



2020

AUDITED  
SUMMARY  
CONSOLIDATED  
FINANCIAL  
STATEMENTS

**WBHO**

# QUICK FACTS

ESTABLISHED

1970

LISTED ON THE JSE

1994

MARKET CAPITALISATION

R6 billion

B-BBEE STATUS

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”



### 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.

### 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.

### 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.

### 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.

### 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”.



# FY2020 PERFORMANCE

## REVENUE

**R43 billion**

2019: R41 billion

## LOSS PER SHARE

**937 cents**

2019: 939 cents  
Earnings per share

## CASH

**R7,6 billion**

2019: R6,0 billion

## CASH GENERATED FROM OPERATIONS

**R790 million**

2019: R1,5 billion

## OPERATING MARGIN

**-1,2%**

2019: 1,4%

## ORDER BOOK

**R35 billion**

2019: R47 billion

**2020**

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## BASIS OF PREPARATION

for the year ended 30 June 2020

The summary consolidated financial statements are prepared in accordance with the JSE Limited Listings Requirements for abridged reports, 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. This announcement does not include the information required pursuant to par 16A (j) of IAS 34. The full annual consolidated financial statements that includes the relevant information is available on the website of the company, at the registered office of the company or on request from the company secretary.

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. With the exception of IFRS 16: Leases which became effective during the current period, the accounting policies are consistent with those applied in the preparation of the previous consolidated annual financial statements.

The summary consolidated financial statements and the full annual 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 13 November 2020 and signed on 17 November 2020.

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

These summary consolidated financial statements and the full annual consolidated financial statements for the year ended 30 June 2020 have been audited by BDO South Africa Inc. The auditor's report on the summary consolidated financial statements and on the annual consolidated financial statements are available on the company's website at [www.wbho.co.za](http://www.wbho.co.za) or for inspection at the company's registered office, together with the respective financial statements identified in the auditor's reports.

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



# INDEPENDENT AUDITOR'S REPORT ON SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

## 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 2020, the summary consolidated statements 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 2020.

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 consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

## 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 an unmodified audit opinion on the audited consolidated financial statements in our report dated 17 November 2020. That 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

17 November 2020

Wanderers Office Park  
52 Corlett Drive  
Illovo, 2196

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020

	Note	Audited 2020 R'000	Audited 2019 R'000
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment		2 054 254	1 936 709
Right-of-use assets		406 690	–
Goodwill		1 085 894	921 103
Equity-accounted investees		1 105 159	1 069 822
Long-term receivables		283 598	346 916
Deferred tax		733 583	903 657
<b>Total</b>		<b>5 669 178</b>	<b>5 178 207</b>
Current assets			
Inventories		364 992	327 520
Contract assets		864 638	1 423 218
Trade and other receivables		6 212 471	6 716 352
Current tax assets		199 549	167 546
Cash and cash equivalents		7 599 344	5 951 985
<b>Total</b>		<b>15 240 994</b>	<b>14 586 621</b>
<b>Total assets</b>		<b>20 910 172</b>	<b>19 764 828</b>
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves			
Share capital		28 565	28 565
Reserves		5 647 882	5 843 621
Shareholders' equity		5 676 447	5 872 186
Non-controlling interests		205 173	261 645
<b>Total</b>		<b>5 881 620</b>	<b>6 133 831</b>
Non-current liabilities			
Lease liabilities	5	352 336	–
Long-term liabilities		305 984	193 164
Deferred tax		27 979	174 131
<b>Total</b>		<b>686 299</b>	<b>367 295</b>
Current liabilities			
Contract liabilities		2 998 037	2 206 511
Trade and other payables		8 912 917	8 627 016
Provisions		2 368 563	2 414 682
Current tax liabilities		62 736	15 493
<b>Total</b>		<b>14 342 253</b>	<b>13 263 702</b>
<b>Total equity and liabilities</b>		<b>20 910 172</b>	<b>19 764 828</b>

## CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2020

	% change	Audited 2020 R'000	Audited 2019 R'000
Revenue	6,1	43 080 295	40 614 297
Operating expenses		(42 266 264)	(38 645 997)
Administrative expenses		(1 389 839)	(1 423 143)
Other income		34 467	16 078
<b>Operating (loss)/profit before non-trading items</b>	(196,5)	<b>(541 341)</b>	561 235
Share-based payment expense		(43 986)	(48 394)
<b>Operating (loss)/profit</b>		<b>(585 327)</b>	512 841
Share of profits and losses from equity-accounted investees		109 284	51 958
Finance income		200 864	207 012
Finance costs		(35 013)	(23 565)
<b>(Loss)/profit before tax</b>		<b>(310 192)</b>	748 246
Income tax expense		(197 921)	(199 253)
<b>(Loss)/profit for the year</b>	(192,6)	<b>(508 113)</b>	548 993
<b>Other comprehensive income</b>			
Items that may be or have been reclassified to profit or loss:			
Translation of foreign operations		269 266	(61 679)
Translation of foreign operations reclassified through profit or loss on disposal		14 250	–
Translation of net investment in a foreign operation		178 549	(10 616)
Tax effect of above items		(49 994)	2 972
Share of other comprehensive income from equity-accounted investees		55 476	16 602
<b>Total other comprehensive (loss)/income for the year</b>		<b>(40 566)</b>	496 272
<b>(Loss)/profit from operations attributable to:</b>			
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		(497 827)	498 528
Non-controlling interests (NCI)		(10 286)	50 465
		<b>(508 113)</b>	548 993
<b>Total comprehensive (loss)/income attributable to:</b>			
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited		(53 860)	445 807
Non-controlling interests (NCI)		13 294	50 465
		<b>(40 566)</b>	496 272
<b>(Loss)/earnings per share (cents)</b>			
Basic (loss)/earnings per share		(936,6)	938,7
Diluted (loss)/earnings per share		(936,4)	938,5

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2020

	Share capital R'000	Foreign currency translation reserve R'000	Non- distributable reserves R'000	Distributable reserves R'000	Shareholders' equity R'000
<b>At 1 July 2018</b>	28 565	213 292	14 312	5 555 470	5 811 639
Adoption of IFRS 15 net of tax	–	–	–	(36 049)	(36 049)
Adoption of IFRS 9 net of tax	–	–	–	(57 539)	(57 539)
Profit for the year	–	–	–	498 528	498 528
Other comprehensive income (OCI)	–	(69 323)	–	–	(69 323)
Share of OCI in equity-accounted investments	–	16 602	–	–	16 602
Dividend paid	–	–	–	(184 100)	(184 100)
Share-based payment	–	–	48 394	–	48 394
Share-based settlement	–	–	(81 482)	–	(81 481)
Acquisition of NCI without a change in control	–	–	–	(74 485)	(74 485)
<b>At 30 June 2019</b>	28 565	160 571	(18 776)	5 701 825	5 872 186
IFRS 16 adjustment	–	–	–	<b>3 846</b>	<b>3 846</b>
Loss for the year	–	–	–	<b>(497 827)</b>	<b>(497 827)</b>
Other comprehensive income (OCI)	–	<b>388 491</b>	–	–	<b>388 491</b>
Share of OCI in equity-accounted investments	–	<b>55 476</b>	–	–	<b>55 476</b>
Dividend paid	–	–	–	<b>(109 072)</b>	<b>(109 072)</b>
Share-based payment	–	–	<b>43 986</b>	–	<b>43 986</b>
Share-based settlement	–	–	<b>(11 412)</b>	–	<b>(10 750)</b>
Acquisition of NCI without a change in control	–	–	–	<b>(69 889)</b>	<b>(69 889)</b>
<b>At 30 June 2020</b>	<b>28 565</b>	<b>609 275</b>	<b>14 460</b>	<b>5 028 883</b>	<b>5 676 447</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2020

	Audited 2020 R'000	Audited 2019 R'000
<b>Cash flows from operating activities</b>		
Operating (loss)/profit before working capital requirements	(329 137)	1 433 340
Working capital changes	1 119 537	33 448
<b>Cash generated from operating activities</b>	<b>790 400</b>	<b>1 466 788</b>
Dividends received	72 606	–
Finance income	181 814	213 806
Finance costs	(5 895)	(12 084)
Income tax paid	(171 438)	(327 253)
Dividends paid	(113 707)	(193 351)
<b>Cash retained from operating activities</b>	<b>753 780</b>	<b>1 147 906</b>
<b>Cash flows from investing activities</b>		
Advance of long-term receivables	(25 070)	(19 215)
Receipts from repayment of long-term receivables	57 148	49 342
Acquisition of subsidiary net of cash acquired	–	(571 670)
Additional investment in equity-accounted investees	(24 292)	(98 301)
Acquisition of equity-accounted investees	–	(56 577)
Loans advanced to equity-accounted investees	(279 197)	–
Loans repaid by equity-accounted investees	516 420	10 690
Settlement of contingent consideration	–	(17 778)
Proceeds on disposal of property, plant and equipment	30 247	59 607
Acquisition of property, plant and equipment	(137 044)	(223 234)
<b>Cash flows from investing activities</b>	<b>138 212</b>	<b>(867 136)</b>
<b>Cash flows from financing activities</b>		
Bank loans received	103 357	–
Repayment of bank loans	–	(36 668)
Acquisition of NCI without a change in control	(133 033)	(146 936)
Purchase of shares for equity-settled incentives	(11 422)	(89 933)
Installments in respect of lease liabilities (2019: finance lease liabilities)	(189 380)	(170 963)
<b>Cash flows from financing activities</b>	<b>(230 478)</b>	<b>(444 500)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>661 514</b>	<b>(163 730)</b>
Foreign currency translation effect on cash balances	985 845	(16 254)
Cash and cash equivalents at the beginning of the year	5 951 985	5 992 461
Cash and cash equivalents acquired	–	139 508
<b>Cash and cash equivalents at the end of the year</b>	<b>7 599 344</b>	<b>5 951 985</b>

# NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2020

	Audited 2020 R'000	Audited 2019 R'000
<b>1. SEGMENTAL INFORMATION</b>		
<b>Segment revenue</b>		
Building and civil engineering	6 495 486	7 337 856
Roads and earthworks	4 979 575	5 294 683
Australia	24 656 604	21 713 454
United Kingdom	6 452 136	5 683 574
<b>Total construction revenue</b>	<b>42 583 801</b>	<b>40 029 567</b>
Property developments	2 537	4 727
Construction materials	493 957	580 003
Total revenue	713 000	976 067
Inter-segment revenue	(219 043)	(396 064)
<b>Total revenue</b>	<b>43 080 295</b>	<b>40 614 297</b>
<b>Segment operating profit/(loss) before non-trading items</b>		
Building and civil engineering	142 397	304 332
Roads and earthworks	236 859	343 092
Australia	(1 198 855)	(335 247)
United Kingdom	301 991	228 028
<b>Total construction operating profit</b>	<b>(517 608)</b>	<b>540 205</b>
Property developments	510	715
Construction materials	(24 243)	20 315
<b>Total operating profit before non-trading items</b>	<b>(541 341)</b>	<b>561 235</b>
<b>Geographical revenue</b>		
South Africa	9 544 028	10 855 899
Rest of Africa	2 427 527	2 361 370
Australia	24 656 604	21 713 454
United Kingdom	6 452 136	5 683 574
<b>Total revenue</b>	<b>43 080 295</b>	<b>40 614 297</b>
<b>Geographical operating profit/(loss)</b>		
South Africa	201 736	475 036
Rest of Africa	153 787	193 418
Australia	(1 198 855)	(335 247)
United Kingdom	301 991	228 028
<b>Total operating profit before non-trading items</b>	<b>(541 341)</b>	<b>561 235</b>
<b>Geographical non-current assets excluding deferred tax</b>		
South Africa	1 639 377	1 861 997
Rest of Africa	617 885	412 485
Australia	1 404 427	1 199 930
United Kingdom	1 273 906	798 982
	<b>4 935 595</b>	<b>4 273 394</b>

	Audited 2020 R'000	Audited 2019 R'000
<b>2. RECONCILIATION OF HEADLINE EARNINGS</b>		
Attributable earnings	(497 827)	498 528
Adjusted for:		
Profit from the disposal of plant and equipment	(4 510)	(5 607)
Translation of foreign entities reclassified through profit or loss on disposal	14 250	–
Non-controlling interest in above transactions	150	826
Tax effect of above transactions	(2 786)	1 460
Equity accounted investments:		
Profit from the disposal of plant and equipment	(64)	(75)
Tax effect of above transactions	18	21
	<b>(490 769)</b>	<b>495 153</b>
<b>3. ORDINARY SHARES</b>		
Ordinary shares in issue ('000)	59 890	59 890
Weighted average number of shares ('000)	53 151	53 109
Diluted weighted average number of shares ('000)	53 162	53 118

#### 4. JUDGEMENTS AND ESTIMATES

In preparing these consolidated summary financial statements, management has made judgements and estimates that affect the application of accounting policies and 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 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 5.

#### 5. CHANGES IN ACCOUNTING POLICIES

##### IFRS 16: LEASES

IFRS 16 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.

IFRS 16 does not distinguish between finance leases and operating leases in respect of lessees; instead a right-of-use assets and corresponding lease liability is 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 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. The Group recognised right-of-use assets equal to the lease liabilities at 1 July 2019, adjusted for any prepaid or accrued lease payments relating to leases recognised in the statement of financial position as at 1 July 2019.

## NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

### 5. CHANGES IN ACCOUNTING POLICIES (continued)

#### IFRS 16: LEASES (continued)

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, as permitted by the standard:

- 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 and is disclosed in the below table.

The Group sub-lets a property in Australia. Under IAS 17, the head lease and sub-lease contract were classified as operating leases. On transition to IFRS 16, an amount equal to the net investment in the sublease is derecognised from the right-of-use asset recognised in respect of the head lease, and a lease receivable is recognised instead. The Group assessed the classification of the sub-lease contract with reference to the right-of-use asset rather than the underlying asset, and concluded that it is a finance leases under IFRS 16.

The Group enters into leases in respect of buildings and vehicles which have been disclosed in note 3.

At transition date, the Group recognised right-of-use assets to the value of R407 million and lease liabilities of R422 million. On initial application, an amount of R4,5 million was recognised in retained earnings resulting from the difference of the lease receivable at its present value of R18 million and the lease liability of R13,5 million recognised on 1 July 2019, in respect of the sub-lease.

During the course of the audit, additional leases were identified which existed at transition date, but were not included in the interim financial statements of the Group. In addition, errors were identified in the adoption of IFRS 16 relating to the Australian business. As a result, the right-of-use assets and lease liabilities disclosed in the interim financial statements are different to the amounts disclosed in these financial statements.

The differences are not considered to be material.

	South Africa	Rest of Africa	Australia	United Kingdom	Total
<b>Analysis of operating leases previously recognised under IAS 17</b>					
<b>1 July 2019</b>					
Number of leases	172	1	10	38	<b>221</b>
Average remaining lease term (years)					
– buildings	1	3	2	9	<b>15</b>
Average remaining lease term (years)					
– vehicles	–	–	–	2	<b>2</b>
Incremental borrowing rate (%)	10,3%	14,7%	4,5%	3,5%	
Number of leases regarded as short-term or low-value assets	161	–	3	1	<b>165</b>
Undiscounted value of leases regarded as short-term leases (R'000)	19 924	–	2 301	63	<b>22 288</b>
Undiscounted value of leases regarded as low-value assets leases (R'000)	7 545	–	–	–	<b>7 545</b>



	South Africa R'000	Rest of Africa R'000	Australia R'000	United Kingdom R'000	<b>Total R'000</b>
Operating lease commitments at 30 June 2019	40 339	3 381	101 067	308 357	<b>453 144</b>
Add: lease commitments not disclosed at 30 June 2019*	20 309	–	–	–	<b>20 309</b>
<b>Restated operating lease commitments at 30 June 2019</b>	<b>60 648</b>	<b>3 381</b>	<b>101 067</b>	<b>308 357</b>	<b>473 453</b>
Discounted lease commitments (excluding extension options)	49 200	–	66 192	289 076	<b>404 468</b>
Add: Lease liabilities relating to extension options reasonably certain to be exercised	19 784	2 775	22 396	–	<b>44 955</b>
Less: recognition exemption for discounted short-term and low-value asset leases	(26 049)	–	(2 274)	(62)	<b>(28 385)</b>
Lease liabilities recognised on 1 July 2019	42 935	2 775	86 314	289 014	<b>421 038</b>
Lease liabilities at 30 June 2020	37 726	3 663	84 302	304 983	<b>430 674</b>
Less: Current portion	(6 379)	(1 698)	(27 514)	(42 747)	<b>(78 338)</b>
<b>Non-current portion</b>	<b>31 347</b>	<b>1 965</b>	<b>56 788</b>	<b>262 236</b>	<b>352 336</b>

\* Operating lease commitments of R20,3 million were erroneously excluded from the operating lease commitments disclosed by the Group in the prior reporting period. The misstatement had no material impact on the Group's statement of financial position or statement of profit or loss.

