



2021

AUDITED
SUMMARY
CONSOLIDATED
FINANCIAL
STATEMENTS

WBHO

QUICK FACTS

ESTABLISHED

1970

LISTED ON THE JSE

1994

MARKET CAPITALISATION

R7 billion

B-BBEE STATUS

Level 1

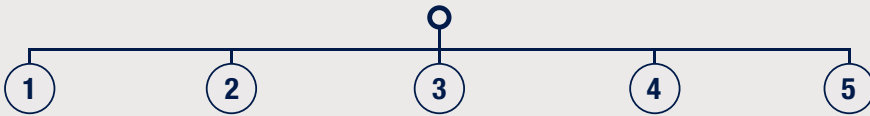
VISION

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”



1 REPUTATION

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

2 QUALITY

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

3 COST-AWARENESS

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

4 TEAMWORK

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

5 CULTURE

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

FY2021 PERFORMANCE

REVENUE

R38 billion

2020: R43 billion

EARNINGS PER SHARE

594 cents

2020: 937 cents
Loss per share

CASH

R5,7 billion

2020: R7,6 billion

CASH UTILISED IN OPERATIONS

R1,2 billion

2020: R790 million generated

OPERATING MARGIN

1,2%

2020: (1,4)%

ORDER BOOK

R28 billion

2020: R35 billion

2021

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BASIS OF PREPARATION

for the year ended 30 June 2021

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) 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 and are consistent with the accounting policies 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 2 September 2021 and signed on 3 September 2021.

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 2021 have been audited by BDO South Africa Incorporated.

The annual consolidated financial statements are available on the Company's website at www.wbho.co.za or for inspection at the company's registered office, together with the auditor's reports thereon.

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 2021

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 2021, the summary consolidated statement of financial 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 2021

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in the "Basis of Preparation" note to the summary financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

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 3 September 2021. 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

3 September 2021

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2021

	Audited 2021 R'000	Audited 2020 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	1 763 539	2 054 254
Right-of-use assets	320 638	406 690
Goodwill	1 005 631	1 085 894
Equity-accounted investees	885 410	1 105 159
Long-term receivables	265 023	283 598
Deferred tax	797 094	733 583
Total	5 037 335	5 669 178
Current assets		
Inventories	405 600	364 992
Contract assets	1 054 546	864 638
Trade and other receivables	6 162 925	6 212 471
Current tax assets	102 817	199 549
Cash and cash equivalents	5 680 717	7 599 344
Total	13 406 605	15 240 994
Non-current asset held-for-sale	31 200	–
Total assets	18 475 140	20 910 172
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	28 565	28 565
Reserves	5 500 214	5 647 882
Shareholders' equity	5 528 779	5 676 447
Non-controlling interests	96 456	205 173
Total	5 625 235	5 881 620
Non-current liabilities		
Lease liabilities	273 797	352 336
Long-term liabilities	252 115	305 984
Deferred tax	29 447	27 979
Total	555 359	686 299
Current liabilities		
Contract liabilities	2 490 026	2 998 037
Trade and other payables	7 505 691	8 912 917
Provisions	2 281 192	2 368 563
Current tax liabilities	17 637	62 736
Total	12 294 546	14 342 253
Total equity and liabilities	18 475 140	20 910 172

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2021

	Note	Audited 2021 R'000	Audited 2020 R'000
Revenue		38 331 413	43 080 295
Operating expenses		(36 641 026)	(42 266 264)
Administrative expenses		(1 273 652)	(1 433 825)
Other income		40 396	34 467
Operating profit/(loss)		457 131	(585 327)
Share of profits and losses from equity-accounted investees, net of tax		101 572	109 284
Deemed loss on disposal of equity-accounted investee	6	(8 350)	–
Finance income		110 874	200 864
Finance costs		(37 347)	(35 013)
Profit/(loss) before tax		623 880	(310 192)
Income tax expense		(273 330)	(197 921)
Profit/(loss) for the year		350 550	(508 113)
Other comprehensive income			
Items that may be or have been reclassified to profit or loss:			
Translation of foreign operations		(309 241)	269 266
Translation of foreign operations reclassified to profit or loss on derecognition		–	14 250
Translation of net investment in a foreign operation		(80 372)	178 549
Tax effect of above item		22 504	(49 994)
Share of other comprehensive income from equity-accounted investees, net of tax		(46 994)	55 476
Other comprehensive (loss)/income		(414 103)	467 547
Total other comprehensive loss for the year		(63 553)	(40 566)
Profit/(loss) from operations attributable to:			
Equity shareholders of Wilson Bayly Holmes-Ovcon Limited (WBHO)		315 996	(497 827)
Non-controlling interests		34 554	(10 286)
		350 550	(508 113)
Total comprehensive (loss)/income attributable to:			
Equity shareholders of WBHO		(71 763)	(53 860)
Non-controlling interests		8 210	13 294
		(63 553)	(40 566)
Earnings/(loss) per share (cents)			
Basic earnings/(loss) per share		594,2	(936,6)
Diluted earnings/(loss) per share		594,0	(936,4)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2021

