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

AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

HIGHLIGHTS

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

DIVIDEND
2017: 475 cents
2016: 448 cents

EPS
2017: 1 346 cents
2016: 1 322 cents

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

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

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

BASIS OF PREPARATION
for the year ended 30 June 2017

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

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

The summary consolidated financial statements have been compiled under the supervision of the Chief Financial Officer, Charles Henwood CA(SA) and were authorised by the board on 1 September 2017.

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

These summary consolidated financial statements for the year ended 30 June 2017 have been audited by BDO South Africa Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual consolidated financial statements, a copy of which is available on the company's website at www.wbho.co.za, for inspection at the company's registered office.

A copy of the auditor's report on the summary consolidated financial statements and of the auditor's report on the annual consolidated financial statements are available on the company's website at www.wbho.co.za, or for inspection at the company's registered office, together with the financial statements identified in the respective auditor's reports.

The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the company's registered office or on the company's website at www.wbho.co.za.

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2017

	% change	Audited 2017 R'000	Audited 2016 R'000
Revenue	4,1	31 906 660	30 650 309
Operating profit before non-trading items	(1,8)	986 297	1 004 557
Settlement agreement expense		(170 274)	-
Profit on disposal of property		-	29 166
Profit on disposal of shares		12 726	-
Gain on loss of control of subsidiary		9 607	-
Share-based payment expense		(57 788)	(42 481)
Operating profit		780 568	991 242
Share of profits from associates		68 916	45 659
Net finance income		240 894	203 014
Profit before taxation		1 090 378	1 239 915
Taxation		(319 161)	(395 715)
Profit from continuing operations	(8,6)	771 217	844 200
Loss from discontinued operations		(1 671)	(122 350)
Profit for the year		769 546	721 850
Other comprehensive income			
Items that may be or have been reclassified through profit or loss:			
Translation of foreign entities		(256 522)	101 651

Translation of net investment in a foreign operation		(20 908)	-
Revaluation of a designated cash-flow hedge		(11 269)	-
Tax effect of above items		9 235	-
Share of associates' comprehensive income		(33 933)	28 618
Recycling of translation of foreign operations		-	284 086
Total comprehensive income for the year		456 149	1 136 205
Profit from total operations attributable to:			
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		722 064	725 533
Non-controlling interests		47 482	(3 683)
		769 546	721 850
Total comprehensive income attributable to:			
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		410 187	1 081 409
Non-controlling interests		45 962	54 796
		456 149	1 136 205
Earnings per share (cents)			
Basic earnings per share	1,8	1 345,6	1 322,3
Diluted earnings per share	1,7	1 345,1	1 322,3
Headline earnings per share	1,1	1 307,9	1 293,7
Dividend per share (cents)	6,0	475,0	448,0
Profit from continuing operations attributable to:			
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		722 133	766 031
Non-controlling interests		49 084	78 169
		771 217	844 200
Earnings per share - continuing operations (cents)			
Basic earnings per share	(3,6)	1 345,7	1 396,1
Diluted earnings per share	(3,6)	1 345,3	1 396,1
Headline earnings per share	(2,5)	1 308,9	1 342,9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2017

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
for the year ended 30 June 2017

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2017

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

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

	Audited 2017 R'000	Audited 2016 R'000

1. RECONCILIATION OF HEADLINE EARNINGS

Continuing operations		
Attributable profit	722 133	766 031
Adjusted for:		
Gain on loss of control of subsidiary	(9 607)	-
Profit on disposal of property, plant and equipment*	(13 944)	(41 215)
Tax effect	3 813	12 038
Headline earnings from continuing operations	702 395	736 854
Total operations		
Attributable profit	722 064	725 533
Adjusted for:		
Gain on loss of control of subsidiary	(9 607)	-
Profit on disposal of property, plant and equipment*	(14 611)	(41 755)
Loss on disposal of operations*	-	13 939
Tax effect	4 000	12 125
Headline earnings	701 846	709 842

* Net of non-controlling interests

2. ORDINARY SHARES

	Audited 2017 R'000	Audited 2016 R'000
Ordinary shares in issue ('000)	63 190	63 190
Weighted average number of shares ('000)	53 663	54 870
Diluted weighted average number of shares ('000)	53 680	54 870