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

	At 30 June 2019 R 000	IFRS 16 effect R 000	At 1 July 2019 R 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Long-term receivables	346 253	14 571	360 824
Right-of-use assets	–	406 775	406 775
<b>Current assets</b>			
Trade and other receivables	6 717 509	1 610	6 717 962
<b>Equity and liabilities</b>			
Retained earnings	5 843 621	3 846	5 847 467
Non-controlling interests	261 645	662	262 307
<b>Non-current liabilities</b>			
Lease liabilities	193 164	360 220	553 384
<b>Current liabilities</b>			
Trade and other payables	8 627 016	58 228	8 685 244

**NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS** (continued)  
for the year ended 30 June 2020

**5. CHANGES IN ACCOUNTING POLICIES (continued)**

IFRS 16: LEASES (continued)

The impact of IFRS 16 on the statement of financial performance and other comprehensive income for the year ended 30 June 2020 is as follows:

	At 1 July 2019 R'000
Depreciation of right-of-use assets	(75 865)
Income from sublease	4 371
Lease payments associated with the right-of-use assets	84 786
<b>Impact on operating loss</b>	<b>13 292</b>
Finance costs on lease liabilities	(15 898)
Finance income on lease receivables	743
Income tax expense	(13)
<b>Impact on operating loss for the year</b>	<b>(1 876)</b>

**6. FINANCIAL IMPACT OF COVID-19**

The following non-recoverable costs and expenses directly attributable to the COVID-19 pandemic were incurred during the year:

	Building and Civil engineering R'000	Roads and earthworks R'000	Construction materials R'000	Australia R'000	United Kingdom R'000	<b>Total R'000</b>
Payroll expenditure	89 007	89 788	3 225	25 652	25 015	<b>232 687</b>
Other non-recoverable expenditure	17 852	44 836	929	1 254	17 590	<b>82 461</b>
Direct COVID-19 related costs	6 971	12 623	404	19 944	9 683	<b>49 625</b>
	113 830	147 247	4 558	46 850	52 288	<b>363 773</b>
Provision for retrenchment	15 341	8 888	—	—*	8 124	<b>32 353</b>
<b>Total</b>	<b>129 171</b>	<b>156 135</b>	<b>4 558</b>	<b>46 850</b>	<b>60 412</b>	<b>396 126</b>

\* The Australian business incurred AU\$4.7 million in retrenchment costs as a result of the delayed award of projects due to COVID-19. Existing balance sheet provisions were utilised against the expense.

A resurgence in COVID-19 infections in Australia and the UK in the first half of the new reporting period have resulted in stricter lockdown restrictions being implemented. Productivity was heavily impacted within the building business in Melbourne where a hard lockdown was implemented between 9 August 2020 and 27 September 2020, however productivity in the UK has been disrupted to a lesser extent as no projects have been suspended and subcontractors have remained on site.

## 7. GOING CONCERN

With such high levels of uncertainty within economic markets, it is exceptionally difficult to predict what the ultimate outcome of COVID-19 on the Group will be, however in assessing going concern the directors have considered the following information:

- The extent of provisioning on onerous contracts and associated future cash outflows;
- The 12-month budget to 30 June 2021 and the Group's updated forecast in respect thereof at the date of these consolidated annual financial statements;
- The impact of COVID-19 on the secured order book;
- New order intake between the end of the reporting period and the date of these consolidated annual financial statements;
- Imminent project awards expected within three months of the date of these consolidated annual financial statements;
- The number and availability of short- and mid-term projects in the forward-looking pipeline;
- The effects of steps already taken to reduce the fixed-cost base of the Group;
- The level of external debt;
- Available financial facilities and existing cash reserves; and
- 12-month rolling cash flow forecasts taking into account the expected funding of the Australian operations.

While the Group incurred substantial losses over the reporting period, cash generated from operations remained healthy amounting to R790 million compared to R1,5 billion generated in the comparative period. While it is anticipated that the overall liquidity of the Group will be constrained over the short-term, the substantial cash reserves at 30 June 2020 will allow the Group to adequately manage its liquidity position. The net tangible asset value (shareholders' equity less goodwill) of the Group amounts to R4,6 billion.

Following the poor performance of the South African construction industry as a whole, the banking sector has sought to reduce its exposure. However, due to its balance sheet strength, low levels of external debt and healthy cash reserves, the Group has maintained its strong relationships and ongoing support from guarantee providers. The Group continues to operate within its facility limits and has access to asset finance facilities to fund capital expenditure where necessary. The debt-equity value of the Group at 30 June 2020 was 12%.

In respect of future work, a noticeable uptick in activity was visible in the first quarter of FY2021 and the Group has secured new projects to the value of R9,4 billion between the end of the reporting period and the date of these consolidated annual financial statements. Due to the long-term duration of construction projects, these awards provide the Group with sufficient work over the next 12 months. The right-sizing of the business implemented over the first quarter of the new financial year is considered appropriate for the volume of work-on-hand and anticipated awards. Nonetheless, capacity within each of the regions in which the Group operates will continue to be monitored and any required further right-sizing of the various divisions and businesses will be pro-actively implemented. While it is anticipated that the overall liquidity of the Group will be constrained over the short-term, the cash reserves of R7,6 billion will allow the Group to adequately manage its liquidity position.

In respect of medium-term prospects, the South African, Australian and UK governments have all committed to widespread public infrastructure development as part of the economic stimulus packages aimed at relieving the devastating effects of COVID-19 on economies. The Roads and earthworks and Civil engineering divisions in South Africa and WBHO Infrastructure in Australia are well-positioned to participate in these stimulus packages. In the UK, the Byrne Group has been positioning itself for public infrastructure spend for some time and has developed good relationships with various EPC contractors bidding for work on the HS2 rail project. Russells-WBHO also gained entry onto its first public sector framework which comprises a framework of pre-tendered agreements with a range of suppliers from which public sector customers can purchase goods and services. The gas-related infrastructure project in Mozambique (the largest infrastructure project ever in Africa) as well the renewable energy sector and a number of large-scale public-private partnerships in South Africa also offer real prospects of future work.

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

## NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2020

### 8. EVENTS AFTER THE REPORTING DATE

On 3 June 2020 the Group advised stakeholders of an unsolicited indicative, non-binding and conditional proposal from a major international construction and civil services company to acquire the Group's interest in Probuild Constructions Pty Ltd (Probuild), the Australian building business.

The Group has received numerous unsolicited approaches for the Probuild over recent years.

The emerging increased size and complexity of projects in Australia presents a growing risk to the South African balance sheet to support the future of the Australian businesses. This prompted a decision to engage the latest unsolicited proposal.

At 30 June 2020, negotiations had not progressed sufficiently for the sale to be considered highly probable.

Subsequent to the end of the reporting period, principle agreement was reached on the majority of the key terms to be included in the transaction documents. While negotiations are materially advanced, the proposed transaction remains subject to the finalisation and execution of the binding transaction documentation as well as various counterparty, regulatory and shareholder approvals. Probuild management in Australia have been intimately involved in the proposed transaction and are committed to completing the necessary steps to reach finalisation.

The Board is not aware of any other matter or circumstance arising since the reporting date not otherwise dealt with in the consolidated financial statements, which significantly affects the financial position of the Group as at 30 June 2020 or the results of its operations or cash flows for the year then ended.



## COMMENTARY

The current reporting period is considered to be one of the most challenging ever faced by the Group in its 50-year history. The effects of further substantial losses incurred in both the Building and Infrastructure businesses in Australia, the continued deterioration of the domestic economic environment and hesitant fixed capital investment in the UK ahead of the conclusion of Brexit negotiations, were compounded by the widespread impact of the global COVID-19 pandemic (COVID-19) across all areas of the Group's operations resulting in unprecedented losses being reported at 30 June 2020. Prior to COVID-19, the UK operations were performing ahead of expectations while the African operations had performed reasonably well amidst a difficult and shrinking construction market. The hard lockdown implemented in South Africa on 27 March 2020 and the subsequent Alert Level 4 and 3 restrictions implemented in May and June saw construction activity plummet over the last quarter of the reporting period. While operations in the rest of Africa were impacted to a lesser degree, the closing of international borders and strict quarantine regulations, where travel was permitted, essentially halted international trade and people movement between countries. Construction was considered an essential service in both Australia and the UK with the effect that productivity was impacted only by social distancing requirements and an initial reluctance by subcontractors to attend site.

After implementing all necessary health and safety requirements, the Group's immediate response to COVID-19 was focused on protecting its contractual rights, containing costs and assessing future cash flows. Clients were notified of potential claims and cash flow projections were regularly updated and reviewed. Employment costs form the bulk of the Group's fixed cost base. Within each area of operation, the Group was required to assess its ability to support staff through this difficult time against preserving working capital reserves.

Across Africa, while certain operational and support staff were able to work from home, most site-based personnel were unable to perform their duties at varying times. Based on strong cash reserves and the uninterrupted collection of trade receivables, the Group elected to support its permanent staff through these trying times, paying them in full throughout all alert levels, utilising a combination of company-contributed salaries, annual leave and 13<sup>th</sup> cheque provisions. In addition, the Group also made use of the Unemployment Insurance Fund COVID-19 Temporary Employer/Employee Relief Scheme to assist non-permanent employees in South Africa.

In the UK, the government introduced the Coronavirus Job Retention Scheme, allowing the UK operations to temporarily place excess staff on furlough while the government continued to pay 80% of their remuneration up to £2,500. This was "topped-up" by the UK operations in some instances where deemed appropriate. In Australia, certain staff were asked to work a shortened week in order to preserve cash.

Across all regions the containment of all avoidable costs was a focal point. All capital expenditure was halted and in Africa interim bonuses, usually paid in June were suspended. The Board also decided it was prudent to withdraw payment of the interim dividend declared on 2 March 2020.

From a health and safety perspective, the Group's reaction to the pandemic entailed obtaining a thorough understanding of the raft of new legislation being promulgated, devising protocols for the implementation of social distancing, access control and COVID-19 detection and tracing requirements on sites and in offices, and purchasing additional personal protective equipment, sanitising dispensers and educational signage and materials. Thanks to the effective controls implemented, only 237 employees across the entire Group had contracted COVID-19 at the date of this report.

