UNAUDITED RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

WBHO

CONTENTS

WILSON BAYLY HOLMES-OVCON LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1982/011014/06)
Share code: WBO ISIN: ZAE000009932
("WBHO")

BASIS OF PREPARATION

for the period ended 31 December 2021

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

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

The summary consolidated financial statements have been compiled under the supervision of the Chief Financial Officer, Charles Henwood CA (SA) and were authorised by the Board on 25 February 2022.

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

The summary consolidated interim financial statements for the period ended 31 December 2021 have not been audited or reviewed by the Group's auditors, BDO South Africa Incorporated.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021

	Note	**Unaudited December 2021 R'000**	Unaudited December 2020 R'000	Audited June 2021 R'000
ASSETS				
Non-current assets				
Property, plant and equipment		**1 812 737**	1 883 805	1 763 539
Right-of-use assets		**343 490**	343 319	320 638
Goodwill	6	**553 615**	1 029 604	1 005 631
Equity-accounted investees		**1 035 937**	957 352	885 410
Long-term receivables		**246 375**	273 000	265 023
Deferred tax	7	**396 797**	735 135	797 094
Total		**4 388 951**	5 222 215	5 037 335
Current assets				
Inventories		**391 127**	361 137	405 600
Contract assets		**998 927**	805 998	1 054 546
Trade and other receivables		**5 507 347**	6 016 627	6 162 925
Current tax assets		**199 166**	210 720	102 817
Cash and cash equivalents		**5 260 001**	5 033 766	5 680 717
Total		**12 356 568**	12 428 248	13 406 605
Non-current asset held-for-sale		**–**	–	31 200
Total assets		**16 745 519**	17 650 463	18 475 140
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		**28 565**	28 565	28 565
Reserves		**465 389**	330 334	252 125
Retained income		**3 783 397**	5 042 796	5 248 089
Shareholders' equity		**4 277 351**	5 401 695	5 528 779
Non-controlling interests (NCI)		**(47 168)**	181 610	96 456
Total		**4 230 183**	5 583 305	5 625 235
Non-current liabilities				
Lease liabilities		**260 519**	287 233	273 797
Long-term liabilities		**249 917**	269 524	252 115
Deferred tax		**12 685**	27 411	29 447
Total		**523 121**	584 168	555 359
Current liabilities				
Contract liabilities		**2 985 769**	3 104 366	2 490 026
Trade and other payables		**6 751 392**	6 448 021	7 505 691
Provisions		**2 233 347**	1 891 480	2 281 192
Current tax liabilities		**21 707**	39 123	17 637
Total		**11 992 215**	11 482 990	12 294 546
Total equity and liabilities		**16 745 519**	17 650 463	18 475 140

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE AND OTHER COMPREHENSIVE INCOME

for the six months ended 31 December 2021

	Unaudited December 2021 R'000	Unaudited December 2020 R'000	Audited June 2021 R'000
Revenue	**15 961 911**	20 361 503	38 331 413
Operating (loss)/profit	**(1 065 549)**	74 142	457 131
Deemed loss on disposal of equity-accounted investee	**–**	(8 350)	(8 350)
Share of profits from equity-accounted investees	**51 891**	69 409	101 572
Finance income	**51 511**	57 255	110 874
Finance costs	**(15 038)**	(18 425)	(37 347)
(Loss)/profit before taxation	**(977 185)**	174 031	623 880
Income tax expense	**(526 300)**	(130 280)	(273 330)
(Loss)/profit for the period	**(1 503 485)**	43 751	350 550
Other comprehensive income (OCI)			
Items that may be reclassified through profit or loss:			
Translation of foreign operations	**178 728**	(188 542)	(309 241)
Translation of net investment in a foreign operation	**29 143**	(71 320)	(80 372)
Tax effect of the above items	**(8 160)**	19 970	22 504
Share of OCI from equity-accounted investees	**25 728**	(64 966)	(46 994)
Total comprehensive income/(loss)	**225 439**	(304 858)	(414 103)
Total comprehensive (loss)/income for the period	**(1 278 046)**	(261 107)	(63 553)
(Loss)/profit for the period attributable to:			
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited	**(1 348 162)**	17 155	315 996
Non-controlling interests	**(155 323)**	26 596	34 554
	(1 503 485)	43 751	350 550
Total comprehensive (loss)/income attributable to:			
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited	**(1 140 634)**	(281 405)	(71 763)
Non-controlling interests	**(137 412)**	20 298	8 210
	(1 278 046)	(261 107)	(63 553)
Earnings per share (cents)			
Basic earnings per share	**(2 535,0)**	32,3	594,2
Diluted earnings per share	**(2 531,4)**	32,3	594,0
Headline earnings per share	**(1 613,2)**	81,3	619,5
Diluted headline earnings per share	**(1 610,9)**	81,3	619,3
Dividend per share (cents)	**–**	–	205,0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2021

	Share capital R'000	Foreign currency translation reserve R'000	Equity-settled share-based payments reserve R'000	Retained earnings R'000	Shareholders' equity R'000
At 30 June 2020	28 565	604 538	14 460	5 028 883	5 676 446
	–	(304 858)	–	17 155	(287 703)
Profit for the period	–	–	–	17 155	17 155
Other comprehensive loss	–	(304 858)	–	–	(304 858)
Share-based payment expense	–	–	16 194	–	16 194
Acquisition of NCI without a change in control	–	–	–	(3 242)	(3 242)
At 31 December 2020	28 565	299 680	30 654	5 042 796	5 401 695
	–	(82 901)	–	298 841	215 940
Profit for the period	–	–	–	298 841	298 841
Other comprehensive loss	–	(82 901)	–	–	(82 901)
Share-based payment expense	–	–	23 998	–	23 998
Share-based settlement	–	–	(19 306)	–	(19 306)
Acquisition of NCI without a change in control	–	–	–	(93 548)	(93 548)
At 30 June 2021	28 565	216 779	35 346	5 248 089	5 528 779
	–	**207 528**	**–**	**(1 348 162)**	**(1 140 634)**
Loss for the period	**–**	**–**	**–**	**(1 348 162)**	**(1 348 162)**
Other comprehensive income	**–**	**207 528**	**–**	**–**	**207 528**
Dividend paid	**–**	**–**	**–**	**(116 530)**	**(116 530)**
Share-based payment expense	**–**	**–**	**17 986**	**–**	**17 986**
Share-based settlement	**–**	**–**	**(12 250)**	**–**	**(12 250)**
At 31 December 2021	**28 565**	**424 307**	**41 082**	**3 783 397**	**4 277 351**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 December 2021

