WBHO

GROUP ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

CONTENTS

STATUTORY INFORMATION

WILSON BAYLY HOLMES-OVCON LIMITED

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

REGISTERED OFFICE AND CONTACT DETAILS

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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

Donnafeg Msiska
CA (SA)

AUDITORS

BDO South Africa Incorporated

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg 2196
South Africa
Telephone: +27 11 370 5000
Fax: +27 11 370 5271

SPONSOR

Investec Bank Limited

LEVEL OF ASSURANCE:

These consolidated financial statements have been audited in compliance with section 30(2)(a) of the Companies Act of South Africa. The consolidated financial statements were internally prepared under the supervision of the Chief Financial Officer, Charles Henwood CA(SA).
Published: 13 September 2022

STATEMENT OF RESPONSIBILITY BY THE BOARD

FOR THE YEAR ENDED 30 JUNE 2022

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and comply with the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The directors have also prepared any other information included in the Annual Report and are responsible for both its accuracy and its consistency with the consolidated financial statements.

The directors acknowledge that, ultimately, they are responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors ("Board") sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. These standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring that the business of the Group is conducted in a manner which, in all reasonable circumstances, is above reproach. The focus of risk management within the Group is to identify, assess and monitor all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

Based on the information and explanations given by management and the internal auditors, the Board is of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated financial statements, however, a system of internal control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The going concern basis has been applied in preparing the consolidated financial statements based on budgets and forecast cash flows for the period up to September 2023. The directors have no reason to believe that the Group will not be a going concern in the foreseeable future. The viability of the Group is supported by the consolidated financial statements.

The consolidated financial statements have been audited by the independent auditor, BDO South Africa Incorporated, who was given unrestricted access to all financial records and the related data, including minutes of all meetings of shareholders, the Board and committees of the Board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. The qualified audit report of BDO South Africa Incorporated is presented on pages 5 to 9.

The preparation of the consolidated financial statements was supervised by the Chief Financial Officer, Charles Henwood CA(SA) and approved by the Board on 9 September 2022 and are signed on its behalf.

Louwtjie Nel
Chairman
13 September 2022

Wolfgang Neff
Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 30 JUNE 2022

Each of the directors, whose names are stated below, hereby confirm that:

(a) the annual financial statements set out on pages 10 to 77, fairly present in all material respects the financial position, financial performance and cash flows of Wilson Bayly Holmes-Ovcon Limited in terms of IFRS;

(b) to the best of our knowledge and belief, no facts have been omitted, or untrue statements made that would make the annual financial statements false or misleading;

(c) internal financial controls have been put in place to ensure that material information relating to Wilson Bayly Holmes-Ovcon Limited and its consolidated subsidiaries have been provided to effectively prepare the annual financial statements of Wilson Bayly Holmes-Ovcon Limited;

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;

(e) where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and

(f) we are not aware of any fraud involving the directors.

Wolfgang Neff
Chief Executive Officer
13 September 2022

Charles Henwood
Chief Financial Officer

STATEMENT OF COMPLIANCE BY THE AUDIT COMMITTEE

FOR THE YEAR ENDED 30 JUNE 2022

MEMBERS

AJ Bester (Chairman)
KM Forbay
RW Gardiner
SN Maziya

Each of the members of the Audit Committee are independent non-executive directors. The committee meets at least four times a year to fulfil its mandate. The internal and external auditors as well as certain members of the executive and senior management attend committee meetings by invitation.

The Audit Committee has executed its duties and responsibilities in accordance with its terms of reference which are informed by the Companies Act, paragraph 3.84(g) of the JSE Listings Requirements and King IV and are approved by the Board of Directors.

The committee performed certain statutory and other duties during the reporting period including:

- monitoring the effectiveness and implementation of internal financial controls and the adequacy of financial reporting;
- ensured that the financial reporting of the Group complies with International Financial Reporting Standards and Companies Act of South Africa;
- considered the effectiveness of the Chief Financial Officer and financial function;
- considered and reviewed the independence of the external auditor and the extent of non-audit services provided;
- reviewed the audit plans for internal and external audit; and
- reviewed the key audit matters and work performed thereon by the external auditors.

Cobus Bester
Audit Committee Chairman
13 September 2022

STATEMENT OF COMPLIANCE BY THE COMPANY SECRETARY

FOR THE YEAR ENDED 30 JUNE 2022

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 2022 and that all such returns are true, correct and up to date.

Donnafeg Msiska
Company Secretary
13 September 2022

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2022

NATURE OF BUSINESS

The Company is listed on the securities exchange operated by the JSE Limited and is the holding company of a number of subsidiary companies principally engaged in civil engineering and building construction activities in Africa and the United Kingdom.

COMMENTARY

The most significant event affecting the performance of the Group during the year under review, was the decision taken by the Board to withdraw further funding of the Australian operations that culminated in these operations being placed into administration proceedings on 23 February 2022. Consequently, the results from Australian operations have been classified as discontinued operations.

The Australian Government's past approach to controlling Covid-19 infections had a severely detrimental impact on the Australian construction industry as well as numerous other sectors on which the construction industry relies for work. This resulted in reduced activity and further substantial losses being incurred by WBHO Infrastructure (WBHOI) and Probuild in the first half of the current reporting period.

Since the identification and incurrence of material losses on the Western Roads Upgrade (WRU) and 443 Queen Street projects, the Australian operations have required approximately R2 billion in equity funding from South Africa and significant parent company support for guarantee facilities in order to continue to operate.

The South African operating company of the Group had provided a guarantee to the Commonwealth Bank of Australia (CBA) in support of issued guarantees amounting to A$119 million at the date the Australian operations entered administration, as well as a guarantee for the performance obligations of WBHOI on WRU. Although WRU reached commercial acceptance in October 2021, WBHOI had continuing performance obligations up until the expiry of the defect liability period.

Following the commencement of administration proceedings, the Group held extensive negotiations with certain clients, CBA and the Administrator to fulfil the obligations of the Group under the parent company support provided, and at the same time mitigate the accompanying financial exposure.

To date, guarantees to the value of A$71 million had been called under the CBA facility and the Group funded this amount from existing cash reserves. The Group has worked together with the client to achieve a mutual settlement that will allow for an amicable withdrawal from the WRU contract. The client is in the process of obtaining approval of the settlement from the State Government of Melbourne. On 30 June 2022, the creditors of the Australian subsidiaries approved the Deed of Company Arrangement (DOCA) presented to them by the Group, and on 21 July 2022, the DOCA was formally concluded with the Administrator.

All expected costs in relation to the DOCA, the net payment of guarantees and the WRU settlement have been fully provided for in the consolidated financial statements at 30 June 2022.

GROUP RESULTS

Following the classification and disclosure of the Australian operations as discontinued operations in 2022, the consolidated financial statements for 2021 have been represented in accordance with IFRS.

CONTINUING OPERATIONS

Group revenue from continuing operations decreased by 11% from R20 billion in FY2021 to R17 billion in the current period. Revenue from South Africa increased by 3% to R11,2 billion while revenue from the rest of Africa declined by 35% to R1,9 billion. The lower activity levels experienced in the rest of Africa stem primarily from the suspension and termination of various large-scale gas-infrastructure projects in Mozambique in the second half of FY2021 that were unable to be meaningfully replaced. Revenue from the UK operations declined by 24% due to the limited availability of work.

Operating profit from continuing operations declined by 8% from R930 million in FY2021 to R859 million at 30 June 2022 due to the lower activity levels in the UK. Operating profit from the African operations was maintained at R667 million at a combined operating margin of 5.4%.

The consolidated financial statements set out on pages 10 to 77 provide full details of the financial position, results of operations and cash flows for the year ended 30 June 2022.

LOSS FROM DISCONTUNED OPERATIONS AND THE LOSS FROM LOSS OF CONTROL OF SUBSIDIARIES

The loss from discontinued operations comprises the operating performance of the Australian operations of the Group for the period 1 July 2021 to 31 January 2022. The loss from discontinued operations for this period amounts to R1.9 billion.

The loss from loss of control represents the derecognition of the net liabilities of the Australian operations, the derecognition of the non-controlling interests, the recycling through profit and loss of the foreign currency translation reserve at the date control was lost and the cost to settle guarantee obligations in Australia.

Together these items amount R2.9 billion.

Full details of the loss from discontinued operations and the loss from loss of control of subsidiaries are included in Note 20 and Note 30 of the consolidated financial statements.

The auditors have qualified certain information in Note 20 and Note 30 of the consolidated financial statements, however, the directors note that any adjustment to the loss from discontinued operations would have an equal and opposite effect on the loss of control of subsidiaries and hence the combined values of these items in the consolidated annual financial statements and relevant accompanying notes are not misstated.

ATTRIBUTABLE EARNINGS

Earnings attributable to equity shareholders from continuing operations amounted to R693 million (2021 represented: R688 million). The total loss attributable to the equity shareholders of the Group amounted to R2,2 billion (2021: profit of R316 million) and the headline earnings attributable to equity shareholders from continuing operations amounted to R697 million (2021 represented: R703 million). A full reconciliation between earnings and headline earnings has been disclosed in note 21 of the consolidated financial statements.

COVID-19 PANDEMIC

The Group incurred some non-recoverable costs and expenses directly attributable to the Covid-19 pandemic in the previous reporting period.

In the current reporting period, all government restrictions relating to Covid-19 were lifted and the impact of the pandemic on the Group was limited to a weaker procurement environment in the United Kingdom.

DIRECTORS REPORT CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

SUBSIDIARIES

Details of significant subsidiary companies have been included in Annexure 1. A full list of subsidiary companies is available on request from the Company Secretary.

The holding company is an investment company and consequently all profits recognised in the consolidated profit or loss were earned by subsidiary companies.

On 14 January 2022, the non-controlling shareholders of WBHO-Russell exercised their final put option in terms of the share purchase agreement. The transaction was concluded on 15 February 2022 for a consideration of £6,2 million (R127 million). The Group's shareholding in WBHO-Russell increased from 90% to 100%. A true-up of £123 thousand (R2,5 million) was paid in respect of the third put option exercised in January 2022.

Details of these transactions have been included in note 12 of the consolidated financial statements.

LOSSES IN SUBSIDIARIES

Included in the Group's profit before tax from continuing operations of R624 million are pre-tax losses from the following subsidiaries:

Subsidiary	Country of incorporation	Amount of loss
WBHO Zambia Ltd	Zambia	R9,3 million
WBHO Lesotho (Pty) Ltd	Lesotho	R35 million
WBHO Burkina Faso (Pty) Ltd	Burkina Faso	R4 million

SHARE CAPITAL

The Company has 59 890 514 ordinary shares in issue. There were no changes to the authorised or issued share capital during the current reporting period.

Subject to the regulations of the JSE, 5% of the unissued ordinary shares are under the control of the directors until the next annual general meeting (AGM), at which time shareholders will be requested to grant the directors control over 5% of the unissued ordinary shares until the next AGM.

DIVIDENDS

The Group declares dividends from cash reserves dependent upon profits earned and the availability of cash. A dividend of 205 cents per share was declared for the 2021 financial year. Due to the anticipated cash outflows still required to meet the Group's contractual obligations in Australia, the Board did not declare an interim dividend during the reporting period ending 30 June 2022 and further elected not to declare a final dividend in respect of the reporting period ending 30 June 2022.

SHARE SCHEMES

Details of transactions undertaken by the share trusts and empowerment vehicles have been disclosed in note 27 of the consolidated financial statements. There have been no changes to the trustees of the share schemes for the reporting period. In certain of the share schemes, participants are advanced interest-free loans by the trust to enable them to purchase the shares offered.

The trusts are consolidated in preparing the consolidated financial statements.

BORROWING POWERS

In terms of the memorandum of incorporation the Company has unlimited borrowing powers.

DIRECTORATE

Details of the Company's directors are available online at www.wbho.co.za. The business physical address, postal address and Company Secretary details are set out on the first page of the consolidated financial statements.

Ms SN Maziya has retired and thus not eligible for re-election. In terms of the memorandum of incorporation, Mr RW Gardiner and Mr H Ntene retire by rotation and offer themselves for re-election.

DIRECTORS' SHAREHOLDING

The direct and indirect interests of the Directors have been disclosed in note 24 of the consolidated financial statements.

There have been no changes to directors' shareholdings between the reporting date and the date of this report.

RELATED PARTY TRANSACTIONS

Related party transactions have been disclosed in note 24 of the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Full details of the property, plant and equipment have been disclosed in note 2 of the consolidated financial statements.

SPECIAL RESOLUTIONS

The following special resolutions were passed at the 2021 AGM:

SPECIAL RESOLUTION NUMBER 1

Approval of non-executive directors' fees for the 2022 reporting period.

SPECIAL RESOLUTION NUMBER 2

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

SPECIAL RESOLUTION NUMBER 3

General authority to repurchase company shares.

AUDITORS

BDO South Africa Incorporated will continue in office in accordance with section 90(6) of the Companies Act of South Africa. At the AGM, shareholders will be requested to re-appoint BDO South Africa Incorporated as the Group auditors for the 2023 reporting period and it is noted that Mr J Schoeman will be the individual registered auditor who will undertake the audit. BDO South Africa Incorporated would not be eligible for re-appointment subsequent to the 2023 reporting period in accordance with the Independent Regulatory Board for Auditors rule on mandatory audit firm rotation.

GOING CONCERN

The directors have assessed the going concern of the Group over the next 12 months and are satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future.

As such, the going concern basis has been applied in preparing the financial statements. Stakeholders are referred to note 32 of the consolidated financial statements for full details of the going concern assessment.

EVENTS AFTER THE REPORTING DATE

The Board is not aware of any matter or circumstance arising since the reporting date, not otherwise dealt with in note 31 to the consolidated financial statements, which significantly affects the financial position of the Group at 30 June 2022 or the results of its operations or cash flows for the year then ended.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2022

TO THE SHAREHOLDERS OF WILSON BAYLY HOLMES-OVCON LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Qualified Opinion

We have audited the consolidated financial statements of Wilson Bayly Holmes-Ovcon Limited and its subsidiaries ("the Group") set out on pages 10 to 77 which comprise the consolidated statement of financial position as at 30 June 2022, and the consolidated statement of financial performance and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Wilson Bayly Holmes-Ovcon Limited and its subsidiaries as at 30 June 2022, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Qualified Opinion

As disclosed in note 30, the Group's Australian operations were placed into voluntary administration and an administrator was appointed on 23 February 2022, which resulted in a loss of control by the Group over its Australian subsidiaries. The Group accounted for the results of the Australian operations from 1 July 2021 to 31 January 2022 but access to its financial information was limited. No financial information for the period 1 February 2022 to 23 February 2022 was available.

Due to the above, we were not able to obtain all the audit evidence we required regarding:

- Note 28 to the consolidated financial statements – the amounts disclosed for Discontinued operations (Australia) in Segmental Information;
- Note 21 to the consolidated financial statements – the amounts included in the Headline Loss from discontinued and total operations of R2 653 911 000 and R1 964 160 000, respectively, the Headline and Diluted Loss per share of 4 990.3 on discontinued operations and the Headline Loss from total operations of 3 693.4;
- Note 20.1 to the consolidated financial statements – the Operating loss before impairment losses included in Loss on Discontinued Operations amounting to R1 045 579 000 and Loss and Total loss from discontinued operations attributable to the Equity shareholders of Wilson Bayly Holmes-Ovcon Limited and related non-controlling interests;
- Note 20.2 to the consolidated financial statements – cash flows from discontinued operations and the related amounts presented in the consolidated statement of cash flows;
- Note 20.3 to the consolidated financial statements – Net liabilities lost of R139 445 000, Translation of foreign entities reclassified through profit or loss on derecognition of R460 253 000 and Derecognition of non-controlling interests of R185 547 000; and
- Note 30 to the consolidated financial statements – the amounts disclosed for Loss of Control of Subsidiary and the related amounts for derecognition in the notes for Property, plant and equipment (Note 2), Leases (Note 3), Interest in Associates and Joint Ventures (Note 5), Contracts in progress (Note 8) and Provisions (Note 14).

We were unable to perform alternative procedures in this regard. Consequently, we were not able to determine whether any adjustments to these amounts were necessary. The potential material impact on the financial statements are not considered to be a substantial portion of the financial statements and therefore not considered pervasive.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International *Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, the following have been identified as the key audit matters in respect of our audit of the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

Key audit matter	How our audit addressed the key audit matter
Recognition of contract revenue, contract assets and contract liabilities:	
The construction industry is characterised by contract risk with significant judgements and estimates involved in the assessment of both current and future contractual financial performance. *IFRS 15: Revenue from Contracts with Customers ('IFRS 15')* is recognised over time, measured at the fair value of the consideration received or receivable and includes variations and claims. The output method, being surveys of work performed, is used to determine the progress towards the satisfaction of the performance obligation under long-term contracts with customers. Contract assets and liabilities may arise because of the assessment of performance obligations. Contract modifications and contractual claims to existing performance obligations are considered when measuring the revenue over time. The status of contracts is updated on a regular basis. In doing so, management are required to exercise significant judgement when recognising the revenue over time which involves assessing the progress made towards completing the specific performance obligation and their assessment of the valuation of contract variations and claims. Dependent on the level of judgement and estimates in each, the range on each contract can be individually significant (Construction contracts Revenue accounting policy note on page 15). In addition, changes in these judgements, and the related estimates as contracts progress, can result in material adjustments to revenue and margin, which can be both positive and negative. The significance of revenue and the possible impact of changes to revenue recognition together with the significant judgement and estimates involved when recognising contract revenue has resulted in this area being regarded as a matter of most significance to the current year audit of the consolidated financial statements. Refer to the significant judgements and critical accounting estimates (D) of the accounting policies note on page 8 and notes 8 and 15 to the consolidated financial statements for relevant disclosures applicable to this matter.	Our procedures included amongst other: • We evaluated and tested the operating effectiveness of the relevant internal and automated IT system controls over the accuracy and timing of revenue recognised in the consolidated financial statements. • For a sample of contracts, we performed the following procedures: – Construction contracts were assessed against the revenue recognition criteria of IFRS 15 focusing on contract classification, allocation of income and cost to performance obligations and timing of transfer of control. Where a contract contained multiple elements, management's judgements were considered as to whether they comprised performance obligations that should be recognised separately, and, in such cases, the judgements made in the allocation of the consideration to each performance obligation were assessed against the contract obligations. – Obtained an understanding of the performance and status of the contracts through enquiries with management and contract directors with oversight over the various contracts. – Tested the contract status through the examination of externally generated evidence, such as approved variations and customer correspondence. – Analysed, through inspection of contract documentation, the estimates for total forecast revenue and costs to complete in order to perform a reasonability test of the estimate made by management of the progress made towards completion of the performance obligation. This included considering the historical accuracy of such estimates. – In assessing management's estimate of progress, independently calculated an estimate of the progress made towards completion of the performance obligation based on the input method and compared it to the survey of work performed which was used to quantify the contract assets and contract liabilities recognised on the output method. – Agreed the recognised construction revenue amounts to the externally approved and signed off revenue certificates. – Critically assessed management's recognised provisions for loss making contracts to determine whether these appropriately reflect the expected contractual positions. – Tested the recoverability of contract assets and the related receivables. • We assessed the adequacy of the disclosure made in the financial statements with reference to the disclosure requirements of *IFRS 15.*

INDEPENDENT AUDITOR'S REPORT CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill:	
IAS 36: Impairment of Assets ('IAS 36') requires management to carry out an annual impairment test on recognised goodwill. The assessment, based on value in use calculations, is complex and requires significant management judgement and estimates which includes assumptions regarding the estimated cash flows and future profitability for the related businesses against which appropriate long-term growth rates and discount rates must be applied. The significance of the balance, together with the significant judgement and estimates involved when testing for the impairment of goodwill has resulted in this area being regarded as a matter of most significance to the current year audit of the consolidated financial statements. Refer to the significant judgements and critical accounting estimates (A) of the accounting policies note on page 15 and note 4 to the consolidated financial statements for selected disclosures applicable to this matter.	Our procedures included amongst other: • We obtained management's value in use calculations to determine the recoverable amount of each cash-generating unit to which goodwill is allocated, evaluated the appropriateness of the models used against the requirements of *IAS 36* and industry standards and tested the arithmetical accuracy of the models and related calculations. • We challenged the assumptions underpinning the models, including the discount rates used, long-term growth rates and cash flow forecasts. This was achieved through: – Enquiries with management. – Assessment of the reasonableness of forecast future cash flows by comparison to historical performance and future outlook. – Assessment of the reasonability of the discount rates by comparison against relevant market information. This was achieved by making use of our internal valuation's expert; and – Compared prior year forecasts against current year actual results to assess management's ability to prepare credible forecasts. • We also assessed whether the significant assumptions have been determined and applied consistently year on year and across the Group. • We assessed the adequacy of the disclosure made in the financial statements with reference to the disclosure requirements of *IAS 36.*
Completeness and adequacy of closed contract- and other provisions:	
The Group has recognised claims and construction related provisions that have arisen, or that may arise based on prior experience, after the completion of certain contracts, as well as in relation to other matters of litigation, including current legal disputes. Provisions are recognised in terms of *IAS 37: Provisions, Contingent Liabilities and Contingent assets ('IAS 37').* The determination and valuation of provisions is judgemental by its nature and requires a high degree of estimation and judgement by contract directors and management. The significant judgement involved when estimating the amount and timing of the provision has resulted in this area being regarded as a matter of most significance to the current year audit of the consolidated financial statements. Refer to the significant judgements and critical accounting estimates (B) of the accounting policies note on page 15 and note 14 to the consolidated financial statements for disclosures applicable to this matter.	Our procedures included amongst other: • We enquired from contract directors and management and inspected board minutes for actual and potential claims which arose during the year to assess completeness. • For a sample of closed contract- and other provisions recognised, we tested the calculation of the provision for mathematical accuracy and assessed reasonability through input testing. • In respect of open matters of litigation, we had discussions with the Group's internal legal counsel, obtained confirmations from the Group's external legal advisors and inspected correspondence in respect of these matters. • We assessed each provision against the recognition and measurement requirements of *IAS 37.* • We assessed the adequacy of the disclosure made in the financial statements with reference to the disclosure requirements *IAS 37.*

INDEPENDENT AUDITOR'S REPORT CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

Key audit matter	How our audit addressed the key audit matter
Review of cash flow forecasts:	
The Group withdrew financial support to WBHO Australia during the current financial year and the Australian operations was placed into administration. The administration process requires substantial parent company funding for guarantee and closure commitments to be funded out of the Group's available cash resources or out of financing to be obtained from a financial institution. The Group rely on funding from a South African financial institution to fulfil its remaining obligations in Australia. The funding remains subject only to regulatory approval which at the date of this report has not been obtained. The significance of the matter, and assumptions used in preparing cash flow forecasts, has resulted in this area being regarded as a matter of most significance to the current year audit of the consolidated financial statements. Refer to notes 31 and 32 for disclosure on this matter.	Our procedures included amongst other: • We have evaluated management's assessment of the Group's ability to continue as a going concern and assessed whether they have identified events or conditions that may cast doubt over the Group's ability to continue as a going concern. • We have evaluated management's budgets/cash flow forecast to assess whether the assumptions used in the forecast are appropriate. • We have held discussions with management regarding borrowing facilities, commitments and contingencies and obtained corroborative evidence where required. • We have evaluated the publicity regarding the Group and determined if there was any adverse publicity that may affect the Group's ability to obtain access to funding. • We have evaluated the adequacy of the insurance cover, the existence of the uninsured risks and the risk relating to any uninsured risks. • We assessed the adequacy of the disclosure made in the financial statements with reference to the disclosure requirements of *IAS 1 Presentation of Financial Statements.*

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Wilson Bayly Holmes-Ovcon Limited Integrated Report 30 June 2022" and in the document titled "Wilson Bayly Holmes-Ovcon Limited Separate Financial Statements for the year ended 30 June 2022, which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, access to the financial information of the Group's Australian operations for the period 1 July 2021 to 31 January 2022 was limited, and no financial information for the period 1 February 2022 to 23 February 2022 was available. We have concluded that the other information could be materially misstated for the same reason with respect to the related amounts or other items in the Directors' Report.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditor of Wilson Bayly Holmes-Ovcon Limited for 36 years.