## COMMENTARY (continued)

### FINANCIAL REVIEW

#### REVENUE AND OPERATING PROFIT

Group revenue increased by 6% from R41 billion in FY2019 to R43 billion in the current year. Revenue from South Africa decreased by 12% due to the COVID-19 related lockdown regulations implemented over the last quarter of the reporting period. Revenue from the rest of Africa remained in line with the prior year, however the closing of international borders severely impacted activity in Mozambique, where production on the large-scale gas-related projects had begun to gain traction. Operations in Botswana, Zambia and West Africa were less affected. Revenue from both the Australian and UK operations increased by 14% in Rand terms over the previous year assisted by foreign currency translation gains amounting to R731 million and R431 million, respectively. The local currency weakened significantly toward the end of the reporting period with the South African sovereign downgrade and the initial reaction to the impact of COVID-19 on the economy being the primary catalysts.

Operating profit before non-trading items reversed from a profit of R561 million in FY2019 to an operating loss of R541 million at 30 June 2020 due to the additional expected losses provided for on the Western Roads Upgrade (WRU) project, the loss-making 443 Queen Street project in Probuild and R396 million in potentially unrecoverable costs arising from COVID-19. Furthermore, the performance of the Group was also significantly affected by the reduced productivity and lost profits over the last quarter of the reporting period. This is clearly visible in the performance from the African operations which experienced a 47% decrease in profitability. Only the UK operations delivered improved profitability amounting to 32% (31% in Pound terms) due to solid performances from both the Byrne Group and Russells-WBHO.

#### (LOSS)/EARNINGS PER SHARE AND HEADLINE (LOSS)/EARNINGS PER SHARE

At 30 June 2020, the group reported a loss per share of 937 cents per share compared to earnings per share of 939 cents at 30 June 2019. The headline loss per share amounted to 923 cents per share versus earnings per share of 932 cents in the comparative period.

#### IFRS 16: LEASES AND THE ASSOCIATED RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

On 1 July 2019, the Group adopted IFRS 16: *Leases*. Note 5 to the summary consolidated financial statements provides detail on the recognition of right-of-use assets in the statement of financial position. The increase in long-term liabilities relates to the associated lease liabilities recognised.

#### EQUITY-ACCOUNTED INVESTEEES

The Group utilises its financial strength to support property developments and invest in engineering, procurement and construction (EPC) and concession projects in order to unlock construction opportunities for its operations, while at the same time creating 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 individuals and businesses, providing construction expertise and financial support in order to develop the growth of these businesses and gain access to alternative markets.

Edwin Construction continued to struggle in the current market having secured only one reasonably-sized road project as it commenced FY2020. The business was able to secure some smaller infrastructure projects in the water and rail sectors which supported activity to a lesser extent. The Group received a dividend of R15,7 million from Edwin Construction during the year.

The local rail market offered no rail projects of any major significance during the year. As such, with only minor maintenance projects available to support activity, iKusasa Rail SA was forced to incur further retrenchment costs resulting in additional losses. The outlook for the business remains uncertain over the short-term as construction opportunities in this sector remain limited for the foreseeable future.

The operational phase of the serviced accommodation concession for Statistics South Africa delivered expected profits during the period. Included in finance income is interest of R7,5 million received on the loan to the Dipalopalo Concession.

The Matola Gas Company sells and distributes gas in Mozambique and Gigajoule Power is a concession company supplying electricity generated from a gas-fired power station, in which Gigajoule International is a shareholder. Both businesses performed broadly in line with expectations having experienced minimal COVID-19 related disruptions within their respective markets. The Group recognised combined after-tax profits of R32,7 million during the year and is expecting a cash dividend of R57 million which was declared subsequent to the reporting period.

Catchu Trading is a residential development in Tshwane in which WBHO holds 50% of the equity. With the construction contract for phase 1 now complete, 87% of pre-sales of apartments were successfully converted. All external debt has been settled and the group's share of the resulting development profit amounted to R22,6 million after tax. Potential schemes for the development of phase 2 continue to be pursued.

In Australia, the final settlement of apartment sales from Precinct 2 of the Caulfield development allowed for the repayment of the remaining contributed equity and an after-tax profit of A\$5,3 million being recognised in the current year. Probuild has subsequently been awarded the contract for construction of a new building on the Precinct 2 (North) site.

Construction of the Glen Sky Garden above the Glen shopping centre in Melbourne is due for completion in November 2020. At 30 September 2020, 75% of the available apartments had been pre-sold.

Russell Homes achieved revenue of £18 million in FY2020 compared to £21 million in FY2019. While a slowdown in housing sales due to COVID-19 impacted profitability this year, these sales will now occur in FY2021. Profit before tax decreased from £846 thousand to £15 thousand as a result. A new £27 million scheme commenced at the Littleborough site during the year and a further two schemes are projected to commence in the coming period. Finance income of £347 thousand was received in respect of the loan of £10,6 million from Russells-WBHO to Russells Homes Limited. The increase in the loan relates to the initial funding of the Littleborough scheme that commenced during the year.

					Share of after-tax profit/(loss)	
Entity	Industry	Country	Effective %	Investment and loans Rm	30 June 2020 Rm	30 June 2019 Rm
CONSTRUCTION						
Edwin Construction	Infrastructure	South Africa	49	84,0	4,6	0,4
iKusasa Rail SA	Railway maintenance and construction	South Africa	49	3,3	(8,0)	(4,5)
Ilembe Airport Construction Services	Airport construction	South Africa	29	3,8	–	–
CONCESSIONS						
Dipalopalo	Serviced accommodation	South Africa	27,5	57,8	–	–
DFMS Joint Venture	Serviced accommodation	South Africa	14,6	4,6	2,3	1,9
Gigajoule International	Gas supply	Mozambique	26,6	246,1	23,2	38,6
Gigajoule Power	Power	Mozambique	13	164,9	9,5	13,4
PROPERTY DEVELOPMENTS						
Catchu Trading	Residential	South Africa				
Phase 1			50	28,7	22,6	–
Phase 2			50	30,6	–	–
Caulfield	Residential	Australia	30	53,2	56,0	–
The Glen Sky Gardens	Residential	Australia	20	131,1	–	–
PROPERTY DEVELOPER						
Russell Homes Limited	Residential schemes and house builder	United Kingdom	31,7	298,1	0,2	4,0
Total				1 106,1	109,3	4,0
ECL allowance				(0,9)	–	–
Total				1 105,2	109,3	54,0

## COMMENTARY (continued)

### CONTRACT ASSETS AND CONTRACT LIABILITIES

The decrease in contract assets of R558 million was predominantly due to the certification of revenue on the WRU project. Contract assets within the infrastructure business in Australia declined from R542 million to R103 million as a result. A further R213 million relates to unapproved variations within Probuild, the Australian building business. The remaining balance comprises R513 million relating to the African operations and R43 million to the UK operations. These contract assets relate mostly to the timing of certification and materials-on-site.

The increase of R791 million in contract liabilities relates primarily to Probuild as the business focused on working capital management.

### TRADE RECEIVABLES

The decrease in trade receivables can be attributed to lower receivables balances at 30 June 2020 arising from reduced levels of productivity over the final quarter of the reporting period, particularly in South Africa, where the Building division only recommenced activity on 1 June 2020.

### CASH

During the period, an amount of A\$54 million was transferred to Australia from the South African operations to support the funding of the WRU Project. A further amount of A\$34 million was sent after the reporting period bringing the total funding from South Africa to A\$100 million. Probuild has sufficient cash reserves to fund the losses being incurred on 443 Queen Street and also injected an amount of A\$14 million into the infrastructure business over the course of the year to assist with the funding of WRU.

In aggregate, total cash balances increased from R6,0 billion to R7,6 billion. Despite the significant funds sent to Australia over the course of the year, local cash balances increased to R1,9 billion (2019: R1,5 billion). Foreign cash balances increased to R5,7 billion from R4,5 billion in FY2019 due to strong cash generation from the UK operations, particularly Russells-WBHO where cash balances increased by 62% to £34 million, as well as foreign currency gains due to the weak Rand at 30 June 2020.

Although the Group incurred substantial losses over the period, the cash generated from operations remained healthy amounting to R790 million compared to R1,5 billion generated in the comparative period. Capital expenditure declined from R374 million to R253 million, of which R137 million was acquired for cash and R116 million was financed. Buildings and vehicles to the value of R421 million were capitalised as right-of-use assets in terms of IFRS 16: *Leases*. Depreciation amounted to R326 million (2019: R283 million), including R76 million recognised on right-of-use assets.

### SIGNIFICANT CHANGES IN NON-CONTROLLING INTERESTS

In January 2020, the minority shareholders of Russells-WBHO exercised the second put option available to them under the share purchase agreement for a consideration of £5,5 million. The effective interest of the Group in the company increased from 70% to 80% as a result.

### CONTINGENT LIABILITIES

Financial guarantees issued to third parties amounts to R10,1 billion compared to R8,9 billion in issue at 30 June 2019.