3. BUSINESS COMBINATION

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

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

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

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

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

	R'000
Assets	
Property, plant and equipment	33 596
Other non-current assets	4 418
Inventory	28 129

Other current assets	65 783	
Cash and cash equivalents	12 451	
Total	144 377	
Liabilities		
Non-current liabilities	(2 785)	
Current liabilities	(72 415)	
Total	(75 200)	
Identifiable assets and liabilities	69 177	
Fair value of consideration payable	62 259	
Fair value of non-controlling interests recognised	6 918	
Fair value of identifiable assets and liabilities	(69 177)	

No revenue or losses have been included in the group's results.
The amounts below illustrate the impact on the group's results
had the acquisition been effective at 1 July 2016.

Revenue	151 884	
Loss after tax	(29 150)	

	Audited 2017 R'000	Audited 2016 R'000
4. SEGMENTAL INFORMATION		
Segment revenue		
Building and civil engineering	8 135 777	7 536 471
Roads and earthworks	4 589 881	4 333 788
Australia	18 599 977	18 112 931
Total construction revenue	31 325 635	29 983 190
Property developments	2 301	18 880
Construction materials	578 724	648 239
Total revenue	31 906 660	30 650 309
Segment operating profit before non-trading items		
Building and civil engineering	384 943	369 585
Roads and earthworks	341 737	283 422
Australia	312 586	300 392
Total construction operating profit	1 039 266	953 399
Property developments	(1 472)	14 656
Construction materials	2 103	36 502
Total operating profit	1 039 897	1 004 557
Equity-accounted development profit from Caulfield	(53 600)	-
Total operating profit before non-trading items	986 297	1 004 557
Geographical revenue		
South Africa	11 453 907	9 739 222
Rest of Africa	1 852 776	2 798 156
Australia	18 599 977	18 112 931
	31 906 660	30 650 309
Geographical operating profit		
South Africa	475 720	346 354
Rest of Africa	251 591	357 811

Australia	312 586	300 392
	1 039 897	1 004 557
Equity-accounted development profit from Caulfield	(53 600)	-
Total operating profit before non-trading items	986 297	1 004 557
Geographical non-current assets excluding deferred tax		
South Africa	1 642 474	1 437 288
Rest of Africa	466 851	378 755
Australia	943 845	1 111 723
United Kingdom	202 962	-
	3 256 132	2 927 766

COMMENTARY

The group delivered a positive set of results in a year where market sentiment in Australia was upbeat while locally, the year was characterised by low-growth, a volatile rand exchange rate and political events which impacted South African business confidence. Nonetheless, within this climate the Building and civil engineering division delivered record revenue at solid margins and the Roads and earthworks division had a strong second six months with an improved order intake, particularly in West Africa. In Australia, the record activity levels achieved in previous years have been maintained. The construction materials division endured difficult market conditions, however on an exciting note, the group entered the United Kingdom (UK) construction market through the acquisition of a 40% interest in an established frame contractor based in London.

FINANCIAL REVIEW

Revenue and operating profit

In FY17 revenue increased by 4% to R31,9 billion compared to R30,7 billion the previous year. Strong growth from the group's local building divisions and an improved performance from the Roads and earthworks division resulted in 18% growth in South Africa. This increased the contribution from South Africa toward group revenue from 32% to 36%. Revenue from the rest of Africa declined by 33%, primarily due to lower activity in Mozambique and Botswana while revenue of R18,6 billion from Australia, which comprised 58% of group revenue, was largely in line with the comparative period of R18,1 billion. Revenue from construction materials of R893 million before the elimination of inter-company sales was also essentially flat.

Increased profitability from the Roads and earthworks division negated lower profitability from Australia which was impacted by a single loss-making project in Queensland and unrealised currency losses. As a result, operating profit before non-trading items amounting to R986 million was below that of the prior year while the overall margin dropped from 3,3% to 3,1%.

Non-trading items

Included in non-trading items is an amount of R170 million in respect of the annual amounts of R21,5 million to be made to the Tirisano Trust over a period of 12 years arising from the Settlement Agreement signed with the Government of South Africa on 11 October 2016.

IFRS dictates that the present value of the full liability be recognised in the period in which it is incurred.