BDO South Africa Inc.

BDO South Africa Incorporated

Registered Auditors
J. Schoeman
Director
Registered Auditor
13 September 2022

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	2022 R 000	2021 R 000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2	**1 562 606**	1 763 539
Right-of-use assets	3	**230 613**	320 638
Goodwill	4	**512 532**	1 005 631
Interests in associates and joint ventures	5	**660 253**	885 410
Long-term receivables	6	**152 645**	265 023
Deferred taxation	11	**550 223**	797 094
Total		**3 668 872**	5 037 335
Current assets			
Inventories	7	**420 918**	405 600
Contract assets	8	**281 448**	1 054 546
Trade and other receivables	9	**4 056 538**	6 162 925
Taxation		**99 941**	102 817
Cash and cash equivalents		**3 339 230**	5 680 717
Total		**8 198 075**	13 406 605
Non-current asset held for sale		**–**	31 200
Total assets		**11 866 947**	18 475 140
EQUITY			
Capital and reserves			
Share capital		**28 565**	28 565
Reserves		**(70 114)**	252 124
Retained income		**2 896 588**	5 248 089
Shareholder's equity		**2 855 039**	5 528 779
Non-controlling interests	12	**81 255**	96 456
Total		**2 936 294**	5 625 235
LIABILITIES			
Non-current liabilities			
Lease liabilities	3	**193 550**	273 797
Long-term liabilities	10	**152 186**	252 115
Deferred taxation	11	**42 522**	29 447
Total		**388 258**	555 359
Current liabilities			
Contract liabilities	8	**1 908 312**	2 490 026
Trade and other payables	13	**4 137 375**	7 505 691
Provisions	14	**2 448 492**	2 281 192
Taxation		**48 216**	17 637
Total		**8 542 395**	12 294 546
Total equity and liabilities		**11 866 947**	18 475 140

STATEMENT OF FINANCIAL PERFORMANCE AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 R 000	Re-presented 2021 R 000
Continuing operations			
Revenue	15	**17 240 278**	19 463 590
Operating costs		**(15 599 757)**	(17 779 711)
Administrative expenses		**(859 078)**	(854 169)
Other income		**32 756**	39 108
Operating profit	16	**814 199**	868 818
Loss on deemed disposal of associate		**–**	(8 350)
Share of profits from associates and joint ventures	5	**100 456**	68 873
Finance income	17	**119 807**	98 484
Finance costs	17	**(30 429)**	(30 554)
Profit before taxation		**1 004 033**	997 271
Income tax expense	18	**(285 212)**	(273 383)
Profit for the year from continuing operations		**718 821**	723 888
Discontinued operations			
Loss from discontinued operations and loss of control of subsidiaries	20	**(2 993 120)**	(373 338)
(Loss)/profit for the year		**(2 274 299)**	350 550
Other comprehensive income			
Items that will be reclassified to profit or loss			
Currency effect of translation of foreign operations		**131 104**	(309 241)
Translation of foreign operations reclassified to profit and loss on disposal		**(460 253)**	–
Translation of net investment in a foreign operation		**(12 319)**	(80 372)
Tax effect of above items		**3 326**	22 504
Share of other comprehensive income/(loss) from associates, net of tax		**23 324**	(46 994)
Other comprehensive loss		**(314 818)**	(414 103)
Total comprehensive loss for the year		**(2 589 117)**	(63 553)
Profit from continuing operations attributable to:			
Wilson Bayly Holmes-Ovcon Limited		**692 992**	687 754
Non-controlling interests		**25 829**	36 134
Profit for the year		**718 821**	723 888
Loss from discontinued operations attributable to:			
Wilson Bayly Holmes-Ovcon Limited		**(2 853 281)**	(371 758)
Non-controlling interests		**(139 839)**	(1 580)
Loss for the year		**(2 993 120)**	(373 338)
Loss from total operations attributable to:			
Wilson Bayly Holmes-Ovcon Limited		**(2 160 289)**	315 996
Non-controlling interests		**(114 010)**	34 554
Loss/(profit) for the year from total operations		**(2 274 299)**	350 550
Total comprehensive income attributable to:			
Wilson Bayly Holmes-Ovcon Limited		**(2 513 835)**	(71 763)
Non-controlling interests		**(75 282)**	8 210
Total comprehensive loss for the year		**(2 589 117)**	(63 553)
Earnings/(loss) per share (cents)	21		
Basic earnings/(loss) per share			
Continuing operations		**1 303.1**	1 293.2
Discontinued operations		**(5 365.2)**	(699.0)
Total operations		**(4 062.1)**	594.2
Diluted earnings/(loss) per share			
Continuing operations		**1 303.1**	1 292.9
Discontinued operations		**(5 365.2)**	(698.9)
Total operations		**(4 062.1)**	594.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Note	Number of ordinary shares issued	Number of shares held by share trusts	Net shares issued to the public
Balance at 30 June 2020		59 890 514	6 709 494	53 181 020
Vesting of treasury shares with participants		–	(15 897)	15 897
Total comprehensive income for the year		–	–	–
Profit for the year from continuing operations		–	–	–
Loss for the year from discontinued operations		–	–	–
Other comprehensive loss for the year		–	–	–
Dividend paid		–	–	–
Share-based payments expense		–	–	–
Share-based payment settlement		–	–	–
Derecognition of NCI		–	–	–
Acquisition of NCI without a change in control	31	–	–	–
Balance at 30 June 2021		**59 890 514**	**6 693 597**	**53 196 917**
Vesting of treasury shares with participants		**–**	**–**	**–**
Shares acquired		**–**	**–**	**–**
Total comprehensive income for the year		**–**	**–**	**–**
Profit for the year from continuing operations		**–**	**–**	**–**
Loss for the year from discontinued operations		**–**	**–**	**–**
Other comprehensive income for the year		**–**	**–**	**–**
Dividend paid		**–**	**–**	**–**
Share-based payments expense		**–**	**–**	**–**
Share-based payment settlement		**–**	**–**	**–**
Decrease in equity loan from NCI		**–**	**–**	**–**
Acquisition of NCI without a change in control		**–**	**–**	**–**
Derecognition of NCI on loss of control of subsidiary		**–**	**–**	**–**
Balance at 30 June 2022		**59 890 514**	**6 693 597**	**53 196 917**
Authorised share capital				
ordinary shares of no par value		100 000 000		
redeemable preference shares of no par value		20 000 000		

There were no changes to the authorised share capital during the current year.

Share capital R 000	Foreign currency translation reserve R 000	Non-distributable reserve R 000	Distributable reserves R 000	Shareholders' equity R 000	Non-controlling interests R 000	Total equity R 000
28 565	604 538	14 460	5 028 883	5 676 446	205 173	5 881 620
–	–	–	–	–	–	–
–	(387 759)	–	315 996	(71 763)	8 210	(63 553)
–	–	–	687 754	687 754	36 134	723 890
–	–	–	(371 759)	(371 758)	(1 580)	(373 340)
–	(387 759)	–	–	(387 759)	(26 344)	(414 103)
–	–	–	–	–	(17 277)	(17 277)
–	–	40 192	–	40 192	–	40 192
–	–	(19 306)	–	(19 306)	–	(19 306)
–	–	–	–	–	(8 176)	(8 176)
–	–	–	(96 790)	(96 790)	(91 472)	(188 262)
28 565	**216 779**	**35 346**	**5 248 089**	**5 528 779**	**96 456**	**5 625 235**
–	**–**	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**–**	**–**
–	**(353 546)**	**–**	**(2 160 289)**	**(2 513 712)**	**(75 282)**	**(2 588 994)**
–	**–**	**–**	**692 992**	**692 992**	**25 829**	**718 821**
–	**–**	**–**	**(2 853 281)**	**(2 853 281)**	**(139 838)**	**(2 993 120)**
–	**(353 546)**	**–**	**–**	**(353 423)**	**38 728**	**(314 695)**
–	**–**	**–**	**(116 530)**	**(116 530)**	**(45 694)**	**(162 224)**
–	**–**	**44 769**	**–**	**44 769**	**–**	**44 769**
–	**–**	**(13 462)**	**–**	**(13 462)**	**–**	**(13 585)**
–	**–**	**–**	**–**		**(2 428)**	**(2 428)**
–	**–**	**–**	**(74 682)**	**(74 682)**	**(77 344)**	**(152 025)**
–	**–**	**–**	**–**	**–**	**185 547**	**185 547**
28 565	**(136 767)**	**66 653**	**2 896 588**	**2 855 039**	**81 255**	**2 936 296**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 R 000	Re-presented 2021 R 000
Cash flows from operating activities			
Operating profit from continuing operations before working capital requirements		**1 094 202**	1 124 061
Working capital changes		**188 612**	342 873
Cash generated from operations	29.1	**1 282 814**	1 466 934
Adjusted for:			
Finance income		**109 397**	85 016
Dividends received		**88 959**	71 116
Finance costs		**(21 989)**	(7 978)
Income tax paid	29.2	**(344 448)**	(300 986)
Dividend paid		**(157 711)**	–
Cash utilised in operating activities from discontinued operations	20.2	**(1 593 716)**	(2 556 013)
Net cash flow from operating activities		**(636 694)**	(1 241 911)
Cash flow from investing activities			
Advances of long-term receivables		**(6 961)**	(668)
Receipts from repayments by long-term receivables		**73 162**	69 989
Acquisition of subsidiaries, net of cash		**–**	3 723
Investment in associates and joint ventures	5	**(18 801)**	(1 456)
Loans advanced to associates and joint ventures		**(202 838)**	(116 460)
Loans repaid by associates and joint ventures		**111 415**	206 214
Repayment of investment in associates and joint ventures		**29 199**	–
Proceeds on disposal of property, plant and equipment		**14 986**	71 899
Acquisition of property, plant and equipment		**(102 103)**	(75 108)
Payment to settle obligations in Australia		**(853 551)**	–
Proceeds on loss of control of subisidary, net of cash	30	**(674 642)**	–
Net cash flow from investing activities by discontinued operations	20.2	**28 552**	60 143
Net cash flow from investing activities		**(1 601 582)**	218 276
Cash flow from financing activities			
Acquisition of NCI without a change in control	12	**(130 393)**	(177 262)
Loan repaid to NCI		**(2 292)**	–
Bank loans repaid	29.5	**(4 750)**	(350)
Loan advanced from related parties	29.5	**25 000**	–
Purchase of shares for equity-settled incentives		**(14 958)**	(20 256)
Payments in respect of instalment sale agreements	29.3	**(57 520)**	(43 590)
Payments in respect of lease liabilities	29.4	**(52 239)**	(62 421)
Net cash flow from financing activities by discontinued operations	20.2	**(21 928)**	(60 426)
Net cash flow utilised in financing activities		**(259 080)**	(364 305)
Increase in cash and cash equivalents for the year		**(2 497 356)**	(1 387 940)
Foreign currency translation effect on cash balances		**155 869**	(530 687)
Cash and cash equivalents at the beginning of the year		**5 680 717**	7 599 344
Cash and cash equivalents at the end of the year	29.6	**3 339 230**	5 680 717

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2022

REPORTING ENTITY

Wilson Bayly Holmes-Ovcon Limited (the Company) is a company domiciled in South Africa. The address of the Company is 53 Andries Street, Wynberg, Sandton, 2090. The consolidated financial statements of the Company as at and for the period ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as the Group). The Group is principally engaged in civil engineering and building construction activities in Africa and the United Kingdom as well as owning a number of subsidiary companies and participating in joint arrangements engaged in similar activities both locally and internationally.

STATEMENT OF COMPLIANCE

The consolidated financial statements (financial statements) are prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of South Africa.

BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis. The expenses recognised in operating and administrative costs in profit or loss are classified based on their function within the Group. The accounting policies adopted have been consistently applied throughout the Group to all the periods presented. The financial statements have been prepared on the going concern basis.

The financial statements are presented in South African Rands, which is the functional currency of the holding company of the Group. The Company separate financial statements are available at the Company's registered address.

SIGNIFICANT JUDGEMENTS AND CRITICAL ACCOUNTING ESTIMATES

In preparing the financial statements, management is required to make estimates and assumptions that affect the application of the Group's accounting policies and recognised amounts of assets, liabilities, income and expenses. Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Significant judgements and estimates include:

(A) IMPAIRMENT OF GOODWILL

Estimates are made in determining the recoverable amounts of cash-generating units (CGUs), based on the greater of value-in-use and fair value less costs to sell calculations. The estimates used have been disclosed in note 4.

(B) PROVISIONS

Estimates are made of the expected cash outflow taking into account that the exact amount and timing of the outflow is uncertain. These have been disclosed in note 14.

(C) ONEROUS CONTRACT PROVISION

The Group lost control of its Australian operations during the current reporting period. Up until the date that control was lost, the Group made provision for the unavoidable costs of meeting its obligations in respect of contracts to the extent that such costs exceed the economic benefits expected to be received.

At the date that control was lost the onerous contract provision has been derecognised. The disclosure of this provision and the derecognition thereof is included in in note 14.

(D) REVENUE RECOGNITION: DETERMINING THE TRANSACTION PRICE OF CONSTRUCTION CONTRACTS

When determining the transaction price of a contract, management is required to make estimates of the value of unapproved variations and claims as well as the probability that they will not be reversed. Estimates in respect of unapproved variations and contractual claims are determined by applying the contractual rates agreed between the parties to the time taken, activities performed and materials supplied in performing the obligations that relate to such variation orders and contractual claims. Management assesses the probability that any revenue associated with unapproved variations and contractual claims will not be reversed in accordance with the Group's rights under the contract, correspondence between the parties and the progress of any negotiations or dispute resolution processes implemented between the parties. The accounting policy relating to construction contracts and revenue is disclosed in note 15.

(E) EXPECTED CREDIT LOSS

The Group utilises statistical modelling when calculating probabilities of default and loss-given ratios. These, together with forward-looking macro-economic factors, are applied when determining expected credit losses as disclosed in notes 5, 6, 8 and 9. Estimates and assumptions are required when determining certain inputs to be used in the model as well as the future impact of forward-looking macro-economic factors on receivables balances. Details of these assumptions and estimates are disclosed in note 25.

(F) LEASES

Judgement is applied in determining the lease term for lease contracts in which the Group is a lessee, including whether the Group is reasonably certain to exercise renewal or termination options. Refer to note 3.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

BASIS OF CONSOLIDATION

BUSINESS COMBINATIONS

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses at a minimum, an input and substantive process and whether the acquired set has the ability to contribute to the creation of outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment or whenever there is an indicator of impairment. Any gain on a bargain purchase is recognised immediately in profit or loss. Transaction costs are expensed in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition and remeasured at fair value at each reporting date. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

SUBSIDIARIES

Subsidiaries are entities controlled by the Group. The Group obtains control of a subsidiary when it becomes exposed to, or gains rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the Group's accounting policies.

CHANGES IN SHAREHOLDING

Changes in shareholding that do not result in a loss of control are accounted for as equity transactions. The non-controlling interest is adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between this amount and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

LOSS OF CONTROL

When the Group loses control over a subsidiary the carrying amount of the subsidiary's assets and liabilities are derecognised together with any associated non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss.

JOINT OPERATIONS

Joint operations are arrangements where the parties have joint control of the assets as well as the obligations in respect of liabilities as they pertain to the arrangement. The financial and operating decisions in respect of joint operations require the unanimous consent of all the parties. The Group, as a joint operator, recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

FOREIGN CURRENCY

FOREIGN OPERATIONS

The assets and liabilities of foreign operations are translated into the functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the functional currency at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve, except to the extent that the translation difference is allocated to non-controlling interest.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associates or joint arrangement while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into the functional currency using the exchange rates at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are recognised in profit or loss.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of financial performance and other comprehensive income as part of the profit or loss on disposals.

SHARE CAPITAL

ORDINARY SHARES

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

TREASURY SHARES

Where subsidiaries or special purpose entities (share trusts) hold ordinary shares in the parent, these shares are treated as treasury shares. The consideration paid to acquire those shares, including attributable incremental costs, is deducted from shareholders' equity and presented separately as treasury shares. Such shares are held by special purpose entities for the share-based employment schemes of the Group. When treasury shares are subsequently sold or reissued, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented in the equity-settled share-based payments reserve. Shares issued to or held by share incentive plans within the group are treated as treasury shares until such time as the participants pay for and take delivery of such shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

1 STANDARDS AND INTERPRETATIONS

There have been no new standards applied in the current reporting period.

At the date of authorisation of these financial statements there are a number of new standards, amendments and interpretations which will only be effective after 30 June 2022 and have not been early adopted by the Group and will be adopted by the Group in the periods in which they become effective. The following standards and amendments are significant to the Group:

Standard	Effective date for annual periods commencing on or after:	Description
Business combinations (Amendments to IFRS 3)	1 January 2022	Reference to the conceptual framework: The amendment: • updates a reference in IFRS 3 to refer to the updated Conceptual Framework issued in 2018 instead of the 1998 reference; • adds a requirement that transactions and other events within the scope of IAS 37 must be accounted for per IAS 37 (instead of the Conceptual Framework) to identify the liabilities assumed in a business combination; and • adds an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. This amendment will only be applicable if there is a business combination in the reporting period in which it becomes effective and for subsequent reporting periods.
Provisions, Contingent Liabilities and Contingent Assets (Amendments to IAS 37)	1 January 2022	The IASB issued amendments relating to onerous contracts, which specifies that the 'cost of fulfilling' a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The Group currently recognises all costs that directly relate to fulfilling an onerous contract in accordance with this amendment, thus we do not expect this amendment to have an impact on the Group.
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	1 January 2024	The IASB issued amendments to IAS 1 Presentation of Financial Statements which clarifies that the classification of liabilities as current or non-current is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. It further states that classification is unaffected by an entity's intention to exercise its right to defer settlement of a liability. The amendment further clarifies the definition of a settlement to be a transfer to the counterparty that results in the extinguishment of the liability. The classification of liabilities by the Group is currently aligned with this amendment. Therefore, the amendment will not have a material impact on the Group.

