UNAUDITED RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

WBHO

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

BASIS OF PREPARATION

for the six months ended 31 December 2019

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

The accounting policies applied in the preparation of the consolidated interim financial statements are in terms of International Financial Reporting Standards and, with the exception of IFRS 16: *Leases* which became effective during the current period, are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements.

The consolidated interim financial statements have been compiled under the supervision of the Chief Financial Officer, Charles Henwood CA (SA), and were approved by the Board on 28 February 2020.

The consolidated interim financial statements for the period ended 31 December 2019 have not been audited or reviewed by the group's auditors, BDO South Africa Incorporated.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2019

	Note	Unaudited December 2019 R'000	Unaudited December 2018 R'000	Audited June 2019 R'000
ASSETS				
Non-current assets				
Property, plant and equipment		**1 929 294**	1 933 871	1 936 709
Right-of-use asset	6	**373 913**	–	–
Goodwill		**934 465**	942 994	921 103
Equity-accounted investments		**955 738**	1 062 956	1 069 328
Long-term receivables		**389 775**	378 717	346 253
Deferred taxation		**667 984**	824 633	903 657
Total		**5 251 169**	5 143 171	5 177 050
Current assets				
Inventories		**328 700**	318 165	327 520
Contract assets		**1 115 253**	1 247 841	1 423 218
Trade and other receivables		**5 693 495**	5 624 834	6 717 509
Taxation receivable		**254 860**	142 422	167 546
Cash and cash equivalents		**5 108 412**	4 286 279	5 951 985
Total		**12 500 720**	11 619 541	14 587 778
Total assets		**17 751 889**	16 762 712	19 764 828
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		**28 565**	28 565	28 565
Reserves		**5 946 216**	5 533 774	5 843 621
Shareholders' equity		**5 974 781**	5 562 339	5 872 186
Non-controlling interests (NCI)		**280 411**	288 576	261 645
Total		**6 255 192**	5 850 915	6 133 831
Non-current liabilities				
Long-term liabilities		**587 048**	194 195	193 164
Deferred taxation		**25 317**	29 722	174 131
Total		**612 365**	223 917	367 295
Current liabilities				
Contract liabilities		**3 168 035**	2 702 797	2 206 511
Trade and other payables		**5 742 999**	5 545 572	8 627 016
Provisions		**1 967 771**	2 384 450	2 414 682
Taxation payable		**5 527**	55 061	15 493
Total		**10 884 332**	10 687 880	13 263 702
Total equity and liabilities		**17 751 889**	16 762 712	19 764 828

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE AND OTHER COMPREHENSIVE INCOME

for the six months ended 31 December 2019

	% change	Unaudited December 2019 R'000	Unaudited December 2018 R'000	Audited June 2019 R'000
Revenue	13,8	**22 894 398**	20 113 510	40 614 297
Operating profit before non-trading items		**263 720**	2 718	561 235
Share-based payment expense		**(21 324)**	(26 616)	(48 394)
Operating profit/(loss)		**242 396**	(23 898)	512 841
Share of profits and losses from equity-accounted investments		**70 560**	29 502	51 958
Finance income		**101 490**	95 478	207 012
Finance costs		**(16 226)**	(11 783)	(23 565)
Profit before taxation		**398 220**	89 299	748 246
Income tax expense		**(148 420)**	(10 064)	(199 253)
Profit for the period	215,3	**249 800**	79 235	548 993
Other comprehensive income (OCI)				
Items that may be reclassified through profit or loss:				
Translation of foreign entities		**(26 477)**	32 804	(61 679)
Translation of net investment in a foreign operation		**31 376**	10 117	(10 616)
Tax effect of the above items		**(8 785)**	(2 833)	2 972
Equity-accounted investments OCI		**(1 463)**	175	16 602
Total comprehensive income for the period		**244 451**	119 498	496 272
Profit for the period attributable to:				
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		**218 658**	71 114	498 528
Non-controlling interests		**31 142**	8 121	50 465
		249 800	79 235	548 993
Total comprehensive income attributable to:				
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		**213 309**	111 377	445 807
Non-controlling interests		**31 142**	8 121	50 465
		244 451	119 498	496 272
Earnings per share (cents)				
Basic earnings per share	207,9	**411,7**	133,7	938,7
Diluted earnings per share	207,8	**411,5**	133,7	938,5
Headline earnings per share	182,5	**411,3**	145,6	932,3
Diluted headline earnings per share	182,6	**411,2**	145,5	932,2
Dividend per share (cents)		**80,0**	–	190,0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2019

	Share capital R'000	Foreign currency translation reserve R'000	Non-distributable reserves R'000	Distributable reserves R'000	Shareholders' equity R'000
At 30 June 2018	28 565	213 292	14 312	5 555 470	5 811 639
IFRS 15 adjustment	–	–	–	(30 624)	(30 624)
IFRS 9 adjustment	–	–	–	(48 856)	(48 856)
Profit for the period	–	–	–	71 114	71 114
Other comprehensive income	–	32 804	7 284	–	40 088
Equity-accounted investment OCI	–	175	–	–	175
Dividend paid	–	–	–	(184 100)	(184 100)
Share-based payment expense	–	–	26 616	–	26 616
Share-based settlement	–	–	(91 062)	–	(91 062)
Acquisition of NCI without a change in control	–	–	–	(32 651)	(32 651)
At 31 December 2018	28 565	246 271	(42 850)	5 330 353	5 562 339
IFRS 15 adjustment*	–	–	–	(5 425)	(5 425)
IFRS 9 adjustment*	–	–	–	(8 683)	(8 683)
Profit for the period	–	–	–	427 414	427 414
Other comprehensive income	–	(94 483)	(14 928)	–	(109 411)
Equity-accounted investment OCI	–	16 427	–	–	16 427
Share-based payment expense	–	–	21 778	–	21 778
Share-based settlement	–	–	9 581	–	9 581
Acquisition of NCI without a change in control	–	–	–	(41 834)	(41 834)
At 30 June 2019	28 565	168 215	(26 419)	5 701 825	5 872 186
IFRS 16 adjustment	**–**	**–**	**–**	**(2 084)**	**(2 084)**
Profit for the period	**–**	**–**	**–**	**218 658**	**218 658**
Other comprehensive income	**–**	**(26 477)**	**22 591**	**–**	**(3 886)**
Equity-accounted investment OCI	**–**	**(1 463)**	**–**	**–**	**(1 463)**
Dividend paid	**–**	**–**	**–**	**(105 501)**	**(105 501)**
Share-based payment expense	**–**	**–**	**21 324**	**–**	**21 324**
Share-based settlement	**–**	**–**	**(16 239)**	**–**	**(16 239)**
Acquisition of NCI without a change in control	**–**	**–**	**–**	**(8 214)**	**(8 214)**
At 31 December 2019	**28 565**	**140 275**	**1 257**	**5 804 684**	**5 974 781**

