WILSON BAYLY HOLMES-OVCON LIMITED
Building and civil engineering contractor
(Registration number: 1982/011014/06)
ISIN number: ZAE 000009932 Share code: WBO

UNAUDITED INTERIM RESULTS
for the six months ended 31 December 2017

HIGHLIGHTS

Revenue
2017: 17,3% to R18,1 billion
2016: R15,4 billion

Operating profit
2017: 8,1% to R510 million
2016: 471 million

HEPS
Continuing operations
2017: 82,6% to 727 cents
2016: 398 cents

Dividend
2017: 150 cents
2016: 150 cents

BASIS OF PREPARATION
for the six months ended 31 December 2017
The consolidated interim financial statements are prepared in accordance with the JSE Limited Listings Requirements, 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 financial statements, from which the summary consolidated financial statements were derived, are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements.

The consolidated interim financial statements have been compiled under the supervision of the Chief Financial Officer, Charles Henwood CA (SA) and were approved by the board on 23 February 2018.

The consolidated interim financial statements for the period ended 31 December 2017 have not been audited or reviewed by the group's auditors, BDO South Africa Inc.

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE AND OTHER COMPREHENSIVE INCOME
for the six months ended 31 December 2017

	% change	Unaudited December 2017 R'000	Unaudited December 2016 R'000	Audited June 2017 R'000

Revenue	17,3	18 086 801	15 415 743	31 906 660
Operating profit before non-trading items	8,1	509 597	471 352	986 297
Settlement agreement expense		-	(170 274)	(170 274)
Profit on disposal of shares		-	12 111	12 726
Gain on loss of control of subsidiary		5 092	-	9 607
Share-based payment expense		(29 981)	(24 012)	(57 788)
Operating profit	67,6	484 708	289 177	780 568
Share of profits and losses from associates		(6 485)	18 608	68 916
Net finance income		100 041	115 980	240 894
Profit before taxation		578 264	423 765	1 090 378
Taxation		(174 254)	(181 165)	(319 161)
Profit from continuing operations	66,5	404 010	242 600	771 217
Loss from discontinued operations		-	(3 613)	(1 671)
Profit for the period		404 010	238 987	769 546
Other comprehensive income				
Items that may be reclassified to profit or loss:				
Translation of foreign entities		(90 760)	(194 195)	(256 522)
Translation of net investment in a foreign operation		(6 331)	-	(20 908)
Revaluation of a designated cash-flow hedge		-	-	(11 269)
Tax effect of the above items		1 773	-	9 235
Share of associates' comprehensive income		(9 173)	(3 070)	(33 933)
Total comprehensive income for the period		299 519	41 722	456 149
Profit from total operations attributable to:				
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		391 127	214 898	722 064
Non-controlling interests		12 883	24 089	47 482
		404 010	238 987	769 546
Total comprehensive income attributable to:				
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		286 636	17 633	410 187
Non-controlling interests		12 883	24 089	45 962
		299 519	41 722	456 149
Earnings per share (cents)				
Basic earnings per share	87,0	736,5	393,8	1 345,6
Diluted earnings per share	87,5	736,3	392,8	1 345,1
Headline earnings per share	83,9	726,8	395,3	1 307,9
Dividend per share (cents)		150,0	150,0	475,0
Profit from continuing operations attributable to:				
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		391 127	216 905	722 133
Non-controlling interests		12 883	25 695	49 084
		404 010	242 600	771 217
Earnings per share - continuing operations (cents)				
Basic earnings per share	85,3	736,5	397,5	1 345,7
Diluted earnings per share	85,7	736,3	396,4	1 345,3
Headline earnings per share	82,6	726,8	398,1	1 308,9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 31 December 2017

	Unaudited December 2017 R'000	Unaudited December 2016 R'000	Audited June 2017 R'000

Shareholders' equity at the beginning of the period	5 300 505	5 428 429	5 428 429
Profit for the period	391 127	214 898	722 064
Other comprehensive income	(104 491)	(197 265)	(311 878)
Dividend paid	(188 149)	(189 700)	(277 410)
Treasury shares acquired	-	(279 015)	(278 996)
Share-based payment expense	29 981	24 012	57 788
Share-based payment settlement	2 079	3 188	6 226
Transactions with owners	(27 665)	(31 962)	(45 718)
Shareholders' equity at the end of the period	5 403 387	4 972 585	5 300 505