1 STANDARDS AND INTERPRETATIONS (CONTINUED)

Standard	Effective date for annual periods commencing on or after:	Description
Disclosure of Accounting Policies (Amendment to IAS 1)	1 January 2023	The amendment replaces the disclosure requirements with respect to accounting policies from 'significant accounting policies' to 'material accounting policy information. The amendment provides guidance on when accounting policy information is considered material. With the exception of the accounting policy in respect of inventories, all current accounting policies are considered as being material. All accounting policies will be reassessed for materiality in the period in which this amendment becomes effective.
Definition of Accounting Estimates (Amendment to IAS 8)	1 January 2023	The amendment added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors. The amendment serves to assist entities to distinguish changes in accounting policy from changes in accounting estimates in order for entities to apply the correct accounting treatment and reduce diversity. As disclosed on page 15, management makes use of accounting estimates when recognising certain assets, liabilities, income and expenses. Once effective, this amendment may have a material impact on the Group in the event that inputs or measurement techniques materially change.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2024	The amendments clarify that the initial recognition exemption set out in IAS 12.15 does not apply to certain transactions that result in both an asset and a liability being recognised simultaneously, such as IFRS 16 leases and similar transactions. The amendment thus requires and entity to recognise deferred tax on these transactions which will give rise to equal amounts of taxable and deductible temporary differences on initial recognition. The amendments initially had an effective date of 1 January 2022, however, in July 2020 this was deferred until 1 January 2023 as a result of the COVID-19 pandemic. An exposure draft issued in November 2021 proposes to defer the effective date further by one year to annual reporting periods beginning no earlier than on or after 1 January 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

2 PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is measured at cost less accumulated impairment losses.

Subsequent costs

Subsequent costs are capitalised only when it is probable that the future economic benefits associated with the item will flow to the Group and these costs can be measured reliably.

Depreciation

Items of property, plant and equipment are depreciated to their estimated residual values over their expected useful lives. Depreciation is recognised in profit or loss unless it is capitalised to the cost of another asset. Land is not depreciated. The depreciation methods, estimated useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The depreciation rates applied are set out below:

Aircraft	Variable rates based on flying hours
Buildings	50 years straight-line or over the lease term
Plant and vehicles	Variable based on expected production units
Equipment	3 years straight-line
Office and computer equipment	3 to 10 years straight-line

Impairment

Property, plant and equipment is assessed annually for impairment.

Derecognition

Gains and losses on disposal of property, plant and equipment are determined by deducting the carrying amount from the proceeds and are recognised in profit or loss.

NOTE

	Land and buildings R 000	Aircraft R 000	Plant, vehicles and equipment R 000	Office and computer equipment R 000	Total R 000
Cost					
At 1 July 2021	428 961	61 214	3 313 178	235 630	4 038 983
Additions	5 970	–	217 987	17 420	241 377
Disposals	(2 500)	–	(74 307)	(11 373)	(88 180)
Exchange rate effect	35 170	–	31 558	2 834	69 562
Derecognised on loss of control of subsidiary (note 30)	(152 086)	–	(501 304)	(149 345)	(802 735)
At 30 June 2022	**315 515**	**61 214**	**2 987 112**	**95 167**	**3 459 007**
Accumulated depreciation and impairment losses					
At 1 July 2021	124 355	3 826	1 977 092	170 171	2 275 444
Depreciation - continuing operations	9 919	512	126 865	8 316	145 612
Depreciation - discontinued operations	2 099	–	22 268	11 761	36 128
Disposals	–	–	(65 986)	(11 046)	(77 033)
Exchange rate effect	34 691	–	21 712	1 855	58 258
Derecognised on loss of control of subsidiary (note 30)	(80 809)	–	(351 822)	(109 378)	(542 009)
At 30 June 2022	**90 255**	**4 338**	**1 730 129**	**71 679**	**1 896 401**
Carrying amount at 30 June 2022	**225 260**	**56 876**	**1 256 983**	**23 489**	**1 562 606**

2 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings R 000	Aircraft R 000	Plant, vehicles and equipment R 000	Office and computer equipment R 000	Total R 000
Cost					
At 1 July 2020	488 002	54 298	3 660 996	233 939	4 437 235
Additions	2 626	9 016	83 714	21 349	116 705
Acquisitions through business combinations	–	–	46	333	379
Disposals	(1 494)	(2 100)	(264 758)	(4 300)	(272 652)
Property transferred to held for sale asset	(36 224)	–	–	–	(36 224)
Exchange rate effect	(23 949)	–	(166 820)	(15 691)	(206 460)
At 30 June 2021	428 961	61 214	3 313 178	235 630	4 038 983
Accumulated depreciation and impairment losses					
At 1 July 2020	125 319	5 222	2 096 120	156 320	2 382 981
Depreciation - continuing operations	9 983	704	136 577	7 092	154 356
Depreciation - discontinued operations	5 944	–	41 897	21 157	68 998
Acquisitions through business combinations	–	–	42	331	373
Disposals	(1 494)	(2 100)	(200 808)	(4 127)	(208 529)
Property transferred to held for sale asset	(5 024)	–	–	–	(5 024)
Exchange rate effect	(10 373)	–	(96 736)	(10 602)	(117 711)
At 30 June 2021	124 355	3 826	1 977 092	170 171	2 275 444
Carrying amount at 30 June 2021	304 606	57 388	1 336 086	65 459	1 763 539

The carrying amount of land and buildings comprises:	**2022 R 000**	2021 R 000
Land	**53 804**	118 548
Buildings	**171 456**	186 058
	225 260	304 606

Plant, vehicles and equipment with a carrying amount of R127 million (2021: R131 million) are encumbered by instalment sale agreements (note 10).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

3 LEASES

ACCOUNTING POLICY

At inception of the contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group recognises a right-of-use asset and the corresponding lease liability at the commencement date of the lease. The recognition exemptions for leases of low value assets and short-term leases have been applied whereby the lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The lease liability is initially measured at the present value of the contractual lease payments due to the lessor over the lease term, discounted using the rate implicit in the lease, or if this rate cannot be readily determined, using the incremental borrowing rate of the Group. Generally, the Group uses its incremental borrowing rate as the discount rate, obtained from various external financing sources, which is specific to each geographical region.

Lease payments consist of:

- fixed lease payments less any lease incentives;
- variable lease payments, that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- penalties for terminating a lease agreement, if the Group is reasonably certain to exercise termination options.

The lease term is determined as the non-cancellable period of a lease, which includes optional periods where the Group is reasonably certain to exercise lease extensions or reasonably certain not to exercise termination options.

Subsequently, the lease liability is measured at amortised cost using the effective interest method. A lease liability is remeasured when:

- there is a change in the lease term;
- there is a change in the Group's assessment of whether it will exercise an extension or termination option;
- the future lease payments change due to a change in an index or rate used to determine the lease payments; or
- a lease contract is modified and the lease modification is not accounted for as a separate lease.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

A right-of-use asset is initially measured at cost, comprising the initial measurement of the lease liability, adjusted for any lease payments made at, or before the commencement date, plus any initial direct costs incurred and less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. In addition, right-of-use assets are adjusted for certain remeasurements of the lease liability and assessed for impairment whenever there is an indicator of impairment.

The Group presents right-of-use assets and the non-current portion of lease liabilities as separate line items in the statement of financial position. The current portion of lease liabilities is included in trade and other payables.

As lessor

The Group has entered into a lease agreement as a lessor with respect to a property sub-lease.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Amounts due from lessees under finance leases are recognised as a lease receivable. The non-current and current portions of the lease receivable are included in long-term receivables and trade and other receivables respectively. The Group applies the derecognition and impairment requirements in IFRS 9 to the lease receivable.

3 LEASES (CONTINUED)

NOTE

Nature of leasing activities

The Group enters into leases in respect of buildings and vehicles. Leases for site accommodation are negotiated based on terms and conditions specific to a project and are subject to IFRS 16's recognition exemptions, either being low-value assets or short-term leases. The Group does not expect a change in the portfolio of short-term leases in future periods. Short-term and low-value lease expenses have been disclosed in note 16. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Judgement is applied when determining whether to exercise options relating to extensions and terminations as a result of uncertainties in project completion dates. Lease terms for vehicles are for a period of 3 years. The lease terms for buildings vary in length, and range from month-to-month agreements up to 15 years. Month-to-month lease agreements relate to site accommodation. The incremental borrowing rates used by the Group in the measurement of lease liabilities vary depending on the geographical regions in which the leases are entered in to and take in to account the duration of the lease and the value of the right-of-use asset. All future cash flows to which the Group is exposed have been included in the measurement of lease liabilities. The Group has remeasured certain lease liabilities and the relating right-of-use assets as a result of extension options being exercised which were not previously included in the determination of the lease terms, as well as changes in future lease payments resulting from a market rent review. These remeasurements have been disclosed under the reassessments below.

Right-of-use assets

	Buildings R 000	Vehicles R 000	Total R 000
Cost			
At 1 July 2021	**456 525**	**10 473**	**466 998**
Additions	**–**	**2 018**	**2 018**
Reassessments	**6 572**	**–**	**6 572**
Derecognition – expired/terminated leases	**(27 884)**	**(3 722)**	**(31 606)**
Derecognised on loss of control of subsidiary	**(64 168)**	**–**	**(64 168)**
Exchange rate effects	**(1 629)**	**(50)**	**(1 679)**
At 30 June 2022	**369 416**	**8 719**	**378 135**
Accumulated depreciation			
At 1 July 2021	**141 441**	**4 919**	**146 360**
Depreciation – continuing operations	**49 420**	**3 641**	**53 061**
Depreciation – discontinued operations	**12 207**	**–**	**12 207**
Derecognition – expired/terminated leases	**(27 884)**	**(3 722)**	**(31 606)**
Derecognised on loss of control of subsidiary	**(31 401)**	**–**	**(31 401)**
Exchange rate effects	**(1 057)**	**(42)**	**(1 100)**
At 30 June 2022	**142 726**	**4 796**	**147 522**
Carrying amount at 30 June 2022	**226 690**	**3 923**	**230 613**
Cost			
At 1 July 2020	480 406	8 894	489 300
Additions	5 243	4 767	10 010
Reassessments	11 977	–	11 977
Derecognition – expired/terminated leases	(3 466)	(2 510)	(5 976)
Derecognition – sub-lease	(5 555)	–	(5 555)
Exchange rate effects	(32 081)	(677)	(32 758)
At 30 June 2021	456 524	10 474	466 998
Accumulated depreciation			
At 1 July 2020	78 594	4 016	82 610
Depreciation – continuing operations	50 385	3 727	54 112
Depreciation – discontinued operations	27 400	–	27 400
Derecognition – expired/terminated leases	(3 466)	(2 510)	(5 976)
Derecognition – sub-lease	(2 778)	–	(2 778)
Exchange rate effects	(8 694)	(314)	(9 008)
At 30 June 2021	141 441	4 919	146 360
Carrying amount at 30 June 2021	315 083	5 555	320 638

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

3 LEASES (CONTINUED)

Lease liabilities

	2022 R 000	2021 R 000
At 1 July	**344 776**	430 674
Additions	**2 016**	10 012
Finance costs on lease liabilities	**10 751**	14 472
Lease payments	**(78 776)**	(96 964)
Reassessments	**6 569**	11 974
Derecognised on loss of control of subsidiary	**(42 413)**	–
Foreign exchange movements	**8**	(25 392)
Lease liabilities at 30 June	**242 932**	344 776
Less: Current portion (note 13)	**(49 382)**	(70 979)
Non-current portion	**193 550**	273 797
Maturity analysis of lease liabilities		
Due within one year	**57 226**	82 015
Due between two and five years	**195 719**	246 413
Due between six and eight years	**12 791**	46 252
Due between nine and ten years	**1 309**	3 083
	267 045	377 763
Less: Future finance costs	**(24 113)**	(32 987)
	242 932	344 776

4 GOODWILL

ACCOUNTING POLICY

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree, over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirers' previously held interest in the acquiree, the excess is recognised immediately in profit or loss as a gain on bargain purchase.

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed.

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill arising on the acquisition of associates or joint ventures is included in the investment.

On disposal of a subsidiary, the attributable goodwill is included in the determination of the profit or loss on disposal.

NOTE

		2022 R 000	2021 R 000
Cost		**1 173 866**	1 173 866
Accumulated impairment		**(544 433)**	(20 635)
Exchange rate effects		**(116 901)**	(147 600)
Carrying amount		**512 532**	1 005 631
The carrying amount of goodwill is reconciled as follows:			
Carrying amount at 1 July		**1 005 631**	1 085 894
Goodwill recognised on business combination (note 30)		**–**	20 635
Impairment of goodwill (note 29)		**(523 798)**	(20 635)
Exchange rate effects		**30 699**	(80 263)
Carrying amount at 30 June		**512 532**	1 005 631
Business segment:	Cash generating unit:		
Roads and earthworks	WBHO Pipelines division	**70 545**	70 545
Australia	Probuild Constructions (Aust) Pty Ltd	**–**	488 947
United Kingdom	Russell-WBHO	**441 987**	446 139
		512 532	1 005 631

Impairment of goodwill assessment

The recoverable amount of each identified CGU has been determined using the value in use methodology incorporating discounted cash flows.

Discount rates are pre-tax measures based upon risk-free government bonds of the same tenure as the valuation period. The rates are adjusted for risk factors inherent to the market or sector in which the CGU operates, risk factors unique to the CGU as well as the volatility of the CGU to material movement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

4 GOODWILL (CONTINUED)

For each CGU, cash flow projections take in to account the following:

- current order book levels;
- the number and availability of projects in the forward-looking pipeline;
- the 12 month budget for the following reporting period; and
- the existing and future expected cost base of the CGU.

The growth rates used in the valuation of the recoverable amounts represent management's assessment of future trends relevant to each CGU taking into accounts the input above and using published industry data where available.

Probuild

During the reporting period, Probuild Constructions (Aust.) Pty Ltd (Probuild) incurred material operating losses relating to two loss-making projects and the impact of Covid-19 regulations. The Group lost control of Probuild on 23 February 2022 (note 30).

The following impairment indicators existed at 31 December 2021:

- Material losses incurred and reduced project delivery capability
- Low levels of new work procurement
- Difficulty in obtaining guarantees, which had to be secured by cash
  - Poor liquidity
  - Clients' concern over Probuild's financial position when adjudicating projects
  - Fewer available projects in the market

Accordingly, at 31 December goodwill amounting to $45 million (R524 million) was impaired. The goodwill was subsequently derecognised on 23 February 2022, the date on which the Group lost control of the business.

Russell-WBHO

Based on current levels of secured work, activity within Russell-WBHO is forecast to grow by 9% in FY2023, followed by a recovery of 21% in the year thereafter. The results for the current reporting period as well as the forecast for FY2023 have been significantly impacted by the Covid-19 pandemic alongside geo-political issues in Europe. The recovery is based on an improved pipeline of projects expected to be bid upon during the latter half of FY2023 with work commencing in FY2024. Growth rates in line with industry norms have been applied to the remaining forecast period.

Pipelines

During FY2019, the Group was awarded a R1 billion contract for the construction of a pipeline in KZN. In FY2020, the project was suspended due to community unrest. The contract has not been terminated and the Group continues to perform care and maintenance duties. Based on the latest communication from the client in respect of their ongoing negotiations with the community, it is estimated that the project will recommence during 2023 with the works being executed during FY2024 and FY2025. This will likely result in a significant spike in activity of 162% in FY2024, followed by a decline of 32% in the year thereafter as this large-scale project nears completion without being fully replaced.

4 GOODWILL (CONTINUED)

The table below illustrates the growth and discount rates used in determining the recoverable amounts as well as the amount by which the assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

	Probuild Constructions (Aust) Pty Ltd	Russell-WBHO Limited	WBHO Pipelines division
2022			
R 000			
Carrying amount	**–**	**441 987**	**70 545**
Recoverable amount	**–**	**1 120 508**	**127 623**
Amount by which the recoverable amount exceeds the carrying amount	**–**	**678 521**	**57 078**
Growth rate range (%)	**–**	**9.1 to 26.5**	**-32.1 to 240.4**
Average growth rate (%)	**–**	**15**	**37**
Terminal growth rate (%)	**–**	**2**	**5**
Change in growth rate resulting in recoverable amount being equal to the carrying amount (%)	**–**	**(5)**	**(41)**
Pre-tax discount rate (%)	**–**	**13**	**25**
Change in pre-tax discount rate resulting in recoverable amount being equal to the carrying amount (%)	**–**	**27**	**4**
2021			
R 000			
Carrying amount	488 947	446 139	70 545
Recoverable amount	1 946 259	1 347 782	177 338
Amount by which the recoverable amount exceeds the carrying amount	1 457 312	901 643	106 793
Growth rate range (%)	(3.7) to 6.1	(31.1) to 20	(31.7) to 162.6
Average growth rate (%)	(1)	1	24
Terminal growth rate (%)	(1)	3	3
Change in growth rate resulting in recoverable amount being equal to the carrying amount (%)	(33)	(117)	(34)
Pre-tax discount rate (%)	10	20	21
Change in pre-tax discount rate resulting in recoverable amount being equal to the carrying amount (%)	50	10	39

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

5 INTERESTS IN ASSOCIATES AND JOINT VENTURES

ACCOUNTING POLICY

An associate is an entity over which the Group has the ability to exercise significant influence. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Group's share of the profit or loss and other comprehensive income of associates and joint ventures, up until the date on which significant influence or joint control ceases.

The carrying amounts of interests in associates and joint ventures are assessed annually for impairment.

Loans to associates and joint ventures which form part of the net investment of the entity or arrangement are recognised at amortised cost and are impaired in accordance with IFRS 9 as disclosed in note 25.

NOTE

	2022 R 000	2021 R 000
Investment at cost	**220 274**	202 074
Additional equity contributions	**115 910**	202 066
Equity investment	**336 184**	404 140
Attributable post-acquisition profits and losses	**268 037**	276 091
	604 221	680 231
Loans to associates and joint ventures	**299 057**	205 179
	903 278	885 410
Less: current portion of loans to associates and joint ventures (note 9)	**(243 026)**	–
	660 253	885 410
The interest in associates and joint ventures is reconciled as follows:		
At 1 July	**885 410**	1 105 159
Additions	**18 801**	1 456
Share of profits and losses from continuing operations	**100 456**	68 873
Share of profits and losses from discontinued operations (note 20)	**12 434**	32 699
Share of other comprehensive income	**23 324**	(46 994)
Dividends received	**(88 959)**	(132 303)
Repayment of equity	**(27 562)**	(56 813)
Impairment	**(3 821)**	–
Deemed disposal of associate	**–**	(15 565)
Derecognised on loss of control of subsidiary (note 30)	**(122 437)**	–
Loans advanced/(repaid)	**99 802**	(71 162)
Loss allowance movement	**67**	50
Exchange rate effects	**5 763**	10
At 30 June	**903 278**	885 410

5 INTERESTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Interests in associates and joint ventures

Investments at cost	Country of incorporation	EFFECTIVE INTEREST 2022 %	2021 %	GROUP 2022 R 000	2021 R 000
Associates					
Gigajoule International (Pty) Ltd#	South Africa	**26.6**	26.6	**31 835**	31 835
Gigajoule Power (Pty) Ltd#	South Africa	**13.0**	13.0	**7 657**	7 657
Ilembe Airport Construction Services (Pty) Ltd^	South Africa	**29.3**	29.3	**3**	3
Tshala Bese Uyavuna (RF) (Pty) Ltd*	South Africa	**32.5**	32.5	**325**	325
Dipalopalo Concession (RF) (Pty) Ltd*	South Africa	**27.7**	27.7	**–**	–
Dipalopalo FM Solutions (RF) (Pty) Ltd*	South Africa	**14.6**	14.6	**–**	–
Edwin Construction (Pty) Ltd^	South Africa	**49.0**	49.0	**97 713**	97 713
19 on Loop (Pty) Ltd†	South Africa	**50.6**	–	**18 801**	–
BPG Caulfield Village Pty Ltd†	Australia	**–**	30.0	**–**	–
The Glen Redevelopment Project†	Australia	**–**	20.0	**–**	–
Russell Homes Limited^	England	**31.7**	31.7	**63 940**	64 541
Joint ventures					
Catchu Trading (Pty) Ltd†	South Africa	**50.0**	50.0	**–**	–
				220 274	202 074

	2022 R 000	2021 R 000
Loans		
Dipalopalo Concession (Pty) Ltd	**51 999**	53 904
Russell Homes Limited (note 9)	**243 513**	152 148
Tshala Bese Uyavuna (RF) (Pty) Ltd	**–**	1
19 on Loop (Pty) Ltd	**4 352**	–
Less: Loss allowance (note 25)	**(807)**	(874)
	299 057	205 179
Less: current portion of loans to associated and joint ventures	**(243 026)**	–
	56 031	205 179
Equity contributions		
Gigajoule Power (Pty) Ltd	**83 633**	106 704
BPG Caulfield Village Pty Ltd	**–**	3 234
The Glen Redevelopment Project	**–**	59 851
Catchu Trading (Pty) Ltd	**32 277**	32 277
	115 910	202 066

The Group has significant influence over Gigajoule Power (Pty) Ltd and Dipalopalo FM Solutions (RF) (Pty) Ltd through its investments in Gigajoule International (Pty) Ltd and Dipalopalo Concession (RF) (Pty) Ltd respectively.

The loss of control of Probuild Constructions (Aust.) Pty Ltd in the current reporting period resulted in the derecognition of the investments in BPG Caufield Village Pty Ltd and The Glen Redevelopment Project (note 30).

Loans to associates and joint ventures will not be repaid within the next 12 months in terms of the loan agreements and bear interest between 0% and 15% per annum. The loan to Russell Homes has been classified as current as the loan facility is renewable annually from 1 July 2022.

