing turnkey solutions • Constant engagement with existing clients • Advance payments and payment guarantees • Robust credit checks • Disregard high-risk projects/ clients
GOLD AND BAUXITE MINES OFFERING OPPORTUNITIES ***Material issue*** 2 *Skills shortages and capacity constraints*	• Award of four new projects in quick succession o 2 x Guinea o 1 x Ghana o 1 x Burkina Faso • Initial capacity constraints following downsizing of teams in recent years • Complex statutory requirements to maximise available tax concessions • Improved order book for FY18	• Flexible mobilisation and reallocation of internal resources • Partnership with Civil engineering division on certain projects • Increased capital expenditure • Consultation with audit firms and tax authorities

OPERATING CONTEXT	IMPACT ON OUR BUSINESS	STRATEGIC RESPONSE
AUSTRALIA		
GOOD ECONOMIC GROWTH AND POSITIVE MARKET SENTIMENT • Sustained Asian investment • Strong tourism growth • Improved construction activity in all major states ***Material issue*** 1 *Market dynamics* ***Material issue*** 2 *Skills shortages and capacity constraints*	• High levels of activity in Sydney market o capacity management • Accelerated growth in Brisbane market over last three years o one loss-making project in FY17 • Commercial and hotel sectors offering opportunities	• Strategic diversification into all major states o reduce reliance on Victorian market o major projects successfully secured in all key states • Evolving tier one status outside of Victoria o invitation to bid on tier one projects in NSW o tier one status in WA and award of AU$500 million high-profile project o careful project and client selection to enhance profile and preserve reputation • Targeted recruitment and resource management in NSW • Scaling back of activity in Brisbane in order to consolidate
GOVERNMENT INTERVENTION IN HOUSING MARKETS • Additional taxes and import duties introduced • Aimed at addressing housing affordability • Restrictions on capital outflows from China ***Material issue*** 1 *Market dynamics*	• Anticipation of lower residential activity for FY19 o reasonable volumes of work on hand for FY18 o financiers likely to be more cautious with increased reliance on Australian purchasers o potential to impact quantum and timing of projects	• Increased sector diversification o increased exposure to commercial and hotel sectors targeted o growth of infrastructure business to capitalise on public infrastructure spending
INCREASED GOVERNMENT COMMITMENT TO CAPITAL INFRASTRUCTURE PROGRAMMES • AU$70 billion committed to infrastructure spending to 2021 ***Material issue*** 1 *Market dynamics* ***Material issue*** 2 *Skills shortages and capacity constraints*	• Opportunities in rail, renewable energy, road and defence sectors • Growth in infrastructure order book • Working capital and guarantee facilities to support growth in new markets	• Secure necessary resources to bid and execute potential projects • Strengthened risk management and procurement controls to target identified projects • Identify and target sectors not being serviced by existing competition • Growth and promotion of brand with key stakeholders o state governments o large contractors to identify joint venture opportunities
FEDERAL GOVERNMENT REGULATION OF EBAs • Attempts to curb union influence within the construction industry ***Material issue*** 2 *Skills shortages and capacity constraints* ***Material issue*** 5 *Reputation and relationships*	• EBAs to be compliant with new Australian Building Code by 1 September 2017 o brought forward from original date of November 2018 o minimal existing compliance by tier one contractors o future ineligibility to procure federally funded projects	• Urgent engagement with government and industry representatives • Renegotiation of EBAs with unions



BOOYSENDAL MINE

NEW PLATFORM AND ROAD FOR THE SOUTH EXTENSION TO THE MINE

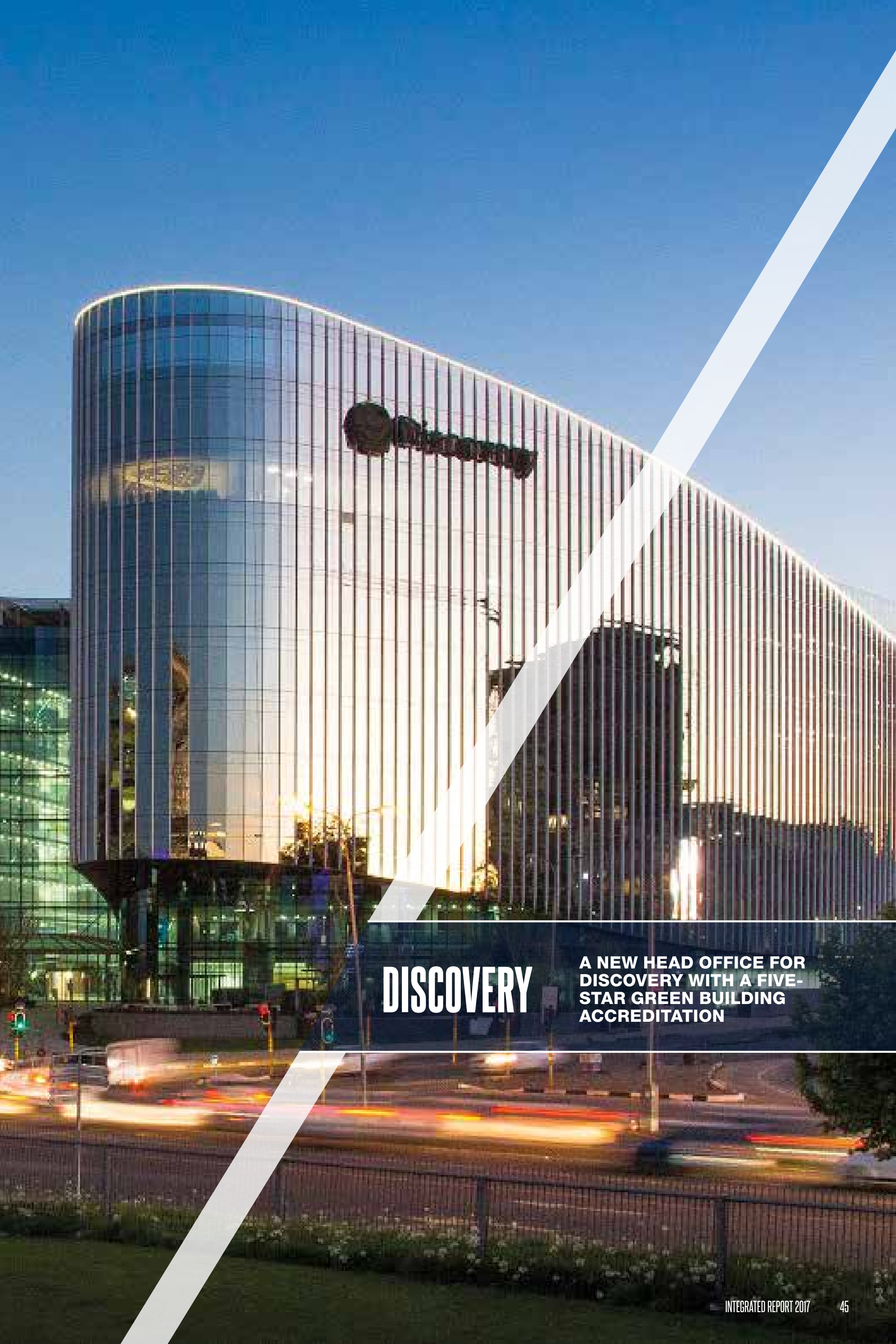
R952m*

PROJECT VALUE

* 50% JOINT VENTURE

44 months

PROJECT DURATION



DISCOVERY

A NEW HEAD OFFICE FOR DISCOVERY WITH A FIVE-STAR GREEN BUILDING ACCREDITATION

PERFORMANCE

In this section of the report we provide personal insights from the executive directors into the markets, industry and performance of the group. In the operational review, we discuss and report on the operational performance of the group as a whole as well as each individual division with reference to our strategic objectives.

Message from the Chairman

MIKE WYLIE

OUTPERFORMING THE CHALLENGES

Our positive financial results for the year reflect an excellent performance from the group as a whole. Our performance in Australia was pleasing, but the highlight was the 18% growth achieved in South Africa amid difficult conditions.

Our commendable performance was achieved by executing approximately 200 contracts across the continents of Africa and Australia, attaining record revenue at solid margins from the Building and civil engineering division. At last we experienced renewed activity in West Africa for the Roads and earthworks division.

The most important ingredient of our success as a construction company is our corporate memory. As every one of our projects is different, the challenge lies in tendering at the right price, at very low margins. There is no room for error. Our robust corporate memory as a result of long-term staff retention and effective succession planning enables us to produce these results.

ENTERING THE UK MARKET

Our entry into the UK construction market was a positive development this year. This market has experienced good growth in recent years. By making a relatively modest investment, we are testing the waters of a developed market and I am cautiously optimistic about this venture. We have placed our interests under the watchful eye of a highly capable management team from South Africa, with a wealth of experience and success in South African and Australian projects.

RADICAL TRANSFORMATION OF THE MAJOR CONSTRUCTION COMPANIES

As I stated in my 2016 report, WBHO and the other JSE-listed construction companies signed the Settlement Agreement commonly known as the Voluntary Rebuild Programme (VRP) with the South African Government. The VRP is a true example of radical transformation in our country; four of the seven listed companies will soon have a majority of black ownership; and three will mentor emerging black companies in order to grow their combined turnover to more than 25% of the listed entity's South African turnover within seven years. It is encouraging to see that the majority of listed construction companies will be black-owned in the near future.

THE CONSTRUCTION INDUSTRY'S ROLE IN THE SOUTH AFRICAN ECONOMY

The Minister of Economic Development, Mr Ebrahim Patel, stated in his address to the MBSA in late September 2017 that investment in infrastructure in any country is vital for economic development and job creation. Infrastructure is the key to a modern economy. Hence, our industry is well positioned, or it should be. I am hopeful that government understands the importance of this and will allow us to work with them to alleviate the low levels of GDP that we face.

South Africa is especially fortunate in that our industry is able to deliver both civil and building infrastructure projects at a substantial discount to those built anywhere else in the world. I recently analysed the cost of our Gauteng freeways and compared it to that of the American equivalent and was interested to find our projects to be substantially cheaper, often less than half the cost. Similarly, an analysis of large building projects from around the world revealed the same result.

This year WBHO contributed R972 million in taxes to SARS and currently employs over 6 000 South Africans. Surely the government, central and provincial, and all its SOEs and agencies should be appreciative of the industry and will give it the support it needs. And support it certainly needs. The recent financial results reported by many large construction companies show that they are struggling and urgently need support. It is with great concern that we find certain state departments are placing restrictive conditions in their tenders with the consequence (hopefully unintended) of restricting the participation of large companies.

Construction Sector Codes

The new Construction Sector Codes that will hopefully soon be gazetted, will provide a more specific, effective set of codes to enhance the industry and continue the ongoing process of real transformation. Whereas the temporary generic codes fall short on a number of fronts, the targets and requirements contained in the new codes are more conducive to transformation. I feel privileged to have been personally involved in the finalisation of these codes.

GOVERNANCE

Changes to the Board

Nonhlanhla Mjoli-Mncube, an independent non-executive director, retired from the Board on 16 November 2016 and Nosipho Siwisa-Damasane was appointed to the Board on 1 September 2016. Nosipho assumed Nonhlanhla's role as chair of the Social and ethics committee and was also appointed as a member of the Audit, Risk and Nomination committees effective from 16 November 2016. Subsequent to year-end, Nosipho Siwisa-Damasane retired from the Board to take up a full-time executive position. We thank Nosipho for her participation and advice during the year under review.

James Ngobeni, an independent non-executive director, will not seek re-election to the Board of the company in November 2017 and the Nomination committee is currently considering suitable candidates for his replacement.

For their dedicated service and support to WBHO of more than a decade each, I extend my sincere gratitude to Nonhlanhla and James. We appreciate their significant contribution to the success of the company and wish them well in their future endeavours.

Directors' development

To maintain the standards of our robust Board, directors are briefed at Board meetings on any relevant or new developments, including those concerning the Companies Act, corporate governance and other relevant legislation. In sustaining our commitment to high ethical standards, Board members underwent competition law and anti-corruption training this year.

Board members undertook an in-depth site visit of our Times Square project, observing the on-site collaboration between the teams and seeing their strong work ethic in practice.

Board evaluation and committee activities

The performance of the Board and its committees is evaluated annually, with an independent evaluation conducted every alternate year. The Board was evaluated internally this year. Individual responses were submitted to me by each Board member and assessed and any issues that arose were addressed.

The various Board committees have also been active this year. The Audit committee managed the process of transitioning internal audit from an in-house to an outsourced function. The change enhanced the robustness and independence of this crucial function, improving skills and alignment with international best practice.

Following the separation of risk management from the Audit committee, this new committee undertook a thorough risk analysis of the group, identifying new and evaluating existing risk areas that are relevant to the business.

The Nomination committee has begun proceedings to recruit new members to the Board to replace Nonhlanhla, Nosipho and James.

Progression towards King IV

As a responsible corporate citizen, WBHO embraces strong governance principles and moral conduct. A preliminary assessment of the King IV Report on Corporate Governance for South Africa 2016 (King IV), which advocates the key elements of robust corporate governance in line with global reporting standards, has been undertaken. To this end, we look forward to seeing how best we can adopt the latest recommendations and are working towards achieving King IV compliance within the shortest possible time.

OUTLOOK

We have consistently managed to increase or maintain turnover through difficult times, mostly by increasing our market share. The ongoing delay to the long-awaited public infrastructure spend programme and the poor performance of the local economy has prompted our move beyond South Africa, which brings additional risk with the opportunity for reward. Nevertheless, further growth in our order book which now stands at R45 billion bodes well for the year ahead. We endeavour to keep our overheads to a minimum and avoid costly mistakes. Finally, we will maintain our efforts in transforming our company, especially with regard to employment equity.

APPRECIATION

My heartfelt gratitude goes to all the people who make WBHO a great construction company: from the members of our Board, to our executive directors, senior management and staff. Your combined efforts, skills, expertise and experience are a source of pride; without them this steller performance would simply not have been possible. Sincere thanks to our clients, shareholders, suppliers and other stakeholders – your loyalty and trust in our company is greatly appreciated, and we look forward to working with you in the year ahead.

Mike Wylie
Chairman

Message from the CEO

LOUWTJIE NEL

Our strong overall performance this year was attributable to each division's valued contribution and it is indeed pleasing to have maintained our high levels of turnover in the context of what has been one of the toughest markets we have experienced locally and in the rest of Africa for some time.

Key to these results is our strategy of flexibility and diversification combined with procurement and execution excellence. Our capability to pursue opportunities across numerous sectors and geographies mitigates risk and reduces earnings volatility which is evident in the sustained growth and essentially consistent earnings delivered over time, throughout fluctuating building, civil and road markets. We take a holistic view of WBHO, to ensure that the strategy for the group integrates with our divisions. In delivering our strategy we "go where the work is", keep our resources agile and accessible, deploying them to maximum effect geographically and between divisions. Being adaptable is our strength, and thus we are able to preserve the turnovers that sustain the divisions and the group.

The focus on minimising loss-making contracts has been a notable contributor to our pleasing performance. This year we had no significant underperforming contracts across all our local and African construction divisions, and a single loss-making project in Australia. A large contributing factor toward this achievement has been our focus on project procurement in recent years. We have made considerable strides in strengthening our governance processes and bidding teams, ensuring we clearly identify all risks in each bid and have the means to mitigate them. Eliminating those projects that do not stand up to scrutiny is equally as important as preparing a thorough bid on approved projects.

However, winning the right project at the right price is only half the job done. Routinely executing large-scale and complex projects on time and within budget requires suitably skilled and proficient operational teams. One of the key elements to successful delivery is making sure projects get off to a solid start; it is particularly challenging to rectify projects that have fallen behind, and hence, WBHO is resolute in its approach of ensuring the right teams are always available at the commencement of any project. Our responsive senior and site management, together with competent and committed site personnel, are then able to see projects through to completion.

What really differentiates us is delivery and management continuity. Our clients appreciate the inherent value of timeous project delivery; continuity points to the longevity of service of the people at WBHO, with many remaining with the group for their entire working careers. Our strong culture and corporate memory has been consistently applied in our day-to-day interactions with clients over many years.

The successful delivery of projects has clearly underpinned the strong operating performance of the group this year, yet goes further in establishing the foundation for strong relationships with our clients, their professional teams, as well as subcontractors and suppliers. This was again recognised by our winning the PMR Africa Diamond Arrow Award for the top construction company for the 17th time in the past 18 years. This prestigious award measures the satisfaction our clients experience through the work and projects we execute for them, and gives them the confidence that they truly can "rely on our ability".

OPERATING CONTEXT AND PERFORMANCE

The current economic climate in South Africa has not been conducive to growth or job creation. The country experienced a technical recession in the second quarter of 2017 after being downgraded to sub-investment grade by certain major ratings agencies. Policy uncertainty and political instability have impacted investor confidence and significantly curtailed local and foreign investment.

Market sentiment in Australia remained generally upbeat, however the impact of international markets on the commodity cycle, which has resulted in lower levels of demand for resources, continues to affect operations servicing the mining infrastructure markets in South Africa, the rest of Africa, as well as in Australia. These markets have yielded lower levels of turnover, with minimal capital expenditure on existing mines and no greenfield mines being built for a number of years. This, alongside lower oil prices, has had a marked effect on the economies of certain African countries reliant on revenues from these sources, which in turn has seen cutbacks in public infrastructure spending.

Despite the challenging conditions locally, the Building, Civil engineering and Roads and earthworks divisions managed to grow or at least maintain turnover levels within South Africa. This growth was unfortunately partially offset by lower activity in the rest of Africa, particularly Botswana and Mozambique. In Australia, Probuild maintained the high levels of activity of previous years following two consecutive years of growth of 20% per annum and it was encouraging to see WBHO Infrastructure grow revenue by 63%.

While the commodity price 'slump' has impacted our Roads and earthworks and Civil engineering divisions, central to their improved performance has been their adaptability to market conditions. In these divisions we have replaced the turnover usually earned by mining infrastructure projects with private local clients in the energy and industrial markets. In addition to growing turnover levels, the Roads and earthworks division also showed a significant improvement in margin.

Our local Building division delivered record turnover levels at good margins this year, on the back of particularly strong performances from the Gauteng and KZN divisions. It is heartening to note that we continue to negotiate in excess of 90% of our building projects, mostly from private clients.

The poor local conditions described above, together with the current oversupply of commercial and retail space, led to a softening of building markets in the second half of the year and this is evident in our order book going forward. Consequently, our building margins are expected to be under increasing pressure over time. Our task is to use our key strengths to meet these challenges.

Revenue from the steel business, Reinforcing and Mesh Solutions (RMS), decreased marginally in the year due to challenging trading conditions, particularly in Gauteng, the North West and KZN. Profitability has been affected by rising input costs in a market where pricing remains keen as well as a problematic loss-making contract in VSL Construction Proprietary Limited (VSL), a subsidiary of Capital Africa Steel.

During the year we purchased the remaining share capital in Capital Africa Steel through which RMS operates. As reinforcing steel is used on our sites daily, this vertical integration is of strategic importance, more through supply continuity than any price advantage. The ability of RMS to support our sites during steel industry strikes or supply shortfalls is critical to project delivery. In the current climate we felt it was preferable to own 100% of the business rather than deal with the complexities of new shareholders. As RMS has the capacity to supply the broader construction market in addition to our own requirements, it is essential they remain competitive in terms of market prices and service levels.

NEW MARKETS

Through the experiences of our clients and from our own research, we learnt that operating in non-English speaking European countries presents a unique set of challenges, and as a result, set our sights on the UK construction market. The UK market has seen strong growth in recent years and the construction industry largely mirrors that of Australia. In June 2017 we acquired a 40% interest in the Byrne Group, an established tier one frame contractor whose activities are aligned with a core competency of ours – that of building concrete structures. We believe we can add significant value to the group and our aim is to grow the business over time.

Our strategic acquisition of iKusasa Rail (formerly Grindrod Rail) allows us access to the railway construction market. While contracts in the rail industry have been relatively scarce, we have identified a number of potential opportunities in Africa with private clients. In the interim, a significant amount of railway maintenance exists in South Africa, where high capital expenditure requirements are a major barrier to entry. Our exciting partnership with the Faku Enterprises will result in a 51% black-owned local business which presents opportunities to work with the SOEs.

TRANSFORMATION

As alluded to in the Chairman's report, transformation is of critical importance to the group. Our drop to a Level 4 Contributor on the Department of Trade Industry's (dti) Amended Generic Codes of Good Practice, following the retraction of the original Construction Sector Codes, together with inconsistent application of the guidelines contained within the Public Finance and Administration Act (PFMA), have put pressure on our ability to procure work in the public sector.

One of the important milestones of the year was the signing of the Voluntary Rebuild Programme (VRP) agreement between WBHO and the South African Government. Through its implementation, the South African construction industry will be radically transformed, and we are proud to play our part in this pioneering initiative.

The Draft Revised Construction Sector Codes were gazetted in December 2016 and will replace the Revised Generic Codes of Good Practice once the process has been finalised. The new sector codes will have a beneficial effect on our scorecard when compared to the generic codes and it is our aim to improve our current status.

This, together with our ability to create successful partnerships with our VRP partners and emerging black contractors, will assist in alleviating some of the procurement risks we currently face.

