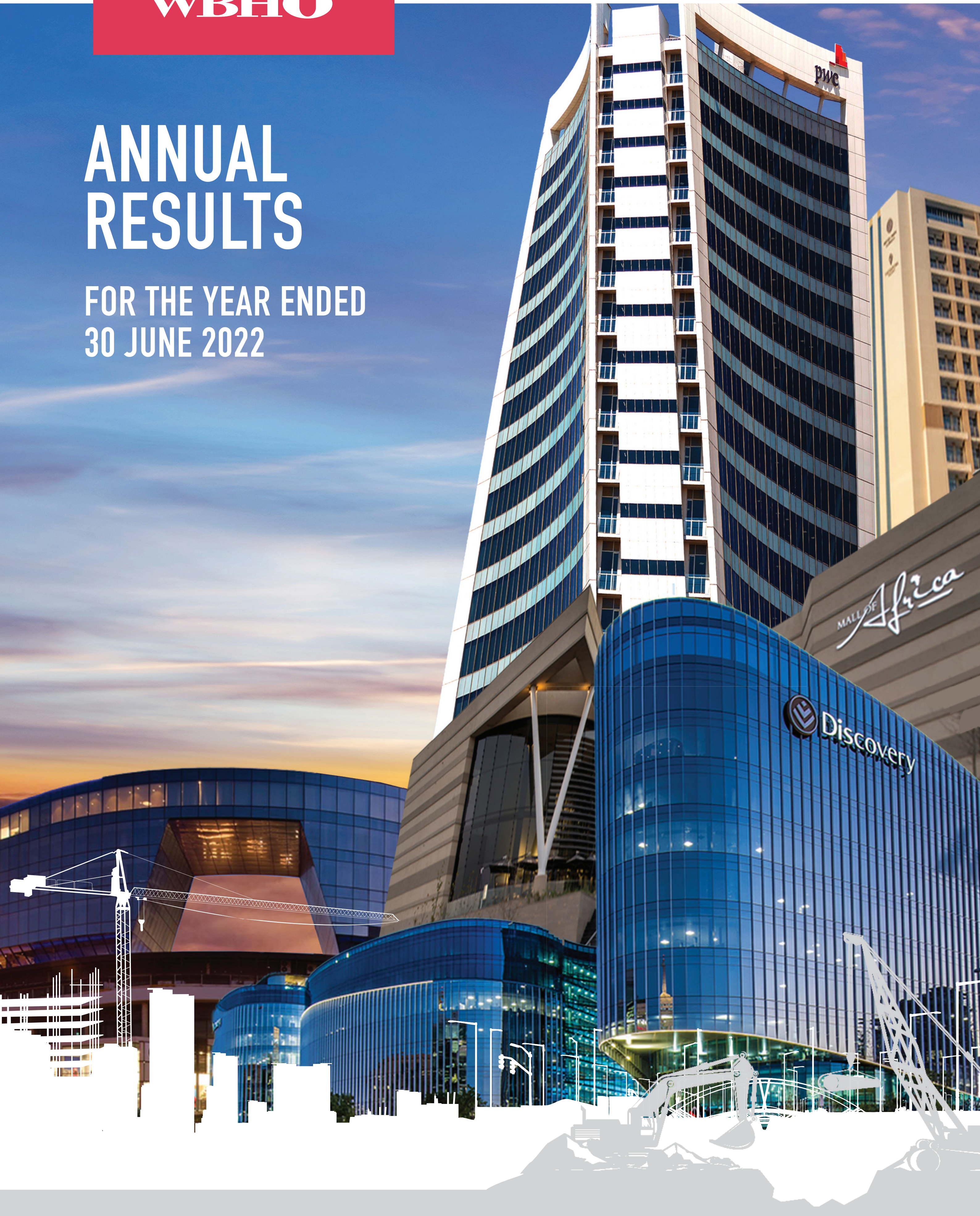
WBHO

ANNUAL RESULTS

FOR THE YEAR ENDED 30 JUNE 2022



QUICK FACTS

ESTABLISHED	LISTED ON THE JSE	MARKET CAPITALISATION	B-BBEE STATUS
1970	1994	R5 billion	Level 1

VISION

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

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

THE WBHO WAY

Our culture and shared values are enshrined in our Code of Conduct. They are a set of guiding principles known collectively as "The WBHO Way"

1 REPUTATION

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

2 QUALITY

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

3 COST-AWARENESS

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

4 TEAMWORK

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

5 CULTURE

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

FY2022 PERFORMANCE

2022

REVENUE

R17 billion

2021 Re-presented:
R20 billion

EARNINGS PER SHARE FROM CONTINUING OPERATIONS

1 303 cents

2021 Re-presented:
1 293 cents

CASH

R3 339 billion

2021 Re-presented:
R3 885 billion

CASH GENERATED FROM OPERATIONS

R1,3 billion

2021 Re-presented:
R1,5 billion generated

OPERATING MARGIN

4.7%

2021 Re-presented:
4.5%

ORDER BOOK

R22 billion

2021 Re-presented:
R16 billion

CONTENTS

BASIS OF PREPARATION

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

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

The summary consolidated financial statements have been compiled under the supervision of the Chief Financial Officer, Charles Henwood CA (SA) and were authorised by the Board on 9 September 2022.

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

Audit opinion

The summary consolidated financial statements for the year ended 30 June 2022 as well as the full annual consolidated financial statements have been audited by BDO South Africa Inc.

Following the appointment of an administrator over the Australian operations on 23 February 2022, the accounting records of these operations were no longer prepared in accordance with IFRS. The accounting records have been prepared in accordance with IFRS for the period 1 July 2021 to 31 January 2022.

Due to the limited availability of some information, the auditors were unable to determine whether any adjustments were required to the disclosure of the loss from discontinued operations, the loss of control of subsidiaries and the relevant accompanying notes. Consequently, the auditors performed procedures on revenue and costs to determine whether the potential impact of a misstatement of the Australian operations comprises a substantial portion of the consolidated financial statements as a whole, and issued a qualified audit opinion based thereon.

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.

The summary consolidated financial statements and the annual consolidated financial statements are available on the Company's website at www.wbho.co.za or for inspection at the registered office of the Company where further details of the auditor's qualified report can be obtained.

The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report and accompanying financial information.