	Share capital R'000	Foreign currency translation reserve R'000	Non- distributable reserves R'000	Distributable reserves R'000	Shareholders' equity R'000
At 1 July 2019	28 565	160 571	(18 776)	5 701 825	5 872 186
IFRS 16 adjustment	–	–	–	3 846	3 846
	–	443 967	–	(497 827)	(53 860)
Loss for the year	–	–	–	(497 827)	(497 827)
Other comprehensive income (OCI)	–	443 967	–	–	443 967
Dividend paid	–	–	–	(109 072)	(109 072)
Share-based payment	–	–	43 986	–	43 986
Share-based settlement	–	–	(10 750)	–	(10 750)
Acquisition of NCI without a change in control	–	–	–	(69 889)	(69 889)
At 30 June 2020	28 565	604 538	14 460	5 028 883	5 676 447
	–	(387 759)	–	315 996	(71 763)
Profit for the year	–	–	–	315 996	315 996
Other comprehensive income (OCI)	–	(387 759)	–	–	(387 759)
Dividend paid	–	–	–	–	–
Share-based payment	–	–	40 192	–	40 192
Share-based settlement	–	–	(19 306)	–	(19 306)
Acquisition of NCI without a change in control	–	–	–	(96 790)	(96 790)
At 30 June 2021	28 565	216 779	35 346	5 248 089	5 528 779

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2021

	Audited 2021 R'000	Audited 2020 R'000
Cash flows from operating activities		
Operating profit/(loss) before working capital requirements	774 834	(283 018)
Working capital changes	(1 933 637)	1 073 418
Cash (utilised in)/generated from operating activities	(1 158 803)	790 400
Dividends received	132 303	72 606
Finance income	91 681	181 814
Finance costs	(26 033)	(5 895)
Income tax paid	(281 059)	(171 438)
Dividends paid	–	(113 707)
Cash (utilised in)/retained from operating activities	(1 241 911)	753 780
Cash flows from investing activities		
Advance of long-term receivables	(1 263)	(25 070)
Receipts from repayment of long-term receivables	76 455	57 148
Acquisition of subsidiary, net of cash	3 723	–
Additional investment in equity-accounted investees	(1 456)	(24 292)
Loans advanced to equity-accounted investees	(119 685)	(279 197)
Loans repaid by equity-accounted investees	266 252	516 420
Proceeds on disposal of property, plant and equipment	89 173	30 247
Acquisition of property, plant and equipment	(94 923)	(137 044)
Cash flows from investing activities	218 276	138 212
Cash flows from financing activities		
Bank loans received	–	103 357
Repayment of bank loans	(350)	–
Acquisition of NCI without a change in control	(185 717)	(133 033)
Purchase of shares for equity-settled incentives	(20 256)	(11 422)
Payments of lease liabilities	(82 492)	(84 786)
Payments of instalment sale agreements	(75 490)	(104 594)
Cash flows from financing activities	(364 305)	(230 478)
Net (decrease)/increase in cash and cash equivalents	(1 387 940)	661 514
Foreign currency translation effect on cash balances	(530 687)	985 845
Cash and cash equivalents at the beginning of the year	7 599 344	5 951 985
Cash and cash equivalents at the end of the year	5 680 717	7 599 344

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

	Audited 2021 R'000	Audited 2020 R'000
1. SEGMENTAL INFORMATION		
Segment revenue		
Building and civil engineering	7 900 198	6 495 486
Roads and earthworks	5 257 623	4 979 575
Australia	18 867 823	24 656 604
United Kingdom	5 508 614	6 452 136
Total construction revenue	37 534 258	42 583 801
Property developments	1 491	2 537
Construction materials	795 664	493 957
Total revenue	1 058 243	713 000
Inter-segment revenue	(262 579)	(219 043)
Total revenue	38 331 413	43 080 295
Segment operating profit/(loss)		
Building and civil engineering	319 763	142 397
Roads and earthworks	300 043	236 859
Australia	(411 687)	(1 198 855)
United Kingdom	262 414	301 991
Total construction operating profit/(loss)	470 533	(517 608)
Property developments	22 338	510
Construction materials	25 087	(24 243)
Total segment operating profit/(loss)	517 958	(541 341)
Share-based payments expense	(40 192)	(43 986)
Impairment of goodwill	(20 635)	-
Total operating profit	457 131	(585 327)
Geographical revenue		
South Africa	10 900 235	9 544 028
Rest of Africa	3 054 741	2 427 527
Australia	18 867 823	24 656 604
United Kingdom	5 508 614	6 452 136
Total revenue	38 331 413	43 080 295
Geographical operating profit/(loss)		
South Africa	466 510	201 736
Rest of Africa	200 719	153 787
Australia	(411 687)	(1 198 855)
United Kingdom	262 414	301 991
Total segment operating profit/(loss)	517 958	(541 341)
Share-based payments expense	(40 192)	(43 986)
Impairment of goodwill	(20 635)	-
Total operating profit	457 131	(585 327)

