WBHO

INTEGRATED REPORT 2014

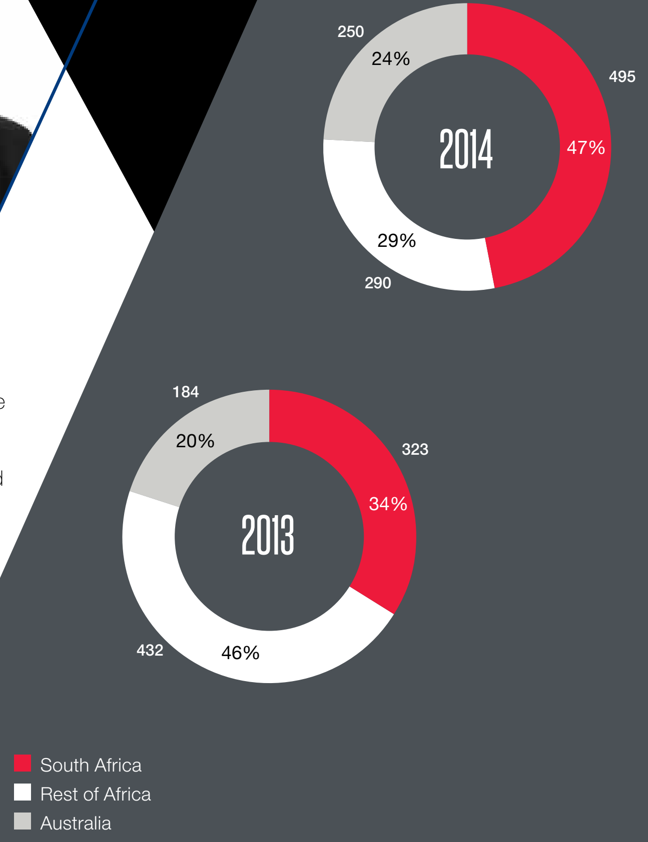
The key fundamentals of reliability, delivery and quality, together with an ability to build and nurture relationships, underpin the motto of the group of 'being a pleasure to do business with'.

MIKE WYLIE
CHAIRMAN

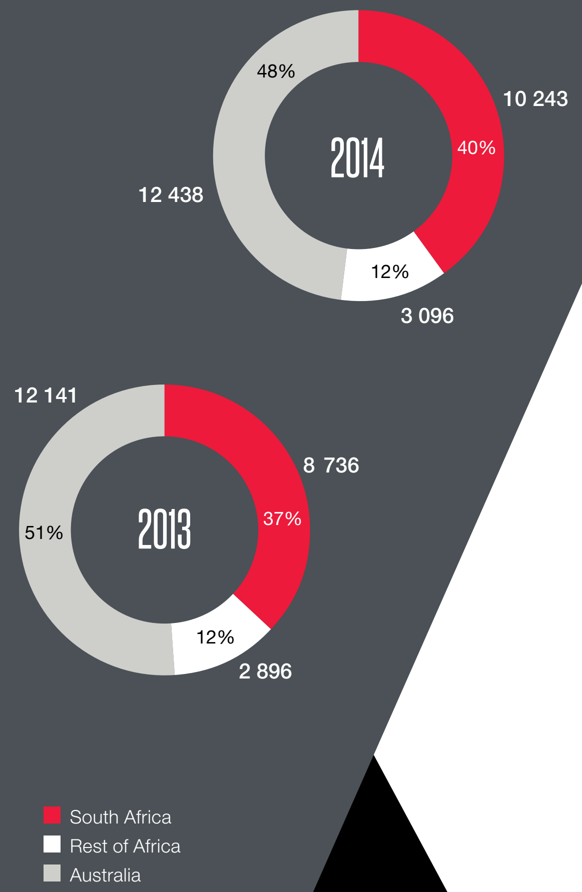
"In the construction industry you have to be adaptable and flexible enough to "go where the work is", especially when conditions are challenging, and I am comfortable that we continue to have this vital capacity, without compromising our standards."

Read more on page 16

OPERATING PROFIT (R'm)
continuing operations



REVENUE (R'm)
continuing operations



LOUWTJIE NEL
CHIEF EXECUTIVE OFFICER

"Our construction divisions delivered a credible performance in the midst of challenging conditions within certain sectors of the economy. Being flexible, dependable and hard-working are suited to navigating competitive markets and our focus this year remained on keeping client relationships strong by delivering on projects. On the whole, I believe that this is something we have achieved."

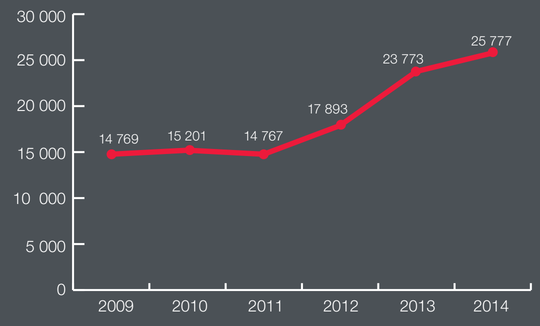
Read more on page 18

2014 HIGHLIGHTS

REVENUE
continuing operations

8,4%

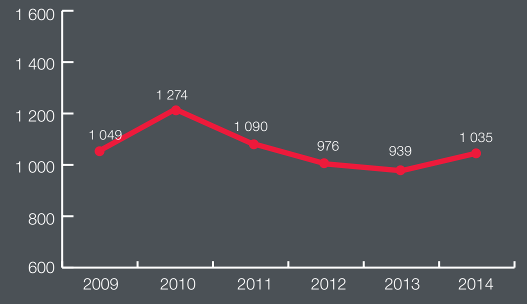
[2013: 32,9%]



OPERATING PROFIT
continuing operations

10,2%

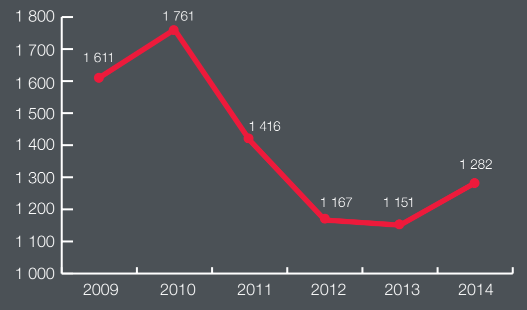
[2013: (3,7%)]



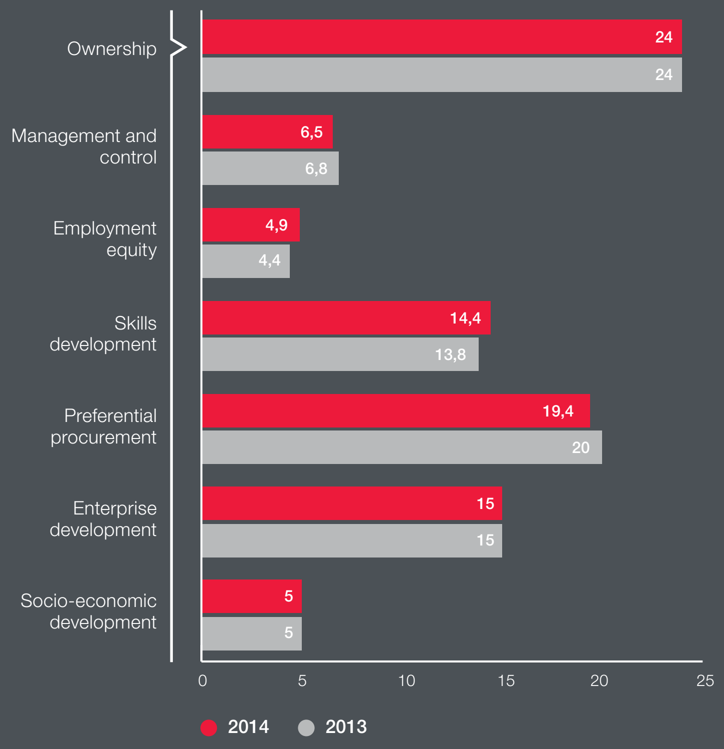
HEADLINE EARNINGS PER SHARE
continuing operations

15,4%

[2013: (1,4%)]



WBHO CONSTRUCTION SECTOR SCORECARD



LTIFR

0,94

[2013: 1,35]

TRAINING SPEND

R 38m

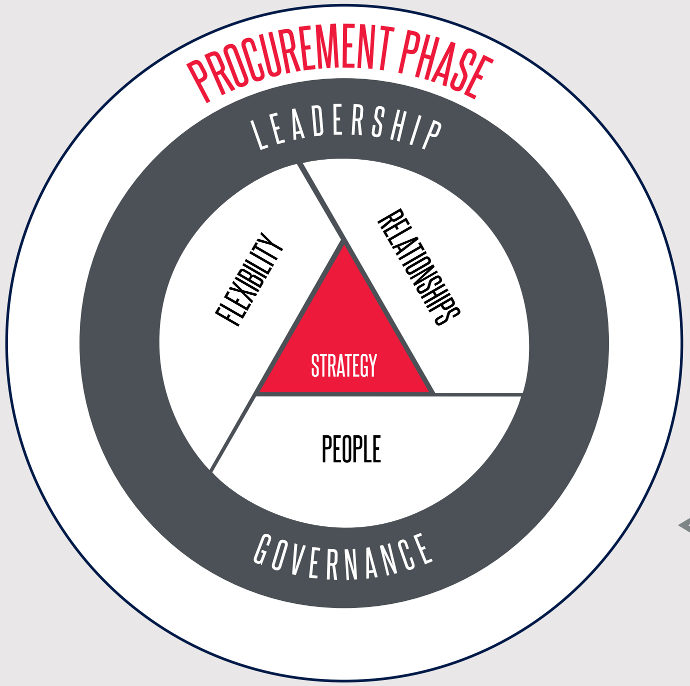
[2013: R33m]

BUSINESS MODEL

Strategic planning, risk management and governance form an integral part of the procurement process. During this process, the group leverages its inherent skills and expertise, brand and reputation, and financial strength to secure those projects that will achieve the implementation of its short to medium term strategic objectives. The quality of the submitted bid has a direct impact on the operational performance of the group.

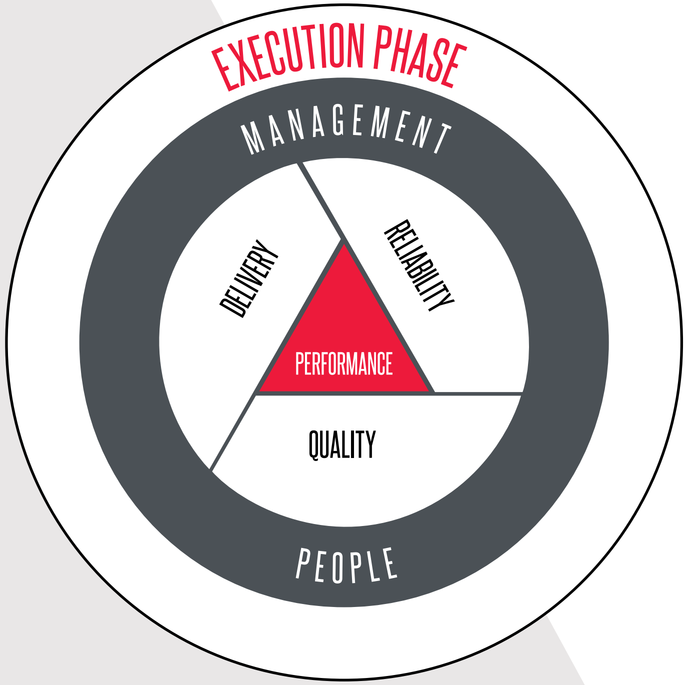
The construction business model consists of the simultaneous, continuous and inter-linked processes of project procurement and execution.

It is during the execution or operational phase that the brand and reputation of the group is created. The key fundamentals of reliability, delivery and quality, together with an ability to build and nurture relationships, underpin the motto of the group of 'being a pleasure to do business with'. This consistent experience when interacting with us generates repeat work and enhances credibility.



CAPITALS/INPUTS

HUMAN	**HUMAN**
◦ Skills and experience - tendering - project evaluation - resource planning	◦ Skills and experience - technical - resource management
SOCIAL	**SOCIAL**
◦ Key relationships - client - supplier ◦ Leverage brand and reputation	◦ Key relationships - client - supplier - employees ◦ Culture: the "WBHO Way"
FINANCIAL	**FINANCIAL**
◦ Guarantee facilities ◦ Enhances credibility	◦ Working capital investment ◦ Capital expenditure



STRATEGY

- Which geographies to target?
- Which sectors to focus on?
- Which clients to work for?

RISK MANAGEMENT

- How much exposure to any given sector/ client/geography?
- Project evaluation
  - Programme
  - Technical complexity
  - Available resources
- What margin to bid at?

PERFORMANCE

- Project and resource management
- Relationships
  - Client
  - Professionals
  - Suppliers and subcontractors
  - Staff and labour
- Technical expertise and competence

RISK MANAGEMENT

- Programme
- Technical complexity
- Cost control
- Project 'health checks'

BUSINESS STRUCTURE

BUILDING AND CIVIL ENGINEERING

The Building division of WBHO is recognised as a leader in the South African building industry. Having established a reputation for quality, reliability and delivering against budget, the division regularly exceeds client expectations. The division is able to negotiate a number of projects every year as a result. The Civil engineering division adds diversity to the margin streams of the division and strengthens the overall earnings.

SECTORS

RETAIL
EDUCATION
HEALTHCARE
COMMERCIAL
MINING INFRASTRUCTURE
INDUSTRIAL
RESIDENTIAL
HOTELS AND ENTERTAINMENT
ENERGY

ROADS AND EARTHWORKS

The Roads and earthworks division operates across multiple traditional civil engineering disciplines, as well as a number of specialist disciplines. The division has a particular strength when operating in Africa and has developed a successful formula for trading in the region. The division differentiates itself with its modern fleet of plant and effective teams, which are encouraged to work together with clients and consultants for the mutual benefit of all parties.

SECTORS

ROADS
MINING INFRASTRUCTURE
RAIL
ENERGY
WATER
OIL AND GAS

AUSTRALIA

WBHO entered the Australian market in 2001 through its subsidiary Probuild. With the support of WBHO, Probuild is a tier one contractor across all building disciplines. Key to the success of this relationship has been the similar values, culture and attitudes of management. The group also operates in the civil engineering and roads and earthworks sectors.

SECTORS

RETAIL
RESIDENTIAL
HEALTHCARE
COMMERCIAL
MINING INFRASTRUCTURE
INDUSTRIAL
LEISURE
HOTELS AND ENTERTAINMENT

PROJECTS AND PROPERTY

The overriding purpose of the Projects and property division is to expose the group to a range of diversified margin streams within the boundaries of the construction environment.

SECTORS

CONCESSION ARRANGEMENTS
TURNKEY PROJECTS
ENGINEER, PROCURE, CONSTRUCT PROJECTS
PUBLIC PRIVATE PARTNERSHIPS
GOLF ESTATES
RESIDENTIAL APARTMENTS

CONSTRUCTION MATERIALS

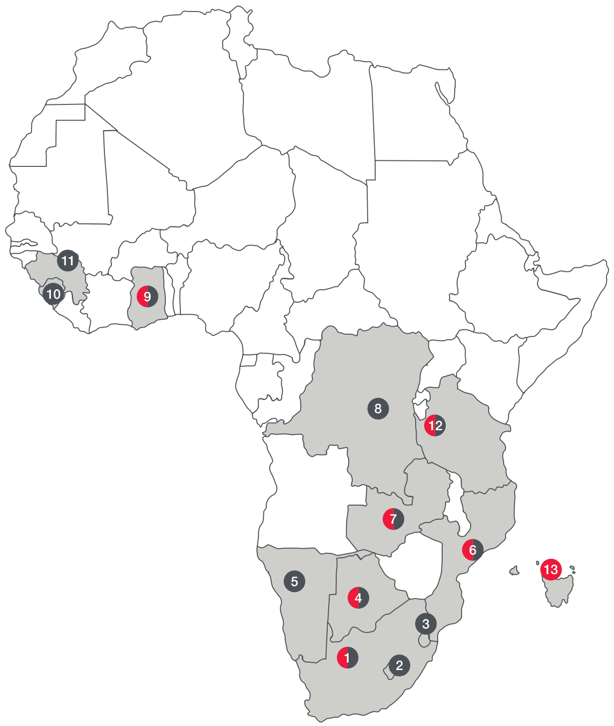
WBHO conducts its operations within the construction materials segment through the Capital Africa Steel group of companies, in which it has held a strategic interest since 2002. Capital Africa Steel operates various businesses within this sector. After a long period of challenging conditions, the group is in a process of unbundling non-core and under-performing investments, as well as assessing its industrial portfolio in general.

SECTORS

REBAR
QUARRIES
PIPE MANUFACTURE
AGGREGATES

FOOTPRINT

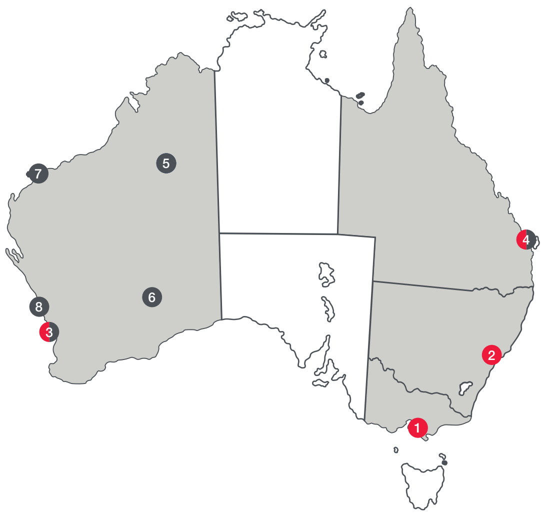
AFRICA



1. South Africa
2. Lesotho
3. Swaziland
4. Botswana
5. Namibia
6. Mozambique
7. Zambia
8. DRC
9. Ghana
10. Sierra Leone
11. Guinea
12. Tanzania
13. Mauritius

● **BUILDING AND CIVIL ENGINEERING**
● **ROADS AND EARTHWORKS**

AUSTRALIA



1. Melbourne (Victoria)
2. Sydney (New South Wales)
3. Perth (Western Australia)
4. Brisbane (Queensland)
5. Karratha (Western Australia)
6. Goldfields (Western Australia)
7. Pilbara (Western Australia)
8. Geraldton (Western Australia)

● **BUILDING**
● **CIVIL ENGINEERING**

CONTENTS

The Wrap Apartments: a 41 storey, residential tower in Melbourne, Australia.

BOARD RESPONSIBILITY

The board acknowledges its responsibility for the completeness and integrity of this integrated report and its supplementary information. Our integrated reporting process continues to evolve and while we have made progress in incorporating best practices to improve the level of reporting in the current year, we will continue to develop this process in future years.

The board reviewed and approved the content of this integrated report prior to publication.

Mike Wylie
Chairman

Louwtjie Nel
Chief Executive Officer

6 October 2014

STATEMENT OF COMPLIANCE BY THE COMPANY SECRETARY

I confirm that the company has lodged with the Registrar of Companies, all returns that are required to be lodged by a public company in terms of the Companies Act of South Africa, in respect of the year ended 30 June 2014, and all such returns are true, correct and up to date.

Shereen Vally-Kara
Company Secretary

6 October 2014

ABOUT THIS REPORT

Each year, Wilson Bayly Holmes-Ovcon Limited (WBHO) prepares its integrated report, the purpose of which is to provide stakeholders, such as clients, employees, shareholders, investors, analysts 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 group for the year. This report focuses on the issues that are material to the operations and objectives of the business during the reporting period. In determining what information to present and how to prioritise topics, we have been guided by (i) our strategic issues and objectives (ii) legislative and regulatory requirements and (iii) ongoing consultation with our stakeholders.

The Audit and risk committee is responsible for overseeing the content of this report, which it recommended to the board for its ultimate approval.

In keeping with previous reports, we have strived to balance accessibility and convenience with full disclosure and transparency. In the interests of accessibility, we have presented the critical information as concisely as possible in this printed version. In the interests of full disclosure and transparency, we have published supplementary information on our website at www.wbho.co.za

Scope and boundary

This integrated report covers our fiscal year of 1 July 2013 to 30 June 2014. The scope of this report encompasses all operating subsidiaries of the company and covers relevant aspects of its African and Australian operations. During the year Capital Africa Steel became a subsidiary of the group. There have been no other significant changes during this reporting period in terms of the size, location, structure or ownership of the organisation.