The entities listed above are involved in:

^ *construction*
# *power generation*
* *serviced accommodation*
† *property development*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

5 INTERESTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

A reconciliation of significant interests in associates and joint ventures is as follows:

	Gigajoule International Group R 000	Edwin Construction (Pty) Ltd R 000	BPG Caulfield Village Pty Ltd R 000	Dipalopalo Concession (RF) (Pty) Ltd R 000	Russell Homes Limited R 000	Catchu Trading (Pty) Ltd R 000	Other R 000	Total R 000
2022								
Investment at cost	**39 492**	**97 713**	**–**	**–**	**63 940**	**–**	**19 129**	**220 274**
Equity contributions	**83 633**	**–**	**–**	**–**	**–**	**32 277**	**–**	**115 910**
Equity investment	**123 125**	**97 713**	**–**	**–**	**63 940**	**32 277**	**19 129**	**336 184**
Post-acquisition gains/(losses) less dividends received	**247 881**	**(30 649)**	**–**	**–**	**16 887**	**22 617**	**11 301**	**268 037**
Carrying amount at 30 June	**371 005**	**67 064**	**–**	**–**	**80 827**	**54 894**	**30 430**	**604 221**
Loans to associates and joint ventures	**–**	**–**	**–**	**51 679**	**243 026**	**–**	**4 352**	**299 057**
	371 005	**67 064**	**–**	**51 679**	**323 853**	**54 894**	**34 782**	**903 278**
Share of profits from continuing operations	**82 278**	**7 482**	**–**	**–**	**7 172**	**–**	**3 523**	**100 456**
Share of profits from discontinued operations	**–**	**–**	**12 434**	**–**	**–**	**–**	**–**	**12 434**
Dividends received	**(64 459)**	**(24 500)**	**–**	**–**	**–**	**–**	**–**	**(88 959)**

	Gigajoule International Group R 000	Edwin Construction (Pty) Ltd R 000	BPG Caulfield Village Pty Ltd R 000	The Glen Residential R 000	Russell Homes Limited R 000	Catchu Trading (Pty) Ltd R 000	Other R 000	Total R 000
2021								
Investment at cost	39 492	97 713	–	–	64 541	–	328	202 074
Equity contributions and loans advanced	106 704	–	3 234	59 851	–	32 277	–	202 066
Equity investment	146 196	97 713	3 234	59 851	64 541	32 277	328	404 140
Post-acquisition gains/(losses) less dividends received	206 738	(13 631)	–	38 762	10 008	22 617	11 597	276 091
Carrying amount at 30 June	352 934	84 082	3 234	98 613	74 549	54 894	11 925	680 231
Loans to associates and joint ventures	–	–	–	–	152 148	–	53 031	205 179
	352 934	84 082	3 234	98 613	226 697	54 894	64 956	885 410
Share of profits from continuing operations	50 264	8 758	–	–	6 683	–	3 168	68 873
Share of profits from discontinued operations	–	–	3 750	28 949	–	–	–	32 699
Dividends received	(61 316)	(9 800)	(61 187)	–	–	–	–	(132 303)

5 INTERESTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The summary financial information for material associates and joint ventures is disclosed as follows:

	Gigajoule International Group R 000	Edwin Construction (Pty) Ltd R 000	BPG Caulfield Village Pty Ltd R 000	Dipalopalo Concession (RF) (Pty) Ltd R 000	Russell Homes Limited R 000	Catchu Trading (Pty) Ltd R 000
2022						
Non-current assets	**2 348 340**	**77 752**	**–**	**934 891**	**30 155**	**280**
Current assets	**1 654 177**	**198 391**	**–**	**173 720**	**522 384**	**96 953**
Total assets	**4 002 517**	**276 143**	**–**	**1 108 610**	**552 539**	**97 233**
Shareholders' equity	**1 287 131**	**125 388**	**–**	**19 816**	**86 422**	**21 978**
Non-controlling interest	**1 278 620**	**–**	**–**	**–**	**–**	**–**
Non-current liabilities	**1 070 623**	**13 520**	**–**	**984 320**	**–**	**–**
Current liabilities	**366 143**	**137 235**	**–**	**104 474**	**466 117**	**75 255**
Total equity and liabilities	**4 002 517**	**276 143**	**–**	**1 108 610**	**552 539**	**97 233**
Revenue	**2 196 685**	**431 237**	**–**	**–**	**455 398**	**28 090**
Profit/(loss) for the year	**466 858**	**15 270**	**–**	**–**	**22 625**	**–**
Other comprehensive income	**92 344**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income/(loss) for the year	**559 202**	**15 270**	**–**	**–**	**22 625**	**–**

	Gigajoule International Group R 000	Edwin Construction (Pty) Ltd R 000	BPG Caulfield Village (Pty) Ltd R 000	The Glen Residential R 000	Russell Homes Limited R 000	Catchu Trading (Pty) Ltd R 000
2021						
Non-current assets	2 404 578	64 482	14 003	2 002	2 876	470
Current assets	1 589 306	229 520	22 255	3 902 371	254 654	130 813
Total assets	3 993 884	294 002	36 258	3 904 373	257 530	131 283
Shareholders' equity	1 199 910	163 095	35 758	321 718	65 034	80 961
Non-controlling interest	979 938	–	–	–	–	–
Non-current liabilities	1 147 372	15 920	–	–	152 179	–
Current liabilities	666 664	114 987	500	3 582 655	40 317	50 322
Total equity and liabilities	3 993 884	294 002	36 258	3 904 373	257 530	131 283
Revenue	2 047 813	281 906	723 259	3 107 001	316 098	34 457
Profit for the year	373 076	17 873	12 500	163 696	21 082	–
Other comprehensive income	(181 297)	–	–	–	–	–
Total comprehensive income/(loss) for the year	191 779	17 873	12 500	163 696	21 082	–

The financial liabilities for Catchu Trading (Pty) Ltd, excluding trade payables and provisions amount to R65 million (2021:R65 million).

The aggregate summary financial information for individually immaterial associates and joint ventures is as follows:

	2022 R 000	2021 R 000
Net asset value	**(41 416)**	60 563
Profit for the year	**5 802**	21 682
Total comprehensive income for the year	**5 802**	21 682
Distributions received	**–**	–

The information above is presented at 30 June where the reporting dates of associates and joint ventures are different to the Group. The operations of Gigajoule International and Gigajoule Power are located in Mozambique and have a 31 December year-end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

6 LONG-TERM RECEIVABLES

ACCOUNTING POLICY

Long-term receivables are initially measured at fair value plus transaction costs that are directly attributable to its acquisition. Long-term receivables are classified and subsequently measured as financial assets at amortised costs. The classification criteria for financial assets as well as the Group's impairment policies are disclosed in note 25.

NOTE

		2022 R 000	2021 R 000
At amortised cost:			
Mezzanine financing arrangements	1	**229 184**	254 997
Other long-term receivables		**579**	573
Loans to employees for shares	2	**–**	173 853
Lease receivable	3	**–**	13 175
Consideration receivable	4	**–**	8 755
		229 763	451 353
Less: Loss allowance (note 25)		**(569)**	(1 159)
Less: Current portion (note 9)		**(76 549)**	(185 171)
		152 645	265 023

1 *There are three remaining mezzanine financing arrangements which are secured by third party guarantees, listed company shares or title to land and a personal suretyship. The loans bear interest at prime linked rates plus 1% and 2%. Repayments are at terms agreed with each entity and range between May 2023 and May 2025.*

2 *Loans to employees for shares related to employees in Australia. These loans were secured by the shares issued, bear interest at variable rates and were repayable between five and ten years. These loans have been derecognised as part of the loss of control of the Australian subsidiaries (note 20).*

3 *The lease receivable relates to a property which had been sub-let in Australia by Probuild Constructions (Aust) Pty Ltd. The corresponding lease liability relating to the head lease has been disclosed in note 3. The lease receivable has been derecognised as part of the loss of control of the Australian subsidiaries (note 20).*

4 *Consideration receivable in respect of a share buy-back by Edwin Construction (Pty) Ltd in 2017. The consideration was discounted at 8,35%, bears no interest and was payable in five equal annual instalments, the last of which was received in the current reporting period.*

The fair value of long-term receivables is disclosed in note 25.

7 INVENTORIES

ACCOUNTING POLICY

Inventories are measured at the lower of cost or net realisable value. The cost of materials on site, raw materials and consumable stores is determined using the weighted-average basis. Costs for developed properties are assigned by specific identification and includes the cost of acquisition, the cost of conversion and all other costs that are incurred to prepare developed properties for its intended use.

NOTE

	2022 R 000	2021 R 000
Raw materials	**210 546**	178 822
Consumable stores and finished goods	**51 484**	56 187
Properties for development	**20 783**	32 486
Developed properties (note 10)	**138 105**	138 105
	420 918	405 600

8 CONTRACTS IN PROGRESS

ACCOUNTING POLICY

Where performance under a contract exceeds the payment received to date, a contract asset is recognised. Uncertified work, retentions, unapproved variation orders and the Group's assessment of the outcome of contractual claims are recognised as contract assets. Contract assets and construction contract revenue are recognised as a trade receivable once the contractual right to consideration is unconditional, subject only to the passage of time. Where payment is received for excess billings arising from the measure of progress in respect of construction work yet to be performed, the revenue attributed thereto is not recognised but accounted for as a contract liability. Advance payments received from customers are also included in contract liabilities. Contract liabilities are released to revenue as and when the associated performance obligations are satisfied.

NOTE

	2022 R 000	2021 R 000
Contract assets		
Carrying amount at 1 July	**1 054 546**	864 638
Amounts transferred to contract receivables	**(418 753)**	(832 025)
Uncertified amounts recognised from the measure of progress	**279 257**	1 023 751
Acquisitions through business combinations	**–**	847
Derecognised on loss of control of subsidiaries (note 30)	**(631 884)**	–
Less: Loss allowance (note 25)	**(1 719)**	(2 665)
Carrying amount at 30 June	**281 448**	1 054 546
Contract liabilities		
Carrying amount at 1 July	**2 490 026**	2 998 037
Amounts recognised as construction revenue	**(2 129 969)**	(2 434 561)
Advances from customers recognised as construction revenue	**(551 556)**	(509 836)
Excess billings over work done arising from the measure of progress	**2 457 557**	2 073 204
Advances from customers recognised during the year	**402 412**	363 182
Derecognised on loss of control of subsidiaries (note 30)	**(760 158)**	–
Carrying amount at 30 June	**1 908 312**	2 490 026

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

9 TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICY

Trade and other receivables are recognised when they originate and are initially measured at transaction price. Trade and other receivables that are classified as financial assets are subsequently measured at amortised cost using the effective interest rate method, less any loss allowance. The classification criteria for financial assets as well as the Group's impairment policies are disclosed in note 25.

NOTE

	2022 R 000	2021 R 000
Contract receivables	**2 477 099**	4 457 836
Contract retentions	**694 459**	750 232
Trade receivables	**198 262**	246 560
Receivables due from joint operators	**196 328**	277 513
Loans advanced to joint operators	**52 879**	110 044
Current portion of loans to associates and joint ventures (note 5)	**243 513**	–
Current portion of long-term receivables (note 6)	**76 549**	185 171
	3 939 088	6 027 356
Less: Specific loss allowance (note 25)	**(88 458)**	(61 535)
Less: General loss allowance (note 25)	**(22 019)**	(31 691)
	3 828 611	5 934 130
Deposits	**–**	37 041
Prepayments	**147 630**	95 500
Value-added tax receivable	**80 298**	96 254
	4 056 538	6 162 925

10 LONG-TERM LIABILITIES

ACCOUNTING POLICY

Long-term liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. Long-term liabilities are classified and measured at amortised cost.

Instalment sale agreements

Assets acquired through instalment sale agreements, where the risks and rewards of ownership are transferred to the Group at the end of the agreement, are capitalised as property, plant and equipment. These assets are initially recognised at cost and depreciated over their useful lives. The capital portion of the instalment sale agreements is included as part of long-term liabilities with the current portion included in trade and other payables in the statement of financial position. Finance costs are recognised in profit or loss.

NOTE

	2022 R 000	2021 R 000
At amortised cost:		
Secured		
Instalment sale agreements (effective interest rates between 5% and 6.25%)	**103 597**	98 972
Bank loans (effective interest rates between 7% and 8.25%)	**105 493**	111 906
Other long-term liabilities	**2 091**	2 091
Unsecured	**–**	–
Loan from Edwin Construction (Pty) Ltd	**25 289**	–
Settlement agreement liabilities	**111 058**	116 846
	347 528	329 815
Less: current portion of liabilities (note 13)	**(195 342)**	(77 700)
	152 186	252 115

Instalment sale agreements

Instalment sale agreements are for periods up to 48 months and are secured by the plant, vehicles and equipment to which they relate (note 2).

Bank loans

A loan agreement was entered into by the Group with Absa Bank Limited for an amount of R110 million to finance the development of a student accommodation building (note 7). The loan bears interest linked to the prime lending rate in South Africa. Security provided on the loan includes:

1. The registration of a continuing covering mortgage bond over the Group's 50% undivided share in Erf 827, Hatfield amounting to R110 million, and an additional amount to secure interest and costs, charges and disbursements due to Absa if it exercises any right under the mortgage bond;
2. A cession of security by the Group of right, title and interest in and to its 50% undivided share in:
    - Leases and rentals in respect of the property;
    - Proceeds in respect of the sale or transfer of the property including, without limitation, any sale proceeds and expropriation proceeds; and
    - Insurance policies and proceeds in respect of the insurance claims relating to the property.

Loan from Edwin Construction

The loan from Edwin Construction bears interest linked to the South African prime lending rate less 2.5%.

Settlement agreement liabilities

In 2017, the Group signed a settlement agreement with the Government of South Africa in terms of which annual amounts of R22 million are payable to the Tirisono Trust over a period of 12 years. A discount rate of 8.7% has been applied in determining the present value.

In 2022, the Group concluded a settlement with the City of Cape Town in terms of which R10 million is payable annually over a 3 year period from November 2022. A discount rate of 8.25% has been applied in determining the present value.

The contractual maturity of long-term liabilities is disclosed in note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

11 DEFERRED TAX

ACCOUNTING POLICY

A deferred tax asset is recognised for all deductible temporary differences, including those arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, to the extent that, and only to the extent that it is probable that future taxable income will be generated against which any available tax losses and deductible temporary differences can be utilised. Future taxable profits are generated from future trading activities and the reversal of relevant taxable temporary differences.

Deferred tax is not recognised on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit or loss. Deferred tax liabilities are not recognised on the initial recognition of goodwill.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The deferred tax asset on the face of the Statement of Financial Position represents a consolidation of the net deferred tax assets within various statutory entities within the Group and the deferred tax liability on the face of the Statement of Financial Position represents a consolidation of the net deferred tax liabilities within various statutory entities within the Group. Where the deferred tax balance changes from a net asset to a net liability or vice versa within a specific statutory entity, it is necessary to transfer the balance from one net carrying amount to the other. Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax assets against current tax liabilities and if the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

NOTE

	2022 R 000	2021 R 000
Deferred tax assets		
The deferred tax asset balance is reconciled as follows:		
At 1 July	**797 094**	733 583
Recognised in profit or loss (note 18)	**117 450**	79 353
Change in tax rate	**(20 816)**	–
Tax effect of other comprehensive items	**3 326**	22 504
Derecognised on loss of control of subsidiaries	**(363 992)**	–
Transfer from deferred tax liability	**–**	(373)
Exchange rate effects	**17 161**	(37 973)
At 30 June	**550 223**	797 094
Comprising of:		
Construction allowances		
Future expenditure allowance	**(223 746)**	(335 831)
Prepayments	**(6 996)**	(6 534)
Advances from customers	**318 613**	407 927
Recognition and measurement of discontinued liabilities	**51 400**	65 320
Amounts due from customers	**(136 906)**	(275 962)
Stock adjustment	**16 956**	23 231
Capital allowances	**(145 619)**	(154 886)
Provisions and accruals	**633 197**	739 651
Tax losses	**43 324**	334 178
Carrying amount at 30 June	**550 223**	797 094

11 DEFERRED TAX (CONTINUED)

	2022 R 000	2021 R 000
Deferred tax liabilities		
The deferred tax liability balance is reconciled as follows:		
At 1 July	**(29 447)**	(27 979)
Recognised in profit or loss (note 18)	**(16 423)**	(5 666)
Change in tax rate	**808**	–
Transfer from deferred tax asset	**–**	373
Exchange rate effects	**2 540**	3 825
At 30 June	**(42 522)**	(29 447)
Comprising:		
Construction allowances		
Future expenditure allowance	**–**	(27 758)
Prepayments	**–**	1 355
Advances from customers	**8 754**	1
Recognition and measurement of discontinued liabilities	**(7 972)**	(17 394)
Amounts due from customers	**(8 402)**	(57)
Stock adjustment	**–**	125
Capital allowances	**(41 562)**	(4 404)
Provisions and accruals	**6 093**	18 685
Tax losses	**567**	–
Carrying amount at 30 June	**(42 522)**	(29 447)

Deferred tax assets have been recognised in respect of tax losses and temporary differences where, having reviewed the Group's financial projections, the directors are of the opinion that it is probable that these assets will be recovered.

Deferred tax assets have not been recognised on tax losses in subsidiaries amounting to R137 million (2021: R1,7 billion). R37 million of the tax losses have an expiry period of between 2 and 5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

12 NON-CONTROLLING INTEREST (NCI)

ACCOUNTING POLICY

Any non-controlling interest in a subsidiary is initially recognised at the non-controlling interest's proportionate share of the subsidiary's net assets at the date of acquisition. Thereafter the carrying amount of non-controlling interest includes any subsequent changes in the subsidiary's equity. Total comprehensive income is attributed to non-controlling interest even if this results in the non-controlling interest having a deficit balance.

NOTE

		2022 R 000	2021 R 000
Carrying amount of NCI			
Subsidiary:	Principle place of business:		
Probuild Construction (Aust) Pty Ltd	Australia	–	32 037
WBHO Infrastructure Pty Ltd	Australia	–	(79 838)
Byrne Group Limted	United Kingdom	76 177	100 069
Russells Limited	United Kingdom	–	37 202
Individually immaterial subsidiaries	South Africa	5 078	6 986
		81 255	96 456

The table below summarises the information relating to each of the Group's subsidiaries that has a material NCI before any intra-group eliminations.

	Byrne Group Limited
2022	
Ownership interest held by NCI	20.0% R 000
Summarised statement of financial position	
Non-current assets	291 172
Current assets	1 674 445
Total assets	1 965 617
Non-current liabilities	(155 589)
Current liabilities	(1 376 235)
Total liabilities	(1 531 824)
Summarised statement of financial performance and other comprehensive income	
Revenue	3 091 447
Profit for the year	103 027
Total comprehensive income	103 027
Profit for the year attributable to NCI	20 605
Dividends paid to NCI	41 181
Summarised statement of cash flows	
Cash flows from operating activities	386 685
Cash flows from investing activities	(1 677)
Cash flows from financing activities	(37 672)
Net increase in cash and cash equivalents	347 336

12 NON-CONTROLLING INTEREST (NCI) (CONTINUED)

	Byrne Group Limited	Russells Limited	Probuild Constructions (Aust) Pty Ltd	WBHO Infrastructure Pty Ltd
2021				
Ownership interest held by NCI	20.0%	10.0%	10.5%	3.1%
	R 000	R 000	R 000	R 000
Summarised statement of financial position				
Non-current assets	355 336	341 355	941 026	440 394
Current assets	1 324 667	1 203 657	4 159 320	873 171
Total assets	1 680 003	1 545 012	5 100 346	1 313 565
Non-current liabilities	(194 914)	(18 077)	(413 009)	(570 263)
Current liabilities	(949 722)	(823 021)	(3 713 014)	(617 844)
Total liabilities	(1 144 636)	(841 098)	(4 126 023)	(1 188 107)
Summarised statement of financial performance and other comprehensive income				
Revenue	2 958 475	2 550 139	15 703 333	3 164 491
Profit/(loss) for the year	84 546	136 016	35 801	(401 372)
Other comprehensive income	–	–	–	–
Total comprehensive income/(loss)	84 546	136 016	35 801	(401 372)
Profit/(loss) for the year attributable to NCI	16 909	19 130	3 743	(12 531)
Other comprehensive income allocated to NCI	–	–	–	–
Dividends paid to NCI	–	2 603	14 674	–
Summarised statement of cash flows				
Cash flows from/(utilised in) operating activities	94 175	85 537	(982 508)	(1 700 309)
Cash flows from/(utilised in) investing activities	20 122	5 025	21 865	(5 445)
Cash flows (utilised in)/from financing activities	(37 677)	(43 873)	(38 850)	1 146 751
Net increase/(decrease) in cash and cash equivalents	76 620	46 689	(999 493)	(559 003)

The table below details the acquisition of NCI during the reporting period:

	Date acquired	Transaction	Percentage acquired %	Effective interest held after transaction %	Purchase consideration paid R 000
2022					
Russells Limited	14 January 2022	Put option	**10.00**	**100.00**	**127 870**
Net cash outflow					**127 870**
Aggregate amounts recognised in equity					**74 316**

A true-up of £123 thousand (R2,5 million) was paid on the third put option exercised in January 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

13 TRADE AND OTHER PAYABLES

ACCOUNTING POLICY

Trade and other payables are initially recognised when the Group becomes a party to the contractual provisions of the instrument. Trade and other payables that are classified as financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

NOTE

	2022 R 000	2021 R 000
Trade payables	**487 036**	723 363
Subcontractor creditors	**930 190**	3 514 948
Subcontractor retentions	**431 447**	1 123 188
Contract accruals	**1 433 912**	1 298 770
Payroll accruals	**295 010**	578 618
Dividend payable	**1 367**	–
Amounts owing to joint operators	**96 866**	31 522
Current portion of lease liabilities (note 3)	**49 382**	70 979
Current portion of long-term liabilities (note 10)	**195 342**	77 700
	3 920 552	7 419 088
Value-added tax payable	**216 823**	86 603
	4 137 375	7 505 691

14 PROVISIONS

ACCOUNTING POLICY

A provision is recognised when there is a present legal or constructive obligation as a result of a past event for which it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Onerous contracts

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

NOTE

	Contracting provision R 000	Short-term incentive provision R 000	Insurance and retrenchment provision R 000	Total R 000
At 1 July 2020	1 965 790	364 775	37 998	2 368 563
Recognised	1 454 458	325 309	5 492	1 785 259
Utilised	(1 194 326)	(294 682)	(8 169)	(1 497 177)
Unutilised amounts reversed	(272 166)	(13 220)	(5 435)	(290 821)
Exchange rate effects	(78 968)	(5 716)	52	(84 632)
Carrying amount at 30 June 2021	**1 874 788**	**376 466**	**29 938**	**2 281 192**
Recognised	**1 844 124**	**372 528**	**29 351**	**2 246 003**
Utilised	**(1 120 895)**	**(347 673)**	**(26 434)**	**(1 495 002)**
Unutilised amounts reversed	**(392 409)**	**–**	**(4)**	**(392 413)**
Derecognised on loss of control of subsidiaries (note 30)	**(189 635)**	**(34 776)**	**–**	**(224 411)**
Exchange rate effects	**33 190**	**(77)**	**10**	**33 123**
Carrying amount at 30 June 2022	**2 049 163**	**366 467**	**32 862**	**2 448 492**

14 PROVISIONS (CONTINUED)

Contracting provision

Contracting provisions represent estimated amounts arising from obligations to third parties at the reporting date. The provisions will be utilised as and when the claims are finalised and settled within a period of 12 months.