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

TO THE SHAREHOLDERS OF WILSON BAYLY HOLMES-OVCON LIMITED

OPINION

The summary consolidated financial statements of Wilson Bayly Holmes-Ovcon Limited, contained in the accompanying abridged report, which comprise the summary consolidated statement of financial position as at 30 June 2022, the summary consolidated statement of financial performance and other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Wilson Bayly Holmes-Ovcon Limited for the year ended 30 June 2022.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in the "Basis of Preparation" note to the summary financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements. However, the summary consolidated financial statements are misstated to the equivalent extent as the audited consolidated financial statements of Wilson Bayly Holmes-Ovcon Limited for the year ended 30 June 2022.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed a qualified audit opinion on the consolidated financial statements in our report dated 13 September 2022. The basis for our qualified audit opinion is that 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. As a result of the administration process, we were not able to obtain all the audit evidence we required regarding:

- Note 1 to the summary consolidated financial statements, the amounts disclosed for the Australia discontinued operations (Australia) in segmental information;
- Note 2.1 and 2.2 to the summary 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 cents on discontinued operations and the Headline loss from total operations of 3 693.4 cents;
- Note 4.1 to the summary consolidated financial statements, the Operating loss before impairment losses included in Loss on discontinued operations amounting to R1 045 579 000 and Loss on disposal of discontinued operations and Total comprehensive loss for the period from discontinued operations of R3 446 767 000 attributable to Equity shareholders of Wilson Bayly Holmes-Ovcon Limited and non-controlling interests;
- Note 4.2 to the summary consolidated financial statements – cash flows from discontinued operations and the related amounts presented in the Consolidated Statement of Cash Flows;
- Note 4.3 to the summary 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 5 to the summary consolidated financial statements – the amounts disclosed for Loss of control of subsidiaries.

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.

Our report also includes:

- The communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in the 'Basis of Preparation' note to the summary financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

AUDITOR'S RESPONSIBILITY

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

OTHER MATTER

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

BDO South Africa Inc.

BDO South Africa Incorporated
Registered Auditors
J Schoeman
Director
Registered Auditor

13 September 2022

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Note	**Audited June 2022 R 000**	Re-presented Audited June 2021 R 000
Continuing operations			
Revenue		**17 240 278**	19 463 590
Operating costs		**(15 599 757)**	(17 779 711)
Administrative costs		**(859 078)**	(854 169)
Other income		**32 756**	39 108
Operating profit		**814 199**	868 818
Share of profits from interests in associates and joint ventures		**100 456**	68 873
Deemed loss on disposal of interest in associate		**–**	(8 350)
Finance income		**119 807**	98 484
Finance costs		**(30 429)**	(30 554)
Profit before taxation		**1 004 033**	997 271
Income tax expense		**(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	4	**(2 993 120)**	(373 338)
(Loss)/profit for the year from total operations		**(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 entities reclassified through profit or loss on derecognition		**(460 253)**	–
Translation of net investments in a foreign operation		**(12 319)**	(80 372)
Tax effect of above item		**3 326**	22 504
Share of associates' comprehensive income/(loss)		**23 324**	(46 994)
		(314 818)	(414 103)
Total comprehensive loss for the year		**(2 589 117)**	(63 553)
Profit for the year from continuing operations attributable to:			
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		**692 992**	687 754
Non-controlling interests		**25 829**	36 134
		718 821	723 888
Loss for the year from discontinued operations attributable to:			
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		**(2 853 281)**	(371 758)
Non-controlling interests		**(139 839)**	(1 580)
		(2 993 120)	(373 338)
Loss/(profit) for the year from total operations attributable to:			
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		**(2 160 289)**	315 996
Non-controlling interests		**(114 010)**	34 554
		(2 274 299)	350 550
Total comprehensive loss for the year attributable to:			
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		**(2 513 835)**	(71 763)
Non-controlling interests		**(75 282)**	8 210
		(2 589 117)	(63 553)
Earnings/(loss) per share (cents)			
Earnings/(loss) per share	% Change		
Continuing operations	0.8%	**1 303.1**	1 293.2
Discontinued operations	667.5%	**(5 365.2)**	(699.0)
Total operations	(783.6%)	**(4 062.1)**	594.2
Diluted earnings/(loss) per share			
Continuing operations	0.8%	**1 303.1**	1 292.9
Discontinued operations	667.7%	**(5 365.2)**	(698.9)
Total operations	(783.9%)	**(4 062.1)**	594.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	Audited June 2022 R 000	Re-presented Audited June 2021 R 000
ASSETS		
Non-current assets		
Property, plant and equipment	**1 562 606**	1 763 539
Right-of-use assets	**230 613**	320 638
Goodwill	**512 532**	1 005 631
Interests in associates and joint ventures	**660 253**	885 410
Long-term receivables	**152 645**	265 023
Deferred taxation	**550 223**	797 094
Total	**3 668 872**	5 037 335
Current assets		
Inventories	**420 918**	405 600
Contract assets	**281 448**	1 054 546
Trade and other receivables	**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 AND LIABILITIES		
Capital and reserves		
Share capital	**28 565**	28 565
Reserves	**2 826 474**	5 500 214
Shareholders' equity	**2 855 039**	5 528 779
Non-controlling interests (NCI)	**81 255**	96 456
Total	**2 936 294**	5 625 235
Non-current liabilities		
Lease liabilities	**193 550**	273 797
Long-term liabilities	**152 186**	252 115
Deferred taxation	**42 522**	29 447
Total	**388 258**	555 359
Current liabilities		
Contract liabilities	**1 908 312**	2 490 026
Trade and other payables	**4 137 375**	7 505 691
Provisions	**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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Share capital R 000	Foreign currency translation reserve R 000	Equity-settled share-based payments R 000	Distributable reserves R 000	Shareholders' equity R 000
At 1 July 2020	28 565	604 538	14 460	5 028 883	5 676 446
	–	(387 759)	–	315 996	(71 763)
Profit for the year from continuing operations	–	–	–	687 754	687 754
Loss for the year from discontinued operations	–	–	–	(371 758)	(371 758)
Other comprehensive loss for the year	–	(387 759)	–	–	(387 759)
Share-based payments expense	–	–	40 192	–	40 192
Share-based payment settlement	–	–	(19 306)	–	(19 306)
Acquisition of NCI without a change in control	–	–	–	(96 790)	(96 790)
Balance at 30 June 2021	**28 565**	**216 779**	**35 346**	**5 248 089**	**5 528 779**
	–	**(353 546)**	**–**	**(2 160 289)**	**(2 513 835)**
Profit for the year from continuing operations	**–**	**–**	**–**	**692 992**	**692 992**
Loss for the year from discontinued operations	**–**	**–**	**–**	**(2 853 281)**	**(2 853 281)**
Other comprehensive income for the year	**–**	**(353 546)**	**–**	**–**	**(353 546)**
Dividend paid	**–**	**–**	**–**	**(116 530)**	**(116 530)**
Share-based payment expense	**–**	**–**	**44 769**	**–**	**44 769**
Share-based payment settlement	**–**	**–**	**(13 462)**	**–**	**(13 462)**
Acquisition of NCI without a change in control	**–**	**–**	**–**	**(74 682)**	**(74 682)**
Balance at 30 June 2022	**28 565**	**(136 767)**	**66 653**	**2 896 588**	**2 855 039**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