CAPACITY AND TALENT MANAGEMENT

This year our headcount has reduced slightly from 2016. This reduction was not due to a formal retrenchment programme; rather it was a case of not replacing staff that left, unless deemed necessary. Due to increases in the order books of the Roads and earthworks and Civil engineering divisions, we have managed the size and mix of our teams both through the reallocation of existing resources and employing further staff where necessary to meet these demands. Our Building division's staff complement will likely remain unchanged despite the tough market ahead, although any necessary retrenchments will be considered, as will opportunities for employment growth.

At WBHO, we are proud of our low staff turnover which is currently between 3% and 5%. To improve the retention of our talent, we closely monitor and examine responses to exit interviews to understand and mitigate reasons behind employees leaving. To prevent employee stagnation, we have built a timed career path, with opportunities for personal advancement within WBHO – from junior engineer to director level, and place great focus on mentorships and guiding career paths to keep our staff stimulated and growing.

An emerging risk has been the issue of community or social unrest due to unrealistic employment expectations of some communities surrounding our operations, often promulgated by opportunistic bodies seeking compensation. In certain instances, our work on projects has come to a standstill as a result of this unrest. We have to some extent managed to prevent these disruptions by proactively engaging with local communities prior to commencing work on potentially affected projects.

SAFETY AND ENVIRONMENTAL MANAGEMENT

It is with sadness that a subcontractor fatality occurred in Australia during the year. Despite our improved safety performance in the current year, subsequent to the end of the year we experienced a crane collapse in Sydney and two subcontractor fatalities within our African operations. Thus, safety remains a continuous process from which we can never remove our focus. Our condolences are extended to all family, friends and colleagues.

As a leading international construction group, safety considerations are paramount for all our operations. We are proud to report our best-ever safety performance across our African-based operations as well as an improvement in our group-wide LTIFR which decreased to 0,80 in 2017 from 0,94 in the previous year. This performance is due to the effectiveness of our training interventions, awareness campaigns, and the overall proactive management of safety in and around our operations.

In terms of safety implementation, near misses have been reported on more consistently, addressing areas where there is room for improvement, which in turn makes provision for more effective training. Site foremen hold focused toolbox talks, which also include subcontractors. This ensures that everyone involved is informed of our safety practices and expectations. As ever, further plans are in place for safety training initiatives in the coming year, including compliance training.

We remain responsible citizens in terms of safeguarding the environment, and always consider the impact our operations may have on our surroundings. By constructing numerous certified green buildings, we have raised our sense of environmental awareness and introduced a number of these practices onto our other projects, particularly in respect of waste management. We are also actively aligning our business with the ISO14001:2015 standard. Strategically, we embrace our environmental obligations and our ethical and legal requirements – this ensures our continued compliance.

OUTLOOK AND PROSPECTS

In the year to come, our aim remains to grow our market share across all divisions where possible. Through our recent acquisitions, as a group we have further diversified our operations into new markets and geographies to mitigate the highly competitive local operating environment with less work available. We will continue to work towards being more productive and operating more efficiently, and will always look for ways to improve.

Our order book increased by 5% at 30 June 2017 with substantial growth within our higher-margin Roads and earthworks division and we are pleased that Africa is showing modest growth for the first time in recent years. The order book of the Building and civil engineering division decreased by 17% and reflects the anticipated softening of building markets this year. The outlook for Australia remains healthy with order book levels sustained and good diversification across all states and sectors. With the current volume of work, the overall outlook for the group for 2018 is stable.

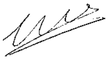
Challenging conditions are likely to persist locally, where the strength of market is dependent on improved economic growth and better certainty around the future political landscape. Nonetheless we remain prudently positive in our outlook for South Africa. In the rest of Africa, opportunities are beginning to resurface in mining infrastructure markets and the partnership between our Roads and Civil engineering divisions to provide turnkey solutions on certain projects bodes well.

Pleasingly, subsequent to the end of the year, we have secured a significant amount of additional work for both the building and infrastructure businesses in Australia. The UK construction environment is also buoyant and our investment into the Byrne Group will strengthen their balance sheet, enabling them to grow their order intake. Senior management support from South Africa, together with a well-established local team, will enable us to capitalise on this opportunity from the outset and grow a new source of earnings for future years.

APPRECIATION

I extend my sincere thanks to our loyal clients, shareholders, suppliers and other stakeholders for their invaluable support during another challenging year. My heartfelt gratitude goes to our employees for their commitment and hard work, without which these admirable results would not have been possible. My appreciation also goes to our Board for their advice and assistance in navigating the group through trying economic times.

Finally, a warm welcome on board to our VRP partners – we look forward to working together in the transformation journey that lies ahead.



Louwtjie Nel
Chief Executive Officer

OPERATIONAL REVIEW

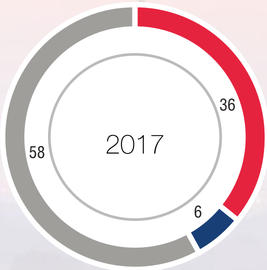
GROUP

REVENUE
2017: R31,9 billion
2016: R30,7 billion

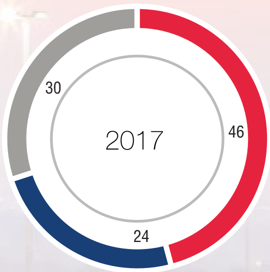
OPERATING PROFIT
2017: R1,0 billion
2016: R1,0 billion

Contribution by **GEOGRAPHY** (%)

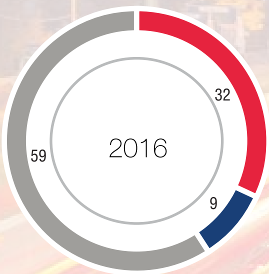
Revenue



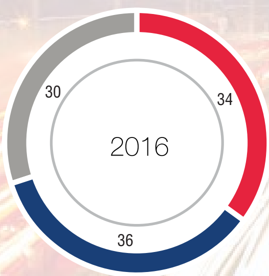
Operating profit



Revenue



Operating profit



- South Africa
- Rest of Africa
- Australia

OPERATIONAL PERFORMANCE

Operationally, the group achieved praiseworthy performances across all core divisions with the exception of one loss-making project in Brisbane, Australia. Revenue growth of 4% was achieved following a particularly strong performance in South Africa. High volumes of work within the local Building divisions, combined with improved activity within the Roads and earthworks divisions, supported this achievement. As a result, the contribution of our local operations toward total group revenue increased from 32% to 36%. In addition, an improvement in margin across all local divisions resulted in a 37% increase in profitability locally and an overall margin of 4,2%.

Despite new work being secured in West Africa during the year, declining activity in Mozambique and Botswana together with lower levels of building activity in Ghana saw the contribution from the rest of Africa decrease to 6% of group revenue, down from 9% in 2016. Profitability decreased in line with activity levels, however the overall margin from the region improved from 12,8% to 13,6% as projects were successfully executed.

Both the revenue and operating profit contribution from the Australian operations were consistent with that of the previous year as good growth within the infrastructure business compensated for a marginal decline in overall building work.

PROCUREMENT AND EXECUTION EXCELLENCE

Procurement and execution are interdependent processes within the group. With the sizeable volumes of building work on hand, both locally and in Australia, specific consideration has been given to capacity levels and available resources when selecting and bidding on projects. This has been of crucial importance in ensuring projects are not only well-executed but also completed on time. This is a key deliverable for our clients who have corresponding commitments to their tenants. Due to the high levels of competition and accompanying low margins required to secure work within local road markets, we have successfully adapted our procurement strategies and operational models to reduce our cost base.

This year we also strengthened the size, capacity and skill-set of our bidding teams, firstly to enable the Civil engineering division to expand its footprint into coastal, West African and marine construction markets and secondly to ensure that bids are thoroughly examined, prepared and reviewed prior to submission. In Australia, new bidding teams were developed in FY16 to focus on the infrastructure development across the eastern seaboard and various new projects were secured this year. Adherence to the governance measures introduced over recent years continues to be strictly monitored, particularly within new markets.

While “Execution excellence” begins with a well-structured bid, it is mostly dependent on the competence and commitment of our people. The initiatives undertaken in managing and developing our employees are discussed under the “Capacity and talent management” section below.

The execution of large-scale projects can be complex. They require the ongoing management and co-ordination of numerous personnel, resources, suppliers and subcontractors, as well as timeous information and input from our clients and their professional teams over a prolonged period of time. Even with the most capable of teams, projects can fall behind programme for a multitude of reasons. It is thus essential to have in place systems and reporting mechanisms capable of monitoring, detecting and highlighting project performance across the wide variety of key performance indicators throughout the life-cycle of a project, to enable early intervention.

The absence of any major loss-making projects throughout our African-based operations is a remarkable accomplishment in the current operating environment.

In support of our operational teams, the group implements an ISO9001 accredited quality management system (QMS) across all of its operations. The alignment of our existing system with the revised standard is well underway and will ensure our continued accreditation. The table below illustrates the QMS coverage and related audit coverage:

2017	**QMS coverage**	**Audit coverage**
South Africa and the rest of Africa	**100**	**49**
Australia	**100**	**98**
2016		
South Africa and the rest of Africa	100	46
Australia	100	98

Higher-risk projects are prioritised when scheduling audits and having added additional resources to the team this year, audit coverage across the African business has improved. The risk of sub-standard materials or the incorrect specification of materials from suppliers can have severe implications for project performance. Through the QMS system, WBHO is able to proactively monitor and control supplier performance. The increased capacity in the team has allowed for additional supplier inspections and audits. These numbered 150 and 73 respectively this year, a threefold increase over the prior year. Our rating from client perception surveys increased marginally from 88% to 89% and reflects a high level of satisfaction from our client base.

CAPACITY AND TALENT MANAGEMENT

Having undertaken measures to right-size specific divisions in previous years, overall capacity management has been less prominent in the current year. The magnitude of building work combined with the increased activity within the Roads and earthworks division, allowed for the reallocation of resources from the Civil engineering division which contained retrenchments to low levels, specific to divisions experiencing some over-capacity.

Employees by region and gender

2017	**Male**	**Female**	**Total**
South Africa	**5 638**	**900**	**6 538**
Rest of Africa	**1 362**	**127**	**1 489**
Australia	**1 068**	**169**	**1 237**
Total	**8 068**	**1 196**	**9 264**
Avoidable turnover %			**4,7**

2016	Male	Female	Total
South Africa	6 032	887	6 919
Rest of Africa	1 068	77	1 145
Australia	914	153	1 067
Total	8 014	1 117	9 131
Avoidable turnover %			4,9

In aggregate the group's workforce increased marginally by 1,5% in FY17 compared to a 16,5% decrease in FY16. The increase was mainly attributable to new appointments in Australia associated with elevated activity levels and growth within the Infrastructure business. The increase in activity in West Africa is evident in the table above, where the number of staff allocated to the rest of Africa increased from 1 145 to 1 489. The 6% decrease in employee numbers in South Africa from 6 919 to 6 538, is partially due to the reallocation of resources necessary to remobilise in West Africa, but also reflects those retrenchments that did occur.

The proportion of female employees continues to grow across all regions including our site-based operations.

The avoidable employee turnover rate of 4,7% remains within acceptable levels and below our ceiling of 7%. It is carefully monitored to detect concerning trends in resignations. Where possible, exit interviews are conducted by independent members of management to allow leaving employees an opportunity to voice possible grievances or concerns.

Retaining operational staff seconded to Africa has proved to be a concern during the year under review, as they are often headhunted for their experience and skill-sets. The placement of personnel for these regions has been carefully managed, ensuring regular rotation to maintain morale and limit lengthy stays away from home.

As a leading international contractor, WBHO attracts some of the top available talent. Talent retention is paramount in achieving management continuity, which we believe is a key attribute of our success. It takes time to gain the necessary experience to reach management levels within the group and we provide our employees with structured career plans incorporating on- and off-site training designed to equip them with the relevant skills at each stage of their progression through the business.

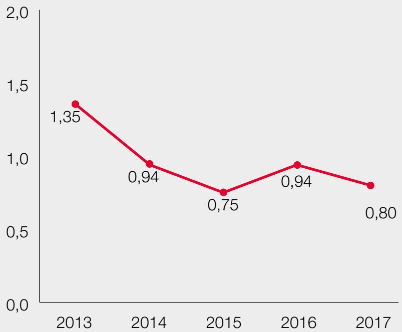
The table below contains some key statistics relevant to achieving our training objectives in the current year:

South Africa and the rest of Africa	**2017**	2016
Training and development spend (Rm)	**63,7**	42,3
Total employees trained	**2 633**	2 427
Bursary spend (Rm)	**6,3**	4,3
Number of bursaries awarded	**91**	97
Engineering school participants	**143**	95
Management development programme participants	**4**	14

The number of employees trained within our African-based business increased by 8% while our total training spend increased by 51%. A significant portion of this increase relates to the increased participation in our engineering school programmes, and specifically the re-introduction of Engineering School Level 3 which is aimed at our project managers. The number of bursaries decreased marginally although the overall spend increased by R2 million.
This reflects an increased investment in each individual and demonstrates our commitment to the successful completion of their tertiary education. In addition, we have introduced a bursary support and mentoring programme to assist new students, especially those from rural areas, in making the transition to university. An extensive report on our skills development and training initiatives is included in the supplementary information to this report.

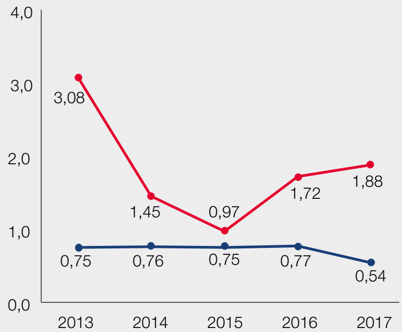
SAFETY AND ENVIRONMENTAL MANAGEMENT

GROUP
LTIFR



Number of lost-time injuries per million man hours

REGIONAL
LTIFR



Number of lost-time injuries per million man hours

- Australia
- Africa

The overall improvement in the safety performance of the group was marred by a single work-related fatality on one of our Australian projects. The lost-time injury frequency ratio (LTIFR) improved from 0,94 in 2016 to 0,8 this year, following a marked improvement in the LTIFR achieved by our African-based operations. The decrease from 0,77 to 0,54 reflects an improvement across all divisions, however the improvement within our Building divisions was especially commendable. Regrettably, the LTIFR for our Australian operations increased further in the current year. The subcontractor fatality which occurred in Melbourne was the first such incident of its kind in the 30-year history of Probuild and had a profound impact on the business. Senior management responded swiftly and a thorough investigation of the incident was undertaken and discussions held with the leadership of the subcontractor. HSE working groups have been established country-wide and various initiatives implemented. These include notification of high-risk activities scheduled, incorporating 'hold points' to be actioned by both Probuild and subcontractor employees prior to commencing works each day. Site inductions and training programmes were also enhanced.

The number of 'near misses' reported continues to increase and provides valuable information when identifying unsafe trends emerging across the business as a whole. These trends inform our 'Safety Alerts' and other targeted awareness initiatives which have been successful in reducing the all injury frequency rate, which includes all types of injuries ranging from first-aid incidents to actual lives lost. The number of unsafe acts by employees continues to decrease and suggests that a safety culture and mindset is being firmly entrenched. This year we also engaged the assistance of trade unions to convey the importance of safety in the industry. The Visible Field Leadership programme, which entails independent, on-site peer reviews of projects by senior site management, was successfully initiated on our local building sites as well as a similar intervention being implemented in Australia. Through these programmes we visibly demonstrate the proactive participation of senior management in monitoring safety management on our projects.

Three full safety "stand downs" were conducted simultaneously across all projects in South Africa. All site activity ceased and safety risks, principles and procedures were checked and reinforced.

The group retained its OHSAS18001 certification of the safety management system which is fully implemented on all sites. Every site is subjected to a safety audit during the course of the year and areas of non-compliance subsequently followed up.

We are currently conducting a full review of the OHS Management System to ensure compliance with the anticipated changes to the OHSAS18001 standard which is to align with the ISO45001 standards next year.

	FY17	FY16
OHAS18001 accreditation	✓	✓
SMS coverage (%)	**100**	100
Audit coverage (%)	**100**	100

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 their water consumption and source.

The environmental management system, which complies with best practice, is ISO14000-accredited and fully implemented across the group and all sites are subject to environmental audits. Alignment with the updated ISO14001:2015 standard is well in hand and a gap analysis has been undertaken to determine our readiness for assessment.

The decrease in audit coverage is due to the increased activity in South Africa and the environmental team has been strengthened accordingly.

	FY17	FY16
ISO14000 accreditation	✓	✓
EMS coverage (%)	**100**	100
Audit coverage (%)	**85**	90

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 voluntarily participates in the Carbon Disclosure Project of the Johannesburg Stock Exchange and the carbon emissions in respect of our South African operations are disclosed in the following table:

	FY16	FY15
Scope 1 (tCO_2e) Direct emissions from owned or controlled sources	32 850	42 632
Scope 2 (tCO_2e) Indirect emissions from the generation of purchased energy	6 154	6 017
Scope 3 (tCO_2e) Indirect emissions that occur in the value chain	3 177	2 059
Total (tCO_2e)	42 181	50 708

The reduction this year is due to the high component of building work and the number of Green Star buildings in our project portfolio resulting in less greenhouse gas emissions than in previous years.

TRANSFORMATION AND LOCALISATION

Following various developments within the industry, transformation in South Africa has been a high priority for both management and the Board this year. Government has remained vocal around its transformation objectives for the construction industry which is evident in the more onerous transformation requirements included in public tenders for state-owned enterprises as well as the repeal of the Construction Sector Codes. In addition, scorecard ratings have gained more prominence within the private sector this year, when adjudicating bids and negotiating contracts.

Due to the delays in agreeing the New Sector Codes, WBHO was assessed against the Revised Generic Codes of Good Practice this year, resulting in a lower scorecard rating and a drop from a Level 2 under the original Construction Sector Codes to a Level 4 Contributor. WBHO has made a valuable contribution toward the development and publishing of the New Sector Codes, both as the SAFCEC representative on the Construction Sector Council and convener of the Established Sector membership organisations.

Achieving our transformation objectives has the full commitment of senior management. Targets are set, and actively monitored and reviewed, for each local division within the business. As a result we have improved our rating to a Level 3 Contributor under the Revised Generic Codes of Good Practice and anticipate improving further once the New Construction Sector Codes are published.

While we acknowledge obtaining the best possible rating under the scorecard is critical to securing work, transformation within WBHO has become more than just about ticking boxes. Under the direction of a dedicated transformation committee, we have, over time, implemented extensive transformation programmes and initiatives aimed at driving meaningful transformation within our business. A full report on our transformation journey is included in the supplementary information to this report which is available on the website of the group at www.who.co.za/investors.

Employment equity has been an industry-wide challenge and WBHO has been no exception in this regard. Through our recruitment policies, and mentorship and management development programmes, we are making steady progress in developing individuals into management positions and have made further appointments of black and female employees into senior management positions this year.

The table below reflects the demographics of our South African employee base:

FY17	African	Coloured	Indian	White	Total
Male	**4 621**	**220**	**89**	**708**	**5 638**
Female	**614**	**87**	**29**	**170**	**900**
Total	**5 235**	**307**	**118**	**878**	**6 538**

FY16	African	Coloured	Indian	White	Total
Male	5 027	216	91	697	6 031
Female	602	92	33	161	888
Total	5 629	308	124	858	6 919

Furthermore, localisation practices are becoming more rooted across most territories in the rest of Africa and now extend beyond local employment requirements and restrictions on work permits for expatriate employees. In Botswana specifically, new procurement rules have been introduced where only citizen-owned companies are eligible for certain publicly funded projects. To meet these requirements, we are exploring means to empower our Botswana employees as well as forming new partnerships with resident businesses. We also continue to develop strong teams of local staff in all the geographies in which we have a permanent residence.

2017	Total workforce	% expatriates
Botswana	**315**	**4**
Zambia	**286**	**14**
Mozambique	**732**	**12**
Ghana	**647**	**6**

2016	Total workforce	% expatriates
Botswana	313	6
Zambia	283	15
Mozambique	490	16
Ghana	468	6

BUILDING AND CIVIL ENGINEERING

REVENUE (Rm)
2017: 8 136
2016: 7 536

OPERATING PROFIT (Rm)
2017: 385
2016: 370

OPERATING MARGIN (%)
2017: 4,7
2016: 4,9

CAPITAL EXPENDITURE (Rm)
2017: 67
2016: 49

PROJECTS NEGOTIATED (% of private work)
2017: 95
2016: 80

NUMBER OF EMPLOYEES
2017: 3 413
2016: 3 807

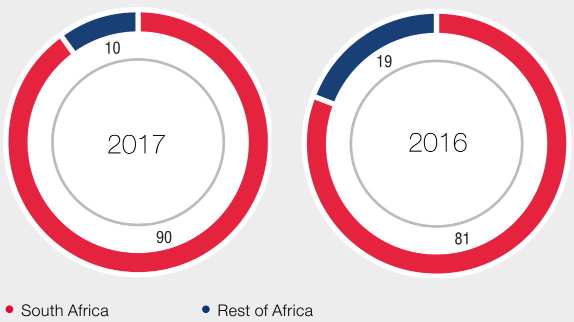
RETRENCHMENTS
2017: 224
2016: 112

TRAINING SPEND (Rm)
2017: 16,3
2016: 13,0

LTIFR (per million man hours worked)
2017: 0,61
2016: 0,92

R8,1bn
REVENUE ↑ 8%

REVENUE
by geography (%)



Revenue from the Building and civil engineering division grew satisfactorily by 8% as strong growth from the local Building divisions was partially offset by lower activity in the rest of Africa and further declining revenue from the Civil engineering division, as industry conditions failed to improve during the year. The operating margin was consistent with that of the prior year at 4,7%.