Basis of preparation

This report has been produced in line with the recommendations of the King Report on Governance for South Africa 2009 (King III), the Listings Requirements of the Johannesburg Stock Exchange (JSE) and the guiding principles and content elements suggested by the International Integrated Reporting Council (IIRC) and the Global Reporting Initiative (GRI). We have sought to compile this report in accordance with the GRI reporting guidelines. For more detail regarding our GRI application, please refer to the GRI content index published on our website at www.wbho.co.za. There were no significant restatements from prior periods and external assurance has not been sought on the non-financial disclosures made in this report, but an internal assurance process has been applied to ensure the integrity of the information provided.

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 group Company Secretary, Shereen Vally-Kara on (011) 321-7200 or Shereen_Vally-Kara@wbho.co.za

OPERATING CONTEXT

OPERATING CONTEXT	IMPACT/RISK/OPPORTUNITY	STRATEGIC RESPONSE
SOUTH AFRICA		
STRONG ACTIVITY IN THE BUILDING SECTOR	◦ Margins have returned to industry norms ◦ Order books at record levels	◦ Strategic project selection ◦ Capacity management ◦ Recruitment
CONTINUED REDUCTION IN SPENDING WITHIN THE MINING SECTOR	◦ Fewer work opportunities ◦ Increased competition ◦ Decreased margins on projects	◦ Focus on sectors demonstrating better activity ◦ Nurture relationships on existing projects
IMPROVED ACTIVITY IN THE ROADS SECTOR	◦ Re-weighting of secured work ◦ Challenging urban projects ◦ Lower margin sector	◦ Focus on execution of projects
POOR TRADING CONDITIONS IN CONSTRUCTION MATERIALS MARKETS	◦ Poor performance from CAS group of companies in second half of the year ◦ Viability of pipe factory threatened	◦ Sale of non-core businesses ◦ Decision to sell pipe factory ◦ Reassessment of industrial portfolio in general
A PERPETUAL FOCUS ON SAFETY	◦ Responsibility for the safety of all employees on our sites ◦ Increased/reduced ability to procure work in certain sectors depending on safety statistics ◦ Enhancement of damage to brand and reputation	◦ New initiatives each year to embed a culture of safety within the organisation ◦ Visual field leadership initiative for FY14 ◦ Accountability from the top down
SHAREHOLDER ACTIVISM IN RESPECT OF EXECUTIVE REMUNERATION	◦ Criticism of transparency of existing remuneration policies	◦ Consultation with key shareholders ◦ Amended remuneration policy
OUTCOME OF COMPETITION COMMISSION INVESTIGATION INTO THE CONSTRUCTION INDUSTRY	◦ Damage to reputation ◦ Client concerns and enquiries into how their projects were affected	◦ Honest and open communication with stakeholders ◦ Enhanced governance processes introduced
INCREASING PRESSURE RELATING TO TRANSFORMATION	◦ Revised empowerment targets in respect of the generic DTI scorecard ◦ Increased pressure from Department of Labour over employment equity plans ◦ Potentially lower empowerment score ◦ Impact on ability to procure work in certain markets	◦ Formation of a transformation committee ◦ Refining of initiatives to adapt to challenges and achieve objectives ◦ Representation on Construction Industry Sector Council

OPERATING CONTEXT	IMPACT/RISK/OPPORTUNITY	STRATEGIC RESPONSE
SOUTH AFRICA (continued)		
IMPACT OF INDUSTRIAL ACTION IN CONSTRUCTION AND RELATED SECTORS (MINING, STEEL ETC)	◦ Country and financial institution downgrades ◦ Currency weakness ◦ Potential challenges in supporting Australian growth from a rand balance sheet ◦ Impact on productivity and performance ◦ Intimidation of non-striking employees	◦ Open and regular communication with unions ◦ Willingness to listen to employee concerns ◦ Employee forums to air views ◦ Exploring new initiatives to improve productivity
20% COMPOUND GROWTH OF LOCAL BUSINESS OVER LAST 10 YEARS	◦ Increased size and scale of organisation ◦ Increased controls and standardisation ◦ Impact on culture	◦ Focus by CEO on retaining culture ◦ Programmes for new and existing employees
REST OF AFRICA		
LOW MINING SECTOR SPENDING IN THE REST OF AFRICA	◦ Broadened procurement strategy in the region	◦ Downsizing of teams ◦ Redeployment of people and plant into new geographies and sectors ◦ Maintain low-risk appetite
GROWING BUILDING DIVISION IN AFRICA	◦ Increased demands on SA expats ◦ Build relationships with local suppliers ◦ Increased quality and delivery risk	◦ Develop local teams ◦ Due diligence processes for new suppliers/subcontractors ◦ Implementation of ISO Quality management systems
DISCOVERY OF GAS FIELDS IN MOZAMBIQUE	◦ Source of potential new work opportunities	◦ Strategic positions taken up in key areas
AUSTRALIA		
MONITORING OF PRIOR YEAR RESTRUCTURING OF PROBUILD BUSINESSES	◦ Enhancement of brand and profile ◦ Ability to attract top talent ◦ Increase in size and scale of organisation	◦ Key appointments in strategic senior positions ◦ Embedding of new governance processes introduced in FY13
STRONG AUSTRALIAN BUILDING SECTOR	◦ Order books at record levels	◦ Marketing of profile and tier one status in strategic markets in order to bid on tier one projects ◦ Entry into new markets
EFFECTS OF DECLINING COMMODITY PRICES ON AUSTRALIAN MINING SECTOR SPENDING	◦ Fewer available projects ◦ Strong competition ◦ Declining margins on available opportunities	◦ New Roads and special projects division started to reduce reliance on mining ◦ Innovative solutions offered to clients to reduce costs

STAKEHOLDER ENGAGEMENT

Our stakeholder engagement continues to be focused on building mutually beneficial relationships with the parties and institutions that are most affected by, or most likely to influence, our business. We employ a variety of informal and formal methods to gather and exchange information with our stakeholders. The insights we gain through these exchanges are fed directly into our decision-making processes and inform the strategies of the group. The following table describes our key stakeholder groups and their main concerns.

STAKEHOLDER RELATIONSHIPS

	Stakeholder	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) ◦ Newsletters ◦ Company events ◦ Website updates ◦ Integrated annual reports	◦ Quality of work ◦ Capacity to deliver (skills and resources) ◦ Reliability and expertise ◦ Safety
INVESTORS	We aim to provide our shareholders and investors with returns 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 annual reports ◦ Company AGMs ◦ Analyst-hosted events	◦ Revenue growth ◦ Operating margin ◦ Return on investment/ dividends ◦ Order book ◦ Company sustainability ◦ Executive remuneration ◦ Leadership ◦ Corporate governance
EMPLOYEES	The success of any organisation is attributable to its 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 financing facilities.	◦ Regular one-on-one meetings ◦ Presentations ◦ Electronic communications	◦ Low debt-to-equity ratios ◦ Liquidity ◦ Financial and risk management processes ◦ Impact of exposure to Australian operations
SUPPLIERS AND SUBCONTRACTORS	Our ability to deliver relies heavily on the quality 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
GOVERNMENT	We regularly work with public sectors in different countries on large-scale infrastructural developments projects. We strive to be a good corporate citizen in every respect.	◦ Tenders ◦ Industry forums ◦ Presentations ◦ Skills development plans ◦ BBBEE scorecard submissions ◦ Construction Industry Charter Council	◦ Transformation and employment equity ◦ Job creation and skills development ◦ Payment of statutory revenues ◦ Regulation compliance
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.	◦ Meetings and consultations ◦ Community presentations ◦ Site visits ◦ Environmental impact assessments ◦ Awareness campaigns ◦ Sponsorships ◦ Donations	◦ Employment opportunities ◦ Environmental impact of our activities ◦ Local CSI initiatives

MAIN STAKEHOLDER ISSUES ARISING DURING THE REPORTING PERIOD

These were the issues that proved most material to both the group and our stakeholders during the period under review.

Investors: Executive remuneration

Having taken cognisance of feedback received from shareholders at the last annual general meeting, during the year, the group made significant amendments to the remuneration policy and the means by which senior executive pay is determined. In arriving at the proposed amendments, input was obtained from the major shareholders of the group. For further information regarding these changes, please see our remuneration report on page 46.

Clients: Implications of Competition Commission investigation

Our clients were naturally concerned about how the outcome of the Commission would affect them and so we have engaged with them in a clear and transparent fashion.

Employees: Safety

Always a key concern for WBHO and stakeholders, the LTIFR of the group has shown significant improvement in FY14, decreasing from 1,35 at 30 June 2013 to 0,94 at 30 June 2014. This is within the group target of less than one for the year and is largely attributable to a significant improvement in Australia, where the LTIFR decreased from 5,31 to 1,60 after a focused drive from the management team.

Financial institutions: Exposure to Australian operations

The group utilises the strength of its balance sheet to secure facilities for its Australian operations. The effects of a weakening Rand over the last two years have resulted in closer attention being paid to the performance of Australian projects.

Communities: Employment opportunities

The group regularly employs labourers from communities within areas in which we operate. As this labour is highly sought after and temporary in nature, various meetings were held with community representatives to resolve conflicts over which members should benefit from such employment.

Government: Transformation

Transformation and, more specifically, employment equity is a key priority for both WBHO and government. The generic DTI empowerment codes were amended during the year and the various industry charters have two years in which to align themselves. WBHO has a key role in the Construction Industry Charter Council and has proactively pursued this agenda. The group has also had a number of meetings with the Department of Labour in developing its employment equity plan.

For further discussion of our long-term material issues and how these influence WBHO as an organisation, please refer to the strategic and operational reveiw on page 20.

VALUE ADDED STATEMENT

		2014 R'm	2013 R'm
WEALTH CREATED	**CLIENTS**		
	Revenue*	**29 155**	25 343
	SUPPLIERS		
	Cost of materials and services*	**(22 317)**	(19 641)
	Wealth created	**6 838**	5 702
WEALTH DISTRIBUTED	**EMPLOYEES**		
	Payroll costs	**4 034**	3 432
	Share-based payment expense	**33**	25
	INVESTORS		
	Dividends paid to shareholders	**235**	242
	FINANCIAL INSTITUTIONS		
	Interest and finance charges	**66**	29
	Lease costs	**48**	9
	GOVERNMENT		
	Taxes and duties*	**1 845**	1 313
	COMMUNITIES		
	Corporate social investments	**5**	5
	Wealth distributed	**6 266**	5 055
WEALTH RETAINED	**WBHO**		
	Attributable earnings (less dividends paid)	**217**	370
	Depreciation	**355**	277
	Wealth retained	**572**	647

Includes value added taxation and sales taxation where applicable

MESSAGE FROM THE CHAIRMAN

"It has been a turbulent five years, unquestionably, but the performance of the group over this difficult period confirms for me the underlying health and stability of this remarkable construction company."

MIKE WYLIE

BEING OPEN, RESPONSIVE AND FLEXIBLE

On the whole, the construction industry has remained hampered by subdued conditions this year. The global reduction in mining-related work continues to have a significant impact and, in South Africa specifically, the delayed roll out of the public sector strategic integrated projects and persistent low levels of gross domestic fixed investment are clearly having an impact on the economy and the industry.

Last year, WBHO enjoyed good growth and, despite the difficult economic conditions and sustained pressure on earnings, the group has consolidated that growth this year. It has been a turbulent five years, unquestionably, but the performance of the group over this difficult period confirms for me the underlying health and stability of this remarkable construction company.

In the construction industry you have to be adaptable and flexible enough to 'go where the work is', especially when conditions are challenging, and I am comfortable that we continue to have this vital capacity, without compromising our standards. A significant part of our sustained revenue, for instance, is the result of an increased share in good quality private building sector work in Australia and Africa, where the profiles of the WBHO and Probuild brands continue to strengthen.

It is also rewarding to be told, from many corners, what a pleasure it is to do business with WBHO, and our commitment to high standards and hard work is reflected in the fact that we are now the biggest contractor in South Africa.

Flexible strategy is the best approach

Our industry is much less predictable than many others and we have to adapt to a constantly changing mix of work and geographical spread. The skill is being agile and flexible enough to support our clients in the disparate economies and sectors in which they are operating. As a construction company — operating in a high-risk, low-margin industry — it is prudent to define your strategies and business model as flexibly as possible.

Genuine transformation takes time

Ongoing challenges for us are the industry-wide skills shortage, labour uncertainty and productivity, and, in South Africa in particular, the urgent need for transformation. These are pressing issues to which there are no easy, short-term solutions.

Even though we are a level 2 BBBEE contributor, our employment equity levels are not where we would like them to be and this remains an area to which management is paying particular attention. Likewise, our Enterprise Development Programme continues to mentor 15 emerging contractors successfully, but we recognise that more needs to be done.

We are addressing this issue with urgency, but acknowledge that genuine, lasting transformation cannot be superficial. Opportunity and experience work in tandem and we have had to accept that it takes time to groom talented individuals successfully, despite our investment in training and skills development being at an all-time high. Bearing this in mind, it is pleasing to see the solid progress that has been made up to middle management levels in the company.

Governance and remuneration

From a governance perspective, I am delighted to report that we have made a great deal of progress in aligning our remuneration report to the best practices contained within King III. We have introduced thresholds, targets and KPIs to ensure that short-term incentives are more closely tied to group performance and we have finalised our long-term incentive schemes.

Executive director, Mr JP (Kobie) Botha, resigned from the board in January 2014 and we thank Kobie for his important contribution to the success of the company and wish him well in his future endeavours. To fill the vacancy, Mr Ross Gardiner has been appointed as an independent non-executive director and I would like to take this opportunity to welcome him to the team.

I would also like to take this opportunity to thank the members of the board for their continued invaluable guidance and unwavering support this year.

Forty wonderful years

This report marks the start of my 40th year as part of the WBHO team and I am extremely proud to be a part of this world-class company. Our continued success and growth, in spite of the challenging environment, is a credit to the entire team and, I believe, further evidence that our commitment to being open, flexible and responsive to our clients and their needs is the secret to our success.

Mike Wylie
Chairman

MESSAGE FROM THE CEO

"We have come through another difficult year with the executive team intact and having an experienced, proven team is fundamental to our strong, distinctive culture and our consistent delivery."

LOUWTJIE NEL

KEEPING THE TEAM INTACT

Following significant growth last year, revenues have consolidated in the current reporting period. Overall, our construction divisions delivered a credible performance in the midst of challenging conditions within certain sectors of the economy. Subdued activity in the mining sector, in particular, continued to impact our Civil engineering and Roads and earthworks divisions adversely. Of notable concern this year were further frustrating performances from our investments in the construction materials segment. On the positive side, nonetheless, we experienced good growth in the Australian and South African private building markets and the expansion of our African building division continues to gain traction.

Our key fundamentals of being flexible, dependable and hard-working are suited to navigating competitive market conditions and our focus this year remained on keeping client relationships strong by delivering on projects. On the whole, I believe that this is something we have achieved.

Disposal of non-performing businesses

The prevailing difficult market conditions, together with various production constraints, contributed towards poor results from Capital Star Steel (CSS), which prompted the decision to dispose of the business. While we are disappointed that we have not been able to turn the company around, the decision reflects an honest recognition of the lack of value being created for shareholders and forms part of a reconsideration of our industrial portfolio in general.

The WBHO Way

I continue to entrench our culture and commitment to doing things ‘the WBHO Way’ since success and growth can weaken this aspect of an organisation — even though it is a distinctive ingredient in its success. Accordingly, it is gratifying to see how this priority has been embraced by senior management and how ‘being a pleasure to do business with’ is being reflected in the attitude of our people at every level.

Our culture is our guide, but it is not static and cognisance is being taken of the ever-changing environment within which we operate and the fact that ‘the WBHO Way’ has to be progressively aligned with the future as well. Part of this is attracting and developing talented young people and I am pleased to see the substantial efforts being made in terms of the WBHO Academy and the success of our graduate programme, as well as in the way senior members of staff are making themselves available to their younger colleagues.

Safety

The new safety practices we initiated last year are in place and beginning to take effect, and this year we have introduced further measures, incorporating peer reviews and visible field leadership from the top down. I am happy to report that we achieved an overall LTIFR of 0,94, down from 1,35 in the previous year and below the group target of less than 1,0 for the first time. The most significant improvement came from Australia, where the LTIFR decreased from 5,3 to 1,6. All in all, it is a very commendable result.

Prospects

The order books of our South African and Australian Building divisions are healthy and the growth prospects for building in the rest of Africa appear promising. Margins within our Civil engineering and Roads and earthworks divisions are dependent on a turnaround in the mining sector and the ability of government to deliver on its large infrastructure objectives. Although we have seen an encouraging increase in activity from our local mining clients, we believe a recovery is only likely over the medium term. The focus of the Presidential Infrastructure Coordinating Commission by government is also a good sign and seems to demonstrate a renewed commitment to delivering on the proposed infrastructural upgrades.

Through our Projects team, we successfully delivered on the Kathu renewable energy project in the Northern Cape during the year and secured new contracts for the Department of Statistics, an office development on a PPP basis and an EPC for a 100MW gas-fired power station in Mozambique.

The Projects team continues to play a strategic role in sourcing these value-add projects for the construction divisions of the group; however, we remain alert to the additional risks these types of contracts entail and are extremely vigilant about ensuring that we have the requisite skills and partners available when deciding which projects to pursue.

Risk management will continue to be a priority during both the procurement and execution phases within the group. We have learnt valuable lessons from some of our under-performing contracts and will apply this insight to future projects.

An experienced, proven team

Following what has been a difficult number of years for the construction industry, we have come through yet another 12 months with the executive team intact. It is perhaps easy to underestimate the importance of an experienced, proven team, but it is fundamental to our strong, distinctive culture and our consistent delivery, especially in challenging market conditions.

Lastly, I would like to thank all of our employees and pay tribute to the contribution that they each make to the ongoing success of WBHO.

Louwtjie Nel
Chief Executive Officer

STRATEGIC AND OPERATIONAL REVIEW

This section of the report presents the long-term strategic objectives and material issues of the group. These strategic objectives are implemented through the individual operating divisions, which focus on specific sectors within the construction environment, and the report then follows with a review of the respective strategic and operational performances of each division.

LONG-TERM STRATEGY: GEOGRAPHIC AND SECTOR DIVERSIFICATION

The group has, over recent years, successfully implemented a diversification strategy, not only to facilitate its growth objectives, but also to mitigate risk and reduce earnings volatility over the long term.

Each of the various sectors and geographies from which the group sources its projects has its own inherent risk profile and corresponding margins, as well as being exposed to differing effects from both global and regional economic cycles at different times.

By developing capabilities across a range of higher and lower risk markets, the overall risk profile of the group is controlled. At the same time, the effects of negative market conditions on a particular sector or geography can, to a greater or lesser extent, be mitigated.

Due to the cyclical nature of economies, exposure levels to individual sectors and geographies are controlled and managed over the short to medium term and, as a result, strategy and risk management form an integral part of the procurement processes of the group.

LONG-TERM MATERIAL ISSUES

These highlighted issues are based on the risks and opportunities present within our operating context and informed by our stakeholder engagement, risk management processes and business environment analysis. Senior management and the board review these material issues on a regular, ongoing basis. This section briefly describes each material issue and how it influences WBHO as an organisation, as well as our strategic responses. Further information on cetain of these issues is available at the group's website at www.wbho.co.za

Reputation

A visible profile in the marketplace and our reputation for reliability, consistency and value for money are critical to developing and maintaining close relationships with clients and being able to tender on large contracts successfully. Accordingly, entrenching our culture and commitment to doing things ‘the WBHO Way’ always remains a top priority for the group. We achieve this through the visible leadership of our executive and senior management in their dealings with clients, professionals, suppliers and our employees, as well as through regular discussion and debate regarding what it means to be part of the WBHO team in our various interactions with junior colleagues.

Capacity and talent management

The construction industry is faced with a serious skills shortage at almost every level and so developing and retaining skilled personnel is critical to our ability to deliver projects. Inadequate skills can lead to additional costs and delays on projects as a result of poor supervision, rework and waste. As well as ensuring efficient project execution, experienced management teams are required to grow a company. Keeping our teams intact is vital to achieving our short- and medium-term objectives. In response to this issue, we have implemented a range of initiatives over the last few years, including our engineering school, the WBHO Academy, the C4 management programme and formal mentoring programmes, the latest of which is on-site mentoring. Our training spend also increased to R38 million for the year under review. Further detailed information regarding our FY14 initiatives is contained in our training and skills development review, available online.