* *Additional adjustments made to opening retained income during the course of the year-end audit at 30 June 2019 on application of the new standards, IFRS 9 and IFRS 15. The adjustment is both qualitatively and quantitatively immaterial and hence the interim consolidated financial statements at 31 December 2018 have not been restated. Had the restatement been made, non-controlling interests would have decreased by R4,2 million, while loans and receivables would have decreased by R11,3 million and cash and cash equivalents would have decreased by R4,8 million. The resulting deferred tax effect would have been an increase of R3,6 million.*

CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 December 2019

	Unaudited December 2019 R'000	Unaudited December 2018 R'000	Audited June 2019 R'000
Operating (loss)/profit adjusted for non-cash items	**(36 629)**	747 234	1 433 340
Working capital changes	**(723 281)**	(1 296 225)	33 448
Cash (utilised in)/generated from operations	**(759 910)**	(548 991)	1 466 788
Finance income	**103 830**	95 091	213 806
Finance costs	**(3 399)**	(6 119)	(12 084)
Taxation paid	**(241 603)**	(135 150)	(327 253)
Dividends paid	**(111 047)**	(193 031)	(193 351)
Cash (utilised in)/retained from operations	**(1 012 129)**	(788 200)	1 147 906
Cash flow from investing activities			
Advance of long-term receivables	**(2 659)**	(5 701)	(19 215)
Repayment of long-term receivables	**12 116**	40 000	49 342
Acquisition of subsidiary	**–**	(571 670)	(571 670)
Investments in equity-accounted investments	**–**	(148 069)	(98 301)
Acquisition of equity-accounted investment	**–**	–	(56 577)
Loans repaid by equity-accounted investments	**3 962**	6 558	10 690
Repayment of other contributed equity	**283 192**	–	–
Settlement of contingent consideration	**–**	(17 778)	(17 778)
Rentals received from capatalised leases	**2 062**	–	–
Proceeds on disposal of property, plant and equipment	**14 200**	68 271	59 607
Purchase of property, plant and equipment	**(103 614)**	(178 244)	(223 234)
	209 259	(806 633)	(867 136)
Cash flow from financing activities			
Repayment of borrowings	**–**	(39 868)	(36 668)
Advance of long-term borrowings	**88 814**	–	–
Acquisition of NCI without a change in control	**(3 938)**	(56 437)	(146 936)
Purchase of shares for equity-settled incentives	**(16 220)**	(89 933)	(89 933)
Payments in respect of capitalised leases	**(95 700)**	(63 013)	(170 963)
	(27 044)	(249 251)	(444 500)
Net decrease in cash and cash equivalents	**(829 914)**	(1 844 084)	(163 730)
Foreign currency translation effect	**(13 659)**	(1 606)	(16 254)
Cash and cash equivalents at the beginning of the period	**5 951 985**	5 992 461	5 992 461
Cash and cash equivalents acquired	**–**	139 508	139 508
Cash and cash equivalents at the end of the period	**5 108 412**	4 286 279	5 951 985
Restricted cash balances that relate to monies held in trust on behalf of subcontractor retentions in Australia	**77 537**	80 695	87 700

NOTES TO THE SUMMARY CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 December 2019

		Unaudited December 2019 R'000	Unaudited December 2018 R'000	Audited June 2019 R'000
1. SEGMENT INFORMATION				
Operating segments				
Revenue	% change			
Building and civil engineering	2,7	**4 032 260**	3 924 553	7 337 856
Roads and earthworks	13,8	**2 970 508**	2 610 071	5 294 683
Australia	12,8	**12 073 218**	10 706 924	21 713 454
United Kingdom	36,7	**3 491 165**	2 554 596	5 683 574
Total construction revenue	14,0	**22 567 151**	19 796 144	40 029 567
Property developments		**609**	2 387	4 727
Construction materials	3,7	**326 638**	314 979	580 003
Total revenue	13,8	**22 894 398**	20 113 510	40 614 297
Operating profit/(loss)	% margin			
Building and civil engineering	3,8	**152 265**	162 762	304 332
Roads and earthworks	4,6	**136 413**	166 812	343 092
Australia	(1,4)	**(173 575)**	(445 085)	(335 247)
United Kingdom	4,3	**149 412**	104 415	228 028
Total construction operating profit/(loss)	1,2	**264 515**	(11 096)	540 205
Property developments		**446**	578	715
Construction materials	4,2	**(1 241)**	13 236	20 315
Total operating profit before non-trading items	1,2	**263 720**	2 718	561 235
Geographical revenue	% growth			
South Africa	6,9	**6 088 256**	5 695 273	10 855 899
Rest of Africa	7,4	**1 241 759**	1 156 717	2 361 370
Australia	12,8	**12 073 218**	10 706 924	21 713 454
United Kingdom	36,7	**3 491 165**	2 554 596	5 683 574
	13,8	**22 894 398**	20 113 510	40 614 297
Geographical operating profit	% margin			
South Africa	3,3	**199 087**	273 960	475 036
Rest of Africa	7,1	**88 796**	69 428	193 418
Australia	(1,4)	**(173 575)**	(445 085)	(335 247)
United Kingdom	4,3	**149 412**	104 415	228 028
Total operating profit before non-trading items	1,2	**263 720**	2 718	561 235
Non-current assets excluding deferred tax				
South Africa		**1 860 631**	1 786 598	1 862 153
Rest of Africa		**385 793**	460 567	412 485
Australia		**1 191 315**	1 218 714	1 199 930
United Kingdom		**1 145 446**	852 659	798 982
		4 583 185	4 318 538	4 273 550

	% growth	Unaudited December 2019 R'000	Unaudited December 2018 R'000	Audited June 2019 R'000
2. DISAGGREGATION OF REVENUE				
Geographical revenue	% growth			
South Africa	6,9	**6 088 256**	5 695 273	10 855 899
Building and civil engineering		**3 876 901**	3 498 890	6 549 896
Roads and earthworks		**1 710 369**	1 642 232	3 422 317
Construction materials		**500 377**	551 764	878 958
Property developments		**609**	2 387	4 728
Rest of Africa	7,4	**1 241 759**	1 156 717	2 361 370
Building and civil engineering		**155 968**	425 663	787 960
Roads and earthworks		**1 085 791**	731 054	1 573 410
Australia	12,8	**12 073 218**	10 706 924	21 713 454
Building and civil engineering		**8 514 260**	8 612 391	16 941 174
Roads and earthworks		**3 558 958**	2 094 533	4 772 280
United Kingdom	36,7	**3 491 165**	2 554 596	5 683 574
Building and civil engineering		**3 491 165**	2 554 596	5 660 155
Property developments		**–**	–	23 419
	13,8	**22 894 398**	20 113 510	40 614 297
3. RECONCILIATION OF HEADLINE EARNINGS				
Attributable profit		**218 658**	71 114	498 528
Adjusted for:				
(Profit)/loss on disposal of property, plant and equipment		**(381)**	10 758	(5 607)
Non-controlling interest in above transactions		**206**	(1 621)	826
Tax effect of above transactions		**3**	(2 786)	1 460
Equity-accounted investments:				
Profit on disposal of property, plant and equipment		**–**	(40)	(75)
Tax effect		**–**	10	21
Headline earnings		**218 486**	77 435	495 153
4. ORDINARY SHARES				
Ordinary shares in issue		**59 890**	59 890	59 890
Weighted average number of shares		**53 116**	53 194	53 109
Diluted weighted average number of shares		**53 138**	53 209	53 118

5. JUDGEMENTS AND ESTIMATES

In preparing these consolidated interim financial statements, management has made judgements and estimates in the application of the accounting policies that affect the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last consolidated annual financial statements, with the exception of the new significant judgements and key sources of estimation uncertainty related to the application of IFRS 16 as disclosed in note 6.