	Unaudited December 2021 R'000	Unaudited December 2020 R'000	Audited June 2021 R'000
Operating (loss)/profit before working capital requirements	**(445 705)**	(226 800)	774 834
Working capital changes	**127 157**	(2 028 530)	(1 933 637)
Cash utilised in operations	**(318 548)**	(2 255 330)	(1 158 803)
Dividends received	**30 611**	14 214	132 303
Finance income	**43 500**	45 013	91 681
Finance costs	**(8 733)**	(5 839)	(26 033)
Income tax paid	**(215 086)**	(164 202)	(281 059)
Dividends paid	**(121 443)**	(10 191)	–
Cash utilised in operating activities	**(589 699)**	(2 376 335)	(1 241 911)
Cash flow from investing activities			
Advance of long-term receivables	**(8 971)**	(425)	(1 263)
Receipts from the repayment of long-term receivables	**16 561**	112 340	76 455
Acquisition of subsidiary – net of cash	**–**	3 723	3 723
Additional investment in equity-accounted investees	**–**	(1 131)	(1 456)
Loans advanced to equity-accounted investees	**(129 312)**	(91 605)	(119 685)
Loans repaid by equity-accounted investees	**72 239**	227 139	266 252
Proceeds on disposal of non-current asset held-for-sale	**35 418**	–	–
Proceeds on disposal of property, plant and equipment	**16 462**	15 134	89 173
Acquisition of property, plant and equipment	**(60 107)**	(43 723)	(94 923)
Cash flows from investing activities	**(57 710)**	221 452	218 276
Cash flow from financing activities			
Repayment of bank loans	**(2 100)**	–	(350)
Acquisition of NCI without a change in control	**–**	(8 456)	(185 717)
Purchase of shares for equity-settled incentives	**(10 679)**	–	(20 256)
Payment of lease liabilities	**(47 266)**	(49 840)	(82 492)
Payment of instalment sale agreements	**(31 786)**	(40 176)	(75 490)
Cash flows from financing activities	**(91 831)**	(98 472)	(364 305)
Net decrease in cash and cash equivalents	**(739 240)**	(2 253 355)	(1 387 940)
Foreign currency translation effect on cash balances	**318 524**	(312 228)	(530 687)
Cash and cash equivalents at the beginning of the period	**5 680 717**	7 599 344	7 599 344
Cash and cash equivalents at the end of the period	**5 260 001**	5 033 766	5 680 717
Restricted cash balances related to monies held in trust on behalf of subcontractor retentions and performance and maintenance guarantees in issue to clients in Australia	**618 372**	134 626	474 262

NOTES TO THE SUMMARY CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 December 2021

		Unaudited December 2021 R'000	Unaudited December 2020 R'000	Audited June 2021 R'000
1. SEGMENT INFORMATION				
Operating segments				
Revenue	% change			
Building and civil engineering	(2,8)	**3 744 808**	3 853 140	7 900 198
Roads and earthworks	(2,8)	**2 570 831**	2 644 902	5 257 623
Australia	(32,4)	**6 972 927**	10 315 472	18 867 823
United Kingdom	(29,0)	**2 221 881**	3 128 903	5 508 614
Total construction revenue		**15 501 447**	19 942 417	37 534 258
Property developments	640,8	**11 048**	1 491	1 491
Construction materials	5,5	**440 416**	417 595	795 664
Total revenue	(21,6)	**15 961 911**	20 361 503	38 331 413
Operating profit/(loss)	% margin			
Building and civil engineering	4,4	**163 839**	138 783	319 763
Roads and earthworks	7,1	**181 427**	153 482	300 043
Australia	(14,2)	**(988 398)**	(329 658)	(411 687)
United Kingdom	3,5	**76 858**	133 520	262 414
Total construction operating (loss)/profit		**(566 274)**	96 127	470 533
Property developments	92,2	**10 185**	12 371	22 338
Construction materials	1,4	**5 990**	2 473	25 087
Total segment operating (loss)/profit		**(550 099)**	110 971	517 958
Share-based payments expense		**(17 986)**	(16 194)	(40 192)
Impairment of goodwill		**(497 464)**	(20 635)	(20 635)
Total operating (loss)/profit		**(1 065 549)**	74 142	457 131
Geographical revenue	% growth			
South Africa	7,1	**5 758 195**	5 376 134	10 900 235
Rest of Africa	(34,5)	**1 008 908**	1 540 994	3 054 741
Australia	(32,4)	**6 972 927**	10 315 472	18 867 823
United Kingdom	(29,0)	**2 221 881**	3 128 903	5 508 614
	(21,6)	**15 961 911**	20 361 503	38 331 413
Geographical operating profit/(loss)	% margin			
South Africa	4,2	**244 424**	219 916	466 510
Rest of Africa	11,6	**117 017**	87 193	200 719
Australia	(14,2)	**(988 398)**	(329 658)	(411 687)
United Kingdom	3,5	**76 858**	133 520	262 414
Total construction operating (loss)/profit		**(550 099)**	110 971	517 958
Share-based payments expense		**(17 986)**	(16 194)	(40 192)
Impairment of goodwill		**(497 464)**	(20 635)	(20 635)
Total operating (loss)/profit		**(1 065 549)**	74 142	457 131
Non-current assets excluding deferred tax				
South Africa		**1 643 474**	1 702 036	1 690 062
Rest of Africa		**552 452**	399 387	444 613
Australia		**572 572**	1 277 937	1 041 827
United Kingdom		**1 223 656**	1 107 720	1 063 689
		3 992 154	4 487 080	4 240 191