	Audited 2021 R'000	Audited 2020 R'000
Geographical non-current assets excluding deferred tax		
South Africa	1 690 062	1 639 377
Rest of Africa	444 613	617 885
Australia	1 041 827	1 404 427
United Kingdom	1 063 689	1 273 906
	4 240 191	4 935 595
2. RECONCILIATION OF HEADLINE EARNINGS		
Attributable earnings	315 996	(497 827)
Adjusted for:		
Loss on deemed disposal of equity-accounted investment (note 6)	8 350	-
Impairment of goodwill (note 6)	20 635	-
Translation of foreign entities reclassified through profit or loss on derecognition	-	14 250
Tax effect	-	(3 990)
Profit from the disposal of plant and equipment	(25 145)	(4 510)
Non-controlling interests	4 351	150
Tax effect	4 575	1 204
Equity accounted investments:		
Loss/(profit) from the disposal of plant and equipment	954	(64)
Tax effect of above transactions	(267)	18
	329 449	(490 769)
3. ORDINARY SHARES		
Ordinary shares in issue ('000)	59 890	59 890
Weighted average number of shares ('000)	53 181	53 151
Diluted weighted average number of shares ('000)	53 197	53 162
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.		
5. FINANCIAL IMPACT OF COVID-19		
In the previous reporting period, the Group incurred significant non-recoverable costs and expenses directly attributable to the Covid-19 pandemic amounting to R397 million. These included payroll expenditure during lock down periods, standing time in respect of plant and equipment, retrenchment costs and direct project costs related to the implementation of Covid-19 protocols.		
While overall productivity was impacted in the current reporting period through supply chain disruptions, quarantine periods for infected employees and employees who have had close contact with infected persons as well as remote working conditions for office-based employees, construction activity continued mostly uninterrupted through the lockdown periods implemented across all regions. As such, no significant holding costs or further retrenchment costs have been incurred. Direct project costs related to the implementation of Covid-19 protocols are either recovered in full or shared with clients and in a small number of instances not recoverable at all. These costs are no longer considered material.		

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2021

6. BUSINESS COMBINATION

The principle activities performed by iKusasa Rail SA (Pty) Ltd include the construction and maintenance of railway lines, overhead track equipment, track related civil works and the supply of related concrete products. In 2017, the Group sold a 51% interest in iKusasa Rail SA (Pty) Ltd to an empowerment partner via a vendor financing arrangement. A number of prominent rail opportunities in South Africa were on the horizon and these were to be pursued by the business. Regrettably, none of these opportunities materialised and the rail market in South Africa has been exceptionally quiet, resulting in the business incurring losses over the previous two reporting periods. At the date of acquisition, the forward-looking pipeline for the business remained viable with a number of competitive bids having been submitted. Consequently, on 1 July 2020, the Group re-acquired the 51% interest from the empowerment partner. The acquisition price for the 51% interest in the business was determined using a value-in-use method based on both secured and unsecured rail projects.

The consideration payable was applied against the vendor financing loan and the outstanding balance of the loan was settled in cash within the current financial year.

The investment has been accounted for as an equity-accounted investment up until the date of the change in shareholding. In terms of IFRS 3: *Business combinations*, where control is achieved in stages, a deemed disposal of the Group's investment in the equity-accounted investee is recognised as follows:

	R'000
Fair value of the group's interest in the business at the date of deemed disposal	7 215
Less: Carrying value at 1 July 2021	(15 565)
Loss on deemed disposal	(8 350)

The carrying value of the Group's interest iKusasa Rail SA (Pty) Ltd at 1 July 2021, amounting to R15,5 million, consists of the original cost of the investment, a loan to the business (accounted for as part of the net investment in terms of IAS 28) less the Group's share of post-acquisition losses and movements in equity. At 30 June 2020, the loan to iKusasa Rail SA (Pty) Ltd was considered recoverable in terms of and the present value of the expected future cash flows and the conditions contained within the loan agreement.

The fair value of the Group's 49% interest in iKusasa Rail SA (Pty) Ltd, calculated for the purposes of the deemed disposal, represents the Group's share of the business value determined using the value-in-use discounted cash flow method.

The controlling interest of the Group in the fair value of the identifiable assets and liabilities of the subsidiary is subsequently recognised in terms of the provisions of IFRS 3. No new intangible assets were identified.

The fair value of the identifiable assets acquired and liabilities assumed at the acquisition date were as follows:

	R'000
ASSETS	
Non-current assets	
Property, plant and equipment	6
Inter-company debtors	4 120
Contract debtors	3 582
Contract assets	847
Other current assets	1 785
Cash and cash equivalents	3 723
	14 063
LIABILITIES	
Loans payable	1 175
Trade and other payables	10 472
Contract accruals	867
Payroll accruals	1 578
Provisions	2 267
	16 359
	R'000
Business value applied against the vendor loan	7 510
Portion of the loan receivable given up	3 614
Consideration payable	11 124
Fair value of previously held interest	7 215
	18 339
Fair value of identifiable net liabilities	2 296
Goodwill recognised on acquisition	20 635

At the date of acquisition, the long-term forward-looking prospects of the local rail market and hence the business remained viable.