Short-term incentive provision

The bonus provision arises from a constructive obligation to staff members, where an annual bonus based on the performance of the Group is calculated. The actual bonus is not guaranteed and must be approved by the Board of directors. The bonuses are finalised and settled within a period of twelve months.

Insurance and retrenchment provision

The balance represents provisions for potential insurance premiums payable based on past claims history. The provisions are utilised within 12 months, once the claims for the current year are finalised. In the prior year, the provision included retrenchment costs which were utilised within the year.

15 REVENUE

ACCOUNTING POLICY

The Group recognises revenue from the following major sources:

- Construction contracts for the construction of buildings, roads and other infrastructure;
- Supply of construction materials including asphalt, bitumen and long-steel products; and
- Sale of properties.

Revenue comprises the consideration received or receivable on contracts entered into with customers in the ordinary course of the Group's activities and is shown net of amounts collected on behalf of third parties. The amount of revenue recognised is the value of the transaction price allocated to each completed or partially completed performance obligation depicting the consideration the entity is entitled to, in exchange for transferring the goods and services promised within the contract to the customer.

The Group has not entered into any contracts where the period between the transfer of the goods or services to the customer and payment by the customer exceeds one year. Therefore, no significant element of financing is present and no adjustment for the time value of money is made to the Group's transaction prices.

The operating cycle relating to construction assets and construction liabilities is considered to be greater than 12 months. As these assets and liabilities are continually recycled through working capital (thereby distinguishing them from the assets and liabilities utilised in the long-term operations of the Group), they are accordingly classified as current assets and liabilities.

Construction contracts

The Group provides construction services embodying single performance obligations under long-term contracts with customers. Revenue is recognised over a period of time where the customer controls the work-in-progress as the asset is constructed, or where the asset being constructed has no alternative use and the Group has an enforceable right to payment for work done to date.

Contract modifications and contractual claims, representing variable revenue, are common within the construction industry. The transaction price is adjusted for approved variations and claims in full. The transaction price for unapproved variations and claims is adjusted only to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur, at the time when the uncertainty associated to the variability is resolved.

Construction contracts regularly contain penalty provisions for late completion. The transaction price is adjusted for penalties on a contract-by-contract basis, only when it is highly probable that penalties will be implemented.

The output method, incorporating surveys of work performed, is applied to measure performance based on the value of goods and services delivered relative to those undelivered. This method best represents the fair value of the construction works performed and the transfer of control of the goods and services to the customer.

Revenue recognised in accordance with the measure of performance is not necessarily aligned with the payment terms of the contract. Payment terms vary between 30 and 60 days from the date on which the measure of work performed is agreed and certified, but can extend to 90 days under certain contracts. In limited circumstances, the Group may agree to milestone payments under a contract, whereby payment becomes due only on completion of a specified portion of the works to be delivered. In these instances, the duration between milestones is not expected to be greater than 60 days. Project durations are generally between 12 and 18 months but can extend to between 24 and 36 months on larger projects. On contracts requiring substantial mobilisation or with a significant material component, advance payments are often agreed upon. Amounts are often withheld from payment by customers as a contract retention until the defects liability period for the contract has expired. These amounts are recognised as a financial asset under trade and other receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

15 REVENUE (CONTINUED)

Where performance under the contract exceeds the payment received to date, a contract asset is recognised. Uncertified work, retentions, unapproved variation orders and the Group's assessment of the outcome of contractual claims are recognised as contract assets. Contract assets and construction contract revenue are recognised as a trade receivable once the contractual right to consideration is unconditional, subject only to the passage of time. Where payment is received for excess billings arising from the measure of progress in respect of construction work yet to be performed, the revenue attributed thereto is not recognised but accounted for as a contract liability. Advance payments received from customers are also included in contract liabilities. Contract liabilities are released to revenue as and when the associated performance obligations are satisfied.

Sale of construction materials

The Group recognises revenue at a point in time, being when the customer takes possession of the goods, usually on delivery or collection thereof. Invoices are generated and revenue is recognised at that point in time. Invoices are usually payable within 30 days.

Sale of properties

Revenue from property sales is recognised at a point in time once legal ownership of the property has transferred to the customer. Payment is due immediately at that point in time.

NOTE

	2022 **R 000**	Re-presented 2021 R 000
Recognised over time:		
Construction revenue	**16 196 162**	18 501 589
Recognised at a point in time:		
Sale of construction materials	**1 027 399**	960 510
Sale of properties	**16 717**	1 491
	17 240 278	19 463 590

Disaggregation of revenue

Information in respect of the geographies and sectors from which revenue is recognised is as follows:

	South Africa **R 000**	**Rest of Africa** **R 000**	**United Kingdom** **R 000**	**Total** **R 000**
2022				
Construction revenue:				
Building and civil engineering	**7 181 367**	**316 772**	**4 209 894**	**11 708 033**
Roads, earthworks and infrastructure	**2 862 045**	**1 626 084**	**–**	**4 488 129**
Sale of construction materials	**995 471**	**31 928**	**–**	**1 027 399**
Sale of properties	**16 717**	**–**	**–**	**16 717**
	11 055 600	**1 974 784**	**4 209 894**	**17 240 278**
Re-presented 2021				
Construction revenue:				
Building and civil engineering	7 367 911	532 288	5 508 614	13 408 813
Roads, earthworks and infrastructure	2 672 291	2 420 485	–	5 092 776
Sale of construction materials	858 542	101 968	–	960 510
Sale of properties	1 491	–	–	1 491
	10 900 235	3 054 741	5 508 614	19 463 590

15 REVENUE (CONTINUED)

Remaining transaction price allocated to unsatisfied performance obligations

The following table presents construction revenue expected to be recognised in the future which relates to performance obligations that are unsatisfied or partially unsatisfied at the reporting date.

	2023 R 000	2024 R 000	2025 R 000	Total R 000
2022				
Africa:				
Building and civil engineering	**7 803 996**	**3 401 587**	**334 226**	**11 539 809**
Roads and earthworks	**3 819 628**	**2 167 465**	**412 369**	**6 399 462**
United Kingdom:				
Building and civil engineering	**4 250 452**	**19 557**	**–**	**4 270 009**
	15 874 076	**5 588 609**	**746 595**	**22 209 280**

	2022 R 000	2023 R 000	2024 R 000	Total R 000
2021 re-presented				
Africa:				
Building and civil engineering	6 116 621	2 441 426	–	8 558 047
Roads and earthworks	3 110 773	769 041	431 942	4 311 756
United Kingdom:				
Building and civil engineering	2 628 186	70 896	–	2 699 082
	11 855 580	3 281 363	431 942	15 568 885

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

	2022 R 000	Re-presented 2021 R 000
16 OPERATING PROFIT		
Operating profit includes the following:		
Depreciation - property, plant and equipment (note 2)	**145 612**	154 356
Depreciation - right-of-use asset (note 3)	**53 061**	54 112
Expenses relating to short-term leases	**23 665**	7 651
Expenses relating to low-value assets	**9 175**	9 631
Profit on disposal of property, plant and equipment	**4 779**	22 303
Impairment of goodwill	**–**	20 635
Share-based payments expense	**44 769**	40 192
Auditors' remuneration		
Audit fees	**19 784**	19 700
Other services	**222**	121
	20 006	19 821
Net foreign exchange gains/(losses)		
Realised	**36 196**	98 857
Unrealised	**5 396**	(13 939)
	41 592	84 918
Short-term employee benefits		
Salaries and wages	**2 657 214**	2 792 839
Defined benefit contribution expenses	**183 035**	215 573
Medical aid	**8 582**	6 960
Other contributions	**29 247**	53 874
SETA training levy	**18 238**	12 893
Workmens' compensation levy	**20 151**	21 226
	2 916 467	3 103 365
Other income		
Rental income		
Units on Park	**18 361**	16 564
Development income	**–**	5 076
Rebates and insurance claims	**14 396**	17 468
	32 757	39 108

		2022 R 000	Re-presented 2021 R 000
17	**FINANCE INCOME AND FINANCE COSTS**		
	Finance income		
	Cash and cash equivalents	**64 961**	56 412
	Loans to associates and joint ventures (note 24.2)	**15 141**	7 133
	Loans to mezzanine financing arrangements	**23 822**	34 067
	Interest from tax authorities and debtors	**15 883**	872
		119 807	98 484
	Finance costs		
	Bank loans	**7 988**	7 527
	Lease liabilities	**9 523**	11 262
	Instalment sale agreements	**3 269**	1 682
	Settlement agreement liabilities	**8 943**	9 981
	Interest paid to tax authorities and related parties	**706**	102
		30 429	30 554

18 TAXATION

ACCOUNTING POLICY

Income tax for the period comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or items directly recognised in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable on the taxable income for the year using substantively enacted tax rates and includes any adjustments to tax payable in respect of prior years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from foreign dividends. Current tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax assets against current tax liabilities and the Group has the intention to settle a net amount, or to recognise the asset and liability simultaneously.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts for financial reporting purposes and the tax base used for tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

18 TAXATION (CONTINUED)

NOTE

	Africa R 000	United Kingdom R 000	2022 R 000
Normal tax			
Current tax			
Current year	195 955	–	195 955
Prior year over provision	8 095	–	8 095
Deferred tax			
Current year (note 11)	(109 968)	–	(109 968)
Change in tax rate	19 987	–	19 987
Prior year under provision	(4 684)	–	(4 684)
	109 385	–	109 385
Foreign taxation (including withholding tax)			
Current tax			
Current year	107 354	33 718	141 072
Prior year under/(over) provision	22 288	(5 973)	16 315
Deferred tax			
Current year (note 11)	12 311	1 212	13 523
Change in tax rate	58	(37)	21
Prior year over provision	(1 139)	1 242	103
	140 872	30 162	171 034
Dividend tax	4 793	–	4 793
Total tax charge	255 050	30 162	285 212
Profit/(loss) before tax:	834 012	170 021	1 004 033
Reconciliation of tax rate :			
Normal tax rate	28.0%	19.0%	28.0%
Adjusted for:			
Capital and non-taxable items			
Vesting of shares	(0.5%)	–	(0.4%)
Dividends received	(0.1%)	–	(0.1%)
Unrealised gains on translation of loans	(0.5%)	–	(0.4%)
Share of profits from associates and joint ventures	(3.1%)	(0.8%)	(2.7%)
Non-deductible expenses			
Capital expenditure	1.0%	1.4%	1.1%
Share-based payment expense	1.5%	–	1.2%
Unrealised losses on translation of loans	–	–	–
Translation of net investment in foreign operations	1.2%	–	(0.5%)
Tax losses utilised	(1.8%)	(0.1%)	(1.5%)
Prior year (over)/under provision	0.9%	(2.9%)	1.0%
Foreign withholding taxes	0.6%	–	0.5%
Change in tax rates	2.4%	–	2.0%
Deferred tax assets not recognised in respect of losses	0.1%	1.1%	0.2%
Effective tax rate	29.7%	17.7%	28.4%
Estimated tax losses available for utilisation against future taxable income			171 009
Potential tax relief at current tax rates.			41 739

South African income is calculated at 28% (2021:28%) of the taxable income of the year. The South African income tax rate has been decreased to 27% for years of assessment commencing on or after 1 April 2022. South African deferred tax assets and liabilities are measured at 27%, being the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on the tax rate that has been enacted.

18 TAXATION (CONTINUED)

	Africa R 000	United Kingdom R 000	2021 re-presented R 000
Normal tax			
Current tax			
Current year	225 621	–	225 621
Prior year over provision	18 505	–	18 505
Deferred tax			
Current year (note 11)	(73 655)	–	(73 655)
Prior year under provision	(18 124)	–	(18 124)
	152 347	–	152 347
Foreign tax (including withholding tax)			
Current tax			
Current year	21 428	48 247	69 675
Prior year under/(over) provision	10 282	(650)	9 632
Deferred tax			
Current year (note 12)	22 177	2 353	24 530
Prior year over provision	(2 497)	–	(2 497)
	51 390	49 950	101 340
Dividend tax	19 696	–	19 696
Total tax charge	223 433	49 950	273 383
Profit/(loss) before tax:	728 897	268 374	997 271
Reconciliation of tax rate :			
South African normal tax rate	28.0%	19.0%	28.0%
Adjusted for:			
Capital and non-taxable items			
Capital gains tax	(0.6%)	(1.6%)	(0.8%)
Vesting of shares	(0.7%)	–	(0.5%)
Dividends received	–	–	–
Gains from unrealised forex	–	–	–
Share of profits from associates and joint ventures	(2.4%)	(0.5%)	(1.9%)
Non-deductible expenses			
Capital expenditure	1.7%	1.6%	1.7%
Share-based payment expense	1.5%	–	1.1%
Unrealised losses on translation of loans	1.6%	–	1.2%
Translation of net investment in foreign operations	(0.2%)	–	(2.5%)
Tax losses utilised	(3.2%)	(0.3%)	(2.4%)
Prior year (over)/under provision	1.1%	(0.2%)	0.8%
Foreign withholding taxes	2.9%	–	2.1%
Deferred tax assets not recognised in respect of losses	0.9%	0.6%	0.8%
Effective tax rate	30.6%	18.6%	27.4%
Estimated tax losses available for utilisation against future taxable income			128 166
Potential tax relief at current tax rates			35 524

	2022 R 000	2021 R 000
19 DIVIDEND PAID		
Final dividend in respect of the period ended 30 June 2021: 205 cents (30 June 2020: nil)	**116 530**	–
	116 530	–

There was no interim dividend declared in either reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

20 DISCONTINUED OPERATIONS

ACCOUNTING POLICY

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations and cash flows which can be clearly distinguished from the rest of Group and is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations. Classification of a discontinued operation occurs at the date of loss of control of component.

When an operation is classified as a discontinued operation, the comparative statement of financial performance and other comprehensive income and statement of cash flows are re-presented as if the operation has been discontinued from the start of the comparative period.

Discontinued operations are excluded from the results of continuing operations and the after-tax profit or loss of the discontinued operation are presented as a single amount in the statement of financial performance and other comprehensive income.

NOTE

Following a decision by the Board of the Group to withdraw all future funding and parent company support to WBHO Australia Pty Ltd and its subsidiaries (Australia Group), on the 23 of February 2022 the board of WBHO Australia Pty Ltd, a wholly owned subsidiary of the Group, placed the Australia Group into voluntary administration.

The Australian government's past approach to controlling Covid-19 infections had a severely detrimental impact on the Australian construction industry as well as numerous other sectors on which the construction industry relies for work. This resulted in reduced activity and further substantial losses being incurred by WBHO Infrastructure (WBHOI) and Probuild in the first half of current reporting period.

At the time that funding was withdrawn, the business climate in Australia was highly uncertain and difficult to predict. The political tension between Australia and China and the collapse of the Chinese property sector created further uneasiness, as Chinese developers have historically formed a large proportion of Probuild's client base and China is also a major supplier of goods to the construction industry in Australia. Rising inflation has led to substantially increased input costs for contractors with limited contractual rights of recovery that ultimately resulted in the failure of a number of prominent construction companies throughout Australia over the last six months.

These combined factors would have resulted in the need for further parent company funding and balance sheet exposure for the Australia Group to maintain the required capital and liquidity levels to continue to operate as a going concern. The Board evaluated the risk to the Group and its stakeholders against the potential rewards of continuing further support and concluded that no strategic imperative existed to retain the Australian operations within the Group.

The decision by the Board to withdraw further funding of the Australian operations and the subsequent decision by the board of WBHO Australia to place those operations into voluntary administration resulted in a loss of control by the Group upon an administrator being appointed on 23 February 2022.

Due to limited access to financial information after the period ending 31 January 2022, the Group was unable to obtain accurate information for the period to 23 February 2022. The results of the discontinued operations at 31 January 2022, which have been included in the loss for the year, were as follows:

20 DISCONTINUED OPERATIONS (CONTINUED)

	Period ended 31 January 2022 R 000	Year ended 30 June 2021 R 000
20.1 RESULTS OF DISCONTINUED OPERATIONS		
Revenue	**7 827 326**	18 867 823
Operating costs	**(8 418 152)**	(18 861 315)
Administrative costs	**(455 538)**	(419 487)
Other income	**785**	1 288
Operating loss before impairment losses	**(1 045 579)**	(411 687)
Impairment of goodwill	**(523 798)**	–
Operating loss	**(1 569 377)**	(411 687)
Share of profits and losses from associates and joint ventures	**12 434**	32 699
Finance income	**1 576**	12 390
Finance costs	**(2 912)**	(6 793)
Loss before taxation	**(1 558 279)**	(373 391)
Taxation	**(363 992)**	53
Loss from discontinued operations	**(1 922 271)**	(373 338)
Loss on loss of control of subsidiary (note 20.2)	**(1 070 849)**	–
	(2 993 120)	(373 338)
Other comprehensive income/(loss)		
Items that may be or have been reclassified to profit or loss:		
Translation of foreign entities classified as discontinued operations	**6 606**	22 632
Translation of foreign entities reclassified through profit or loss on derecognition	**(460 253)**	–
Total comprehensive loss for the period	**(3 446 767)**	(350 706)
Loss from discontinued operations attributable to:		
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited	**(2 853 281)**	(371 758)
Non-controlling interests	**(139 839)**	(1 568)
	(2 993 120)	(373 338)
Total comprehensive (loss)/income from discontinued operations attributable to:		
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited	**(3 313 535)**	(394 402)
Non-controlling interests	**(133 232)**	21 064
	(3 446 767)	(373 338)
20.2 CASH FLOWS FROM DISCONTINUED OPERATIONS		
Cash utilised in operating activities	**(1 593 716)**	(2 556 013)
Cash flow from investing activities	**(824 999)**	60 143
Cash flow from financing activities	**(21 928)**	(60 426)
Cash flow from discontinued operations	**(2 440 643)**	(2 556 296)
20.3 LOSS FROM DISCONTINUED OPERATIONS AND LOSS OF CONTROL OF SUBSIDIARIES:		
The loss arising from the loss of control is made up as follows:		
Loss from discontinued operations (note 20.1)	**(1 922 271)**	
Net liabilities lost	**139 445**	
Translation of foreign entities reclassified through profit or loss on derecognition	**460 253**	
Gain on disposal of subsidiary (note 30)	**599 698**	
Derecognition of non-controlling interests	**(185 547)**	
	(1 508 120)	
Cost to settle guarantee commitments	**(1 485 000)**	
	(2 993 120)	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