## OPERATIONAL REVIEW

### BUILDING AND CIVIL ENGINEERING

		30 June 2020 Rm	30 June 2019 Rm
Revenue	11,5% decline	6 495	7 338
Operating profit	2,2% margin	142	304
Capital expenditure		27	37
Depreciation		26	20



Revenue from the Building and civil engineering division decreased by 11,5% over the preceding year while operating profit decreased by a substantial 57%. Prior to the lockdown restrictions, both revenue and operating profit forecasts had been broadly in line with the prior year performance. Direct COVID-19 costs amounted to R115 million and additional retrenchment costs amounting to R15 million reduced the operating margin to 2% compared to 4% at 30 June 2019.

## BUILDING

Overall building revenues decreased by only 5% despite the impact of COVID-19, however activity within the different regions varied considerably.

Potential large-scale building projects in Gauteng, particularly in the retail and commercial office sectors, continue to be delayed with developers seemingly having difficulty securing sizeable tenancies in the current low-growth economic environment. In Gauteng, where revenue decreased by 25%, the division had experienced a marked decline in new orders even prior to COVID-19. The division has successfully adapted to compete against mid-tier contractors, regularly securing projects in the sub-R250 million market, however margins on these projects are fiercely competitive. With renewed pressure on private clients to reduce rentals, there is a noticeable intent to drive construction prices lower, either through open tender or intense negotiation.

The industrial buildings and warehousing sector continue to offer construction opportunities with the division completing one project and commencing four new projects from this sector in Gauteng during the period, the most prominent of which is construction of 125 000m<sup>2</sup> of warehousing space for DSV along with other associated buildings. The remaining three projects that commenced from this sector were secured in the sub-R250 million market. Activity in the commercial office space declined by 53% in the region. The remaining larger-scale projects comprising the new head office for Deloitte in Waterfall, the 144 Oxford Street development in Rosebank and Menlyn Maine Towers in Tshwane were all substantially complete by the end of the year. Three new projects from this sector were secured and commenced during the period, again from the sub-R250 million market.

Ongoing construction of projects from the healthcare, residential and student accommodation sectors also supported activity within the region. These include the completion of the upmarket Trilogy Apartments and Units on Park student accommodation in Tshwane (in which the Group is co-developer) and extensive additions to the Millpark Hospital for Netcare. A private state-of-the-art head and neck hospital, also in Tshwane, and the Jorissen Street student accommodation in the Johannesburg City Centre approached completion toward the end of the reporting period.

With fewer new-build projects available, the division has targeted various retail and commercial office refurbishments, the largest of which are the Jewel City rejuvenation project and the ABSA Towers re-development both within the Johannesburg City Centre.

Overall, the coastal region produced a solid result where strong growth in both the Western and Eastern Cape, offset declining activity in KwaZulu-Natal (KZN).

Activity in the Western Cape grew by 53%, supported by the award of a number of well-sized projects in previous financial periods. The division has good representation across all sectors in the region. Major projects consisted of new offices for Capitec Bank, construction of a new biomed facility for the Stellenbosch University and extensions to Woolworths at the V&A Waterfront, Checkers at Constantia Emporium and the Parow Exchange Retail Centre. Construction of the Rockefeller mixed-used development on Cape Town's Foreshore, comprising hotel, conferencing and residential spaces as well as the Augusta Apartments and 169 on Main from the residential sector also contributed toward activity levels.

Following 63% growth in FY2019, revenue in the Eastern Cape grew by a further 31% in FY2020. Supported by both the ongoing construction of existing projects, as well as the commencement of new projects, the division is enjoying numerous construction opportunities from the industrial building and warehousing sector which comprised 81% of total activity in the region. Two new awards at the East London Industrial development Zone (ELIDZ) will replace the two existing projects headed for completion in the first half of FY2021. A new paint shop for the BAIC Motor Group, a cold storage facility for APLI and the fit-out of a warehouse for Serephim, all at COEGA in Port Elizabeth, alongside alterations to a cold storage facility at the Woodlands Dairy and a warehouse extension to the Coca Cola depot, make up the remaining projects from this sector. A recently completed retail project and two social housing projects make up the balance of work to be executed.

## COMMENTARY (continued)

In KZN, the division experienced a general decrease in building activity. Revenue decreased by 26% due to a reduced order intake over the period that was further exacerbated by the impact COVID-19. As a result, the division was reliant on previously secured projects to underpin activity. Construction of the division's flagship project, the Umhlanga Arch mixed-use development has progressed well, with the retail, office spaces, hotel and apartments now handed over. Warehousing was again a significant contributor to activity where four existing projects and the commencement of one new project comprised 36% of overall revenue in the region. The division also completed the Busamed Hillcrest Hospital, La Lucia Mall refurbishment and the Ridge 8 commercial offices during the year.

The procurement of new building projects within the group's risk profile in the rest of Africa remains challenging. Having completed all existing projects in Ghana during the first six months of the year, the division turned its attention to the recently awarded refurbishment of a hotel in Lusaka, Zambia. While the project got off to a promising start, productivity was subsequently hampered by COVID-19 during which time the transport of materials and movement of expatriate staff was halted.

### CIVIL ENGINEERING

Revenue from the Civil Engineering division decreased by 32% this year. This was primarily due to the substantial completion of the commercial crude oil terminal facility at Saldanha (in conjunction with the Roads and earthworks division), which has provided a solid base-load of work over recent years, and the slow start-up of replacement projects in both South Africa and Mozambique due to COVID-19. Challenges finding new work in Zambia also contributed toward the lower revenue generated.

Locally, the division continues to successfully secure new work from sectors outside of its traditional mining and industrial markets where demand remains subdued. Within the renewable energy sector, the division secured a contract for the manufacture and supply of 80 concrete towers standing 100 metres tall for the Copperton and Garob wind farm near Prieska in the Northern Cape. Having erected a world-class, onsite pre-cast concrete manufacturing facility during the first half of the reporting period, production had geared up well prior to the onset of COVID-19. The division also completed a smaller project at the Nxuba wind farm in the Eastern Cape. The division successfully secured a new project from Rand Water during the year. The project consists of construction of a 158 meter diameter concrete reservoir with associated pipework and valve chambers in joint venture with VRP partner, Motheo Construction and another emerging contractor. The re-access works at the Kusile Power Station also continued throughout the year.

In Mozambique, the division was awarded its first gas-related infrastructure project in consortium with the Roads and earthworks division and two international partners. The project consists of the erection of a 9 500 man camp and associated infrastructure to accommodate the large number of personnel arriving to work on what will be the largest infrastructure project in Africa. Even prior to COVID-19, productivity on the camp had been frustrated by the washing away of bridges and roads due to flooding and sporadic incidents of terrorist activity (necessitating the transport of all materials and equipment by barge) as well as a lack of construction materials to have been provided by the client. With an international client, the outbreak of COVID-19 in Europe affected the project as early as February 2020. Restrictions on international travel and 10 to 14 day quarantine periods on either side of borders, continue to delay the project further and resulted in a small loss being reported for the year. The resolution of commercial claims remains an ongoing process.

In Zambia, work on the Ndola Brewery and Mopani copper mines have provided a steady pipeline of projects over recent years. Activity in the region fluctuates regularly around the timing of award of these projects. Having been further hampered by the effect of COVID-19 in FY2020, revenue decreased by a larger than normal 53% this year.

## ROADS AND EARTHWORKS

		<b>30 June 2020 Rm</b>	30 June 2019 Rm
Revenue	6,0% decline	<b>4 980</b>	5 295
Operating profit	4,8% margin	<b>237</b>	343
Capital expenditure		<b>116</b>	237
Depreciation		<b>113</b>	132
IFRS 16 right-of-use assets		<b>6</b>	–
IFRS 16 depreciation		<b>2</b>	–

Revenue from the Roads and earthworks division decreased by 6%. An 18% decrease in activity in South Africa, primarily due to COVID-19, was partially offset by increased revenue of 22% from the rest of Africa, where projects were affected to a lesser extent by the pandemic. The operating margin declined to 4,8% from 6,6% achieved in the comparative period due to direct COVID-19 costs amounting to R147 million, additional retrenchment costs amounting to R9 million and a more competitive market in general.

In South Africa, roadwork projects, followed by infrastructure projects for the mining and energy sectors, again comprised the bulk of work executed during the year. Inland, upgrades to the N4 for TRAC and the N6 for SANRAL, as well as the reconfiguration of the Watt Street interchange for the Johannesburg Development Agency, continued through the year. In the coastal regions, extensions to trunk road 85 at Saldanha for the Western Cape provincial government, new bridges, access roads and rail formation for Transnet, also at Saldanha, and the upgrade to the provincial road between Worcester to Robbertson were all completed. Two new awards were secured in the Eastern Cape, namely: an access road into the Port of Ngqura and an upgrade of a provincial road constituting a portion of the Wildcoast Meander at Willowvale. The inland division is also responsible for the rehabilitation and upgrading of the MR16 and MR7 in eSwatini (Swaziland), a project partially financed by the group, while the coastal division is constructing the advance civil infrastructure works for phase two of the Lesotho Highlands Water Project.

Following increased difficulty in collecting trade receivables over recent years, Roadspan, the road surfacing and asphalt and bitumen supply business within the African operations, has strategically shifted procurement toward sustainable clients and reputable main contractors. While this resulted in a noticeable decline in revenue over the period, improved collections yielded increased profitability. During the year, Roadspan completed the R75 upgrade at Jansenville, surfacing at Worcester to Robbertson, the R53 Potchefstroom to Ventersburg and on section 19 of the EN4 in Mozambique.