	% growth	Unaudited December 2021 R'000	Unaudited December 2020 R'000	Audited June 2021 R'000
2. DISAGGREGATION OF REVENUE				
Geographical revenue	% growth			
South Africa	7,1	**5 758 195**	5 376 134	10 900 235
Building and civil engineering		**3 576 490**	3 542 348	7 367 911
Roads and earthworks		**1 649 980**	1 309 052	2 672 291
Construction materials		**520 677**	523 243	858 542
Property developments		**11 048**	1 491	1 491
Rest of Africa	(34,5)	**1 008 908**	1 540 994	3 054 741
Building and civil engineering		**168 319**	310 791	532 288
Roads and earthworks		**815 962**	1 174 191	2 420 485
Construction materials		**24 627**	56 012	101 968
Australia	(32,4)	**6 972 927**	10 315 472	18 867 823
Building and civil engineering		**5 906 700**	7 924 157	15 703 332
Roads and earthworks		**1 066 227**	2 391 315	3 164 491
United Kingdom	(29,0)	**2 221 881**	3 128 903	5 508 614
Building and civil engineering		**2 221 881**	3 128 903	5 508 614
		15 961 911	20 361 503	38 331 413
3. RECONCILIATION OF HEADLINE EARNINGS				
Attributable (loss)/profit		**(1 348 162)**	17 155	315 996
Adjusted for:				
Loss on deemed disposal of equity-accounted investment		**–**	8 350	8 350
Impairment of goodwill		**497 464**	20 635	20 635
Profit on disposal of property, plant and equipment		**(11 320)**	(4 553)	(25 145)
Non-controlling interest		**1 762**	550	4 351
Tax effect		**2 488**	1 081	4 575
Equity-accounted investees:				
(Profit)/loss on disposal of property, plant and equipment		**(236)**	45	954
Tax effect		**66**	(13)	(267)
Headline (loss)/earnings		**(857 938)**	43 250	329 449
4. ORDINARY SHARES				
Ordinary shares in issue		**59 890**	59 890	59 890
Weighted average number of shares		**53 181**	53 181	53 181
Diluted weighted average number of shares		**53 257**	53 186	53 197

5. JUDGEMENTS AND ESTIMATES

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last consolidated annual financial statements.

6. GOODWILL

During the reporting period, the Group's subsidiary in Australia, Probuild Constructions (Aust.) Pty Ltd (Probuild), incurred material operating losses of $63 millon (R686 million) related to the loss-making project in Brisbane and the impact of COVID-19 regulations. The following impairment indicators existed at 31 December 2021:

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

Accordingly, goodwill amounting to $45 million (R497 million) was impaired.

	Unaudited December 2021 R'000	Unaudited December 2020 R'000	Audited June 2021 R'000
Carrying amount at 1 July	**1 005 631**	1 085 894	1 085 894
Impairment	**(497 464)**	(20 635)	(20 635)
Exchange rate effects	**45 448**	(35 655)	(59 628)
Carrying amount at end of period	**553 615**	1 029 604	1 005 631

The remaining goodwill balance is made up of R71 million in the WBHO-Pipelines division (Roads and earthworks segment) and R483 million in WBHO-Russells Limited (United Kingdom segment).

7. INCOME TAX EXPENSE AND DEFERRED TAX

During the reporting period, the Group's subsidiaries in Australia incurred material operating losses of $90 millon (R988 million). This, together with the factors discussed in note 6 resulted in the derecognition of deferred tax assets amounting to $32 million (R351 million) in Australia that are no longer considered recoverable.

	Unaudited December 2021 R'000	Unaudited December 2020 R'000	Audited June 2021 R'000
Income tax expense			
Current tax expense	**119 215**	130 042	326 554
Deferred tax expense comprising of:			
Movement in temporary differences	**48 647**	(1 346)	50 248
Tax losses utilised or derecognised/(recognised)	**354 445**	2 210	(123 953)
Dividend tax	**3 993**	–	19 696
	526 300	130 906	272 545
Deferred tax assets			
Opening balance	**797 094**	733 565	733 565
Movement in temporary differences	**(66 620)**	2 020	(42 761)
Movement in tax losses	**(354 445)**	(2 210)	122 132
Tax effects of other comprehensive income	**(8 160)**	19 970	22 504
Transfer to/(from) deferred tax liabiility			(373)
Exchange rate effects	**28 928**	(18 210)	(37 973)
Closing balance	**396 797**	735 135	797 094
Deferred tax liabilities			
Opening balance	**(29 447)**	(27 979)	(27 979)
Movement in temporary differences	**17 973**	1 054	(7 487)
Movement in tax losses	**–**	–	1 821
Transfer to/(from) deferred tax asset	**–**	–	373
Exchange rate effects	**(1 211)**	(486)	3 825
Closing balance	**(12 685)**	(27 411)	(29 447)

8. GOING CONCERN

World economies appear to have stabilised as the impact of COVID-19 begins to dissipate. While COVID-19 continued to exert a negative influence on construction industries in Australia and the United Kingdom (UK) over the period, the Group has taken a decision to exit the Australian construction industry and market sentiment in the UK has improved. Increased public sector spending and a rebound from some sectors within the private sector have supported the order books and forward-looking project pipelines of certain of the Group's operations.

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

- Current order book levels of secured work still to be executed;
- Imminent project awards expected within three months of the date of these financial statements;
- The number and availability of short- and mid-term projects in the forward-looking pipeline;
- The existing cost base of the Group;
- The forecast cash flows for the next 12 months including the expected exposure to the Australian financial institutions;
- Levels of external debt;
- Available financial facilities and existing cash reserves; and
- Support from the South African financial institutions specifically with regard to the decision to withdraw financial assistance to Australia.

Despite cash of R318 million being utilised in operations in order to fund losses incurred in Australia during the period, the Group experienced a positive working capital movement of R127 million and cash balances were maintained above R5 billion. Cash balances excluding the Australian operations amount to R4,2 billion.

Due to its low levels of external debt, healthy cash reserves and the transparent approach adopted by the Group when notifying local guarantee providers of its decision with regard to the Australian operations and the expected consequences of that decision, the Group has maintained their ongoing support. The Group continues to operate within its facility limits and has access to the necessary facilities to fund capital expenditure as well as the possible parent company guarantee exposure in Australia.

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

9. EVENTS AFTER THE REPORTING DATE

9.1 Following a decision by the Board of WBHO to withdraw all future funding and parent company support to the Australian operations, on the 22 of February 2022 the Board of WBHO Australia Pty Ltd, a wholly-owned subsidiary of the Group, elected to commence proceedings to place WBHO Australia Pty Ltd into administration.

Upon the intended sale of the Group's building business, Probuild, not materialising, the Group implemented its Australian contingency plan. The plan incorporated a revised strategy for Probuild aimed at consolidating and stabilising the business. Since implementing the plan, the Board has monitored the performance of the Australian operations and has made every effort to contain costs and restore a level of profitability. Of particular concern has been project delivery capability which has been negatively affected by the contractual environment and unplanned COVID-19 restrictions. Through a combination of border restrictions, snap lockdowns and mandatory work-from-home regulations for many sectors, the Australian government's approach to managing COVID-19 infections has had a considerable impact on the construction industry. Consequently, the Australian businesses have been unable to complete projects on time nor been able to recover variation and delay claims, resulting in material losses of R988 million in the current reporting period.