6. CHANGES IN ACCOUNTING POLICIES

IFRS 16: *LEASES*

IFRS 16: *Leases* was effective from 1 January 2019 and adopted by the group on 1 July 2019.

IFRS 16 supersedes the previous standards relating to the accounting treatment of leases (IAS 17: *Leases* and IFRIC 4: *Determining whether an Arrangement contains a Lease)*. Under IAS 17, lessees were required to classify a lease as either a finance lease or an operating lease. Assets under a finance lease were capitalised as property, plant and equipment and a finance lease liability was recognised under current and non-current liabilities as appropriate. Leases classified as operating leases did not result in the recognition of the underlying asset as property, plant and equipment or a lease liability. The operating lease rentals were expensed through profit or loss on a straight-line basis over the period of the lease.

For lessees, IFRS 16 does not distinguish between finance leases and operating leases; instead a right-of-use asset and corresponding lease liability must now be recognised in respect of each lease, with the exception of those leases that qualify for the low value asset or short-term lease exemption.

The group recognises right-of-use assets and the corresponding lease liability at the commencement of the lease. Lease liabilities are measured at the present value of remaining lease payments discounted at the incremental borrowing rate at the commencement date. The right-of-use assets includes the lease liabilities recognised plus any initial direct costs incurred and future restoration costs, where applicable, less any lease incentive received. Right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. Right-of-use assets are subject to impairment considerations. Subsequently the lease liabilities are measured at amortised cost using the effective interest method.

The group enters into leases in respect of office buildings, plant and equipment and vehicles. Leases for site accommodation and office equipment 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. Their renewal is dependent on the progress of the project.

The group has adopted IFRS 16 using the modified retrospective approach and therefore, the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. Using this approach the right-of-use asset is recognised equal to the lease liability at 1 July 2019.

For contracts in place on 1 July 2019, the group elected not to reassess whether a contract is, or contains a lease. The group applied the following practical expedients on adoption of IFRS 16:

- the application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- leases with remaining lease terms of less than 12 months at 1 July 2019 were accounted for as short-term leases;
- the exclusion of initial direct costs from the measurement of right-of-use assets on 1 July 2019; and
- the use of hindsight in determining the lease term if the contract contained options to extend or terminate the lease.

The group's incremental borrowing rate applied on 1 July 2019 is specific to each geographical region.

The group has also applied the provisions of IFRS 16 in respect of subleases.

At transition date, the group recognised right-of-use assets to the value of R395 million and lease liabilities of R419 million. Accruals raised under IAS 17 in respect of operating lease commitments have been reversed. On initial application, an amount of R2 million net of tax was recognised in equity resulting from the difference of the lease receivable of R18 million and the lease liability of R15 million recognised on 1 July 2019, in respect of the sublease.

ANALYSIS OF OPERATING LEASES PREVIOUSLY RECOGNISED UNDER IAS 17

	Africa	Australia	United Kingdom	Total
Number of leases	183	10	43	236
Average remaining lease term (years)	0,8	2,7	2,0	1,1
Incremental borrowing rate (%)	10,3	4,5	3,5	
Number of leases regarded as short-term or low-value assets	174	2	1	177
Value of leases regarded as short-term or low-value assets leases (R'000)	18 566	1 880	4	20 450

	R'000	R'000	R'000	R'000
Discounted lease commitments	39 872	68 423	289 076	397 371
Less: Short-term and low-value asset leases not capitalised	(17 693)	(1 262)	(62)	(19 017)
Add: Lease liabilities relating to extension options	19 784	20 733	–	40 517
Lease liability recognised on 1 July 2019	41 963	87 894	289 014	418 871

	Africa R'000	Australia R'000	United Kingdom R'000	Total R'000
Lease liability at 31 December 2019	39 617	77 824	283 604	401 045
Less: Current portion	5 393	26 509	37 204	69 106
Non-current portion	34 224	51 315	246 400	331 939

The treatment of instalment sale agreements previously recognised as finance leases under IAS 17 has not changed under IFRS 16. The liability under these leases included in interest-bearing borrowings at 31 December 2019 amounts to R232 million. The net book value of the related assets recognised under property, plant and equipment amounts to R115 million.

NOTES TO THE SUMMARY CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

for the six months ended 31 December 2019

Right-of-use assets have been raised in respect of the following types of assets:

	Buildings	Vehicles	Total
Cost			
Recognised at 1 July 2019	389 761	5 260	395 021
Additions	2 142	1 506	3 648
Exchange rate effect	9 259	231	9 489
At 31 December 2019	**401 162**	**6 997**	**408 159**
Accumulated depreciation			
Depreciation charge for the period	32 788	1 652	34 440
Exchange rate effect	174	(368)	(195)
At 31 December 2019	**32 962**	**1 284**	**34 245**
Net carrying amount at 31 December 2019	**368 200**	**5 713**	**373 913**

The change in accounting policy affected the following line items in the statement of financial position at 1 July 2019:

R'000	At 30 June 2019	IFRS 16 effect	At 1 July 2019
ASSETS			
Non-current assets			
Long-term receivable	345 916	14 421	360 337
Right-of-use asset	–	395 021	395 021
Deferred tax asset	903 657	1 021	904 677
Current assets			
Trade and other receivables	6 716 352	3 437	6 719 789
EQUITY AND LIABILITIES			
Distributable reserves	5 701 825	(2 084)	5 699 741
Non-controlling interests	261 645	(297)	261 348
Non-current liabilities			
Long-term borrowings	193 164	356 216	549 380
Current liabilities			
Trade and other payables	8 627 016	60 065	8 687 081

The impact of IFRS 16 on the statement of financial performance and other comprehensive income at 31 December 2019 is as follows:

	R'000
Depreciation charge for right-of-use assets	(34 440)
Income from sublease	2 063
Rental payments	38 519
Impact on operating profit	6 142
Finance costs on lease liabilities	(7 601)
Finance income on lease receivables	373
Income tax expense	(64)
Impact on profit for the period	(1 150)

Short-term lease expenses amounted to R13 million for the period ended 31 December 2019. The total cash outflow in respect of the financing of right-of-use assets during the period was R38,5 million.