In June 2017 the group reduced its interest in Edwin Construction from 57% to 49%. A gain of R9,6 million was recognised on the loss of control transaction. Capital Africa Steel disposed of the shares it received from PPC Cement Ltd in respect of the sale of 3Q Mahuma Concrete Holdings (Pty) Ltd in the prior year, resulting in a profit of R12,7 million.

The share-based payment expense of R57,8 million recognised relates to the WBHO Share Plan for executive management and the existing broad-based and management share schemes in place.

Earnings per share and headline earnings per share - continuing operations

The effect of the liability recognised in terms of the Settlement Agreement resulted in earnings per share from continuing operations decreasing by 3,6% from 1 396,1 cents per share at 30 June 2016 to 1 345,7 cents per share at 30 June 2017 and headline earnings per share decreasing by 2,5% to 1 308,9 cents per share from 1 342,9 cents per share.

Adjusting the group's earnings for this once-off expense, earnings per share and headline earnings per share would have increased by between 13% and 15% as reflected in the table below.

	% change	June 2017	June 2016
Adjusted earnings per share - continuing operations (cents)			
Basic earnings per share	12,7	1 574,1	1 396,1
Diluted earnings per share	12,7	1 573,6	1 396,1
Headline earnings per share	14,5	1 537,4	1 342,9

Associated companies

The group now has an interest in six associated companies: Gigajoule International, a shareholder in the Matola Gas Company which sells and distributes gas in Mozambique; Gigawatt Power, a concession company providing electricity generated from a gas-fired power station in Mozambique; Dipalopalo, a concession company responsible for providing serviced accommodation to the Department of Statistics; Edwin Construction, previously a subsidiary; Caulfield, a property development in Australia; and the Byrne Group, a frame contractor in the United Kingdom in which the group acquired a 40% interest this year for a consideration of £12 million.

Income from associates of R69 million relates to the group's share of after tax income in respect of gas supplied by the Matola Gas Company, the sale of electricity by Gigawatt Power and the profit from the development sales of the first precinct of the Caulfield development.

The total equity invested in associated companies amounts to R339 million.

During the year the group received a dividend of R25 million from Gigajoule International and R32 million distribution of the profits from the Caulfield development.

Changes in shareholding

In terms of the shareholder agreements, Probuild Constructions (Probuild) acquired a further 2,1% interest from minority shareholders during the period at a cost AU$3,6 million, while WBHO Australia acquired a further 0,8% from minority shareholders at a cost of AU$1,4 million. In June 2017, Probuild sold 1,6 million shares to management. The combined effect of these transactions resulted in the group's interest in Probuild reducing from 83,0% to 80,7%.

The remaining 17,5% interest in Renniks Construction and 44,4% interest in Capital Africa Steel were also acquired from minority shareholders during the year at a cost of R99 million.

Acquisitions

In addition to the 40% interest acquired in the Byrne Group, the group acquired a controlling interest in iKusasa Rail (formerly Grindrod Rail) for a consideration of R63 million.

Cash

Cash balances decreased by R206 million since 30 June 2016 to R5,5 billion largely due to the de-recognition of R163 million in cash following the loss of control in Edwin Construction. Cash generated from operations remained healthy amounting to R1,1 billion compared to R2 billion generated in the comparative period. Capital expenditure increased from R127 million to R309 million, of which R220 million was acquired for cash and R89 million was financed. Depreciation amounted to R212 million (2016: R258 million). Additional cash outflows included R203 million in respect of acquisitions, R184 million in respect of the changes in shareholding discussed above and R279 million in respect of treasury shares acquired.

Contingent liabilities

Financial guarantees issued to third parties amount to R10,6 billion compared to R9,5 billion in issue at 30 June 2016.

OPERATIONAL REVIEW

BUILDING AND CIVIL ENGINEERING

	30 June 2017	30 June 2016
Revenue (8,0% growth)	8 136	7 536
Operating profit (4,7% margin)	385	370
Capital expenditure	67	49
Depreciation	43	66

The Building and civil engineering division achieved record levels of revenue this year as a strong performance from the local building divisions offset lower activity in the rest of Africa and activity within the civil engineering division remained static. The decrease in the margin from 4,9% to 4,7% reflects lower revenue from higher-margin design and construct projects in the current year and a lower margin return from the civil engineering division where industry conditions within the sector remain constrained.