	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	**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	**(344 448)**	(300 986)
Dividend paid	**(157 711)**	–
Cash utilised in operating activities from discontinued operations	**(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	**(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	**(674 642)**	–
Net cash flow from investing activities by discontinued operations	**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	**(130 393)**	(177 262)
Loan repaid to NCI	**(2 292)**	–
Bank loans repaid	**(4 750)**	(350)
Loan advanced from related parties	**25 000**	–
Purchase of shares for equity-settled incentives	**(14 958)**	(20 256)
Payments in respect of instalment sale agreements	**(57 520)**	(43 590)
Payments in respect of lease liabilities	**(52 239)**	(62 421)
Net cash flow from financing activities by discontinued operations	**(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	**3 339 230**	5 680 717

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

1 SEGMENTAL INFORMATION

	Audited June 2022 R 000	Re-presented Audited June 2021 R 000
Segment revenue		
Building and civil engineering	**7 498 139**	7 900 198
Roads and earthworks	**4 712 677**	5 257 623
United Kingdom	**4 209 894**	5 508 614
Total construction revenue	**16 420 710**	18 666 435
Property developments	**16 717**	1 491
Construction materials	**802 851**	795 664
Total revenue	**1 126 707**	1 058 243
Inter-segment revenue	**(323 856)**	(262 579)
Revenue from continuing operations	**17 240 278**	19 463 590
Revenue from discontinued operations (Australia)	**7 827 326**	18 867 823
Total revenue	**25 067 604**	38 331 413
Segment operating profit		
Building and civil engineering	**342 356**	319 763
Roads and earthworks	**322 092**	300 043
United Kingdom	**157 503**	262 414
Total construction operating profit	**821 951**	882 220
Property developments	**18 529**	22 338
Construction materials	**18 488**	25 087
Segment operating profit	**858 968**	929 645
Share-based payments expense	**(44 769)**	(40 192)
Impairment of goodwill	**–**	(20 635)
Operating profit from continuing operations	**814 199**	868 818
Operating loss from discontinued operations (Australia)	**(1 045 579)**	(411 687)
Impairment of goodwill	**(523 798)**	–
Operating loss from discontinued operations	**(1 569 377)**	(411 687)
Operating loss from total operations	**(755 178)**	457 131

1 SEGMENTAL INFORMATION (CONTINUED)

	Audited June 2022 R 000	Re-presented Audited June 2021 R 000
Geographical revenue		
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
Revenue from continuing operations	**17 240 278**	19 463 590
Revenue from discontinued operations (Australia)	**7 827 326**	18 867 823
Total revenue	**25 067 604**	38 331 413
Geographical operating profit		
South Africa	**525 050**	466 511
Rest of Africa	**176 415**	200 720
United Kingdom	**157 503**	262 414
Segment operating profit	**858 968**	929 645
Share-based payments expense	**(44 769)**	(40 192)
Impairment of goodwill	**–**	(20 635)
Operating profit from continuing operations	**814 199**	868 818
Operating loss from discontinued operations (Australia)	**(1 045 579)**	(411 687)
Impairment of goodwill	**(523 798)**	–
Operating loss from discontinued operations	**(1 569 377)**	(411 687)
Operating loss from total operations	**(755 178)**	457 131
Geographical non-current assets excluding deferred tax		
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
Total	**3 118 648**	4 240 191

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

2. HEADLINE EARNINGS PER SHARE

2.1 RECONCILIATION OF HEADLINE EARNINGS

	Audited June 2022 R 000	Re-presented Audited June 2021 R 000
Attributable profit	**692 992**	687 754
Adjusted for:		
Loss on deemed disposal of associate	**–**	8 350
Impairment of goodwill	**–**	20 635
Profit on disposal of property, plant and equipment	**(4 779)**	(22 304)
NCI	**965**	4 054
Tax effect	**764**	3 811
Interests in associates and joint ventures:		
Profit on disposal of property, plant and equipment	**(265)**	954
Tax effect	**74**	(267)
Headline earnings from continuing operations	**689 751**	702 987
Attributable loss	**(2 853 281)**	(371 758)
Adjusted for:		
Impairment of goodwill	**523 798**	–
NCI	**(50 312)**	–
Loss of control of subsidiary	**185 547**	–
Translation of foreign entities reclassified through profit or loss	**(460 253)**	–
Loss on disposal of property, plant and equipment	**940**	(2 840)
NCI	**(98)**	296
Tax effect	**(252)**	764
Headline loss from discontinued operations	**(2 653 911)**	(373 538)
Attributable (loss)/profit	**(2 160 289)**	315 996
Adjusted for:		
Loss on deemed disposal of associate	**–**	8 350
Impairment of goodwill	**523 798**	20 635
NCI	**(50 312)**	–
Loss of control of subsidiary	**185 547**	–
FCTR recycled through OCI	**(460 253)**	–
Profit on disposal of property, plant and equipment	**(3 839)**	(25 145)
NCI	**867**	4 351
Tax effect	**512**	4 575
Interests in associates and joint ventures:		
Profit on disposal of property, plant and equipment	**(265)**	954
Tax effect	**74**	(267)
Headline (loss)/profit from total operations	**(1 964 160)**	329 449

2.2 HEADLINE EARNINGS/(LOSS) PER SHARE (CENTS)

Basic		
Continuing operations	**1 297.0**	1 321.9
Discontinued operations	**(4 990.3)**	(702.4)
Total operations	**(3 693.4)**	619.5
Diluted		
Continuing operations	**1 297.0**	1 321.5
Discontinued operations	**(4 990.3)**	(702.2)
Total operations	**(3 693.4)**	619.3

3. ORDINARY SHARES

	Audited June 2022 R 000	Audited June 2021 R 000
Ordinary shares in issue ('000)	**59 890**	59 890
Weighted average number of shares ('000)	**53 181**	53 181
Diluted weighted average number of shares ('000)	**53 181**	53 197