		2022 R 000	Re-presented 2021 R 000	2021 as previously reported R 000
21	**EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE**			
	Earnings attributable to equity shareholders	**692 992**	687 754	315 996
	Weighted average number of shares ('000)			
	Shares in issue at 1 July	**53 181**	53 181	53 181
	Treasury shares acquired	**(71)**	(65)	(65)
	Performance shares vested	**71**	65	65
	Weighted average ordinary shares in issue at 30 June	**53 181**	53 181	53 181
	Dilutive effect of allocated Akani shares (note 27.3)	**–**	16	16
	Diluted weighted average number of shares	**53 181**	53 197	53 197
	Earnings/(loss) per share (cents)			
	Basic			
	Continuing operations	**1 303.1**	1 293.3	594.2
	Discontinued operations	**(5 365.2)**	(699.1)	–
	Total operations	**(4 062.1)**	594.2	594.2
	Diluted			
	Continuing operations	**1 303.1**	1 292.9	594.0
	Discontinued operations	**(5 365.2)**	(698.9)	–
	Total operations	**(4 062.1)**	594.0	594.0
	Headline earnings/(loss) per share (cents)			
	Basic			
	Continuing operations	**1 297.0**	1 321.9	619.5
	Discontinued operations	**(4 990.3)**	(702.4)	–
	Total operations	**(3 693.4)**	619.5	619.5
	Diluted			
	Continuing operations	**1 297.0**	1 321.5	619.3
	Discontinued operations	**(4 990.3)**	(702.2)	–
	Total operations	**(3 693.4)**	619.3	619.3

	2022		Re-presented 2021		2021 as previously reported	
	Gross R 000	Net R 000	Gross R 000	Net R 000	Gross R 000	Net R 000
Headline earnings/(loss)						
Attributable earnings from continuing operations		**692 992**		687 754		315 996
Adjusted for:						
Goodwill impaired	**–**	**–**	20 635	20 635	20 635	20 635
Loss on deemed disposal of equity-accounted investee	**–**	**–**	8 350	8 350	8 350	8 350
Translation of foreign operation reclassified to profit or loss on disposal	**–**	**–**	–	–	–	–
(Profit)/loss on disposal of property, plant and equipment						
Subsidiaries	**(4 779)**	**(3 050)**	(22 304)	(14 439)	(25 145)	(16 219)
Interests in associates and joint ventures	**(265)**	**(191)**	954	687	954	687
		689 751		702 987		329 449
Attributable earnings from discontinued operations		**(2 853 281)**		(371 758)		–
Adjusted for:						
Goodwill impaired	**523 798**	**473 486**	–	–	–	–
Loss on loss of control of subsidiary	**185 547**	**185 547**	–	–	–	–
Loss on deemed disposal of equity-accounted investee	**–**	**–**	–	–	–	–
Translation of foreign operation reclassified to profit or loss on loss of control	**(460 253)**	**(460 253)**	–	–	–	–
(Profit)/loss on disposal of property, plant and equipment						
Subsidiaries	**940**	**590**	(2 841)	(1 780)	–	–
		(2 653 911)		(373 538)		–

21 EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE (CONTINUED)

	2022		Re-presented 2021		2021 as previously reported	
	Gross R 000	**Net R 000**	Gross R 000	Net R 000	Gross R 000	Net R 000
Attributable earnings from total operations		**(2 160 289)**		315 996		315 996
Adjusted for:						
Goodwill impaired	**523 798**	**473 486**	20 635	20 635	20 635	20 635
Loss on loss of control of subsidiary	**185 547**	**185 547**	–	–	–	–
Loss on deemed disposal of equity-accounted investee	**–**	**–**	8 350	8 350	8 350	8 350
Translation of foreign operation reclassified to profit or loss on loss of control	**(460 253)**	**(460 253)**	–	–	–	–
(Profit)/loss on disposal of property, plant and equipment						
Subsidiaries	**(3 839)**	**(2 460)**	(25 145)	(16 219)	(25 145)	(16 219)
Interests in associates and joint ventures	**(265)**	**(191)**	954	687	954	687
		(1 964 160)		329 449		329 449

22 GUARANTEES AND CONTINGENT LIABILITIES

	2022 R 000	2021 R 000
Guarantees issued for the due performance of contracts on behalf of:		
Company and subsidiaries	**3 316 579**	6 936 135
Associates and joint arrangements	**1 688 860**	1 517 447
	5 005 439	8 453 582

It is the opinion of the directors that the possibility of any loss is improbable and it is not anticipated that any material liabilities will arise.

Contingent liabilities

In the prior year, civil damages to the value of R143 million were claimed by the City of Cape Town, relating to the Cape Town Stadium, arising from the investigation by the Competition Commission. During the current year, the Group agreed a settlement of R30 million with the City of Cape Town, which has been disclosed in note 10.

23 CAPITAL COMMITMENTS

	2022 R 000	2021 R 000
Capital commitments include expenditure relating to property, plant and equipment for which specific Board approval has been obtained.		
Authorised and contracted for	**44 947**	18 371
Authorised but not yet contracted for	**331 705**	270 216
	376 652	288 587

Expenditure on estimated commitments will occur within the next reporting period. Capital commitments will be funded from internal cash resources and existing finance facilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

24 RELATED PARTIES

24.1 IDENTIFICATION OF RELATED PARTIES

The Group has identified its related parties as subsidiaries (annexure 1), interests in associates and joint ventures (note 5), joint operations (annexure 2) and directors and prescribed officers.

24.2 RELATED PARTY TRANSACTIONS AND BALANCES

During the reporting period, group companies entered into various inter-group sales and purchase transactions in the ordinary course of business. These transactions are on terms no more favourable than those with third parties. Transactions and balances between group companies have been eliminated on consolidation and are not disclosed.

Details of transactions and balances with related parties are as follows:

	2022 R 000	2021 R 000
Amounts owed by related parties		
Amounts owed by associates and joint ventures (note 5)	171 941	407 245
Consideration receivable from related parties (note 6)	–	8 755
Amounts owed by joint operators (note 9)	248 325	385 557
Amounts owed by associates (note 9)	190 454	–
Amounts owed to related parties		
Amounts owed to associates and joint ventures (note 10)	25 289	–
Amounts owed to joint operators (note 13)	96 866	31 522
The amounts owing to/by joint operators are unsecured, interest-free and have no fixed terms of repayment.	–	–
Transactions with related parties		
Revenue from contracts with associates and joint ventures	659 836	1 007 809
Dividends received from associates and joint ventures (note 5)	88 959	132 303
Finance income received from associates and joint ventures (note 17)	6 801	7 133

24.3 DIRECTORS' EMOLUMENTS

Short-term benefits to directors and prescribed officers include travel, site and sundry allowances and medical aid contributions. Short-term incentives are annual bonuses approved by the Group's remuneration committee. Post-employment benefits are provident fund contributions. Prescribed officers are key management personnel.

	Directors' fees R 000	Salaries R 000	Short-term benefits R 000	Short-term Incentives R 000	Post-employment benefits R 000	Total emoluments R 000
2022						
Executive						
EL Nel	–	1 755	561	5 468	593	8 377
WP Neff	–	2 454	600	6 972	657	10 683
CV Henwood	–	2 398	642	6 878	654	10 572
	–	6 607	1 803	19 318	1 904	29 632
Non-executive						
SN Maziya	980	–	–	–	–	980
AJ Bester	843	–	–	–	–	843
RW Gardiner	1 043	–	–	–	–	1 043
KM Forbay	564	–	–	–	–	564
H Ntene	643	–	–	–	–	643
	4 073	–	–	–	–	4 073
Total	4 073	6 607	1 803	19 318	1 904	33 705

24 RELATED PARTIES (CONTINUED)

24.3 DIRECTORS' EMOLUMENTS (CONTINUED)

	Directors' fees R 000	Salaries R 000	Short-term benefits R 000	Short-term Incentives R 000	Post-employment benefits R 000	Total emoluments R 000
2021						
Executive						
EL Nel	–	1 920	438	6 015	593	8 966
WP Neff	–	2 320	451	7 050	622	10 443
CV Henwood	–	2 261	529	6 910	617	10 317
	–	6 501	1 418	19 975	1 832	29 726
Non-executive						
SN Maziya	684	–	–	–	–	684
AJ Bester	631	–	–	–	–	631
RW Gardiner	937	–	–	–	–	937
KM Forbay	499	–	–	–	–	499
H Ntene	585	–	–	–	–	585
	3 336	–	–	–	–	3 336
Total	3 336	6 501	1 418	19 975	1 832	33 062

24.4 DIRECTORS' SHAREHOLDING

The interests of directors and those of their families in the share capital of the Company are as follows:

	2022			2021		
Number of ordinary shares ('000)	**Direct**	**Indirect**	**Total**	Direct	Indirect	Total
EL Nel	**320**	**1**	**321**	321	1	322
WP Neff	**84**	**14**	**98**	34	–	34
CV Henwood	**106**	**–**	**106**	106	–	106
SN Maziya^	**15**	**244**	**259**	–	242	242
	525	**259**	**784**	461	243	704

^Indirect shares disclosed in the above table represent allocated shares in respect of the empowerment initiative of the Group and do not represent the number of shares likely to vest upon fulfilment of the vesting conditions. The number of Company shares that will ultimately vest is dependent on the market value of the shares on the vesting date, based on a pre-determined threshold. Using the share price at 30 June 2022, the director would receive no shares in terms of the formula.

	2022	2021	**2022**			2021		
	Share-based payment expense							
Long-term incentive scheme (LTIs)	**R 000**	R 000	**Share appreciation rights ('000)**	**Performance shares ('000)**	**Total ('000)**	Share appreciation rights ('000)	Performance shares ('000)	Total ('000)
EL Nel	**1 206**	1 342	**–**	**41**	**41**	75	58	133
WP Neff	**2 048**	1 299	**–**	**117**	**117**	58	65	123
CV Henwood	**2 031**	1 400	**–**	**112**	**112**	73	65	138
	5 285	4 041	**–**	**270**	**270**	206	188	394

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

24 RELATED PARTIES (CONTINUED)

24.5 PRESCRIBED OFFICERS

	Salaries R 000	Short-term benefits R 000	Short-term Incentives R 000	Post-employment benefits R 000	Total emoluments R 000
2022					
PJ Foley	**7 045**	**2 253**	**5 400**	**599**	**15 297**
EA Mashishi#	**306**	**65**	**–**	**82**	**453**
SN Gumede	**2 006**	**427**	**3 100**	**428**	**5 961**
AF De Necker	**2 209**	**494**	**6 000**	**593**	**9 296**
CA Jessop	**2 356**	**541**	**6 200**	**403**	**9 500**
	13 922	**3 780**	**20 000**	**2 105**	**40 507**
2021					
PJ Foley	6 783	1 771	5 600	567	14 721
EA Mashishi#	1 781	358	2 000	480	4 619
SN Gumede	1 915	303	3 000	365	5 583
AF De Necker	2 080	396	5 800	559	8 835
CA Jessop	2 228	397	6 000	381	9 006
	14 787	3 225	22 400	2 352	42 764

 # resigned 15 July 2021

24.6 PRESCRIBED OFFICERS' SHAREHOLDING

The interests of prescribed officers and those of their families in the share capital of the Company are as follows:

	2022			2021		
Number of ordinary shares ('000)	**Direct**	**Indirect**	**Total**	Direct	Indirect	Total
PJ Foley	**50**	**–**	**50**	102	–	102
EA Mashishi	**–**	**–**	**–**	13	–	13
AF De Necker	**51**	**–**	**51**	69	–	69
CA Jessop	**43**	**25**	**68**	41	16	57
	144	**25**	**169**	225	16	241

	2022	2021	**2022**			2021		
Long-term incentive scheme	**Share-based payment expense R 000**	R 000	**Share appreciation rights ('000)**	**Performance shares ('000)**	**Total ('000)**	Share appreciation rights ('000)	Performance shares ('000)	Total ('000)
PJ Foley	**1 939**	1 388	**–**	**104**	**104**	73	64	137
EA Mashishi	**–**	923	**–**	**–**	**–**	49	40	89
SN Gumede	**931**	503	**–**	**57**	**57**	13	28	41
AF De Necker	**1 858**	1 218	**–**	**104**	**104**	55	60	115
CA Jessop	**1 858**	1 218	**–**	**104**	**104**	55	60	115
	6 586	5 250	**–**	**369**	**369**	245	252	497

The long-term incentives are part of the WBHO share plan, details of which are disclosed in note 27.

There were no other transactions with directors or prescribed officers or entities in which directors or prescribed officers have a material interest. There have been no changes to directors' shareholdings between the reporting date and the date of this report.

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

ACCOUNTING POLICY

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a contract or trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

Financial assets that meet the following conditions are classified and subsequently measured at amortised cost:

- the financial asset is held within a business model where the objective is to hold the financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers contingent events that would change the amount or timing of cash flows and terms that may adjust the amount to be repaid.

All financial assets of the Group are classified as measured at amortised cost.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired).

Financial liabilities

Financial liabilities of the Group are classified as measured at amortised cost. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses for financial assets that are measured at amortised cost.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the financial assets.

Measurement of expected credit losses (ECL)

Historic ECL percentages are calculated using the probability of default (PD) and loss-given default (LGD) of financial assets. The PD and LGD represent the likelihood of the occurrence of a default and the quantum of any losses arising from that default. The Group considers a default to have occurred when a financial asset is more than 90 days past due.

The PD and LGD are derived from a statistical analysis of historical data (where available). The historic ECL is adjusted after taking into account relevant quantitative and qualitative forward-looking information. The exposure to default represents the gross carrying amount of a financial asset or portfolio of financial assets at the reporting date.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured at the present value of cash shortfalls arising from a credit default event, discounted at the effective interest rate of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

ACCOUNTING POLICY (CONTINUED)

Contract assets, contract receivables and trade and other receivables

The Group recognises lifetime ECLs for contract assets and trade and other receivables that reflect changes to the credit risk profile of either an individual financial asset or a portfolio of financial assets (as appropriate) at each reporting date.

The ECL is measured on a collective basis using the simplified approach.

Financial assets exhibiting similar credit risks and behaviour are grouped together by geography and into the public and private sectors.

The PD and LGD ratios are calculated from the average rate of default and actual losses incurred per category over a period of 36 months.

The Group considers a trade receivable to be credit-impaired when one or more detrimental events have occurred such as:

- Significant financial difficulty of the customer;
- Liquidation, business rescue proceedings or other forms of financial reorganisation are implemented; or
- Any other event where the likelihood of full settlement is remote.

In instances where the Group determines a receivable to be credit-impaired, the receivable is excluded from the portfolio for the purposes of calculating an ECL and a specific credit loss is recognised. A specific credit loss is recognised when a financial asset is more than 120 days past due and based on an assessment of the individual circumstances relating to the default event.

The gross carrying amount of a financial asset is written off in profit or loss when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from amounts written off, however, it remains the intention of the Group to recover these amounts.

Long-term receivables and loans to associates and joint ventures and joint operators.

The Group recognises ECLs on long-term receivables and loans to associates and joint ventures and joint operators that reflect changes to the individual credit risk profile of each financial asset at the reporting date.

The PD and LGD ratios, as well as the conversion to account for forward-looking information for these financial assets, are determined using models that take into account payment history, security held, underlying financial information where available, external credit ratings (if applicable), forward-looking macro-economic indicators and the industry and country in which the counterparty operates.

Derecognition

Financial assets or a portion thereof are derecognised when the Group`s rights to the cash flows expire, when the Group transfers all the risks and rewards related to the financial asset or when the Group loses control of the financial asset.

Financial liabilities or a portion thereof are derecognised when the obligations specified in the contract are discharged, cancelled or expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

NOTE

25.1 OVERVIEW

The risk management programme of the Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

The Group has exposure to the following risks arising from its use of financial instruments:
- credit risk
- market risk
- liquidity risk

Information is presented on the Group's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk and the management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor adherence to limits. Risk management policies and systems are regularly reviewed to reflect changes in market conditions and the Group's activities. Through its training and management standards and procedures, the Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Risk committee meets on a regular basis to review the management and implementation of risk strategies. The internal audit department undertakes both regular and *ad hoc* reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. The treasury function monitors and manages liquidity risk on a day-to-day basis.

The Group's strategy with regards to the management of the risk remains the same as in prior reporting periods and there have been no significant changes to the risk profile of the Group.

A summary of financial instruments by category is as follows:

Financial instruments by category

R 000	Note	Carrying amount	Financial liabilities at amortised cost	Financial assets at amortised cost
2022				
Non-current portion lease liabilities	3	**193 550**	**–**	**193 550**
Loans to associates and joint ventures	5	**294 705**	**–**	**294 705**
Long-term receivables	6	**152 645**	**–**	**152 645**
Trade and other receivables	9	**3 828 610**	**–**	**3 828 610**
Long-term liabilities	10	**(152 186)**	**(152 186)**	**–**
Trade and other payables	13	**(3 920 552)**	**(3 920 552)**	**–**
Cash and cash equivalents		**3 339 230**	**–**	**3 339 230**
		3 736 002	**(4 072 738)**	**7 808 740**
2021				
Non-current portion lease liabilities	3	273 797	–	273 797
Loans to associates and joint ventures	5	205 179	–	205 179
Long-term receivables	6	265 023	–	265 023
Trade and other receivables	9	5 934 130	–	5 934 130
Long-term liabilities	10	(252 115)	(252 115)	–
Trade and other payables	13	(7 419 088)	(7 419 088)	–
Cash and cash equivalents		5 680 717	–	5 680 717
		4 687 643	(7 671 203)	12 358 846

The carrying amount of loans to associates and joint ventures recognised at amortised cost as well as long-term receivables approximate the fair value thereof as these loans attract market-related interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

25.2 CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's exposure to long-term receivables, contract assets and trade and other receivables.

Trade and other receivables and contract assets

The Group's exposure to credit risk is influenced by the individual characteristics of each customer and the inherent risk within the industry and country in which customers operate.

The Group either negotiates for, or tenders upon, the construction contracts to which it becomes a contractual party. As a result, the Group is able to evaluate the credit worthiness of prospective clients prior to the commencement of any project. Additionally, for all contracts other than those concluded with entities from within the public sector, the Group insists on receipt of a payment guarantee equal to a proportion of the contract price. Any relaxation of this policy must be approved by the Credit committee. Where no guarantee has been obtained, the Group generally has a lien over the work performed.

Where the Group sells goods or materials to customers on credit terms, the Group performs a credit worthiness assessment to determine an appropriate credit limit. The Group employs the services of credit ratings agencies and consultants when performing financial reviews and evaluating prospective customers' credit worthiness. Credit limits are ultimately approved by the senior financial and operational management of the respective businesses. Any increases to credit limits or transactions resulting in limits being exceeded, require the prior approval of the financial and managing directors. In addition, the asphalt and bitumen supply businesses obtain credit insurance over all customers that obtain credit terms.

The Group does not recognise a loss allowance on working capital funding to joint operations in excess of its proportionate share, where the funding is expected to be settled from the future cash flows of the underlying project for which the joint operation was created. In the event that the underlying project has incurred losses that have been funded by the Group in excess of its proportionate share, the Group first assesses whether it has any set off rights against other joint operations before determining whether a loss allowance is required.

ECL assessment

Trade receivables and contract assets exhibiting similar credit risks and behaviour are grouped together by geography and into the public and private sectors.

The Group retrospectively analyses the aging of its contract and other receivables and contract assets as well as the rate of default and actual losses incurred over a 36-month period. This period represents the average lifespan of a contract including the defects liability period.

From this analysis, the Group determines a historical PD and LGD. Macro-economic forecasts incorporating sovereign credit ratings, gross domestic product (GDP) growth, inflation rates, interest rates, commodity prices where appropriate, any relevant exchange rate effects and debt-to-GDP ratios in respect of public sector entities, if applicable, are then evaluated for each geography to establish a forward-looking ECL. Judgement is required when assessing the future impact of these forecasts on the customer base of the Group.

The nature of construction projects undertaken by the Group usually constitutes large capital expenditure by customers for which the necessary funding has either been obtained, or provided for, as part of the investment decision. For this reason, PDs and LGDs are historically low and in some cases zero. In Africa, the highest PDs and LGDs are usually experienced within the public and mining sectors. These are also the sectors from which the Group is least likely to obtain any collateral, however, the risk of non-payment remains low.