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2017

	Unaudited December 2017 R'000	Unaudited December 2016 R'000	Audited June 2017 R'000
ASSETS			
Property, plant and equipment	1 636 386	1 657 235	1 635 349
Goodwill	509 224	520 818	523 613
Investment in associates	670 893	344 483	650 246
Investments	29 162	47 533	298
Long-term receivables	337 831	42 817	446 626
Deferred taxation	651 266	491 883	631 799
Total non-current assets	3 834 762	3 104 769	3 887 931
Inventories	287 487	216 445	258 858
Amounts due by customers	1 062 700	546 285	758 001
Trade and other receivables	4 807 847	3 787 918	5 635 000
Taxation	172 205	229 366	148 534
Cash and cash equivalents	4 256 061	5 161 208	5 545 621
Total current assets	10 586 300	9 941 222	12 346 014
Total assets	14 421 062	13 045 991	16 233 945
EQUITY			
Share capital	28 597	28 597	28 597
Reserves	5 374 790	4 943 988	5 271 908
Shareholders' equity	5 403 387	4 972 585	5 300 505
Non-controlling interests	120 123	195 408	139 895
Total equity	5 523 510	5 167 993	5 440 400
LIABILITIES			
Long-term liabilities	167 358	225 284	192 637
Deferred taxation	50 399	22 772	57 211
Total non-current liabilities	217 757	248 056	249 848
Excess billings over work done	2 107 340	1 815 538	1 673 161
Trade and other payables	4 586 468	4 025 557	6 931 937
Provisions	1 938 297	1 746 406	1 913 262
Taxation	47 690	32 178	25 299
Bank overdraft	-	10 263	38
Total current liabilities	8 679 795	7 629 942	10 543 697
Total equity and liabilities	14 421 062	13 045 991	16 233 945

CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 December 2017

	Unaudited December 2017 R'000	Unaudited December 2016 R'000	Audited June 2017 R'000
Operating profit before working capital requirements	659 707	283 778	1 084 403
Working capital changes	(1 462 139)	(153 185)	32 225
Cash (utilised in)/generated from operations	(802 432)	130 593	1 116 628
Net finance income	128 085	142 515	259 765
Taxation paid	(226 402)	(79 061)	(252 139)
Dividends paid	(198 336)	(200 450)	(302 081)
Cash (utilised in)/retained from operations	(1 099 085)	(6 403)	822 173
Cash flow from investing activities			
Advances of long-term receivables	-	(1 299)	(265 356)
Repayment of long-term receivables	114 058	9 346	90 765
Repayment of contributed equity	-	138 816	152 211
Additional investment in associates	(43 746)	-	(202 962)
Disposal of associate	-	-	13 386
Loans advanced to associates	(6 746)	-	-
Additions to investments	(23 744)	-	-
Proceeds on disposal of businesses	-	112 111	112 726
Proceeds from share buy-back in subsidiary	-	-	8 815
Proceeds on disposal of property, plant and equipment	17 894	11 525	130 369
Purchase of property, plant and equipment	(96 203)	(80 816)	(220 402)
	(38 487)	189 683	(180 448)
Cash flow from financing activities			
Repayment of borrowings	-	(9 530)	(21 288)
Transactions with owners	(48 787)	(100 459)	(184 531)
Treasury shares acquired	-	(279 015)	(278 996)
Instalments in respect of capitalised finance leases	(48 163)	(39 199)	(46 321)
	(96 950)	(428 203)	(531 136)
Net (decrease)/increase in cash and cash equivalents	(1 234 522)	(244 923)	110 589
Foreign currency translation effect	(50 410)	(356 326)	(167 054)
Cash and cash equivalents acquired	-	-	12 451
Cash and cash equivalents derecognised	(4 590)	-	(162 597)
Cash and cash equivalents at the beginning of the period	5 545 583	5 752 194	5 752 194
Cash and cash equivalents at the end of the period	4 256 061	5 150 945	5 545 583

NOTES TO THE SUMMARY CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the six months ended 31 December 2017

	% change	Unaudited December 2017 R'000	Unaudited December 2016 R'000	Audited June 2017 R'000
1. SEGMENTAL INFORMATION				
Operating segments				
Revenue				
Building and civil engineering	(9,6)	3 916 336	4 332 227	8 135 777
Roads and earthworks	33,6	2 829 324	2 118 529	4 589 881
Australia	28,7	11 102 607	8 624 997	18 599 977

Total construction revenue		17 848 267	15 075 753	31 325 635
Property developments		439	1 551	2 301
Construction materials	(29,6)	238 095	338 439	578 724
Total revenue	17,3	18 086 801	15 415 743	31 906 660
Operating profit	% margin			
Building and civil engineering	4,3	169 271	217 233	384 943
Roads and earthworks	6,7	190 050	143 966	341 737
Australia	1,3	142 993	100 603	312 586
Total construction operating profit	2,8	502 314	461 802	1 039 266
Property developments		(2 890)	74	(1 472)
Construction materials	4,3	10 173	9 476	2 103
Total construction operating profit	2,8	509 597	471 352	1 039 897
Equity-accounted development profit from Caulfield		-	-	(53 600)
Total operating profit before non-trading items		509 597	471 352	986 297
Geographic segments				
Revenue	% change			
South Africa	(6,1)	5 557 654	5 921 113	11 453 907
Rest of Africa	64,0	1 426 540	869 633	1 852 776
Australia	28,7	11 102 607	8 624 997	18 599 977
	17,3	18 086 801	15 415 743	31 906 660
Operating profit	% margin			
South Africa	4,9	271 967	289 224	475 720
Rest of Africa	6,8	97 283	81 525	251 591
Australia	1,3	142 993	100 603	312 586
United Kingdom		(2 646)	-	-
Total construction operating profit	2,8	509 597	471 352	1 039 897
Equity-accounted development profit from Caulfield		-	-	(53 600)
		509 597	471 352	986 297
Non-current assets				
South Africa		1 785 443	1 545 689	1 642 474
Rest of Africa		236 656	212 613	466 851
Australia		988 139	854 584	943 845
United Kingdom		173 258	-	202 962
		3 183 496	2 612 886	3 256 132