4. DISCONTINUED OPERATIONS

Following a decision by the Board of the Group to withdraw 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 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 Austral Group entered into voluntary administration, the Group was unable to obtain accurate information for the period 1 February 2022 to 23 February 2022. The results of the discontinued operations at 31 January 2022, were as follows:

	Period ended 31 January 2022 R 000	Year ended 30 June 2021 R 000
4.1 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	**(1 070 849)**	–
Loss on disposal of discontinued operations	**(2 993 120)**	(373 338)
Other comprehensive income/(loss)		
Items reclassified to profit or loss:		
Currency effect of translation of foreign 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)

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

4. DISCONTINUED OPERATIONS

4.1 RESULTS OF DISCONTINUED OPERATIONS (CONTINUED)

	Period ended 31 January 2022 R 000	Year ended 30 June 2021 R 000
Loss from discontinued operations attributable to:		
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited	**(2 853 281)**	(371 758)
Non-controlling interests	**(139 839)**	(1 580)
	(2 993 120)	(373 338)
Total comprehensive loss 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)

4.2 CASH FLOWS FROM DISCONTINUED OPERATIONS

	Period ended 31 January 2022 R 000	Year ended 30 June 2021 R 000
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)

4.3 LOSS FROM DISCONTINUED OPERATIONS AND LOSS OF CONTROL OF SUBSIDIARIES:

	R 000
Loss from discontinued operations	**(1 922 271)**
Net liabilities lost	**139 445**
Translation of foreign entities reclassified through profit or loss on derecognition	**460 253**
Derecognition of non-controlling interests	**(185 547)**
	(1 508 120)
Costs to settle guarantee commitments	**(1 485 000)**
	(2 993 120)

5. LOSS OF CONTROL OF SUBSIDIARIES

The carrying amounts of the assets and liabilities as at 31 January 2022 were:

	R 000
Non-current assets	
Property, plant and equipment	260 725
Right-of-use assets	32 766
Interests in associates and joint ventures	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**
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 or loss on derecognition	(460 253)
Gain on loss of control of subsidiaries	**(599 698)**

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2022

6. EVENTS AFTER THE REPORTING DATE

The South African operating company, WBHO Construction (Pty) Ltd has secured a loan of R520 million to support the cash flow required to fund the closure of the Australian operations. 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 had 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. The sale remains 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.

COMMENTARY

As disclosed at the interim reporting period, 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.

Discontinued Operations

The Australian government's 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 approach resulted in reduced activity and further substantial losses being incurred by WBHO Infrastructure (WBHOI) and Probuild in the first half of 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. 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 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 several prominent construction companies throughout Australia over the last six months.

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, sureties 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.

At 31 August 2022, 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 successfully negotiated the return of guarantees to the value of A$36 million which should result in a saving of approximately A$22 million once the cost of recovering the guarantees has been accounted for. Guarantees to the value of A$11 still require resolution.

The administration proceedings in relation to WBHOI allowed major subcontractors on WRU to terminate their contracts. The client has incurred increased costs to recontract these subcontractors to achieve final completion and the remedy of defects. The Group has worked together with the client to achieve a mutual settlement that will allow for an amicable withdrawal from the 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. The DOCA is an important step in resolving the voluntary administration process for these companies as it eliminates any possible future claims and litigation against the Group had the companies entered into liquidation. The DOCA effectively resolves all creditors' claims against the administration entities, with a view to these entities being ultimately returned to the directors to be deregistered.

The key terms of the DOCA result in the establishment of a creditors' deed fund toward which the Group made a cash contribution of A$9 million in July 2022. The cash contribution together with the realisation of the assets of the Australian operations shall be applied against amongst other things:

- employee creditors in full;
- a *pro rata* distribution to small creditors;
- payment of the Administrators' and Deed Administrators' Liabilities; and
- a distribution to unsecured creditors and insurance bond creditors;

The DOCA also allows for the Group to participate in possible recoveries from certain guarantees that have been called under the CBA facility.

The conclusion of the DOCA and the settlement in terms of the deed agreed with the client on WRU, provide a degree of certainty of the expected costs to be incurred by the Group arising from its decision to exit the Australian construction market.

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 a regulatory approval.

Having observed the prevailing unfavourable market conditions within the wider Australian construction industry over the second half of the reporting period, the Group believes that despite the significant cost of exiting Australia, the decision to do so has in no doubt protected the position of the remaining operations as well as the stakeholders of the Group.

COMMENTARY CONTINUED

Continuing operations

Although activity within both the Building and civil engineering and Roads and earthworks divisions slowed, the African operations delivered positive results with improved margins in FY2022. The improvement came even though the projects executed during the period were predominantly secured during Covid-19 when conditions were exceptionally competitive to secure work.

The subdued procurement environment was even more prevalent in the United Kingdom (UK) where the number of available projects on which to bid reduced substantially, particularly within the Manchester construction market.

FINANCIAL REVIEW

Revenue and operating profit from continuing operations by segment

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 1.4% to R11 billion, while revenue from the rest of Africa declined by 35% to R2 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.

Segment operating profit from continuing operations declined by 8% from R930 million in FY2021 to R859 million at 30 June 2022, primarily due to the lower activity levels in the UK. Operating profit from the African operations increased to R701 million from R667 million at a combined operating margin of 5.4%.

Loss from discontinued operations and 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, an impairment of goodwill and the derecognition of deferred tax assets. The loss from discontinued operations for this period amounts to A$168 million which translates to R1.9 billion.

The loss from loss of control of subsidiaries represents the derecognition of the net liabilities of the Australian operations, the derecognition of the non-controlling interests and the recycling through profit and loss of the foreign currency translation reserve at the date control was lost.

Together, the loss from discontinued operations and loss of control of subsidiaries amount to R2.9 billion.

Earnings/(loss) per share and headline earnings/(loss) per share

At 30 June 2022, the Group generated earnings from continuing operations of 1 303 cents per share compared to restated earnings per share of 1 293 cents at 30 June 2021. The loss per share from total operations amounts to 4 062 cents per share (2021: 594 cents per share). Headline earnings from continuing operations amounted to 1 297 cents per share *versus* 1 322 earnings per share in the comparative period. The headline loss from total operations amounts to 3 693 per share (2021: headline earnings per share of 619 cents).