The goodwill recognised as part of the transaction consisted of the following qualitative factors:

- potential future profits;
- expected synergies derived from the Group obtaining full control over the entity and combining the operations with other rail businesses under the Group's control; and
- as a wholly-owned subsidiary, the entity would benefit from the Group's Level 1 scorecard when bidding on public sector projects.

Revenue of R32 million and a net loss of R62 thousand have been included in the consolidated financial statements since the date of acquisition.

7. IMPAIRMENT OF GOODWILL

In the six month period subsequent to the acquisition date, a project on which iKusasa Rail SA (Pty) Ltd had been considered the preferred contractor did not reach financial close and was terminated. In addition, the tender on another major project on which the business had submitted a competitive bid was withdrawn. Based on these events, the ongoing uncertainty surrounding the timing of awards of future rail projects and further losses incurred by the business over the course of period and the potential impact of the emergence of a second wave of Covid-19 on the South African economy, a number of impairment indicators existed at 31 December 2021. Consequently, goodwill amounting to R20,6 million was impaired in full. iKusasa Rail SA (Pty) Ltd forms part of the roads and earthworks segment in Africa.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2021

8. GOING CONCERN

Although the lingering impact of Covid-19 on global economies can still be felt within certain market sectors, for the most part, economies have stabilised and are beginning to show growth. A combination of public sector spending, the private sector's ability to adapt to the current conditions and rising vaccination rates have supported this recovery. From the Group's perspective, this recovery is evident in the replenished order books of certain of the Group's operations together with a far stronger forward-looking pipeline of imminent projects upon which to bid, other than in Australia. In assessing going concern, the directors have considered the following information:

- The sufficiency of provisions raised on onerous contracts and associated future cash outflows;
- The budgets and the forecast cash flows for the period up to September 2022;
- Current order book levels of secured work to be executed;
- New order intake between the end of the current reporting period and the authorisation date of these financial statements;
- Imminent project awards expected within three months of the date of these financial statements;
- The number and availability of short- and mid-term projects in the forward-looking pipeline;
- The existing cost base of the Group;
- External debt;
- Available financial facilities and existing cash reserves; and
- The rolling cash flow forecasts taking into account the expected funding of the Australian operations.

Despite the cash utilised in operations amounting to R1,2 billion in FY2021 that arose from the cash settlement of provisions raised in respect of the Western Road Upgrade project in Australia, and further cash out flows associated with changes in working capital within both the building and infrastructure businesses in Australia, overall cash balances of R5,7 billion were maintained.

Due to its strong financial position, 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 the necessary facilities to fund capital expenditure where necessary.

As vaccination drives gain traction in South Africa, the rest of Africa and Australia and with the UK population already highly vaccinated, the disruptions caused by Covid-19 should continue to diminish. The current rebound in private fixed investment that is now taking place alongside increased public sector spending, has seen a resurgence in the forward-looking project pipelines in South Africa, certain regions in the rest of Africa and the UK. This has prompted a far more positive outlook over the short- to medium-term for construction opportunities within the Group's traditional markets. The softer short-term outlook in Australia due to rising Covid-19 infection rates and ongoing lock downs has allowed the Group space to implement its future consolidation strategy and reduce capacity.

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

In July 2021, widespread looting and community unrest was experienced across South Africa. The impact on the Group's South African operations was minimal. In the interest of employee safety, all projects and the regional office in Kwa-Zulu Natal (KZN), were closed for two weeks, while in Gauteng, the Group's Head office was closed for one week. Only one project in KZN sustained minor damage.

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 2021 or the results of its operations or cash flows for the year then ended.

COMMENTARY

The Group delivered significantly improved results in FY2021, returning to overall profitability in what remained a challenging operating environment. The improved performance is primarily attributable to reduced losses in Australia, having provided for substantial losses in the previous reporting period to reach the physical completion of the Western Roads Upgrade (WRU) project. Additional losses incurred in current period primarily represent the cost of attaining commercial acceptance on the project.

The stronger results were also lifted by a rejuvenated performance from the African operations which have recovered from the impact of Covid-19 in the latter half of FY2020, increasing both revenue and profitability in FY2021. In the United Kingdom (UK), both the Byrne Group and Russell-WBHO delivered solid results, although activity tapered in the second half of the financial year.

Operationally, the Group has adapted to the varying disruptions caused by Covid-19. Lockdown restrictions impacted both productivity and to a greater extent, new work procurement, particularly in Australia and the UK. The lower levels of procurement being experienced impacted activity levels in both regions over the second half of the financial year as existing projects reached completion without being fully replaced. Revenue from Australia also decreased following the implementation of a more conservative bidding strategy where the business has avoided higher-risk mega-projects within the building business and projects with any form of output risk within the infrastructure business.

From a health and safety perspective, the observing of all recommended Covid-19 protocols in respect of social distancing, hand-sanitising and wearing of masks has become the norm with office-based staff working from home when required to do so. The third wave of the virus was felt particularly hard and sadly six of our loyal employees were unable to recover from their infections.