Health, safety and environmental sustainability

Construction is an inherently dangerous, high-impact activity. We maintain the very highest health and safety standards to ensure a safe working environment for our employees and subcontractors. We also have a moral and legal obligation to minimise our impact on the environment in the areas within which we operate. The group employs global best practices to monitor compliance to its policies and procedures in these vital areas of the business. During the year under review, we introduced further safety measures, incorporating peer reviews and visible field leadership. For further information regarding our current objectives in respect of these issues, consult our online FY14 safety and environmental reviews.

Transformation

The industry, and WBHO in particular, has made good progress and achieved a great deal in overall terms, but employment equity at senior levels remains a challenge. Even though the limited pool of suitably experienced engineers and the time needed to equip candidates with management capabilities remain significant obstacles, we continue to address this challenge proactively through our retention and development programmes, with a number of promising black individuals progressing through our ranks. The Enterprise Development Programme, in particular, continues to mentor 15 emerging contractors successfully. Consult our online FY14 transformation and skills development reviews for more information.

Labour

The labour environment is a growing concern, particularly in South Africa. The wealth gap quandary is one of the root causes and there is no easy, quick fix answer to this challenge. Increased labour unrest and industrial action has led to reduced productivity and project delays, as well as negatively impacting investor perceptions and foreign investment in certain sectors. We are particularly concerned about the trend of intimidation and violence that is emerging and which was evident in the two-week industry strike in September 2013. WBHO has played a role in industry labour negotiations and communicates openly and fairly with employees. This year, we have begun exploring new initiatives to address productivity within our teams. A full review of our human resource activities during the year is available online.

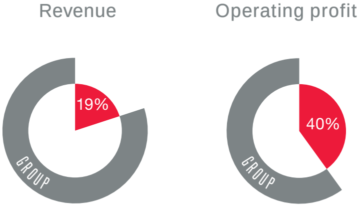
Regulatory and legal compliance

Compliance with the laws and regulations of the territories in which we operate is inextricably linked to the organisation's reputation. This, together with our obligation to behave as a responsible corporate citizen, means that regulatory and legal compliance is top of the governance agenda and is regularly reviewed by the Social and ethics committee.

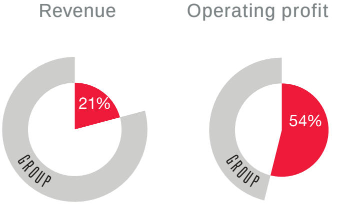
ROADS AND EARTHWORKS

		2014 R'm	2013 R'm
Revenue	(1,4%) growth	**5 002**	5 074
Operating profit	8,3% margin	**414**	505

2014



2013



STRATEGIC REVIEW

The Roads and earthworks division has successfully implemented the long-term geographic and sector diversification strategy of the group. The group has had a presence in at least 10 countries and has competencies across numerous sectors and civil engineering disciplines. With state-owned entities, provincial governments and large mining clients forming a significant portion of its client base, the division operates predominantly in the tender market.

Early on in FY13, the division began taking the necessary strategic steps to mitigate the impact of reduced mining activity on performance. This entailed restrengthening South African revenue streams and shifting focus to the road, pipeline and energy sectors, which were demonstrating healthier activity.

In the current year, the absence of an anchor project in West Africa, together with the suspension, and ultimate cancellation, of the Mayoko project in the Congo for Exxaro, necessitated a significant reduction in team sizes in the region and the redeployment of both personnel and a sizeable fleet of plant. This was successfully achieved with a minimum disruption.

The road sector has been particularly competitive in recent years, characterised by very low margins and onerous conditions of contract; however, between SANRAL, provincial governments and concession companies, it has provided a strong pipeline of projects to the market. Securing projects from this sector was key to strengthening local revenue streams in FY13 and remains an important part of the divisional project mix in FY14 as well. The heavy reliance of subsidiary company, Edwin Construction, on the provincial road market remains a concern; however, current activity levels in the sector make this a medium- to long-term issue.

While the Pipeline division has steadily grown revenue each year, entry into the large pipe-laying market has had both its challenges and its successes. While the market remains buoyant, current projects relate predominantly to the more technically complex water pipelines. Construction was hampered on certain projects by the problematic supply of both pipes, as well as related fittings, causing significant delays. The performance of the division in the city metros, in respect of smaller pipe-maintenance type projects, remains of strategic focus as this continues to contribute strongly towards profitability.

STRATEGIC AND OPERATIONAL REVIEW CONTINUED

The South African energy crisis has resulted in a number of large-scale projects for the industry in respect of both renewable energy and the construction of new coal power stations and was also a key element in the revitalisation of South African revenue streams. While not party to the actual construction of the Kusile Power Station (this has been left to the Civil engineering division of the group), the division has secured projects in excess of R1 billion in respect of ancillary works over the course of the last three years. The energy crisis is not limited to South Africa alone and through the Projects division of the group, a contract for the construction of a gas-fired power station in Mozambique was awarded to the division and recently commenced.

In the local mining sector, the division was awarded additional work at Glencore's colliery near Tweefontein, largely on the strength of the successful delivery of phase one of the overall project and demonstrates the 'WBHO Way' in action.

From a safety perspective, this year the division has pioneered the implementation of 'Visual Field Leadership', a strategic initiative incorporating demonstrable involvement and accountability from the top down and aimed at further improving safety on our sites. Training and skills development form part of an ongoing and continuous process of equipping employees with the requisite skills to uphold and deliver on the 'WBHO Way'. Each year, individuals are selected to attend the varied and specialised training and mentoring initiatives of the group.

PERFORMANCE

As detailed in the previous section, the subdued activity within the global mining sector has resulted in fewer available mining projects and a heavier weighting of secured work towards roadwork, mostly in South Africa, in recent years. The absence of an anchor mining project in West Africa, together with the competitive nature of the roads market post the global financial crisis, continues to affect the overall margin of the Roads and earthworks division, which has dropped to 8,3% in FY14 (9,9% in FY13). Although declining, given the current mix of projects, the margin achieved represents a solid performance from the division.

Revenue from the South African businesses (including the SADC regions) was broadly in line with that of the previous year. Increased revenues from the ancillary works at the Kusile Power Station and the Husab Uranium mine in Namibia offset lower SA revenue from the Pipeline division. Both Edwin and Roadspan performed well during the year.

Revenue growth from both Botswana and Mozambique substantially offset the sharp decline in revenue from West Africa, which consisted mainly of *ad hoc* maintenance-type work in FY14, with reduced teams in both Ghana and Sierra Leone.

Increased revenue from the North South Carrier (NSC) Pipeline made a strong contribution towards revenue growth in Botswana, which exceeded R1 billion in FY14. In our interim report, we reported on delays affecting the NSC project caused by heavy flooding. The time lost due to the floods, and the resulting repair work undertaken in the second half of the year, has placed the project behind programme, which is affecting profitability; however, the mining and airport projects in Botswana have performed well. In Mozambique, revenue grew by 16% following the start of the EN4 road rehabilitation contract for Trans African Concessions (TRAC).

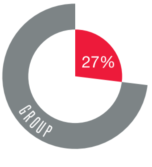
The lost-time injury frequency rate (LTIFR) of the division was 0,7 and R18 million was spent on training initiatives.

BUILDING AND CIVIL ENGINEERING

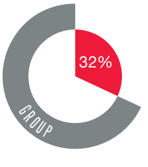
		2014 R'm	2013 R'm
Revenue	7,2% growth	7 002	6 529
Operating profit	4,7% margin	329	240

2014

Revenue

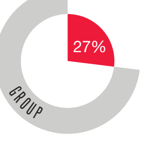


Operating profit

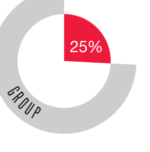


2013

Revenue



Operating profit



STRATEGIC REVIEW

The Building division has, in alignment with the overall long-term strategy of the group, focused on its geographic diversification objectives in recent years. Prompted by challenging local market conditions and a maturing market for developers, the division has sought long-term penetration of building markets in the rest of Africa. Initially partnering with a key client with whom it has a long successful history, the division successfully 'cut its teeth' in the retail sector in Ghana and a sound platform has been developed from which to explore opportunities in new countries.

The South African building market is steadily emerging from what has been an exceptionally difficult operating environment. Characterised by protracted low margins, which could easily be eroded by operational inefficiencies, project execution has been of key importance over this period. This continued to be top of mind in the first half of FY14, as the remaining projects secured in this environment were completed. Yet, as the secured work steadily grown, strategic focus has shifted toward careful project selection at tender stage; increasing our capacity without compromising quality or standards and effective resource management so as to obtain the maximum value.

The strengthening building activity has been localised in Gauteng and KwaZulu-Natal (KZN) and comes mostly from within the retail and commercial office sectors, where the core competencies of the division lie. Unlike the Roads and earthworks division, the clients of the Building division are largely from the private sector and it continues to negotiate the large majority of its projects on the strength of its reputation for consistent delivery, demonstrated through a proven track record. Leveraging its brand and reputation, along with long-term relationships, the division has increased its market share.

A stagnant market in the Eastern Cape, with few large-scale projects and declining revenues, resulted in excess resources being deployed to assist the teams in Gauteng. In addition to redeploying excess resources from the Eastern Cape to Gauteng, the division has also recruited new employees to bolster capacity, particularly in KZN where the staff complement has increased by a third. Implementing our training and development initiatives for new and existing employees is crucial to achieving our quality standards over this busy period.

The KZN division, as part of its growth objectives, entered the rural housing market during the year. Although not particularly challenging from a technical perspective, the remote locations of the projects create various logistical and supply chain challenges, while lengthy payment terms require a significant working capital investment. Yet, having taken cognisance of the inherent financing cost, these projects are able to deliver better returns than traditional building projects, and at acceptable exposure levels, complement the overall mix of work.

The division also leverages the strong financial position and healthy cash balances of the group to unlock strategic projects for known developers/clients by providing financing for these projects. All projects are vetted by the Credit committee of the group and appropriate third-party security is obtained ahead of construction commencing. This strategy has been particularly successful in the Western Cape division where tourism has kept demand for residential apartments strong, yet financing has been more difficult for developers to obtain post the global financial crisis. It has also provided the Property team with opportunities to co-develop on selected properties. Financing has also been provided to a few key strategic clients in Gauteng and, as well as enhancing these relationships, has, in aggregate with the Cape projects, unlocked work opportunities in excess of R2 billion over FY13 and FY14.

The division has also had a strategic presence in the renewable energy sector, executing the civil works component of the Kathu renewable energy project in the Northern Cape, on behalf of the Projects division of the group.

The Civil engineering division faced another challenging year in FY14. Its exposure to the mining sector has meant that the prevailing conditions have not only had an impact on revenue, but stiff competition has also hampered margins and performance.

The exposure of the division to the energy sector through its participation in the Kusile Joint Venture has been crucial to top-line performance in the year and highlights the importance of diversification.

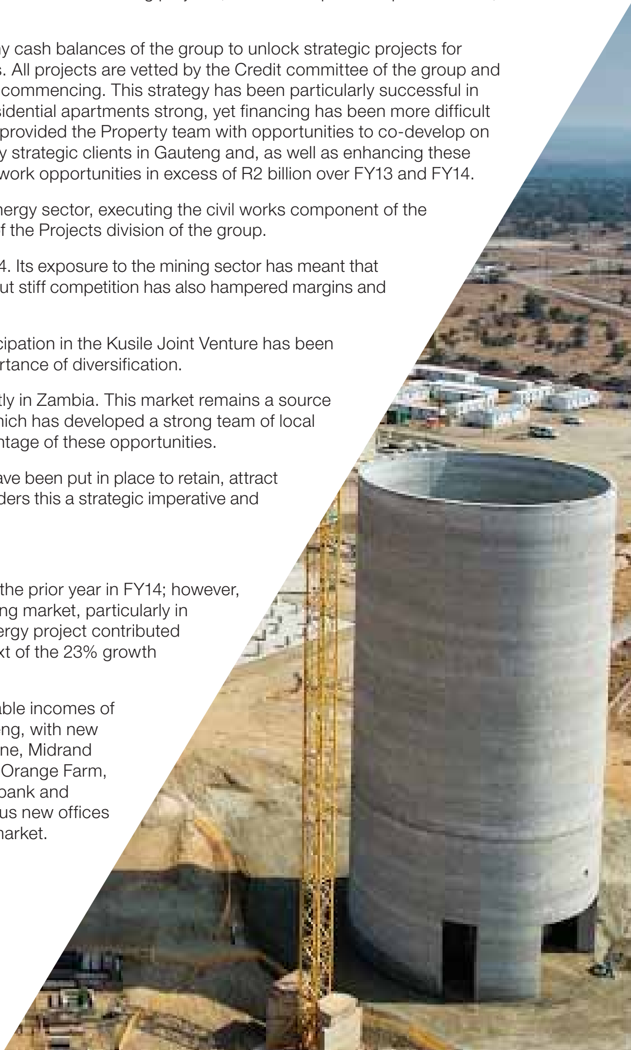
The division has also had a presence in Africa for some time, mostly in Zambia. This market remains a source of ongoing projects and is a key strategic focus for the division, which has developed a strong team of local talent, who together with South African expatriates, will take advantage of these opportunities.

Skills are a persistent strategic concern for the division. Initiatives have been put in place to retain, attract and develop young engineers, in particular, but management considers this a strategic imperative and continues to review and refine efforts in this regard.

PERFORMANCE

Revenue from the Building division was broadly in line with that of the prior year in FY14; however, margins have shown some improvement in light of the strengthening market, particularly in the second half of the year, at which time the Kathu renewable energy project contributed strongly. The revenue performance should be viewed in the context of the 23% growth achieved in FY13 and reflects a period of consolidation.

Despite the effects of difficult economic conditions on the disposable incomes of consumers, the retail sector remains resilient, particularly in Gauteng, with new developments under construction in the major city areas of Tshwane, Midrand and Newtown in Johannesburg, as well as in the outlying areas of Orange Farm, Heidelberg and Krugersdorp. In addition, existing centres in Rosebank and Sandton have refurbishments and upgrades in progress and various new offices for large corporate organisations further supported the Gauteng market.



STRATEGIC AND OPERATIONAL REVIEW CONTINUED

In KZN, development in and around Umhlanga and Ballito has grown steadily since the opening of the King Shaka Airport. New corporate offices have underpinned the growth of the KZN division this year, although the healthcare sector, both public and private, also contributed strongly towards performance.

In the Western Cape, growth in tourism not only supported demand for residential apartments, but also ongoing development within the V&A Waterfront, both of which have provided a strong source of projects for the division.

The Eastern Cape division has had a challenging year with a significant decrease in activity in the region. This, together with some under-performing contracts, resulted in a poor performance; however, the order book of the division has shown improvement in the second half of FY14. The successful completion and handover of the FAW truck assembly plant for a Chinese client was, nonetheless, a highlight of the year.

As mentioned earlier, the expansion of the geographical footprint of the division into Africa continued to gain traction during the year with the award of two additional shopping centres in Ghana, replacing the West Hills Mall development that is nearing completion.

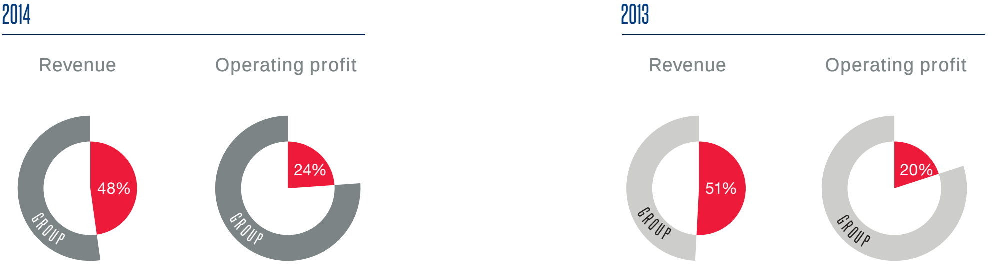
The Kusile Power Station continues to contribute strongly towards revenue for the Civil engineering division, as did the completion of projects at the Project Lion and Tweefontein mines. The construction of the new stadium in Bloemfontein is progressing well and contributed satisfactorily.

In Zambia, the division completed the Ndola Brewery for SAB Miller during the year and has established various relationships with other clients that provide sufficient projects to retain a presence in the region in the short to medium term.

The LTIFR of the division is 0,9 and R14 million was spent on training initiatives.

AUSTRALIA

		2014 R'm	2013 R'm
Revenue	2,4% growth	12 438	12 141
Operating profit	2,0% margin	250	184



STRATEGIC REVIEW

Through its presence in Australia since 2001, the group not only achieves its geographical diversification objectives, but also obtains exposure to a first world, developed economy, as opposed to the emerging market economies of Africa, acting as a natural currency hedge. Although Rand weakness did not have a significant impact on FY14 performance, it has, alongside strong organic growth, resulted in Australian revenues assuming a larger percentage of total revenue over time.

The group further diversifies its operations in Australia between building activities and civil engineering activities, implemented through Probuild and WBHO Civils, respectively.

The enhanced profile and increased scale of the Probuild group, created by the successful merger of Probuild and Contexx in FY12, are paying dividends under the prevailing strong conditions in the Australian building market. With full recognition as a tier one contractor across all building disciplines, the group delivered strong growth in FY13, which was consolidated in FY14, alongside further growth in work on hand of 127% (to be executed in FY15 and FY16).

With its stronghold in Melbourne and solid operations in Perth, the group has been seeking purposeful penetration of the Sydney market, which has been met with limited success, partly due to poor trading conditions. The recent improvements in the market have raised the importance of achieving this strategic objective. Management has spent considerable time and effort meeting with both developers and the financial institutions behind the projects to enhance the brand and profile of Probuild. Responsibility now rests with the operational teams to further cement this effort through the successful delivery of current projects.

Entry into the Brisbane building market was not directly on the radar of the group for FY14; however, developments within that market created an opportunity for Probuild to further expand its footprint, which was immediately seized. Following the recruitment of a well-respected industry leader to the team, the group secured two significant projects.

With the growing amount of work on hand, creating a governance framework appropriate for a company of this scale has been a priority. Focus remained on embedding the risk management and governance controls introduced in FY13, which were further enhanced this year, through the creation of more robust project reporting and health checks, peer reviews of tenders and standardisation of processes. Additionally, in an industry where the majority of work is subcontracted, the performance of these subcontractor companies is crucial and a process for conducting a thorough due diligence prior to appointment was also formulated.

While necessary to ensure sustainable growth, these very same controls can stifle flexibility and the culture of an organisation. As within WBHO, management has remained alert to this concern and has developed programmes for new and existing employees through which to ensure that the culture of the business is reinforced.

In terms of personnel, the general strategy around senior staff was to procure the best available leaders across the nation and this has been achieved, with key placements now made in all major areas of operation. Furthermore, with the volume of work Probuild is securing, the company is becoming established as a 'destination employer'. The group also further refined its graduate programme, which is now a recognised industry leading initiative.

The global slowdown in mining activity has impacted the growth objectives of WBHO Civil, which sources the majority of its projects from this sector. While traditional maintenance-type projects are able to sustain existing revenues, there is a distinct lack of major projects on which to bid. As a result, management has created a Roads and special projects division aimed at reducing reliance on mining work, although penetration into these new markets will take time.

PERFORMANCE

Revenue from Probuild decreased by 7,3% in Australian Dollar terms; however, this was primarily due to targeted projects starting later than anticipated in the latter half of the year, rather than a decrease in activity. Demand within the Australian building market has been strengthening due to an increase in Asian developers investing in residential apartments, while developers within the retail market have now begun delivering large-scale retail developments to the construction market as well. Reflected in the 29% growth in activity levels in FY13, these buoyant conditions have been maintained through FY14.

The revenue from each of the divisions within the business was comparable with that of the previous reporting period, with the marginal decline in revenue originating from Melbourne and Monaco Hickey, which services in the pharmaceutical market and has experienced a slowdown. From a profitability perspective, the FY14 performance improved significantly, following the completion of the three loss-making projects reported on in FY13. A number of residential towers were also completed during FY14 and there are currently three new towers under construction. Construction on the Eastland, Chadstone and Werribee shopping centres is progressing well.

WBHO Civil revenue grew by 33,6% in FY14, supported mostly by the AU $113 million anchor project at the Burrop Technical Ammonia Nitrate Facility in the Pilbara, as revenue from mining-related projects continued to taper.