The high levels of local building activity experienced in previous years were exceeded in FY17 and record revenue was achieved in both the Gauteng and KwaZulu-Natal (KZN) divisions. Consequently, revenue from South Africa grew strongly by a further 16% despite activity levels in the Western Cape dropping off following the completion of a number of large projects and a lower order intake in the first half of the year. In the Eastern Cape, the division produced a satisfactory performance.

Retail activity in Gauteng reduced significantly during the year following the completion of the Menlyn Maine Central Square project in Tshwane and Thavhani Mall in Limpopo. The overall performance from the sector was however maintained due to the ongoing construction of the Ballito and Cornubia shopping centres in KZN and, to a lesser extent, the completion of a new Virgin Active and refurbishment at the Greenacres Centre in the Eastern Cape.

Despite a noticeable decrease in available projects, the volume of commercial work-on-hand at the outset of the year supported performance within this sector during the year. Existing projects within this sector included: completion of Phase 3 of the Alice Lane precinct in the second half of the year; the ongoing construction of new head offices for Discovery and PricewaterhouseCoopers scheduled for completion in the first half of next year and new office developments at 92 Rivonia, the Rosebank Towers and Loftus Park. In the coastal areas, commercial projects included Sable Park in the Western Cape which includes a new regional office for Discovery, a new regional head office for ABSA in KZN and completion of new offices for Transnet and SANRAL in the Eastern Cape.

Activity within the hotel and entertainment sector spiked this year following the completion of the Times Square Casino in Tshwane and the conversion of the grain silos precinct at the V&A Waterfront in the Western Cape into a hotel and the Zeitz Museum of Contemporary Art Africa. Activity from this sector was further supported by smaller projects for the Hilton hotel group in KZN and Mount Nelson Hotel in Cape Town.

In Ghana, building activity levels have begun to decline as the replacement of projects has proved challenging. Construction of the Kumasi City Mall was completed in the second half of the year while the design and construct contract incorporating new offices for Standard Chartered Bank on behalf of RMB Westport is progressing well.

The substantial baseload of work to be undertaken each year has required a keen focus on the execution of projects. The increase in the number of negotiated projects from 80% to 95% of the total private work executed this year, is evidence of our clients' satisfaction with our consistent delivery.

Revenue from the Civil engineering division improved in the second half of the year as construction of the commercial crude oil terminal facility at Saldanha gained traction, yet remained flat for the full year due to a weaker first six months. Construction of a furnace for Northam Platinum and a stacker and reclaimer for Exxaro at the Grootegeluk mine in Limpopo have progressed well and will be completed early in FY18, while the re-access works at the Kusile Power Station will continue into the next financial year.

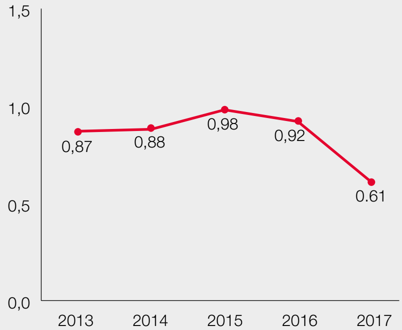
In Zambia, activity remained subdued due to poor economic conditions and political uncertainty. Nonetheless the division continues to secure sufficient smaller-scale projects within the mining, industrial and agricultural sectors to sustain a presence in the region.

In West Africa, the division has now partnered with the Roads and earthworks division of the group to deliver two new projects in Guinea and Ghana.

The lower activity within the Western Cape building division at the beginning of the year, alongside further restructuring within the Civil engineering division, resulted in the retrenchment of 224 employees this year and an overall reduction of 4% in the headcount.

Capital expenditure increased to R67 million in line with the increased activity as did the training spend of the division which increased by a further 25% from R13,0 million to R16,3 million.

LOST-TIME INJURY FREQUENCY RATE



Number of lost-time injuries per million man hours

The division achieved its best-ever safety performance this year as the LTIFR improved significantly from 0,92 to 0,61. Building projects entail a high component of subcontractor activity. These are often smaller businesses with less advanced and robust systems. As WBHO assumes responsibility for the safety of all people on our sites, there has been a specific focus on improving the safety practices of our subcontractors. This has included verification audits prior to commencing work, enhanced inductions, inspections of their machinery and equipment and the inclusion of subcontractor employees in our 'toolbox' talks. As a result, the number of subcontractor injuries reflected a pleasing 13% decrease in the current year.

R411m

PROJECT VALUE

36 months

PROJECT DURATION

GRAIN SILOS

CONSTRUCTION OF A BOUTIQUE HOTEL AND ART MUSEUM AT V&A WATERFRONT, CAPE TOWN

ROADS AND EARTHWORKS

REVENUE (Rm)
2017: 4 590
2016: 4 334

OPERATING PROFIT (Rm)
2017: 342
2016: 283

OPERATING MARGIN (%)
2017: 7,5
2016: 6,5

CAPITAL EXPENDITURE (Rm)
2017: 178
2016: 53

PROJECTS NEGOTIATED (% of private work)
2017: 5
2016: 14

NUMBER OF EMPLOYEES
2017: 4 352
2016: 3 699

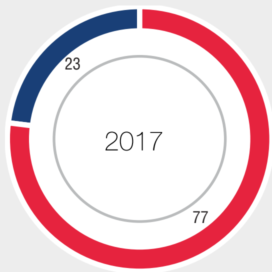
RETRENCHMENTS
2017: 21
2016: 628

TRAINING SPEND (Rm)
2017: 49,5
2016: 24,9

LTIFR (per million man hours worked)
2017: 0,31
2016: 0,51

R4,6bn
REVENUE ↑ 6%

REVENUE
by geography (%)



Following a decrease of 18% in revenue in FY16, the Roads and earthworks division increased revenue by 6% this year from R4,3 million to R4,6 million. This was largely due to a considerably stronger second half as activity in the private sector improved. Sound growth locally offset lower activity in the rest of Africa, as the road, mining, and energy sectors offered opportunities.

Operating profit grew by 21% in line with the increase in activity but also through an improvement in the operating margin from 6,5% to 7,5%. This was again supported by increased private sector projects but also reflects the proficiency of the division in executing lower-margin roadwork projects in accordance with its refined operating model.

The local roads sector remained active with the division executing a number of projects country-wide. In Gauteng, improvements to the M1 near Oxford Road in Johannesburg are ongoing while the iconic cable stay bridge over the M1 near Sandton was completed alongside the Katherine Street bus-rapid transport (BRT) project. The BRT projects in KZN will be completed early next year. The R24 near Rustenburg in the North West province is nearing completion and in Mpumalanga, the upgrade to the N4 near Waterval Boven for TRAC was successfully handed over. In the Free State, construction commenced on two new projects, the N6 near Smithfield and the N1 near Winburg. In the Eastern Cape the upgrade of the N2 between Grahamstown and the Fish River Pass was completed during the year, however the division has been awarded two further sections along the N2 near Breidbach and Coombs. Roadspan also benefited from the sustained activity within the roadwork sector with the surfacing division achieving in excess of 40% growth this year. Minimal activity from within the provincial road sector impacted the performance of Edwin Construction, which experienced a slow start to the year. Construction of the N5 near Harrismith underpinned activity throughout the year while two new road projects, namely the rehabilitation of the D670 near Bronkhorstspruit for the Gauteng Department of Transport and the rehabilitation of the R34 near Vryburg for SANRAL were secured in the second half and are now underway. Edwin Construction also secured a sewer and water reticulation project in Mangaung as it seeks opportunities in new markets.

A resurgence of local private sector projects was prevalent in the second six months as the division secured projects in the mining, energy and logistics sectors. These include additional work at Notham Platinum's Booysendal mine, an ash dam, haul road and accompanying earthworks and infrastructure for SASOL, new lining and drainage on an ash dam for Eskom and bulk earthworks, roads and other infrastructure at the Clairwood logistics park in KZN.

The pipeline sector offered good growth for the division this year with a large proportion of work derived from the LPG Import Terminal and the crude oil terminal, both in Saldanha. Activity was further supported by the construction, installation and commissioning of the infrastructure for the fire protection system at Transnet's Tarlton Depot and the installation of a steel pipeline at the Neckartal Dam in Namibia.

The low-cost housing market also continues to offer opportunities as new projects were secured in KZN and the Eastern Cape.

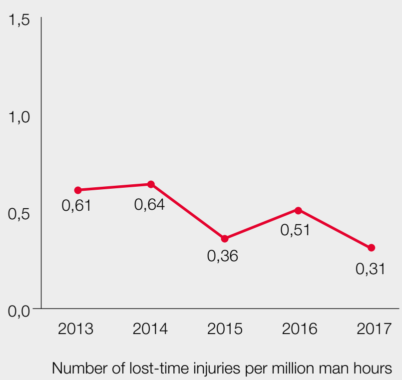
Activity in the rest of Africa declined once again this year following sharp declines in activity in both Botswana and Mozambique. In Botswana the division managed to secure some projects from the mining sector during the year as well as the award of a new pump station along the North South Carrier Pipeline. In Mozambique, the division struggled to replace projects on various coal mines which were completed early in the year, however the road sector offered some opportunities and the division secured a further section of the EN4.

It is encouraging to note activity in West Africa has finally showed some improvement as the division secured a number of projects in Ghana, Guinea and Burkina Faso.

Capital expenditure increased significantly from R53 million to R178 million in order to meet the requirements of new projects as well as to replace existing plant that had reached the end of its useful life.

The division implemented a structured retrenchment programme in 2016 as the order book continued to decline. Following a strong order intake in the second six months of FY17, the division is once again recruiting staff and the staff complement grew by 18%. The division increased its investment in the training and development of employees with training spend increasing to R49,5 million compared to R24,9 million in the previous year.

LOST-TIME INJURY FREQUENCY RATE



From a safety perspective, the LTIFR decreased from 0,51 to 0,31 this year as the various safety initiatives implemented within the group took effect.

R1,1bn

PROJECT VALUE

28 months

PROJECT DURATION

SASOL FAD 6

NEW ASH DAM AND ACCOMPANYING EARTHWORKS AND INFRASTRUCTURE

AUSTRALIA

REVENUE (Rm)
2017: 18 600
2016: 18 113

CONSTRUCTION PROFIT
2017: 259
2016: 300

PROPERTY DEVELOPMENT PROFIT (%)
2017: 54
2016: Nil

OPERATING PROFIT (Rm)
2017: 313
2016: 300

OPERATING MARGIN (%)
2017: 1,7
2016: 1,7

CAPITAL EXPENDITURE (Rm)
2017: 53
2016: 8

PROJECTS NEGOTIATED (% of private work)
2017: 20
2016: 21

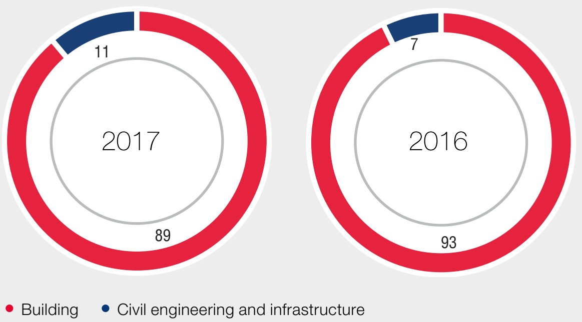
NUMBER OF EMPLOYEES
2017: 1 237
2016: 1 067

RETRENCHMENTS
2017: 38
2016: 39

LTIFR (per million man hours worked)
2017: 1,88
2016: 1,72

AU$1,8bn
REVENUE ↑ 6%

REVENUE
by sector (%)



The Australian business grew its revenue by 5,5% in dollar terms in the current financial year. Strong Asian investment and continued population growth continues to support record high activity levels in Australia, particularly in Victoria, New South Wales (NSW) and Queensland. Despite the growth achieved this year, activity levels were significantly impacted by two factors; slower commencement of projects due to longer than expected client planning requirements and financier approvals; and severe weather in both Queensland and NSW.

BUILDING

Residential activity continued to support operational performance in the current year, particularly in Melbourne and Sydney. Prominent residential projects this year include the Eporo, Victoria One and Empire apartment buildings as well as the Marina and Aurora Towers, all in Melbourne; together with Phase 2 of the Promenade and the Discovery Point apartments in Sydney. Residential activity in Brisbane has been slowing for the past twelve months and the business has been increasingly selective in which projects to pursue, choosing to partner with developers where the business has strong relationships built on the strength of its Victorian operations.

The Queensland business navigated its way through a difficult loss-making project this year, a mixed-use residential and retail development covering three apartment buildings, a retail precinct and a 10-theatre cinema complex. Losses were largely due to delays in securing subcontractor packages as the market accelerated, resulting in unanticipated price increases. Two of the three apartment towers have been completed at the date of this report, with the final tower forecast for completion later in 2017.

The business has been actively growing its exposure to commercial markets and this year secured two additional projects in excess of AU$500 million.

The Chadstone and Werribee retail projects in Melbourne and the Toowoomba retail project in Brisbane were all completed in the current financial year as overall retail activity slowed.

The Western Australian building operations, which have been quieter in recent years, secured a key AU$400 million anchor project at the Elizabeth Quay in Perth supported by a number of other mid-sized projects.

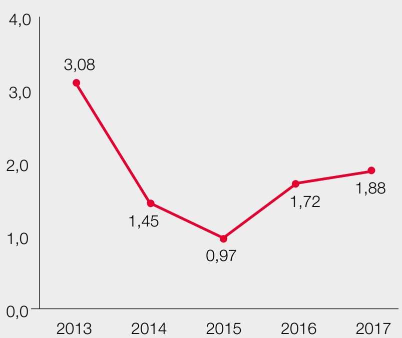
INFRASTRUCTURE AND CIVIL ENGINEERING

The Infrastructure business continues to grow with revenue increasing by 63% to AU$195 million, with our presence in the renewables sector being a highlight. The Western Australia business contributed strongly to the overall results in FY17 supported by industrial maintenance projects together with road and telecommunications infrastructure work. The Eastern Region secured two additional projects during the year and is steadily increasing its presence in the market.

The number of staff increased by 16% to 1 237 compared to the previous financial year primarily due to a necessary increase in capacity to deliver the current volume of work on hand.

Disappointingly, the LTIFR in Australia reflects a concerning upward trend which is not illustrative of the safety attitude and culture of the business. A discussion of the measures undertaken to curb this trend has been previously included under the 'Safety and environmental management' section of this operational review.

LOST-TIME INJURY FREQUENCY RATE



Number of lost-time injuries per million man hours

Due to the fatality that occurred, there has been increased focus on HSE training this year, where 21 employees were trained in the delivery of site inductions, 25 employees trained on HSE management systems, 87 employees provided with HSE risk management training and a further 11 employees upskilled in incident investigations. WBHO Infrastructure enrolled 25 employees to obtain their Certificates 2 and 3 in Telecommunications as part of the National Broadband Network (NBN) Training Infrastructure. The graduate programme also continues to be implemented with good success.

CONSTRUCTION MATERIALS

REVENUE (Rm)
2017: 579
2016: 648

OPERATING PROFIT (Rm)
2017: 2
2016: 37

OPERATING MARGIN (%)
2017: 0,4
2016: 5,7

CAPITAL EXPENDITURE (Rm)
2017: 11
2016: 17

NUMBER OF EMPLOYEES
2017: 507
2016: 546

LTIFR (per million man hours worked)
2017: 2,5
2016: 2,7

Revenue from Reinforcing and Mesh Solutions (RMS), a division of Capital Africa Steel, decreased by 2,6% to R803 million in FY17. The four major branches located in the larger cities of Johannesburg, Pretoria, Cape Town and eThekwini, and which contribute 63% of overall revenue, together experienced an 18% drop in tonnage sold over the year. While activity in the Johannesburg area was weaker as the division struggled find replacement work for a number of completed projects, the Pretoria depot increased its tonnage sold, largely due to the Times Square Casino project. Aggressive pricing in the market resulted in a decrease in gross margin from 7,7% to 5,5%

In addition to weaker sector activity and fewer available projects, pricing from the steel mills has been volatile specifically in the coastal regions which experienced changes to pricing structures. The KZN branch has been severely impacted with tonnages slipping by 33% this year.

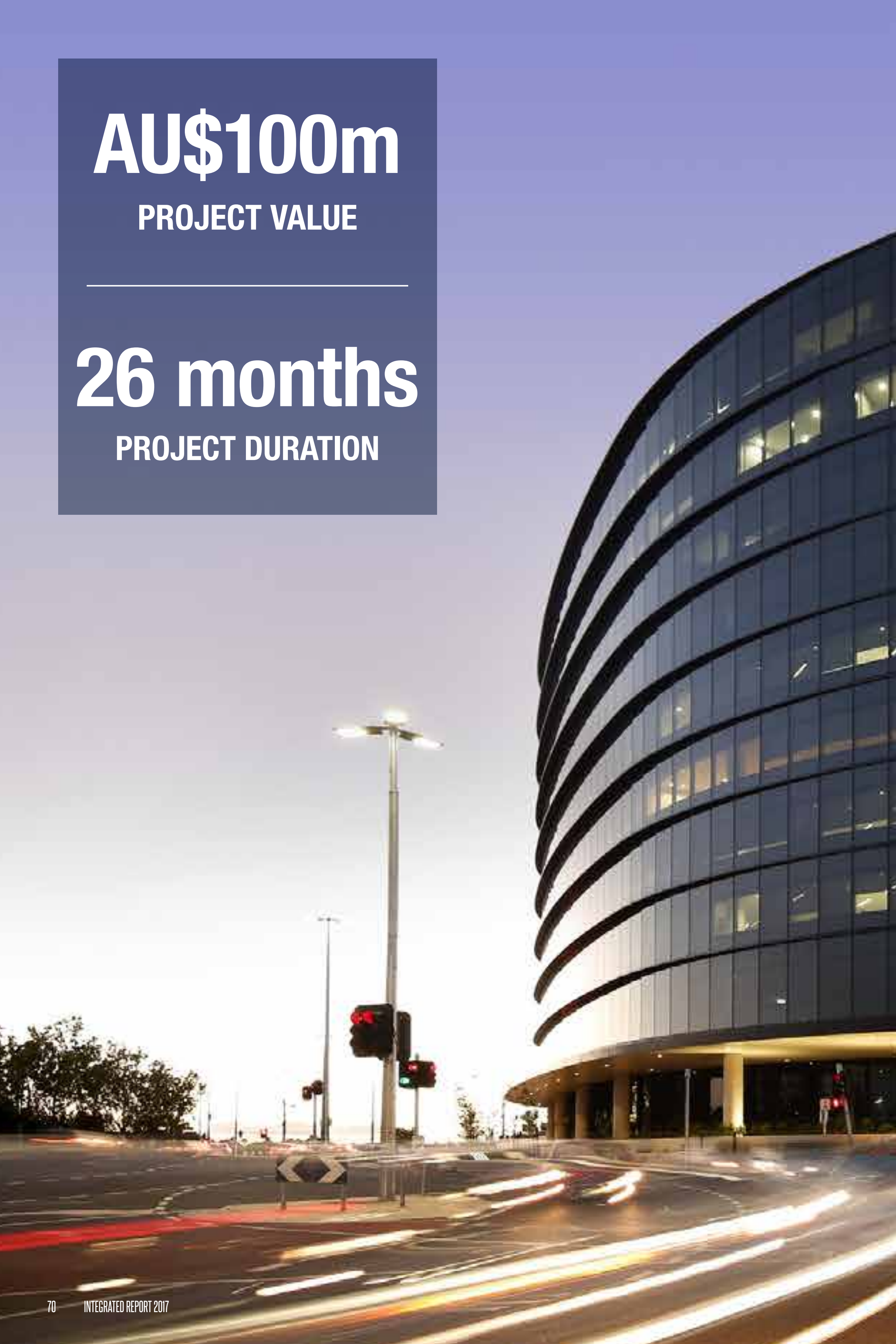
In managing the business's cost-base, the performance and strategic location of individual branches was assessed during the year. The North West and Pretoria branches have been merged and the cash sales depot incorporated into the Johannesburg branch. In addition, where over-capacity has been experienced, branches have been downsized and administrative functions centralised. Branch performance will continue to be evaluated in the next financial year as well.

AU$100m

PROJECT VALUE

26 months

PROJECT DURATION



CHADSTONE COMMERCIAL

A 10-STOREY OFFICE PARK ALONGSIDE THE CHADSTONE SHOPPING CENTRE

CFO's financial review

CHARLES HENWOOD

The group produced favourable results this year, delivering strong growth locally despite a challenging environment. The Australian operations benefited from continued Asian investment and a healthy economy while operations in the rest of Africa declined. This did however improve in the second half of the year, following the award of new projects in Guinea and Burkina Faso.