7. EVENTS AFTER THE REPORTING DATE

On 31 January 2020, the non-controlling shareholders of Russells Limited exercised put options in terms of the share purchase agreement. The transaction was concluded on 11 February 2020 for a consideration of £5,5 million (R106 million) and increased the group's shareholding in Russells Limited from 70% to 80%.

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 interim financial statements, which could significantly affect the financial position of the group at 31 December 2019 or the results of its operations or cash flows for the six months then ended.

COMMENTARY

The group's overall performance improved over the comparative period with the African operations delivering solid results in what remains an exceptionally challenging environment and the group's operations in the United Kingdom (UK) performed well.

The results were tainted by further losses provided for within the Australian operations. These losses arose primarily from additional anticipated costs to complete the Western Roads Upgrade (WRU) project in Melbourne and significant delays on a building project within Probuild. Further details pertaining to these losses are disclosed in the Australian operational review.

FINANCIAL REVIEW

REVENUE AND OPERATING PROFIT

Group revenue increased from R20,1 billion at 31 December 2018 to R22,9 billion in the current period due to increased revenue from Australia and the UK over the first six months of the financial year. Revenue from the African operations grew by 7% over the comparative period with revenue from South Africa increasing by 6,9% while revenue from the rest of Africa increased by 7,4%.

Total operating profit increased from R2 million at 31 December 2018 (which included a material provision in respect of the WRU Project in Australia) to R264 million at 31 December 2019. The group achieved an overall operating margin of 1,2%.

NON-TRADING ITEMS

The share-based payment expense of R21 million relates to the existing broad-based and management share schemes in place and the WBHO Share Plan for executive management.

CASH AND WORKING CAPITAL

The cash balances of R5,1 billion were greater than those of R4,3 billion at 31 December 2018 due to strong cash generation within the African and UK operations. Cash balances have decreased by R823 million since 30 June 2019 due to the usual early settlement of subcontractors in Australia ahead of the holiday season. This is illustrated in the working capital cash outflows of R723 million in the cash flow statement and a decrease of R2,9 billion in the trade and other payables balance in the statement of financial position.

Capital expenditure over the period amounted to R141 million, excluding any right-of-use assets raised under IFRS 16. R104 million was acquired for cash R37 million was financed. Depreciation amounted to R167 million (2018: R152 million).

DEFERRED TAXATION AND TAXATION

The movement in the deferred tax asset relates to the utilisation of provisions over the period. No deferred tax asset has been raised on the additional losses provided for within the Australian infrastructure business. The increase in the tax asset in the statement of financial position was due to the overestimation of provisional tax in both South Africa and Australia.

CONTINGENT LIABILITIES

Financial guarantees issued to third parties amount to R10,3 billion compared to R8,9 billion in issue at 30 June 2019. Total guarantee facilities available to the group amount to R16,9 billion.

EQUITY-ACCOUNTED INVESTMENTS

The group has 11 equity accounted investments. The purpose behind both the property development and concession investments is to utilise the financial strength of the group to support developments that unlock construction projects for its operations, while at the same time creating future higher-margin income streams. In the case of Edwin Construction and iKusasa Rail SA which are specialist construction companies, the group has partnered with black businesses, providing its financial strength and construction expertise in order to support the growth of these businesses while penetrating new markets.

During the period, the group received a dividend of R9,8 million from Edwin Construction. Included in finance income is an amount of R3,8 million received on the loan from the Dipalopalo concession and R2,7 million received by Russells-WBHO Limited on the loan from Russell Homes.

					Share of after-tax profit/ (loss)	
Entity	Industry	Country	Effective %	Investment and loans Rm	**31 December 2019**	31 December 2018
CONSTRUCTION:						
Edwin Construction	Infrastructure construction	South Africa	49	86,0	**0,6**	0,9
iKusasa Rail SA	Railway maintenance and construction	South Africa	49	2,4	**(7,4)**	(2,1)
IACS	Airport construction	South Africa	26	3,8	**–**	–
CONCESSIONS:						
Dipalopalo	Serviced accommodation	South Africa	27,5	58,2	**–**	–
DFMS Joint Venture	Serviced accommodation	South Africa	14,6	3,2	**0,9**	0,9
Gigajoule International	Gas supply	Mozambique	26,6	180,8	**11,7**	9,4
Gigajoule Power	Power generation	Mozambique	13	163,4	**11,5**	16,6
PROPERTY DEVELOPMENTS:						
Catchu Trading	Residential	South Africa	50	18,6	**7,3**	–
Caulfield	Residential	Australia	30	81,9	**46,8**	–
The Glen Sky Garden	Residential	Australia	20	109,9	**–**	–
PROPERTY DEVELOPER:						
Russell Homes Limited	Residential schemes and house builder	United Kingdom	31,7	252,5	**(0,9)**	3,9
Expected credit loss allowance				(5,0)		
Total				955,7	**70,5**	29,5

Edwin Construction continues to face difficult conditions within its target markets. Roadwork projects from provincial government remain limited, however with SANRAL and ACSA resuming spending, the business has focussed its attention on certain of these projects.

The local rail market shows little sign of improvement with minimal new opportunities offered by key state-owned enterprises, Transnet and PRASA and delays in awarding existing tenders. As such, iKusasa Rail SA continues to incur losses having executed insufficient work to meet overhead expenditure.

COMMENTARY (continued)

Gigajoule International, a shareholder in the Matola Gas Company which sells and distributes gas in Mozambique, and Gigajoule Power, a concession company generating and supplying electricity from a gas-fired power station, continue to trade well thus providing healthy returns to shareholders.

The operational phase of the serviced accommodation concession for Statistics South Africa is performing in line with expectations.

Catchu Trading is a residential development in Tshwane in which WBHO holds 50% of the equity. The construction contract for phase 1 and construction of the basement for phase 2 have been completed. The proceeds from sales registered in respect of phase 1 have been utilised to settle the external debt and partially repay the shareholder equity. The remainder of the development profit for phase 1 is expected to materialise in the second half of FY20.

The sales of 381 out of 390 units in respect of Precinct 2 of the Caulfield development in Australia were registered during the period and the associated after-tax development profit of AU$4,6 million recognised. The balance of the equity outstanding was repaid shortly after the reporting period.

Construction of the Glen Sky Garden above the Glen Shopping Centre in Melbourne is approximately 40% complete and is expected to reach final completion in August 2020, two months ahead of schedule.

Russell Homes performed in line with expectations to 31 December 2019, delivering revenue of £9,1 million against a comparative figure of £6,7 million. The small after-tax loss is due to a heavier weighting of affordable houses on certain developments being completed and sold during the period. These properties have a lower embedded gross margin which was insufficient to support the fixed overhead. Increased open market sales at better margins over the forthcoming six months will see the forecast blended returns being achieved.