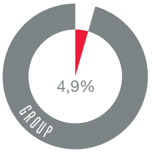
On-site safety, while of a high standard, also received the focused attention of management due to an unacceptably high LTIFR. The introduction of various safety initiatives, combined with better management of any incidents themselves, resulted in a drastic improvement in the overall Australian LTIFR from 5,3 to 1,6.

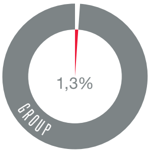
STRATEGIC AND OPERATIONAL REVIEW CONTINUED

CONSTRUCTION MATERIALS

		2014 R'm	2013* R'm
Continuing operations			
Revenue	54% growth	1 251	814
Operating profit	1% margin	14	63
Discontinued operations			
Revenue	(42%) growth	484	835
Operating loss	(14%) margin	(66)	(26)

2014





* *Not consolidated in FY13, for comparative purposes only.*

STRATEGIC REVIEW

Having restructured the capital funding within Capital Africa Steel (CAS) and placed new leadership in most businesses, we began the year intent on disposing of the non-core and underperforming shelving and racking businesses and returning the group to profitability. The disposal of non-core businesses was achieved. Regrettably though, various production constraints and adverse trading conditions within the pipe-supply market halted any progress at Capital Star Steel (CSS), the pipe factory in Mozambique, and ultimately necessitated a complete reversal in strategy, resulting in a decision to sell the business and a review of the entire industrial portfolio of the group in general.

Having disposed of Symo Steel and Krost Shelving during the year and with Dywidag and Capital Star Steel in the process of being sold, only the rebar, ready-mix and quarry businesses remain within the CAS group. Although well-run and sustainable businesses, the group is currently in a process of reassessing their long-term strategic value.

PERFORMANCE

Improvements within the building market have yet to filter through to the construction materials markets that supply into it (rebar, ready-mix and aggregate products). This, combined with the effects from the stagnant mining sector, saw conditions deteriorate in the second six months of the reporting period. Oversupply, declining margins and rising input costs during this period diluted what had been a promising first six months from these businesses.

In respect of the pipe supply market, the slower growth of the Chinese economy in recent years has resulted in an oversupply of pipe within the global market, which has driven prices down. At the same time, steel prices have increased and demand in the SA pipe market has decreased. Erratic electricity supply in Mozambique further hampered productivity at the CSS pipe factory and, in this environment, the decision to sell CSS was reached by the CAS board. The financial impact of this decision is fully discussed in the CFO's financial review on page 34 of this report.

PROJECTS

STRATEGIC REVIEW

The PPP/EPC type projects secured by the Projects team remain a strategic focus of the group. Incorporating better margins due to their higher risk profile, these projects form an important component of the overall mix of work.

The renewable energy sector has generated a significant number of projects upon which to bid and the division secured the Kathu project in round one of the bids. The early generation of power onto Eskom's grid and the imminent successful completion of the project again highlight the ability of the division to partner, manage and co-ordinate these types of projects.

PERFORMANCE

In addition to successfully managing the completion of Kathu, which has enhanced the strategic profile of this division in the marketplace, the Projects team also reached financial close on a serviced accommodation concession for the Department of Statistics South Africa, as well as a 100MW gas-fired power station in Mozambique. The team remains the preferred contractor for the serviced accommodation concession for the Department of Rural Development and Land Reform in Tshwane, pending the final award of this bid.

PROPERTY

		2014 R'm	2013 R'm
Revenue	193% growth	**85**	29
Operating profit	33% margin	**28**	10

STRATEGIC REVIEW

Given the current state of property markets in South Africa, the Property division has, from a strategic perspective, focused on its existing developments, the Simbithi Eco-Estate in KZN and the St Francis Links golf estate in the Eastern Cape. The division is, however, regularly approached with co-development opportunities and remains alert for opportunities that may arise at an acceptable level of risk.

PERFORMANCE

All stands at the Simbithi Eco-Estate near the King Shaka International Airport in KZN have now been sold, with only a few stands remaining to be transferred in FY15. Sales at the golf course development at St Francis in the Eastern Cape remain lacklustre and, while no improvement is anticipated by management in the short term, some initiatives have been implemented in an attempt to stimulate interest in the development. The holding costs to the developer to maintain the estate are minimal.

Phase 1, 2 and 3 of the Alice Lane Precinct in Sandton, developed by Abland and incorporating new offices for Marsh, Sanlam/Santam and Bowman Gilfillian.

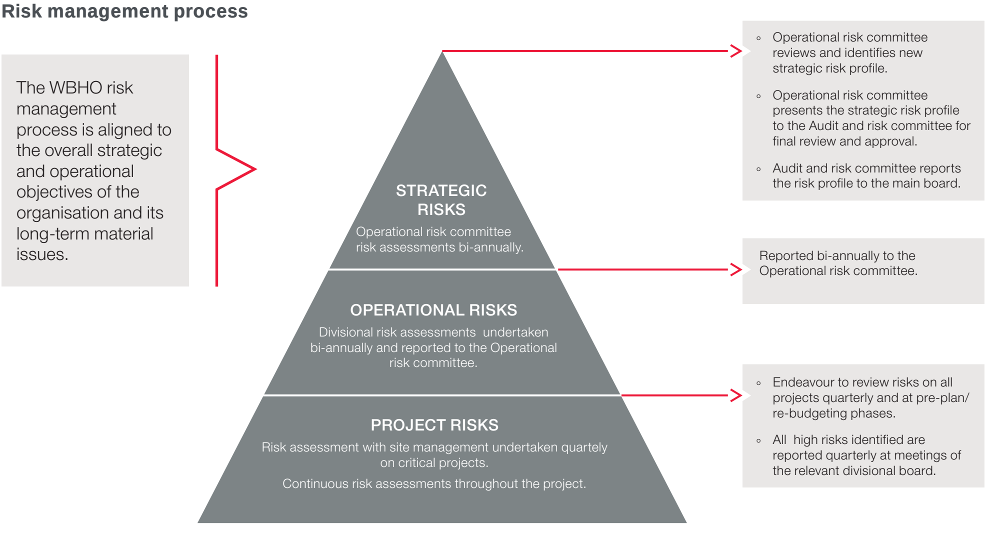
RISK REVIEW

This section of the report presents a concise overview of the risk management processes of the group and the movement of the top 10 strategic risks during the year under review. Further, detailed information regarding the way the group manages risk can be obtained on the WBHO website at www.wbho.co.za

RISK MANAGEMENT

Risk is inherent in all of the business activities of the group. The objective of the risk management processes is not to eliminate risk, but to provide the structural means to identify, prioritise and manage risk in the organisation.

Risk management process



Risk 1:
Volatile Rand
(uncontrollable)

The group supports certain of the financial facilities of its Dollar-based Australian operations from a Rand-based balance sheet. A weakening Rand decreases the strength of the local balance sheet. The risk is also contingent upon certain other embedded variables.

While recent country and bank downgrades have had an impact on the strength of the Rand, the overall rating is considered unchanged at **possible** and **major**.

Risk 2:
Shortage of critically skilled staff
(controllable)

The local construction industry has grown significantly in size over the last 10 years, yet the requisite number of skills have not kept pace with the result that there are numerous skills shortages across various levels.

Having been through a growth spurt in FY13, and with continually growing order books, the group has adjusted this risk from **likely** to **almost certain**, but reduced the impact from **major** to **moderate**. The group has various training and development initiatives and retention schemes in place to mitigate the risk as best as possible.

Risk 3:
Industrial action
(uncontrollable)

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

Following a two-week construction industry strike in September 2013 and ongoing strike action in both the steel and mining sectors, the risk was re-rated from **unlikely** to **likely**. The impact remains unchanged at **moderate**.

Risk 4:
Political instability
(uncontrollable)

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

Although having subsided by the time of this report, the risk of rising tensions in Mozambique between Renamo and Frelimo when the committee last convened resulted in the risk remaining **likely** and **moderate**.

Risk 5:
Contracting with unreliable parties
(controllable)

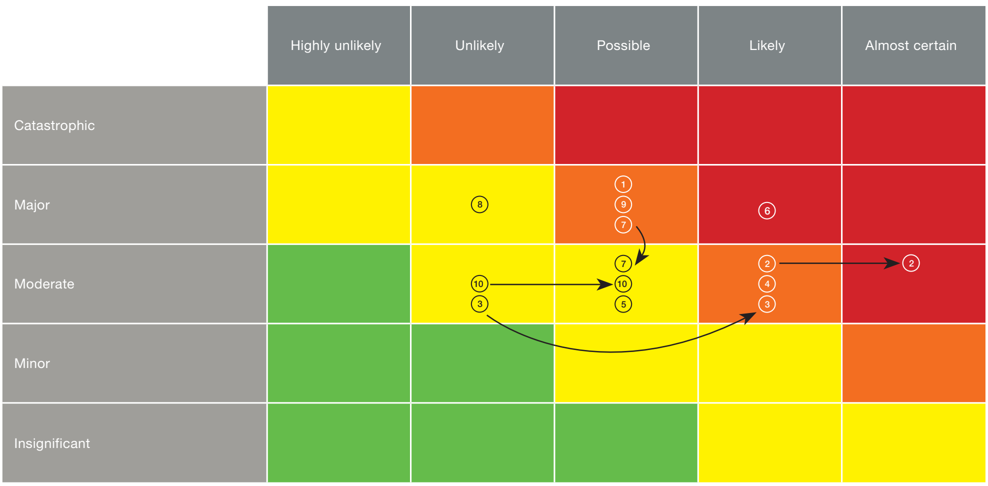
The group regularly contracts with new suppliers and clients. Due to the value and size of contracts, failure by the contracting parties can have severe implications: financial, operational and reputational.

The broadening of the procurement strategy of the group in West Africa and the expansion of its building footprint into Ghana has increased this risk; however, the group has sufficient due diligence and vetting processes in place to leave the risk unchanged at possible and **moderate**.

STRATEGIC RISK PROFILE

The board is, ultimately, responsible for risk governance and determines the level of risk tolerance within the organisation. The following risks have been identified by the Operational risk committee and ratified by both the Audit and risk committee and the board of WBHO. Each strategic risk is allocated to an executive committee member who assumes responsibility for monitoring and mitigating the risk.

Strategic risk matrix



Risk 6:
Performance of non-controlled companies
(controllable)

The group has investments in certain companies over which it may not have direct control. The performance of these companies is able to impact the financial performance and, in certain instances, the operational performance of the group significantly.

Due to the anticipated poor performance of the CAS group of companies on the overall financial performance of the group, the strategic risk profile has been amended to include this risk. It has been rated as **likely** and **major**.

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

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

The group implements global accredited quality, safety and environmental best practices across all of its operations, together with various ongoing prevention initiatives. Due to the many inherent variables, the committee still believes an incident to be possible, but has downgraded the impact from **major** to **moderate**.

Risk 8:
Impact of changing market dynamics on our growth
(uncontrollable)

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

Although the impact would be major, the risk is viewed as **unlikely** and remains unchanged.

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

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

Further consequences of the Competition Commission investigation into the construction industry still exist, including possible sanctions by government. The risk has been rated as **possible** and result as a **major**.

Risk 10:
Untimely loss of key personnel
(controllable)

Key personnel are pivotal in achieving certain of the strategic objectives of the group, including its employment equity objectives. An untimely or unplanned loss of these individuals could be detrimental to the performance and empowerment rating of the group.

In the current environment, these individuals are highly marketable, despite retention initiatives and a high degree of loyalty among senior management; hence, the risk has been adjusted from **unlikely** to **possible**. The impact remains **moderate**.

THE CFO'S FINANCIAL REVIEW

"The group delivered a reasonable result from its core construction operations, despite persistent margin pressure on divisions exposed to the mining sector. We have not achieved our revenue growth target of 10%, but this has allowed the operational teams time to consolidate after the significant growth achieved last year."

CHARLES HENWOOD

The group delivered a reasonable result from its core construction operations, despite persistent margin pressure on divisions exposed to the mining sector. This was, however, negated by a disappointing performance from within the construction materials segment, which stemmed from significant impairments in respect of the pipe factory in Mozambique, as well as poor trading results in general. Together, these resulted in an overall decrease in earnings per share of 31% for the year, while headline earnings per share, which excludes the impact of the impairment, increased marginally by 1,9%. On a positive note, headline earnings per share from continuing operations increased by 11,4%, which formed part of the basis to maintain the gross dividend of 368 cents payable to shareholders.

KEY FINANCIAL INDICATORS	Target %	2014 %	2013 %
Revenue growth	10	8,4	32,9
Operating margin	4 to 6	4,0	3,9
Return on equity	20	14,4	14,3

SUMMARISED FINANCIAL PERFORMANCE	% change	2014	2013
Revenue	8,4	25 777	23 773
Operating profit before non-trading items (R'm)	10,2	1 035	939
IFRS 2 share-based payment (R'm)		(33)	(25)
Net finance income (R'm)		113	116
Share of profits and losses in associates (R'm)		11	(15)
Loss from discontinued operations (R'm)		(527)	–
Effective tax rate (%)		30	33
Earnings per share (cents)	(31)	764	1 104
Headline earnings per share (cents)	1,9	1 173	1 151
Earnings per share (cents) – continuing operations	15,4	1 275	1 104
Headline earnings per share (cents) – continuing operations	11,4	1 282	1 151
Dividend per share (cents)	–	368	368

Revenue

We have not achieved our revenue growth target of 10% in the current year; this, however, allowed the operational teams time to consolidate after the significant growth of 32,9% achieved in FY13. Static growth of 3,2% achieved by the Construction divisions of the group improves to 8,4% when combined with the revenue in respect of continuing operations from the Construction materials division. Growth from Africa of 6,9% (FY13: 16%) relates to good growth from the Africa Building division, but was negatively impacted by a decline in available mining projects, particularly in West Africa. In Australia, a marginal decline in revenue of 2% in Dollar terms improves to 2% growth in Rand terms, following further Rand weakness during the year. Revenue from discontinued operations amounted to R484 million.

Operating margin

The overall operating margin of 4% is within the target range of the group of 4% to 6%, but remains at the lower end, a result of declining margins from the Civil engineering and Roads and earthworks divisions, as well as the poor trading performance from the construction materials segment. Local building margins have, however, improved, positively affected by the performance of the Kathu project in the second half of the year, and the Australian margin increased to 2%.

IFRS 2 share-based payment

This year, a further 1 238 000 Akani shares were issued to 695 eligible employees. This brings to 2 173 the total number of employees currently participating in the scheme. This is the second year there has been a significantly large issue due to more employees being eligible for shares. The expense relating to the new issue was apportioned for a period of 10 months in the current year.

Net finance income

Net finance income is broadly in line with that of the prior year and incorporates interest received from financial institutions in respect of positive cash balances, interest received and accrued in relation to mezzanine financing arrangements, interest received and paid in respect of the South African Revenue Services and interest paid to financial institutions in respect of asset finance.

Taxation

As a group, we are subject to varying tax regimes, each with its own compliance requirements. As revenue authorities become more stringent in their enforcement of tax compliance, the tax practices and tax compliance of the group are submitted to regular scrutiny from tax officials. In addition to consulting with the local tax specialists in each regime, we have strengthened our internal tax team in recent years to better mitigate the additional tax risks presented and to ensure continued compliance. The effective tax rate of 30% is a result of foreign taxes raised in higher tax rate jurisdictions and withholding taxes levied on dividends repatriated during the period.

FINANCIAL REVIEW CONTINUED

BUSINESS COMBINATIONS	2014 R'm
Non-current assets	808
Current assets	871
Non-current liabilities	(135)
Current liabilities	(837)
Identifiable net assets	707
Fair value of previously held interest	(379)
Non-controlling interests recognised	(337)
Goodwill	9

On 1 July 2013, Capital Africa Steel (CAS) acquired 10,0% of its share capital for an amount of R15,9 million through a share buy-back transaction with the result that the shareholding of the group increased from 50,0% to 55,6%. Revenue and profit before tax in respect of the continuing operations of CAS included in the results of the group to 30 June 2014 amount to R1,3 billion and R4,2 million, respectively, as well as the loss of R527 million from discontinued operations.

DISCONTINUED OPERATIONS	2014 R'm
Revenue	484
Operating loss before non-trading items	(66)
Impairment of property, plant and equipment	(360)
Loss on disposal of operations	(40)
Onerous contracts	(35)
Operating loss	(501)
Share of associate profits	5
Net finance costs	(31)
Loss from discontinued operations	(527)

The shelving and racking businesses, Symo Steel (a division within CAS) and Krost (Pty) Ltd have been reported as discontinued operations, following their disposal during the year. Capital Star Steel and Dywidag Systems International (DSI), both of which are in the process of being sold, are also included.

The R360 million impairment is in respect of the pipe factory in Mozambique and combined with a provision of R35 million in respect of onerous contracts, comprises a significant portion of the overall loss of R527 million. The profit from associates of R5,2 million relates to DSI.

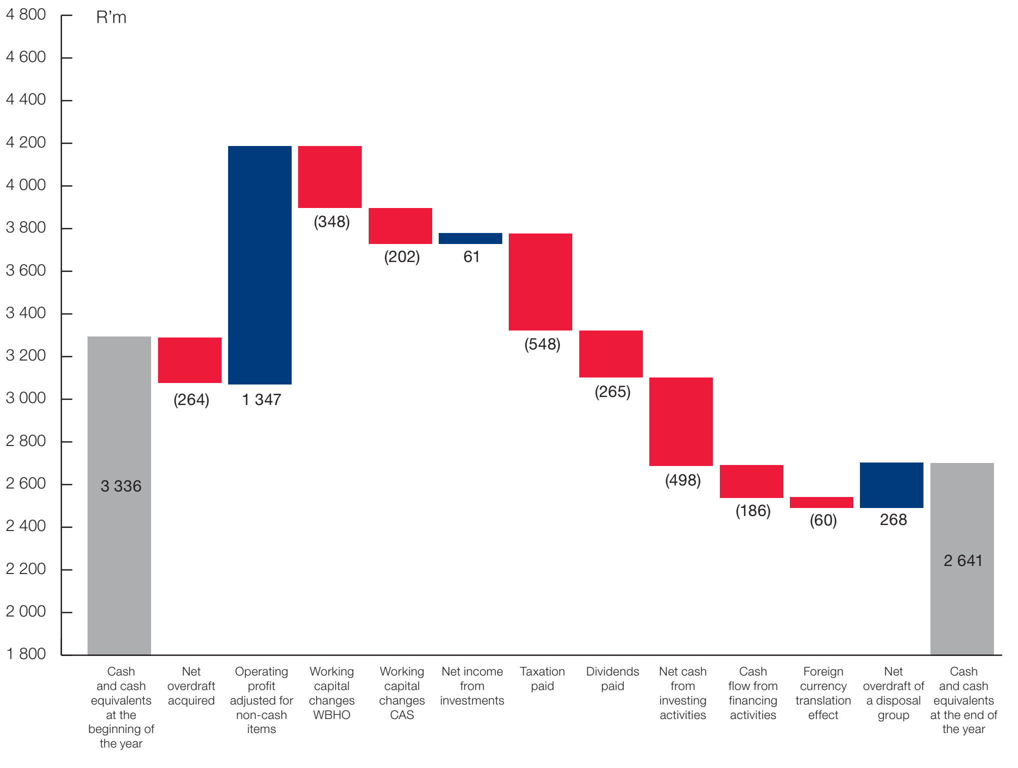
PROPERTY, PLANT AND EQUIPMENT	Approved 2015 R'm	Actual 2014 R'm	Actual 2013 R'm
Property, plant and equipment		2 163	1 950
Capex			
Plant and vehicles:			
Replacement	193	277	218
Expansion	48	83	279
	241	360	497
Property and other equipment:			
Replacement	16	86	44
Expansion	21	38	57
	37	124	101
Total	278	484	598

The carrying amount of property, plant and equipment increased from R1,9 billion to R2,1 billion, mainly due to the consolidation of CAS. Capital expenditure in the current year is weighted heavily toward the replacement of plant in accordance with the plant philosophy of the group. A budget of R278 million has been approved for FY15; R209 million in respect of replacement and R69 million in respect of expansion, which takes cognisance of current market conditions.