Interests in associates and joint ventures

The table below provides information on the different types of investments in which the Group has significant influence but not control:-

Entity	Industry	Country	Effective %	Carrying amount 30 June 2022 Rm	Carrying amount 30 June 2021 Rm	After-tax share of profits and losses 30 June 2022 Rm	After-tax share of profits and losses 30 June 2021 Rm
Construction							
Edwin Construction	Infrastructure	South Africa	49	**67.1**	84.1	**7.5**	8.8
Ilembe Airport Construction Services	Airport construction	South Africa	29.3	**–**	3.8	**–**	–
Concessions							
Dipalopalo	Serviced accommodation	South Africa	27.7	**52.0**	53.9	**–**	–
DFMS Joint Venture	Serviced accommodation	South Africa	14.6	**11.3**	7.4	**3.5**	3.1
Tshala Bese Uyavuna (RF)	Serviced accommodation	South Africa	32.5	**0.3**	0.8	**–**	–
Gigajoule International	Gas supply	Mozambique	26.6	**239.3**	202.1	**38.4**	31.6
Gigajoule Power	Power supply	Mozambique	13	**131.7**	150.8	**43.9**	18.6
Property developments							
Catchu Trading	Residential	South Africa					
Phase 1			50	**24.3**	24.3	**–**	–
Phase 2			50	**30.6**	30.6	**–**	–
The Rubik	Residential	South Africa	20	**23.2**	–	**–**	–
Property developer							
Russell Homes	Residential schemes and house builder	United Kingdom	31.7	**81.3**	226.7	**7.2**	6.7
Total				**661.1**	**784.5**	**100.5**	**68.9**
Expected credit loss				**(0.8)**	**(0.9)**	**–**	–
Total				**660.3**	**783.6**	**100.5**	**68.9**

Earnings from interests in associates and joint ventures increased from R69 million to R101 million due to increased earnings from the Gigajoule group of companies. The Group received cash dividends of R64.5 million from the Gigajoule Group and R24.5 million from Edwin Construction during the period.

Cash

The Group maintained cash balances related to the continuing operations above R3 billion. The cash operating losses and parent company obligations in Australia amounting to R1.3 billion were funded by strong cash operating cash flows from the continuing operations of the Group, limiting the decrease in cash balances in South Africa from R1.5 billion to R1.1 billion. Cash balances in the rest of Africa remained constant at R1 billion while cash in the UK waned from R1.4 billion to R1.2 billion. Cash outflows relating to investing activities from continuing operations amounted to R140 million and include capital expenditure acquired for cash of R117 million. Additional capital expenditure of R112 million was financed. Depreciation amounted to R199 million (2021 re-presented: R208 million) of which R53 million was recognised in respect of right-of-use assets.

Significant changes in non-controlling interests

During the reporting period, the non-controlling shareholders of Russell-WBHO Limited exercised their final put options in terms of the share purchase agreement. The transaction was concluded on 15 February 2022 for a consideration of £6.2 million (R128 million). The Group now has a 100% interest in Russell-WBHO Limited. A true-up of £122 thousand (R2.4 million) was paid on the third put option exercised in January 2021.

Contingent liabilities

Financial guarantees issued to third parties amounted to R5,0 billion compared to R8.4 billion in issue at 30 June 2021.

COMMENTARY CONTINUED

OPERATIONAL REVIEW

BUILDING AND CIVIL ENGINEERING

		30 June 2022 Rm	30 June 2021 Rm
Revenue	5% decline	**7 498**	7 900
Operating profit	4,5% margin	**342**	320
Capital expenditure		**21**	9
Depreciation		**23**	20

Revenue from the Building and Civil Engineering division decreased by 5% in FY2022. Operating profit improved to R342 million at a margin of 4.6% compared to R320 million at a margin of 4% in the preceding reporting period.

Building

The division performed well across all regions and experienced a noticeable improvement in procurement activity over the second half of the year, resulting in a substantial increase in order book levels. Building activity which declined by 3.9%, would have likely been in line with that of the prior year had it not been for the well-publicised suspension of the large-scale River Club development in the Western Cape.

In Gauteng, activity levels were consistent with those achieved in FY2021 and margins improved. The industrial building and warehousing sector remained a strong source of activity in the region, with revenue from this sector comprising 52% (FY2021: 51%) of overall activity. Revenue from commercial office and mixed-use developments declined by 17% as various projects from within the sub-R250 million market of this sector were completed. Despite this decrease, the sector comprised 26% of activity in the region as the public-private partnership (PPP) contract for the design, build, operation and maintenance of a new serviced working environment for the Department of Agriculture, Land Reform and Rural Development contributed strongly toward activity. Retail activity in the region remains subdued with no new projects secured from this sector during the period. The increase in online activity since the onset of Covid-19 and a trend toward cloud storage solutions by corporates, has resulted in significant demand for data storage facilities. During the period, the division was awarded a new data centre for Vantage Data Centres on a design and construct basis that was executed, commissioned and handed over within 10 months. The successful completion of this project represents an important addition to the division's skill set as this sector is set to become a strong source of future activity. Already, an additional data centre project has been secured just prior to the end of the period. The division was also awarded, and commenced, a residential project in excess of R1 billion at Steyn City in the second half of the financial year.

In spite of a 9% decrease in revenue, the division delivered stable results from the coastal regions. In the Western Cape, the division performed well in the region. Construction of the River Club commercial offices and the Harbour Arch mixed-use development underpinned activity alongside various residential and student accommodation projects. In the Eastern Cape, activity tapered off in line with expectations, particularly within the industrial and warehousing sector following the completion of a number of projects in the first half of the year. Construction of the Boardwalk Mall was the primary driver of activity in the region, supported by two projects at the Nelson Mandela University and other smaller retail projects. The division produced increased revenues in Kwa-Zulu Natal (KZN) supported by the ongoing construction of the large-scale Oceans mixed-use development in Umhlanga and various warehousing projects secured in the second half of FY2021.

In the rest of Africa, the refurbishment of a hotel in Lusaka, Zambia was completed in December 2021. The long-awaited award of the accounting college in Botswana finally materialised and contributed towards activity in the second half of the year. The division also commenced construction of the Polihali Village for the Lesotho Highlands Development Agency which comprises permanent housing, a visitors' lodge, school, recreational centre and sports facilities.

Civil engineering

Revenue from the Civil engineering division declined by 16% as the division struggled to fully replace the suspended LNG gas infrastructure contract in Mozambique with local projects. Improved commodity prices and increased opportunities within the renewable energy sector resulted in an 11% increase in activity in South Africa. Two mining infrastructure projects secured in FY2021 that were completed in the current period, were replaced with a new project at the Two Rivers Platinum mine, secured late in the financial year. Construction at the 147MW Roggeveld wind farm was also completed. Other significant projects include the re-access works at Kusile which is expected to reach final completion in FY2023, the ongoing construction of a 158m diameter concrete reservoir with associated pipework and valve chambers in joint venture with VRP partner, Motheo Construction and marine, civil and electrical engineering works for the construction of a new tug jetty at the port in Ethekwini.