Reserved and fully exchanged sales at the Holmes Chapel and Cedar Gardens developments are now approaching 100% while at Bower Brook Gardens in Widnes, the company is finalising terms with a housing association for the acquisition of the remaining 46 houses on the development which will de-risk the project and secure future revenue and cash flows.

Construction has now commenced at the Littleborough development and looking ahead, the sites at Oldham, South Heywood, Wincham and Wrexham are in various stages of planning approval and will support future growth.

OPERATIONAL REVIEW

BUILDING AND CIVIL ENGINEERING

	% change	**December 2019 Rm**	December 2018 Rm
Revenue	2,7% increase	**4 032**	3 925
Operating profit	3,8% margin	**152**	163
Capital expenditure		**26**	7
Depreciation		**12**	17

Revenue from the Building and civil engineering division was in line with that achieved in the prior period as increased activity within coastal building markets offset the impact of further contraction within the Gauteng building market and slightly lower revenue generated from civil engineering.

Competitive conditions inland resulted in a decline in the overall margin from 4,2% to 3,8% at 31 December 2019.

BUILDING

Overall building activity increased by 11% over the six month period due to a robust increase in activity in the Western and Eastern Cape where the division has secured a number of larger key projects. Revenue generated from Gauteng declined by 13%. The inland building market remains under immense pressure and the division has been increasingly reliant on the tender market to procure work in this environment.

In the current economic environment, retail activity remains subdued. Mixed-use developments offering components of retail space together with either hotel, residential or commercial office space have gained prominence over recent years. While these developments together with commercial office developments, continue to underpin activity in Gauteng, increased vacancy rates in various commercial hubs have contributed toward declining revenues from this sector. Marginal uptick in activity within the healthcare, residential and education sectors together with the award of a large-scale warehouse have partially mitigated the impact of this decline.

Major mixed-use and commercial office developments under construction during the six month period include new offices for Deloitte in Waterfall, 144 Oxford Street in Rosebank, a refurbishment of the ABSA Towers in the Johannesburg CBD and the Menlyn Maine Towers in Tshwane. Ongoing residential developments comprise the new upscale Trilogy apartments and Units on Park student accommodation in Tshwane (in which the group is a co-developer of both projects) as well as further student accommodation in Jorrisson Street in Johannesburg. Healthcare projects entail construction of the Pretoria Head and Neck Hospital in Tshwane, the first ever green-rated hospital, and further extensions to Millpark Hospital for Netcare.

In each of the coastal regions, the division has performed particularly well to either improve or sustain activity. In the Western Cape, the market remains highly competitive, however, the division continues to win targeted projects and has also been able to negotiate a number of prominent projects. Construction of a new head office for Capitec and an upgrade to the Checkers in Constantia continued over the period while new projects awarded in the second half of FY19 gained traction. These include a new Biomed research facility for the University of Stellenbosch, extensions to the Parow Exchange Retail centre and the Rockefeller mixed-used development comprising hotel, conferencing and residential spaces on Cape Town's Foreshore. In Kwa-Zulu Natal (KZN), the retail and commercial office sectors continue to taper alongside a general decrease in building activity. Projects available on the open tender market are widely contested and margins are exceptionally competitive. The exclusive mixed-use Umhlanga Arch development and Ridge 8 commercial offices contributed strongly toward activity as both projects near completion in the second half of the financial year. In response to declining activity from traditional building sectors in KZN, the division targeted and secured a number of warehouse projects in FY19. Construction of these projects continued over the current six months and include four warehouses at the Northfields Industrial Park, one at Cato Ridge near Pinetown and another at the Mount Edgecombe Industrial Park. Retail activity was constrained to completion of the Cornubia shopping centre and a refurbishment of the La Lucia Mall. On the back of a strong order intake in the second half of FY19, the Eastern Cape region returned strong growth of over 160% when compared to the prior period. Work continues on the paintshop for the BAIC Motor Group at COEGA, in Port Elizabeth following the successful completion of the office buildings and other infrastructure in the second half on FY19. The industrial building market has also been successfully targeted in the Eastern Cape, specifically in East London, where the division is busy with four warehouse projects at the ELIDZ. In addition, the division commenced construction of a cold storage facility for APLI, also at COEGA, alterations to a cold storage facility at the Woodlands Dairy and a warehouse extension to the Coca Cola depot. Two social housing projects and the commencement of extensions and alterations to the Motherwell Shopping Centre also contributed toward increased activity.

The procurement of new building projects within the group's risk profile in the rest of Africa remains challenging. Having completed the Takoradi Mall in Ghana during the first six months, the division will focus its attention on a newly awarded refurbishment of a hotel in Lusaka, Zambia.

CIVIL ENGINEERING

Civil engineering markets continue to offer limited opportunities particularly within the mining and industrial sectors and the division has sought work from other sectors in order to sustain activity levels. Alongside the large-scale Kusile Power Station and Saldanha oil-tanking projects which have provided a base-load of work over recent years, the renewable energy sector has offered a number of opportunities both locally and in the rest of Africa.

COMMENTARY (continued)

Construction of the large-scale commercial crude oil terminal facility at Saldanha (in conjunction with the Roads and earthworks division) is nearing completion and the first ship to dock and dispatch oil to the tanks is expected in March 2020. A number of contractual issues related to the project remain unresolved. The re-access works at Kusile continued over the period with completion of the works forecast for the end of 2021. In the coal mining sector, the rapid load out station at the Grootegeluk mine in Limpopo and a coal handling facility at Belfast, both for Exxaro, were also completed with no new projects secured from this sector.

Revenue from Zambia tapered off as the construction of new infrastructure surrounding the concentrator at the Mopani mine in Mufulira approaches completion in the second half of the financial year. The Ngonye solar photovoltaic power plant in Lusaka was successfully completed during the six month period.

On a positive note, the division was awarded (in consortium) the 9 500 man camp at the LNG gas fields in Palma, Mozambique and work commenced in October 2019.

ROADS AND EARTHWORKS

	% change	**December 2019 Rm**	December 2018 Rm
Revenue	13,8% increase	**2 971**	2 610
Operating profit	4,6% margin	**136**	167
Capital expenditure		**75**	170
Depreciation		**71**	68

The Roads and earthworks division achieved growth of 14% over the comparative period predominantly due to strong growth in Botswana, Mozambique and new projects secured in Lesotho and Swaziland in the second half of FY19. Revenue from the rest of Africa increased by 49% from R731 million to R1,1 billion while revenue from South Africa was largely flat. The decrease in both operating profit from R167 million to R136 million and margin from 6,4% to 4,6% is attributable to difficult trading conditions in South Africa. Within the division's specialist road surfacing business, Roadspan, lower levels of larger surfacing and road rehabilitation projects have resulted in poor plant utilisation and insufficient revenue to meet fixed overheads. To support activity levels, the business has procured subcontract projects from smaller road contractors resulting in increased payment risk and expected credit loss provisions which have eroded margins. The indefinite suspension of the large-scale Zulti Pipeline project in Richards Bay due to community disruptions also negatively impacted activity levels and performance within the Pipeline division. This disruption and other similar incidents continue to delay many of the projects, with unrecoverable costs affecting profitability.