	Unaudited December 2017 R'000	Unaudited December 2016 R'000	Audited June 2017 R'000
2. RECONCILIATION OF HEADLINE EARNINGS			
Continuing operations			
Attributable profit	391 127	216 905	722 133
Adjusted for:			
Gain on loss of control of subsidiary*	(4 329)	-	(9 607)
Profit on disposal of shares*	-	(6 729)	-
(Profit)/loss on disposal of property, plant and equipment	(1 167)	10 117	(13 944)
Tax effect	327	(3 051)	3 813
Headline earnings from continuing operations	385 958	217 242	702 395
Total operations			
Attributable profit	391 127	214 898	722 064
Adjusted for:			

Gain on loss of control of subsidiary*	(4 329)	-	(9 607)
Profit on disposal of shares*	-	(6 729)	-
(Profit)/loss on disposal of property, plant and equipment	(1 167)	10 784	(14 611)
Tax effect	327	(3 238)	4 000
Headline earnings from total operations	385 958	215 715	701 846

*Net of non-controlling interests

3. ORDINARY SHARES

Ordinary shares in issue	63 190	63 190	63 190
Weighted average number of shares	53 103	54 572	53 663
Diluted weighted average number of shares	53 121	54 716	53 680

4. EVENTS AFTER THE REPORTING DATE

The board is not aware of any matter or circumstance arising since the end of the reporting period not otherwise dealt with in the interim summary consolidated financial statements, which significantly affects the financial position of the group at 31 December 2017 or the results of its operations or cash flows for the six months then ended.

COMMENTARY

The group delivered profitable operational results which, in the current period, were characterised by a healthy construction environment and positive market sentiment in Australia; increased mining infrastructure activity for the group in the rest of Africa - particularly West Africa; and a resilient performance in South Africa set against an uncertain business climate and lacklustre economy.

FINANCIAL REVIEW

Revenue and operating profit

Group revenue increased from R15,4 billion to R18,1 billion at 31 December 2017. Overall revenue growth of 17% consisted of strong growth of 29% in Australia following the award of a number of large-scale projects in FY17; 64% growth from the rest of Africa due to increased activity in Botswana and progress on mining infrastructure projects in Ghana, Guinea and Burkina Faso; and a 6% decline in revenue from South Africa, partly due to Edwin Construction now being recognised as an associate and exacerbated by subsiding building markets which were only partially offset by good growth from the local Roads and earthworks division. Activity in the local construction materials market and particularly the supply of long-steel products remains challenging and revenue from Reinforced Mesh Solutions (RMS), before the elimination of inter-company sales, decreased from R433 million to R397 million over the first six months of the year.

The increase in operating profit before non-trading items of 8% from R471 million to R510 million is attributable to increased profitability associated with the revenue growth in Australia and within the Roads and earthworks division. This was however diluted by lower profitability from the Building and civil engineering division as building revenues contract and margins come under pressure. While the overall operating profit of the group increased, the group margin declined from 3,1% to 2,8% due to margin slippage within the Building and civil engineering division and the increased contribution to total revenue from Australia at lower embedded margins.

The contribution to group revenue from Australia has increased from 56% to 61% with South Africa and the rest of Africa contributing 31% and 8% respectively compared to 38% and 6% in the comparative period. The profit contribution from Australia improved from 22% to 28% with South Africa contributing profit of 53% and the rest of Africa 19% as opposed to 61% and 17% respectively in the first six months of FY16.

NON-TRADING ITEMS

The R30 million share-based payment expense recognised relates to the WBHO Share Plan for executive management and the existing broad-based and management share schemes in place.

ASSOCIATED COMPANIES

The group has an interest in seven significant associated companies:

Entity	Industry	Country	Effective interest	Investment and loans Rm	Share of after-tax profit / loss Rm
Gigajoule International	Gas supply	Mozambique	26,6%	147,2	7,5
Gigajoule Power	Power	Mozambique	18%	110,7	10,2
Dipalopalo Concession	Serviced accommodation	South Africa	27,5%	57,5	-
Edwin Construction	Road and civil construction	South Africa	49%	93,3	4,9
iKusasa Rail SA	Railway maintenance and construction	South Africa	49%	12,9	(0,3)
Caulfield	Property development	Australia	30%	72,1	-
Byrne Group	Construction	United Kingdom	40%	173,3	(28,8)
Other				3,9	-
Total				670,9	(6,5)

The group received dividends of R3,9 million and R10,9 million from Gigajoule International and Edwin Construction respectively.