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

25.2 CREDIT RISK (CONTINUED)

Impact of COVID-19

Despite the global lockdown restrictions imposed as a result of Covid-19, the Group did not experience any noticeable deterioration in the collection of receivables over the reporting period. The long-term impact on the liquidity and creditworthiness of the Group's customer base is however, more uncertain. No reassessment of the segmentation of receivables has been necessary due to the impact of Covid-19

Contract receivables and contract assets

The following table provides information about the exposure to credit risk and ECLs for contract receivables and contract assets at 30 June:

R 000	Contract receivables and retentions	Contract assets	Total	Specific loss allowance on contract receivables and retentions	Loss allowance on contract receivables and retentions	Loss allowance on contract assets	Total loss allowance	Net carrying amount
2022								
South Africa	**1 981 088**	**154 567**	**2 135 654**	**83 748**	**13 077**	**1 397**	**98 221**	**2 037 433**
Rest of Africa	**374 445**	**115 566**	**490 011**	**–**	**4 231**	**296**	**4 527**	**485 484**
United Kingdom	**816 025**	**13 034**	**829 059**	**–**	**1 553**	**26**	**1 579**	**827 480**
Total	**3 171 558**	**283 167**	**3 454 725**	**83 748**	**18 860**	**1 719**	**104 327**	**3 350 398**
2021								
South Africa	1 844 771	217 143	2 061 914	47 377	16 862	1 274	65 513	1 996 401
Rest of Africa	428 657	99 441	528 098	9 374	3 275	221	12 870	515 228
Australia	1 892 095	671 774	2 563 869	–	2 836	1 008	3 844	2 560 025
United Kingdom	1 042 546	68 854	1 111 400	–	1 758	162	1 920	1 109 480
Total	5 208 069	1 057 212	6 265 281	56 751	24 731	2 665	84 148	6 181 134

Trade receivables

The following table provides information about the exposure to credit risk and ECLs for trade receivables at 30 June:

R 000	Trade receivables	Specific loss allowance	Loss allowance	Total loss allowance	Net carrying amount
2022					
South Africa	**78 181**	**4 710**	**1 704**	**6 414**	**71 767**
Rest of Africa	**56 708**	**–**	**968**	**968**	**55 740**
Total	**134 889**	**4 710**	**2 672**	**7 382**	**127 507**
2021					
South Africa	57 363	4 746	5 003	9 749	47 614
Rest of Africa	112 210	38	1 578	1 616	110 594
Australia	252 006	–	378	378	251 628
Total	421 579	4 784	6 959	11 743	409 836

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FOR THE YEAR ENDED 30 JUNE 2022

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

25.2 CREDIT RISK (CONTINUED)

The following table illustrates the ranges in the metrics utilised to determine the ECL for contract receivables, contract assets, and sundry receivables by country:

	PD %	*LGD %	Historic ECL %	Conversion to forward-looking ECL %	Final ECL % 2022	Final ECL % 2021
South Africa	2.28 - 44.47	1.5 -10	0.03 - 4.46	1 - 6	0.05 - 8.91	0.06-16.1
Namibia	42.63	5.00	2.13	2.00	4.26	1.33
Mozambique	4.7 -13.25	5.00	0.24	1.50	0.99	0.39-1.0
Ghana	4.23 - 48.86	5.00	0.21 - 2.44	1 - 3	0.21 - 7.33	0.27-1.64
Zambia	13.44 - 49.52	5.00	0.67 - 2.48	3.00	1.34 - 4.95	1.79-6.72
Madagascar	4.70	5.00	0.24	2.00	0.47	0.52
Lesotho	0.98	1.50	0.01	2.00	0.03	0.03
Botswana	0.68	5.00	0.03	1.50	0.05	0.05
United Kingdom	6.34	–	–	0.20	0.20	0.15
Australia	–	–	–	–	–	0.15

* *Where the LGD for a specific category of receivables is nil, the Group applies a deemed LGD of 5% based on industry norms.*

Loans to associates and joint ventures

The Group is exposed to credit risk through loans advanced to certain entities in which it has a strategic interest. The Group mitigates these risks by conducting credit assessments of entities to whom advances are made. Loans of this nature are approved by the Credit committee. The Group also owns an equity interest in these entities and is able to influence the decision-making.

ECLs on loans to associates and joint ventures, that form part of the net investment and are recognised at amortised cost, are determined prior to applying impairment testing in respect of non-financial assets.

In determining the PDs and LGDs in respect of long-term receivables, the Group considers past payment history, historical financial information and any collateral held (including the liquidity thereof). The Group considers geographic and market conditions specific to the counterparty as well as macro-economic forecasts, including GDP growth rates, interest and inflation rates as well as debt-to-GDP ratios where appropriate when determining forward-looking ECLs. Judgement is applied when assessing the potential impact of macro-economic forecasts on each individual credit risk profile.

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

25.2 CREDIT RISK (CONTINUED)

The table below provides information about the exposure to credit risk and ECLs for loans to equity-accounted investees at 30 June:

R 000	Gross carrying amount	Historic ECL %	Forward-looking adjustment	Forward-looking ECL %	ECL	Net carrying amount
2022						
Property developments/developer	**243 513**	**–**	**–**	**0.20**	**487**	**243 026**
Investments in concessions	**51 999**	**0.63**	**1.00**	**0.63**	**320**	**51 679**
Total	**295 512**				**807**	**294 705**
2021						
Property developments/developer	152 148	–	–	0.18	542	151 606
Investments in concessions	53 904	0.63	1.00	0.63	332	53 572
Total	206 052				874	205 178

Long-term receivables

The Group is exposed to additional credit risk through loans advanced to third parties and employees. The Group mitigates this risk through careful deliberation by the Credit committee as to which entities loans are made available and by obtaining sufficient security to be able to extinguish the debt in the event of default. Loans to employees are predominantly for shares sold or issued in terms of various share schemes and the shares are held as security over the loans advanced.

In determining the PDs and LGDs in respect of long-term receivables, the Group considers past payment history, historical financial information and any collateral held (including the liquidity thereof). The Group considers geographic and market conditions specific to the counterparty as well as macro-economic forecasts, including GDP growth rates, interest and inflation rates, debt-to-GDP ratios and sovereign ratings where appropriate when determining forward-looking ECLs. Judgement is applied when assessing the potential impact of macro-economic forecasts on each individual credit risk profile.

The following table provides information about the exposure to credit risk and ECLs for long-term receivables at 30 June:

R 000	Gross carrying amount	Historic ECL %	Forward-looking adjustment	Forward-looking ECL %	Loss allowance	Net carrying amount
2022						
Mezzanine financing arrangements						
Private	**144 275**	**1 - 1.88**	**0.33 - 2**	**0.33 - 3.75**	**489**	**143 786**
Public	**84 909**	**0.06**	**1.50**	**0.09**	**80**	**84 830**
Total	**229 184**				**569**	**228 616**
2021						
Mezzanine financing arrangements						
Private	151 110	1.00	0.50	0.50	756	150 354
Public	61 339	0.06	2.00	0.13	130	61 209
Consideration receivable	8 755	2.5	1.25	3.13	274	8 481
Total	221 204				1 159	220 044

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

25.2 CREDIT RISK (CONTINUED)

Reconciliation of the loss allowance recognised

The movement in the loss allowance in respect of financial assets during the reporting period is reconciled as follows:

	Credit-impaired contract and trade receivables and retentions R 000	Non credit-impaired contract and trade receivables and retentions R 000	Contract assets R 000	Long-term receivables R 000	Loans to equity-accounted investees R 000	Total R 000
Loss allowance at 1 July 2020	141 056	26 266	7 297	1 803	924	177 345
Movement in loss allowance	–	6 686	(4 398)	(643)	(13)	1 632
Specific credit losses recognised	14 333	–	–	–	–	14 333
Specific credit losses recovered	(59 173)	–	–	–	–	(59 173)
Uncollectable amounts written off	(23 787)	–	–	–	–	(23 787)
Exchange rate effects and value-added tax	(10 894)	(1 261)	(234)	–	(37)	(12 426)
Balance at 30 June 2021	61 535	31 691	2 665	1 159	874	97 924
Movement in loss allowance	**(878)**	**(6 472)**	**39**	**(590)**	**(63)**	**(7 965)**
Specific credit losses recognised	**40 761**	**–**	**–**	**–**	**–**	**40 761**
Specific credit losses recovered	**(5 879)**	**–**	**–**	**–**	**–**	**(5 879)**
Uncollectable amounts written off	**(7 620)**	**–**	**–**	**–**	**–**	**(7 620)**
Derecognition on loss of control of subsidiary	**–**	**(3 288)**	**(1 031)**	**–**	**–**	**(4 319)**
Exchange rate effects and value-added tax	**539**	**(397)**	**45**	**–**	**(4)**	**183**
Balance at 30 June 2022	**88 458**	**21 533**	**1 718**	**569**	**807**	**113 085**

The decrease in the loss allowance on contract receivables and retentions relates primarily to the derecognition of the loss allowance in respect of Australia following the loss of control on 23 February 2022 and an improved credit profile of customers within the Group's road surfacing and asphalt and bitumen supply buisness. The improved trading conditions within the South African road sector have allowed the business to limit its trading to reputable contractors and state-owned entities that have resulted in a significantly improved PD and LGD for the current reporting period.

25.3 MARKET RISK (CURRENCY RISK)

Transactions in a foreign currency settled in that foreign currency

Transactions with certain of the Group's operations occur in various foreign currencies and consequently the Group is exposed to exchange rate fluctuations that have an impact on cash flows and financing activities. These transactions are entered into in the respective functional currencies of the individual operations and the Group y mitigates this risk by settling the transactions with cash balances maintained in the various currencies utilised.

The exposure to significant foreign denominated monetary assets and liabilities is as follows:

	2022					
R 000	**US Dollar**	**UK Pound Sterling**	**Botswana Pula**	**Ghana Cedi**	**Mozambique Meticais**	**Australian Dollar**
Trade and other receivables	**17 112**	**41 453**	**137 174**	**60 579**	**419 860**	**–**
Cash and cash equivalents	**49 545**	**62 223**	**64 810**	**7 288**	**86 308**	**–**
Trade and other payables	**(6 425)**	**(57 445)**	**(38 783)**	**(53 646)**	**(225 419)**	**(631 449)**
	60 231	**46 231**	**163 201**	**14 221**	**280 749**	**(631 449)**
Closing rate	**16.22**	**19.67**	**1.32**	**2.03**	**3.94**	**11.16**
Average rate	**15.19**	**20.24**	**1.32**	**2.32**	**4.20**	**11.03**

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

25.3 MARKET RISK (CURRENCY RISK) (CONTINUED)

	2021					
R 000	US Dollar	UK Pound Sterling	Botswana Pula	Ghana Cedi	Mozambique Meticais	Australian Dollar
Trade and other receivables	13 187	52 418	69 213	92 437	116 526	202 244
Cash and cash equivalents	83 038	68 158	104 431	3 856	204 242	166 597
Trade and other payables	(22 427)	(70 181)	(53 872)	(18 514)	(547 439)	(365 458)
	73 798	50 395	119 772	77 779	(226 671)	3 383
Closing rate	14.35	19.86	1.32	2.45	0.23	10.78
Average rate	15.45	20.73	1.39	2.66	0.22	11.50

Total cash and cash equivalents held by foreign subsidiaries amounts to R2,2 billion (2021: R4,1 billion). In the prior year the Group had restricted cash balances of R474,3 million in Australia.

Sensitivity analysis

A weakening of the Rand against the following currencies at 30 June would affect profit or loss in respect of the translation of the balances of the following monetary items by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and is applied to the gross exposure at the reporting date.

	2022					
R 000	**US Dollar**	**UK Pound Sterling**	**Botswana Pula**	**Ghana Cedi**	**Mozambique Meticais**	**Australian Dollar**
Sensitivity percentage	**10%**	**5%**	**5%**	**20%**	**10%**	**10%**
Trade and other receivables	**1 711**	**2 073**	**6 859**	**12 116**	**41 986**	**–**
Cash and cash equivalents	**4 954**	**3 111**	**3 241**	**1 458**	**8 631**	**–**
Trade and other payables	**(643)**	**(2 872)**	**(1 939)**	**(10 729)**	**(22 542)**	**(63 145)**
	6 023	**2 312**	**8 160**	**2 844**	**28 075**	**(63 145)**

	2021					
R 000	US Dollar	UK Pound Sterling	Botswana Pula	Ghana Cedi	Mozambique Meticais	Australian Dollar
Trade and other receivables	1 319	5 242	6 921	9 244	11 653	20 224
Cash and cash equivalents	8 304	6 816	10 443	386	20 424	16 660
Trade and other payables	(2 243)	(7 018)	(5 387)	(1 851)	(54 744)	(36 546)
	7 380	5 040	11 977	7 779	(22 667)	338

A strengthening of the Rand against the above currencies at 30 June would have had the equal but opposite effect to the amount shown above, on the basis that all other variables remain constant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

25.4 MARKET RISK (INTEREST RATE RISK)

The Group has adopted a policy where exposure to interest rate risk is on a floating rate basis linked to market rates on interest bearing bank deposits, borrowings and loans advanced.

At the reporting date, the interest rate profile of the Group's financial instruments was as follows:

R 000	Carrying amount	Interest bearing Variable rate	Interest bearing Fixed rate	Interest free
2022				
Loans to associates and joint ventures	**294 705**	**243 026**	**51 679**	**–**
Long-term receivables	**152 645**	**152 067**	**–**	**578**
Trade and other receivables	**3 828 610**	**76 549**	**–**	**3 752 061**
Long-term liabilities	**(152 186)**	**(62 008)**	**(88 087)**	**(2 091)**
Trade and other payables	**(3 871 170)**	**(172 371)**	**(22 971)**	**(3 675 828)**
Cash and cash equivalents	**3 339 230**	**3 339 230**	**–**	**–**
	3 591 833	**3 576 492**	**(59 379)**	**74 720**
2021				
Loans to associates and joint ventures	205 179	151 606	53 572	–
Long-term receivables	265 023	263 481	–	1 542
Trade and other receivables	5 934 130	176 416	8 755	5 748 958
Long-term liabilities	(252 115)	(154 428)	(95 596)	(2 091)
Trade and other payables	(7 419 088)	(56 450)	(21 250)	(7 341 388)
Cash and cash equivalents	5 680 717	5 680 717	–	–
	4 413 846	6 061 342	(54 519)	(1 592 979)

Fixed rate long-term liabilities relate to the settlement liabilities disclosed in note 10 where a fixed discount rate has been applied to determine the present value of the liabilities.

Sensitivity analysis

Global economies have entered an interest rate hiking cycle, as such an increase of 200 (2021: 100) basis points in interest rates at the reporting date would have increased or decreased profit for the reporting period by the amounts shown below. This analysis assumes that all other variables remain constant and is based on closing balances compounded monthly.

	2022 R 000	2021 R 000
Long-term receivables	**3 041**	2 635
Trade and other receivables	**1 531**	1 764
Cash and cash equivalents	**66 785**	56 807
Long-term liabilities	**(1 240)**	(1 544)
Trade and other payables	**(3 447)**	(564)
	66 669	59 098

A 200 (2021: 100) basis points decrease in interest rates at 30 June would have had the equal but opposite effect to the amount shown above, on the basis that all other variables remain constant.

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

25.5 LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Cash flow forecasting within the Group typically ensures that it has sufficient cash available, as well as lines of credit, to meet expected operational expenses including the servicing of financial obligations. The potential impacts of extreme circumstances that cannot reasonably be predicted such as major catastrophes like property damage, business interruption, public liability and political riot are covered by short-term insurance policies.

The table below sets out the remaining contractual maturities of the financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments:

R 000	**< 1 years**	**2 - 5 years**	**> 5 Years**	**Total**
Liabilities measured at amortised cost				
2022				
Trade and other payables	**3 920 552**	**–**	**–**	**3 920 552**
Instalment sale agreements	**66 589**	**37 009**	**–**	**103 597**
Bank loans	**113 291**	**–**	**–**	**113 291**
Settlement agreement liabilities	**31 250**	**105 000**	**21 250**	**157 500**
Other long-term borrowings	**–**	**2 091**	**–**	**2 091**
	4 131 682	**144 100**	**21 250**	**4 297 032**
2021				
Trade and other payables	7 270 356	–	–	7 270 356
Instalment sale agreements	54 130	49 677	–	103 807
Bank loans	13 190	125 305	–	138 495
Settlement agreement liability	21 250	85 000	42 500	148 750
Other long-term borrowings	–	–	2 091	2 091
	7 358 926	259 982	44 591	7 663 499

The present value of these instruments is R351 million (2021: R316 million).

The contractual maturities of lease liabilities are disclosed in note 3.

The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets, as well as from current cash reserves (note 29.3) held at various financial institutions.

In addition to asset specific finance agreements (note 10), subsequent to the reporting period the Group negotiated a R520 million loan facility to meet its future cash commitments in Australia (note 21 and note 32).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

26 CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends paid to ordinary shareholders.

Capital comprises shareholders' equity, including capital and reserves. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The amount of dividends paid by the Group and Company is determined with reference to the liquidity and solvency of the Group and Company giving consideration to budgets and forecasts.

The Group and Company adopts a conservative approach when managing its financial position, assuming low levels of debt and maintaining substantial cash balances. Given the cyclical and often unpredictable nature of the construction environment, this approach is appropriate in providing flexibility during challenging environments and in protecting shareholder value.

In terms of the loan facility over a student accommodation development, the gross debt of the Group less lease and settlement liabilities shall not exceed earnings before interest, tax and depreciation plus profit before tax from associates and joint ventures by more than 1.5 times.

	2022	2021
Debt/equity ratio (%)*	**11.21**	9.90
Debt/income ratio	**0.19**	0.22

* *This measure has been adjusted to represent the total capitalised interest-bearing liabilities as a percentage of average shareholders' interest.*

27 EMPLOYEE BENEFITS

ACCOUNTING POLICY

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present or legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution benefits

The Group's legal or constructive obligation under defined contribution plans is limited to the amount contributed to the fund. Consequently, the risk that assets invested will be insufficient to meet the expected benefits is borne by the employees.

Contributions to a defined contribution plan in respect of the services rendered in a particular period are recognised as an expense in profit or loss in that period.

Equity-settled share-based payment arrangements

The Group grants share options, share appreciation rights (SARs) and performance shares (PSs) to its employees through a number of special purpose vehicles. In terms of the WBHO Share Plan, approved by shareholders, the Group has the right to determine the vesting requirements and, in some instances, how the share-based schemes will be settled. The Group's practice is to settle vested allocations by issuing shares. The Group recognises an employee benefit expense in the statement of financial performance that represents the fair value of the share options, SARS and PSs granted. A corresponding entry to equity is raised for equity-settled plans.

The fair value of options, SARs and PSs at the date of grant is recognised as an expense over the relevant vesting periods and subsequently adjusted to reflect actual and expected levels of vesting.

The acquisition of shares for the settlement of the equity plans is accounted for as a separate transaction in equity. The cash outflow to acquire these shares is disclosed as a financing activity in the consolidated statement of cash flows.

The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. Where an employee resigns or is dismissed from the Group, the estimated share-based payment expense is adjusted such that on a cumulative basis, no expense is recognised in respect of that employee.

NOTE

27.1 EQUITY-SETTLED SHARE INCENTIVE SCHEMES

The WBHO Share Plan

Share Appreciation Rights (SARs)

Annual allocations determined by the Remuneration Committee are made to participants at the remuneration committee's discretion based on the fair market value of the shares on the allocation date. Rights may be settled, in shares, subject to the achievement of the performance criteria at the vesting date in equal thirds on the 3rd, 4th and 5th anniversaries, but need not be exercised until the 7th anniversary. On settlement, the value accruing to the participants is the full appreciation of the share price over the vesting period.

The performance target threshold comprises the average growth in headline earnings per share (HEPS) compared to the average CPI plus 3%, calculated annually in three-year cycles.

During the year under review, all the SARs were forfeited due to the depreciation of the share price over the period in which the SARs have been allocated.

27 EMPLOYEE BENEFITS (CONTINUED)

27.1 EQUITY-SETTLED SHARE-BASED PAYMENT (CONTINUED)

Performance shares

Performance criteria	Weight	Threshold	Target vesting	Stretch
Return on capital employed (ROCE)	50%	14%	16%	20%
Adjusted ROCE (greater than and equal to 2016 to 2018 issues)	50%	14%	19%	23%
Adjusted ROCE (greater than and equal to 2019 to 2020 issue)	50%	14%	16%	20%
Relative total shareholder return (TSR)	50%	7th position	5th position	2nd position

Actual performance against the criteria at 30 June 2021 (Offer 2018) and 30 June 2022 (remaining offers):

	Offer 2018 PS	Offer 2019 PS	Offer 2020 PS	Offer 2021 PS
Return on capital employed	6.6%	-31.0%	0.0%	0.0%
Relative total shareholder return	4th	6th	10th	10th

	Number of conditional awards '000	Number of awards vested and/or forfeited '000	Issue date	Issue price (cents)	Exercise price (cents)	Vesting period	Share-based payment expense	Future expense to be recognised
Performance shares								
2018	147	(147)	12/12/2018	14 676	–	3 years	1 804	–
2019	197	–	18/11/2019	14 485	–	3 years	4 445	1 852
2020	357	–	18/11/2020	14 328	–	3 years	7 656	10 846
2021	555	–	25/11/2021	11 027	–	3 years	5 826	24 135
Share appreciation rights								
2016	120	(120)	7/12/2016	14 747	14 747	3 - 5 years	–	–
2017	154	(154)	7/12/2017	14 676	14 676	3 - 5 years	–	–
2018	147	(147)	13/12/2018	14 485	14 485	3 - 5 years	693	191
2019	205	(205)	18/11/2019	14 328	14 258	3 - 5 years	–	–
Total							20 424	37 024

In November 2021, 122 502 shares vested of the 147,000 performance shares that were awarded. The award in respect of Offer 2018 exceeded target for TSR with a ranking of four against the peer grouping but did not achieve threshold for ROCE. As a result 83% of the allocation vested.

In calculating the share-based payment expense, valuations were performed using the Binomial model. The probability of achieving the TSR performance condition has been measured by a Monte Carlo stimulation.