Activity within the local road sector as a whole, was sustained through the ongoing execution of existing projects, with the upgrades to the N4 for TRAC and N6 for SANRAL, the rehabilitation of provincial roads between Robbertson and Worcester as well as the bus rapid transport projects in KZN and Gauteng which are progressing well. Mining infrastructure activity contributed strongly over the period alongside the ash dam and bulk earthworks project for SASOL, dam lining at the Camden Power Station for ESKOM and the division's participation in the construction of the crude oil terminal facility at Saldanha.

The tender conditions within the local pipeline sector remain challenging and a large proportion of pipeline activity consists of projects procured internally alongside the division's other business units. The suspension of the Zulti Pipeline project by Richards Bay Minerals has had a significant impact on the performance of this business unit over the period. Other projects for external customers include the construction of a raw water pipeline at the Nsezi Water Treatment Plant, a term tender from the City of Cape Town for bulk water supply as well as ongoing water maintenance and rehabilitation projects and various small works contracts for Joburg Water and Natref.

In Swaziland, the rehabilitation and upgrading of the MR16 from Lukhula to Big Bend and the MR7 from Lonhlupheko to Siteki is on track while in Lesotho, construction of the advance civil infrastructure works for phase two of the Lesotho Highlands Water Project gained traction. In Botswana, revenue grew strongly over the six month following a recent improvement in activity from the mining sector and the award of further additional works on existing mines in H2 of FY19. Mozambique generated growth of 18% as new infrastructure awards pertaining to the gas fields in Palma in the north of the country replace completed projects in the south where activity is declining. In West Africa, construction activity within the division's target markets remains subdued. The raising of a tailings dam and construction of a haul road at the Ahafo mine for Newmont in Ghana underpinned activity. However, the slow award of mining opportunities in the region has necessitated venturing into new sectors in order to sustain activity levels. During the period, the division successfully entered the Ghanaian road market in joint venture with a local contractor.

AUSTRALIA

	% change	**December 2019 Rm**	December 2018 Rm
Revenue			
Probuild		**8 514**	8 612
Infrastructure – Western Region		**1 257**	954
Infrastructure – Eastern Region (including WRU)		**2 302**	1 141
Total	12,8% increase	**12 073**	10 707
Operating profit			
Probuild		**11**	132
Infrastructure – Western Region		**45**	56
Infrastructure – Eastern Region (including WRU)		**(230)**	(634)
Total	(1,4%) margin	**(174)**	(445)
Capital expenditure		**36**	57
Depreciation		**35**	43

The financial results of the Australian operations for the first half of the financial year were overshadowed by a further provision on the Western Roads Upgrade project and a loss-making project in Probuild's Queensland business.

BUILDING

Revenue from Probuild for the six months ended 31 December 2019 was relatively consistent with the comparable period. Profitability was significantly impacted by delays on the 443 Queen Street project in Brisbane.

The project entails construction of a AU$200 million residential tower in the Brisbane CBD. A loss of AU$12 million has been recognised on the project due to a slippage against the original programme and cost overruns on subcontractor packages, particularly with regard to the agreed scope of value engineering.

Excluding the impact of 443 Queen Street, the business would have returned a margin of 1,5%, which is consistent with that achieved in the period to 31 December 2018.

In the six months to 31 December 2019, the following projects were completed and handed over successfully; the NV Residential Tower and Hotel in Perth, Queens Wharf Excavation in Queensland and the Glen Shopping Centre and final stages of the Aurora residential tower in Melbourne. The Ritz Carlton hotel component of the Elizabeth Quay project in Perth was also delivered in the six months to 31 December 2019.

Ongoing construction includes two multi-storey residential towers, the above mentioned 443 Queen Street in Brisbane and the Greenland tower in Sydney. Edmondson Park in Sydney, a mixed-use retail and residential project, will complete in the second half of the financial year while the large-scale mixed- use residential and hotel development at Westside Place in Victoria will continue into FY21.

New retail work at the Watergardens and Karingal Hub shopping centres, both in Victoria, was secured during the half year.

COMMENTARY (continued)

INFRASTRUCTURE AND CIVIL ENGINEERING

Although the overall result of the infrastructure and civil engineering business remains dominated by the additional losses provided for on the WRU project, the Western region of the business continues to perform strongly.

The remaining projects in the Eastern region are performing in line with expectations. However, with management focused on delivering WRU, securing new work has been difficult.

Western Roads Upgrade Project

This design and construct project consists of eight packages for the widening of roads and upgrade of various intersections in suburban Melbourne. WBHO Infrastructure (WBHOI) is the lead contractor responsible for the delivery of the project to the concession company.

Following an in depth mid-project review by senior management from both Australia and South Africa, a further $20 million provision was recognised for anticipated losses to be incurred in reaching completion of the project.

The main drivers behind the additional cost pressure stem from increased costs of utility providers and delays caused by the scheduling of their works which have caused significant prolongation, particularly on package 2 of the eight packages. The submitted cost from the utility providers, which must be paid in full in advance of the works commencing, is significantly higher than originally forecast.

Physical works on two of the eight packages has now been completed, with the remaining six packages to be delivered between March and October 2020.

The group continues to pursue its contractual rights under the contract against both the design consultants and the ultimate client, being the State of Victoria. On a positive note, we have experienced proactive engagement from the State of Victoria in determining the submitted delay claims and variation orders and expect final resolution thereof in the short-term. Attempts to reach an amicable settlement with the design consultants have not been successful and the business will now pursue its legal rights as contemplated under the contract.

UNITED KINGDOM (UK)

	% change	**December 2019 Rm**	December 2018 Rm
Revenue	36,7% growth	**3 491**	2 555
Operating profit	4,3% margin	**149**	104
Capital expenditure		**4**	9,8
Depreciation		**42**	22

Revenue from the UK amounted to R3,5 billion, an increase of 37% over the prior period with operating profit increasing to R149 million from R104 million at a margin of 4,3%.

BYRNE GROUP

The Byrne Group delivered profitable results over the first six months. Revenue increased by 25% to £115 million from £92 million in the comparative period and operating profit improved to £3 million from £2 million at 31 December 2018.

Having commenced the financial year with a reasonable order book, Byrne Bros, the group's specialist concrete frame business, delivered positive results underpinned by solid project execution.