Gigajoule International and Gigajoule Power continue to deliver sound operating performances within their respective markets where demand for their product remains strong.

The operational phase of the serviced accommodation concession for Statistics South Africa commenced toward the end of the last financial year. Due to the outstanding finalisation of various contractual issues in respect of the construction phase of the concession, no profit has yet been recognised by the private party.

Pre-sales of Precinct 2 of the Caulfield development in Australia have progressed well with the development now 92% sold. In addition, Probuild Constructions Aust (Probuild) has successfully negotiated the design and construct contract for the development.

Edwin Construction saw improved activity in the first half of FY18 following an improved order intake in the second half of FY17. The award of a sizeable earthworks and related infrastructure project at the Industriqua Estate near Harrismith will further support activity over the second half of the year.

Byrne Group

	December 2017 Rm
Revenue	1 084
Operating loss	(68)
Restructuring costs	(22)
Finance costs	(2)
Loss before tax	(92)
Taxation	20
Loss after tax	(72)
Group's 40% share of after-tax loss	(28,8)

Following WBHO's acquisition of a 40% interest in the Byrne Group in June 2017 and the subsequent recapitalisation of the balance sheet, the company experienced a slow order intake over the first quarter of FY18, compounded by delays to the expected start of a number of projects within both the frame contracting business and the new build and fit-out business on which they were preferred bidders. Margin performance was satisfactory however the low volume of work was insufficient to cover the group's overhead which has been compounded by additional restructuring and retrenchment costs, resulting in the reported loss.

The share purchase agreement includes a contractual mechanism that caters for any difference between the earnings before interest, tax and depreciation (EBITDA) used in respect of the 2018 financial year when valuing the business at the time of the acquisition, and the actual 2018 EBITDA achieved. The application of the mechanism can result either in an increased percentage interest in the business for WBHO, or additional capitalisation of the business by the original shareholders.

The concrete frame business will shortly complete a £38 million commercial development of 39 floors at 100 Bishopsgate in the heart of the City of London. Construction of the core for a £14 million 10 storey retail/commercial scheme for Lend Lease at The International Quarter near the Olympic Stadium is progressing well and new work has just commenced on the £40 million Aykon Tower, a 50 storey building at Vauxhall, London.

The new-build construction and fit-out business, Ellmer Construction (Ellmer) has commenced work on the Kingsway Hall Hotel in London's Covent Garden for Shiva Hotels. The £25 million project entails the strip-out of the existing hotel in order to create 180 new rooms and common areas and is due for completion in April 2019. Ellmer is also working on a £37 million building project for the construction of 52 high-end residential apartments in Kensington, London which will be completed during 2018 as well as the fit-out of the new Tottenham Hotspur Football stadium at White Hart Lane, London.

The award of three key projects in the second quarter together with the benefit of a reduced overhead in the second half of the year - due to the restructuring that has been implemented - should improve operating performance, but further restructuring costs are expected.

EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE - CONTINUING OPERATIONS

Earnings per share increased by 85% from 398 cents per share at 31 December 2016 to 737 cents in the current period largely due to the socio-economic fund contribution recognised in respect of the Voluntary Rebuild Programme (VRP) in the comparative period. Headline earnings per share from continuing operations increased by 83% to 727 cents per share from 398 cents per share.

If the effect of the VRP on earnings per share in the prior period is excluded, then earnings per share and headline earnings per would have increased by approximately 4% and 2% respectively, affected by lower net finance income of R16 million and losses from associates of R6 million.

CHANGES IN SHAREHOLDING

In terms of the provisions of the shareholder agreements, Probuild acquired a further 1,7% interest from minority shareholders at a cost AU$3,1 million and WBHO Australia acquired a further 0,75% from minority shareholders at a cost of AU$1,6 million during the period. The effect of these transactions resulted in the group's interest in Probuild increasing from 80,7% to 83,1%.

CASH AND WORKING CAPITAL

Cash balances have decreased by R1,3 billion since 30 June 2017 largely due to a decrease in cash balances in Australia from AU$230 million at 30 June 2017 to AU$123 million at 31 December 2017. It is common practice within the Australian construction industry to settle subcontractors which are due in January midway through December, the impact of this is illustrated in cash utilised in operations in the cash flow statement which amounts to R802 million and includes a net amount of R1,5 billion in negative working capital changes. These comprise the early settlement of subcontractors mentioned above, a significant increase in amounts due to customers due to the time taken to settle a substantial claim on the Toowoomba shopping centre in Australia (payment received on 15 February 2018) and the large value of materials on-site at the crude oil terminal in Saldanha. The increase of R1 billion in trade and other receivables and the increase of R561 million in trade and other payables over the comparative period can be attributable to the 17,3% increase in activity.