In Zambia, procurement activity within the mining sector remains negligible following various political interventions highlighted in previous reporting periods' reports. Work from other sectors is also muted and the division is evaluating its continued presence in the region.

ROADS AND EARTHWORKS

		30 June 2022 Rm	30 June 2021 Rm
Revenue	10% decline	**4 713**	5 258
Operating profit	6,8% margin	**322**	300
Capital expenditure		**196**	77
Depreciation		**85**	81
IFRS 16 right-of-use assets		**0.8**	0.4
IFRS 16 depreciation		**2**	2

Revenue from the Roads and earthworks division decreased by 10% over the comparative period while the operating margin improved from 5.8% to 6.8%. Revenue generated in South Africa increased marginally over FY2021 as revenue from the rest of Africa decreased by 33%. The decline in activity within the rest of Africa was centred in Mozambique, where the division was unable to replace the sizeable revenues generated from the large-scale gas infrastructure projects suspended in FY2021.

In South Africa, the division experienced a strong uptick in activity from mining infrastructure projects as the improvement in commodity prices continues to support new capital expenditure programmes from the major mining houses. Existing projects for Seriti Coal, Kumba Iron Ore, a subsidiary of Anglo American and South 32 were complemented by new tailings facilities for Harmony at Kareerand and Goldfields at Doornpoort, a new contract for Anglo Platinum that is part of the Mototolo and Der Brochen life extension project and additional works for Kumba Iron Ore at the Kolomela mine. The division continued to execute a sizeable volume of roadwork projects where a decline in road construction projects was offset by strong growth within Roadspan, the division's road surfacing, road rehabilitation and asphalt and bitumen supply business. Further delays by Sanral in the award of some large-scale road projects on which the division was competitively positioned, followed by their ultimate cancellation, had a significant impact on anticipated revenue from the road sector for the current period. Within the energy infrastructure sector, the successful completion of the FAD 6 project cemented the division's relationship with Sasol and supported the award of new projects in both South Africa and Mozambique. Work at the Camden power station for Eskom was also completed in the period. Turnkey solutions that offer clients both civil engineering and pipeline construction services on select projects continued to underpin pipeline activity with work centred at various mining, water and energy infrastructure sites. In the period, the division completed the pumping system for the tailings facility at the Two Rivers Mine and the replacement of water pipelines between Rooi-Els and Hermanus in the Western Cape.

In the rest of Africa, revenue from Botswana remained consistent with the comparative period supported by activity on the copper and diamond mines. The roadwork project in Swaziland and the advanced infrastructure project in Lesotho were both completed during the current period. In Mozambique, the division was unable to replace activity related to various LNG gas infrastructure projects for Total, that were either suspended or terminated in FY2021. The enhanced outlook for the mining sector supported activity in Ghana and although revenue in FY2022 was in line with the prior period, new awards in the second half of the financial year will strengthen future activity in the region. The division's diversification into Madagascar last year was hampered by several unpredictable setbacks in the first half of the reporting period. Site conditions and productivity improved over the second half of the year and the scope of works has been increased. Although this will likely remain a challenging project until completion, there are prospects of a recovery.

COMMENTARY CONTINUED

UNITED KINDOM

		30 June 2022 Rm	30 June 2021 Rm
Revenue	24% decline	**4 210**	5 509
Operating profit	3,8% margin	**158**	263
Capital expenditure		**10**	9
Depreciation		**33**	45
IFRS 16 right-of-use assets		**2**	8
IFRS 16 depreciation		**43**	23

Overall revenue from the UK declined by 24% in rand terms and 22% in pound terms. The lower levels of work-on-hand at the end of FY2021 impacted revenue generation in the UK this financial year alongside the delayed award of approximately £800 million of tendered projects. Fewer available projects has resulted in heightened competition and aggressive pricing and the operations have prioritised right-sizing the businesses over securing work at low margins. Project margins have been maintained but the overall operating margin decreased from 4.8% to 3.8% as certain fixed overheads have been retained in anticipation of an upward shift in the construction market cycle.

Byrne Group

Revenue from the Byrne Group increased by 7% from £143 million to £153 million this year, where reduced activity within Byrne Bros. was offset by a rejuvenated performance from Ellmers Construction following the award of the £68 million Marylebone Hotel project and the £21 million Stoke Park project during the reporting period. The increased activity within Ellmers was in line with expectations as revenue returned to pre-pandemic levels following the consolidation of the business over the course of FY2021.

In the current environment, the operating profit of £6.5 million achieved at a margin of 4.1% represents a praiseworthy performance when compared to the £5.4 million operating profit achieved in FY2021 at a margin of 3.8%.

Current projects for Byrne Bros. include, Elephant park a residential scheme for Lend Lease, various contracts for HS2 and a new residential project of 30 million pounds for Sisk in Wembley.

Contracts completed by Byrne Bros. during the year included a new EFW project in Loughborough, Santander's new headquarters in Milton Keynes, two high rise towers at Nine Elms and a new distribution centre in Luton for Lidl.

Current projects for Ellmers include the fit-out of Google's new offices in Kings Cross, a fit-out of 18 luxury residential apartments at the Peninsula in Belgravia, main contract works at the 199 room Marylebone Lane Hotel and 15 high-end residential apartments in Vauxhall. Completed projects comprised of refurbishment works to the Mansion and Pavilion at Stoke Park.

Russell-WBHO

Revenue from Russell-WBHO decreased substantially by 55% to £55 million compared to £123 million in FY2021. It was a difficult year affected by the aftermath of the Covid-19 pandemic and very few available projects as rampant inflation impacted the feasibility of new developments. Operating profit decreased from £7.7m last year to £2m in FY2022 accompanied in a decrease in the operating margin from 6.3% to 3.6%. While contract margins were maintained at historic levels, the low volume of work was insufficient to mitigate the impact of preserving the minimum fixed cost base required.

Despite the challenging year, Russell-WBHO completed projects with a total value of £165m over the first six months of the year which is the highest value of handed over projects in a given period in the history of the business. This included projects in the residential, hotel, leisure and office sectors.

Current projects comprise the delivery of new and upgraded facilities nationwide for Lineage Logistics and the rolling out of their UK solar PV installation programme as well as the £43m conversion of Liverpool's Municipal Building into a luxury 4-star hotel for Fragrance Group and Accor Hotels.