CASH BALANCES	2014 R'm	2013 R'm
Cash and cash equivalents	2 757	3 336
Bank overdraft	(116)	–
Cash generated from operations	797	1 584

Cash balances have declined by 17% to R2,6 billion due to the impact of the consolidation of CAS and investment in working capital of R345 million, largely in respect of a rain-delayed project incorporating milestone payments within one of the construction divisions of the group and revised creditor payment terms in Australia. Cash balances of R1,1 billion are held in South Africa, a decline of R532 million from FY13, and R1,4 billion is held offshore, of which R910 million is held in Australia.

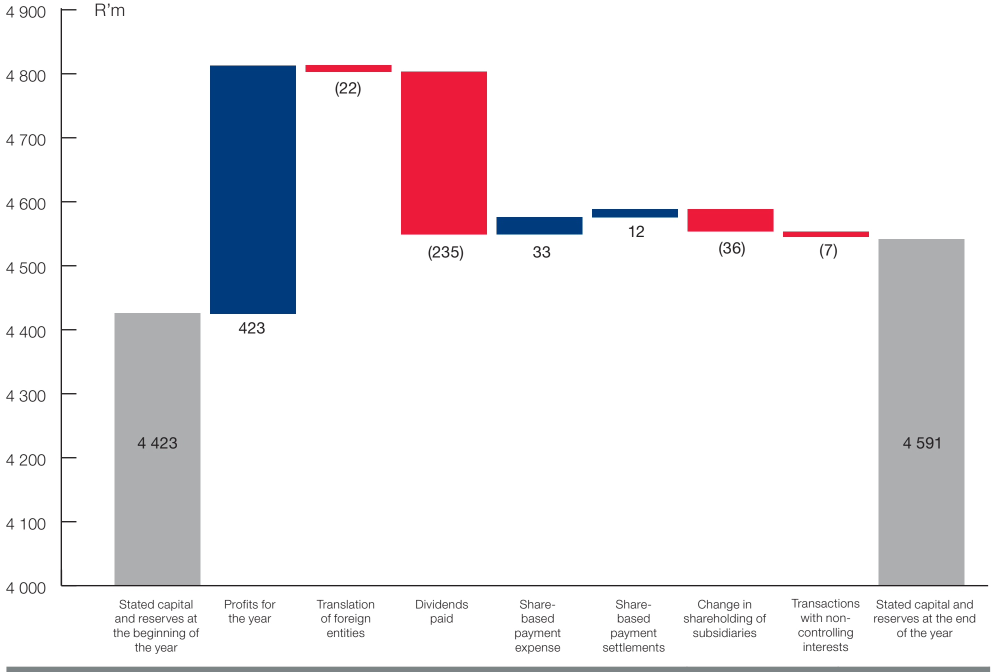
The following graph illustrates the movement in cash through the year. In addition to the R797 million generated from operations, R61 million in net finance income was earned on cash balances, R548 million was spent on taxes and R265 million was distributed to shareholders. The R498 million utilised in investing activities relates mostly to the purchase of plant and equipment and acquisition of non-controlling interests during the year. R186 million serviced the asset-based finance facilities. The overdrafts in respect of the discontinued operations are included with the liabilities of the disposal groups on the face of the statement of financial position. As a result, these are added back in the cash flow statement to arrive at the actual cash and cash equivalents and overdraft balances presented.



FINANCIAL REVIEW CONTINUED

EQUITY MOVEMENTS	2014	2013
Ordinary share capital and reserves (R'm)	4 591	4 423
Return on equity (%)	14,4	14,3

The following graph illustrates the various movements through equity, which resulted in share capital and reserves increasing by 3,8%. The return on equity (ROE) of 14% achieved remains below the target of the group of 20% due to operating margins at the lower end of the group target range and a need to maintain healthy cash balances in the current low interest rate environment. The balance sheet is regularly evaluated against all variables to determine the optimal structure.



LIABILITIES	2014 R'm	2013 R'm
Long-term liabilities	185	161
Net current liabilities (excluding cash)	1 143	1 973
Guarantees issued to third parties (contingent liabilities)	6 568	4 718

The low interest rate environment, together with particularly favourable rates negotiated on certain asset-based finance facilities, has resulted in increased utilisation of these facilities in recent years.

The decline in net current liabilities, excluding cash, relates to a change in the creditor payment policy of Probuild in Australia, as well as an increase in amounts due from customers in respect of the rain-delayed milestone payment project discussed previously.

Guarantees issued to third parties have increased by R1,8 billion due to greater bonding requirements from large-scale retail projects in Australia and the consolidation of CAS.

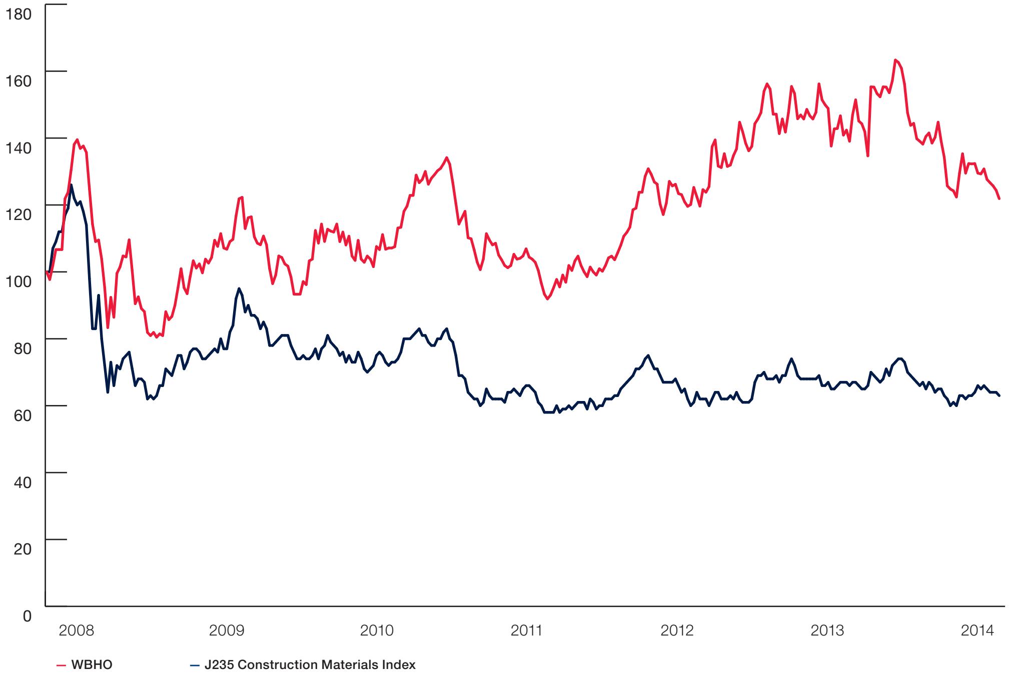
NON-CONTROLLING INTERESTS AND GOODWILL	2014 R'm	2013 R'm
Goodwill	645	583
Impairment of goodwill	0,4	9
Contingent purchase consideration refunded	–	10
Non-controlling interests	274	152

The increase in goodwill is due to the translation effects of the weakening Rand against the Australian Dollar and R9 million recognised in respect of the conversion of CAS to a subsidiary. The impairment of goodwill relates to the remaining goodwill in WBHO CARR (Pty) Ltd.

The increase in non-controlling interests to R274 million is again the result of the consolidation of CAS. The interest of the group in Probuild increased by 1,9% following a buy-back of shares from minority shareholders, while Probuild also acquired an additional 24% interest in Monaco Hickey. Debit amounts of R39 million were recognised in equity, which represents the excess of the purchase prices over the fair value of the equity interests acquired.

NCI ACQUISITIONS	Date acquired	% acquired	Purchase price R'm
Probuild	16 July 2013	0,35	4,8
Probuild	7 Aug 2013	1,56	21,4
Monaco Hickey	31 May 2014	16	7,1
Monaco Hickey	30 June 2014	8	5,5

SHARE PRICE PERFORMANCE AND MARKET CAPITALISATION



The closing share price at 30 June 2014 amounted to R127,98, which represents an 18% decrease when compared to the prior year share price of R155,15. The market capitalisation of the group decreased by R1,8 billion to R8,4 billion. The share price does, however, continue to outperform the Construction and Materials Index over the medium term.

APPRECIATION

I would like to extend sincere thanks and appreciation to the members of my financial teams, who continue to provide me with their unwavering support, as well as to all of our stakeholders, who contribute to the continuing success story that is WBHO.

Charles Henwood
Chief Financial Officer

The North-south Carrier Pipeline: An 84km water pipeline in Botswana.

OUTLOOK AND PROSPECTS

This section of the report presents a overview of the outlook for the group over the short to medium term. The consolidated order book for the group is introduced, followed by the specific order books for the various operating divisions within the group. Despite the persistent subdued conditions in the resources sector, which continue to impede the Roads and earthworks and Civil engineering divisions in particular, the overall outlook has improved and the order book has grown by 65% to R36 billion, buoyed by the private building markets, especially in Australia.

CONSOLIDATED ORDER BOOK BY GEOGRAPHY

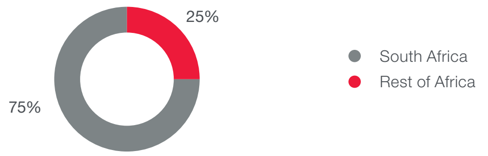
	At June 2013 R'm	At June 2014 R'm	2015 R'm	2016 R'm
South Africa	8 945	**11 363**	7 938	3 425
Rest of Africa	2 125	**1 907**	1 776	131
Australia	10 806	**22 881**	12 733	10 148
Total	21 876	**36 151**	22 447	13 704

From a geographic perspective, the South African order book has grown by 27%. This is indicative of the Roads and earthworks division refocusing on local work opportunities and growth within the Building and civil engineering division due to improved conditions in building markets. In the rest of Africa, declining work opportunities from the mining sector have been partially offset by new retail projects secured in Ghana and pleasing growth in Mozambique, resulting in a decline of 10% in the book over the prior period. It is, however, the 112% increase in the Australian order book that is the main reason behind the overall growth of 65% in the order book, with that division having secured a number of large-scale projects in the second half of the year.

ROADS AND EARTHWORKS

	% growth	At June 2014 R'm	At June 2013 R'm
South Africa	65	**3 814**	2 312
Rest of Africa	(17)	**1 250**	1 505
Total	33	**5 064**	3 817

2014: Geographic mix



2013: Geographic mix

An overall increase of 33% in the order book of the division is pleasing, yet the simultaneous decrease of 17% in secured work from the rest of Africa is reflected in a far heavier weighting of 75% toward South African projects in FY14, compared to 61% in FY13. This is likely to further impact margins in the short term.

South Africa

The local order book has improved from R2,3 billion in the prior year to R3,8 billion in FY14. Recent awards include further work for Glencore Coal at the colliery in Tweefontein and at the Kusile Power Station near eMalahleni in Mpumalanga. In excess of R1 billion was also awarded in respect of Rea Vaya construction works in Gauteng and KZN in the second half of the year.

In terms of the local markets, we have noted increased activity from the resources sector in recent months. We are hopeful that this indicates the bottoming of the prevailing difficult conditions, although it may be some time yet before a full recovery is evident. We do expect demand on the coal mines to improve once the take-off agreements in respect of the coal-fired power stations, Medupi and Kusile, are implemented. The large diameter pipe-laying market remains strong, with sufficient projects available to sustain current activity levels. WBHO Pipelines has grown significantly, increasing capacity, as well as skills and experience levels, over a relatively short period of time. The teams have been stretched and some consolidation is needed in FY15. There is an overwhelming amount of maintenance that is required on South African roads, in terms of upgrades and general resurfacing, and both Edwin and Roadspan, in particular, are well placed to capitalise on work opportunities arising from this market. Although there are sufficient opportunities at current levels, we are yet to see any marked increase in response to these maintenance requirements and margins on surfacing contracts have remained competitive as a result.

Rest of Africa

The order book in respect of the rest of Africa has reduced by 17%, from R1,5 billion in FY13 to R1,3 billion in FY14; however, a number of smaller projects to the value of R380 million have been secured in Ghana post 30 June 2014.

In seeking an anchor project to replace completed mining projects in West Africa, the division broadened its procurement strategy to include alternative clients and geographies. Having said that, we prefer to find the right project, at acceptable levels of risk, rather than secure projects with too many unknowns in pursuit of top-line preservation. Particularly disappointing was the ultimate cancellation of the Exxaro Mayoko mine project in the Congo, on which the division was the preferred contractor.

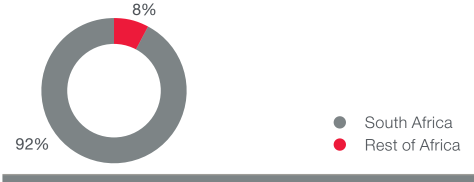
The award of the civil works in respect of the Ressano Garcia gas-fired power station is an exciting new contract in the energy sector and is contributing to the growth achieved in Mozambique. This project will be executed in conjunction with the Civil engineering Africa division on behalf of the Projects division of the group. We expect the gas-related infrastructure development in respect of the newly discovered gas fields to reach the market towards the end of FY15.

In Botswana, both the open-cast mining project at the Boteti Mine and the North-South Carrier Pipeline will be completed in the first half of the year. Although opportunities exist for additional work in relation to the pipeline, the scope for new mining work is limited and government spending in respect of infrastructure is also subdued. As a result, we expect revenues from the region to decline over the course of FY15.

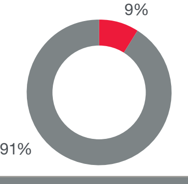
Work at the Husab Uranium mine in Namibia continues well into the year.

BUILDING AND CIVIL ENGINEERING

2014: Geographic mix



2013: Geographic mix



	% growth	At June 2014 R'm	At June 2013 R'm
South Africa	14	7 549	6 633
Rest of Africa	6	657	620
Total	13	8 206	7 253

There is a modest increase of 13% in the overall order book, compared to that of the prior year, and the mix of work between South Africa and the rest of Africa remains essentially unchanged as a result; however, with two additional retail projects in Ghana at advanced stages of negotiation, there is potential for the current percentage (8%) to increase.

South Africa

The local order book has grown by 14% to R7,5 billion and reflects the current strength of the local building market, which is expected to persist over the medium term. With demand returning to healthy levels, the Building division is able to be more selective in terms of the projects it undertakes; however, margins have reached industry norms and the scope for further enhancement is limited. The division continues to negotiate the majority of its projects from the retail and commercial office markets.

Construction at Kusile Power Station continues to absorb a significant portion of the resources of the Civil engineering division. Further work at Glencore Coal colliery in Tweefontein, in tandem with the Roads and earthworks division, was also awarded in the second half of the year. With the lacklustre conditions within the mining sector expected to persist through FY15, excess capacity is being utilised on the civil structures on some of the larger building projects.

Rest of Africa

Approaching saturation within local building markets, together with a demand for retail infrastructure in other developing African countries, has resulted in local developers expanding their geographical footprint in recent years. This trend is expected to continue and, in addition to the existing negotiations in Ghana, the African Building team is pursuing opportunities in various new countries.

OUTLOOK AND PROSPECTS CONTINUED

The Civil engineering Africa division has retained its presence in Zambia through various smaller awards, following the completion of the new brewery for SAB Miller in the current year. The division is also partnering with the Roads and earthworks division on a gas-fired power station in Mozambique, while also exploring other opportunities there.

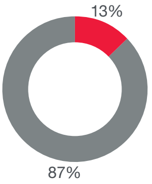
AUSTRALIA

	% growth	At June 2014 R'm	At June 2013 R'm
Building	127	21 292	9 374
Civil engineering	11	1 589	1 433
Total	112	22 881	10 806

2014: Sector mix

- Building
- Civil engineering

2013: Sector mix



Building

The building component of the Australian order book has experienced a year-on-year increase of 127%, following the award of three large-scale retail projects in the Victorian market. In the multi-storey residential market, Probuild is strongly placed to secure further work. Together with its status of preferred contractor on a 77-storey tower. Further boosting the Australian order book are opportunities in the recently entered Queensland market, which have resulted in secured work of AU$334 million (AU$298 million of which was awarded post 30 June 2014 and, therefore, is not included in the order book above).

Civil engineering

Both WBHO Civil and Probuild Civil have been affected by the downturn in the resources sector. As mentioned in the strategic review, WBHO Civil, which is more heavily exposed to the sector, has created a Roads and special projects division to reduce reliance thereon. The two companies are also jointly executing construction of a solar farm (the second project of this type in which WBHO Civil has been involved), which provides further opportunities for diversification. Probuild Civil, which has traditionally operated from Brisbane in Queensland, intends shifting part of its strategic focus to the New South Wales market, where opportunities in the roads and gas sectors have been identified.

CONSTRUCTION MATERIALS

As highlighted in the strategic review, the group is reviewing its entire industrial portfolio and certain businesses are in the process of being sold. The markets for the remaining businesses (rebar, ready-mix and quarry businesses) became strained in the second half of FY14 and little improvement is anticipated in the short term.

PROJECTS

The division has submitted bids in respect of serviced accommodation for the Department of Education in the Western Cape, as well as in respect of another solar farm as part of round four of the renewable energy bids. With the Kathu renewable energy project essentially complete and having secured a PPP concession in respect of serviced accommodation for the Department of Statistics SA and an EPC contract to construct a gas-fired power station for Gigawatt Power, managing the delivery of these projects is a priority for FY15.

Limeco: A limestone processing plant 30km outside of Lusaka, Zambia.

GOVERNANCE AND REMUNERATION REVIEW

This section of the report presents the corporate governance and remuneration practices of the group for the reporting period. This year, key governance tasks have been tied to the governance structure responsible for addressing them; namely, the relevant board committee. The aim of this approach is to show our 'governance in action', rather than presenting a set of static principles and processes. This section also includes the FY14 remuneration report, which details significant amendments that have been made to the remuneration policy of the group.

STRONG, ETHICAL GOVERNANCE

WBHO recognises that strong, ethical governance is a key component of sustainability within the organisation. This requires us to deliberate and act with fairness, responsibility, transparency and accountability, and to consider more than just our financial performance, appraising the short- and long-term impacts of our operations on society and the environment at the same time.

The board of WBHO and its committees are responsible for corporate governance throughout the organisation and ensure that it is addressed appropriately from a strategic perspective. The following diagram illustrates our 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 AND RISK COMMITTEE

Responsible for financial sustainability and risk management.

SOCIAL AND ETHICS COMMITTEE

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

NOMINATION COMMITTEE

Responsible for identifying and sourcing appropriately skilled directors.

REMUNERATION COMMITTEE

Responsible for attracting, retaining and motivating world-class employees.

EXECUTIVE COMMITTEE

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

INFORMATION STEERING COMMITTEE

Responsible for ensuring effective, appropriate IT governance and support.

CREDIT COMMITTEE

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

TRANSFORMATION COMMITTEE

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

SKILLS DEVELOPMENT COMMITTEE

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

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

SOCIAL AND ETHICS COMMITTEE REPORT

The Social and ethics committee had an active year as it is still relatively new and its mandate is broad. The Chairperson of the Audit and risk committee, Nomgando Matyumza, was appointed to the committee to further strengthen available expertise and the co-ordination between the two working groups.

In terms of promoting and communicating ethical standards across the group, the committee supervised further company-wide training on competition law and updated the Code of Conduct, which enshrines the values and behaviour expected of all WBHO employees.

The committee has reviewed the wide range of regulations and laws with which the group must comply, including the Employment Equity Act, the Broad-based Black Economic Empowerment (BBBEE) Act, King III and the JSE Listing Requirements and is also assessing the standing of the company in terms of the United Nations Global Compact Principles. The objective of this review is to develop a framework against which the committee is able to assess and monitor the sustainability, risk and compliance key performance indicators of the company. Processes are now being put in place to ensure effective ongoing monitoring and reporting in this regard; in particular, formalising the reporting procedures and metrics used by the heads of shared services and the company compliance officer when presenting to the committee.

In terms of BBBEE, the committee reviewed the group scorecard and employment equity targets and obtained feedback from the Transformation committee on its progress.

The committee continues to monitor the company from an occupational health and safety (OHS) perspective and was pleased to note that the company achieved an overall LTIFR rate of 0,84 in South Africa and the rest of Africa for the period under review. In terms of environmental sustainability, the company maintained its ISO 14001 compliance across all divisions, marked its tenth year of continuous SABS, ISO 9001 QMS certification, and continues to participate in the Carbon Disclosure Project.