Additionally, the impact of lockdown restrictions on the retail, hotel and leisure and commercial office sectors of building markets have created high levels of business uncertainty in Australia and have significantly reduced demand and delayed the award of new projects in these key sectors serviced by the construction industry. In light of the recent history of substantial losses, it has also been exceptionally difficult to obtain appropriate guarantee facilities in order for the Australian operations to be able to secure new work that is available.

These combined factors will result in the need for further funding and parent company support in order for the Australian operations to continue to operate. The Board has evaluated the risk to the Group and its stakeholders against the potential rewards of continuing further support and have concluded that no strategic imperative exists to retain the Australian operations within the Group.

The decision by the Board to withdraw further funding of the Australian operations and the subsequent decision by the Board of WBHO Australia to commence proceedings to place those operations into administration will result in a loss of control by the Group upon an administrator being appointed.

In terms of IAS10, this is a non-adjusting event after the reporting date.

Had the loss of control occurred at 31 December 2021, the impact thereof on the summary interim consolidated financial statements would have been as follows:

	R'000
STATEMENT OF FINANCIAL PERFORMANCE AND OTHER COMPREHENSIVE INCOME	
Revenue from continuing operations	**8 988 984**
Operating profit	**420 313**
Share of profits from equity-accounted investees	39 499
Net finance income	37 613
Profit before tax	**497 425**
Income tax expense	(172 567)
Profit for the period from continuing operations	**324 858**
Loss from loss of control of subsidiary	(2 781 320)
Loss for the period from total operations	**(2 456 462)**
Other comprehensive loss	(194 708)
Total comprehensive loss for the period	**(2 651 170)**
Profit for the period from continuing operations attributable to:	
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited	316 078
Non-controlling interests	8 780
	324 858
Profit for the period from total operations attributable to:	
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited	(2 301 139)
Non-controlling interests	(155 323)
	(2 456 462)
Total comprehensive loss for the period attributable to:	
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited	(2 636 551)
Non-controlling interests	14 619
	(2 651 170)
Earnings per share from continuing operations (cents)	
Earnings per share	594,3
Diluted earnings per share	593,5
Headline earnings per share	589,3
Diluted headline earnings per share	588,5
Loss per share from total operations (cents)	
Loss per share	(4 327,0)
Diluted loss per share	(4 320,8)
Headline loss per share	(1 754,3)
Diluted headline loss per share	(1 751,8)

	R'000
STATEMENT OF FINANCIAL POSITION	
Non-current assets	3 790 649
Cash and cash equivalents	4 145 464
Other current assets	5 053 928
Total assets	**12 990 041**
Shareholders' equity	2 895 819
Non-controlling interests	156 030
Total equity	**3 051 849**
Non-current liabilities	434 604
Current liabilities	9 503 588
Total liabilities	**9 938 192**
Total equity and liabilities	**12 990 041**

The loss arising from the loss of control of subsidiaries is made up as follows:	R'000
Operating loss	(988 398)
Impairment of goodwill	(497 464)
Operating loss	**(1 485 862)**
Share of profit from equity-accounted investee and net finance costs	11 252
Derecognition of deferred tax assets	(351 003)
Loss for the period	**(1 825 613)**
Net liabilities lost	94 717
Derecognition of non-controlling interests	(203 199)
Translation of foreign entities reclassified through profit or loss on derecognition	400 097
	(1 533 998)
Provision raised for parent company guarantee commitments	(1 247 322)
Total loss on loss of control	**(2 781 320)**

9.2 On 14 January 2022, the non-controlling shareholders of WBHO-Russells Limited excercised their final put options in terms of the share purchase agreement. The transaction was concluded on 15 February 2022 for a consideration of £6,2 million (R127,2 million) and will increase the Group's shareholding in WBHO-Russells Limited from 90% to 100%. An additional £123 thousand (R2,5 million) true-up was paid on the third put option exercised in January 2021.

9.3 The Board is not aware of any other matter or circumstance arising since the end of the reporting period not otherwise dealt with in the consolidated interim financial statements, which could significantly affect the financial position of the Group at 31 December 2021 or the results of its operations or cash flows for the six months then ended.

COMMENTARY

The Group faced a demanding six-month period in an environment that produced widely varying performances in the regions in which it operates. The African operations delivered solid results and performed well to maintain activity levels. New work procurement in the United Kingdom (UK) remained hampered by the low business confidence experienced due to COVID-19 throughout FY21 that continued to affect activity levels in the current reporting period. Despite the limited availability of new work, the UK operations delivered existing projects well and produced satisfactory results given the prevailing trading conditions.

As highlighted in note 9.1 to the summary consolidated financial statements, the trading environment in Australia has continued to deteriorate. The Australian government's approach to controlling COVID-19 infections has had a severely detrimental impact on the construction industry over the last 12 months as well as many other sectors on which the construction industry relies for work. This has resulted in reduced activity and further substantial losses being incurred by WBHO Infrastructure Pty Ltd (WBHO Infrastructure) and Probuild Constructions (Aust) Pty Ltd (Probuild) in the current period. Over the last few years the Australian operations have required approximately R2 billion in equity funding from South Africa alongside significant parent company support given to guarantee providers in order to continue to operate. The future business climate is highly uncertain and difficult to predict. The current political tension between Australia and China as well as the recent collapse of the Chinese property sector and subsequent financial difficulties being experienced by some Chinese developers, creates further uncertainty as Chinese developers have historically formed a large proportion of Probuild's client base. China is also a major supplier of goods to the construction industry in Australia.

After lengthy deliberation and analysis, the Board concluded that the additional funding and parent company guarantees necessary to support the Australian operations, in an environment where a return to profitability is materially uncertain, presents too great a risk to the Group and its stakeholders. Consequently, the Board has elected to withdraw any further funding of the Australian operations. As a result of this decision, on 21 February 2022 the Board of WBHO Australia elected to commence proceedings for the Australian operations to be placed under administration. An administrator was appointed on 23 February 2022.

The Group has the necessary support from South African financial institutions to honour its parent company obligations to financial institutions in Australia.

The Board has assessed liquidity and solvency of the Group taking into consideration the honouring of its parent company obligations and is of the opinion that the Group will remain a going concern for the next 12 months.