CONSTRUCTION MATERIALS

		30 June 2022 Rm	30 June 2021 Rm
Revenue	6% growth	**1 127**	1 058
Inter-company sales		**(324)**	(263)
Revenue to external customers		**803**	796
Operating profit	1,6% margin	**18**	25
Capital expenditure		**3**	0.4
Depreciation		**6**	8
IFRS 16 right-of-use assets		**6**	3
IFRS 16 depreciation		**8**	8

Trading conditions within the steel supply industry were constrained in the current reporting period where exceptionally competitive pricing remained prevalent. Reinforcing Mesh Solutions (RMS) has maintained its focus on the cash sales market to counteract the effect of fewer building contracts. Overall sales volumes decreased by 19% over the previous reporting period with lower volumes experienced across nearly all branches with the 6% increase in revenue a result of increased raw material prices. The increased order books of the construction divisions of the Group should support an improved outlook for the business in FY2023.

ORDER BOOK AND OUTLOOK

	%	**At 30 June 2022 Rm**	12 months to 30 June 2023 Rm	Beyond 30 June 2023 Rm	%	At 30 June 2021 Rm
Order book by segment						
Building and civil engineering	52	**11 540**	7 804	3 736	55	8 558
Roads and earthworks	29	**6 400**	3 820	2 580	28	4 312
United Kingdom	19	**4 270**	4 250	20	17	2 699
Total	**100**	**22 210**	**15 874**	**6 336**	**100**	**15 569**
Order book by geography						
South Africa	71	**15 786**	10 181	5 605	76	11 853
Rest of Africa	10	**2 154**	1 443	711	7	1 017
United Kingdom	19	**4 270**	4 250	20	17	2 699
Total	**100**	**22 210**	**15 874**	**6 336**	**100**	**15 569**

The order book for continuing operations increased by 43% from R16 billion to R22 billion and highlights the much-improved procurement environment across all regions and divisions. The order book for the African operations increased by 39% which comprises a 33% increase in the order book in South Africa and a 112% increase in the order book for the rest of Africa. The order books of the Building and civil engineering and Roads and earthworks divisions increased by 35% and 48% respectively and the order book in the UK recovered by 58%.

Africa (including South Africa)

The improvement in available construction opportunities within local building markets over the reporting period alongside the award of a number of large-scale projects strengthened Building order book levels at 30 June 2022. The Gauteng and Western Cape regions have a solid baseload of work extending well into FY2024 and although general market conditions remain competitive, a more selective approach can now be adopted when considering future opportunities. The forward-looking pipeline remains robust with further large-scale projects including PPPs in the process of adjudication.

In Gauteng, the award of several projects in excess of R1 billion has reduced reliance on procuring work from the sub-R250 million market. Nonetheless, four new commercial office developments and a student accommodation development of less than R250 million were secured during the period. The division will continue to target projects from this sub-sector for key clients. Significant awards supporting future activity in the region, include a new 165 000m^2 distribution warehouse for the Fortress Group for whom Pick 'n Pay will be the tenant, the large-scale residential development at Steyn City and extension and refurbishment of the head office of the South African Reserve Bank. The division has been awarded a new data centre for Africa Data Centre which together with the successful completion of the Vantage Data Centre in Midrand has presented the division with further prospects in this market.

In the Western Cape, the award of four new office developments for various clients including the Investec regional head office, a new retirement village in Stellenbosch, two student accommodation developments and a project for the Western Cape Education Department will complement the ongoing construction of the large-scale Harbour Arch residential development expected to reach completion in FY2023.

COMMENTARY CONTINUED

The River Club mixed-use development, for which Amazon is the tenant, may potentially resume activity toward the end of the 2022 calendar year. Both the Harbour Arch and River Club projects have the potential for further phases of construction. Market conditions in the region remain competitive and existing relationships remain crucial when bidding for and negotiating new work. Similar to the Gauteng building market, data centres have emerged as a future source of activity in the region.

Trading conditions within the KZN building market are challenging. Construction of the retail phase of the Oceans mixed-use development in Umhlanga will continue into FY2023. Industrial property, in particular warehousing and logistics facilities, have proven to be resilient in the region and five new projects with a combined value in excess of R650 million were secured from this sector during the period. The division is targeting further opportunities at the Clairwood industrial park as well as unfolding projects from a new R6 billion industrial park development. A residential development and a retail project make up the balance of new work to be executed in the region during the next financial year. Rebuild opportunities from the July 2021 unrest still exist alongside select retail and healthcare prospects.

Following two exceptional years of strong activity in the Eastern Cape, order book levels in the region have normalised, yet remain healthy. New sizeable awards supporting activity in FY2023 comprise a cold storage facility at Coega and a residential development in Gqeberha. The forward-looking pipeline in the region strengthened over the second half of the reporting period and while industrial opportunities have quietened, good prospects exist in the retail, hotel and social housing markets.

In FY2023, building work in rest of Africa will be centred in Lesotho and Botswana. Opportunities exist in Ghana and Botswana with further prospects available in Rwanda, Kenya and the Democratic Republic of Congo. The division will continue to adopt its conservative risk appetite when evaluating and bidding on any new projects in these regions.

The increase in the cap on private energy generation from 1MW to 100MW by Eskom resulted in the emergence of private solar farm projects over the second half of FY2022. The Projects team of the African operations secured design and construct contracts in joint venture for a 30MW plant just before the end of the reporting period and two 100MW plants of approximately R1.5 billion each subsequent to the financial year that are not included in the order book. The civil engineering elements of these projects will be executed by the Civil engineering and Roads and earthworks divisions of the Group.

The order book of the Civil engineering division has stabilised, supported largely by new projects secured from the mining infrastructure sector in South Africa. Work within the mining infrastructure, water infrastructure, marine and renewable energy sectors will support activity into FY2023. Each of these sectors offer additional opportunities for new work to be secured later in the year as well as supporting the longer-term pipeline. The security environment in the north of Mozambique is believed to have improved, although sporadic incidents continue to occur. Interactions with the client indicate that activity on the gas project may resume in the first half of 2023. In Zambia, the anticipated revival of the procurement environment has not materialised and the outlook remains subdued.

The Roads and earthworks division grew its order book level by 48%. The division has developed a strong baseload of mining infrastructure work in South Africa with scope for additional work on existing projects as well as other new work prospects. Within the roadwork sector, Sanral has committed to reissue and award the R17 billion in cancelled tenders by the end of September 2022 and while the possibility of meeting this time frame is optimistic, the projects offer strong mid-term opportunities for FY2024. In the meantime, the division is active on projects along the N2 in the Eastern Cape with additional prospects in the region. Roadspan has a firm order book and a promising pipeline for mid-sized road surfacing and rehabilitation projects. The pipeline of energy infrastructure projects is positive. The division has submitted bids for new work on two power stations and has other opportunities for the civil engineering components of wind and solar farms in the renewable energy market.