FINANCIAL REVIEW

REVENUE AND OPERATING PROFIT BY SEGMENT

Group revenue decreased by 11% from R43 billion in FY2020 to R38 billion in the current period. This comprised an increase of 14% in revenue from South Africa complemented by a further 26% increase in revenue from the rest of Africa. The South African operations benefited from a full 12 months of trading where in the prior year the hard lockdown restrictions in the latter half of the reporting period, together with the time taken to remobilise impacted revenue. High levels of activity in Mozambique in respect of the gas infrastructure projects supported the growth achieved in the rest of Africa, although regrettably this tapered sharply in the second half of the year due to increased threat levels from terrorist activity. Revenue from Australia and the UK decreased by 24% and 15% respectively following the implementation of a more conservative bidding strategy in Australia and activity tapering in the second half of the financial year in the UK. A strengthening of the local currency over the period resulted in revenue being positively impacted by a foreign currency translation gain of R2 billion.

Operating profit reversed from a loss of R585 million in FY2020 to an operating profit of R457 million at 30 June 2021. Operating profit from South Africa more than doubled from R202 million to R467 million at an operating margin of 4,3%, supported by improved profitability across all divisions with a notable performance from the Building and civil engineering division. Profitability from the rest of Africa grew from R154 million to R201 million on increased activity levels as well as a better operating margin of 6,6% compared to 6,3% in the comparative period. Operating profit from the UK decreased by R40 million from R302 million to R262 million due to the reduction in revenue, however margins were maintained above 4,5%. In Australia, the operating loss decreased from R1,2 billion to R412 million and given the procurement challenges faced during the financial year and additional losses provided for on 443 Queen street, the Australian building business successfully managed to report a profit in the current reporting period when including profits earned on the Sky Gardens property development.

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

At 30 June 2021 the Group generated earnings of 594 cents per share compared to a loss per share of 937 cents at 30 June 2020. Headline earnings amounted to 620 cents per share versus a loss per share of 923 cents in the comparative period. These earnings equate to a 163% and 167% increase respectively.

COMMENTARY (continued)

FINANCIAL REVIEW (continued)

EQUITY-ACCOUNTED INVESTEEES

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

Entity	Industry	Country	Effective %	Carrying amount		Share of after-tax profit/(loss)	
				30 June 2021 Rm	30 June 2020 Rm	30 June 2021 Rm	30 June 2020 Rm
CONSTRUCTION							
Edwin Construction	Infrastructure	South Africa	49	84,1	84,0	8,8	4,0
iKusasa Rail SA (note 6)	Railway maintenance and construction	South Africa	–	–	3,3	–	(8,0)
Ilembe Airport Construction Services	Airport construction	South Africa	29,3	3,8	3,8	–	–
CONCESSIONS							
Dipalopalo	Serviced accommodation	South Africa	27,7	53,9	57,8	–	–
DFMS Joint Venture	Serviced accommodation	South Africa	14,6	7,4	4,6	3,1	2,1
Tshala Bese Uyavuna (RF)	Serviced accommodation	South Africa	32,5	0,8	–	–	–
Gigajoule International	Gas supply	Mozambique	26,6	202,1	246,1	31,6	23,2
Gigajoule Power	Power	Mozambique	13	150,8	164,9	18,6	9,5
PROPERTY DEVELOPMENTS							
Catchu Trading	Residential	South Africa					
Phase 1			50,0	24,3	28,7	–	22,6
Phase 2			50,0	30,6	30,6	–	–
Caulfield	Residential	Australia	30,0	3,2	53,2	3,8	55,7
The Glen Sky Gardens	Residential	Australia	20,0	98,6	131,1	28,9	–
PROPERTY DEVELOPER							
Russell Homes Limited	Residential schemes and house builder	United Kingdom	31,7	226,7	298,1	6,7	0,2
Total				886,3	1 106,1	101,6	109,3
ECL allowance				(0,9)	(0,9)	–	–
Total				885,4	1 105,2	101,6	109,3

Noticeable earnings from equity-accounted investees during the reporting period include R50 million from the Gigajoule group of companies engaged in the supply of gas and electricity in Mozambique, a profit after tax of R33 million arising from the transfer of units within the Glen Sky Gardens and Caulfield developments in Australia and an improved performance from Edwin Construction following increased activity levels. The Group received cash dividends of R61 million from the Gigajoule Group and R9,8 million from Edwin Construction during the period.

CONTRACT ASSETS AND CONTRACT LIABILITIES

The increase in contract assets of R190 million is predominantly due to increased uncertified revenue within both the Australian Building and infrastructure businesses. Contract assets decreased from R213 million to R203 million within Probuild and increased from R103 million to R468 million within WBHO Infrastructure. Contract assets within the remaining operations decreased from R549 million to R383 million and comprise primarily of materials on-site and timing differences between the date of certification and the end of the reporting period.