KEY FINANCIAL INDICATORS

REVENUE GROWTH (%)

TARGET	**2017: 4,1**
>10,0	2016: 6,3

OPERATING PROFIT MARGIN (%)

TARGET	**2017: 3,1**
>3,0 TO 4,5	2016: 3,3

EARNINGS PER SHARE (CENTS)
Continuing operations

	2017: 1 346
↓ (3,6%)	2016: 1 396

HEADLINE EARNINGS PER SHARE (CENTS)
Continuing operations

	2017: 1 309
↓ (2,5%)	2016: 1 343

ADJUSTED EARNINGS PER SHARE (CENTS)

	2017: 1 574
↑ 12,8%	2016: 1 396

ADJUSTED HEADLINE EARNINGS PER SHARE (CENTS)

	2017: 1 536
↑ 14,4%	2016: 1 343

DIVIDEND PER SHARE (CENTS)

	2017: 475
↑ 6%	2016: 448

RETURN ON CAPITAL EMPLOYED (%)

TARGET	**2017: 22,3**
>20,0	2016: 22,9

Revenue increased by 4% to R31,9 billion for the year ended 30 June 2017 which, while below our target of 10%, was satisfactory given market conditions. Our Building and civil engineering and Roads and earthworks divisions achieved growth of 8% and 6% respectively and activity in Australia grew by 5% in Australian dollar terms.

Operating profit before non-trading items improved by 3,5% from R1 005 million to R1 040 million when including the property development profit of R54 million arising from our investment in the Caulfield Precinct One development in Australia. This amount is classified as income from associates for International Financial Reporting Standards (IFRS) purposes. Our African-based construction divisions also delivered improved profitability this year, particularly the Roads and earthworks division where the margin improved from 6,5% to 7,5%. Included in operating profit before non-trading items is a net unrealised foreign exchange loss of R22 million due to a strengthening of the local currency. The group's operating margin of 3,1% is within our targeted range of between 3% and 4,5%, and while it remains at the bottom end of the range, it highlights our ability to limit the number of loss-making projects and deliver on our strategic objective of "procurement and execution excellence".

Our strategy objective of "flexibility and diversification" is reflected in the relatively even split of operating profit across each of our business units, with the Building and civil engineering division contributing 37%, the Roads and earthworks division 33% and Australia contributing 30% toward group profitability.

Non-trading items includes an amount of R170 million in respect of the Settlement Agreement signed with the Government of South Africa on 11 October 2016. The agreement provides for 12 annual instalments of R21,5 million, however IFRS requires that the present value of the full liability be recognised once the obligation has been incurred. The first two instalments had been paid at 30 June 2017. The remaining instalments will be set off against the liability raised in the statement of financial position and only the deemed interest portion of the instalments will be recognised in profit and loss. Capital Africa Steel received shares in Pretoria Portland Cement Limited (PPC) as consideration for the disposal of 3Q Mahuma Holdings Proprietary Limited in the previous year. A profit of R13 million was recognised on the sale of these shares during the year. The group reduced its interest in Edwin Construction Proprietary Limited from 57% to 49% through a share buy-back transaction and gain or loss of control of R10 million was recognised on the transaction. An amount of R8 million has been paid with the balance payable over the next four years. The group's share-based payment expense increased by R15 million following a further issue of share options to employees and performance shares and share appreciation rights to executive directors and other senior management.

Earnings per share (EPS) and headline earnings per share (HEPS) from continuing operations decreased by 3,6% and 2,5% respectively due to the recognition of the Settlement Agreement expense. The adjusted EPS and adjusted HEPS disclosed in the table at the outset of this report exclude the impact of this expense and better reflect the operating performance of the group. Adjusted EPS and HEPS increased by 12,8% and 14,4% respectively.

The gross dividend declared of 475 cents (2016: 448 cents) represents an increase of 6% and reflects the increase in profit from continuing operations from R844 million to R894 million excluding the Settlement Agreement expense.

We continue to achieve returns on capital employed above our target of 20% with the return of 22,3% achieved this year, only marginally below that of 22,9% achieved in 2016.

ACQUISITIONS

The group has been proactively seeking new markets to further our diversification strategy and mitigate the risk of stagnant earnings locally and in the rest of Africa amid a challenging and uncertain environment. To this end we have entered the United Kingdom (UK) construction market through the acquisition of a 40% interest in the Byrne Group, as well as gaining access to rail markets through the acquisition of iKusasa Rail, formerly Grindrod Rail. Both acquisitions will be funded from internal cash resources, with £12 million having been paid for our interest in Byrne, while a cash outflow of R63 million was realised after year-end in respect of iKusasa Rail.

STATEMENT OF FINANCIAL POSITION

	Approved	Actual	
PROPERTY, PLANT AND EQUIPMENT (Rm)	FY18	**FY17**	FY16
Property, plant and equipment		**1 635**	1 710
Depreciation		**211**	258
Capital expenditure:			
Plant and vehicles			
Replacement	297	**256**	77
Expansion	22	**32**	38
	319	**288**	115
Land, buildings and other equipment			
Replacement	52	**7**	11
Total	319	**309**	126

Our commitment to execution excellence and the need for flexibility is again reflected in the careful management of the fleet size of the group during the commodity price 'slump' which impacted both revenue and profitability within the Roads and earthworks division. An improvement in activity levels this year, together with the award of three mining infrastructure projects in West Africa and strong order book growth, necessitated an increase in capital expenditure in the current year as well as planned expenditure for the 2018 financial year.

INVESTMENTS (Rm)	**FY17**	FY16
Investments	**0,3**	202
Investments in associates	**650**	347

Investments

The decrease in investments is due the repayment of investment funding from Precinct 1 the Caulfield development following the successful sale of the majority of the units.

Investments in associates

In 2016 the group had 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.

The reclassification of Edwin Construction as an associate (which has historically contributed in the region of R500 million toward group revenue), together with the acquisition of a 40% interest in the Byrne Group is responsible for the significant increase in this balance in the current year.

LONG-TERM RECEIVABLES (Rm)	**FY17**	FY16
Mezzanine financing arrangements	**282**	198
Other long-term receivables	**271**	275
	553	473
Less: Current portion		
Mezzanine financing arrangements	**(18)**	(183)
Other	**(88)**	(194)
Total	**447**	96

The group provides mezzanine financing to key clients where opportunities exist to unlock developments and procure work. Interest is levied at prime-linked rates higher than those which are obtainable from financial institutions and acceptable security is obtained. Mezzanine financing in the amount of R195 million was repaid during the year and R265 million was advanced to clients on new projects.

Other long-term receivables include new loans advanced to employees for shares In Australia which are repayable within ten years. R40 million in respect of the consideration receivable from the sale of 3Q Mahuma Concrete Holdings Proprietary Limited remains held in escrow pending the expiry of the warranty period. An amount of R36 million in respect of a share buy-back transaction in Edwin Construction Proprietary Limited remains outstanding.

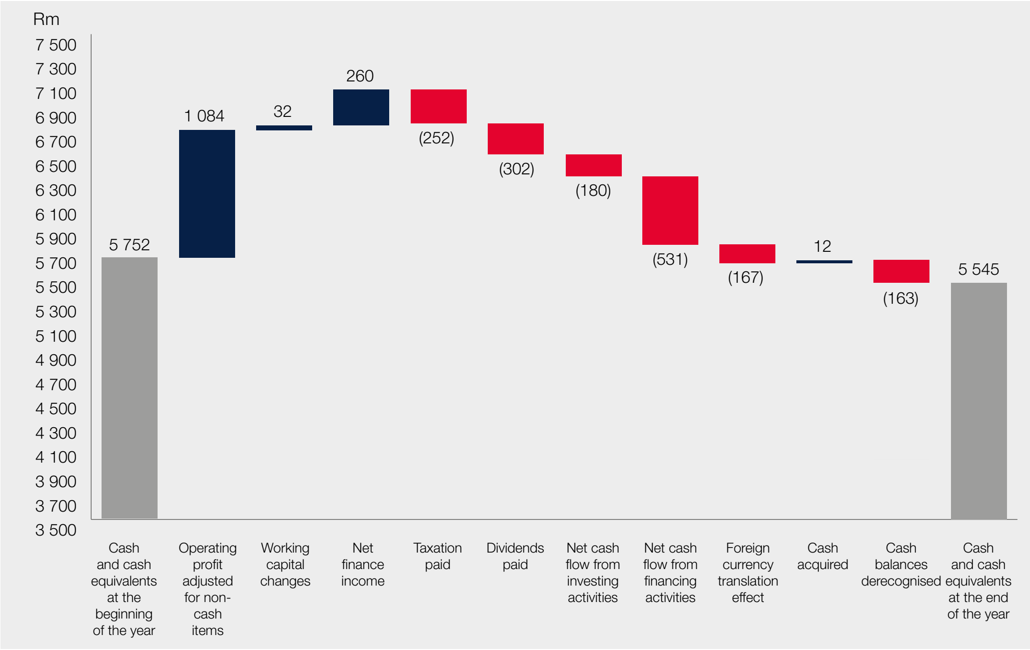
TAXATION (Rm)	**FY17**	FY16
Net deferred tax asset	**575**	535
Net current tax asset	**123**	244

The increase in the net deferred tax asset relates to an amount of R48 million recognised in respect of the Settlement Agreement in terms of which we have obtained an external opinion on the future deductibility thereof. The remaining balance consists of tax losses of R115 million and timing differences of R460 million. The current tax balance consists of foreign tax credits of R82 million, taxation refundable of R60 million which is substantially down from the R205 million refundable in the prior year and a tax liability of R25 million (2016: R51 million).

CASH BALANCES (Rm)	**FY17**	FY16
Cash and cash equivalents	**5 546**	5 773
Bank overdraft	**38**	21
Cash generated from operations	**1 117**	1 995

Cash balances declined by 3,6% this year due to the impact of a stronger rand which reduced balances by R167 million. Cash balances in South Africa reduced from R2,6 billion to R2,1 billion and comprise 38% of the total cash balance of the group. Cash balances comprising 62% of the total cash are held offshore, of which R1,1 billion is held in the rest of Africa and R2,3 billion in Australia. Net finance income grew considerably as a result of our strong cash position and preferential returns from our mezzanine financing arrangements.

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



Cash generated from operations of R1,1 billion includes working capital inflows of R32 million, aided by a movement of R1,3 billion in trade and other payables. The net cash outflow from investing activities comprises a net outflow of funds of R174 million in respect of long-term receivables, R152 million received from the Caulfield development, a R203 million outflow following our investment into the Byrne Group, R112 million received from the sale of shares in PPC and a net outflow of R90 million in respect of plant and equipment. Cash outflows from financing activities included R185 million in respect of the purchase of equity from non-controlling shareholders, R279 million in respect of the purchase of shares for future issue under our long-term incentive schemes for employees and R46 million toward the repayment of capitalised finance leases.

In addition to the flexibility that sizeable cash balances provide the group in the form of mezzanine financing and investment opportunities, a significant portion of the guarantee lines extended to Probuild in Australia is supported by South African banks off the strength of our local balance sheet. The recent downgrades of our local banks following the sovereign downgrades by major ratings agencies have required that we re-evaluate this support. Consequently we have engaged with various international insurance bond providers and are currently negotiating new facilities, which will require the support of the group balance sheet.

In time we envisage having to provide similar support on appropriate terms to UK operations in order to facilitate the growth requirements of the business in this region.

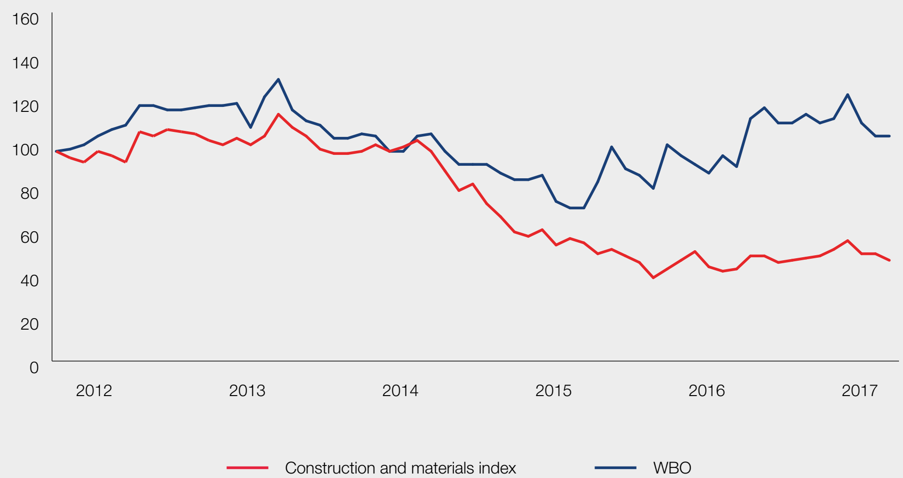
NCI TRANSACTIONS (Rm)	Acquired/ (reduced) (%)	Amounts raised in equity	Consideration (received)/ paid
Probuild Constructions (Aust) Pty Ltd	(5,1)	(57)	(118)
Probuild Constructions (Aust) Pty Ltd	2,9	46	59
Edwin Construction (Pty) Ltd	(8,0)	–	(44)
Capital Africa Steel (Pty) Ltd	44,4	–	96
Renniks Construction (Pty) Ltd	17,5	1	3

During the year, senior members of the Probuild management team exercised their put options in terms of the shareholders' agreement concluded upon the acquisition of 100% of the equity in Contexx. This resulted in an increase of 2,9% in the group's interest in the equity of the company at a cost of R59 million. A fresh issue of 1,6 million shares to employees of Probuild reduced the group's interest therein by 5,1%. The remaining equity in Renniks Construction and Capital Africa Steel was also acquired during the year at a cost of R3 million and R96 million respectively.

LIABILITIES AND PROVISIONS (Rm)	**FY17**	FY16
Long-term liabilities	**274**	122
Less: Current portion	**(81)**	(87)
	193	35
Provisions	**1 913**	2 060
Guarantees issued to third parties (contingent liabilities)	**10 576**	9 491

Long-term liabilities consist of capitalised finance lease agreements over plant and equipment, the present value of the remaining Settlement Agreement liability and an amount owing to the exiting non-controlling shareholders in Capital Africa Steel which relates to the remaining consideration held in escrow from the sale of 3Q Mahuma Concrete Holdings in the previous year. Guarantees issued to third parties in support of the operations of the group amount to R10,6 billion at 30 June 2017 of which R2,9 billion relates to corporate guarantees. The group has facilities of R11,3 billion with various financial institutions of which R7,4 billion has been utilised, leaving an unutilised amount of R3,9 billion which is sufficient to cater for future growth prospects.

WBHO SHARE PRICE VS CONSTRUCTION AND MATERIALS INDEX



The share price closed at R139,99 on 30 June 2017, a 11,3% increase over the closing share price of R125,82 at 30 June 2016. Market sentiment toward the industry remains negative which is clearly evident in the performance of Construction and Materials Index in the graph above, which declined by 24,6% over the same period. The resilience of the share price of the group, which is in stark contrast to that of the index, reflects our continued ability to deliver consistent earnings. The market capitalisation of the group increased to R8,8 billion compared to R8,0 billion in the comparative period.

OUTLOOK

We begin the new financial year with a solid order book of R44,9 billion and 87% of our FY17 revenue secured for FY18. From this foundation we are well placed for a stable performance next year. While we foresee reduced activity from our local building operations, the substantial increase in the order book of our Roads and earthworks division, particularly in West Africa, is encouraging and the market sentiment in Australia remains positive. Increased penetration of Australian infrastructure markets remains a key deliverable in the year ahead.

From a financial perspective, the group is in sound health with low levels of debt and robust cash balances. We remain alert to potential investment opportunities, particularly in new markets where we can drive growth and improve returns for our shareholders.

The construction environment is never without its challenges, nonetheless I look forward to the year ahead, forming strong and beneficial relationships with all our new strategic partners.

APPRECIATION

I extend my sincere appreciation to the finance and administrative teams throughout our business for their continued dedication and support of our operational teams.

Charles Henwood
Chief Financial Officer

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION

for the year ended 30 June 2017

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 1 September 2017.

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 2017 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

for the year ended 30 June 2017

TO THE SHAREHOLDERS OF WILSON BAYLY HOLMES-OVCON LIMITED

Opinion

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 30 June 2017, the summary consolidated statement of financial performance and other comprehensive income, summary consolidated statement of changes in equity and summary consolidated cash flow statement for the year then ended, and related notes, are derived from the audited consolidated financial statements of Wilson Bayly Holmes-Ovcon Limited for the year ended 30 June 2017.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited's (JSE) 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.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa in the preparation of the audited consolidated financial statements of Wilson Bayly Holmes-Ovcon Limited. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 4 September 2017. That report also includes:

- the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period; and
- an Other information paragraph.

Directors' responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of a summary of the audited consolidated financial statements in accordance with the JSE's 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 whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard On Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Other information

The other information paragraph in our audit report dated 4 September 2017 states that as part of our audit of the consolidated financial statements for the year ended 30 June 2017, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date, for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the directors. The paragraph states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.

Other matter

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

BDO South Africa Inc.

Per: **Jeanie Roberts**
Director

Registered Auditor

4 September 2017

22 Wellington Road
Parktown
2193

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2017

	% change	Audited 2017 R'000	Audited 2016 R'000
Revenue	4,1	**31 906 660**	30 650 309
Operating profit before non-trading items	(1,8)	**986 297**	1 004 557
Settlement agreement expense		**(170 274)**	–
Profit on disposal of property		**–**	29 166
Profit on disposal of shares		**12 726**	–
Gain on loss of control of subsidiary		**9 607**	–
Share-based payment expense		**(57 788)**	(42 481)
Operating profit		**780 568**	991 242
Share of profits from associates		**68 916**	45 659
Net finance income		**240 894**	203 014
Profit before taxation		**1 090 378**	1 239 915
Taxation		**(319 161)**	(395 715)
Profit from continuing operations	(8,6)	**771 217**	844 200
Loss from discontinued operations		**(1 671)**	(122 350)
Profit for the year		**769 546**	721 850
Other comprehensive income			
Items that may be or have been reclassified through profit or loss:			
Translation of foreign entities		**(256 522)**	101 651
Translation of net investment in a foreign operation		**(20 908)**	–
Revaluation of a designated cash-flow hedge		**(11 269)**	–
Tax effect of above items		**9 235**	–
Share of associates' comprehensive income		**(33 933)**	28 618
Recycling of translation of foreign operations		**–**	284 086
Total comprehensive income for the year		**456 149**	1 136 205
Profit from total operations attributable to:			
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		**722 064**	725 533
Non-controlling interests		**47 482**	(3 683)
		769 546	721 850
Total comprehensive income attributable to:			
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		**410 187**	1 081 409
Non-controlling interests		**45 962**	54 796
		456 149	1 136 205
Earnings per share (cents)			
Basic earnings per share	1,8	**1 345,6**	1 322,3
Diluted earnings per share	1,7	**1 345,1**	1 322,3
Headline earnings per share	1,1	**1 307,9**	1 293,7
Dividend per share (cents)	6,0	**475,0**	448,0

	% change	Audited 2017 R'000	Audited 2016 R'000
Profit from continuing operations attributable to:			
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		**722 133**	766 031
Non-controlling interests		**49 084**	78 169
		771 217	844 200
Earnings per share – continuing operations (cents)			
Basic earnings per share	(3,6)	**1 345,7**	1 396,1
Diluted earnings per share	(3,6)	**1 345,3**	1 396,1
Headline earnings per share	(2,5)	**1 308,9**	1 342,9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

	Audited 2017 R'000	Audited 2016 R'000
Shareholders' equity at the beginning of the year	**5 428 429**	4 565 742
Profit for the year	**722 064**	725 533
Other comprehensive income	**(311 878)**	355 876
Dividend paid	**(277 410)**	(242 864)
Share buy-back	**–**	(28)
Derecognition of non-controlling interest	**–**	(10 639)
Treasury shares acquired	**(278 996)**	–
Share-based payment expense	**57 788**	43 845
Share-based payment settlement	**6 226**	5 472
Transactions with owners	**(45 718)**	(14 508)
Shareholders' equity at the end of the year	**5 300 505**	5 428 429

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	Audited 2017 R'000	Audited 2016 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1 635 349**	1 710 358
Goodwill	**523 613**	572 102
Investments in associates	**650 246**	347 171
Investments	**298**	201 942
Long-term receivables	**446 626**	96 193
Deferred taxation	**631 799**	558 840
Total	**3 887 931**	3 486 606
Current assets		
Inventories	**258 858**	210 314
Amounts due by customers	**758 001**	514 438
Trade and other receivables	**5 635 000**	5 111 251
Taxation receivable	**148 534**	294 687
Cash and cash equivalents	**5 545 621**	5 773 369
Total	**12 346 014**	11 904 059
Total assets	**16 233 945**	15 390 665
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	**28 597**	28 597
Reserves	**5 271 908**	5 399 832
Shareholders' equity	**5 300 505**	5 428 429
Non-controlling interests	**139 895**	258 421
Total	**5 440 400**	5 686 850
Non-current liabilities		
Long-term liabilities	**192 637**	34 581
Deferred taxation	**57 211**	24 253
Total	**249 848**	58 834
Current liabilities		
Excess billings over work done	**1 673 161**	1 917 491
Trade and other payables	**6 931 937**	5 595 564
Provisions	**1 913 262**	2 059 645
Taxation payable	**25 299**	51 106
Bank overdrafts	**38**	21 175
Total	**10 543 697**	9 644 981
Total equity and liabilities	**16 233 945**	15 390 665