During the period, Byrne Bros completed a concrete basement, cores and upper floors for the Damac Towers in Vauxhall, construction of a new station entrance and ticket hall as part of the Bank Station Capacity Upgrade Project and two commercial office buildings at 60 London Wall and Stratford. The basement and cores for Google's new headquarters in Kings Cross have also been completed with work now progressing on the superstructure. Other significant ongoing projects include One Nine Elms, a mixed-use skyscraper scheme consisting of a 56-storey and 42-storey tower, 1-5 Grosvenor Place a hotel and apartment scheme consisting of 189 guest rooms, the waste to energy plant at the Rookery Pits in Bedfordshire and concrete works at Project Mensa for the Atomic Weapons Establishment.

Ellmer Construction, the new build, fit-out and refurbishment contractor, also performed well increasing both revenue and operating profit over the comparative period.

Current projects under construction consist of the development of 26 luxury apartments at Mayfair Park Residences in Mayfair, the super-prime fit-out of a large penthouse and an apartment in Grosvenor Square, the off-site, modular construction of the washrooms for Google's new headquarters in Kings Cross, the creation of seven floors of new office space within a retained façade in Whitechapel and the extensive refurbishment of the Kingsway Hall Hotel in Soho.

RUSSELLS LIMITED

Russells delivered growth over the half year with revenue climbing to £73,7 million compared to £47,3 million in the previous corresponding period. Operating profit grew to a record £5 million. The growth achieved is in line with management's expectations and strategy and is supported by the buoyant construction environment in Manchester and strong foundations entrenched within the company over preceding years.

Residential apartment builds and new hotel developments supported the majority of activity over the period, together contributing 80% of revenue with a various commercial office and industrial developments comprising the remaining 20%.

During the six month period to 31 December 2019, the company substantially completed the pioneering Axis Tower project in central Manchester. This £37 million project consisting of a 28-storey residential tower will reach final completion on time and within budget and is a major landmark on the Manchester skyline. The Oxygen Tower residential development and new hotels for Premier Inn and Motel One as well as the Clayton Hotel on Portland Street are all progressing well.

CONSTRUCTION MATERIALS

	% change	**December 2019 Rm**	December 2018 Rm
Revenue	20,4% decrease	**406**	510
Inter-company sales		**(79)**	(195)
Revenue to external customers		**327**	315
Operating profit	(0,4%) margin	**(1,2)**	13
Capital expenditure		**0,9**	2
Depreciation		**7**	2

The steel supply market took a turn for the worse through the first half of the year where significantly weaker demand reflects the constrained conditions within the broader construction market locally. Both volumes and pricing within the Gauteng market remain under immense pressure. In the coastal regions, the Western Cape and KZN branches are also enduring difficult conditions whilst steel supply for a number of wind farms in the Eastern Cape has supported activity and the Port Elizabeth and East London branches are trading well. Activity in Polokwane, Mpumalanga and the Free State remains subdued.

COMMENTARY (continued)

ORDER BOOK

Order book by segment	%	December 2019 Rm	To June 2020 Rm	Beyond June 2020 Rm	%	30 June 2019 Rm
Building and civil engineering	**17**	**7 407**	**3 071**	**4 336**	14	6 446
Roads and earthworks	**13**	**5 103**	**2 207**	**2 896**	12	5 730
Australia	**55**	**23 583**	**11 065**	**12 518**	58	27 316
United Kingdom	**15**	**6 351**	**2 971**	**3 380**	16	7 810
Total	**100**	**42 444**	**19 314**	**23 130**	100	47 302
Order book by geography						
South Africa	**24**	**10 110**	**4 056**	**6 054**	23	10 638
Rest of Africa	**6**	**2 400**	**1 222**	**1 178**	3	1 538
Australia	**55**	**23 583**	**11 065**	**12 518**	58	27 316
United Kingdom	**15**	**6 351**	**2 971**	**3 380**	16	7 810
Total	**100**	**42 444**	**19 314**	**23 130**	100	47 302

The total order book at 31 December 2019 of R42,4 billion declined by 10% from R47,3 billion at 30 June 2019. The 15% increase in the order book of the Building and civil engineering division is supported by a stronger order intake within the coastal regions over the period and the award of the 9 500 man camp in Mozambique. The order book of the Roads and earthworks division declined by 11% mostly in South Africa. The more selective bidding strategy implemented in Australia is reflected in the lower order book levels, as the business seeks to procure projects at acceptable margins and levels of risk. In rand terms, the UK order book has decreased by 19%.

AFRICA (INCLUDING SOUTH AFRICA)

The Building market in Gauteng remains distressed with fewer available large-scale projects resulting in increased exposure to the tender market. The recently awarded Thlabane Mall, alongside ongoing construction on projects forming part of the rejuvenation of the Johannesburg CBD, completion of the Deloitte head office and Pretoria Head and Neck Hospital and progress on a large logistics warehouse for DSV are some of the major projects supporting activity in the region over the second half of the financial year. In respect of potential future work, the Building division is the preferred contractor on the public-private partnership for the construction of new offices for the Department of Rural Development and will also participate in the concession over the subsequent serviced accommodation. It is anticipated that this project will reach financial close within the next six months. In addition, certain new projects have been successfully negotiated with existing long-standing clients however in the current economic environment, the timing of these projects remains uncertain.

A number of new awards in both the Western and Eastern Cape should drive activity over the second six months of FY20 and well into FY21. In the Western Cape, recently awarded major projects include the redevelopment of the Hotel Sky incorporating the conversion of an existing building in Roggebaai into a new hotel with associated amenities, the Bridgewater project, a mixed-use development comprising hotel, residential and office space and the enabling works for extensions to the Cape Town International Airport (CTIA) for ACSA. In addition, the division is currently negotiating a number of new projects due to commence later in the year. In the Eastern Cape, various awards at Coega and ELIDZ together with the new social housing and retail projects all extend into the next financial year. The division is also pursuing various other retail, commercial office and industrial opportunities in the region. In KZN, the division has sufficient work on hand for the next six months and recently secured a new industrial project at the Clairwood Industrial Park, all of which will assist in sustaining activity in FY21. Additional opportunities include projects within the retail, healthcare and commercial office sectors, however the tender market in the region remains aggressive.

In the rest of Africa, the Building division remains cautious as to which projects to bid upon. The recently secured hotel redevelopment in Zambia will continue into FY21 and we await adjudication on a new commercial office project in Ghana. Opportunities in Lesotho, Botswana and Mozambique are also being pursued.

Civil engineering markets locally remain unpredictable and with the large-scale oil tanking project nearing completion, the division has targeted a water project in Botswana, further mining projects in Zambia and additional gas-related projects in Mozambique in an effort to sustain activity levels.

The order book of the Roads and earthworks division remains healthy with sufficient work within key business units over the short term. Both SANRAL and ACSA released significant volumes of work into the market during this period including a number of large-scale road and earthworks projects upon which the division has bid and is awaiting adjudication. The increased levels of available roadwork should also support the division's road surfacing business heading into FY21. The Pipeline business has targeted the pipe component of the water project in Botswana as well as on the ACSA work at OR Tambo and CTIA. Despite a recent uptick in mining infrastructure activity over FY19 and FY20, fewer opportunities are available looking forward.