The decrease of R508 million in contract liabilities comprises a R629 million decrease in Australia as reduced activity resulted in lower excess billings over work done. This decrease was partially offset by a R98 million increase from the UK operations and a R23 million increase within the African operations.

CASH

In aggregate, total cash balances decreased from R7,6 billion to R5,7 billion. The decrease in local cash balances to R1,5 billion (2020: R1,9 billion) reflects the impact of the ongoing funding into Australia in support of the WRU project which incorporated a further A\$87 million being transferred in FY2021, bringing the total funding to A\$141 million. Foreign cash balances decreased to R4,1 billion from R5,7 billion in FY2020, comprising a decrease of R1,8 billion in Australia and increases of R166 million in the rest of Africa and R34 million in the UK. The decrease in cash balances in Australia represents the cash settlement of provisions raised in respect of the WRU project, and cash out flows associated with changes in working capital.

As a result, the cash utilised in operations amounted to R1,2 billion compared to R790 million generated in the comparative period. Capital expenditure declined from R253 million to R117 million, of which R95 million was acquired for cash and R22 million was financed. Depreciation amounted to R305 million (2020: R326 million), of which R82 million was recognised on right-of-use assets.

SIGNIFICANT CHANGES IN NON-CONTROLLING INTERESTS

On 14 January 2021, the non-controlling shareholders of Russell-WBHO exercised their put options in terms of the share purchase agreement. The transaction was concluded on 11 February 2021 for a consideration of £6,6 million (R136 million) and increased the Group's shareholding in Russell-WBHO from 80% to 90%. An additional amount of £337 thousand (R6,9 million) was paid in respect of the second put option exercised in January 2020.

CONTINGENT LIABILITIES

Financial guarantees issued to third parties amounts to R8,4 billion compared to R10,1 billion in issue at 30 June 2020.

OPERATIONAL REVIEW

BUILDING AND CIVIL ENGINEERING

		30 June 2021 Rm	30 June 2020 Rm
Revenue	21,6% growth	7 900	6 495
Operating profit	4,1% margin	320	142
Capital expenditure		9	27
Depreciation		20	26

Revenue from the Building and civil engineering division increased by 22% over the preceding year while operating profit increased by a substantial 125% as the division bounced back from the impact of Covid-19 in FY2020 achieving an operating margin of 4,1%.

COMMENTARY (continued)

OPERATIONAL REVIEW (continued)

BUILDING AND CIVIL ENGINEERING (continued)

BUILDING

The first half of the reporting period experienced deferred activity from H2:FY2020, and a lull in procurement, but a strong second half of the year, supported by the award of a number of key projects, raised the full year's revenue by 17% compared to FY2020.

In Gauteng, the division produced solid results in an environment where new work procurement proved challenging. The industrial building and warehousing sector has recently emerged as a strong source of activity in the region with revenue from this sector now comprising 51% of overall activity, up from 16% in the comparative period. Following a marked increase in online shopping trends, the sector continues to offer ongoing opportunities. Although commercial office and mixed-use development activity in the region has decreased significantly over the last two years, the division continues to successfully target and secure smaller developments in the sub-R250 million market of this sector having being awarded four new projects in this sub-sector in FY2021. Additionally, in the second half of the reporting period 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 broke ground and will provide a baseload of work from this sector until the end of FY2022. Retail activity in the region remains subdued with only two mid-sized projects under construction during the period, both of which are substantially complete. A number of other projects within the healthcare, student accommodation and residential sectors were also completed.

The division also delivered a robust performance from the coastal region achieving good growth of 23% over the previous period. Activity levels in the Western and Eastern Cape were supported by strong existing order books while in Kwa-Zulu Natal (KZN), the division produced a strong second half result with revenue almost double that of the first half of the reporting period after commencing a number of key targeted projects within the warehousing and retail sectors. These sectors also formed the bulk of work executed in the Eastern Cape while in the Western Cape, commercial offices, mixed-use developments and residential projects were the key drivers of activity.

The procurement of new building projects in the rest of Africa that satisfy the Group's risk profile remains challenging. The refurbishment of a hotel in Lusaka, Zambia remains the only active project. Construction of a new logistics container depot for Grindrod in Mozambique that commenced in the second half of the period was suspended due to terrorist activity and the award of a new project in Botswana continues to be delayed.

CIVIL ENGINEERING

Revenue from the Civil Engineering division was broadly in line with that of the comparative period. In Mozambique, the division's largest project - the construction of the 9 500 man camp which is part of the Total's Area 1 of the LNG gas project at Palma, was again suspended in December 2020 after just six months of renewed activity. This suspension followed a previous suspension in FY2020 due to the Covid-19 pandemic. The suspension was then made indefinite in June 2021 and also extends to the newly- awarded marine project at the same gas fields. The division is in the process of negotiating the settlement of suspension costs incurred.