FINANCIAL REVIEW

REVENUE AND OPERATING PROFIT

Group revenue decreased by 22% from R20 billion at 31 December 2020 to R16 billion in the current reporting period. Revenue was primarily affected by reduced activity in Australia and the UK. The operations in both regions experienced low levels of new work procurement, whilst the Australian operations were further hampered by reduced productivity levels arising from COVID-19 lockdown restrictions. Revenue from South Africa grew by 7% while revenue generated from the rest of Africa declined by 35%, mostly a result of reduced activity levels in Mozambique following the various suspensions and termination of projects on the LNG gas project in Palma last year.

The Group incurred a segment operating loss of R550 million at 31 December 2021, compared to a segment operating profit before the impairment of goodwill of R111 million in the comparative reporting period. The marked deterioration in the trading environment in Australia resulted in an operating loss before the impairment of goodwill of R988 million and was a key consideration in the decision to limit further funding into the region where lengthy project delays caused by numerous snap lockdowns, limitations on manpower allowed on site and state border restrictions, have resulted in significant unrecoverable costs. In the UK, the lower activity levels resulted in reduced profit generation, while the African operations performed well, producing increased profitability from both the Building and civil engineering division and the Roads and earthworks division.

The additional losses incurred within the building business in Australia over the current period, alongside material uncertainty over the future profitability of the business and the associated trading conditions, have culminated in an impairment of all the goodwill in respect of Probuild Constructions Pty Ltd amounting to R497 million, bringing the total operating loss to R1,1 billion.

EQUITY-ACCOUNTED INVESTEES

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

				Carrying amount Rm		Share of after-tax profit Rm		
Entity	Industry	Country	Effective %	**31 December 2021**	30 June 2021	**31 December 2021**	31 December 2020	30 June 2021
CONSTRUCTION:								
Edwin Construction	Infrastructure	South Africa	49	**86,5**	84,1	**2,9**	4,7	8,8
Ilembe Airport Construction Services	Airport construction	South Africa	29,3	**3,8**	3,8	**–**	–	–
CONCESSIONS:								
Dipalopalo	Serviced accommodation	South Africa	27,7	**52,5**	53,9	**–**	–	–
DFMS Joint Venture	Serviced accommodation	South Africa	14,6	**9,5**	7,4	**1,7**	1,6	3,2
Tshala Bese Uyavuna (RF)	Serviced accommodation	South Africa	32,5	**0,3**	0,8	**–**	–	–
Gigajoule International Group	Gas and power supply	Mozambique	26,6	**352,1**	352,9	**32,8**	24,4	50,2
PROPERTY DEVELOPMENTS:								
Catchu Trading	Residential	South Africa						
Phase 1			50	**24,3**	24,3	**–**	–	–
Phase 2			50	**30,6**	30,6	**–**	–	–
Caulfield	Residential	Australia	30	**23,8**	3,2	**12,4**	–	3,8
The Glen Sky Gardens	Residential	Australia	20	**105,6**	98,6	**–**	33,5	28,9
PROPERTY DEVELOPER:								
Russell Homes Limited	Residential schemes and house builder	United Kingdom	31,7	**347,9**	226,7	**2,1**	5,2	6,7
Total				**1 036,9**			69,4	101,6
Expected credit loss				**(1,0)**	(0,9)	**–**	–	–
Total				**1 035,9**	885,4	**51,9**	69,4	101,6

The Gigajoule group of companies continues to deliver strong profitability for the Group, generating an after-tax profit of R33 million during the reporting period alongside a cash dividend of R31 million and a repayment of capital of R29 million. As activity levels have stabilised, Edwin Construction has maintained its return to profitability during the current period.

TAXATION

The tax expense for the period includes taxation payable on profits earned in Africa and the UK over the reporting period and the reversal of previously recognised deferred tax assets amounting to R351 million in respect of assessed losses in Australia that are no longer considered recoverable.

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

The impact of the losses recognised in Australia together with the associated tax consequences has resulted in a loss per share of 2 535 cents at 31 December 2021 compared to earnings per share of 32.3 cents in the comparative period. The headline loss per share which excludes the impact of the impairment of goodwill amounts to a loss of 1 613.2 cents per share versus headline earnings per share of 81.3 cents in the prior period.

TRADE RECEIVABLES

The decrease in trade receivables is primarily attributable to lower balances in Australia associated with the decreased activity in the region.

CASH

Cash balances have decreased by R421 million from R5,7 billion to R5,3 billion since 30 June 2021 mostly due to the funding of losses in Australia as well as the lower activity levels experienced. A decrease in local cash balances of R122 million to R1,4 billion, reflects the funding into Australia over the six-month period but was offset by increased cash balances in the rest of Africa arising from the settlement of contractual claims in Mozambique. In the UK, cash balances improved by £4 million amounting to R201 million.

The funding of the losses incurred in Australia resulted in cash utilised in operations amounting to R319 million compared to R2.3 billion in the comparative period that reflected a significant unwinding of the working capital position in Australia at that time. Capital expenditure increased from R49 million to R127 million, of which R60 million was acquired for cash and R67 million was financed. Depreciation amounted to R139 million (Dec 2020: R165 million), of which R37 million was recognised on right-of-use assets.

CONTINGENT LIABILITIES

Financial guarantees issued to third parties amount to R8,3 billion compared to R8,4 billion in issue at 30 June 2021.

EVENTS AFTER THE REPORTING PERIOD

The decision by the Board of WBHO to withdraw further funding of the Australian operations and the subsequent decision by the Board of WBHO Australia to place those operations into administration will result in a loss of control by the Group upon an administrator being appointed.

In the next reporting period, the impact of this event will result in the Australian operations being disclosed as discontinued operations, the derecognition of the associated net assets, liabilities and non-controlling interests and the recycling through profit and loss of the foreign currency translation reserve. In addition, the Group will recognise a provision of R1,3 billion for the settlement of its obligations given to financial institution in Australia on behalf of the Australian operations.

Note 9.1 to the summary interim consolidated financial statements reflects the impact on the financial statements that this decision would have had, had the loss of control occurred at 31 December 2021.

Revenue from continuing operations would have decreased by 11% from R10 billion at 31 December 2020 to R9 billion in the current reporting period reflecting the previously mentioned trading conditions in the UK. Operating profit from continuing operations would have increased by 4% from R404 million to R420 million with an improvement in the operating margin from 4,0% to 4,7%.