The following assumptions were made in determining the share-based payment expense:

	PS	SARS
Volatility (%) (Volatility has been calculated using the historical WBHO share prices over the vesting periods)	N/A	22.1 – 34.6
Risk-free rate (%)	N/A	6.9 – 7.4
Dividend yield (%)	1.3 – 2.5	1.8 – 2.5
Attrition rate (%)	0.0-5.0	5.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

27 EMPLOYEE BENEFITS (CONTINUED)

27.2 THE WBHO MANAGEMENT TRUST

The trust is a structured entity through which options are offered to qualifying employees with the aim of retaining existing talent within the Group. The share options are equity-settled and are valued using the Binomial model. The following estimates and assumptions were used in the calculation of the share-based payment expense:

	Share options 2016	Share options 2020	Share options 2021
Grant date share price	145	114.0	119.1
Exercise price	110.4	109.45	109.5
Volatility (%) (Calculated using historical WBHO share prices over the vesting periods)	25	33.86	35.5
Risk-free rate (%)	8.5	7.505	7.3
Dividend yield (%)	2.5	2.54	2.6
Attrition rate (%)	5	7.5	7.5

27.3 AKANI INVESTMENT HOLDINGS (PTY) LTD AND THE BROAD-BASED EMPLOYEE SHARE INCENTIVE TRUST (BBE TRUST)

The Company and BBE Trust are structured entities created to give effect to the Group's Black Economic Empowerment initiative, aimed at sourcing strategic black partners and rewarding employees who have been in the service of the Group for more than five years.

The Akani scheme has a share price growth hurdle in addition to ten and five-year lock-in periods for black partners and employees respectively.

The hurdle rate is defined as being the nominal annual growth rate compounded annually. For the partners the rate is 8,33% and for employees it is determined by the Board at the time of each allocation of shares.

Over the lock-in periods the shares attract dividends. In respect of directors, one third of the dividend is paid out in cash and two-thirds is utilised to purchase WBHO shares. In respect of employees, the full dividend is utilised to purchase WBHO shares.

In calculating the share-based payment expense applicable to the black partners and the BBE Trust it is necessary to estimate the number of shares that may vest at the end of the lock-in and allocation periods respectively. The following assumptions and judgements were used in arriving at the share-based payment expense:

	BBE Trust	Black partners
Hurdle rate (%)	Variable	8.3
Weighted average expected volatility (%)	24 – 26.2	24.0
Weighted average dividend yield (%)	2.7	2.7
Weighted average risk-free interest rate (%)	7.5	8.8
Vesting period (years)	5.0	10.0

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

	WBHO Management Trust	Black Partners	Employees
Total shares/options allocated ('000)	2 197	732	1 078
Allocations/issues in the current year ('000)	690	–	236
Dividend shares purchased ('000)	n/a	7	15
Vested in the current year ('000)	–	–	(1)
Shares purchased ('000)	–	–	–
Shares to be bought back (000)	–	–	–
Dividend shares transferred to participants ('000)	–	–	16
Shares available for future allocations ('000)	1 084	–	–
Share-based payment expense recognised in profit or loss (R 000)	14 556	–	9 789
Future share-based payment expense (R 000)	36 751	–	11 270
Liability recognised to date	n/a	n/a	n/a

28 SEGMENT ANALYSIS

Reportable segments reflect the operating management structure of the Group and are identified both geographically and by the key markets which they serve.

The segments are regularly reviewed by the Group's chief operating decision maker, defined as the Executive Committee, in order to allocate resources and assess the performance of the segments.

None of the operating segments are aggregated and there are no additional segments to report separately.

Non-current assets by geographic segment are disclosed net of deferred tax.

The Group has six reportable segments. The activities of each segment are noted below:

Building and civil engineering

Construction of retail shopping centres, commercial buildings, hotels, hospitals and residential apartments, mostly for the private sector, as well as civil engineering related infrastructure for the mining, industrial, energy and oil and gas sectors.

Roads and earthworks

Activities include infrastructure and water and gas pipelines and other large infrastructure projects.

Australia

Construction of retail, residential and commercial buildings for the private building sector as well as various engineering disciplines, servicing the road and mining sectors and telecommunications. In the current reporting period, the Group lost control of the Australian operations (note 30) and it has been disclosed under discontinued operations in the accompanying table.

United Kingdom

Construction of retail, residential and commercial buildings for the private building sector as well as building refurbishments and fit-out projects.

Property developments

Acquisition of land or the rights to land and the development of schemes with a view to build or sell.

Construction materials

Sales and manufacture of long-steel products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

28 SEGMENT ANALYSIS (CONTINUED)

Reportable segments

	Continuing operations						Discontinued operations	Total operations
	Building and civil engineering R 000	Roads and earthworks R 000	United Kingdom R 000	Property developments R 000	Construction materials R 000	Total R 000	Australia R 000	Total R 000
2022								
Revenue	**7 498 139**	**4 730 097**	**4 209 894**	**16 717**	**1 126 707**	**17 581 554**	**7 827 326**	**25 408 880**
Inter-segment revenue	**–**	**(17 420)**	**–**	**–**	**(323 856)**	**(341 276)**	**–**	**(341 276)**
Revenue – external customers	**7 498 139**	**4 712 677**	**4 209 894**	**16 717**	**802 851**	**17 240 278**	**7 827 326**	**25 067 604**
Operating profit/(loss) by segment	**342 356**	**322 092**	**157 503**	**18 529**	**18 488**	**858 968**	**(1 045 579)**	**(186 611)**
Share-based payments expense						**(44 769)**	**–**	**(44 769)**
Goodwill impairment						**–**	**(523 798)**	**(523 798)**
Operating profit						**814 199**	**(1 569 377)**	**(755 178)**
Items regularly reported to the Executive committee:								
Depreciation	**22 803**	**84 595**	**76 348**	**–**	**14 917**	**198 663**	**48 309**	**246 972**
Right-of-use asset capitalised	**–**	**769**	**2 016**	**–**	**5 803**	**8 588**	**–**	**8 588**
Capital expenditure	**21 444**	**195 132**	**9 733**	**–**	**4 255**	**230 564**	**10 813**	**241 377**
2021								
Revenue	7 900 198	5 348 287	5 508 614	1 491	1 058 243	19 816 833	18 867 823	38 684 656
Inter-segment revenue	–	(90 664)	–	–	(262 579)	(353 243)	–	(353 243)
Revenue – external customers	7 900 198	5 257 623	5 508 614	1 491	795 664	19 463 590	18 867 823	38 331 413
Operating profit/(loss) before non-trading items	319 763	300 043	262 414	22 338	25 087	929 645	(411 687)	517 958
Share-based payments expense						(40 192)	–	(40 192)
Goodwill impairment						(20 635)	–	(20 635)
Operating profit						868 818	(411 687)	457 131
Items regularly reported to the Executive committee:								
Depreciation	19 511	83 285	88 548	–	15 878	207 222	96 399	303 621
Right-of-use asset capitalised	–	398	7 996	–	3 307	11 701	10 286	21 987
Capital expenditure	8 456	77 351	8 584	–	483	94 874	22 209	117 083

28 SEGMENT ANALYSIS (CONTINUED)

Geographic segments	2022 R 000	2021 R 000
Revenue from continuing operations		
South Africa	**11 055 600**	10 900 235
Rest of Africa	**1 974 784**	3 054 741
United Kingdom	**4 209 894**	5 508 614
	17 240 278	19 463 590
Revenue from discontinued operations		
Australia	**7 827 326**	18 867 823
	25 067 604	38 331 413
Operating profit from continuing operations		
South Africa	**525 050**	466 511
Rest of Africa	**176 415**	200 720
United Kingdom	**157 503**	262 414
	858 968	929 645
Share-based payments expense	**(44 769)**	(40 192)
Impairment of goodwill	**–**	(20 635)
	814 199	868 818
Operating loss from discontinued operations	**–**	–
Australia	**(1 045 579)**	(411 687)
Impairment of goodwill	**(523 798)**	–
	(1 569 377)	(411 687)
	(755 178)	457 131
Non-current assets		
South Africa	**1 752 265**	1 690 062
Rest of Africa	**520 419**	444 613
United Kingdom	**845 964**	1 063 689
	3 118 648	3 198 364
Australia	**–**	1 041 827
	3 118 648	4 240 191

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

		2022 R 000	Re-presented 2021 R 000
29	**CASH FLOW INFORMATION**		
29.1	**CASH GENERATED BY OPERATIONS**		
	Operating profit from continuing operations	**814 199**	868 818
	Adjusted for non-cash items:		
	Share-based payment expense	**44 769**	40 192
	Impairment of investments	**3 815**	–
	Impairment of goodwill	**–**	20 635
	Settlement agreement expense (note 11)	**27 770**	–
	Unrealised foreign exchange translation (gains)/losses	**(5 396)**	13 939
	Depreciation	**198 663**	208 468
	Increase/(decrease) in loss allowance	**15 161**	(5 688)
	Profit from disposal of property, plant and equipment	**(4 779)**	(22 303)
	Operating income before working capital changes:	**1 094 202**	1 124 061
	Working capital changes:		
	(Increase)/decrease in inventories	**(13 077)**	(70 013)
	(Increase)/decrease in contract assets	**90 610**	295 405
	Increase/(decrease) in contract liabilities	**(56 417)**	205 301
	(Increase)/decrease in trade and other receivables	**108 076**	(993 458)
	Increase/(decrease) in trade and other payables	**(232 791)**	353 693
	Settlement agreement payment	**(42 500)**	(21 250)
	Movement in provisions	**334 711**	573 195
	Cash generated from operations	**1 282 814**	1 466 934
29.2	**INCOME TAX**		
	Net tax receivable at 1 July	**73 508**	101 326
	Current tax expense	**(366 231)**	(343 129)
	Provision for penalties	**–**	14 325
	Net tax receivable at 30 June	**(51 725)**	(73 508)
	Income tax paid	**(344 448)**	(300 986)

29 CASH FLOW INFORMATION (CONTINUED)

		2022 R 000	Re-presented 2021 R 000
29.3	**INSTALMENT SALE AGREEMENTS**		
	Liabilities outstanding at 1 July	**32 759**	55 913
	Additions	**128 446**	19 766
	Finance costs	**2 994**	1 356
	Foreign currency effect	**–**	(686)
	Liabilities outstanding at 30 June	**(103 563)**	(32 759)
	Instalments paid	**60 635**	43 590
29.4	**LEASE LIABILITIES**		
	Liabilities outstanding at 1 July	**287 885**	346 372
	Additions	**8 604**	11 701
	Finance costs	**9 523**	14 472
	Foreign currency effect	**(1 318)**	(19 028)
	Liabilities outstanding at 30 June	**(242 932)**	(287 885)
	Lease liabilities paid	**61 762**	65 632
29.5	**LONG-TERM LIABILITIES**		
	Liability outstanding at the beginning of the year	**110 913**	111 286
	Additions	**25 000**	–
	Interest accrued	**8 259**	(23)
	Liability outstanding at the end of year	**(130 782)**	(110 913)
	Long-term liabilities paid	**13 390**	350
29.6	**CASH AND CASH EQUIVALENTS**		
	Current and call accounts	**3 339 230**	5 680 717

Restricted cash balances of R474,3 million related to monies held in trust on behalf of subcontractor retentions in Australia in the prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

30 LOSS OF CONTROL OF SUBSIDIARIES

Following a decision by the Board of the Group to withdraw all future funding and parent company support to WBHO Australia Pty Ltd and its subsidiaries (Australia Group), on the 23 of February 2022 the board of WBHO Australia Pty Ltd, a wholly owned subsidiary of the Group, placed the Australia Group into voluntary administration note 20.

Included in the diposal group are the assets and liabilities of the WBHO Australia Pty Ltd and its subsidiaries, Probuild Constructions (Aust) Pty Ltd, Monaco Hickey Pty Ltd and WBHO Infrastructure Pty Ltd. The carrying amounts of these assets and liabilities at 31 January 2022 were:

	R 000
Non-current assets	
Property, plant and equipment	260 725
Right-of-use assets	32 766
Equity-accounted investees	122 437
Long-term receivables	128 846
Total	**544 774**
Current assets	
Inventories	603
Contract assets	631 884
Trade and other receivables	1 397 326
Taxation	23 084
Cash and cash equivalents	674 642
Total	**2 727 539**
Non-current asset held for sale	–
Total Assets	**3 272 313**
Non-current liabilities	
Lease liabilities	42 413
Long-term liabilities	16 284
Total	**58 697**
Current liabilities	
Contract liabilities	760 158
Trade and other payables	2 368 492
Provisions	224 411
Total	**3 353 061**
Total liabilities	**3 411 758**
Net liabilities	(139 445)
Consideration received	–
Gain on loss of control of subsidiaries	(139 445)
Translation of foreign entities reclassified through profit on loss on derecognition	(460 253)
Gain on loss of control of subsidiaries	**(599 698)**

31 EVENTS AFTER THE REPORTING DATE

The South African operating company, WBHO Construction (Pty) Ltd has secured a loan of R520 million to support the cashflow required to fund its Australian exit. This loan is repayable over 36 months at the prime lending rate and is secured by a pledge over cash balances in Mozambique. The pledge requires approval from the Mozambique Central Bank. This approval has not been obtained at the date of these financial statements.

The Group has reached an agreement to sell its 50% interest in the Units on Park joint operation and the associated property for an amount of R178 million. This sale is subject to Competition Commission approval.

The Board is not aware of any other matter or circumstance arising since the end of the reporting period not otherwise dealt with in the consolidated financial statements, which could significantly affect the financial position of the Group at 30 June 2022 or the results of its operations or cash flows for the period then ended.

32 GOING CONCERN

Although all government restrictions relating to Covid-19 were lifted during the current reporting period, the after effects on global economies can still be felt. The tightening of monetary policies by central banks together with global supply chain constraints have fueled inflation that has been further aggravated by the Russian-Ukraine conflict and spiraling energy costs. The likelihood of a global recession presents ongoing uncertainty for various sectors on which the construction industry relies for work. Nonetheless, at 30 June 2022, the order book of the Group had grown by 43% which provides a solid baseload of work well into FY2024. In addition, the forward-looking pipeline has strengthened and procurement activity is increasing in all regions.

In respect of the Group's remaining exposure to the closure of its Australian operations, the Deed of Company Arrangement (DOCA) with Australian creditors and an agreed deed with the client for the release of the parent company guarantee over the WRU project, provide a degree of certainty of the expected costs still to be incurred by the Group. All expected costs in relation to the DOCA, the net payment of guarantees and the WRU settlement have been fully provided for in the consolidated financial statements at 30 June 2022. In addition, the Group has secured sufficient funding from a South African financial institution to fulfil its remaining obligations in Australia. The funding remains subject only to regulatory approval.

In assessing going concern the directors have considered the following information:

- The sufficiency of amounts accrued in relation to future cash outflows to settle obligations in Australia.
- The external debt secured to fulfil the future cash outflows to settle obligations in Australia.
- The budgets and the forecast cash flows to 30 September 2023.
- Order book levels of secured work to be executed at 30 June 2022.
- New order intake between the end of the current reporting period and the date of authorisation of these financial statements.
- Imminent project awards expected within three months of the date of these financial statements.
- The number and availability of short- and mid-term projects in the forward-looking pipeline.
- The existing cost base of the Group.
- Available financial facilities and existing cash reserves.

The Group has maintained its strong relationships and ongoing support from guarantee providers, continues to operate within its facility limits and has access to the necessary facilities to fund capital expenditure when required.

Having given due consideration to the above information, the directors are satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future. As such, the going-concern basis has been applied in preparing the financial statements.

ANNEXURE 1
INVESTMENTS IN SUBSIDIARIES

FOR THE YEAR ENDED 30 JUNE 2022

	Country of Incorporation	Issued capital	**Effective holding 2022 %**	Effective holding 2021 %
Held directly				
WBHO Construction (Pty) Ltd	South Africa	R900 000	**100**	100
WBHO Industrial Holdings (Pty) Ltd	South Africa	R1	**100**	100
Special purpose entities				
WBHO Management Trust	South Africa	–	**–**	–
WBHO Share Trust	South Africa	–	**–**	–
WBHO Broad-based Employee Share Incentive Trust	South Africa	–	**–**	–
Akani Investment Holdings (Pty) Ltd	South Africa	R34 439	**31**	31
Held indirectly				
Roadspan Surfaces (Pty) Ltd	South Africa	R10 000	**100**	100
St Francis Links (Pty) Ltd	South Africa	R100	**80**	80
Capital Africa Steel (Pty) Ltd	South Africa	R650 834 562	**100**	100
Tekfalt Binders (Pty) Ltd	South Africa	R100	**100**	100
Balmoral Crushers (Pty) Ltd	South Africa	R120	**100**	100
WBHO Mozambique Projectos Limitada	Mozambique	MZN 10,000,000	**100**	100
WBHO Namibia (Pty) Ltd	Namibia	N$ 1	**100**	100
WBHO Construction Zambia Limited	Zambia	ZMW 10,000	**100**	100
Kalcon (Pty) Ltd	Botswana	P 2	**100**	100
WBHO Ghana (Pty) Ltd	Ghana	$ 500,000	**100**	100
WBHO Madagascar SARL	Madagascar	MGA 14 399 200 000	**100**	100
WBHO Tanzania Pty Ltd	Tanzania	–	**100.0**	100.0
WBHO UK Limited	England	GBP 100	**100**	100
Byrne Group Limited	England	GBP 1 137 400	**80**	80
Russells Construction Limted	England	GBP 750	**100**	90

Investments in dormant subsidiaries are not disclosed.

ANNEXURE 2
INTERESTS IN JOINT OPERATIONS

FOR THE YEAR ENDED 30 JUNE 2022

All of the joint operations listed below are involved in construction activities.

Investments in significant non-statutory entities	Country of operation	**2022** **%**	2021 %
Kusile Civils Joint Venture	South Africa	**50.0**	50.0
DRD D&C Joint Venture	South Africa	**85.0**	85.0
WBHO/Makali Joint Venture	South Africa	**60.0**	60.0
Oceans Joint Venture	South Africa	**85.0**	85.0
Masibuyisane Joint Venture	South Africa	**75.0**	70.0
WBHO/Motheo Joint Venture	South Africa	**62.0**	62.0
Sisonke Joint Venture	South Africa	**70.0**	70.0
WBHO/Pandev Joint Venture	South Africa	**85.0**	85.0
Mdubane Joint Venture	South Africa	**60.0**	60.0
JNB11 Joint Venture	South Africa	**70.0**	–
Montrose Interchange Joint Venture	South Africa	**75.0**	–
WBHO LKT Joint Venture	South Africa	**92.5**	92.5
WBHO Vlakfontein Civils Joint Venture	South Africa	**71.0**	71.0
WBHO AMC Joint Venture	South Africa	**80.0**	80.0
WBHO-Ghana Alexiboam Joint Venture	Ghana	**70.0**	70.0
WBHO-Ghana Quantam Joint Venture	Ghana	**49.0**	49.0
WBHO-SS LNG EBL Joint Venture	Mozambique	**50.0**	50.0
WBHO/LSP Joint Venture	Lesotho	**60.0**	60.0

ANNEXURE 3
SHAREHOLDER ANALYSIS

FOR THE YEAR ENDED 30 JUNE 2022

Shareholder spread	No of Shareholdings	%	No of Shares	%
1 – 1,000 shares	3 191	80.76	566 775	0.95
1,001 – 10,000 shares	493	12.48	1 638 214	2.74
10,001 – 100,000 shares	198	5.01	6 628 194	11.07
100,001 – 1,000,000 shares	58	1.47	19 415 245	32.42
1,000,001 shares and over	11	0.28	31 642 086	52.83
Total	3 951	100.00	59 890 514	100.00

Distribution of shareholders	No of Shareholdings	%	No of Shares	%
Banks/Brokers	51	1.29	4 246 020	7.09
Close Corporations	22	0.56	12 919	0.02
Empowerment entity	3	0.08	3 461 414	5.78
Endowment Funds	14	0.35	43 937	0.07
Individuals	3 129	79.20	3 364 604	5.62
Insurance Companies	34	0.86	6 457 901	10.78
Investment Companies	1	0.03	169 902	0.28
Medical Schemes	21	0.53	279 946	0.47
Mutual Funds	172	4.35	17 854 775	29.81
Other Corporations	15	0.38	6 481	0.01
Private Companies	66	1.67	402 872	0.67
Public Companies	3	0.08	383	–
Retirement Funds	187	4.73	18 536 582	30.95
Share Trusts	2	0.05	3 323 021	5.55
Trusts	231	5.85	1 729 757	2.89
Total	3 951	100.00	59 890 514	100.00

Public/non-public shareholders	No of Shareholdings	%	No of Shares	%
Non-Public Shareholders	20	0.51	21 307 978	35.58
Executive Directors	7	0.18	540 410	0.90
Prescribed Officers	5	0.13	172 068	0.29
Strategic Holders holding more than 10%	1	0.03	13 811 065	23.06
Empowerment entity	4	0.10	3 461 414	5.78
WBHO Share and Management Trusts	3	0.08	3 323 021	5.55
Public Shareholders	3 931	99.49	38 582 536	64.42
Total	3 951	100.00	59 890 514	100.00

Beneficial shareholders holding 3% or more	No of Shares	%
Government Employees Pension Fund	13 811 065	23.06
Old Mutual	12 893 220	21.53
Akani Investment Holdings (Pty) Ltd	3 461 414	5.78
WBHO Management Trust	3 280 646	5.48
PSG Konsult	3 351 075	5.60
Vanguard	1 859 648	3.11
Total	38 657 068	64.55

Geographical Breakdown	No of Shareholdings	%	No of Shares	%
South Africa	3 784	95.77	53 240 162	88.90
United States of America and Canada	16	0.40	4 949 952	8.27
Rest of the World	116	2.94	772 704	1.29
United Kingdom	25	0.63	865 866	1.45
Rest of Europe	10	0.25	61 830	0.10
Total	3 951	100.00	59 890 514	100.00

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