Improved commodity prices and Eskom's rejuvenated commitment to its renewable energy programme have resulted in increased opportunities from these sectors. The award of two new mining infrastructure projects and a new windfarm project in South Africa managed to partially offset the abrupt decline in expected revenue from Mozambique. The re-access works at Kusile and ongoing construction of a 158m diameter concrete reservoir with associated pipework and valve chambers in joint venture with VRP partner, Motheo Construction continued throughout the period alongside the manufacture and supply of 80 concrete towers standing 100 metres tall for the Copperton and Garob wind farm near Prieska. The division was subsequently awarded a contract to erect the towers by the EPC contractor.

The Group's Projects division has also been active in this sector. Leveraging off its experience in delivering a number of previous solar energy projects, the division has secured various contracts for the installation of the electrical works on the wind farms.

In Zambia, activity continued to decline as existing projects were completed without being replaced.

ROADS AND EARTHWORKS

		30 June 2021 Rm	30 June 2020 Rm
Revenue	6,0% growth	5 258	4 980
Operating profit	5,7% margin	300	237
Capital expenditure		77	116
Depreciation		83	115
IFRS 16 right-of-use assets		0,4	6
IFRS 16 depreciation		2	2

Revenue from the Roads and earthworks division increased by 6% over the comparative period and is broadly back in line with pre-pandemic levels. Revenue generated in South Africa was comparable with FY2020. Revenue from the rest of Africa improved by a further 22% having grown by 23% in the comparative period. Revenue from the rest of Africa comprised 46% of the division's overall revenue in the current period. The operating margin improved from 4.8% to 5.7%.

Roadwork projects, followed by infrastructure projects for the mining and energy sectors, continue to be the primary drivers behind activity in South Africa, accounting for 82% of total revenue. Almost R1 billion in new roadwork was secured during the year, predominantly in the coastal regions. Roadspan, the division's road surfacing and asphalt and bitumen supply business also delivered improved profitability after adopting a more conservative bidding strategy aimed at reducing payment risk. Within the mining sector, further work was secured for South 32 as well as new projects for Anglo American and Seriti Coal. These projects, alongside ongoing construction of the energy infrastructure projects at FAD 6 project for Sasol and the Medupi and Camden power stations for Eskom, contributed toward revenue in the period. Providing clients with a turnkey solution for both civil engineering and pipeline construction services on select projects continues to prove successful and the division delivered a number of pipeline projects under this model at various mining, water and energy infrastructure sites during the period. The division also secured two mid-sized stand-alone pipeline projects during the year.

In the rest of Africa, declining revenue in Botswana following the completion of several large projects was more than offset by substantial growth in Mozambique both through the award of new projects as well as additional works secured on existing projects at the LNG gas infrastructure project for Total. As with the Civil engineering division, the division's participation in projects related to the 9 500 man camp and process plant terraces were suspended in December 2020. The local Mozambique team played a significant role in assisting both the client as well as fellow contractors and subcontractors in evacuating the area after the first terrorist attacks in the region and was widely commended for its contribution. The division secured various security-related projects in the region directly with Total. These projects incorporating the erection of a security perimeter fence and the design and construction of two military barracks, continued up until the suspension of the entire project in June 2021 and were subsequently terminated.

Revenue from the West African region remained in line with the comparative period, albeit at relatively low levels of activity. Projects remain limited to activity on the Ahafo and Obuasi mines and two public sector road projects in partnership with citizen-owned companies in Ghana. The West African team successfully targeted and secured a new mining infrastructure project for a new client in Madagascar which commenced in the second half of the current financial year.

OPERATIONAL REVIEW (continued)

AUSTRALIA

		30 June 2021 Rm	30 June 2020 Rm
Revenue			
Probuild		15 704	17 660
Infrastructure		3 164	6 997
Total	24,0% decline	18 868	24 657
Operating (loss)/profit			
Probuild		(3)	(133)
Infrastructure		(409)	(1 066)
Total	(2,2%) margin	(412)	(1 199)
Capital expenditure		22	89
Depreciation		69	58
IFRS 16 right-of-use assets		10	83
IFRS 16 depreciation		27	25

Revenue from Australia declined by 24% in rand terms and by 30% in Australian dollar terms. This was primarily due to productivity being affected by a number of Covid-19 related lockdown restrictions implemented in both Melbourne and Sydney, decreased revenue within the infrastructure business due to the physical completion of the WRU project and a lower order intake over the period as part of the changes to the business strategy. The combined operating loss reduced from R1,2 billion at 30 June 2020 to R412 million in the current reporting period. Further details in respect of the loss recognised for the reporting period are provided in the relevant sections below.

BUILDING

Revenue from the Building business (Probuild) decreased by 18% from A\$1,7 billion at 30 June 2020 to A\$1,4 billion in the current reporting period. Probuild has implemented a revised strategy in terms of which the business will exit the Queensland (QLD) and Western Australian (WA) building markets to focus upon the larger Victorian and New South Wales (NSW) construction markets where bidding activity will be focused on lower risk projects. The strategy aims to establish a more streamlined and profitable building business in contrast to the national growth model previously applied. The lower revenue generated in the current period was impacted by the combined effect of the strategy implementation, reduced productivity on existing projects due to Covid-19, lower procurement activity in the remaining target markets and sectors and an increase in the number of delayed project commencements.