The loss to be recognised on the loss of control would comprise of R988 million of trading losses in Australia, an impairment of goodwill amounting to R497 million, reversal of deferred tax assets of R351 million, the derecognition of the net assets and liabilities and non-controlling interests amounting to R108 million and a foreign currency gain of R400 million being the recycling through profit and loss of the foreign currency translation reserve.

Earnings per share from continuing operations would have amounted to 594 cents per share compared to 588 cents per share in the comparative period and highlights the healthy profitability of the Group when excluding the Australian operations. Headline earnings per share from continuing operations would have amounted to 589 cents per share versus 588 cents in the prior reporting period.

The total loss per share including the loss arising from a loss of control would have amounted to 4 327 cents per share compared total earnings per share of 32 cents per share at 31 December 2020.

Financial guarantees issued to third parties from continuing operations would have amounted to R5,0 billion at 31 December 2021 compared to R4,6 billion in issue at 30 June 2021. Included in these amounts is a parent company guarantee issued to a financial institution in Australia of A$119 million at 31 December 2021 and A$125 million at 30 June 2021.

OPERATIONAL REVIEW

BUILDING AND CIVIL ENGINEERING

	% change	31 December 2021 Rm	31 December 2020 Rm	30 June 2021 Rm
Revenue	3% decline	**3 745**	3 853	7 900
Operating profit	4,4% margin	**164**	139	320
Capital expenditure		**10**	1	9
Depreciation		**10**	11	20

Revenue from the Building and civil engineering division decreased by 3% over the preceding period while operating profit increased by 18% at an operating margin of 4%.

BUILDING

Revenue from the Building division decreased by 8% over the comparative period, reflecting marginally lower revenue generated in Gauteng while overall activity from the coastal region remained constant.

In Gauteng, new work procurement is highly competitive with bid margins remaining under pressure. The shift in market activity toward the industrial building and warehousing sector remains prevalent and revenue from this sector increased to 60% of overall activity in the region over the current six-month period. Activity from the office and mixed-use developments has now stabilised albeit at levels lower than those achieved historically, which is due to most opportunities being limited to the sub-R250 million market of this sector. The emergence of increased demand for data centres in South Africa, one of which was secured as a design and construct project in the current period, has the potential to improve future activity within this sector. 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 is progressing well and will provide a baseload of work from this sector until December 2022. All retail activity in the region was completed during the period with limited prospects on the horizon over the near term.

In the coastal regions, the division sustained activity levels in line with those of the comparative period. The strengthening of the order book in KwaZulu-Natal (KZN) over the course of the second half of FY2021 supported increased activity levels during the current six-month period that successfully offset the anticipated decline in work from the Eastern Cape. The large-scale, mixed use Oceans development in Umhlanga, consisting of apartment, hotel and retail components, together with various projects within the warehousing sector underpinned activity in KZN. The completion of various industrial buildings at Coega and the ELIDZ and the ongoing construction of the Boardwalk Mall were the main contributors behind activity in the Eastern Cape. In the Western Cape, construction at two key anchor projects, namely the Harbour Arch residential development and River Club mixed-use development, laid the foundation for a solid performance in the region that was further complimented by strong execution on projects from various other sectors.

In the rest of Africa, the division was awarded new projects in Botswana and Lesotho toward the end of the current reporting period. The refurbishment of a hotel in Lusaka, Zambia is forecast for completion by March 2022.

CIVIL ENGINEERING

Revenue from the Civil engineering division declined by 18% over the comparative period. The suspension of all construction at the 9 500-man camp for Total at Area 1 of the LNG gas project in Mozambique in the previous financial year, alongside limited opportunities in Zambia, saw activity being centred on the South African market. Existing projects within the mining, energy and water infrastructure sectors, as well as the marine sector, supported activity in the current reporting period.

ROADS AND EARTHWORKS

	% change	**31 December 2021 Rm**	31 December 2020 Rm	30 June 2021 Rm
Revenue	3% decline	**2 571**	2 645	5 258
Operating profit	7,1% margin	**181**	153	300
Capital expenditure		**102**	35	77
Depreciation		**39**	53	81

Revenue from the Roads and earthworks division remained broadly in line with the comparative period. A 26% increase in revenue generated from South Africa compensated for the 31% decline in revenue from the rest of Africa that followed the suspension and/or termination of works at the LNG project in Mozambique and decreased activity in Lesotho, Swaziland, Ghana and Botswana. The operating margin improved from 5,8% to 7,1% due to increased mining activity locally and the settlement of various contractual claims associated with the suspension of works in Mozambique.

The improvement in commodity prices over the course of the last two years has seen a noticeable increase in construction spend from the South African mining sector. In the current reporting period, infrastructure projects for the mining and energy sectors accounted for 55% of total revenue in South Africa, compared to 43% at 31 December 2020. Although revenue from roadwork projects grew by 6% over the period, the contribution to total revenue in the region decreased from 41% to 36%. As it draws toward completion, the large-scale FAD 6 project for SASOL contributed strongly toward revenue in the current period, however, it was six new mining infrastructure projects secured during H2:FY2021 and H1:FY2022 that underpinned the growth achieved within this sector. Although a further R1,1 billion in new roadwork was secured from SANRAL during the period, the delayed adjudication on various multi-billion rand projects remains disappointing. Roadspan, the division's road surfacing and asphalt and bitumen supply business, delivered strong growth having secured a number of surfacing contracts. Pipeline activity comprised the balance of work executed locally and consisted primarily of projects provided to clients within the mining, water and energy infrastructure sectors as a turnkey solution for both civil engineering and pipeline construction services.

In the rest of Africa, although revenue from Botswana decreased by 4%, activity has normalised at historic levels with various mining infrastructure projects under construction. The roadwork project in Swaziland and the advanced infrastructure project in Lesotho were both completed during the current six-month period. In Mozambique, construction activity is limited to a pipeline infrastructure project for Sasol, however, the resolution of various contractual claims associated with the suspension and/or termination of the gas-related projects contributed to revenue and profitability during the period. Revenue from the West African region declined further over the period due to fewer opportunities and delayed awards on projects over the course of FY2021. Tender enquiries and bidding activity have shown signs of improvement and the recent award of two mid-sized mining infrastructure project during the period will support future activity. Unfortunately, the mining infrastructure project in Madagascar that commenced in the second half of FY2021, has suffered a number of setbacks outside of the division's control. The quarantine and travel restrictions that followed the COVID-19 Delta and Omicron variants, resulted in significant limitations on the movement of people and equipment in and out of Madagascar and consequential project delays that were further compounded by the recent cyclone that caused substantial damage to the works. Even though a recovery plan is being developed, this will likely remain a challenging project until completion.