NOMINATION COMMITTEE REPORT

In fulfilment of its mandate, the Nomination committee reviewed the composition of the board to ensure that the balance of skills, experience and knowledge continued to be appropriate for the business to meet its strategic objectives. The committee reviewed the succession plans for both executive and non-executive appointments to the board as well.

During the year the lead independent non-executive director, Nomgando Matyumza, was appointed chairman of the committee. The committee also met during the period under review to discuss candidates to fill the vacancy left on the board by the resignation of executive director, Mr Malcolm McCulloch, in February 2013. After due discussion and deliberation, Mr Ross Gardiner was nominated, and has been appointed, as an independent non-executive director to the board.

REMUNERATION COMMITTEE REPORT

During the year, the Remuneration committee (Remco) took cognisance of feedback received from shareholders and made significant amendments to the remuneration policy of the company and the means by which senior executive pay is determined.

Without altering the overall orientation towards performance-variable pay, the remuneration policy has been amended to align Executive total guaranteed package levels closer to industry norms and to introduce a better balance between short-term and long-term incentives in respect of performance-variable pay.

This task has been concluded successfully and the amended policy will be presented to shareholders for approval at the company annual general meeting. Further details regarding the amendments to executive pay are discussed in the remuneration report that follows and in the remuneration policy of the company, which is available on the WBHO website at: www.wbho.co.za/downloads/governance/WBHO-Remuneration-Policy.pdf.

GOVERNANCE AND REMUNERATION REVIEW CONTINUED

REMUNERATION REPORT

Remuneration within WBHO is aligned to corporate strategy and in adherence to the principles set out in King III, the requirements of the Companies Act of South Africa in relation to the remuneration of directors and principal officers, and the remuneration policy of the group.

Senior executive pay

The remuneration policy has been amended to cater for:

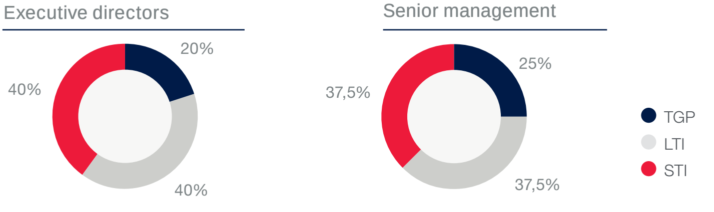
- executive total guaranteed package (TGP) levels that are more closely aligned to industry norms, away from the previously low levels, while ensuring that these remain benchmarked at no higher than the lower quartile of the market; and
- an improved mix, to be introduced over time, of targeted short-term incentives (STIs) and long-term incentives (LTIs) in respect of performance-variable pay.

Performance-variable pay will continue to carry a heavier weighting than guaranteed pay when rewarding the operational performance of senior directors and key management, albeit to a lesser extent.

Although more closely aligned to the comparable guaranteed executive pay levels within the industry, guaranteed pay levels of executive directors and senior management at WBHO will remain benchmarked below the median level, the purpose of which is to prevent large gaps in salary developing between executive directors and key senior operational management. It is the belief of the group that such gaps (often found in other companies) are counter-productive in a construction company where working as a cohesive team is crucial to success. A comparison of the total guaranteed package (TGP) of WBHO executives with those of other locally listed construction companies highlights that, on average, the TGPs of WBHO executives are approximately half of those of their industry peers.

The diagrams below indicate the targeted future orientation between TGP and STI, which, compared to the previous orientation, did not contain an LTI component. Further details regarding the amendments to executive pay are discussed in the remainder of this report and the remuneration policy of the company.

Future targeted mix of pay



The remuneration structure for other employee categories has not changed and varies in accordance with levels determined by the market and the operational/functional responsibilities expected from each individual employee.

Please note that detailed information regarding the structures, targets and key performance indicators (KPIs) relating to TGPs, STIs and LTIs are provided in the remuneration policy of the company, which is available on the website at www.wbho.co.za

Executive directors' contracts

There have been no changes during the current year.

Total guaranteed packages

This year, the average increases for South African executives and senior management was 12,3%, a higher than normal figure due to the re-positioning of the previously low levels of guaranteed executive pay. Average increases for the remainder of the employees in South Africa were 9,1%.

Short-term incentives

The STIs for executive directors and other senior management are short-term, cash-based annual performance rewards determined by performance scorecards, structured with the following weighting:

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

Group targets are set for the Chairman, Chief Executive Officer (CEO) and Chief Financial Officer (CFO). Divisional targets apply to the remainder of the executives; however, all executives are measured against the headline earnings per share (HEPS) target, which is set on a group basis in recognition of their collective responsibility for the performance of the group as a whole.

The targets take into account the current trading conditions and challenges being faced by the group and/or relevant division and incorporate a meaningful level of stretch. The threshold targets are set at a level that represents the minimum level of acceptable performance for the business.

Historically, the STI payments were approved in November of each year, but related to the performance of the previous financial period. These STI bonuses were disclosed in the financial year in which approved. In order to match the STIs disclosed with the performance of the financial year to which it relates, with effect from the year ended 30 June 2014, STIs for executive directors and prescribed officers are approved at the time of issuing the annual financial statements. The June 2013 figures have been adjusted for comparative purposes.

In respect of personal scorecard objectives, these include aspects such as safety performance, people development and training, sustainable development, empowerment and transformation objectives, customer loyalty and growth, ethical behaviour, acquisitions and disposals of businesses and/or major clusters of assets, and special projects. Performance below the threshold of a financial target will result in no STI payment on that measure.

Executive directors

The financial targets are approved by the board annually and in advance, taking cognisance of operational budgets. These define ‘minimum’, ‘expected’ and ‘maximum’ targets for the business with respect to:

- the headline earnings per share (HEPS) growth rate;
- operating profit;
- the return on capital employed (ROCE); and
- cash flow.

There is a further component based on personal scorecard objectives.

Performance metric

	Threshold %	Target %	Stretch %
Operating profit	24	50	98
Cash flow	10	20	42
ROCE	21	42	86
HEPS	15	28	54
Bonus based on financial targets	70	140	280
Bonus based on personal scorecard objectives	30	60	120
Total potential bonus	100	200	400

The range of the annual performance bonus awards for executive directors is as follows:

	Group Chief Executive %	Other executive directors %
Threshold	100	100
On-target performance	200	200
Maximum	400	400

Percentages are of TGP for relevant position.

The percentages may appear above market norms, but are part of the deliberate policy of positioning TGP at below the lower quartile, which necessitates a higher STI percentage.

Performance against FY14 STI targets and objectives

	Personal scorecard component %	Financial metric component				Actual bonus as % of TGP %	Potential maximum bonus as % of TGP %
		Operating profit %	ROCE %	Cash flow %	HEPS %		
CEO							
EL Nel	96	57	86	0	18	257	400
Executive directors							
MS Wylie	102	57	86	0	18	263	400
CV Henwood	83	57	86	0	18	244	400

GOVERNANCE AND REMUNERATION REVIEW CONTINUED

Group operating profit before non-trading items for the year ended 30 June 2014 increased by 10% to an amount of R1 035 million. HEPS increased by 2%, ROCE was 22,7% and the cash outflow for the year amounted to R797 million (predominantly due to the consolidation of Capital Africa Steel).

The threshold for HEPS was achieved, the target for operating profit was achieved and the stretch target for ROCE was achieved. The cash flow threshold was not achieved.

Executive directors' emoluments

	Total guaranteed package R'000	STI R'000	LTI R'000	Total R'000
2014				
CEO				
EL Nel	2 139	5 506	–	7 645
Executive directors				
CV Henwood	2 053	5 018	–	7 071
MS Wylie	1 740	4 583	–	6 323
JP Botha*	1 038	–	–	1 038
2013				
CEO				
EL Nel	1 831	6 500	–	8 331
Executive directors				
CV Henwood	1 815	5 500	–	7 315
MS Wylie	1 590	4 500	–	6 090
JP Botha	1 857	4 500	–	6 357

Executive directors' shareholding

	2014			2013		
	Direct '000	Indirect '000	Total '000	Direct '000	Indirect '000	Total '000
EL Nel	261	–	261	261	–	261
CV Henwood	–	100	100	–	100	100
MS Wylie	–	900	900	–	900	900
JP Botha*	–	–	–	184	–	184

* *JP Botha resigned from the board on 23 January 2014.*

Prescribed officers' emoluments

	Total guaranteed package R'000	STI R'000	LTI R'000	Total R'000
2014				
Prescribed officer 1	1 985	5 500	–	7 485
Prescribed officer 2	1 764	4 000	–	5 764
Prescribed officer 3	1 176	500	–	1 676
Prescribed officer 4	1 868	4 000	–	5 868
Prescribed officer 5	1 869	5 500	–	7 369
Prescribed officer 6	1 615	2 500	–	4 115
2013				
Prescribed officer 1	1 668	5 500	–	7 168
Prescribed officer 2	1 609	4 000	–	5 609
Prescribed officer 3	1 079	350	–	1 429
Prescribed officer 4	1 715	6 500	–	8 215
Prescribed officer 5	1 637	6 000	–	7 637
Prescribed officer 6	1 511	3 800	–	5 311

Prescribed officers' shareholding

	2014			2013		
	Direct '000	Indirect '000	Total '000	Direct '000	Indirect '000	Total '000
Prescribed officer 1	103	–	103	103	–	103
Prescribed officer 2	14	564	578	14	564	578
Prescribed officer 3	–	–	–	–	–	–
Prescribed officer 4	91	–	91	116	–	116
Prescribed officer 5	18	–	18	18	–	18
Prescribed officer 6	50	–	50	50	–	50

LONG-TERM INCENTIVES

Long-term incentives for executive directors and senior management within WBHO are to be provided through the proposed 2013 WBHO Share Plan, still to be approved by shareholders. Full descriptive details of the plan, and the JSE-approved plan rules, are contained in the circular distributed to shareholders on 13 October 2014 and the remuneration policy of the company.

The current status of existing LTI schemes is briefly described below, full details regarding these schemes are available in the remuneration policy, as well as in note 29 of the audited consolidated financial statements.

WBHO Management Trust

Currently, two tranches of shares amounting to 706 000 shares have been sold to employees pending the fulfilment of the vesting conditions. All the shares on offer were taken up and vest in 2015 and 2017, respectively. No tranches of shares were offered nor vested during the current reporting period and 899 140 shares are available for future offers to employees.

WBHO Share Trust

One tranche of 50 000 shares has been sold to an employee, where the vesting conditions are still in effect. No shares were offered nor vested during the reporting period and 42 375 shares are available for future offers to employees.

Akani Investment Holdings (Pty) Ltd

Each year, the trust allocates Akani shares to employees who have achieved five years of continuous service to the group. In the current year, 1 238 000 shares were issued to 695 employees. Additional shares are acquired, over the vesting period of five years, at the prevailing market value, with the dividends earned on the allocated shares. In total, 170 000 shares have been purchased in respect of tranches of allocated shares yet to vest. The shares which vest at the end of the vesting period consist of the shares purchased in terms of the reinvestment obligation, as well as the number of shares acquired in terms of the repurchase formula. In the current year, 37 000 shares and 10 000 shares vested, respectively.

The Edwin Share Trust

The trust sells units that are linked to the shares of the company to employees and confers the dividend and capital appreciation rights in respect of the shares to the selected individuals. 329 000 units have currently been sold, of which four employees holding 49 000 units have outstanding loans to be settled. There are 271 000 units available for future sale to employees. During the current year, 4 000 units were bought back by the trust.

Australia

The group operates share incentive schemes within both Probuild and WBHO Civil. Shares are sold at market-related prices determined by valuation techniques and loans are raised in respect of the shares sold.

In Probuild, 1 027 000 shares are held by employees where the vesting conditions have not yet expired. In the current year, 502 000 shares were bought back from individuals who left the employ of the company, while no new offers were made to employees.

In WBHO Civil, 450 000 shares were sold to the Managing Director in a prior period where the vesting conditions remain in effect. No new offers were made to employees.

GOVERNANCE AND REMUNERATION REVIEW CONTINUED

Non-executive directors remuneration

Directors' fees are determined by Remco and ratified by the main board and shareholders.

	2015 R'000	2014 R'000
Lead independent director	281	255
Non-executive director	176	160
Chairman of Audit committee	266	242
Chairman of Remuneration committee	130	55
Chairman of Social and ethics committee	61	55
Committee members (per meeting)	24	22

Non-executive directors' emoluments

	Directors' fees	
	2014 R'000	2013 R'000
NS Maziya	280	270
NS Mjoli-Mncube	407	347
JM Ngobeni	323	277
RW Gardiner*	141	–
NNM Matyumza	523	378
MW Mcculloch^	–	108

* *Appointed 23 January 2014*
^ *Resigned 22 February 2013*

Non-executive directors' shareholding

	2014			2013		
	Direct '000	Indirect '000	Total '000	Direct '000	Indirect '000	Total '000
NS Maziya	–	701	701	–	692	692
NS Mjoli-Mncube	–	701	701	–	692	692
NNM Matyumza	–	–	–	–	–	–
JM Ngobeni	–	701	701	–	692	692
RW Gardiner	–	–	–	–	–	–

Shares disclosed in the above table are 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 ultimately vest is dependent on the market value at the end of that period based on a predetermined threshold. A partner is entitled to exit the scheme upon the occurrence of a trigger event as defined in the scheme rules. If this were to happen at 30 June 2014, such partner would receive 37 799 shares in terms of the formula, plus 67 644 WBHO shares acquired with dividends over the eight years that the scheme has been in existence. This would result in a total vesting of 105 443 shares on the assumption that all taxes due would be paid by the partner. The indirect shares reflected at 30 June 2014 consist of 633 333 allocated shares and 67 644 dividend shares purchased on the open market.

AUDIT AND RISK COMMITTEE REPORT

The Audit and risk committee has executed its duties and responsibilities during the 2014 financial year in accordance with its terms of reference as these relate to the accounting, internal auditing, internal control and financial reporting practices of the group. The operation of the committee is guided by a detailed charter, which is informed by the Companies Act and King III and is approved by the board.

The committee performed several duties for the board during the year under review. From an audit perspective, the committee performed its statutory duties, including monitoring the integrity of the accounting practices and financial statements of the group, satisfying itself that these are appropriate, accurate and comply with all aspects of the International Financial Reporting Standards (IFRS). The committee also satisfied itself that the external auditor of the group was independent, capable and, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the year under review.

One of the key tasks the committee completed this year was a comprehensive Quality Assurance and Improvement Programme (QAIP) of the internal audit function. The Institute of Internal Auditors South Africa (IIA SA) was asked to conduct an independent investigation and review of the internal audit function, which involved assessing its infrastructure, staff experience and ethical behaviour, available training and performance relative to applicable standards/best practices and the objectives of the business.

The IIA SA reported 62 areas of non-conformity to best practices and an initiative was launched to address these areas. During the year, all but five of these non-conformities were resolved and the last few items will have been addressed by 6 December 2014. A programme of regular self-checks has also been introduced and the IIA SA will now audit the function every five years.

As a result of the comprehensive QAIP, the committee has satisfied itself that the internal audit function adheres to the relevant standards, is properly resourced and performs an effective role in the overall internal control environment of the organisation.

During the year, the committee continued with the implementation of a combined assurance model and focused on making sure all internal and external assurance activities are performed in an effective, co-ordinated manner. As noted earlier in this section, part of this process of seeking greater cohesion was the appointment of the Chairperson of the committee to the Social and ethics committee as well.

From an internal control and risk management perspective, the committee is tasked with overseeing the governance of risk across the group. In fulfilling its mandate, the committee presented the board with an updated strategic risk profile of the risks and opportunities facing the group, as well as suggesting possible strategies to mitigate or exploit these risks. The committee also continued to oversee the embedding of risk from an operational perspective through the internal audit function.

The group fraud policy was also reviewed by the committee, which was satisfied that the necessary procedures are in place to deal with whistle-blowing.

The committee also performs an oversight role with regard to the integrated report of the group and recommended this report to the board for its approval.

We are also delighted to confirm that during the year, the vacancy on the committee left by the departure of Mr Malcolm McCulloch has been filled by Mr Ross Gardiner.

Looking ahead, the committee will continue the evaluation process into the effectiveness of its own functions, advance the embedding of the combined assurance processes and finalise the implementation of the recommended improvements to the internal audit function made by the external assessment.

Going concern

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

Further information regarding the duties, composition and attendance of the committee can be found on the WBHO website at www.wbho.co.za

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2014

STATUTORY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2014

TO THE SHAREHOLDERS OF WILSON BAYLY HOLMES-OVCON LIMITED

The summary consolidated financial statements of Wilson Bayly Holmes-Ovcon Limited, which comprise the summary consolidated statement of financial position as at 30 June 2014, the summary consolidated statements of financial performance and other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Wilson Bayly Holmes-Ovcon Limited for the year ended 30 June 2014. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 29 August 2014. Our auditor's report on the audited consolidated financial statements contained an other Matter paragraph: Other reports required by the Companies Act (refer below).

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

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

OPINION

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Wilson Bayly Holmes-Ovcon Limited for the year ended 30 June 2014 are consistent, in all material respects, with those consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in the basis of preparation note to the summary financial statements and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

The other reports required by the Companies Act paragraph in our audit report dated 29 August 2014 states that as part of our audit of the consolidated financial statements for the year ended 30 June 2014, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.

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.

BDO South Africa Inc
Director: Stephen Shaw
Registered Auditor

22 Wellington Road, Parktown, 2193
29 August 2014

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2014

	% change	Audited June 2014 R'000	Audited June 2013 R'000
Revenue	8,4	25 776 907	23 773 481
Operating profit before non-trading items	10,2	1 034 852	939 191
Impairment of goodwill		(392)	(9 112)
Loss on deemed disposal of associate		(1 914)	–
Contingent consideration refunded		–	9 720
Fair value adjustments to investments		–	(6 429)
Impairment of property, plant and equipment		(15 340)	(536)
Share-based payment expense		(33 337)	(24 990)
Operating profit		983 869	907 844
Net finance income		113 202	115 623
Share of profits and losses in associates		11 168	(14 890)
Profit before taxation		1 108 239	1 008 577
Taxation		(332 972)	(333 672)
Profit from continuing operations	14,9	775 267	674 905
Loss from discontinued operations		(527 030)	–
Profit for the year		248 237	674 905
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Translation of foreign entities		(64 216)	125 374
Share of associates' other comprehensive income		6 967	28 873
Total comprehensive income for the year		190 988	829 152
Total comprehensive income attributable to:			
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		401 252	765 992
Non-controlling interests		(210 264)	63 160
		190 988	829 152
Profit for the year attributable to:			
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		422 742	611 745
Non-controlling interests		(174 505)	63 160
		248 237	674 905
Basic earnings per share (cents)	(30,8)	763,8	1 104,3
Diluted earnings per share (cents)	(30,2)	762,6	1 093,3
Headline earnings per share (cents)	1,9	1 172,6	1 150,9
Dividend per share (cents)		368,0	368,0

	% change	Audited June 2014 R'000	Audited June 2013 R'000
Profit from continuing operations attributable to:			
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		705 438	611 745
Non-controlling interests		69 829	63 160
		775 267	674 905
From continuing operations:			
Basic earnings per share (cents)	15,4	1 274,5	1 104,3
Diluted earnings per share (cents)	16,4	1 272,5	1 093,3
Headline earnings per share (cents)	11,4	1 282,1	1 150.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2014

	Audited June 2014 R'000	Audited June 2013 R'000
Stated capital and reserves at the beginning of the year	4 423 257	4 110 338
Profit for the year	422 742	611 745
Translation of foreign entities	(21 490)	154 247
Dividends paid	(235 490)	(241 619)
Share-based payment expense	33 337	24 990
Share-based payment settlement	12 496	2 567
Changes in shareholding	(43 612)	(239 011)
Stated capital and reserves at the end of the year	4 591 240	4 423 257

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2014

	Audited June 2014 R'000	Audited June 2013 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	2 163 442	1 949 689
Goodwill	644 936	582 509
Intangible assets	1 282	–
Deferred taxation	365 903	200 825
Investment in associates	97 847	442 123
Investments	96 997	43 624
Long-term receivables	292 345	166 064
Total non-current assets	3 662 752	3 384 834
Current assets		
Inventories	259 025	190 727
Amounts due by customers	929 688	718 566
Trade and other receivables	4 955 738	4 435 912
Taxation receivable	356 268	271 633
Cash and cash equivalents	2 756 700	3 335 559
Total current assets	9 257 419	8 952 397
Assets held-for-sale	477 642	–
Total assets	13 397 813	12 337 231
EQUITY AND LIABILITIES		
Capital and reserves		
Stated capital	28 625	28 625
Non-distributable reserves	578 873	556 084
Distributable reserves	3 983 742	3 838 548
Shareholder's equity	4 591 240	4 423 257
Non-controlling interests	273 776	152 108
Total equity	4 865 016	4 575 365
Non-current liabilities		
Borrowings	184 903	160 747
Deferred taxation	32 591	11 738
Total non-current liabilities	217 494	172 485
Current liabilities		
Excess billings over work done	1 417 028	1 630 676
Trade and other payables	4 697 296	4 195 987
Short-term portion of borrowings	149 645	136 343
Provisions	1 313 421	1 499 100
Taxation payable	66 552	127 275
Bank overdraft	115 605	–
Total current liabilities	7 759 547	7 589 381
Liabilities associated with a disposal group held-for-sale	555 756	–
Total equity and liabilities	13 397 813	12 337 231

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2014

	Audited June 2014 R'000	Audited June 2013 R'000
Operating profit before working capital requirements	1 344 045	1 366 559
Working capital changes	(546 938)	217 669
Cash generated from operations	797 107	1 584 228
Net finance income	61 005	106 188
Taxation paid	(548 071)	(408 079)
Dividends paid	(265 089)	(282 357)
Cash retained from operations	44 952	999 980
Cash flow from investing activities		
Advance of long-term receivables	(211 166)	(18 027)
Additional investment in associates	(27 524)	–
Additions to investments	(53 547)	(39 829)
Contingent consideration refunded	–	9 720
Changes in shareholding of subsidiaries	(54 787)	(242 540)
Proceeds on disposal of property, plant and equipment	106 175	49 966
Repayment of receivables	15 753	–
Proceeds on disposal of operations	29 052	–
Purchase of property, plant and equipment		
– to maintain operations	(210 032)	(155 911)
– to expand operations	(92 111)	(279 000)
Net cash flow from investing activities	(498 187)	(675 621)
Cash flow from financing activities		
Repayment of borrowings	(22 565)	–
Instalments in respect of capitalised finance leases	(163 494)	(102 860)
Net cash flow from financing activities	(186 059)	(102 860)
Net (decrease)/increase in cash and cash equivalents	(639 294)	221 499
Net overdraft acquired	(263 927)	–
Foreign currency translation effect	(59 693)	45 176
Net overdraft in respect of disposal group	268 450	–
Cash and cash equivalents at the beginning of the year	3 335 559	3 068 884
Cash and cash equivalents at the end of the year	2 641 095	3 335 559

1. BASIS OF PREPARATION

The summary consolidated financial statements for the year ended 30 June 2014 have been prepared in compliance with the Listings Requirements of the JSE Limited, the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the requirements of the International Accounting Standards (IAS) 34, Interim Financial Reporting, SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa.