Building

Locally, the Gauteng and KwaZulu-Natal (KZN) building divisions delivered exceptional performances, while in the Western Cape activity levels dropped off following the completion of a number of large projects and a lower order intake in the first half of the year. In the Eastern Cape the division produced a satisfactory performance.

The retail, commercial office and entertainment sectors continue to underpin activity levels. Activity within the hotel and entertainment sector spiked this year following the completion of the Times Square Casino in Tshwane and the conversion of the grain silos precinct at the V&A Waterfront in the Western Cape into a hotel and the Zeits Museum of Contemporary Art Africa. Activity from this sector was further supported by smaller projects for the Hilton hotel group in KZN and Mount Nelson Hotel in Cape Town.

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

The commercial office space remained highly active with projects concentrated in Gauteng around Sandton, Rosebank, Midrand and Tshwane. Activity from existing projects within this sector included: completion of Phase 3 of the Alice Lane precinct in the second half of the year; the ongoing construction of new head offices for Discovery and PriceWaterhouseCoopers scheduled for completion in the first half of next year and new office developments at 92 Rivonia, the Rosebank Towers and Loftus Park. In the coastal areas, commercial projects included Sable Park in the Western Cape which includes a new regional office for Discovery, a new regional head office for ABSA in KZN and completion of new offices for Transnet and the South African National Road Agency (SANRAL) in the Eastern Cape.

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

Civil engineering

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

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

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

ROADS AND EARTHWORKS

	30 June 2017	30 June 2016
Revenue (5,9% growth)	4 590	4 334
Operating profit (7,4% margin)	342	283
Capital expenditure	178	105
Depreciation	99	53

The Roads and earthworks division performed well to achieve growth of 6% largely due to a considerably stronger second half as activity in the private sector improved. Sound growth locally offset lower activity in the rest of Africa, as the road, mining, and energy sectors offered opportunities.

The local roads sector remained buoyant comprising 60% of South African revenue with the division executing projects countrywide. In Gauteng, improvements to the M1 near Oxford Road in Johannesburg are ongoing while the iconic cable stay bridge over the M1 near Sandton was completed alongside the Katherine Street bus-rapid transport (BRT) project. The BRT projects in KZN will be completed early next year. The R24 near Rustenburg in the North West Province is nearing completion and in Mpumalanga, the upgrade to the N4 near Waterval Boven for TRAC was successfully handed over. In the Free State, construction commenced on two new projects, the N6 near Smithfield and the N1 near Winburg. In the Eastern Cape the upgrade of the N2 between Grahamstown and the Fish River Pass was completed during the year, however the division has been awarded two further sections along the N2 near Breidbach and Coombs. Roadspan also benefited from the sustained activity within the roadwork sector with the surfacing division achieving in excess of 40% growth this year. Minimal activity from within the provincial road sector impacted the performance of Edwin Construction which experienced a slow start to the year. Construction of the N5 near Harrismith underpinned activity throughout the year while two new road projects, namely the rehabilitation of the D670 near Bronkhorstspruit for the Gauteng Department of Transport and the rehabilitation of the R34 near Vryburg for SANRAL were secured in the second half and are now underway. Edwin Construction also secured a sewer and water reticulation project in Mangaung as it seeks opportunities in new markets.

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

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

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

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

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

AUSTRALIA

	30 June 2017	30 June 2016
Revenue (2,7% increase)	18 600	18 113
Construction profit (1,4% margin)	259	300
Share of profit from Caulfield development	54	-
Total operating profit (1,7% margin)	313	300
Capital expenditure	53	8
Depreciation	60	62

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

Building

The Melbourne and Sydney markets continue to be particularly busy with 68% of total revenue being concentrated in these two metropolitan cities. The increased levels of activity in NSW has seen Probuild securing larger projects in Sydney and elevating it toward Tier One builder status in the state.

Multi-level residential projects underpinned activity during the 2017 financial year alongside increasing levels of activity in the hotel sector in response to significant growth in Chinese tourism, and a growing presence in the commercial sector which contributed 11% of total revenue in the 2017 financial year.