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

	Audited 2017 R'000	Audited 2016 R'000
Operating profit before working capital requirements	**1 084 403**	1 681 906
Working capital changes	**32 225**	312 949
Cash generated from operations	**1 116 628**	1 994 855
Net finance income	**259 765**	141 641
Taxation paid	**(252 139)**	(487 234)
Dividends paid	**(302 081)**	(273 873)
Cash retained from operations	**822 173**	1 375 389
Cash flow from investing activities		
Advances of long-term receivables	**(265 356)**	(14 000)
Repayment of long-term receivables	**90 765**	500 284
Repayment of/(additions) to investments	**152 211**	(27 874)
Acquisition of associate	**(202 962)**	–
Disposal of associate	**13 386**	–
Loans advanced to associates	**–**	(68 353)
Proceeds on disposal of businesses	**112 726**	–
Proceeds from share buy-back in subsidiary	**8 815**	–
Restructuring of debt	**–**	(65 114)
Proceeds on disposal of property, plant and equipment	**130 369**	213 168
Purchase of property, plant and equipment	**(220 402)**	(116 206)
	(180 448)	421 905
Cash flow from financing activities		
Repayment of borrowings	**(21 288)**	(141 272)
Transactions with owners	**(184 531)**	(41 720)
Purchase of treasury shares	**(278 996)**	(28)
Instalments in respect of capitalised finance leases	**(46 321)**	(139 302)
	(531 136)	(322 322)
Net increase in cash and cash equivalents	**110 589**	1 474 972
Foreign currency translation effect	**(167 054)**	259 212
Overdraft in respect of disposal group at the beginning of the year	**–**	(332 180)
Cash and cash equivalents at the beginning of the year	**5 752 194**	3 995 089
Overdraft disposed of	**–**	355 101
Cash and cash equivalents acquired	**12 451**	–
Cash and cash equivalents derecognised	**(162 597)**	–
Cash and cash equivalents at the end of the year	**5 545 583**	5 752 194

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2017

	Audited 2017 R'000	Audited 2016 R'000
1. RECONCILIATION OF HEADLINE EARNINGS		
Continuing operations		
Attributable profit	**722 133**	766 031
Adjusted for:		
Gain on loss of control of subsidiary	**(9 607)**	–
Profit on disposal of property, plant and equipment*	**(13 944)**	(41 215)
Tax effect	**3 813**	12 038
Headline earnings from continuing operations	**702 395**	736 854
Total operations		
Attributable profit	**722 064**	725 533
Adjusted for:		
Gain on loss of control of subsidiary	**(9 607)**	–
Profit on disposal of property, plant and equipment*	**(14 611)**	(41 755)
Loss on disposal of operations*	**–**	13 939
Tax effect	**4 000**	12 125
Headline earnings	**701 846**	709 842
** Net of non-controlling interests*		
2. ORDINARY SHARES		
Ordinary shares in issue ('000)	**63 190**	63 190
Weighted average number of shares ('000)	**53 663**	54 870
Diluted weighted average number of shares ('000)	**53 680**	54 870

3. BUSINESS COMBINATION

On 30 June 2017, WBHO Construction Proprietary Limited acquired 90% of the voting equity in Grindrod Rail Construction Company Proprietary Limited for an amount of R62,3 million through the purchase of shares. The group has been rebranded as iKusasa Rail.

The principal activities of iKusasa Rail include the construction and maintenance of railway lines, overhead track equipment, track-related civil works and the supply of related concrete products.

The primary reason for the acquisition is to optimise the synergies in rail-related construction by allowing the group to provide the full scope of services relating to rail construction.

All identifiable assets and liabilities are recognised at fair value and where necessary a valuation has been performed by external experts.

The following provisional information summarises the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date:

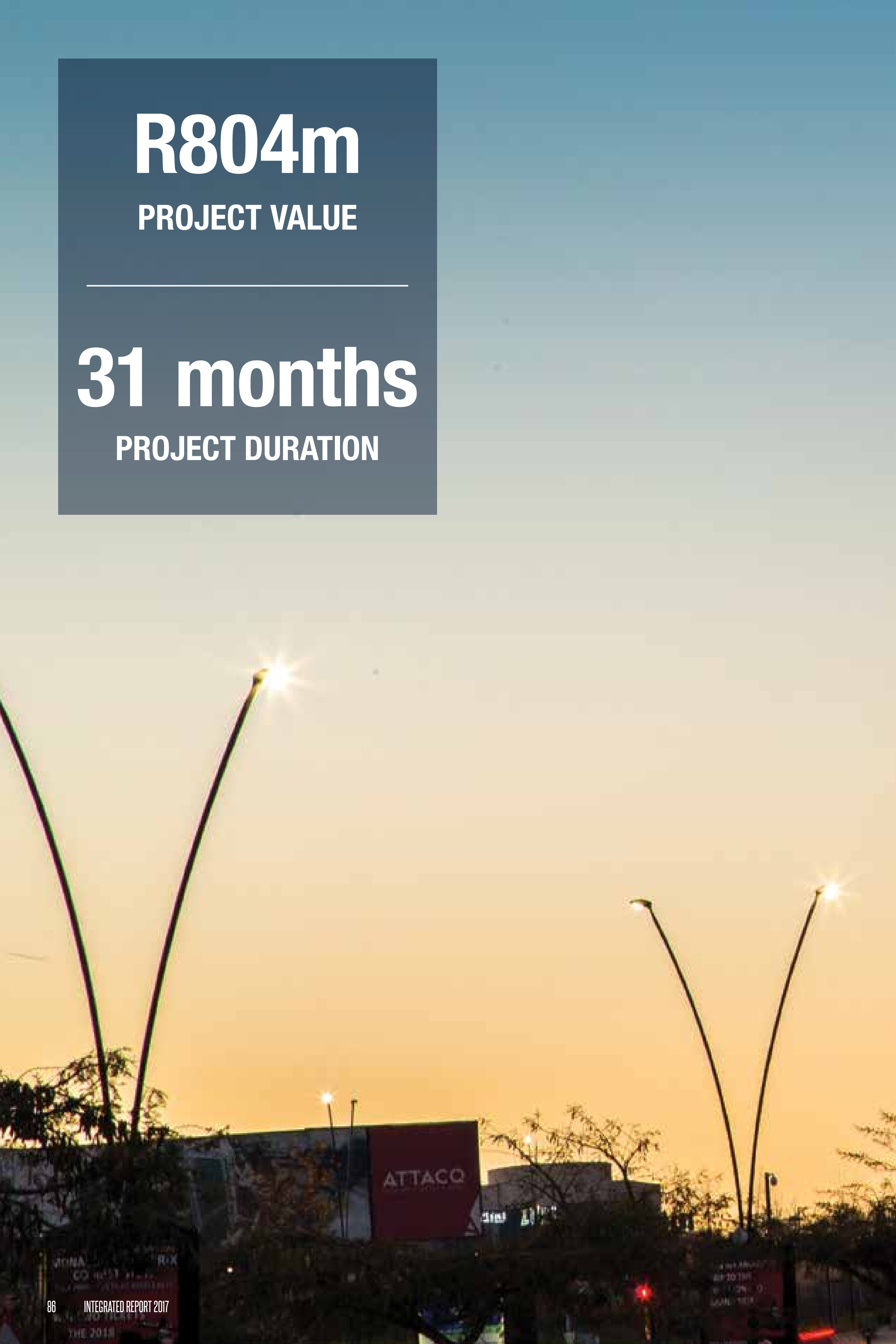
	R'000
Assets	
Property, plant and equipment	33 595
Other non-current assets	4 418
Inventory	28 129
Other current assets	65 784
Cash and cash equivalents	12 451
Total	144 377
Liabilities	
Non-current liabilities	(2 785)
Current liabilities	(72 415)
Total	(75 200)
Identifiable assets and liabilities	69 177
Fair value of consideration payable	62 259
Fair value of non-controlling interests recognised	6 918
Fair value of identifiable assets and liabilities	(69 177)
No revenue or losses have been included in the group's results. The amounts below illustrate the impact on the group's results had the acquisition been effective at 1 July 2016.	
Revenue	151 884
Loss after tax	(29 150)

R804m

PROJECT VALUE

31 months

PROJECT DURATION



PWC OFFICES

ICONIC 25-STOREY TWISTED TOWER

ORDER BOOK AND OUTLOOK

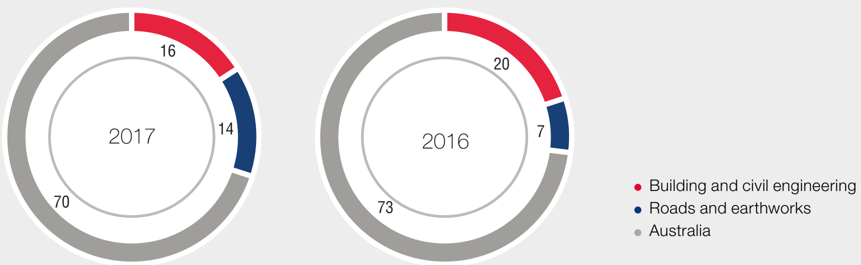
ORDER BOOK

The total order book of the group at 30 June 2017 increased by 5% to R44,9 billion from R42,7 billion at 30 June 2016. The increase comprises a 17% decrease in the Building and civil engineering order book which was offset by a 103% increase in higher-margin work within the Roads and earthworks division's order book as the Australian order book remained largely flat.

From a geographical perspective, the mix of work between territories is consistent with that of the previous year. Australia continues to make up the 70% of the overall order book due to the time taken between securing projects and commencing operations. The 2018 work book comprises 61% of Australian projects and better represents the proportion of group revenue likely to be achieved approximating the 57% achieved in 2017.

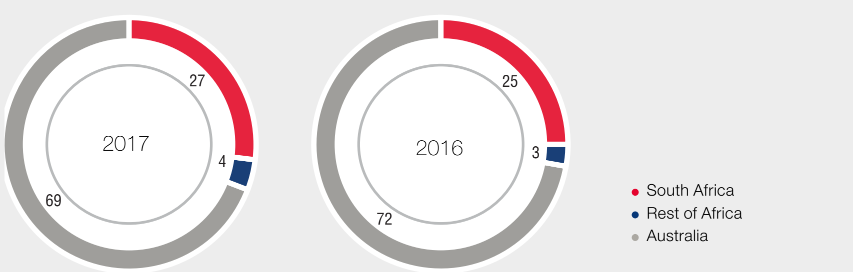
Order book by segment (Rm)	%	At 30 June 2016	**%**	**At 30 June 2017**	2018	2019 and beyond
Building and civil engineering	20	8 683	**16**	**7 189**	5 945	1 244
Roads and earthworks	8	3 041	**14**	**6 161**	4 631	1 530
Australia	72	30 976	**70**	**31 526**	17 094	14 432
Total	100	42 700	**100**	**44 876**	27 670	17 206

SEGMENT
spread (%)



Order book by geography (Rm)	%	At 30 June 2016	**%**	**At 30 June 2017**	2018	2019 and beyond
South Africa	25	10 532	**26**	**11 707**	9 042	2 665
Rest of Africa	3	1 192	**4**	**1 643**	1 534	109
Australia	72	30 976	**70**	**31 526**	17 094	14 432
Total	100	42 700	**100**	**44 876**	27 670	17 206

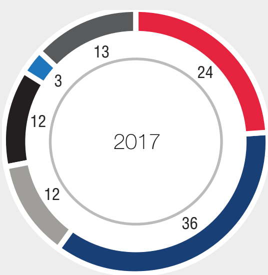
GEOGRAPHIC
spread (%)



BUILDING AND CIVIL ENGINEERING

Rm	% growth	At 30 June 2017	At 30 June 2016
South Africa	(16)	**6 738**	7 977
Rest of Africa	(36)	**451**	706
Total	**(17)**	**7 189**	**8 683**

SECTOR
spread (%)



- Retail
- Commercial
- Healthcare and leisure
- Residential
- Civil works and mining infrastructure
- Energy infrastructure

The order intake for local building work continues to diminish as the softening of the retail and commercial office sectors becomes more entrenched. Retail projects comprise 24% of the order book for 2018 compared to the 33% executed in 2017, however the proportion of commercial projects within the order book remains consistent with that executed in 2017 due to current volumes of work on hand. While there has been a noticeable decrease in the number of available projects from these sectors, a number of opportunities still exist in Gauteng that will continue to support future activity.

In the Western Cape, activity is expected to improve next year following a better order intake in the second half and strong relationships with developers looking to unlock a number of projects in the short to medium term. An increase in residential activity has supported some of this growth in the region, and now comprises 12% of the work book compared to just 2% in 2017 which also includes a new residential development in Tshwane.

Significant new awards for the Building division this year include the Rosebank Link, a 15-storey office park opposite the Gautrain station, a new office development at 33 Baker Street in Rosebank, new phases at The Club in Tshwane, the expansion of the Gateway shopping centre and the Suncoast casino in KZN and in the Western Cape, the new Yacht Club development consisting of commercial space, residential apartments and a hotel component as well as the Axis and Palm Vue Apartments.

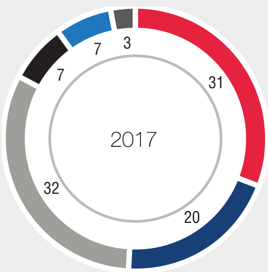
The proportion of work in the rest of Africa has decreased to 6%. In Ghana, the construction of the new offices for Standard Chartered Bank is the only project currently continuing into next year. However, there is potential work in the retail sector currently under negotiation.

The order book of the Civil engineering division has been significantly bolstered by the award of the commercial crude oil terminal facility at Saldanha which will continue well into the 2019 financial year and is reflected in the increase from 4% to 13% from this sector. The division has also secured additional work at Exxaro's Grootgeluk mine which entails construction of a rapid load-out facility. Despite an improvement in commodity prices and a growing number of enquiries from the mining houses during the year, overall activity from the sector has yet to recover to meaningful levels. The division will continue to seek new mining infrastructure opportunities in West Africa alongside the Roads and earthworks division while also retaining a presence in Zambia. Locally, the division has expanded its scope to include coastal markets as well as marine construction.

ROADS AND EARTHWORKS

Rm	% growth	At 30 June 2017	At 30 June 2016
South Africa	95	**4 969**	2 554
Rest of Africa	145	**1 192**	487
Total	**103**	**6 161**	**3 041**

SECTOR
spread (%)



- Roadworks
- Mining infrastructure
- Energy infrastructure
- Pipelines
- Low-cost housing
- Rail infrastructure

The strong order book growth within the Roads and earthworks division will support activity levels next year. Locally, the significant increase in energy infrastructure-related activity is due to the award of the commercial crude oil terminal facility in Saldanha and the ash dam and related infrastructure at SASOL, which will extend well into the 2019 financial year. Various new road contracts secured in the second half will see activity from this sector sustained throughout 2018. While the proportion of roadwork has decreased from the 46% of total revenue executed in 2017 to 31% of the current order book, the volume of work is largely consistent with the prior year.

Construction of a new platform and road at Booysendal for Northam Platinum will form the bulk of local mining activity in the year ahead. Mining infrastructure activity in Botswana, Namibia and Mozambique remains subdued and work in these regions for next year comprises largely water and road infrastructure projects. The division has however secured a large mining infrastructure project at Orapa, in Botswana, subsequent to 30 June 2017.

The three mining projects secured in Guinea, Burkina Faso and Ghana this year comprise the bulk of the mining infrastructure in the order book and have significantly bolstered the amount of work to be executed in the Rest of Africa. However, the overall proportion of work from the rest of Africa only increased from 16% to 19% due to the strong growth in the order book locally. These projects will continue through next year and all have the potential for additional phases.

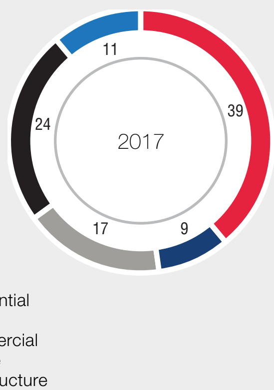
Following a quieter year in the low-cost housing sector, activity will pick up in 2018, with 5 000 new houses having been secured near Sterkspruit in the Eastern Cape.

The acquisition of iKusasa Rail (formerly Grindrod Rail) in partnership with Faku Family Enterprises presents the group with exciting opportunities in the rail maintenance and new construction markets, both locally and in the rest of Africa.

AUSTRALIA

Rm	% growth	At 30 June 2017	At 30 June 2016
Building	2	**29 740**	29 302
Infrastructure	7	**1 786**	1 674
Total	**2**	**31 526**	**30 976**

SECTOR
spread (%)



The Australian order book remains strong at approximately AU$3 billion and, having successfully secured key major projects in Queensland, Western Australia and NSW, focus will remain on strengthening our presence in these states, in particular NSW.

The business has good diversification of its order book across the various sectors within both the building and infrastructure markets. Probuild still has healthy volumes of residential projects on hand despite an anticipated reduction in apartment construction for the future, with stand-alone residential projects comprising 39% of the order book.

Mixed-use residential and hotel developments now comprise 24% of the order book, highlighting the impact of strong tourism on the construction sector which is expected to quadruple through to 2020.

Retail activity will decrease in the year ahead following the completion of three large-scale projects this year, comprising just 9% of future work down from 15% of revenue executed in 2017. Growth in online shopping is beginning to impact retail markets in Australia, however the market appears to be preparing for the next wave of construction works.
By providing assistance on early design development to key shopping centre owners Probuild is able to target specific construction projects in the near term. An increase in the number of commercial projects secured, equating to 17% of the order book, highlights the growing exposure to this sector, with two commercial projects valued in excess of AU$500 million in aggregate being delivered over the next two years.

Subsequent to year-end, Probuild has secured the West Side Place contract for the Far East Consortium in what is to be Melbourne's largest CBD residential development, with over 2 600 apartments and the tallest hotel in the southern hemisphere.

The WBHO Infrastructure order book continues to be underpinned by ongoing maintenance contracts in the mining and industrial sectors in the Western Region, and a growing market presence in the renewable energy sector having secured a number of wind farms and solar power generation facilities in both the Eastern and Western Region. Additional work to the value of AU$165 million has been secured since the end of the year.

UNITED KINGDOM

WBHO has been seeking growth opportunities in new markets for some time. The UK construction market has seen good growth in recent years, particularly in London and the North West, with a strong demand for residential and commercial projects.

The construction environment is similar to that of Australia, with the main contractor fulfilling a construction management role and the different packages of projects being let to subcontractors. As such it was identified as offering the most potential at acceptable levels of risk. In a construction management environment, understanding the supply chain is key to delivering successful projects. Due to our familiarity and capability in erecting structures in South Africa, a decision was taken to seek investment opportunities in a local frame contractor.

On 23 June 2017, WBHO acquired a 40% interest in the Byrne Group. Through Byrne Bros., the group specialises in concrete sub and superstructure packages while high quality new build refurbishment and fit-out projects are delivered through Ellmer Construction.

In the past, the Byrne Group has undertaken various high-profile projects including constructing the frame at the Shard - London's tallest building, concrete works at Terminal 2, Heathrow airport, a mixed-use development incorporating 12 high-rise buildings housing 850 apartments, parking and retail space thus transforming the Battersea Power Station into a new residential hub, as well as work at the Olympic Stadium.

Following three loss-making contracts in recent years, all of which are now complete, the liquidity and balance sheet strength of the business were placed under strain. While the group has successfully weathered this difficult period, the diminished health of the balance sheet has impacted the order intake for 2018.

Our investment into the group has recapitalised the balance sheet and strengthened the financial covenants required to secure work, which has been positively received by their existing client base and financial institutions alike.

Additionally, this investment will provide insight and understanding of the dynamics prevalent within the industry as we cautiously enter this market.

CONSTRUCTION MATERIALS

Competition in the sector will likely endure in the year ahead, which will continue to affect pricing and margins.

Activity at the Gauteng branch is currently low as contracts tendered for have yet to be awarded, however the pending award of the Lakeside development will assist in improving volumes.

The workload in Cape Town work is satisfactory and RMS are comfortable with available volumes in the area. The overall work-on-hand in Port Elizabeth is below targeted levels although acceptable volumes are being maintained with sundry orders.

In KZN, the market was exceptionally competitive in 2017 and pricing cut-throat. Having secured stock at better prices toward the end of the year, we anticipate being able to price work more keenly going forward and there are a number of new projects in the pipeline.

The branches at Polokwane and Lephalale have been quiet, however we are able to survive on 'over counter trade' in the area. We will retain a presence in these regions pending various projects which have been delayed and expect to secure work in the near future.

OUTLOOK

Having secured 87% of the revenue achieved in 2017 for the year ahead, and a further value of R12 billion secured since the end of the year, the group is poised for a solid performance in the 2018 financial year.

Locally, poor economic growth forecasts and the present levels of political instability will in all likelihood see further challenging conditions within the industry. At this stage, the impact on our order intake for FY19 is difficult to predict.

In the rest of Africa, the potential for new building projects remains with clients showing an interest in our design and construct product offering, however the time-frame to negotiate and conclude these projects can be prolonged. The gold and bauxite mines in West Africa are offering opportunities and there is potential roadwork in Tanzania. In addition, our Projects teams continue to explore infrastructure opportunities in various territories.