In the rest of Africa, the division recently secured an additional gas-related earthworks package in Palma, Mozambique which alongside existing projects in Botswana, Lesotho and Swaziland should contribute toward activity in the southern region. In West Africa, the division has two existing projects at the Ahafo mine in Ghana with potential opportunities at the Namdini Gold Project. The division is also pursuing longer-term opportunities in Burkina Faso, Liberia, the Ivory Coast, Liberia and Madagasgar.

AUSTRALIA

The Australian building market remains strong and Probuild continues to maintain strong market share, particularly in Victoria and New South Wales (NSW). Activity in Western Australia (WA) is subdued while focus in Queensland remains wholly on the completion of the 443 Queen Street project.

The business has successfully pivoted away from its historic reliance on large-scale residential only projects with increased activity in the mixed-use and commercial office sectors. Retail sector investment is now converting into new work which are being delivered in smaller packages rather than the large scale AU$100 million-plus sized projects undertaken previously.

The Victorian business secured a new AU$80 million commercial project at Elizabeth North along with the Karingal Hub shopping centre in the outer suburbs of Melbourne, valued at $100 million. A number of commercial refurbishment projects have also commenced in the Melbourne CBD as part of the wider strategy to diversify back into smaller project values.

In NSW, the team is busy executing a full workbook through to September 2020 while having completed of the $400 million Elizabeth Quay project during the year in WA, focus had shifted toward procurement.

The Infrastructure and civil engineering order book at 31 December 2019 amounts to AU$500 million including the WRU project. The Western region the business secured in excess of AU$150 million of new work over the six months including a new AU$50 million project for Rio Tinto. The risk profile of projects within the Western region continues to be favourable relative to the Eastern region.

UNITED KINGDOM (UK)

The order book of the Byrne Group declined from £224 million to £177 million due to a lower order intake over the first half of the year as developers halted potential projects pending the outcome of Brexit. Following the general election, there seems a more positive outlook in the UK primarily due to reduced uncertainty and central government pledges on infrastructure spending. The recent approval of the HS2 project, a new high speed railway between London and Manchester highlights this commitment from government. . With sufficient work on-hand for the next six months, signed pre-construction agreements on two key projects and other negotiations at advanced stages, the Byrne Group is well-poised for the future.

COMMENTARY (continued)

The order book for Russells decreased from £215 million to £166 million due to the increased volume of work executed over the first six months. The Manchester construction market remains strong; offering opportunities across all sectors. In addition to the various large-scale projects currently under construction, Russells has a number of negotiations in the hotel, residential, commercial and industrial sectors progressing toward completion.

The business recently rebranded as "Russell-WBHO" in order to create a stronger connection between Russells and WBHO in the marketplace and greater recognition of the partnership. This is intended to unlock the potential to compete on larger major projects going forward.

OUTLOOK

With economic growth forecast below 1%, a potential sovereign downgrade and low business confidence, private investment in South Africa continues to wane. This, combined with historic low levels of public spending from both government and SOEs struggling under debt constraints has seen the construction industry endure its worse slump in decades.

Reduced capacity within the local industry as a whole has allowed WBHO to maintain activity levels over the short term and the recent emergence of increased public spending from the more stable SOEs highlights a promising pipeline of local work for certain divisions.

Markets in the rest of Africa offer various opportunities, however payment risk and onerous contractual conditions remain red flags on many projects. As such, the group targets those projects that fall within its risk appetite including Mozambican gas-related projects for both the Roads and earthworks and Civil engineering divisions.

Sentiment in Australia remains strong with sufficient work available across both building and infrastructure markets. Following the poor results achieved over recent years, identifying key risks at procurement stage as well as improved project execution remain in sharp focus within the Australian operations.

In the UK, with the London construction market demonstrating renewed signs of improved activity and the Manchester market benefitting from ongoing growth in the region, the UK operations should continue to contribute well toward overall performance.

SAFETY

The group's combined lost time injury frequency ratio of 0,7 achieved at 30 June 2019 was maintained through the six months to 31 December 2019. While the renewed focus on safety by senior management has seen improved safety statistics over the last two years, a further subcontractor fatality during the period and another two in January 2020 are of grave concern. Full investigations into the contributing factors have been undertaken with additional awareness campaigns and safety training being scheduled. Management offers its sincerest condolences to the families, friends and colleagues of Mr MS Buthelezi, Mr SS Buthelezi and Mr SP Buthelezi for their tragic loss.

APPRECIATION

The directors recognise and commend the effort and commitment of each of our employees across all geographies in what has been a challenging environment, and express their appreciation for their ongoing contribution to the distinct brand and reputation of WBHO and its subsidiary companies. Further thanks is given to our clients and subcontractors for their support over the years.

CASH DIVIDEND DECLARATION

In light of the lower than normal profitability over the first six months and potential funding requirements for the WRU project in Australia, the Board has elected to declare an interim dividend of 80 cents per share (2018: nil cents) payable to all shareholders recorded in the register on 17 April 2020.

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

The dividend is made from income reserves and is subject to dividend withholding tax of 20% which results in a net dividend of 64 cents per share.

The number of shares in issue at date of declaration amount to 59 890 514 (53 171 020 exclusive of treasury shares) and the company's tax reference number is 9999597710.

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

Last date to trade cum dividend	Tuesday, 14 April 2020
Trading ex dividend commences	Wednesday, 15 April 2020
Record date	Friday, 17 April 2020
Payment date	Monday, 20 April 2020

Shares may not be dematerialised or re-materialised between Wednesday, 15 April 2020 and Friday, 17 April 2020, both dates inclusive.

Shareholders and interested parties are advised that a presentation of the Company's unaudited interim financial results for the period ended 31 December 2019 will be held at Investec's offices in Sandton on Wednesday, 4 March 2020 at 10:00. The presentation will also be made available on the Company's website at www.wbho.co.za.

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

2 March 2020

Sponsor:
Investec Bank Limited

ADMINISTRATION

WILSON BAYLY HOLMES-OVCON LIMITED
(Incorporated in the Republic of South Africa)
Registration number 1982/011014/06
Share code: WBO
ISIN: ZAE00009932
(WBHO)

REGISTERED OFFICE AND CONTACT DETAILS
53 Andries Street
Wynberg, Sandton, 2090

PO Box 531
Bergvlei 2012

Telephone: +27 11 321 7200
Fax: +27 11 887 4364
Website: www.wbho.co.za
Email: wbhoho@wbho.co.za

COMPANY SECRETARY
Shereen Vally-Kara
ACIS

AUDITORS
BDO South Africa Inc.

TRANSFER SECRETARIES
Computershare Investor Services Proprietary Ltd
Rosebank Towers
15 Biermann Ave
Rosebank
Johannesburg 2196
South Africa
Telephone: +27 11 370 5000
Fax: +27 11 370 5271

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Investec Bank Limited