UNITED KINGDOM

	% change	**31 December 2021 Rm**	31 December 2020 Rm	30 June 2021 Rm
Revenue	29% decline	**2 222**	3 129	5 509
Operating profit	3,5% margin	**77**	134	262
Capital expenditure		**10**	5	9
Depreciation		**39**	22	45

The low levels of work-on-hand continued to impact revenue generation in the UK where overall revenue fell by 29% in Rand terms and 26% in Pound terms. Project margins continue to be maintained on existing projects, however, the overall operating margin decreased from 4,3% to 3,5% as fixed overheads are maintained in anticipation of an upward shift in the construction market cycle.

Revenue from the Byrne Group, based in London, declined by 17%, where the award of a two key anchor projects within Ellmers Construction partially offset reduced activity within Byrne Bros. The resurgence in visible private sector opportunities reported upon when releasing the FY2021 results remains prevalent, however, these projects are only forecast to commence in H2:FY2022.

In Manchester, the impact of the current lull in available new work has been even more severe with revenue from Russell-WBHO decreasing by 38%. A number of hotel, residential and commercial office projects reached completion in the current six-month period with the £40 million contract for the conversion of historic listed municipal buildings in Liverpool into a 180 room boutique hotel being the only sizeable project continuing into FY2023.

CONSTRUCTION MATERIALS

	% change	**31 December 2021 Rm**	31 December 2020 Rm	30 June 2021 Rm
Revenue		**546**	530	1 063
Inter-company sales		**(106)**	(112)	(268)
Revenue to external customers	5,5% increase	**440**	418	796
Operating profit	1,4% margin	**6**	2	25
Capital expenditure		**2**	0,3	0,4
Depreciation		**6**	4	8

Trading conditions within the steel supply industry continue to show little signs of recovery. Overall sales volumes decreased by 27% over the current reporting period with lower volumes experienced across all branches. Although activity within local building markets, the largest source of revenue for Reinforced Mesh Solutions (RMS), is currently benefitting from an increased number of projects within the industrial buildings and warehouse sector, these projects have lower requirements for reinforced steel products than traditional commercial office, retail and residential projects. Consequently, this new trend has unfortunately not offered the same level of support to RMS. The 5% increase in revenue stems from increased raw material prices and does not reflect any real improvement in the operating environment although RMS has successfully maintained its focus on the cash sales market to counteract the effect of fewer building contracts.

AUSTRALIA

	% change	31 December 2021 Rm	31 December 2020 Rm	30 June 2021 Rm
Revenue				
Probuild		**5 907**	7 924	15 704
Infrastructure		**1 066**	2 391	3 164
Total	32% decline	**6 973**	10 315	18 868
Operating loss				
Probuild		**(686)**	2	(3)
Infrastructure		**(302)**	(332)	(409)
Total	(14,2)% margin	**(988)**	(330)	(412)
Capital expenditure		**3**	7	22
Depreciation		**43**	34	69

Revenue from Australia declined by 32% in rand terms and by 27% in Australian Dollar terms for the reporting period ending 31 December 2021. Factors relating to COVID-19, the exit from the states of Queensland and (QLD) and Western Australia (WA) by the building business, as well as the completion of the Western Roads Upgrade project in the previous reporting period by the infrastructure business, all contributed toward the lower revenue generated.

The substantial operating loss provided for stems from the cost of prolongation on delayed projects, potential penalties and a decreased reliance on variation and contractual claims.

BUILDING

Revenue from Probuild decreased by 20% from A$673 million at 31 December 2020 to A$539 million in the current reporting period. Productivity over the six-month period was severely impacted by government-mandated industry shutdowns, restrictions on the size of the workforce necessary to comply with social distancing directives, mandatory isolation periods for employees having had close contact with infected persons, and absenteeism related to testing and vaccination requirements. The detrimental impact of COVID-19 related project delays on profitability within Probuild has been severe. The completion of certain projects in the six-month period occurred well after contractual completion with a large component of ongoing projects also significantly behind programme and unable to achieve contractual completion dates. The contractual terms on most projects allow for additional time for completion but do not permit recovery of the significant costs for prolongation. In certain instances, clients have pursued liquidated damages arguing there were concurrent contractor delays alongside the effects of COVID-19. The forecast costs to project completion and penalty positions have been accounted for in the operating loss recognised at 31 December 2021.

Alongside the impact on productivity, COVID-19 has substantially affected business confidence. New work procurement has diminished considerably, particularly within the building sector, resulting in little replacement work to support activity levels. The final project in WA reached practical completion in late December 2021. Once the final snagging and demobilisation of the project is completed, Probuild will cease its presence in WA. The last remaining project in QLD is the problematic 443 Queen Street project which has unfortunately incurred further delays.

INFRASTRUCTURE AND CIVIL ENGINEERING

Revenue from the infrastructure business decreased by 52% from A$203.1 million to A$97.2 million, following the physical completion of the Western Roads Upgrade project in the previous reporting period. In the current reporting period commercial acceptance was attained, thus concluding the operational phase of this project which has significantly impacted the performance of both the Australian business and wider Group for a number of years.

The operations of the infrastructure business were impacted by COVID-19 in a different way. In Western Australia, where the majority of the infrastructure operations are based, the state government implemented severe border restrictions that resulted in labour and supply shortages as well as difficulty in supporting projects outside of WA. The adverse effect of these issues on the contractual programmes, and consequently profitability, is visible in the results to 31 December 2021.

ORDER BOOK AND OUTLOOK

Order book by segment	%	31 December 2021 Rm	To 30 June 2022 Rm	Beyond 30 June 2022 Rm	%	At 30 June 2021
Building and civil engineering	**30**	**8 963**	**3 900**	**5 063**	31	8 558
Roads and earthworks	**15**	**4 584**	**1 848**	**2 736**	15	4 312
Australia	**43**	**12 831**	**6 257**	**6 574**	44	12 318
United Kingdom	**12**	**3 441**	**1 904**	**1 537**	10	2 699
Total	**100**	**29 819**	**13 909**	**15 910**	100	27 887
Order book by geography						
South Africa	**39**	**11 587**	**4 939**	**6 648**	43	11 853
Rest of Africa	**6**	**1 960**	**809**	**1 151**	3	1 017
Australia	**43**	**12 831**	**6 257**	**6 574**	44	12 318
United Kingdom	**12**	**3 341**	**1 904**	**1 537**	10	2 699
Total	**100**	**29 819**	**13 909**	**15 910**	100	27 887

The total order book increased by 7% from R27.9 billion to R29.8 billion and order book levels within each geographic region remained consistent with those at 30 June 2021.