Capital expenditure over the period increased from R139 million to R150 million, of which R96 million was acquired for cash and R54 million was financed. Depreciation amounted to R122 million (2016: R115 million). Additional cash outflows include R49 million in respect of the changes in shareholding discussed above and further investments in Australia of R44 million and R24 million into Precinct 2 of the Caulfield development and a new residential apartment development respectively. Mezzanine financing of R114 million relating to a building project in Ghana was repaid. Local and foreign cash balances amount to R1,8 billion and R2,4 billion respectively.

CONTINGENT LIABILITIES
Financial guarantees issued to third parties amount to R10,0 billion compared to R11,5 billion in issue at 30 June 2017. During the period, Probuild finalised a AU$275 million syndicated guarantee facility with the Commonwealth Bank of Australia, significantly reducing the need for balance sheet support from South Africa. Total guarantee facilities available to the group now amount to R16,4 billion.

OPERATIONAL REVIEW
BUILDING AND CIVIL ENGINEERING

		December 2017 Rm	December 2016 Rm
Revenue	9,6% decline	3 916	4 332
Operating profit	4,3% margin	169	217
Capital expenditure		39	22
Depreciation		21	23

The impact of contracting building markets is now noticeable in the results of the Building and civil engineering division as revenue levels begin to decline after a number of years of consecutive growth. A 14,6% decrease in building activity was offset to some extent by pleasing growth within the Civil engineering division both locally and in the rest of Africa. The lower revenue generated, together with the decrease in margin from 5,0% to 4,3%, resulted in a 22% decrease in operating profit. The division continues to perform well on existing projects in a difficult environment.

BUILDING
The lower activity within building markets was felt most keenly in Gauteng where revenue decreased by 19%. The decrease is mostly attributable to the minimal order intake from the retail sector due to an oversupply of shopping centres, the poor state of the economy and over-indebted consumers. Commercial office developments constituted the bulk of activity with a number of large-scale projects under construction. The new offices for both Discovery and PWC are essentially complete while work progresses at 2 Pybus in Sandton, at 33 Baker Street and Rosebank Link in Rosebank, the Millpark hospital in Auckland Park and Loftus Park in Tshwane. The remaining hotel component of the Time Square Casino which opened last year is also on track.

The coastal divisions have maintained activity levels in line with those of the prior period. In the Western Cape, commercial office and mixed-use and residential developments supported activity. In the residential sector, the award of the Yacht Club, a large mixed-use development along the Waterfront was a key project secured in the second half of FY16 and is progressing well along with the Axis apartments and Oasis Palm Vue projects from this sector. The green 5 star rated commercial offices at Sable Park in Century City are also well advanced. In KwaZulu-Natal (KZN), retail and commercial office activity have for some time underpinned activity levels supported by smaller projects from the hotel, leisure and healthcare sectors. The Cornubia shopping centre in Umhlanga and a new regional office for ABSA were completed in the first six months of the year while the extensions to the Gateway shopping centre and Suncoast Casino are in progress. Work has also started on the mixed-use Arch development, the Oceans hotel and the Zivitone office building. The Eastern Cape division has had a satisfactory six months with activity comprising ongoing construction of a warehouse at the Woodlands Dairy, student accommodation in Summerstrand, Port Elizabeth as well as a manufacturing facility and ancillary buildings for Yekani at the East London Industrial Development Zone. Work has also started on the Milkwood housing project.

In Ghana, the replacement of work remains challenging however a new project for the construction of the Takoradi Mall for RMB Westport was awarded and commenced in the first half of the year. The design and construct contract incorporating new offices for Standard Chartered Bank, also on behalf of RMB Westport, is progressing well and will be nearing completion toward the end of the financial year.

CIVIL ENGINEERING

Civil engineering markets remain depressed with the increase in revenue derived from the large-scale commercial crude oil terminal facility at Saldanha. The project was however subject to a six week strike during the period which has impacted profitability recognised on the project to date and resulted in delays to the programme. The re-access works at Kusile continue to provide work through to FY19, as will the construction of a rapid load-out facility for Exarro at the Grootegeluk mine in Limpopo. VSL Construction (which was previously included in the construction materials segment and part of Capital Africa Steel) had a difficult six months.

Revenue in Zambia increased by 10%, albeit from a low base, as overall activity in the region seems to be improving. The division is currently executing projects for SAB Miller at the Ndola Brewery, for the Mopani Copper Mine in Mufulira and for the National Milling Corporation in Lusaka.

In West Africa, the mining infrastructure projects under construction in Guinea and Ghana in conjunction with the group's Roads and earthworks division are gaining traction but have been highly challenging.