The accounting policies used in the preparation of these results are in accordance with IFRS and are consistent in all material respects with those used in the audited annual financial statements for the year ended 30 June 2013.

The external auditor, BDO South Africa Inc., has issued an unmodified audit opinion on the group's consolidated financial statements and summary consolidated financial statements. These summary consolidated financial statements have been derived and are consistent in all material respects with the group's consolidated financial statements. A copy of the auditor's report on the group's consolidated financial statements available for inspection at the company's registered office, together with the financial statements identified in the auditor's report.

2. RECONCILIATION OF HEADLINE EARNINGS

	Audited June 2014 R'000	Audited June 2013 R'000
Headline earnings from continuing operations		
Attributable profit from continuing operations	705 438	611 745
Adjusted for:		
Group:		
Impairment of goodwill	392	9 112
Loss on deemed disposal of associate	1 914	–
Fair value adjustments to investments*	–	1 669
Impairment of property, plant and equipment*	14 825	536
Net (gain)/loss on disposal of property, plant and equipment	(12 213)	766
Tax effect	(731)	(523)
Associates:		
Loss on dilution of interest in associate	–	1 802
Impairment of goodwill	–	2 855
Loss on disposal of investments	–	9 055
Impairment of property, plant and equipment*	–	620
Tax effect	–	(87)
	709 625	637 550
Headline earnings from total operations		
Attributable profit from total operations	422 742	611 745
Adjusted for:		
Group:		
Impairment of goodwill	392	9 112
Loss on deemed disposal of associate	1 914	–
Fair value adjustments to investments*	–	1 669
Net loss on disposal of investment*	22 101	–
Impairment of property, plant and equipment*	214 849	536
Net (gain)/loss on disposal of property, plant and equipment	(12 213)	766
Tax effects	(731)	(523)
Associates:		
Loss on dilution of interest in associate	–	1 802
Impairment of goodwill	–	2 855
Loss on disposal of investments	–	9 055
Impairment of property, plant and equipment*	–	620
Tax effect	–	(87)
	649 054	637 550

* *Net of non-controlling interest*

3. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES ASSOCIATED WITH A DISPOSAL GROUP HELD-FOR-SALE

During the year, four operations within the construction materials business segment were classified as discontinued operations. Symo Steel (a division of Capital Africa Steel) and Krost Shelving (Pty) Ltd were disposed of at a loss of R40 million. A sale agreement (pending certain conditions) has been concluded in respect of Dywidag Systems International (Pty) Ltd. Capital Africa Steel is engaging with a number of parties who have signed non-disclosure agreements and expressed an interest to purchase the Capital Star Steel business.

	Audited June 2014 R'000
Revenue	483 731
Cost of sales	(522 643)
Gross loss	(38 912)
Operating expenses	(27 021)
Operating loss before non-trading items	(65 933)
Impairment of property, plant and equipment	(360 014)
Loss on disposal of operations	(39 778)
Onerous contracts	(35 233)
Operating loss	(500 958)
Share of profits from associate	5 223
Net finance costs	(31 307)
Loss before tax	(527 042)
Taxation benefit	12
Loss from discontinued operations	(527 030)
Loss from discontinued operations attributable to:	
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited	(282 696)
Non-controlling interests	(244 334)
	(527 030)
Assets classified as held-for-sale:	
Disposal group held-for-sale	
Property, plant and equipment	178 000
Inventories	137 270
Trade and other receivables	44 722
Cash and cash equivalents	32 085
	392 077
Non-current asset held-for-sale	
Investment in associate	85 565
	477 642
Liabilities associated with a disposal group held-for-sale:	
Disposal group held-for-sale	
Trade and other payables	213 108
Provisions	42 113
Bank overdraft	300 535
	555 756

4. ORDINARY SHARES

	Audited June 2014	Audited June 2013
Ordinary shares in issue ('000)	**66 000**	66 000
Weighted average number of shares ('000)	**55 350**	55 397
Diluted weighted average number of shares ('000)	**55 436**	55 956

5. BUSINESS COMBINATIONS

Deemed acquisition of a subsidiary

On 1 July 2013, Capital Africa Steel (CAS) acquired 10,0% of its share capital for an amount of R15,9 million through a share buy-back transaction with the result that the group's shareholding increased from 50,0% to 55,6%.

The CAS group contributed revenue of R1,3 billion, profit before tax of R4,2 million from continuing operations and an attributable loss of R283 million from discontinued operations during the year. The following summarises the deemed consideration transferred and received and the recognised amounts of identifiable assets acquired and liabilities assumed at the acquisition date.

	1 July 2013 R'000
Assets	
Property, plant and equipment	660 063
Intangible assets	2 093
Investments in associates	88 675
Long-term receivables	4 828
Deferred taxation	52 033
Inventory	397 411
Trade and other receivables	403 805
Cash and cash equivalents	70 489
	1 679 397
Liabilities	
Borrowings	132 546
Deferred taxation	159
Provisions	2 294
Contingent liability	15 900
Short-term portion of borrowings	14 435
Trade and other payables	465 180
Bank overdraft	341 693
	972 207
Identifiable net assets and liabilities	707 190
Fair value of previously held interest	379 226
Non-controlling interests recognised	337 089
Fair value of identifiable assets and liabilities	(707 190)
Goodwill	9 125

The following fair values have been determined:

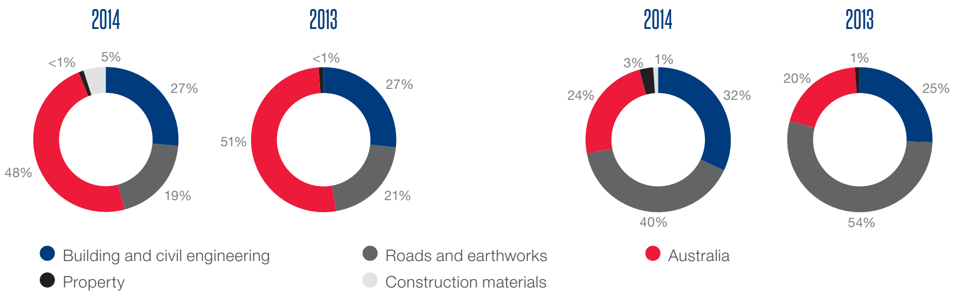
- The fair value of the investment in associate has been determined using the discounted cash flow method. A discount rate of 16,4% over a period of five years was used to discount the expected cash flows.
- The contingent liability of R15,9 million represented an obligation in respect of the buy-back of shares.
- Deferred tax assets of R4,2 million not recognised by the CAS group have been recognised as there is an expectation that the deferred tax asset will be utilised in the future. The carrying value of the remaining identifiable assets and liabilities approximates the fair values at the acquisition date.

6. SEGMENTAL ANALYSIS

Operating segments

Revenue

Operating profit

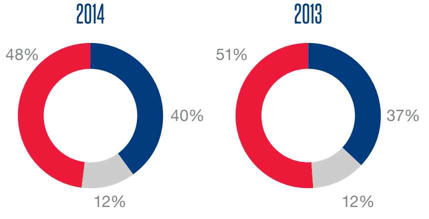


	Civil and building R'000	Roads and earthworks R'000	Australia R'000	Property development R'000	Construction materials (continuing operations) R'000	Total R'000
At 30 June 2014						
Revenue – external customers	7 001 985	5 001 508	12 437 970	84 600	1 250 844	25 776 907
Operating profit before non-trading items	329 089	413 888	250 040	28 057	13 778	1 034 852
Additional items regularly reported to the Executive committee:						
Impairment of goodwill	–	–	392	–	–	392
Depreciation and amortisation	51 862	165 639	75 309	–	33 394	326 204
Impairment of property, plant and equipment	–	14 181	–	–	1 159	15 340
Capital expenditure	53 614	151 969	127 804	–	79 175	412 562
At 30 June 2013						
Revenue – external customers	6 528 934	5 073 998	12 141 346	29 203	–	23 773 481
Operating profit before non-trading items	240 234	505 162	184 202	9 593	–	939 191
Additional items regularly reported to the Executive committee:						
Impairment of goodwill	9 112	–	–	–	–	9 112
Depreciation and amortisation	39 999	171 214	67 604	–	–	278 817
Impairment of property, plant and equipment	–	536	–	–	–	536
Capital expenditure	49 459	312 886	135 150	–	–	497 495

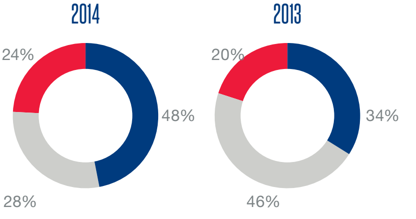
NOTES TO THE SUMMARY AUDITED FINANCIAL STATEMENTS
for the year ended 30 June 2014

Geographical area

Revenue



Operating profit



	2014 R'000	2013 R'000
Revenue – external customers		
South Africa	10 242 530	8 736 057
Rest of Africa	3 096 407	2 896 078
Australia	12 437 970	12 141 346
	25 776 907	23 773 481
Operating profit before non-trading items		
South Africa	495 022	323 240
Rest of Africa	289 790	431 749
Australia	250 040	184 202
	1 034 852	939 191

SHAREHOLDER ANALYSIS
for the year ended 30 June 2014

	Number of shareholdings	%	Number of shares	%
SHAREHOLDER SPREAD				
1 – 1 000 shares	8 970	78,46	3 197 286	4,84
1 001 – 10 000 shares	2 071	18,12	5 798 653	8,79
10 001 – 100 000 shares	311	2,72	10 155 627	15,39
100 001 – 1 000 000 shares	70	0,61	20 675 358	31,33
1 000 001 shares and over	10	0,09	26 173 076	39,65
Totals	11 432	100,00	66 000 000	100,00
DISTRIBUTION OF SHAREHOLDERS				
Banks and brokers	70	0,61	7 987 210	12,10
Close corporations	93	0,81	62 875	0,10
Empowerment	4	0,03	10 165 806	15,40
Endowment funds	74	0,65	400 060	0,60
Individuals	7 988	69,87	7 983 236	12,10
Insurance companies	51	0,45	6 468 561	9,80
Investment companies	8	0,07	358 119	0,54
Medical schemes	19	0,17	146 524	0,22
Mutual funds	207	1,81	9 602 875	14,55
Nominees and trusts	2 329	20,37	5 629 362	8,53
Other corporations	74	0,65	56 984	0,09
Private companies	274	2,40	929 263	1,41
Public companies	2	0,02	350	0,00
Retirement funds	236	2,06	13 925 408	21,10
Share trusts	3	0,03	2 283 367	3,46
Totals	11 432	100,00	66 000 000	100,00
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	14	0,12	13 761 268	20,85
Directors and associates	7	0,06	1 312 095	1,99
Empowerment	4	0,03	10 165 806	15,40
WBHO share and management trusts	3	0,03	2 283 367	3,46
Public shareholders	11 418	99,88	52 238 732	79,15
Totals	11 432	100,00	66 000 000	100,00
Beneficial shareholders holding 3% or more				
Government Employees Pension Fund			8 137 218	12,33
Akani Investment Holdings (Pty) Ltd			10 165 806	15,40
Old Mutual Limited			4 990 997	7,56
Sanlam Limited			3 439 520	4,52
WBHO Management Trust			2 190 992	3,71
Totals			28 924 533	43,82
Geographical breakdown				
South Africa			56 407 354	85,47
Rest of Europe			1 909 431	2,89
United States of America and Canada			6 126 234	9,28
United Kingdom			953 292	1,44
Rest of the world			603 689	0,91
Totals			66 000 000	100,00

Notice is hereby given that the 32nd annual general meeting (AGM) of the shareholders of Wilson Bayly Holmes-Ovcon Limited (WBHO) (the company) for the year ended 30 June 2014 will be held at 53 Andries Street, Wynberg,Sandton at 11:00 on Wednesday, 12 November 2014.

Kindly note that meeting participants (including shareholders and proxies) are required to provide satisfactory identification before being entitled to participate in or vote at the AGM. Valid forms of identification are identity documents, driver's licences and passports.

At the AGM, the business to be transacted includes the following special and ordinary resolutions. These are set out in the manner required by the Companies Act of South Africa, (the Act), as read with the Listings Requirements of the JSE Limited (JSE Listings Requirements) where the ordinary shares of the company are listed. The meeting is to be participated in, and voted on, by shareholders registered on the record date of Friday, 7 November 2014.

ELECTRONIC PARTICIPATION

The company intends to offer shareholders reasonable access to attend the AGM through electronic conference call facilities, in accordance with the provisions of the Act. Shareholders wishing to participate in the AGM electronically are required to deliver written notice (the electronic notice) to the company at 53 Andries Street, Wynberg, Sandton (marked for the attention of Shereen Vally-Kara, the Company Secretary) by no later than 09:00 on Friday, 7 November 2014.

In order for the electronic notice to be valid it must contain: (a) if the shareholder is an individual, a certified copy of his or her identity document and/or passport; (b) if the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution (the resolution must state who is authorised to represent the entity at the AGM via electronic communication); and (c) a valid e-mail address and/or facsimile number (the contact address/number).

Voting on shares will not be possible via electronic communication. Shareholders participating electronically and wishing to vote, will need to be represented at the AGM, either in person, by proxy or by letter of representation.

The company shall use all reasonable endeavours to notify shareholders, who have delivered a valid electronic notice at its contact address/number, of the relevant details through which shareholders can participate via electronic communication on or before 16:00 on Friday, 7 November 2014.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements of the company and its subsidiaries for the year ended 30 June 2014 (as approved by the board of directors of the company) have been distributed as required (summarised versions have been included in the integrated report with the full annual financial statements available on the company website www.wbho.co.za) and will be presented to shareholders at the AGM.

ORDINARY RESOLUTION NUMBER 1

Re-appointment of auditors

RESOLVED, upon the recommendation of the current Audit committee, that BDO South Africa Inc. be re-appointed as the independent external auditors of the company and Mrs J Roberts, as the rotating partner, is hereby appointed as the designated auditor to hold office for the ensuing year.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to cast on the resolution.

ORDINARY RESOLUTION NUMBER 2

Election of director

To ratify as a separate resolution the election of Mr Ross William Gardiner, who was appointed as a director to the board on 23 January 2014. Accordingly:

RESOLVED that Mr RW Gardiner be, and is hereby, elected as a director of the company.

A brief CV of Mr RW Gardiner is available on the website of the company at www.wbho.co.za

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to cast on the resolution.

ORDINARY RESOLUTION NUMBER 3

Re-election of directors

To re-elect, by way of separate resolutions, the following directors who retire by rotation and being eligible, offer themselves for re-election in terms of the Memorandum of Incorporation (MOI) of the company:

- Ms SN Maziya
- Ms NS Mjoli-Mncube

A brief CV in respect of each of these directors is available on the website of the company at www.wbho.co.za

If deemed fit, each director will be re-elected by way of passing the separate ordinary resolutions set out below:

Ordinary resolution number 3.1

Election of Ms Savannah Nonhlanhla Maziya as a director of the company.

RESOLVED that Ms SN Maziya be, and is hereby, elected as a director of the company.

Ordinary resolution number 3.2

Election of Ms Nonhlanhla Sylvia Mjoli-Mncube as a director of the company.

RESOLVED that Ms NS Mjoli-Mncube be, and is hereby, elected as a director of the company.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to cast on the resolution.

ORDINARY RESOLUTION NUMBER 4

Election of Audit committee members

RESOLVED, as an ordinary resolution, that the following Audit committee members (all of whom are independent non-executive directors) be appointed by way of separate resolutions for the year ending 30 June 2015:

- Ms AN Matyumza (Chairperson)
- Ms NS Mjoli-Mncube
- Mr JM Ngobeni
- Mr RW Gardiner

A brief CV of each of these directors is available on the website of the company at www.wbho.co.za

If deemed fit, each director will be re-elected by way of passing the separate ordinary resolutions set out below:

Ordinary resolution number 4.1

Appointment of Ms Angelina Nomalungelo Matyumza as an Audit committee member

RESOLVED that Ms AN Matyumza be, and is hereby, appointed as an Audit committee member.

Ordinary resolution number 4.2

Appointment of Ms Nonhlanhla Sylvia Mjoli-Mncube as an Audit committee member

RESOLVED that Ms NS Mjoli-Mncube be, and is hereby, appointed as an Audit committee member.

Ordinary resolution number 4.3

Appointment of Mr James Matingi Ngobeni as an Audit committee member

RESOLVED that Mr JM Ngobeni be, and is hereby, appointed as an Audit committee member.

Ordinary resolution number 4.4

Appointment of Mr Ross William Gardiner as an Audit committee member

RESOLVED that Mr RW Gardiner be, and is hereby, appointed as an Audit committee member.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

ORDINARY RESOLUTION NUMBER 5

Endorsement of remuneration policy

RESOLVED, through a non-binding advisory vote, that the remuneration policy of the company, which is available on the website of the company at www.wbho.co.za, be endorsed (excluding the remuneration of the non-executive directors and the members of committees).

In terms of the King Code of Governance Principles for South Africa 2009, an advisory vote should be obtained from shareholders on the annual remuneration policy of the company. The vote allows shareholders to express their views on the remuneration policies adopted and the implementation thereof, but will not be binding on the company.

ORDINARY RESOLUTION NUMBER 6

General authority to directors to allot and issue authorised, but unissued, ordinary shares

RESOLVED, after providing for the shares reserved for the purpose of the share scheme of the company, that the balance of unissued ordinary shares be placed under the control of the directors, who are hereby authorised to allot and issue these shares at such times and on such terms as they may decide, subject to the Listings Requirements of the JSE and provided that any shares issued in terms of this authority shall not exceed 10% of the issued share capital of the company prior to such issue. The existing authority granted by the shareholders at the previous AGM is proposed to be renewed at this AGM. The authorities will be subject to the Act and the JSE Listings Requirements.