Prominent residential projects this year include the Eporo, Victoria One and Empire apartment buildings as well as the Marina and Aurora Towers, all in Melbourne; together with Phase 2 of the Promenade and the Discovery Point apartments in Sydney. Residential activity in Brisbane has been slowing for the past twelve months and the business has been increasingly selective in which projects to pursue, choosing to partner with developers where the business has strong relationships built on the strength of its Victorian operations. The Queensland business navigated its way through a difficult loss-making project this year, namely the Coorparoo project, a mixed use residential and retail development covering three apartment buildings, a retail precinct and a 10 theatre cinema complex. Losses were largely due to delays in securing subcontractor packages as the market accelerated resulting in unanticipated price increases. Two of the three apartment towers have been completed at the date of this report, with the final tower forecast for completion in October 2017.

The Chadstone and Werribee retail projects in Melbourne and the Toowoomba retail project were all completed in the current financial year.

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

The Monaco Hickey business continued its penetration into the sub AU$50 million building project space, completing mid-size commercial projects in suburban areas along with medium density luxury apartment projects.

Infrastructure and civil engineering

The Infrastructure business continues to grow with revenue increasing by 63% to AU$195 million, with our presence in the renewables sector being a highlight. Significant opportunities exist to grow revenue in this sector given the level of government driven activity particularly in the road, rail and bridge infrastructure spaces. The Western Australia business contributed strongly to the overall results for the 2017 financial year while the Eastern Region secured two new contracts during the year.

CONSTRUCTION MATERIALS

	30 June 2017	30 June 2016
Continuing operations		
Revenue (1,4% decline)	893	906
Inter-company sales	(314)	(258)
Revenue to external customers	579	648
Operating profit (0,4% margin)	2	37
Capital expenditure	11	17
Depreciation	10	10

Revenue from the steel business decreased marginally this year and trading conditions remain challenging, particularly in Gauteng, the North West and KZN. Profitability has been affected by rising input costs in a market where pricing remains keen as well as a problematic loss-making contract in VSL Construction (Pty) Ltd (VSL), a subsidiary of Capital Africa Steel. Disputes over the settlement of claims have been referred to international arbitration by VSL and its joint venture partner.

ORDER BOOK AND OUTLOOK

Order book by segment (Rm)	%	30 June 2017	%	30 June 2016
Building and civil engineering	16	7 189	20	8 683
Roads and earthworks	14	6 161	8	3 041
Australia	70	31 526	72	30 976
Total	100	44 876	100	42 700

Order book by geography (Rm)	%	30 June 2017	%	30 June 2016
South Africa	26	11 707	25	10 532
Rest of Africa	4	1 643	3	1 192
Australia	70	31 526	72	30 976
Total	100	44 876	100	42 700

The group's total order book at 30 June 2017 increased by 5% to R45 billion from R43 billion at 30 June 2016. The increase comprises a 17% decrease in the Building and civil engineering order book which was offset by a 103% increase in higher margin work from the Roads and earthworks division's order book as the Australian order book remained largely flat.

Africa (including South Africa)
The order intake for local building work continues to diminish as the softening of the retail and commercial office sectors becomes more entrenched. That said, a number of opportunities exist in the commercial office, retail and residential space in Gauteng that will continue to support future activity. In the Western Cape, activity is expected to improve next year following a better order intake in the second half and strong relationships with developers looking to unlock a number of projects in the short to medium-term.

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

In Ghana, construction of the new offices for Standard Chartered Bank will continue into next year, with potential new work coming from the retail sector.

The Civil engineering division's order book has been significantly bolstered by the award of the commercial crude oil terminal facility at Saldanha which will continue well into the 2019 financial year as well as being awarded a rapid load-out facility at Exarro's Grootgeluk mine. Despite an increase in commodity prices and a growing number of enquiries from the mining houses during the year, overall activity from the sector has yet to recover to meaningful levels. Nonetheless, the division continues to seek new opportunities both in coastal markets and the rest of Africa as well as marine construction.

The strong order book growth within the Roads and earthworks division will support activity levels next year. Locally, the commercial crude oil terminal facility in Saldanha and the ash dam and related infrastructure at SASOL will extend well into the 2019 financial year. Various new road contracts secured in the second half will see activity from this sector sustained throughout 2018. Construction of a new platform and road at Booysendal for Northam Platinum will form the bulk of local mining activity in the year ahead.