Australian market sentiment remains positive, buoyed by strong Asian investment and tourism. The improvement in the iron-ore price bodes well for mining infrastructure opportunities in Western Australia which alongside the current high levels of public infrastructure opportunities offer good growth potential for our Infrastructure business. However, housing affordability, the threat of government intervention and restrictions on capital outflows from China have the potential to impact residential activity and the timing of projects in this sector.

GOVERNANCE REVIEW

Message from the Lead independent director

NOMGANDO MATYUMZA

An ethical culture with sound corporate governance principles are the foundation upon which the trust of investors is built and the King IV Report on Corporate Governance for South Africa 2016 (King IV) endorses the primary characteristics of corporate governance from global standards. Following and implementing these principles is key in enhancing strong governance within, and preserving our reputation of being, a company dedicated to excellence in performance and integrity.

ETHICAL AND RESPONSIBLE LEADERSHIP

It is integral to delivering long-term business value and sustainable growth, and to that end, the Board of Directors reviews the governance climate, structures and processes, which are enhanced to accommodate internal and external developments and ensuring best practice.

As a cohesive Board, we provide effective leadership based on an ethical foundation of transparency, accountability, fairness, responsibility and professionalism. The Board possesses a breadth of industry experience which is enhanced by a mix of long-standing and recently appointed directors. The Board engages in healthy debate on contentious matters with respect and dignity, allowing expression of diverse views and opinions, while always aligning discussions with the mission, vision and strategic context of the group.

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

Principles in the Corporate Governance Framework set up firm operational processes, procedures and tools to institute, implement, monitor and control internal policies and procedures in the furtherance of corporate governance, effective compliance, risk management and “living” the values of the group.

Societal and environmental impacts are integral to our consideration of material matters, strategic objectives and performance. The Social and ethics committee enhances the oversight of key social issues within WBHO, including entrenching sustainability in its long-term strategy. The supplementary information on corporate citizenship can be found on our website at www.wbho.co.za/investors.

As a Board, we recognise that corporate governance must be appropriate and relevant to the size, nature and complexity of its operations, yet should promote robust practices within the context of economic performance.

I am comfortable that the Board and its committees have successfully discharged their duties and responsibilities this year in accordance with their charters and mandate.

With the recent resignations from the Board and upcoming retirements at the annual general meeting, it is essential that independence and diversity, including race and gender, are taken into account when interviewing prospective new appointees. Appointments are made by the Board, through the Nomination Committee, which ensures the Board has the right balance of skills and expertise and executive and non-executive directors. Our diversity policy sets the Board representation target for B-BBEE between 25% and 33% and this target was met at 30 June 2017. The Board continuously reviews its succession requirements and the diversity of its members.

In preparing this report, we have complied with the disclosure requirements of King IV. In the year ahead, with the assistance of the internal audit function, we will determine areas where improvement is necessary to align our governance framework with the principles contained in King IV. We will monitor the maturity of our risk management and combined assurance processes and make enhancements where appropriate.

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 2017, refer to pages 105 and 106 of this report.

Mike Wylie (67)
Chairman

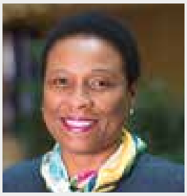
Tenure:
15 years
Industry experience:
42 years
Qualifications:
Pr Eng; BCom (Hons)

Louwtjie Nel (56)
Chief Executive Officer

Tenure:
9 years
Industry experience:
30 years
Qualifications:
BSc (Eng)

Charles Henwood (53)
Chief Financial Officer

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



Nomgando Matyumza (54)
Lead independent director

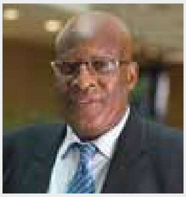
Tenure:
8 years
Qualifications:
CA(SA), LLB

Nosipho Damasane (52)
Independent non-executive director

Tenure:
1 year
Qualifications:
BCom Accounting

Savannah Maziya (48)
Independent non-executive director

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



James Ngobeni (65)
Independent non-executive director

Tenure:
11 years
Qualifications:
BA; MCRP

Ross Gardiner (53)
Independent non-executive director

Tenure:
3 years
Qualifications:
BSc (Eng)

DEMOGRAPHICS

At 30 June 2017, the Board of WBHO consisted of eight directors, five of whom were independent and non-executive.

COMPOSITION

Executive directors

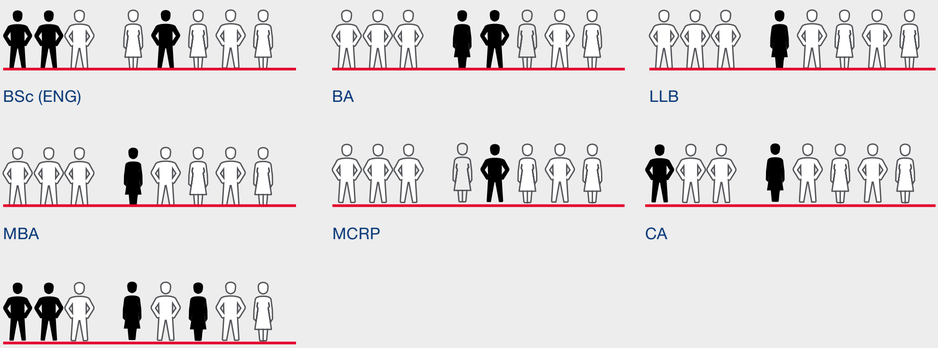
Non-executive directors

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

37,5%
of the Board members are female.

50,0%
of the Board members are black.

QUALIFICATIONS



EXPERIENCE

YEARS OF INDUSTRY EXPERIENCE (EXECUTIVE DIRECTORS)

SHORTEST **28 years**

AVERAGE **33 years**

LONGEST **42 years**

20 | 30 | 40

TENURE ON THE BOARD

SHORTEST **1 year**

AVERAGE **8 years**

LONGEST **15 years**

1 | 10 | 20

GOVERNANCE STRUCTURES

In respect of the subsidiaries of the group, a formal governance framework is being reviewed and refined in accordance with King IV. Currently, all of the group's African operations are directly subject to the operational and governance structures, protocols and procedures set out below. The governance structures and protocols of the Australian operations are aligned with those of the group and include separate audit, risk and remuneration sub-committees as well as an internal audit function, all of which report to the Board sub-committees.

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 oversight of all remuneration policies and practices

EXECUTIVE COMMITTEE

Responsible for implementing the strategy of the group and assisting the CEO in managing the day-to-day operations. In addition, mandates are given to the committees below to oversee specific areas of importance on behalf of the Executive committee (Exco).

INFORMATION TECHNOLOGY STEERING COMMITTEE
Responsible for ensuring effective, appropriate IT governance and support

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

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

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

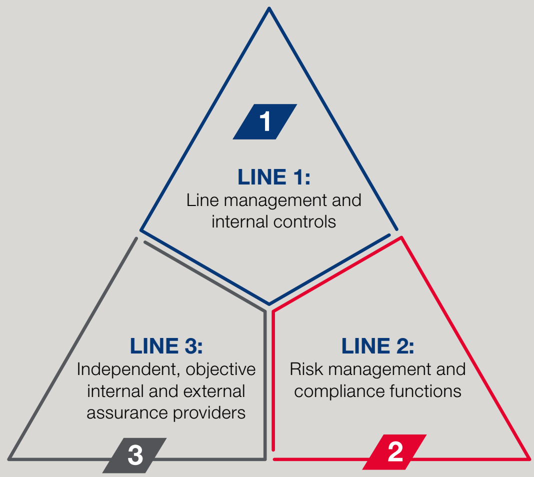
Further information regarding the governance structures, processes and guiding principles of the group, including committee charters and Code of Conduct can be found on the WBHO website at www.wbho.co.za/governance.

KEY ELEMENTS OF GOVERNANCE

ASSURANCE

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

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



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

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

Content and 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 3 certified
Environmental management	BSI	Level 2 and 3	ISO14001 compliant
Occupational health and safety management	BSI	Level 2 and 3	OHSAS18001 compliant
Quality management	TUV Reinland	Level 2 and 3	ISO9001 compliant
Internal control environment	Management and internal audit	Level 1 and 3	Reliance on internal controls

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 22 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 is 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 disclosure requirements of King IV; the dictates of the Companies Act, No 71 of 2008; and the JSE Listings Requirements throughout the year.

KEY GOVERNANCE INITIATIVES

MONITORING THE EFFECTIVENESS OF THE NEWLY APPOINTED INTERNAL AUDITORS

As mentioned in our previous report, the internal audit function of the group was successfully outsourced during 2016. Following a formal process led by the Audit committee, the Board appointed Deloitte & Touche as internal auditors, with effect from 1 July 2016.

The increased capacity of this function resulted in an expanded audit plan allowing for audit coverage of additional areas of the business over a three-year rolling period. The scope this year included an audit of 20 projects, attending various tendering meetings; and audits of the payroll and procure to pay processes as well as property, plant and equipment including in-depth data analytics. The team also performed additional ad hoc procedures at the request of management which included follow-up project audits to ensure the implementation of findings from the original audits.

Furthermore, a review of the compliance function was conducted as well as facilitating an ethics survey. Lastly, internal audit performed comprehensive reviews and testing of the effectiveness of the internal control systems in operation and reported its findings to the committee.

In the year ahead, project audits will be extended to West Africa following an increase in activity in the region, as well as the logistics department of the group and an assessment of the group's compliance with King IV.

INTERNAL AUDIT OF THE COMPLIANCE FUNCTION

The internal audit function conducted an in-depth audit of the compliance function of the group and the outcome of which concluded that the compliance function was generally well-managed and implemented within the operational and administrative and support functions of the group. Key findings highlighted the need for an over-arching compliance policy, expansion of the regulatory universe to the operations in the rest of Africa and Australia, development of a formal compliance risk management plan and the enhanced maturity of compliance monitoring. A timeline has been set and agreed to by management for the implementation of the audit findings.

PROGRESSION TOWARD KING IV

A comprehensive gap analysis was undertaken during the year and we have been progressing and enhancing our Board Charter and Board committee terms of reference in order to migrate to the broader, bolder governance envisioned in the King IV report. We have mapped the principles that still need to be addressed in the coming years, which are illustrated in the table on page 109 of this integrated report.

ETHICS SURVEY

As part of our commitment to ensuring integrity within our group, an ethics survey was undertaken during the year to assess the perceptions, culture and awareness of ethics within WBHO. The survey was anonymous and covered all salaried employees within our African operations, of which 64% responded. Preliminary results have not identified any material issues for concern, however, some key outcomes of the survey indicated that there is a need for additional training and awareness in this area. Issues identified in this regard include: certain employees are unaware of the existence of the newly launched tip-offs anonymous alert line and how to use it; employees are unaware of the whistle-blowing policy of the group; employees are unfamiliar with the gift policy of the group, and improved communication of reported fraudulent activity and unethical behaviour and management's responses thereto in order to demonstrate our commitment to zero tolerance.

OUTSOURCING AND LAUNCH OF THE NEW TIP-OFFS ANONYMOUS ALERT LINE

The WBHO Alert line that was initially manned internally was outsourced to Deloitte, rebranded as Tip-offs anonymous and launched on 1 July 2017. Posters were distributed and displayed on all sites and regional office notice boards. The outsourcing of the alert line has improved the integrity of the system itself, being visibly independent, guaranteeing anonymity and is now available 24 hours a day, 365 days a year. Callers now have access to an international service which has broader coverage of the African territories in which the group operates.

Since inception, there have been a number of reported incidents, which have been investigated and closed out. One incident is still under investigation. All activity on the alert line together with the outcome of each investigation is reported on at Audit committee meetings.

CONTINUED ENHANCEMENTS TO RISK MANAGEMENT PROCESSES

In previous years considerable effort has gone into developing a practical and functional risk management framework, the standardisation of risk reporting within the group, setting of risk tolerances; and the mapping and linking of quality, safety, environmental and project risks with our operational and strategic risks. During the reporting period, the newly-formed Risk committee provided oversight of enhancements to our risk reporting mechanisms. We are now able to track, aggregate and report upon project risk both by business unit and across our African operations as a whole. This has enabled easier trend analysis and the reporting of the total value at risk within these operations. Over time, formalised risk management processes are steadily becoming firmly entrenched within the business. These new processes enable the group to aggregate and measure total risk exposure against predetermined risk tolerances and to develop and amend strategic responses timeously.

R360m

PROJECT VALUE

30 months

PROJECT DURATION

R24 RUSTENBURG

UPGRADE OF THE R24 INCLUDING CONSTRUCTION OF TWO BRIDGES

REPORT FROM THE COMPANY SECRETARY

In the section below, we report on specific governance processes, mandatory disclosures and other relevant governance activities.

BOARD OF DIRECTORS

STRUCTURE AND COMPOSITION

The Board follows a unitary board structure and, as at 30 June 2017, it comprised eight directors, five of whom are independent non-executive directors, which included a lead independent director, and three are executive directors.

Independent non-executive director, Nonhlanhla Mjoli-Mncube, retired from the Board of the company on 16 November 2016 and Nosipho Siwisa-Damasane was appointed to the Board on 1 September 2016. Nosipho assumed Nonhlanhla's role as chair of the Social and ethics committee and was appointed as member of the Audit, Risk and Nomination committees effective 16 November 2016.

Nosipho Siwisa-Damasane resigned from the Board on 3 August 2017 to take up a full-time executive position.

James Ngobeni, an independent non-executive director, will not seek re-election to the Board of the company in November 2017 and the Nomination committee is currently considering suitable candidates.

WBHO believes that its Board composition is in line with best practice guidelines and represents a balanced Board. The roles of the LID, Chairman and Chief Executive Officer are completely separated and the Board has a clear policy on the division of responsibilities to ensure a balance of power and authorities such that no director has unfettered powers of decision-making.

As the Chairman is an executive director, he is not considered independent and therefore a lead independent director (LID) is in place. The Board is of the opinion that due to the knowledge, expertise and experience of the Chairman in the construction industry, his appointment is in the best interest of the group.

The LID is accountable to the Board and is expected to serve in this capacity where the Chairman of the board is absent and not able to perform his duties for whatsoever reason or where the independence judgment is required.

The LID is responsible for:

- presiding at all meetings of the Board at which the Chairman is not present or where the chairman is conflicted, including any session of the independent directors;
- calling meetings of the independent directors where necessary;
- serving as principal liaison between the independent directors and the Chairman;
- performing all such functions that cannot be performed by the Chairman due to his absence or the existence of a conflict of interest;
- liaising with major shareholders if requested by the Board in circumstances or transactions in which the Chairman is conflicted; and
- performing other duties that the Board of Directors may from time to time delegate.

APPOINTMENT, ROTATION AND TENURE

The appointment of directors follows a formal process supported by a transparent policy including approval by the Board upon the recommendations of the Nomination committee, subject to shareholder approval. It is in the best interest of the shareholders that the Board be properly constituted from the viewpoint of skill, experience, gender and racial representivity.

The directors have a vast range of knowledge, expertise and experience in strategic, financial and commercial activities, which allows them to exercise independent judgement in Board decisions and deliberations. These combined skills and experience benefit the Board as a whole in its supervisory role. Biographies of the Board members are provided on the company's website at www/wbho.co.za/governance.

The Board has adopted a diversity policy, which describes the company's commitment to ensuring a diverse mix of skills and talent exists among its directors, officers and employees to enhance company performance. The diversity policy addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees. The Board is responsible for monitoring Company performance in meeting the diversity policy requirements, including the achievement of diversity objectives.

As mentioned, the diversity policy is also taken into account when appointments are made and the Board, through its Nomination committee, ensures that it has the right balance of skills, expertise appropriate to the strategic direction of the Company. In this regard, WBHO has achieved the B-BBEE Board representative target of 25% to 33% and has also met the target of 25% female representation as at year-end.

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

One-third of the non-executive directors will retire at the coming annual general meeting and will be eligible for re-election. Independent non-executive directors James Ngobeni and Ross Gardiner will retire and will be eligible for re-election at WBHO's annual general meeting in November 2017, subject to a separate vote. As mentioned above, James Ngobeni, an independent non-executive director, will not seek re-election to the Board of the company in November 2017.

DEVELOPMENT OF DIRECTORS

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

During the year under review, the members of the Board attended an in-depth site visit which in addition to providing on-site experience of operational activities, also extended across the health and safety, environmental and transformation portfolios to illustrate the collaboration between the teams. Competition law and anti-corruption training was also undertaken by the Board.

INDEPENDENCE AND PERFORMANCE OF THE BOARD

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

- appointing a lead independent director;
- maintaining a majority of non-executive directors including independent non-executive directors;
- ensuring the remuneration of non-executive directors is unrelated to financial performance;
- entitling all directors to seek independent professional advice where necessary and at the company's expense; and
- considering the independence of individual directors holistically and on a substance over form basis.

During the year under review, the Nomination committee reviewed and confirmed the independence of Savannah Maziya as a long-standing Board member who has in excess of 10 years' service. The Board was satisfied with her continued independence based on demonstrable and visible criteria in her role at Board and committee level. Her appointment is reviewed on an annual basis and her reappointment will be re-evaluated annually before being proposed for re-election. The Nomination committee also annually reviews the performance of Mike Wylie as Chairman.

WBHO's strategic objectives are set by the Board, which also determines the key performance criteria of the group. The Board is responsible for the proper management, control, compliance and ethical behaviour of the business under its direction.

As part of the formal Board evaluation, its performance and that of its committees is evaluated annually against its terms of reference and charter, with an independent evaluation being conducted on alternate years. This year the internal evaluation of the Board was conducted by way of a questionnaire, whereby responses are submitted to the Chairman of the Board by each Board member. During the year under review, the Board Chairman assessed the individual submissions and considered any concerns arising therefrom.

There were no significant issues arising from the individual submissions which the Board needed to address.

There is currently no formal evaluation of the performance of the CEO in pace as recommended by King IV, however this will most likely be implemented in the coming year. Refer to the Audit committee's report on page 110 with regard to the evaluation of the performance of the CFO.

DIRECTORS' MANAGEMENT OF CONFLICTS OF INTEREST

When directors become aware that they have a direct or indirect interest in any existing or proposed transaction with an entity of WBHO, they are required to notify the Company Secretary who in turn informs the Board Chairman. Directors are obliged to regularly update any changes in these interests and the Company Secretary makes relevant enquiries of directors prior to or during each Board meeting. This process was adhered to for the year under review and directors recused themselves from any discussions as a result of personal conflicts of interest. Any potential professional conflicts of interest are fully disclosed by the director concerned and noted in the Board minutes. The lead independent non-executive director deals with matters where the Chairman may be conflicted.

INFORMATION REQUIREMENTS

The Board continuously assesses the information needs of directors to enable them to perform their duties and fulfil their obligations responsibly. In order to make informed decisions, Board members are provided with appropriate, sufficient and relevant information in respect of matters at hand. Furthermore, all directors have full access to the records, information, documents and property of the company.

Non-executive directors also have unfettered access to management at any time. Directors are informed timeously of matters that will be discussed at meetings and comprehensive information packs are provided well in advance of all meetings.

BOARD RESPONSIBILITIES

The Board Charter sets out a clear division of the directors' responsibilities and accountability, both collectively and individually, to ensure an appropriate balance of power and authority.

The primary Board responsibilities in terms of the Board Charter are:

- to define its mission while representing the interests of WBHO and its stakeholders;
- to determine WBHO's purpose, values and identify stakeholders relevant to its business;
- to provide strategic direction to WBHO and create long-term value for stakeholders;
- to ensure that procedures are in place to monitor and evaluate the implementation of strategies, policies, performance criteria for executive management (including business partners) and business plans;
- to review and approve objectives and actions, including significant capital allocations and expenditure;
- to be accountable and responsible to stakeholders for the performance and affairs of WBHO;
- to appoint the Chief Executive Officer, other executive directors and the Company Secretary and ensure that succession is planned;

- to ensure that WBHO complies with all relevant laws and regulations and that it communicates with its stakeholders openly and with substance prevailing over form;
- to assess the key risk areas of the business on a regular basis and to determine the policies and processes necessary to ensure the integrity of internal control and risk management of WBHO;
- to develop the framework, policies and guidelines for safety, health and environmental management and other matters relating to sustainability;
- to define levels of materiality, reserving specific powers for itself and delegating other matters with written authority to management; and
- to establish and set the terms of reference for the Board committees. The Board reviews and approves the terms of reference for the Board committees on an annual basis or when the need arises due to a change in legislation.

The Board confirms that it is satisfied that it has carried out its duties and responsibilities in compliance with its mandate and the Board Charter.