The minimum percentage of voting rights that is required for the resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on each resolution.

ORDINARY RESOLUTION NUMBER 7

Directors' authority to implement special and ordinary resolutions

RESOLVED, as an ordinary resolution, that each and every director and/or Company Secretary of the company be, and is hereby, authorised to do all such things and sign all such documents as may be necessary for, or incidental to, the implementation of the resolutions passed at this meeting.

The minimum percentage of voting rights that is required for this resolution to be adopted is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

ORDINARY RESOLUTION NUMBER 8

Adoption of the WBHO 2013 Share Plan

RESOLVED, as an ordinary resolution, that the proposed WBHO 2013 Share Plan be, and is hereby, approved.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights plus 1 (one) vote to be cast on the resolution.

SPECIAL RESOLUTION NUMBER 1

Approval of directors' fees for non-executive directors

RESOLVED, as a special resolution, that the following remuneration be payable to non-executive directors of the company with effect from 1 October 2014.

	2013/2014 R Per annum	2014/2015 R Per annum
Lead Independent director	255 000	280 500
Non-executive director	159 500	175 500
Chairman of Audit committee	242 000	266 200
Chairman of Remuneration committee	55 000	130 000
Chairman of Social and ethics committee	55 000	60 500
Committee members (per meeting)	22 000	24 200

Reasons for and effects of special resolution number 1

The reason for, and effect of, this special resolution is that the new Companies Act requires shareholder approval of directors' fees in advance by way of special resolution.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

SPECIAL RESOLUTION NUMBER 2

Financial assistance to directors, prescribed officers, employee share scheme beneficiaries and related or inter-related companies and corporations

RESOLVED, as a special resolution, that the board of directors of the company may, to the extent required by, and subject to, sections 44 and 45 of the Act and the requirements (if applicable) of the:

a) MOI of the company; and

b) JSE Listings Requirements,

authorise the company to provide direct or indirect financial assistance to a director or prescribed officer of the company or of a related or inter-related company, or to a related or inter-related company or corporation, or to a member of a related or inter-related corporation, or to any beneficiary participating in any company share incentive scheme, or to a person related to any such company, corporation, director, prescribed officer, beneficiary or member at any time during the period commencing on the date of passing of this resolution and ending at the next AGM of the company.

Reasons and effects of special resolution number 2

- Notwithstanding the title of section 45 of the Act, being "loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or inter-related companies and corporations, including, among others, its subsidiaries, for any purpose.
- Furthermore, section 44 of the Act may also apply to financial assistance provided by a company to a related or inter-related company, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company.
- Both sections 44 and 45 of the Act state, among other things, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders adopted within the same year. Such assistance approved either for the specific recipient or, generally for a category of potential recipients, including the specific recipient within that category.
- Sections 44 and 45 contain exemptions in respect of employee share schemes that satisfy the requirements of section 97 of the Act. To the extent that any company share incentive scheme does not satisfy such requirements, financial assistance (as contemplated in sections 44 and 45) to be provided under any such scheme will, among others, also require approval by special resolution. Accordingly, special resolution number 2 authorises financial assistance to any of the directors or prescribed officers of the company (or any person related to any of them or to any company or corporation related or inter-related to them), or to any other person who is a beneficiary of any of the company share incentive schemes, in order to facilitate their participation in any such scheme that does not satisfy the requirements of section 97 of the Act.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

SPECIAL RESOLUTION NUMBER 3

General authority to repurchase company shares

RESOLVED, as a special resolution, that the company hereby approves, as a general approval, the acquisition by the company or any of its subsidiaries, from time to time, of the issued shares of the company, upon such terms and conditions and in such amounts as the directors of the company may, from time to time, determine, but subject to the MOI of the company, the provisions of the Companies Act of South Africa and the JSE Listings Requirements as presently constituted and which may be amended from time to time, and provided that the acquisition by the company and its subsidiaries of shares in the company may not, in the aggregate, exceed in any one financial year, 10% (ten percent) of the issued share capital of the company of the class of shares acquired from the date of the grant of this general approval, provided that:

a. any such acquisition of shares shall be effected through the order book operated by the JSE trading system or other manner approved by the JSE and done without any prior understanding or arrangement between the company or its subsidiaries and the counterparty;
b. the general approval shall only be valid until the next AGM of the company or for 15 (fifteen) months from the date of passing of this special resolution, whichever period is shorter;
c. in terms of this authority, a paid press announcement will be published as soon as the company and/or its subsidiaries has/have acquired shares constituting, on a cumulative basis, 3% (three percent) of the number of shares of the class of shares acquired in issue at the time of granting of this general approval, as well as for each 3% (three percent) in aggregate of the initial number of that class of shares acquired thereafter. The announcement shall contain full details of such acquisitions as required by paragraph 11.27 of the JSE Listings Requirements;
d. in determining the price at which the company's shares are acquired by the company or its subsidiaries in terms of this general approval, the maximum price at which such shares may be acquired may not be greater than 10% (ten percent) above the weighted average of the market value at which such shares are traded on the JSE, as determined over the 5 (five) business days immediately preceding the date of the acquisition of such shares by the company or its subsidiaries;
e. in the case of a derivative (as contemplated in the JSE Listings Requirements), the price of the derivative shall be subject to the limitations set out in paragraph 5.84(a) of the JSE Listings Requirements;
f. a resolution is made by the board of directors of the company that they authorised the repurchase, that the company passed the solvency and liquidity test and that, since the test was done, there have been no material changes to the financial position of the company;
g. the company and/or its subsidiaries may not repurchase any shares in terms of this authority during a prohibited period, as defined in the JSE Listings Requirements, unless the company and/or its subsidiaries has in place a repurchase programme, where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period; and
h. the company will ensure that its sponsor will provide the necessary letter on the adequacy of the working capital in terms of the JSE Listings Requirements, prior to the commencement of the purchase of the shares of the company on the open market.

Reason for and effect of special resolution number 3

The reason for, and effect of, this special resolution is to grant the company and/or its subsidiaries a general authority to facilitate the acquisition by the company and/or its subsidiaries of the company's own shares. This general authority shall be valid until the next AGM of the company or until the variation or revocation of such general authority by special resolution at any subsequent general meeting of the company, whichever is earlier, provided that this general authority shall not extend beyond 15 months from the date of the passing of this special resolution.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

TO TRANSACT SUCH OTHER BUSINESS THAT MAY BE TRANSACTED AT AN AGM

General instructions and information

The integrated report to which this notice of AGM is attached provides details of:

- directors and management of the company – refer to the company website at www.wbho.co.za;
- the directors' shareholding in the company – refer to page 48 of the integrated report;
- share capital of the company – refer to page 7 of the full audited consolidated financial statements available online at www.wbho.co.za ; and
- an analysis of the shareholders (including an analysis of the beneficial shareholders) – refer to page 63 of the integrated report.

There are no material changes to the financial or trading position of the company, nor are there any material, legal or arbitration proceedings (pending or threatened).

The directors, whose details are published online, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the integrated report and this notice contains all information required by law and the JSE Listings Requirements.

All shareholders are encouraged to attend, speak and vote at the annual general meeting.

EXPLANATORY NOTES

Ordinary resolution number 1

Reappointment of auditors

In terms of section 90(1) of the Act, each year at its AGM, the company must appoint an auditor who complies with the requirements of section 90(2) of the Act. Following a detailed review, which included an assessment of its independence, the current audit committee of the company has recommended that BDO South Africa Inc. be reappointed as the independent external auditors of the company.

Ordinary resolution number 2

Election of director

In terms of the MOI of the company, all directors shall be elected by an ordinary resolution of the shareholders at a general or annual general meeting. As such, the interim appointment of Mr RW Gardiner as an independent non-executive director of the company is to be ratified by the shareholders.

Ordinary resolution number 3

Re-election of directors

In terms of the MOI of the company, 1/3 (one third) of the non-executive directors shall retire from office at each AGM. The first non-executive directors to retire at each AGM shall be the first vacancies filled or additional directors appointed since the last AGM, then those who have held office for the longest period since their last election. For avoidance of doubt, in determining the number of non-executive directors to retire, no account shall be taken of any executive directors.

The board, through the Nomination committee, has evaluated the past performance and contribution of the retiring non-executive directors and recommends their re-election.

Ordinary resolution number 4

Appointment of members of the Audit committee

The members of the Audit committee have been nominated by the board for election in terms of section 94(2) of the Act. The board has reviewed the proposed composition of the Audit committee against the requirements and the regulations of the Act and has confirmed that, if all the individuals referred to above are elected, the committee will comply with the relevant requirements and have the necessary knowledge, skills and experience to enable it to perform its duties in terms of the Act.

Ordinary resolution number 5

Endorsement of the remuneration policy

Chapter 2 of King III, dealing with boards and directors, requires that companies annually table their remuneration policy to shareholders for a non-binding advisory vote at the AGM. This vote enables shareholders to express their views on the remuneration policies adopted and the implementation of such policies.

Ordinary resolution number 5 is of an advisory nature only and failure to this pass this resolution will, therefore, not have any legal consequences.

Ordinary resolution number 6

Approval for the issue of authorised but unissued ordinary shares

In terms of the MOI of the company, read with the JSE Listings Requirements, the shareholders of the company may authorise the directors to, *inter alia*, issue any unissued ordinary shares and/or grant options over them, as the directors at their discretion think fit.

The existing authority granted by the shareholders at the previous AGM is proposed to be renewed at this AGM. The authority will be subject to the provisions of the Act and the JSE Listings Requirements. The aggregate number of ordinary shares capable of being allotted and issued in terms of this resolution, other than in terms of the company's share or other employee incentive schemes, shall be limited to 10% (ten percent) of the number of the ordinary shares in issue as at 30 June 2014.

The directors have decided to seek an annual review of this authority in accordance with best practice. The directors have no current plans to make use of this authority, but wish to ensure, by having it in place, that the company has some flexibility to take advantage of any business opportunity that may arise in future.

Ordinary resolution number 8

Adoption of new WBHO 2013 Share Plan

The proposed WBHO 2013 Share Plan reflects the reward philosophy and strategy of incentive reward defined categories of executives and senior management of the company. The plan will provide for the inclusion of a number of performance conditions, designed to align the interests of participants with the of shareholders in the company, and to reward company and individual performance, more so than merely the performance of the economy or of the construction sector in which the company operates.

It is envisaged that the combined, weighted implementation of the long-term incentive elements will allow WBHO to become, and remain, competitive in share-based incentives, reward long-term sustainable company performance, act as a retention tool, and ensure that executives share a significant level of personal risk with the company's shareholders.

The directors and the remuneration committee have recommended the WBHO 2013 Share Plan for ratification by the shareholders.

ENTITLEMENT TO ATTEND AND VOTE AT THE AGM IN PERSON OR BY PROXY

Holders of certificated shares (ie shares that have not been dematerialised) or holders of shares registered as "own name dematerialised shares" (ie shares specifically held by the Central Securities Depository Participant (CSDP) in one's own name on the subregister of the company) may attend and vote at the AGM.

Alternatively, the holder may appoint a proxy (who need not also be a shareholder of the Company) to attend, participate in and speak and vote on the holder's behalf at the AGM. To appoint a proxy, the holder must complete and return the attached form of proxy, before the proxy may exercise any rights on behalf of the shareholder at the AGM.

The form must be returned to the registered office of the company or to the transfer secretaries, Computershare Investor Services Proprietary Ltd, the details of which are set out on page 71 of the integrated report, by no later than 11:00 on Tuesday, 11 November 2014, being 24 (twenty-four) hours prior to the time appointed for the holding of the AGM.

Please note that the proxy may delegate his/her authority to act on the holder's behalf to another person, subject to the restrictions set out in the attached form of proxy.

Please note that if one is the owner of dematerialised shares (ie the paper share certificates representing the shares have been replaced with electronic records of ownership under the JSE's Share Transactions Totally Electronic (STRATE) held through a CSDP or broker and are not registered as an "own name dematerialised shareholder"), then the holder is not a registered shareholder of the Company, but the CSDP or broker (or their nominee) would be. Accordingly, in these circumstances, subject to the mandate between the shareholder and the CSDP or broker (or their nominee), as the case may be:

- if the shareholder wishes to attend the AGM they must contact the CSDP or broker (or their nominee), and obtain the relevant letter of representation from it; alternatively
- if the shareholder is unable to attend the AGM, but wishes to be represented at the meeting, contact the CSDP or broker (or their nominee) and furnish it with the voting instructions in respect of the AGM and/or request it to appoint a proxy. The holder should not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between the shareholder and the CSDP or broker, within the time period required by the CSDP or broker.

CSDPs, brokers or their nominees, recorded in the subregister of the company as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the Company, vote by either appointing a duly authorised representative to attend and vote at the AGM or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the registered office of the company or to the transfer secretaries, Computershare Investor Services (Pty) Ltd, the details of which are set out on page 70 of the integrated report, by no later than 11:00 on Tuesday, 11 November 2014, being 24 (twenty four) hours prior to the time appointed for the holding of the AGM.

Shareholders of the company that wish to participate in the AGM should note that any shareholder that is a company may authorise any person to act as its representative at the AGM. Please also note that section 63(1) of the Companies Act, No 71 of 2008 requires that any person wishing to participate in the AGM (including the aforementioned representative) must provide satisfactory identification before they may so participate.

ADMINISTRATION

WILSON BAYLY HOLMES-OVCON LIMITED

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

REGISTERED OFFICE AND CONTACT DETAILS

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

COMPANY SECRETARY

Shereen Vally-Kara
ACIS

AUDITORS

BDO South Africa Inc.

TRANSFER SECRETARIES

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

SPONSOR

Investec Bank Limited

SHAREHOLDERS' DIARY

Financial year-end	30 June
Preliminary announcement	September
Annual report posted	October
Interim results announced	February

SHAREHOLDERS' PAYMENTS

Interim payment	
– approved	February
– payable	April
Final payment	
– approved	August
– payable	October

FORM OF PROXY
for the year ended 30 June 2014

WILSON BAYLY HOLMES – OVCON LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1982/011014/06)
Share code: WBO ISIN: ZAE000009932
(WBHO)

This form of proxy is not to be used by beneficial owners of shares who have dematerialised their shares (dematerialised shares) through a Central Securities Depository Participant (CSDP) or broker, unless the shareholder is recorded on the subregister as an "own name dematerialised shareholder". Generally, a shareholder is not an "own name dematerialised shareholder" unless they have specifically requested their CSDP to record them as the holder of the shares in their own name in the subregister of WBHO.

This form of proxy is only for use by certificated, own name dematerialised shareholders and CSDPs or brokers (or their nominees) registered in the subregister of WBHO as the holder of dematerialised ordinary shares.

Each shareholder entitled to attend and vote at the AGM is entitled to appoint a proxy (who need not be a shareholder of the company) to attend, participate in and speak and vote in place of that shareholder at the AGM, and at any adjournment thereafter. The record date is Friday, 7 November 2014.

Please note the following:
- The appointment of your proxy may be suspended at any time to the extent that you choose to act directly and in person in the exercise of your rights as a shareholder at the AGM.
- The appointment of the proxy is revocable.
- You may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy, and to WBHO.

I/We (block letters) ______________________________

of ______________________________

Telephone work: ______________ Telephone home: ______________

being the holder/s of [   ] ordinary shares in WBHO, hereby appoint (refer to note 1)

1. ______________________________ or failing him/her,

2. ______________________________ or failing him/her,

3. the Chairman of the AGM, as my/our proxy to attend, speak, vote and act for me/us on my/our behalf at the AGM, which will be held for the purpose of considering and, if deemed fit, passing the resolutions to be proposed thereat and at any adjournment thereof and to vote for or against such resolutions or to abstain from voting in respect of the shares in the issued capital of WBHO registered in my/our name/s, in accordance with the following instructions (refer to note 3).

My/our proxy may delegate to another person his/her authority to act on my/our behalf at the AGM, provided that my/our proxy:
- may only delegate his/her authority to act on my/our behalf at the general meeting to a director of WBHO; and
- must provide written notification to the transfer secretaries of WBHO, namely Computershare Investor Services Proprietary Limited, of the delegation by my/our proxy of his/her authority to act on my/our behalf at the general meeting by no later than 11:00 on Tuesday, 11 November 2014, being 24 (twenty-four) hours before the general meeting to be held at 11:00 on Wednesday, 12 November 2014; and
- must provide to his/her delegee a copy of his/her authority to delegate his/her authority to act on my/our behalf at the general meeting.

FORM OF PROXY (continued)

for the year ended 30 June 2014

	Number of votes (one vote per ordinary share)		
	For	Against	Abstain
Ordinary resolution number 1: Re-appointment of the auditors			
Ordinary resolution number 2: Election of Mr RW Gardiner as director			
Ordinary resolution number 3.1: Election of Ms SN Maziya as director			
Ordinary resolution number 3.2: Election of Ms NS Mjoli-Mncube as director			
Ordinary resolution number 4.1: Appointment of Ms AN Matyumza as Audit committee member			
Ordinary resolution number 4.2: Appointment of Ms NS Mjoli-Mncube as Audit committee member			
Ordinary resolution number 4.3: Appointment of Mr MJ Ngobeni as Audit committee member			
Ordinary resolution number 4.4: Appointment of Mr RW Gardiner as Audit committee member			
Ordinary resolution number 5: Endorsement of remuneration policy			
Ordinary resolution number 6: Placing unissued shares under the control of the directors			
Ordinary resolution number 7: Directors' authority to implement special and ordinary resolutions			
Ordinary resolution number 8: Adoption of new WBHO 2013 Share Plan			
Special resolution number 1: Approval of directors' fees for 2014/2015 financial year			
Special resolution number 2: Authority to provide financial assistance in terms of section 44 and 45 of the Act			
Special resolution number 3: General approval to repurchase company shares			

Insert an 'X' in the relevant spaces above according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of shares than you own in the company, insert the number of shares held in respect of which you desire to vote (see note 3).

Signed at on 2014

Signature

(Authority of signatory to be attached if applicable – refer note 7)

Assisted by me (where applicable – refer note 9) Telephone:

Please also read the notes overleaf.

NOTES TO THE FORM OF PROXY

for the year ended 30 June 2014

SUMMARY OF SHAREHOLDERS' RIGHTS IN RESPECT OF PROXY APPOINTMENTS AS CONTAINED IN SECTION 58 OF THE 2008 COMPANIES ACT

1. The person whose name stands first on the form of proxy and who is present at the AGM will be entitled to act as a proxy to the exclusion of those whose names follow thereafter.
2. If no proxy is inserted in the spaces provided, then the Chairperson shall be deemed to be appointed as the proxy to vote or abstain as the Chairperson deems fit.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the form of proxy will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she deems fit in respect of the entire shareholder's votes exercisable thereat.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy. A proxy shall be entitled to demand that voting take place on a poll.
5. Form of proxy must be lodged at the registered office of the company, situated at 53 Andries Street, Wynberg or posted to the Company Secretary at PO Box 531, Bergvlei, 2012, or lodged with or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg.

   Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of (i) the date stated in the revocation instrument, if any, or (ii) the date on which the revocation instrument was delivered to the company and the proxy as aforesaid;
   - if this form of proxy has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Companies Act No 71 of 2008 for the MOI of the company to be delivered by the company to you or your proxy or proxies, if you have directed the company to do so, in writing and paid any reasonable fee charged by the company for doing so;
   - your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the AGM, but only as directed by you on this form of proxy;
   - the appointment of your proxy remains valid only until the end of the AGM or any adjournment or postponement thereof or for a period of six months, whichever is shortest, unless it is revoked by you before then on the basis set out above.
6. Forms of proxy must be received or lodged by no later than 11:00 on Tuesday, 11 November 2014, being no later than 24 (twenty-four) hours before the AGM to be held at 11:00 on Wednesday, 12 November 2014.
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company Secretary or waived by the Chairperson of the AGM. CSDPs or brokers registered in the subregister of the company voting on instructions from beneficial owners of shares registered in the subregister of the company, are requested that they identify the beneficial owner in the subregister on whose behalf they are voting and return a copy of the instruction from such owner to the Company Secretary or to the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, together with this form of proxy.
8. Any alteration or correction made to this form of proxy must be initiated by the signatory/ies, but may not be accepted by the Chairperson.
9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company Secretary.

NOTES

www.wbho.co.za