AFRICA (INCLUDING SOUTH AFRICA)

From an order book perspective, the Building and civil engineering division is well positioned for the remainder of FY22 as well as FY23.

An improvement in available construction opportunities within local building markets has sustained order book levels over the period. The forward-looking pipeline remains healthy with a number of large-scale projects awaiting adjudication and further bids either in process or imminent. Despite the increased volume of work available, tender margins remain competitive in all regions.

In Gauteng, significant awards during the period include a new 165 000 m^2 warehouse where Pick n Pay will be the tenant, a new data centre in Midrand and a large-scale residential component within Steyn City. Near-term opportunities include sizeable projects within the student accommodation, residential and commercial office sectors alongside a number of new data centres.

In the Western Cape, the division has a solid baseload of work-on-hand that was further complimented by the award of new offices for Investec and construction of a new retirement village in Stellenbosch. Future opportunities include additional phases on the Harbour Arch residential development and River Club mixed-use development, as well as prospects within the student accommodation, residential and commercial sectors. Similar to the Gauteng building market, there are also a number of imminent bids for data centres.

Although the division currently has sufficient ongoing work in KZN to support activity levels over the next 12 months, the building market in the region remains constrained and highly competitive with fewer available large-scale projects. New awards in the current period include projects from the retail, residential and industrial and warehousing sectors. The industrial and warehousing sector continues to be a solid source of new work in the region, however, good prospects within the retail, residential and medical sectors have also recently entered the market.

Following two exceptional years of strong activity in the Eastern Cape, order book levels in the region are now normalising, yet remain healthy. Together with a number of smaller-sized projects that have been awarded, a new cold storage facility was also secured during the period with the potential for further phases in the future. Projects in the social housing, retail, industrial and medical sectors are currently being pursued for commencement in FY23.

In the rest of Africa, the recently awarded projects in Lesotho and Botswana will support activity into FY23. An increase in the number of available prospects in Ghana and Botswana as well as a promising opportunity in Kenya offer potential for increased activity on the continent outside of South Africa.

Order book levels within the Civil engineering division have remained under pressure since the suspension of work on the LNG gas project in Mozambique, however, activity levels in South Africa have been maintained. Mining infrastructure projects, particularly on the platinum mines, continue to offer opportunities in South Africa as well as prospects from the water infrastructure and renewable energy sectors. Prospects in Zambia have also improved and the division continues to target various projects that have the potential to revive activity in the region. Following a military intervention and increased military presence in the region, the security environment in the north of Mozambique is believed to have improved. Interactions with the client indicate that activity on the gas project may possibly resume in the second half of 2022.

The Roads and Earthworks division successfully maintained it order book levels in South Africa while growing the order book in the rest of Africa, following the award of two mining infrastructure projects in Ghana. The outlook for the division in South African remains encouraging, specifically within the mining infrastructure and road construction markets. The number and size of potential projects from these sectors continue to offer strong prospects. Shortly after the reporting date, the division was awarded another large-scale mining infrastructure contract in excess of R1 billion however, delays in the award of tendered projects by SANRAL remains a concern. The division is currently the lowest competent contractor on over R10 billion worth of road projects awaiting final adjudication. In Mozambique, existing activity levels are low following the suspension of the gas-related infrastructure works last year. The division is pursuing projects at the Moatize coal mine for Vale as well as roadwork projects in order to restore order book levels. Following positive negotiations over the period, the division is also poised to recommence activity in Tanzania in the second half of the year as gold mining activities in the country strengthen. Opportunities in both Uganda and Kenya are also being explored and developed. Activity in Botswana will continue to taper over the remainder of FY22, however, there are sufficient mining infrastructure projects available to sustain future activity at current levels.

UNITED KINGDOM (UK)

The improvement in the order book of the UK operations reflects the award of the new £68 million Marlybone Hotel project within Ellmers Construction. Neither Byrne Bros nor Russell-WBHO secured any significant new work over the six-month period, which is indicative of the market hesitancy experienced over the course of FY21.

Market sentiment has improved over the current six-month period with an increase in the number of available projects upon which to bid. Byrne Bros. is currently awaiting adjudication on over £700 million worth of tenders and expects an improved trading position heading into FY23. With two key anchor projects secured during the period, Ellmers Construction is able to be more selective on upcoming bids. In Manchester, there has also been a noticeable increase in the pipeline of tangible new projects, however, these will also only commence with construction in FY23. Russell-WBHO is currently well positioned on two projects that will likely commence toward the end of FY22 once they are awarded.

OUTLOOK

The Group will likely face a challenging period ahead as it navigates through the consequences of its decision to cease funding of the Australian operations. Nonetheless, the outlook for both the African and UK operations remains positive and the waning severity of COVID-19 experienced during the fourth wave of infections worldwide will hopefully limit the scale of disruptions to economies and businesses in the near future. Declining government support for economies, rising interest rates and growing business confidence all indicate a sense of normality slowly returning to global markets, however, meaningful growth will probably remain muted over the short-term.

SAFETY

The overall lost-time injury frequency rate increased marginally from 0.60 injuries per million man hours at 30 June 2021 to 0.66 at 31 December 2021. The safety statistics in African and the UK operations were consistent with the prior period while there was a slight deterioration in the statistics related to Australia.

Sadly, Mr Yongama Gwe, a subcontractor employee, was fatally injured in a work-related incident in South Africa. The Board and management offer their deepest condolences to the family, friends and colleagues of the deceased for their tragic loss.

APPRECIATION

The Board and management extend their sincere appreciation to all employees for their dedication and commitment to the Group and its values. We also thank our many clients, new and old, who continue to develop new projects in this challenging environment.

DIVIDEND DECLARATION

The Board has elected not to declare a dividend for period ending 31 December 2021 due to the anticipated cash outflows required to meet the Group's contractual obligations in Australia following the decision to cease any future funding into the region.

PRESENTATION OF THE FINANCIAL RESULTS AT 31 DECEMBER 2021

Shareholders and interested parties are advised that a virtual presentation of the Company's interim consolidated financial results for the period ended 31 December 2021 will be held on Wednesday, 2 March 2022. The presentation will also be made available on the Company's website at www.wbho.co.za.

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

1 March 2022

Sponsor:
Investec Bank Limited

ADMINISTRATION

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