In Botswana, activity will remain concentrated on the copper and diamond mines where the division has a proven track record and strong relationships with existing clients. There are sufficient mining infrastructure projects available to sustain future activity at current levels, however the division is exploring prospects in Namibia in order to diversify from the cyclical nature of the Botswana construction market. Following the suspension and termination of the gas-related infrastructure works at Afungi, in northern Mozambique, the division targeted new mining infrastructure opportunities in Tanzania, supported by renewed activity on the gold mines in the region and a friendlier approach to foreign contractors by the new political regime. The division has partnered with citizen-owned companies in Tanzania and was recently awarded projects on the Geita Gold mine for Anglogold Ashanti. The division is also forging new relationships on additional mines in the region. The division recently secured three new projects for Sasol at the Temane and Pande gas fields in the south of Mozambique, which in addition to the possibility of the suspended gas-related infrastructure works resuming in the second half of FY2023, will reinforce renewed activity in the region. In West Africa, the award of two new tailings storage facilities at the Ahafo and Iduapriem mines in the second half of FY2022 will result in increased activity in Ghana in FY2023 and place the division in a good position to secure additional phases of work on these mines. Subsequent to the end of the reporting period the division secured an exciting large-scale rail rehabilitation contract for Arcelor Mittal at its Liberia mining project and is in further negotiations with them for construction of a tailings facility and waste management plant at the same location.

United Kingdom

The UK order book increased by 58% at 30 June 2022 underpinned by new awards within the Byrne Group.

Byrne Bros. has a strong secured order book which includes completing superstructure works at Google's Headquarters, concrete works for the Atomic Weapons Establishment (AWE) project at Mensa, a new residential project in Elephant and Castle and an office development in Kings Cross. New awards secured during the period comprise three projects related to the large-scale High Speed Rail project, an additional project for AWE and two towers for a residential project at Wembley Park. The forward-looking pipeline remains healthy with the pending award of several delayed projects likely to further support activity levels in FY2023 and FY2024. Byrne Bros. has been awarded a pre-construction agreement for the North London Heat and Power plant worth £65 million. Byrne Bros. has successfully diversified its sector and client base to ensure resilience against challenging market conditions and provide a stable platform for future growth. Within Ellmers Construction, the secured order book for FY2023 includes the completion of the residential apartments at the Peninsula, the Marylebone Lane Hotel, the balance of the Google contract and the Vauxhall apartments. The estimating team is extremely busy and having recently been made the preferred contractor on £66 million hotel contract called The Other House, is being more selective on new opportunities. The London and South-East construction market will remain the principal focus of the business with continued opportunities in our core strength areas of high-end residential, hotel and commercial developments.

In Manchester, project enquiries have picked up in recent months and the estimating department has increased capacity in order to meet demand. Enquiries are also developing into real opportunities, rather than clients testing the market. The rising escalation on projects remains an issue that clients are grappling with, however the supply chain has adapted well. During the period Russell-WBHO received a letter of intent for a £10 million care home project as well as the £10 million, Doncaster project. A notice of appointment was also received for the Supercomputer Centre valued at £28 million. Subsequent to the reporting period, the Manchester Markets project valued at £17 million was awarded. These projects will all commence in FY2023. A further imminent award is the Whitworth Street residential apartments valued at £80 million where pricing has been accepted by the client and project commencement is subject only to final funding approval. Russell-WBHO has been named as a partner contractor for the Associated British Ports framework for projects in North West England and Scotland, which is part of a five year, £415 million building programme at its 21 ports around the country. With further frameworks expected to be announced, this is expected to be a growing source of projects for the business over the medium-term.

SAFETY

The safety statistics from continuing operations reduced to the lowest levels ever achieved by the Group this year. The lost-time injury frequency rate decreased from 0.60 injuries per million man hours in the previous period to 0.30 at 30 June 2022.

The number of fatalities reduced to a single tragic loss where sadly, Mr Yongama Gwe, a subcontractor employee, succumbed to his injuries from a work-related incident in South Africa. The Board and management extend their heartfelt condolences to the family, friends and colleagues of the deceased for their loss.

OUTLOOK

The high degree of certainty obtained from the imminent finalisation of the Group's exit from Australia, the substantial improvement in order book levels and a solid forward-looking pipeline has boosted the medium-term outlook for the Group and should facilitate the strengthening of its financial position to former levels. Retention of skills within South Africa remains a risk and the recent announcements of high-level arrests made in South Africa is an important step in the fight against corruption. Although there is still much to be done on this front, it is a critical step forward to foster confidence in the government and thereby help stem the wave of emigration of professional skills from South Africa; especially with the volume of construction activity within the market. Volatility within world markets driven by supply constraints, rising inflation and the Russian invasion of Ukraine, have increased the possibility of a global recession and creates some uncertainty over future longer-term market conditions. Nonetheless, the Group has demonstrated its resilience having successfully negotiated its way through depressed economic conditions and a perpetual shrinking of the construction market in South Africa, the impact of Covid-19 on all operations over the last two years and a costly disinvestment from Australia.

APPRECIATION

The Board and management acknowledge extend their gratitude to all our Australian employees to whom we have had to say goodbye this year, and wish them well in their future endeavours. To our remaining employees who form an integral part of the WBHO team, having endured what has been a challenging few years, we look forward to your ongoing support and commitment as we begin a new chapter with a brighter future ahead of us. We also thank our many clients who have laid the foundation for our renewed growth through their ability to bring a multitude of new projects to market this year, in what remains an unpredictable yet exciting environment.

DIVIDEND DECLARATION

The Board has elected not to declare a dividend for the period ending 30 June 2022 due to the anticipated cash outflows still required to meet the Group's contractual obligations in Australia.

PRESENTATION OF THE FINANCIAL RESULTS AT 30 JUNE 2022

Shareholders and interested parties are advised that a presentation of the Company's audited consolidated financial results for the year ended 30 June 2022 will be held at Investec's offices in Sandton on Tuesday, 13 September 2022 at 10:00 and in Cape Town on Wednesday, 14 September 2022 at 10:30. The presentation will also be made available on the Company's website at www.wbho.co.za.

WP Neff **CV Henwood** **EL Nel**

13 September 2022

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