The mining infrastructure projects for South 32 and Anglo American that have underpinned activity from this sector over the last two years are now complete. However, additional works have been secured at South 32. Within the energy sector, construction of a haul road, ash dam and accompanying earthworks and infrastructure for SASOL will continue into FY2022 and additional work was secured from ESKOM for emergency repairs at the Camden Power Station. Construction of the crude oil terminal facility at Saldanha neared completion by 30 June 2020.

Providing clients with a turnkey solution for both civil engineering and pipeline construction services on select projects continues to prove successful and the division secured additional pipeline work at the Camden Power Station and Vlakfontein reservoir in South Africa as well as at the 9 500 man LNG camp in Mozambique during the year. The pipeline infrastructure associated with the ash dam for SASOL continues to progress well while projects at the Klipspruit mine for South 32 and the crude oil terminal facility was completed during the year. The indefinite suspension of the Zulti Pipeline project due to community unrest was particularly disappointing and had a significant impact on the potential revenue growth expected from this business at the beginning of the year. Other projects for external customers include completion of phase 1 of the 1,2m diameter bulk water supply line, a term tender for the City of Cape Town for bulk water supply. The second phase of this bulk water supply contract was procured early in 2020 and will continue into FY2021.

## COMMENTARY (continued)

Low-cost housing projects continue to make a positive contribution each year and the group is proud of its role in providing high-quality affordable housing to rural communities.

Following healthy growth of 51% in Botswana in FY2019, ongoing construction on the various mining infrastructure projects for Debswana and the Khoemacau copper mine resulted in further revenue growth of 21% this year. However, these projects are all due for completion in the first half of FY2021 and prospects for new work have declined significantly in the wake of COVID-19 and a resurgence of Chinese contractors in the public sector construction market. Construction of the approach and bridge railways at the Kazangula Bridge over the Zambezi River between Zambia and Botswana also neared completion toward the end of the financial year.

Activity in Mozambique continues to rise as the division secures extra work packages related to Area 1 of the gas infrastructure project in Palma. In addition to the community road secured last year, the division was awarded a contract in joint venture for the bush clearing and mass earthworks for the LNG process plant platform as well as participation in the consortium for the erection of the 9 500 man camp. In the south of Mozambique, the division completed section 19 of the EN4 and executed various ongoing small works at the Vale coal mine near Tete.

Overall revenue from the West African region was maintained, albeit at relatively low levels. Completed projects in Guinea and Sierra Leone were replaced with new work in Ghana at the Ahafo and Obuasi. With limited mining infrastructure projects available, the division, in partnership with citizen-owned companies, successfully targeted and secured certain road projects in the public sector. Construction of these road projects is progressing well, however obtaining timeous payment from the client is proving to be an ongoing challenge.

### AUSTRALIA

		30 June 2020 Rm	30 June 2019 Rm
Revenue			
Probuild		17 660	16 941
Infrastructure – Western region		2 039	2 147
Infrastructure – Eastern region		4 958	2 625
<b>Total</b>	13,6% increase	<b>24 657</b>	21 713
Operating (loss)/profit			
Probuild		(133)	222
Infrastructure – Western region		93	102
Infrastructure – Eastern region		(1 159)	(659)
<b>Total</b>	(4,9%) margin	<b>(1 199)</b>	(335)
Capital expenditure		89	82
Depreciation		58	73
IFRS 16 right-of-use assets		83	–
IFRS 16 depreciation		25	–

The performance of the Australian operations deteriorated further this year, impacted by additional provisioning on WRU project within the infrastructure business and the 443 Queen Street project within the building business. COVID-19 related costs of A\$4,0 had a minimal effect on the already substantial losses incurred over the period.

## **BUILDING**

Revenue from the building business was sustained at A\$1,7 billion for the year ended 30 June 2020. Good growth within the Victorian and New South Wales (NSW) markets offset a sharp decline in activity in Western Australia where the business struggled to replace completed projects.

The pre-COVID-19 environment in the building sector was quite buoyant. Following the implementation of additional taxes on foreign purchasers of Australian residential real estate, Asian-based residential development continued to slow down. However, replacement activity was seen in the retail and office sectors, along with emerging government spend in health and education. Financing conditions remained constrained with increased requirements for pre-sales and leasing pre-commits, particularly from Australian on-shore lenders. This has led an increase in foreign lending, particularly from the United States of America.

The NSW market place continued to be highly competitive with several regional NSW-only builders of significant size being competitive against Probuild's national brand.

The following major projects were completed and handed over successfully this year; the new headquarters for the Victoria Police and Malt District commercial tower, both in Melbourne and the Queens Wharf Excavation and Maritime project in Brisbane. The Edmondson Park mixed retail and residential project in NSW was also completed during the year.

Ongoing residential construction includes the multi-storey Greenland tower in NSW and in Victoria, the large-scale mixed-use residential and hotel development at Westside Place (the building business's largest project to date valued at approximately A\$700 million) and the Sky Gardens tower above the Glen Shopping Centre. Work within the commercial sector continues at the MLC Centre in Sydney, a commercial tower for the listed company Dexus. Activity in the education sector also included a new tower at the Victoria University Campus in Melbourne and construction of student accommodation for the Curtin University in Perth. In Queensland, operational focus remains concentrated on the challenging 443 Queen Street residential project to ensure delivery for long-standing client, Construction and Building Unions Superannuation (Cbus).

## **INFRASTRUCTURE AND CIVIL ENGINEERING**

Revenue from the overall infrastructure business grew by 47% as the WRU project reached peak activity during the year, while the operating loss increased from R557 million to R1,1 billion.

### **EASTERN REGION**

The performance of the Eastern Region business was dominated by the poorly performing, and resource intensive, WRU project, which effectively limited capacity for procuring any new work. In response to the Eastern Region's poor performance, both generally and on the WRU project, a 'Reset' strategy aimed at stabilising the business and focusing on suitable project opportunities that realistically match our capabilities and resources is currently being implemented.

### **WESTERN ROADS UPGRADE PROJECT**

The WRU project is a single design and construct project consisting 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.

The anticipated costs to complete the project continued to increase over the period due to further unforeseen delays and associated costs arising from the discovery of additional unknown services (resulting in protracted design finalisation), subcontractor failures, significantly increased costs charged by utility providers to relocate their assets, costs associated with pursuit of claims from clients and consultants and persistent utility provider delays. However, the forecast loss has stabilised as the remaining packages have begun to approach completion. Physical completion of six of the eight projects was completed by 31 October 2020 with completion of a further package expected by the end of November and the final remaining package by the end of January 2021. Commercial acceptance of all projects is anticipated to be finalised by 30 April 2021.

## COMMENTARY (continued)

Subsequent to 30 June 2020, WBHO Infrastructure reached agreement with the State Government of Victoria with regard to extensions of time for the completion of the eight packages, settlement of the quantum of the claim submitted as well as agreeing the payment terms. This has significantly reduced the completion risk associated with the project as well as having a positive effect on the forecast cash flows of the Group. Having resolved its position with the State Government of Victoria, WBHO Infrastructure will now pursue its entitlements against the design consultants.

The total forecast loss on the project increased by A\$82 million during the year to A\$133 million.

### WESTERN REGION

In the Western region, while revenue and operating profit was marginally down over the comparative period, the business has consistently delivered solid profitability over recent years. In respect of COVID-19, productivity on some projects in the resources sector were initially impacted due to Fly-in-Fly-out roster changes; however, the changes were rapidly and effectively implemented, and the situation quickly returned to normal. CBH, Australia's largest grain exporter, suspended a few smaller projects which currently remain on hold.

### UNITED KINGDOM

		30 June 2020 Rm	30 June 2019 Rm
Revenue	13.5% increase	6 452	5 683
Operating profit	4.7% margin	302	228
Capital expenditure		13	13
Depreciation		44	45
IFRS 16 right-of-use assets		291	–
IFRS 16 depreciation		42	–

In spite of lower productivity achieved over the last four months of the reporting period, revenue and operating profit from the UK operations grew by 6.4% and 31% respectively in pound terms. Russells-WBHO delivered another strong performance, while the Byrne Group maintained profitability with that of the prior year. Direct COVID-19 costs had less of an effect on the UK operations due to its classification as an essential service and hence the ability to continue working. Non-recoverable COVID-19 costs amounted to £2.5 million.

### BYRNE GROUP

Revenue from the Byrne Group declined marginally by 8% from £202 million to £187 million, partially as a result of COVID-19, but also due to lingering uncertainty within the London construction market due to Brexit. New work opportunities were limited and certain competitors took on projects at unrealistic margins to sustain activity. Consequently, the ongoing construction of existing projects within the hotel, residential and energy sectors largely underpinned activity in the current reporting period. Operating profit of £5.2 million at a margin of 2.8% was consistent with the £5.8 million achieved in FY2019. The appointment of new managing directors in both the underlying operating businesses, Byrne Brothers and Ellmer Construction has proven successful.