GOVERNANCE FUNCTIONAL AREAS

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

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

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS FOR THE YEAR ENDED 30 JUNE 2017

Directors	Board meetings	Audit committee	Risk committee	Remuneration committee	Nomination committee	Social and ethics committee	Special Board meeting	First appointed
Independent non-executive directors								
Gando Matyumza (Lead independent non-executive director)	3/4#	3/4#	1/2#	n/a	2/2	1/2#	2/2#	23-Feb-09
Nonhlanhla Mjoli-Mncube+	2/2#	2/2	1/1	n/a	1/1	1/1	1/2#	25-Oct-06
James Ngobeni	4/4#	2/2	1/1	n/a	2/2	n/a	1/2#	25-Oct-06
Savannah Maziya	4/4#	n/a	n/a	3/3	2/2	n/a	0/2#	25-Oct-06
Ross Gardiner	4/4#	4/4	2/2	3/3	2/2	n/a	1/2#	23-Jan-14
Nosipho Damasane	4/4#	3/3	2/2	n/a	2/2	2/2	1/2#	01-Sep-15
Executive directors								
Mike Wylie (Chairman)	4/4#	n/a	n/a	BI	BI	n/a	2/2	11-Jul-94
Louwtjie Nel (CEO)	4/4#	BI	BI	BI	BI	n/a	1/2#	01-Aug-08
Charles Henwood (CFO)	4/4#	BI	BI	BI	BI	n/a	1/2#	09-Nov-11
Management								
Terry Armstrong	n/a	n/a	n/a	n/a	n/a	2/2		19-Mar-12
Shereen Vally-Kara	n/a	n/a	n/a	n/a	n/a	2/2		19-Mar-12
Andrew Logan	n/a	BI	n/a	n/a	n/a	2/2		13-Sep-13

 # Apologies tendered
BI By invitation
+ Resigned as director 16/11/2016

BOARD COMMITTEES

Delegation of authority

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

The Board is satisfied that the delegation of authority framework contributes to the role clarity and effective exercise of authority and responsibilities. Certain Board responsibilities have been delegated to the Audit committee, Risk committee, Remuneration committee, Nomination committee and Social and ethics committee to assist the Board in discharging its collective responsibilities.

Each committee acts within the boundaries of clearly defined Board-approved terms of reference. These committees meet independently and provide detailed feedback to the Board via their chairman. All committee meetings are minuted and directors may raise any questions arising from these minutes.

The various committee chairmen have confirmed that the terms of reference have been materially complied with for the year under review.

COMPANY SECRETARY

Shereen Vally-Kara (56) has an ACIS qualification and joined WBHO on 1 June 2007. She was appointed as the Company Secretary to the Board on 24 October 2007. In addition to obtaining a certificate as a chartered secretary in 1994, she completed an advanced management programme at the Wits Business School in 1996 and received a certificate in corporate governance from the University of Johannesburg.

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

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

The Board is satisfied with the expertise, experience, competence and qualifications of the Company Secretary and confirms that the relationship between the Board and the Company Secretary remains arm's length.

INTEGRATED COMPLIANCE

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

The compliance function and processes are subjected to an internal audit review on a regular basis.

INFORMATION TECHNOLOGY

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

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

IT investment and expenditure budgets are presented to the Executive committee for approval following consultation with divisional management with due consideration of the overall business requirements. The Executive committee is kept apprised of actual expenditure against the approved budget. Appropriate controls have been implemented to ensure that all organisation, employee and client information is properly protected in compliance with the Protection of Personal Information Act.

On instruction form the Audit committee, an external IT penetration test was conducted during the year to assess the ability of the IT security protocols of the group to withstand a cyber-attack. The exercise confirmed that the systems and processes in place are sound with only matters of a housekeeping nature requiring action.

ETHICS PERFORMANCE

CODE OF CONDUCT

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

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

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

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

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

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

TRAINING

The online competition law and anti-bribery training is entrenched within the business and conforms with a Board-approved formal competition compliance policy, which has been developed and rolled out to all staff. It is an ongoing process, with specific staff attending refresher courses every two years. The policy is freely available to all staff on the group website and all new employees are made aware of its existence and importance during the on-boarding induction process. Local staff members were identified and 100% attendance was recorded. Regarding bribery and corruption training, high-risk individuals, above a certain employment level, are identified and go through a similar process.

DIRECTORS' DEALINGS

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

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

LIABILITY INSURANCE

Liability insurance is in place, which provides cover for directors and prescribed officers against legal action by third parties.

STAKEHOLDER COMMUNICATIONS

WBHO and its directors and management acknowledge their responsibility to report and communicate to stakeholders in a manner that is transparent and accountable, on matters of an economic, social and environmental nature relevant to its business.

The group publishes and reports on its half- and full-year financial results in print and electronic media as specified by the JSE Listings Requirements and the executive directors conduct timely presentations of the company's performance and strategy to financiers, institutional investors, financial analysts and the media.

Presentations, corporate actions and reports on performance, as well as any other information deemed relevant, are published on SENS as well as on the website of the group.

It is the Board's duty to present a balanced and understandable assessment of all stakeholder engagement including any material issues raised, details of which are disclosed on page 32 of this report. Engagement and communication with stakeholders is discussed fully on page 26 of this integrated report.

PROGRESSION TOWARDS KING IV

As previously mentioned, the company adopted King IV during the year under review. A gap analysis has been performed by the Secretariat to identify the areas for improvement during this transitioning period. These areas for improvement are listed in the table below together with the time frame in which the company hopes to achieve full compliance with the King IV Principles as well as the JSE Listings Requirements.

	King IV Principle	Current areas of non-compliance	Due date	Responsible party
1.	Principle 3 – The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	The governing body should be responsible for a tax policy that is compliant with applicable laws, but that is also congruent with responsible corporate citizenship. As such, the tax policy will be reviewed accordingly.	2018	The Board
2.	Principle 7 – The governing body should comprise the appropriate balance of knowledge, skill, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	The voluntary employment equity targets related to gender and racial diversity that are to be achieved into the future for the Board and senior management are to be in the range of 25% to 33%.	The application will be reviewed annually	The Nomination committee and the Board
3.	Principle 8 – The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.	Each committee should have a minimum of three members subject to legal provisions. The composition of the Social and ethics as well as the Remuneration committees will be amended to include at least three independent non-executive directors who would comprise the majority of the committee members.	2018	The Nomination committee, the Board as well as the Social and ethics and Remuneration committees
4.	Principle 10 – The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	The roles and responsibilities of the Chairman, CEO and lead independent director (LID), are documented in the charter. The CEO is appointed to lead the organisation under the governing body's direction and oversight and is accountable and reports to the governing body.	Annual review of policy on division of responsibilities which include the Chairman, CEO and LID	The Board
5.	Principle 13 – The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	The implementation of an agreed corporate governance framework by the Board of the holding company taking cognisance that it addresses each subsidiary within the group on governance matters.	2018/2019	The Board and Secretariat
6.	Principle 16 – In execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	Stakeholder relationship management and the methodologies and mechanisms for stakeholder engagement will be identified and further improved on by the implementation of a stakeholder engagement register. The Social and ethics committee will ensure that the level and content is material to stakeholders and in compliance with all requirements.	2018/2019	The Board and the Social and ethics committee

COMMITTEE ACTIVITIES FOR THE YEAR

AUDIT COMMITTEE REPORT

COMPOSITION

The committee comprises three independent non-executive directors appointed by shareholders. The committee met four times during the year with the executive management as well as the executives responsible for finance, and external and internal auditors. Nosipho Siwisa-Damasane was appointed as a committee member with effect from 1 September 2016 replacing Nonhlanhla Mjoli-Mncube who retired from the committee on 16 November 2016. James Ngobeni resigned as a member of the committee, effective 16 November 2016.

Shareholders approve and re-elect committee members at the annual general meeting of the company. The CEO, CFO, members of senior management from both the finance and information technology functions, and representatives of the external and internal auditors attend committee meetings by invitation. The Company Secretary attends all meetings as secretary to this committee. The table on page 106 references the attendance of committee meetings.

At 30 June 2017 the Audit committee members comprised:

- Nomgando Matyumza (Chairman);
- Nosipho Siwisa-Damasane; and
- Ross Gardiner.

Nosipho Siwisa-Damasane resigned from the Board of Directors and the Audit committee on 3 August 2017. Savannah Maziya replaced her on the Audit committee with immediate effect.

RESPONSIBILITIES

The Audit committee has executed its duties and responsibilities during the 2017 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 IV 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 making recommendations to the Board on all financial matters; and
- considering the expertise and experience of the CFO and financial function.

In discharging these duties, the committee conducts various activities, not limited to the following:

- Reviews the report from the CFO which includes: actual and forecast financial performance against budget; a list of major, loss-making and underperforming projects together with relevant commentary; a review of all design and construct projects; a review of all mezzanine financing arrangements; a detailed tax report including any disputes and unresolved issues with all revenue authorities; details of any corporate activity; any unusual transactions outside of the ordinary course of business; and an organogram of the finance function
- Reviewed and recommended to the Board, the interim and final results of the group together with the associated commentary
- Reviews the report from internal audit which includes a synopsis of audits conducted together with any key findings and made such enquiries so as to satisfy itself that the internal control systems of the group are implemented and effective, no material or significant weaknesses in the internal controls were reported to the committee
- Assessed the performance and independence of the internal and external audit functions
- Reviews a summary of all incidents reported on the Alert line and enquires into the outcome of all investigations
- Reviews the consolidated fraud and theft register of the group
- Reviewed the report of the external auditors and made such appropriate enquires to ensure compliance with IFRS and other relevant regulations and legislation
- Identified and discussed the significant matters in relation to the financial statements in conjunction with management and the external auditors
- Reviewed and assessed the audit outcomes in respect of the key audit matters presented by the external auditors and satisfied itself that sufficient audit work had been undertaken and the matters had been accounted for correctly
- Through a process of interviews and questionnaires, assessed the performance of the CFO
- Reviewed the organogram of the finance function and satisfied itself that the necessary expertise and experience were present and appropriate to the size and complexity of the business

INDEPENDENT OF EXTERNAL AUDITORS

The external auditors' independence and effectiveness is evaluated annually by the committee, which also considers whether any non-audit services rendered by such auditors would materially impair their independence. A non-audit services policy is in place, which determines the threshold at which any non-audit services are to be approved by the committee. The policy is reviewed by the committee on an annual basis.

Any non-audit services performed by external audit during the year under review were deemed insignificant. The committee is satisfied of the required independence of the external auditors, BDO South Africa Inc., from WBHO, as set out in section 94(8) of the Companies Act, having considering the following factors:

- Representations made by BDO South Africa Inc. to the committee
- The criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies
- The auditor does not, except as external auditor, receive any remuneration or other benefit from WBHO
- The auditor's independence was not prejudiced as a result of any previous appointment as auditor

The committee has satisfied itself that the audit firm is accredited with the JSE and its advisors. The committee agreed to the letter of engagement, audit plan and estimated audit fees for the 2017 year and has nominated BDO South Africa Inc. for re-appointment as auditors of WBHO at the annual general meeting and Mrs J Roberts, the accredited designated auditor for the second consecutive year for the coming financial year.

GOING CONCERN

The going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources, the directors have no reason to believe that WBHO will not continue to be a going concern in the foreseeable future. The financial statements support the viability, accountability and effective internal control processes of the group.

COMBINED ASSURANCE

WBHO has implemented a combined assurance model taking cognisance of the recommended components of combined assurance included in King IV. These components aim to integrate, coordinate and align risk management with assurance processes. Assurance processes within the group include internal assurance providers as well as internal and external audit. Combined assurance entails the coordinated approach of all assurance activities at different levels within the organisation which include:

- management;
- internal audit;
- secretariat;
- risk management;
- quality management;
- health and safety management;
- environmental management;
- internal and external legal counsel;
- insurance department;
- external audit; and
- other external assurance providers.

to adequately address significant risks facing the group and to ensure that suitable controls exist to mitigate and reduce these risks.

Systems of internal and operational control are the responsibility of the Board. The executive directors are however, responsible for ensuring that: assets are protected; losses arising from fraud and/or other illegal acts are minimised; all transactions are valid and recorded properly; and systems operate effectively.

KEY FOCUS AREAS DURING THE YEAR

At the beginning of the year, the group transitioned from an in-house to an outsourced internal audit function. The committee guided and managed this transition process. This migration has further enhanced the robustness and independence of this vital business function and has brought augmented skills with greater exposure to international best practice.

The internal audit function coordinates with other internal and external providers of assurance to ensure proper coverage of financial, operational and compliance controls.

The increased capacity of this function resulted in an expanded audit plan allowing for audit coverage of additional areas of the business over a three-year rolling period. The scope this year included an audit of 20 projects, attending various tendering meetings; and audits of the payroll and procure to pay processes as well as property, plant and equipment including in-depth data analytics. Furthermore, a review of the compliance function was conducted as well as facilitating the ethics survey. Lastly, internal audit performed comprehensive reviews and testing of the effectiveness of the internal control systems in operation and reported its findings to the committee.

This year, focus will be given to enhancing the combined assurance model, an audit of the tax and logistics functions, additional data analytics and a deeper assessment of tender processes. Follow-ups of these audits will be performed where necessary. The committee will also reassess the expertise contained within its membership following the various appointments and resignations this year. IT governance and risk will remain focus areas for the coming year and will be expanded to encompass potential social media risks.

The evaluation process relating to the committee's effectiveness will also be reviewed this coming year.

The Audit committee has the cooperation of all directors, management and staff and is satisfied that controls and systems within WBHO have been adhered to during the period under review.

RISK COMMITTEE REPORT

COMPOSITION

This committee comprises three independent non-executive directors. The Board nominates members of this committee and its chairman. The committee met twice during the year. Nosipho Siwisa-Damasane was appointed as a committee member with effect from 16 November 2016, replacing Nonhlanhla Mjoli-Mncube, who retired from the committee on 16 November 2016. James Ngobeni also resigned as a member of the committee, effective 16 November 2016.

The CEO, CFO, members of senior management including the finance and risk management functions, and the chairman of the Operational risk committee attend committee meetings by invitation and the Company Secretary is the secretary to this committee. The table on page 106 references the attendance of committee meetings.

The committee has an independent role, supervising and making recommendations to the Board on key risk areas for its due consideration. The committee does not assume the functions of management, which remain the responsibility of the executive directors and members of senior management. The role of the committee is to assist the Board in ensuring an effective policy and plan for risk management has been implemented to enable the group to achieve its strategic objectives, and that the disclosure regarding risk is comprehensive, timely and relevant.

The Risk committee members are:

- Ross Gardiner (Chairman)
- Nomgando Matyumza
- Nosipho Siwisa-Damasane

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, included:

- establishing and maintaining an understanding of the risk universe that needs to be addressed if the group is to achieve its objectives;
- ensuring that a thorough business risk assessment is undertaken and that a risk profile is compiled by management;
- monitoring the risk management of the group; and
- satisfying corporate governance reporting requirements.

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

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

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

KEY FOCUS AREAS DURING THE YEAR

While risk should be considered in conjunction with the company's financial performance, a defined line between risk and audit is needed. The adoption of a specific risk committee charter with distinct responsibilities and the appointment of a new independent non-executive director as chairman has assisted in achieving this distinction. Following its separation form the Audit committee, a keen focus for the committee was to undertake a thorough, independent analysis of the key risk areas in the context of the operations of the group to identify those areas of risk that are relevant to the business.

The material issues of the group are informed by the identification of risk through the risk management processes and the Risk committee is kept apprised of all material risks faced by the group through regular interaction with the Operational risk committee. The increased country risk arising from the impact of political instability and the recent credit downgrades of the country and their relevance to WBHO as an international business, together with the rise in community unrest, were specifically identified as emerging risks this year.

One of the factors that distinguishes WBHO from its peer group is its ability to limit the incidence of material loss-making projects. This achievement ultimately begins with the tendering process where effective risk management processes are critical in securing the right projects at the right price.

Changing market dynamics present a constant risk to securing work for the group over the long-term outlook and are consistently reviewed.

The conclusion of the Voluntary Rebuild Programme (VRP) this year has bestowed various transformation obligations on the group. A formal committee has been established to monitor performance against these obligations. The chairman of the Risk committee together with the CEO will oversee the functioning of the committee to ensure that all VRP processes are correctly followed. The success of the VRP is fundamental to the reputation of the group and will remain high on the Risk committee's agenda in the year ahead.

The committee has fulfilled its responsibilities during the year, complying with all legal, regulatory and other requirements.

Risk management is discussed in detail and presented on page 22 of this integrated report.

NOMINATION COMMITTEE

COMPOSITION

The committee comprises five independent non-executive directors. The committee is chaired by lead independent director, Nomgando Matyumza. The Chairman of the Board, Chief Executive Officer and Chief Financial Officer attend by invitation. Nosipho Siwisa-Damasane was appointed as a committee member on 16 November 2016.

The committee meets on an ad hoc basis as required and met twice during the year under review. The table on page 106 references the attendance of committee meetings.

Nomination committee members are:
- Nomgando Matyumza (Chairman)
- Nosipho Siwisa-Damasane
- James Ngobeni
- Ross Gardiner
- Savannah Maziya

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 also assists with dismissals, succession planning, reviewing committee structures and reviewing Board and committee performance. The committee is responsible for ensuring the integrity of the nomination process.

The committee confirms that it is satisfied that it has carried out its duties and responsibilities in compliance with its mandate and its charter.

SOCIAL AND ETHICS COMMITTEE REPORT

COMPOSITION

The Social and ethics committee enhances the oversight of key social issues within WBHO, including entrenching sustainability in its long-term strategy. Nosipho Siwisa-Damasane was appointed as committee chair with effect from 16 November 2016 replacing Nonhlanhla Mjoli-Mncube who retired on 16 November 2016. Members of senior management from the human resources, safety, environmental, quality, transformation and legal functions attend meetings by invitation. The committee met twice during the year under review. The table on page 106 references the attendance of committee meetings.

The Social and ethics committee member are:
- Nosipho Siwisa-Damasane (Chairman)
- Nomgando Matyumza
- Terry Armstrong (Management)
- Shereen Vally-Kara (Company Secretary)
- Andrew Logan (Management)

RESPONSIBILITIES

The Social and ethics committee has been constituted in terms of section 72(4) of the Companies Act No. 71 of 2008, as amended and its accompanying regulations, to implement the mandate prescribed by regulation 43(5).

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 committee fulfils an oversight role from a compliance perspective and its primary functions, which are outlined in the Social and ethics committee charter, include:
- ensuring that WBHO conforms to all appropriate legislation and standards of best practice;
- ensuring that the United Nations Global Compact (UNGC) principles, in terms of labour and human rights, are upheld;
- obtaining confirmation of adherence to environmental and health and safety laws; and
- advancing the empowerment and transformation objectives of WBHO (which include preferential procurement, corporate social investment and emerging contractor development).

In discharging its duties the committee reviews various reports from the human resources, safety, environmental and transformation functions within the group. The reports highlight changes to relevant legislation and its potential impact on the group, statistics indicating the level of performance against predetermined targets, results of audits by assurance providers together with key findings and a trend analysis of incidents of non-conformance across all projects. Updates to the legal and regulatory matrix are also reviewed and enquiries made of internal legal counsel as to any obligations and risks imposed. An annual assessment is made of the group’s conformity to the UNGC principles and the committee reviews and approves the corporate social investment budget of the group.

KEY FOCUS AREAS DURING THE YEAR

Human resources

The stability of the organisation can be gauged by the turnover of its salaried employees. This committee paid careful attention to this area during the year under review. The committee confirmed that relevant job descriptions are in place for both operational and administrative staff, thus ensuring employees understand their roles and that appropriate levels of accountability exist within the company. Avoidable staff turnover was found to be within acceptable levels and further details are available in the supplementary information to this report available on the group’s website.

Health and safety

The committee is conscious of every life lost on our projects and the severe impact, it has on the workforce. Zero fatalities and zero harm is the group’s annual target. The committee obtained information on all serious injuries and fatalities as well as management actions taken to prevent future occurrences. Instilling a culture of safety among workers is a key focus area and the committee monitors all initiatives undertaken and the progress they make in improving employee attitudes toward safety.

Environment

To ensure that sites and operations conduct activities in an environmentally friendly manner, matters concerning rubble removal, waste generation and water and energy use, were reviewed for environmental issues. No environmental incidents or issues were reported on during the year under review.

The environmental assurance team reported on discussions held with the Department of Water Affairs in respect of the lengthy delays in obtaining water use licences. The committee established that all site-specific water plans are approved, adhered to and communicated to all stakeholders.

Diversity

The Issues of respect, dignity, race and gender were investigated and assessed on multiple site visits. The committee is pleased to report there are many competent young black and, more specifically, black female engineers within the group's ranks. These individuals reported to committee members that they worked in a respectful environment largely and the young women felt they were treated with dignity notwithstanding the male-dominated environment. Committee members perceived a general sense of wellbeing, camaraderie and sharing in social events. Unannounced site visits by the committee has proved to be an important and effective method to gauge the diversity issues on site.

Corporate social investment

This was an area of great focus for the committee. As a group, we have had to rethink how to integrate CSI into the employment issues arising in the rural areas, particularly given the increase in community uprisings that are happening in South Africa. Just building a school is no longer sufficient for rural communities today and a new approach to CSI needs to be undertaken whereby the empowerment of these communities is the core focus. Bursaries, skills development and training are being reviewed by the committee.

Stakeholder management

Stakeholder management is integrated into all activities of the business. High-level discussions on this topic occur regularly within the committee as well as at executive management level. Partnering with government departments and communities around issues of labour has been of paramount importance, alongside engagement with government in finalising the VRP.

King IV

While no changes to the current committee charter were made, the committee considered the upcoming changes recommended by King IV and the methods with which to integrate them. King IV highlights a heightened scrutiny on ethical realities. Ethics are a key issue to the group's business, as are social issues.

JSE Listings Requirements

In ensuring regulatory compliance, the Company Secretary provided the committee with all updates to the JSE Listings Requirements. These changes together with any action required are communicated in Board and committee information packs or electronically and form agenda items for discussion at meetings.