ROADS AND EARTHWORKS

		December 2017 Rm	December 2016 Rm
Revenue	33,6% growth	2 829	2 119
Operating profit	6,8% margin	190	144
Capital expenditure		96	86
Depreciation		70	53

The Roads and earthworks division had a strong first half following a healthy order intake through FY17. The impact of recognising Edwin Construction, which had revenue of R241 million over the period, as an associate was partially offset by revenue from the newly acquired iKusasa Rail Africa at the end of FY17. Pleasingly, growth was experienced across nearly all geographies. Operating profit increased by 32% in line with the top-line growth. While the margin of 6,8% remained consistent with that of the comparative period (December 2016), it is down from the margin of 7,4% achieved at 30 June 2017. The revenue contribution from the rest of Africa improved from 27% to 39% over the period.

Locally, the road sector remains the dominant source of activity, providing 46% of South African revenue. Existing projects along the N1 and N6 in the Free State and the N2 in the Eastern Cape are on track with new roadwork incorporating extensions to existing roads and a new bridge being awarded at Saldanha in the Western Cape. Revenue from Roadspan has been maintained at the same level as that of the comparative period.

Other major projects which contributed to activity in South Africa include the earthworks and infrastructure project at the Clairewood Logistics Park in KZN, construction of a haul road and ash dam for SASOL, ongoing construction at the Booysendal mine for Northam Platinum and the division's participation in the construction of the crude oil terminal facility at Saldanha.

In addition to the pipeline component of the crude oil terminal facility at Saldanha, other local pipeline projects include the construction, installation and commissioning of the infrastructure for the fire protection system at Transnet's Tarlton depot, work at the Rosherville oil processing plant for Eskom and the pipework component of the ash dam for SASOL.

Revenue from the rest of Africa grew sharply from R585 million to R1,0 billion largely due to increased activity in West Africa, where the division is executing various projects in Ghana, three projects in Guinea and one in Burkina Faso. While revenue from the region has increased, delays on a project at the remote Siguiri mine in Guinea have impacted margins. The project has experienced a difficult start following the slower than expected mobilisation of resources (particularly plant and the local labour component that was required under the contract) which has put the project behind programme. Additional resources have been sent to the site to make up the lost time which has resulted in additional costs.

In Botswana, revenue grew by 30% which was mostly attributable to the inclusion of the Tshele Hills rail project being executed by iKusasa Rail Africa. Work also commenced on the Orapa Slimes Dam project. In Mozambique revenue has picked up marginally after dropping sharply during FY17. Activity in the region was centred around the Vale coal mine, further rehabilitation of the EN4 and construction of a new 60 000m2 transfer facility for Grindrod for the haulage of graphite to the Nacala port.

AUSTRALIA

		December 2017 Rm	December 2016 Rm
Revenue	28,7% increase	11 103	8 625
Operating profit	1,3% margin	143	101
Capital expenditure		14	29
Depreciation		27	33

The healthy growth in Australia was underpinned by strong activity within the building businesses as well as moderate growth within the infrastructure business. The overall margin performance from Australia remains below expectations due to an additional under-performing building project in Sydney.

Building
Revenue from the building business for the six months ended 31 December 2017 increased 28,7% over the prior period on the back of a strong order intake during the financial year ended 30 June 2017. The longer than expected conversion periods of targeted projects experienced in the 2017 financial year have supported the increased revenues through the first half of the current financial year.

Although the building business delivered a significant increase in activity, the operating result for the period was discouraging following a material margin downgrade on a residential project in Sydney, New South Wales (NSW). The management and performance of key subcontractors on this project have led to considerable delays in completion, resulting in significant additional project costs. At 31 December 2017, two of three separable portions have been completed and the overall project is 91% complete. The last separable portion is forecast to be completed in March 2018.

Diversification of business activity across the key states has continued with 44% of revenue derived from the group's stronghold in Victoria and consistent volumes of work in each of the other three states in which the business operates, being NSW, Queensland and Western Australia (WA). Monaco Hickey, the group's mid-tier construction business continues to perform well in the sub AU$50 million building market as well as its niche pharmaceutical construction market.

In the six-month period a total of ten projects were completed and handed over. Seven of these projects were high-rise residential projects, two were hotel projects with one being a six-star all-suite hotel and casino on the Gold Coast and the Toowoomba shopping centre a large-scale retail project, both in Queensland. The loss-making Cooparoo project which negatively impacted performance in the comparative period was also handed over to the satisfaction of the client during the period.

In Victoria, projects continuing through the second half include the expansion of the Melbourne Convention Centre, construction of the Victoria One and Aurora residential towers and extensions to the Glen shopping centre. In NSW, the Greenland Tower, Sydney's tallest residential apartment building and the largest project in the state, is progressing well against programme. This project remains the focus of the NSW business. Similarly, in WA the Elizabeth Quay residential tower and Ritz Carlton hotel is progressing well alongside the recently awarded AU$200 million mixed-use residential and hotel tower at Murray Street in Perth. Probuild is currently the largest builder of hotel accommodation across Australia, servicing the full spectrum of the market from mid-range to ultra-luxury brand hotels.