Mining infrastructure activity in Botswana, Namibia and Mozambique remains subdued and work for next year comprises largely of water and road infrastructure projects. The division has however secured a large mining infrastructure project at Orapa, in Botswana subsequent to 30 June 2017.

In West Africa, mining infrastructure projects secured in Guinea, Burkina Fasso and Ghana will continue through next year and all have the potential for additional phases.

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

Australia

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

The business has good diversification of its order book across the various sectors within both the building and infrastructure markets. Residential only projects comprise 39% of the order book, mixed use residential and hotels 24% while retail has decreased to 9% following the completion of three large-scale projects this year.

An increase in the number of commercial projects secured, equating to 17% of the order book, highlights the growing exposure to this sector, with two commercial projects valued in excess of AU$500 million in aggregate being delivered over the next two years.

Growth in online shopping is beginning to impact retail markets in Australia, however the market appears to be preparing for the next wave of construction works. By providing assistance on early design development to key shopping centre owners Probuild is able to target specific construction projects in the near-term.

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

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

United Kingdom (UK)

WBHO has been seeking growth opportunities in new markets for some time. The UK construction market has seen good growth in recent years particularly in London and the North West. The construction environment is similar to that of Australia with the main contractor fulfilling a construction management role with the different packages of projects being let to subcontractors, and as such was identified as offering the most potential at acceptable levels of risk.

In a construction management environment, understanding the supply chain is key to delivering successful projects. Due to our familiarity and capability in erecting structures in South Africa, a decision was taken to seek investment opportunities in a local frame contractor.

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

Our investment into the group will provide insight and understanding of the dynamics prevalent within the industry as we cautiously enter this market.

INDUSTRY MATTERS

Settlement agreement

On 11 October 2016, seven major listed construction companies signed a Settlement Agreement with the Government of South Africa. The primary purpose of the agreement is to achieve radical transformation within the construction sector.

Competition Commission

With regard to two outstanding cases referred to the Competition Tribunal on which we have previously reported, two interlocutory hearings on procedural matters went against the company, however, WBHO remains confident that it can defend these cases as well as the civil claim received from the City of Cape Town.

SAFETY

The group's lost-time injury frequency ratio (LTIFR) at 30 June 2017 improved to 0,8 injuries per million man hours from 0,94 at 30 June 2016. The African business achieved its best injury statistics to date and an LTIFR of 0,54. Regrettably the employee of a subcontractor was fatally injured on a project in Australia. The management of both WBHO and Probuild extend their sincere condolences to the family, friends and colleagues affected by this tragedy.

APPRECIATION

The directors would like to thank our employees both in Africa and Australia for their dedication in what has been a challenging year and our loyal clients' belief in our ability to meet their expectations.

DIVIDEND DECLARATION

Notice is hereby given that the directors have declared a final gross dividend of 325 cents per share (2016: 313 cents) payable to all shareholders recorded in the register on 20 October 2017.

In terms of the dividends tax legislation the following information is disclosed:-

The dividend is made from income reserves and is subject to dividend withholding tax of 20% which results in a net dividend of 260 cents per share.

The number of shares in issue at date of declaration amount to 63 190 064 (53 166 006 exclusive of treasury shares) and the company's tax reference number is 9999597710.

In order to comply with the requirements of Strate, the following details are relevant:

Last date to trade cum dividend:	Tuesday 17 October 2017
Trading ex dividend commences:	Wednesday 18 October 2017
Record date:	Friday 20 October 2017
Payment date:	Monday 23 October 2017

Shares may not be dematerialised or re-materialised between Wednesday, 18 October and Friday 20 October 2017, both dates inclusive.

Shareholders and interested parties are advised that a presentation of the group's audited financial results for the year ended 30 June 2017 will be held at Investec's offices in Sandton on Wednesday, 6 September 2017 at 10:00.

The presentation will be made available on the company's website at www.wbho.co.za along with the notice to the annual general meeting and accompanying form of proxy which is attached to the shareholder leaflet.

EL Nel CV Henwood MS Wylie
4 September 2017

Sponsor:
Investec Bank Limited