Improved reporting mechanisms

The committee has further improved its reporting mechanisms and all report authors attend meetings by invitation to provide context to the information provided and answer any questions the committee may have.

In the year ahead, the committee will aim to improve the key focus areas of 2017. This will be guided by the new approach to reporting that was introduced in 2017. More time will be spent with the support services teams in order to enhance the methods of reporting.

The committee confirms that it is satisfied that it has carried out its duties and responsibilities in compliance with its mandate and its charter.

The supplementary information which accompanies this Integrated report includes a comprehensive discussion of the group's transformation efforts, human capital, health and safety, environmental issues and quality for the year under review and is disclosed of the company website at www.wbho.co.za/investors.

REMUNERATION COMMITTEE

COMPOSITION

This committee comprises two independent non-executive directors. As a result, this committee is not fully compliant with the requirements of King IV, which requires the committee to comprise at least three independent non-executive directors. The Board nominates members of this committee and its chairman. The committee met three times during the year. The Chairman of the Board, CEO, CFO and the human resource director attend committee meetings by invitation. The table on page 106 references the attendance of committee meetings.

The Remuneration committee members are:
- Savannah Maziya (chairman)
- Ross Gardiner

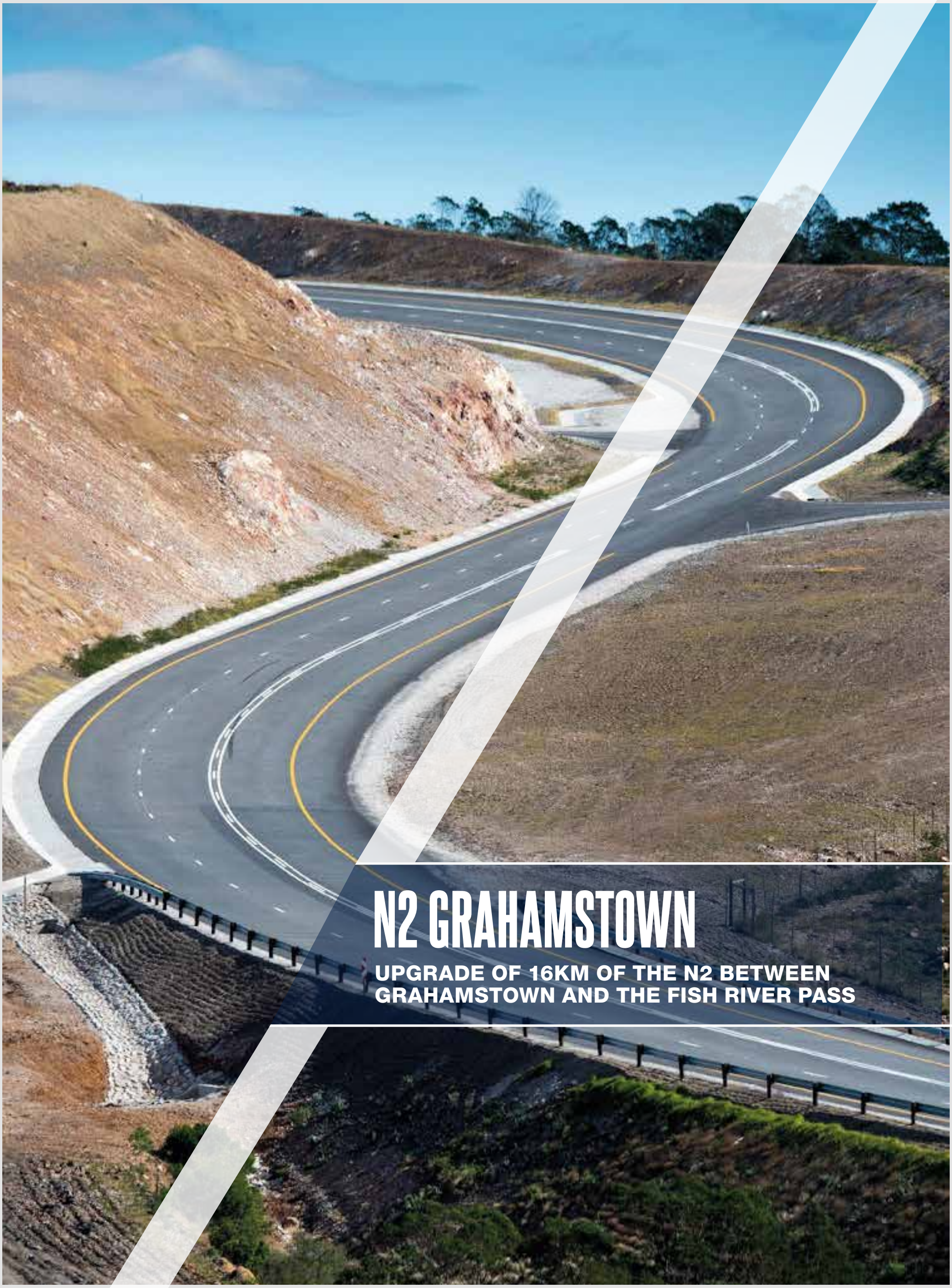
RESPONSIBILITIES

The committee's primary objectives during the year, which are outlined in the Remuneration committee's terms of reference, included:
- Determining, agreeing and developing the company's general policy on non-executive, executive and senior management remuneration;
- Determining specific remuneration packages for executive directors of the company including but not limited to basic salary, benefits in kind, any annual bonuses, performance-base incentives, share incentives, pension and other benefits;
- Determining any criteria necessary to measure the performance of executive directors and senior management in discharging their functions and responsibilities;
- The committee encouraged the executive directors and senior management to enhance the company's performance and to ensure that they are fairly but responsibly rewarded for their individual contributions and performance;
- The committee endeavoured to position senior executive pay levels relative to local and international industry benchmarks such that they are sufficient to attract, retain and motivate executives of the quality required by the Board. In determining the specific remuneration packages for executive directors and senior managers, the committee had due regard to local and international industry benchmarks;
- The committee reviewed and amended the performance targets for the executive directors;
- The committee assessed the remuneration packages of the executive directors against the amended performance targets;
- The committee determined the grants to executive directors made pursuant to the share incentive schemes adopted by the company;
- The committee reviewed the incentive schemes to ensure their continued contribution to shareholder value;
- The CEO kept the committee informed of relevant information in respect of other group executives, prescribed officers and all staff categories whose remuneration packages were not determined by the committee;
- The Company Secretary kept the committee informed of all share transactions and shareholdings of all executive directors of the company;
- Recommended to the Board the remuneration report being the background statement, an overview of the main provisions of the policy and an implementation report, to be included in the integrated report, as to whether it:
  - is accurate, complete and transparent;
  - provides a clear explanation of how the remuneration policy has been implemented; and
  - provides sufficient forward-looking information for the shareholders to pass a special resolution in terms of section 66(9) of the Companies Act.

The committee confirms that it is satisfied that it has carried out its duties and responsibilities in compliance with its mandate and its terms of reference.

A detailed remuneration report and implementation report commences on page 118 of this integrated report containing full disclosure of the remuneration policy of the group and its implementation. In the event that either the remuneration policy or report are voted against by more than 25% of shareholders, the company in its voting results will announce the provision of:

a) an invitation to dissenting shareholders to engage with the company; and
b) the manner and timing of such engagement.



N2 GRAHAMSTOWN

UPGRADE OF 16KM OF THE N2 BETWEEN GRAHAMSTOWN AND THE FISH RIVER PASS

REMUNERATION REVIEW

OUR APPROACH TO REMUNERATION

Remuneration within Wilson Bayly Holmes-Ovcon Limited (WBHO) is aligned to corporate strategy and adheres to the principles set out in the King IV Report on Corporate Governance for South Africa 2016 as well as the requirements of the Companies Act of 2008 in relation to the remuneration of directors and principal officers.

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

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

The remuneration policy of the group was amended and approved by shareholders in 2014 and there were no significant changes to the policy during the year.

When developing the new policy, the group obtained the services of Deloitte and Touche (Deloitte) specifically with regard to devising and implementing a long-term incentive scheme (LTI) for executive directors and senior management. Deloitte continues to provide advice on an annual basis on the quantum and mix of LTI awards. Remco has adjusted the targets for short and long-term incentives for the 2017 financial year.

At the 2016 Annual General Meeting (AGM) the remuneration policy received 99,7% approval from shareholders in a non-binding vote.

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

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

KEY ELEMENTS OF THE REMUNERATION POLICY

	ELEMENT	IMPLEMENTATION
TOTAL GUARANTEED PACKAGE (TGP) Reflects an individual's skills, performance, location in relation to place or residence and experience and is benchmarked against comparable industry packages.		
Basic Salary		
Hourly paid employees	Cash	Determined annually at the Industry Bargaining Council through negotiations between industry and employee representatives, with increases effective in September of each year.
Salaried employees	Cash	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 and July of each year for South Africa and Australia respectively.
Executive directors and prescribed officers	Cash	Determined annually, recognising the role and responsibility for the delivery of strategy and performance. While taking cognisance of comparable guaranteed executive pay levels within the industry, the guaranteed pay levels of executive directors are set below the median level in order to minimise the gaps in salary between executive directors and key senior operational management and maintain cohesion within the team. The service contracts of executive directors are on the same terms as the standard contracts of employment of the group and do not contain any additional termination of employment obligations.
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.

	ELEMENT	IMPLEMENTATION
SHORT-TERM INCENTIVES (STI) (VARIABLE PAY) Short-term incentives reward the individual performance of employees taking cognisance of their relevant roles and responsibilities, are assessed annually, approved by the Remco and payable in November or December of each year.		
Hourly-paid employees	Cash	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 group's performance management processes taking cognisance of the overall performance of the group and individual performance of the relevant division and employee.
Prescribed officers and senior management	Cash	Assessed against a predetermined target for headline earnings per share, their relevant division's contribution to the group and other economic, social and environmental targets and carrying a heavier weighting than TGP.
Executive directors	Cash	Assessed based on the financial performance of the group against predetermined targets set by the Board as well as personal scorecard objectives and carrying a heavier weighting than TGP. The key performance indicators on which evaluations are based are as follows: Financial: (70% weighting) • Operating profit; • Headline earnings per share; • Return on capital employed (ROCE); and • Cash generation Personal: (30% weighting) (not limited to the following) • Transformation; • Safety and environmental; • Leadership/Relationships; and • 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 toward the performance of the group and to achieve the group's retention strategies. Both the shares and options have a five-year vesting period. In respect of shares, interest-free loans are raised at the time of award and settled at the time of vesting. Dividends earned over the vesting period are utilised to reduce the loan.
	Employee Share Purchase Plan	In Australia, shares under this scheme are sold to individuals at market value. Loans are advanced at statutory interest rates in order to purchase the shares. There is no vesting period, however employees are required to remain in employment in order to retain their shares. The potential for capital growth in the shares is aligned with the financial performance of the business along with the talent retention objectives.
Executive directors, prescribed officers and senior management	Share incentive awards	Aligned with the performance of the group and benchmarked against comparable listed entities on the Johannesburg Securities Exchange. The components of the WBHO Share Plan are: • Performance shares where value is created through growth or maintenance of returns relative to competitors; and • Share appreciation rights where value is created through share price growth.

In terms of the remuneration policy, incentives for executives directors and senior management are aligned with the performance of the group. Below is an illustration of the different potential outcomes on the total remuneration for Mr EL Nel, when applying the various targets for both STIs and LTIs to the financial performance of the group for the year ended 30 June 2017:

	Threshold R'000	Target R'000	Stretch R'000
STI	2 696	5 394	10 788
Performance shares (2017 awards, assuming they vested at 30 June 2017)	–	2 520	7 560
Share appreciation rights (2017 awards, assuming they vested at 30 June 2017)	–	252	252
TGP	2 696	2 696	2 696
Total	5 392	10 862	21 296

IMPLEMENTATION REPORT

The Remco approved inflationary increases for South African senior management and executives of 6,7%. The average increase for the remainder of employees in South Africa was 6,9%. Senior management in Australia received average increases of 3,24%, while the remaining employees received average increases of 3,2%.

The total amount of employee benefits paid during the year is set out in the table below. The decrease of 8,1% in the current year is due to the conversion of Australian employee benefits at a lower average exchange rate.

EMPLOYEE BENEFITS	**2017 R'000**	2016 R'000
Salaries and wages	**3 777 954**	4 158 066
Benefits and contributions	**545 029**	545 034
	4 322 983	4 703 100

Total STIs paid during the year (including amounts paid to directors and prescribed officers) have been based upon the performance of the group's audited results for the year ended 30 June 2016 and amount to R391 million (2016: R313 million). The higher incentives paid reflect the improved performance of the group in 2016.

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

EXECUTIVE DIRECTORS	TGP R'000	STI R'000	LTI R'000	Total R'000
2017				
EL Nel	**2 696**	**7 470**	**–**	**10 166**
CV Henwood	**2 703**	**7 348**	**–**	**10 051**
MS Wylie	**2 080**	**5 479**	**–**	**7 559**
	7 479	**20 297**	**–**	**27 776**
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
	6 879	23 705	–	30 584

PRESCRIBED OFFICERS	TGP R'000	STI R'000	LTI R'000	Total R'000
2017				
PJ Foley	**2 594**	**7 000**	**–**	**9 594**
RM Smith	**2 395**	**6 500**	**–**	**8 895**
TR Armstrong	**2 092**	**4 750**	**–**	**6 842**
EA Mashishi	**2 075**	**4 500**	**–**	**6 575**
S Vally-Kara	**1 440**	**900**	**–**	**2 340**
	10 596	**23 650**	**–**	**34 246**
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
	9 357	24 250	–	33 607

The financial targets set by the Board for FY17 in respect of each key performance indicator as well as the performance against these targets are disclosed in the tables below:

Targets		**2017**			2016	
KPI	**Threshold**	**Target**	**Stretch**	Threshold	Target	Stretch
Operating profit (Rm)	**1 005**	**1 085**	**1 256**	794	907	1 043
HEPS growth (%)	**0**	**8,1**	**11,1**	0	7,6	10,6
ROCE (%)	**17,5**	**20,0**	**24,0**	13,5	16,0	20,0
Cash generation (Rm)	**5 002**	**5 102**	**5 204**	3 995	4 075	4 195

The ROCE threshold and stretch targets of previous years have been adjusted upwards by Remco in the current year as while the targets were market-related, the group has achieved percentage returns above the targets. The cash-generated threshold was set below the closing cash balance of R5,8 billion in 2016 for the following reasons: identified potential acquisitions; known transactions with minority shareholders; a commitment by the WBHO Management Trust to acquire shares to the value of R270 million for future issue to employees; and anticipated working capital utilisation on completion of a number of major projects. As such the threshold for cash balances was set at R5 billion to make this target realistic.

Performance

KPI	Result achieved	Result	**FY17 Score (%)**	FY16 Score (%)
Operating profit (Rm)	Threshold	1 040*	**32**	85
HEPS growth (%)	Threshold	1,1	**17**	49
ROCE (%)	Target	22,3	**67**	86
Cash generation (Rm)	Stretch	5 546	**42**	42
Total score			**158**	262
Maximum attainable score			**280**	280

**Inclusive of development profits from the Caulfield development and in accordance with the manner in which reported to the Executive committee.*

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

KPI	Personal scorecard	Financial scorecard	Total % score	Maximum % of TGP	Actual STI per score	Actual STI awarded
EI Nel	100	158	258	400	6 970	7 470
CV Henwood	95	158	253	400	6 849	7 348
MS Wylie	105	158	263	400	5 479	5 479

While the percentages may appear above market norms, stakeholders are reminded that TGP is deliberately set below the median which necessitates a higher STI percentage. The actual STI awarded as a percentage of the maximum potential award is approximately 65%. The deferred portion of the STIs awarded in 2016 and amounting to R500 000 has been included in the STI awarded in the current year for Messrs Nel and Henwood.

CALCULATION OF LONG-TERM INCENTIVES

During the year 119 500 (2016: 194 000) performance shares and 119 500 (2016: Nil) share appreciation rights were allocated to executive directors, prescribed officers and key members of senior management.

	2017			2016		
	Share appreciation rights	**Performance shares**	**Total**	Share appreciation rights	Performance shares	Total
Executive directors						
EL Nel	**38**	**66**	**104**	20	48	68
CV Henwood	**35**	**60**	**95**	19	44	63
Prescribed officers						
PJ Foley	**35**	**60**	**95**	19	44	63
S Vally-Kara	**9**	**16**	**25**	5	12	17
RM Smith	**35**	**60**	**95**	19	44	63
EA Mashishi	**21**	**36**	**57**	11	26	37

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) of the average CPI plus 3%.

Tranche	Threshold (cents)	Actual (cents)	Result
2014	1 388,22	1 308,90	Hurdle not achieved
2016	1 464,43	1 308,90	Hurdle not achieved

Performance shares

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

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

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

The targets for each performance criterion are set by the Board and are disclosed in the table below:

Performance criteria	Weighting	Threshold	Target	Stretch
ROCE (2014 and 2015 issue)	50%	14%	16%	20%
ROCE (2016 issue)	50%	14%	19%	23%
TSR	50%	7th position	5th position	2nd position
Potential award		0% – 99%	100% – 299%	300%

The results achieved for 2014 tranche of performance shares issued in March 2015 and which vest in the first quarter of 2018 are as follows:

Performance criteria	Result achieved	Vesting	Award
ROCE	21%	Stretch achieved	300%
TSR	Second position	Stretch achieved	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.

	2017 R'000	2016 R'000
NNM Matyumza	**744**	629
NS Maziya	**488**	414
NS Mjoli-Mncube^	**286**	366
JM Ngobeni	**391**	357
RW Gardiner	**557**	411
N Damasane*	**430**	–

^Resigned on 16 November 2016
**Appointed on 1 September 2016, resigned on 3 August 2017*

The average percentage increase proposed for directors' fees is 6,5%. The proposed fees for non-executive directors in respect of 2018 are disclosed below:

	2018 R'000	**2017 R'000**
Lead independent director	333	**333**
Non-executive director	208	**195**
Chairman of Audit committee	316	**296**
Chairman of Risk committee	154	**67**
Chairman of Remuneration committee	154	**145**
Chairman of Social and ethics committee	154	**67**
Committee members (per meeting)	29	**27**

DIRECTORS' AND PRESCRIBED OFFICERS' SHAREHOLDING

		2017			2016	
	Direct R'000	**Indirect R'000**	**Total R'000**	Direct R'000	Indirect R'000	Total R'000
Executive directors						
EL Nel	**261**	**–**	**261**	261	–	261
CV Henwood	**36**	**–**	**36**	36	–	36
MS Wylie^	**–**	**317**	**317**	–	758	758
Non-executive directors+						
NS Maziya	**–**	**233**	**233**	–	724	724
NS Mjoli-Mncube	**132**	**233**	**365**	–	724	724
JM Ngobeni	**132**	**233**	**365**	–	724	724
	561	**1 016**	**1 577**	297	2 930	3 227

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

\+ *Indirect shares disclosed in the above table represent allocated shares in respect of the empowerment initiative of the group and do not represent the number of shares likely to vest upon fulfilment of the vesting conditions. The number of WBHO shares that will ultimately vest is dependent on the market value of the shares on the vesting date and calculated based on a predetermined threshold. Should the share price at 30 June 2017 be applied to the formula, no shares would vest with the partners.*

	2017 Direct R'000	2017 Indirect R'000	2017 Total R'000	2016 Direct R'000	2016 Indirect R'000	2016 Total R'000
Prescribed officers						
PJ Foley	**78**	**–**	**78**	78	–	78
RM Smith	**18**	**–**	**18**	18	–	18
TR Armstrong	**14**	**415**	**429**	14	504	518
EA Mashishi*	**–**	**116**	**116**	2	114	116

* *Included in the 115 965 indirect shares disclosed in the above table are 100 000 allocated shares in respect of the empowerment initiative of the group and 15 965 shares acquired with dividends from the allocated shares. The allocated shares do not represent the number of shares likely to vest upon fulfilment of the vesting conditions. The number of WBHO shares that will ultimately vest is dependent on the market value of the shares on vesting date and calculated based on a predetermined threshold. Should the share price at 30 June 2017 be applied to the formula, the director would not receive any of the 100 000 allocated shares in terms of the formula. He would, however, receive the 15 965 dividend shares net of any taxation owing*

OTHER LONG-TERM INCENTIVE SCHEMES

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

'000	WBHO Management Trust	Black Partners	Employees
Total shares/options allocated or in issue	**684**	**2 287**	**2 984**
Allocations/issues in the current year	**1 075**	**–**	**263**
Dividend shares purchased	**n/a**	**40**	**57**
Vesting period	**5 years**	**10 years**	**5 years**
Shares vested in the current year	**584**	**151**	**31**
Dividend shares paid or transferred	–	311	78
Shares to be bought back	–	1 049	1 280
Shares available for future allocations	2 137	–	1 839

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

STATUTORY INFORMATION

WILSON BAYLY HOLMES-OVCON LIMITED

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

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Shereen Vally-Kara
ACIS

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BDO South Africa Inc.

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SPONSOR

Investec Bank Limited

SHAREHOLDERS' DIARY

Financial year-end	30 June
Final results announced	September
Integrated report published	October
Interim results announced	February
DIVIDEND	
Interim	
Approved	February
Payable	April
Final	
Approved	August
Payable	October

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