Infrastructure and civil engineering

The Infrastructure and civil engineering business achieved revenue of AU$130 million for the six-month period, an increase of 5% with activity split evenly between the Eastern and Western regions. Revenue from the business now comprises approximately 12% of the Australian operation's total revenue. The operating result was satisfactory and in line with expectations.

A noteworthy achievement over the period was the award of the Outer Suburban Arterial Roads (OSAR) project in Melbourne, with a contract value of AU$630 million to be delivered over the next three years. This project significantly raises the profile of the infrastructure business in Victoria and the successful delivery of this project is of the utmost priority to ensure the successful transformation of this business into a major infrastructure contractor.

The infrastructure and civil engineering business continues to build creditability in the renewable energy space having delivered a number of solar and wind power farms in Australia. The success of existing energy projects alongside a focus on green energy as a whole in Australia is leading to increased investment within this sector and additional project opportunities for the infrastructure market from which the business will continue to benefit.

CONSTRUCTION MATERIALS

		December 2017 Rm	December 2016 Rm
Revenue	8,3% decline	397	433
Inter-company sales		(160)	(96)
Revenue to external customers		238	338
Operating profit	4,2% margin	10	9
Capital expenditure		0,4	2
Depreciation		4	5

Trading conditions within the steel supply market remain difficult. The local steel mills have recently reported poor results and have tightened credit terms and volume rebates accordingly. Sales volumes within RMS remain low particularly in the North West, Polokwane and Limpopo. Activity in Gauteng, the Western Cape and KZN is sustainable although pricing remains competitive.

ORDER BOOK AND OUTLOOK

Rm	%	December 2017	To June 2018	Beyond June 2018	%	30 June 2017
Order book by segment						
Building and civil engineering	15	7 614	3 628	3 986	16	7 189

Roads and earthworks	11	5 892	2 526	3 366	14	6 161
Australia	74	38 904	9 954	28 950	70	31 526
Total	100	52 410	16 108	36 302	100	44 876
Order book by geography						
South Africa	23	11 786	5 248	6 538	26	11 707
Rest of Africa	3	1 720	906	814	4	1 643
Australia	74	38 904	9 954	28 950	70	31 526
Total	100	52 410	16 108	36 302	100	44 876

The group's total order book at 31 December 2017 increased by 17% to R52 billion from R45 billion at 30 June 2017. The Building and civil engineering and Roads and earthworks divisions' order books are broadly in line with the level achieved at 30 June 2017, while the Australian order book grew 23% from R32 billion to R39 billion following the award of the Westside Place building project and the large-scale OSAR roadwork project within the infrastructure business.

AFRICA (INCLUDING SOUTH AFRICA)

Despite contracting building markets, by leveraging our proven track-record and successful delivery of projects in a difficult operating environment, the Building division has procured sufficient projects to sustain its order book over the period. The retail sector has been subdued for the last 18 months and there is evidence that the commercial office sector is now also tapering off. Nonetheless, select opportunities continue to exist in all sectors. In Gauteng, opportunities in the retail, commercial office, hotel and leisure, healthcare and residential markets are being tracked for commencement dates in FY19. In addition the coastal building divisions have promising pipelines of work, particularly in the Eastern Cape which has seen an increase in building activity over the period. In KZN, the division has a strong existing order book while in the Western Cape the division has received a letter of intent for the construction of a large commercial office development.

Significant new awards in Gauteng include a further phase of refurbishment at the Sandton City shopping centre, two new office developments, one at 144 Oxford Street in Rosebank and the other for Exxaro at the Lakeside Office Park, opposite the Gautrain Station in Centurion, as well as a residential apartment project at the Menlyn Maine precinct. In the coastal regions the division was awarded the Oceans hotel and Umhlanga Arch mixed-use residential development in KZN and the Milkwood social housing project and paint shop for BAIC in the Eastern Cape.

Construction of the commercial crude oil terminal facility at Saldanha will comprise a large portion of future local work within the Civil engineering division, supported by two mining infrastructure projects at Exxaro's Grootegeluk and Belfast mines, the latter being awarded during the current period. The general civil engineering market is subdued and mining infrastructure opportunities are confined to the coal and platinum mines and remain limited. The division has submitted a bid for expansions to the Durban Port. In Zambia, the division secured further work at the Mopani Copper mine for the construction of a new concentrator which will commence in the second half of the year, as well as civil works at the milling plant for the National Milling Corporation which are underway.

The order book of the Roads and earthworks division also remains healthy following good growth in the previous year. New sizeable mining infrastructure projects were secured at Orapa in Botswana and at the Klipspruit Colliery for South 32 in Mpumalanga as well as new roadwork projects along the N4 near Belfast and the previously mentioned project at Saldanha. Roadspan also continues to secure good volumes of work in the current market. In Mozambique, in addition to the construction of the transfer facility for Grindrod, a new earthworks and pipeline project has been awarded at the Pande gas fields for SASOL. iKusasa Rail has secured various new contracts in Mozambique, Ghana and South Africa as well as having submitted bids on a number of 10 year rail maintenance projects for Transnet.