Contracts completed by Byrne Bros. during the year included works to upgrade capacity by 40% at the underground Bank Station, the iconic 50-storey Aykon London One Apartments, substructure works at the new Google Headquarters in Kings Cross, an expansion to the Royal College of Arts in Battersea and civil works at the Rookery South Energy Recovery Facility in Bedfordshire. Construction of the 56-storey and 42-storey towers at the One Nine Elm Street hotel and residential mixed-use development continued through the year alongside the redevelopment of the 1-5 Grosvenor site, where Byrne Bros is responsible for the structure for a new 189 room upmarket hotel and 26 residential apartments overlooking Hyde park.

Projects within Ellmers Construction were predominantly centred in the heart of London and included the refurbishment of the 180 room Kingsway Hall Hotel in Covent Garden, the development of 26 luxury apartments and a spa at the Mayfair Park Residences, the refurbishment of five floors of commercial office space and addition of a further three floors to The Hickman in Whitechapel and several high-end residential apartments at 20 Grosvenor Square. Ellmers also secured work in respect of the residential section of the 1-5 Grosvenor site.

## RUSSELLS-WBHO

While the overall Manchester market has recently shown signs of tapering, Russells-WBHO delivered exceptional growth in both revenue and profitability. Revenue grew by 34% from £105 million in FY2019 to £141 million this year, while operating profit increased from £7,2 million to £10,9 million at a margin of 7,7%.

The residential and hotel sectors were the primary drivers of activity comprising 80% of revenue generated. Projects from the commercial office and industrial sectors made up the balance.

Over the period Russells-WBHO completed several high profile and profitable projects. In the Manchester city centre a number of office and residential projects were handed over, including the award-winning Axis Tower, a 28-storey residential scheme which is a major feature on the Manchester skyline. Additional residential projects delivered include the £17 million Vulcan Mill apartments for Artisan Investments and £6m Manhattan apartments. In the commercial office sector, a £9 million office building forming part of the NOMA heritage regeneration masterplan and the £3 million St James' Tower Grade A office complex were also completed. The business continues to develop its 15-year relationship with Lineage Logistics, with work in excess of £3,7 million completed on their cold storage and distribution facilities nationwide over the last 12 months.

Three large hotel schemes within the Manchester city centre, having a combined value of £125 million, made good onsite progress during the year. These projects along with a £33 million residential project forming part of the regeneration of the Chatham Docks in Kent, will continue to provide a significant contribution toward activity in FY2021.

## CONSTRUCTION MATERIALS

		30 June 2020 Rm	30 June 2019 Rm
Revenue	26,9% decline	713	976
Inter-company sales		(219)	(396)
<b>Revenue to external customers</b>		<b>494</b>	<b>580</b>
Operating (loss)/profit	(3,5)% margin	(24)	20
Capital expenditure		16	6
Depreciation		7	6
IFRS 16 right-of-use assets		40	–
IFRS 16 depreciation		7	–

The combined effect of the weak trading environment and COVID-19 resulted in revenue from the Construction Materials businesses decreasing by 27% from R976 million to R713 million (before the elimination of inter-company revenue) and the reversal of an operating profit of R20 million achieved in FY2019 to an operating loss of R24 million this year.

Trading conditions within the steel supply industry were extremely difficult even prior to COVID-19. Declining building markets, which are the largest source of revenue for the Reinforced Mesh Solutions (RMS), have resulted in unsustainably low margins, which together with a lengthy payment terms and slower collections have increased pressure on cash flow. The impact of COVID-19 further compounded an already challenging environment. Although RMS only ceased operations for the month of April 2020 under Alert Level 5, building construction in South Africa on which the business is heavily reliant, only recommenced operations a further month later.

During the lockdown period the steel mills were forced to shut down their furnaces. The delayed start-up of certain furnaces resulted in a subsequent steel shortage which alongside an overdue correction to pre-COVID-19 steel prices led to a sharp increase in the raw material costs of the steel supply merchants.

All inland branches experienced lower volumes and as such struggled to meet overhead expenditure, particularly the Johannesburg branch which carries the highest fixed cost base. With the exception of the Eastern Cape, were the Port Elizabeth and East London branches delivered good profitability, both the KZN and Western Cape branches incurred losses for the year.

VSL Solutions, which provides post-tensioning for concrete slabs as well as concrete repairs to the construction market also faced a challenging year where revenue declined by 44%.



## COMMENTARY (continued)

### ORDER BOOK AND OUTLOOK

		At 30 June 2020	To 30 June 2021	Beyond 30 June 2021		At 30 June 2019
	%	Rm	Rm	Rm	%	Rm
<b>Order book by segment</b>						
Building and civil engineering	17	5 858	5 296	562	14	6 446
Roads and earthworks	13	4 523	3 169	1 354	12	5 796
Australia	55	19 573	16 816	2 757	58	27 316
United Kingdom	15	5 407	4 660	747	16	7 810
<b>Total</b>	<b>100</b>	<b>35 361</b>	<b>29 941</b>	<b>5 420</b>	<b>100</b>	<b>47 368</b>
<b>Order book by geography</b>						
South Africa	24	8 484	6 786	1 699	23	10 704
Rest of Africa	6	1 896	1 679	217	3	1 538
Australia	55	19 574	16 816	2 757	58	27 316
United Kingdom	15	5 407	4 660	747	16	7 810
<b>Total</b>	<b>100</b>	<b>35 361</b>	<b>29 941</b>	<b>5 420</b>	<b>100</b>	<b>47 368</b>

The knock-on effect of COVID-19 on the global economy resulted in a number of imminent awards being delayed. The negligible intake of new work over the last quarter of the reporting period has had a detrimental effect on the secured order book and forward-looking pipeline of the Group at 30 June 2020.

The total order book decreased by 25% from R47 billion to R35 billion which comprises a 12% and 9% decrease in the order books of the Roads and earthworks and Building and Civil engineering divisions respectively, a decrease of 28% in the order book relating to Australia and a 21% decrease in the order book of the UK operations.

New project awards remained subdued through July and August of the new financial year, however there was a noticeable increase in activity in South Africa from September once the country entered Alert Level 1.

Project awards subsequent to the end of the reporting period amount to R9,4 billion with a further R8 billion expected to be awarded within the next three months in respect of projects on which the Group is the preferred bidder.

#### AFRICA (INCLUDING SOUTH AFRICA)

While general building markets in South Africa will likely deteriorate further in the wake of COVID-19, the recent award of various large and mid-sized new projects, together with a number of potentially imminent awards on which the Building division is the preferred contractor, provides reasonable visibility into future activity levels for the next 12 months.

In Gauteng, the various projects under construction in the industrial building and commercial building sectors together with recent awards amounting to R400 million will support activity into FY2021. In addition, 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 reached commercial close in October, and is expected to reach financial close by the end of the calendar year. This large-scale building project valued at almost R2 billion will provide a baseload of building work in the region until the end of FY2022.

In the Western Cape, while the market remains competitive, the division continues to successfully negotiate new projects with existing clients. Ongoing construction at the biomed centre and Rockefeller mixed-use development, as well two new projects secured from the hotel and mixed-use sectors are included in the order book at 30 June 2020. The hotel project incorporates the conversion of an existing 28-storey building into a new hotel with associated amenities and the mixed-use project entails construction of an 80 room hotel, 122 residential apartments, 3 individual office buildings and two levels of parking. Despite the termination of a large-scale upgrade to the Cape Town International Airport by the Airports Company South Africa (ACSA), the division has secured a further R1,4 billion in new projects subsequent to the end of the reporting period, the most prominent of which are the Harbour Arch residential development and a new data centre for Amazon.

The KZN building market hardened noticeably toward the back end of FY2019 and conditions have remained tough throughout this year. Further work secured at the Clairwood Logistics Park both during and subsequent to the reporting period will underpin activity alongside the ongoing construction at the Umhlanga Arch and Ridge Town Central, entailing construction of 220 apartments spread over four towers. The imminent award of two negotiated industrial projects and a large-scale mixed-use development will see a significant increase in secured work and relieve pressure from seeking low-margin work in the exceptionally competitive tender environment.

Following a strong order intake in excess of R1 billion over the course of FY2020, the division is well positioned to sustain the increased activity levels in the Eastern Cape next year. Industrial buildings and warehousing will continue to drive activity supported by two projects in the retail sector.

Building opportunities in Ghana remain limited. However, the division submitted competitive bids on two large projects which if awarded will revive activity in the region. The division is actively pursuing opportunities in other regions and was awarded a new project for Grindrod in Mozambique and is hopeful for another potential award in Botswana. The refurbishment of the hotel in Zambia also continues throughout FY2021.

The combined order book of the Civil Engineering division remains in line with that of the previous year, where a decline in secured work in South Africa and Zambia has been replaced with the award of the 9500 man camp in Mozambique. A major project targeted by the division (in joint venture) was the re-tender of the marine works at the container terminal in the Durban Harbour. Disappointingly, after the successful due diligence of WBHO and its joint venture, Transnet later issued a suspension notice. Nonetheless, the division was recently awarded a new mining infrastructure contract for the construction of a coal silo at the Matla Coal Mine for Exxaro which will support activity alongside further construction opportunities in and around the gas fields in Mozambique as well as in the renewable energy sector.