In West Africa, the Takoradi shopping centre in Ghana will assist in sustaining building activity as the new offices for Standard Chartered near completion, while the three mining infrastructure projects secured in Guinea, Burkina

Faso and Ghana will continue through to the end of the financial year with new opportunities being pursued in both Ghana and Burkina Faso.

AUSTRALIA

The Australian building market remains strong and Probuild continues to maintain sound relationships with key clients resulting in repeat contracts. The building business has established a strong order book totalling AU$2,9 billion. A large contributor to the order book position was the award of the West Side Place residential project in Melbourne, Victoria which has a contract value of AU$695m which commenced on site in December 2017. The current order book contains secured revenue for the 2019 financial year at sufficient levels for the business to focus upon the next wave of work, which is necessary given the lengthy timescales need to convert projects. The residential market, particularly in Melbourne, Victoria is softening, with the number of available high-rise residential projects on targeted project lists diminishing. However the high-end luxury residential space, serving retirees looking to downsize, does remain a market that has demand.

The Infrastructure and civil engineering order book at 31 December 2017 amounts to AU$1,0 billion when including the OSAR project. This represents a significant increase in excess of 200% from the position at 30 June 2017. This growth achieves enhanced diversification to the overall WBHO Australia business.

UNITED KINGDOM (UK)

The Byrne Group has a secured order book of £111 million and is the preferred bidder on an additional £226 million worth of work for which pre-construction service agreements have been negotiated. In 2018 the group was awarded a £35 million contract for the construction of the frame for Google's new head office opposite London's King Cross Station, housing 7 000 employees, while the One Nine Elms Project will continue into 2020. In Ellmer, the refurbishment of the Kingsway Hall Hotel will be substantially complete by December 2018 with two further projects targeted to start in the third quarter.

OUTLOOK

The South African business environment remains uncertain. However the changing local political landscape, although still in its infancy, has injected a sense of optimism into markets and appears to bode well for the country and economy as a whole. While it is too early to foresee any potential positive outcomes for the construction industry - which has been in the doldrums over the last 24 months - an increase in fixed investment arising from renewed business and investor confidence, together with added public spending should the economy improve, can only be of benefit. In addition, the new Construction Sector Codes were gazetted during the period and WBHO has improved to a Level One contributor. SANRAL's proposed new procurement requirements which stipulate 51% black ownership for prospective bidders remains of concern for the large industry players, particularly listed companies with limited influence over its shareholders, however WBHO continues to engage with SANRAL on the matter.

Markets in the rest of Africa continue to offer various opportunities and the group targets those projects which fall within its risk appetite.

Market sentiment in Australia is expected to remain robust and the Australian operations are well positioned over the short to medium-term with the strategy behind the infrastructure business slowly bearing fruit.

The outlook for the UK market is relatively cautious over the short term due to uncertainty around the impact of Brexit. In Greater London (Byrne Group's main operating area) the infrastructure sector continues to forecast healthy growth, whilst the commercial sector is less promising, forecasting a 4% decline in activity in 2019. However, with a market size in Greater London of £22.5bn per annum there remains sufficient opportunities for the Byrne Group.

SAFETY

The group's lost-time injury frequency ratio (LTIFR) at 31 December 2017 remained at 0,8 injuries per million man hours the same as at 30 June 2017. While the African business improved further on its injury statistics with the LTIFR decreasing from 0,54 to 0,50, an employee of a subcontractor was fatally injured on a building project in

South Africa during the period and we extend our sincere condolences to the family, friends and colleagues affected by this tragedy.

APPRECIATION

The directors would like to express their gratitude to all our employees spread across Africa and Australia for their enduring commitment to the proud success of WBHO. We additionally thank our loyal clients and subcontractors for the many fruitful relationships we have developed to the mutual benefit of our respective businesses.

DIVIDEND DECLARATION

Notice is hereby given that the directors have declared an interim gross dividend of 150 cents per share (2016: 150 cents) payable to all shareholders recorded in the register on 20 April 2018.

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 120 cents per share.

The number of shares in issue at date of declaration amount to 63 190 064 (53 103 021 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 April 2018
Trading ex dividend commences:	Wednesday 18 April 2018
Record date:	Friday 20 April 2018
Payment date:	Monday 23 April 2018

Shares may not be dematerialised or re-materialised between Wednesday 18 April and Friday 20 April 2018, both dates inclusive.

Shareholders and interested parties are advised that a presentation of the Company's unaudited interim financial results for the period ended 31 December 2017 will be held at Investec's offices in Sandton on Wednesday, 28 February 2018 at 10:00. The presentation will also be made available on the Company's website at www.wbho.co.za.

EL Nel CV Henwood MS Wylie

27 February 2018

Sponsor: Investec Bank Limited