Prior to COVID-19, the Roads and Earthworks division had been eagerly anticipating the award of a R1,2 billion design and construct project at OR Tambo International Airport as well as a number of large-scale projects for SANRAL, where competitive bids had been submitted. During the lockdown period, ACSA announced the cancellation of all pending projects due to the devastating impact of travel restrictions. SANRAL also delayed the award of its projects over the lockdown period and has only recently resumed activity.

Locally, road construction on existing projects, both inland and within the coastal regions, as well as ongoing work at SASOL and the Camden and Medupi Power Stations should sustain activity for the year ahead. Additional works have been secured on existing mining infrastructure projects and the division is in line for the imminent award of one further mining infrastructure project. The division expects announcements from SANRAL on specific bids valued at R1,7 billion on which it has tendered by the end of the calendar year, with further announcements on additional projects in the new year.

The roadwork and infrastructure works in eSwatini and Lesotho respectively, are both due for completion in FY2021.

Activity in Botswana is expected to taper in FY2021 as various mining infrastructure projects reach completion in the first half of next year. Additional work was secured at the Khoemacau Copper Mine after the current reporting period and the division has bid upon further work at Jwaneng for Debswana.

In Mozambique, the division continues to secure additional work on the gas infrastructure project at Palma, both directly from Total as well as from the EPC contractor CCS JV which, along with the work already on hand, will result in increased activity in the region over the course of FY2021.

The division is also pursuing various mining infrastructure projects in Ghana and Madagascar as well as a commercially funded, design and construct road project in Liberia. If secured, these projects will substantially increase the order book at 30 June 2020.

## COMMENTARY (continued)

### AUSTRALIA

The previous fundamentals of population growth and strong local and foreign private fixed investment that have supported building activity in Australia over recent years, are expected to be weakened over the short term due to COVID-19. Strict control over people that are allowed to enter the country has resulted in significant reduction in the number of inbound arrivals which has thus had a severe effect on tourism and other sectors of the economy. However, the longer-term outlook still remains positive. Retail activity is expected to rebound with the trend of large-scale repurposing of traditional retail centres into “destination retail”, including cinemas, dining and other entertainment alongside traditional retail formats, continuing. To ensure the business maintains capacity for these anticipated large retail project opportunities, teams have been engaged on smaller fit-out and commercial refurbishment projects. While client-interest in new developments is once again beginning to emerge, the timing of conversion from scheme developments to commenced works is uncertain.

New awards during FY2020 that will support activity include a commercial tower in Melbourne with a contract value of A\$217 million and a A\$190 million build-to-rent residential project. This is the first build-to-rent project secured by Probuild in what will be a significant market sector for the next 3-5 years. Probuild is also the preferred bidder on a A\$180 million fit out for a new head office in Melbourne for a large listed pharmaceutical company along with two additional retail projects with a combined contract value of A\$160 million.

The Infrastructure and civil engineering order book at 30 June 2020 amounts to A\$189 million of which A\$74 million relates to the Western region. With WRU nearing completion, bidding activity within the Eastern region will again be prioritised. The focus on securing construction-only road projects as well as projects in the renewable energy sector where the business has a successful track record will remain in place. Both the Federal and State governments have voiced intentions to support activity in the civil engineering and infrastructure sectors as a means of stimulating the Australian economy in response to COVID-19.

### UNITED KINGDOM

The combined order book of the UK operations declined by 31% over the comparative period comprising a 25% decrease in the order book of the Byrne Group and a 37% decrease in that of Russells-WBHO which stood at record levels at 30 June 2019. A competitive London market together with various delayed and suspended project awards were the main reasons for this decline. Projects to the value of £95 million have been secured since the end of the reporting period with a further £77 million expected to be awarded later in FY2021.

Following the successful execution of the Rookery Pits contract in Bedfordshire, Byrne Bros. was awarded a further £25 million contract for the same client at the Newhurst energy-from-waste facility during the year as well as a £14 million basement structure at the Wood Wharf mixed-use development next to Canary Wharf in London. The pre-construction agreement concluded during the year for Project Iodine, comprising a double basement and eight floors for the new digital hub for Santander, was successfully converted into a works contract after the reporting period. These new projects together with ongoing construction at Google's new head offices near the King's Cross station, the One Nine Elms development and 1-5 Grosvenor Place will form the bulk of work to be executed in FY2021.

Ellmer Construction's secured order book primarily consists of ongoing construction at 1-5 Grosvenor and the off-site, modular construction of the washrooms for Google's new head office. The award of a new £60 million hotel project in Marylebone is anticipated within the next three months.

In Manchester, the three previously mentioned large-scale hotel schemes will contribute strongly toward revenue for Russells-WBHO in FY2021. Subsequent to 30 June 2020, Russells was also awarded a new £40 million contract for the conversion of the historic listed municipal buildings in Liverpool into a 180 room boutique hotel as well as a £19 million cold storage facility in Great Haddon.

## OUTLOOK

The current high levels of uncertainty within economic markets due to COVID-19 make it exceptionally difficult to predict how markets will behave, and what impact that may have on the Group over the medium-term. A resurgence in COVID-19 infections in Australia and the UK in the first half of the new reporting period have resulted in stricter lockdown restrictions being implemented. Productivity was heavily impacted within the building business in Melbourne where a hard lockdown was implemented between 9 August 2020 and 27 September 2020, however productivity in the UK has been disrupted to a lesser extent as no projects have been suspended and subcontractors have remained on site.

Nonetheless, the new projects awarded in the first half of FY2021 together with the imminent awards expected over the next three months, will provide sufficient work for the Group over the short-term as markets stabilise. Capacity within each of the regions in which the Group operates will continue to be monitored and any required right-sizing of the various divisions and businesses will be pro-actively implemented.

Private fixed investment across all regions is expected to face continued pressure in the wake of COVID-19, particularly within the hotel, leisure and commercial building sectors. The South African, Australian and UK governments have all committed to widespread public infrastructure development as part of the economic stimulus packages aimed at relieving the devastating effects of COVID-19 on economies. The Roads and earthworks and Civil engineering divisions in South Africa and WBHO Infrastructure in Australia are well-positioned to participate in these stimulus packages. In the UK, the Byrne Group has been positioning itself for public infrastructure spend for some time and has developed good relationships with various EPC contractors awarded work on the massive HS2 rail project. Russells-WBHO also gained entry onto its first public sector framework, the Crown Commercial Service which comprises framework agreements consisting of a set of pre-tendered agreements with a range of suppliers from which public sector customers can purchase goods and services. ESKOM's recent recommitment to renewable energy together with additional private-public partnerships in the commercial building sector offer promising prospects in South Africa. Mozambique will be the dominant source of activity in the rest of Africa with the gas infrastructure projects providing a number of construction opportunities. At present, the Group has elected to target the lower-risk ancillary civil works.

## SAFETY

The Group's safety statistics at 30 June 2020 showed further improvement over the significant improvement achieved in FY2019. The lost-time injury frequency rate (LTIFR) improved from 0,69 injuries per million man hours at 30 June 2019 to 0,59 in the current year. There was a marked improvement from both the UK and Australian operations while the African operation maintained the record low LTIFR achieved in the previous year.

Sadly, Messrs Sphelele Buthelezi and Sandile Buthelezi from WBHO and Mr Muziwengcebo Buthelezi, a subcontractor employee, tragically lost their lives in work-related incidents in South Africa. The Byrne Group experienced the first ever fatality in its 50 year history, when a subcontractor employee passed away in an accident. The Board and management offer their deepest condolences to the family, friends and colleagues of the deceased for their devastating loss.

## APPRECIATION

FY2020 has been an exceptionally difficult year for the Group. The COVID-19 pandemic has placed inordinate strain on our staff, both personally and at work. The Board and management extend their sincere appreciation to all our employees for the care and diligence taken in adhering to the social distancing and other COVID-19 related safety requirements necessary to keep the workplace as safe as possible as well as for the perseverance and dedication shown in weathering these abnormal times in support of the Group. Our warm wishes go out to those employees who regrettably left our employ this year, as well as the numerous subcontractors and suppliers facing unfortunate financial difficulties in the current environment. As always, we thank our old and new clients and sincerely appreciate the faith placed in us to deliver the many projects we execute each year on their behalf.

## COMMENTARY (continued)

### DIVIDEND DECLARATION

In light of the scale of the losses incurred in Australia and the associated parent company funding required to support the Australian operations, as well as the uncertainty around the future procurement of work over the medium-term, the Board has elected not to declare a dividend in respect of the reporting period ended 30 June 2020.

### PRESENTATION OF THE FINANCIAL RESULTS AT 30 JUNE 2020

Shareholders and interested parties are advised that a virtual presentation of the Company's audited consolidated financial results for the year ended 30 June 2020 will be held on Tuesday, 17 November 2020. The presentation will also be made available on the Company's website at [www.wbho.co.za](http://www.wbho.co.za).

**WP Neff**

**CV Henwood**

**EL Nel**

17 November 2020

**Sponsor:**

Investec Bank Limited

## ADMINISTRATION

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ISIN: ZAE00009932  
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