The Australian state governments have implemented an extremely low tolerance strategy for COVID-19 infections within communities and have adopted a near-eradication approach to managing the risks associated with the pandemic. This strategy has been particularly prevalent in the state of Victoria, which accounts for more than 60% of building activity. To date, in excess of 200 days of lockdowns have been imposed, and while the construction industry has at times received some leniency, normal building cycles and supply chains have faced significant disruptions. More importantly, the lockdown restrictions have had a material impact on business confidence.

As a result, revenue from Victoria declined by 22% in the current reporting period. Major projects under construction include the large-scale mixed-use residential and hotel development at Westside Place and a commercial tower and associated fit-out for a multi-national pharmaceutical company (a project executed by both Probuild and Monaco Hickey). Activity within the education sector included a new tower at the Victoria University Campus in Melbourne, a number of smaller school building projects secured by Monaco Hickey. The third phase of the Caulfield development has also commenced. This development has been very successful for the business from both a construction and development perspective. Following fewer new-build opportunities, the business has turned to refurbishment work as commercial tower owners look to upgrade their office space to attract tenants in a post Covid-19 world when staff are no longer required to work from home. One such example is the Queen and Collins refurbishment project, which was successfully completed in July 2021. The residential component of a mixed-use development at the Malt District and the Sky Garden residential development, both in Melbourne, were also completed and handed over during the period.

The NSW market remained highly competitive with several larger regional NSW contractors able to compete against Probuild's national brand. In this market, the business is selective on the projects pursued and limits the number of projects under construction at any one time. Ongoing construction includes the Ribbon Hotel project and the MLC Centre, a refurbishment of a mixed-use development for the listed company Dexus. The business successfully completed the Greenland Residential Tower during the current period.

Construction activity in WA is confined to the completion of student accommodation for the Curtin University.

In QLD, the forecast completion of the challenging 443 Queen Street residential project for long-standing client, Construction and Building Unions Superannuation (Cbus) has been extended from October 2021 reported in the interim results to December 2021 with additional work on the carpark rolling into 2022. This has resulted in additional unrecoverable costs and a further provision of A\$12 million has been raised as a result.

INFRASTRUCTURE AND CIVIL ENGINEERING

Revenue from the overall infrastructure business decreased by 59% from A\$669 million to A\$275 million following the physical completion of the WRU project. Reasonable activity levels were still experienced in the Western region of the infrastructure and civil engineering business. The Infrastructure and civil engineering business reported an overall operating loss of A\$31 million comprising a A\$28 million loss in respect of WRU and a A\$6 million loss incurred in the remainder of the business.

WESTERN ROADS UPGRADE PROJECT (EASTERN REGION)

The WRU project is a single design and construct project consisting of eight packages for upgrade of various roads and intersections in suburban Melbourne. WBHO Infrastructure (WBHOI) is the lead contractor responsible for the delivery of the project to the concession company.

The project has achieved physical completion of all eight of the packages of work, with the official opening of the roads taking place in March 2021. No further provisions have been required since the \$28 million provision raised in the interim reporting period in relation to achieving commercial acceptance. Efforts to achieve commercial acceptance of the project within the public-private partnership contractual arrangement are continuing and the end client, being the State Government of Victoria, has accepted a cure plan to achieve this by 30 September 2021.

The total loss recognised on the project now amounts to A\$161 million. Although the project has significantly impacted the Australian and overall results in recent years, WBHOI has ultimately delivered a high-quality product to the client and through its substantial financial strength, the wider Group has navigated well through this turbulent period.

WESTERN REGION

In the Western region, revenue generation continues to be impacted extent by Covid-19. During the period the business has adopted a conservative position in relation to the value attainable from several unapproved variations and extension of time claims on two mining infrastructure projects which has negatively impacted operating profit by A\$6 million. One of the projects reached practical completion in the current period while the remaining project should be completed in the first half of FY2022.

COMMENTARY (continued)

OPERATIONAL REVIEW (continued)

UNITED KINGDOM

		30 June 2021 Rm	30 June 2020 Rm
Revenue	15,0% decline	5 509	6 452
Operating profit	4,8% margin	262	302
Capital expenditure		9	5
Depreciation		67	44
IFRS 16 right-of-use assets		8	291
IFRS 16 depreciation		22	42

Overall revenue from the UK declined by 15% in rand terms and 19% in pound terms. Delays in the awarding of projects together with fewer available projects in building markets have negatively affected new orders and this is reflected in the declining order book, both at 30 June 2020 and at the end of the current reporting period. While there was a corresponding decrease in operating profit of 13% over the period, the operating margin was successfully maintained at 4.8%.

BYRNE GROUP

While revenue from the Byrne Group declined by 24% in pound terms from £187 million to £143 million, the business performed well against a backdrop of political uncertainty and the ongoing global pandemic. The decline in revenue was attributable to challenges in sourcing new work within Ellmers' target markets as Byrne Bros. delivered a robust performance increasing revenue by 11% over the comparative period. The reduction in activity within Ellmers was foreseen as Covid-19's fall out inevitably meant current projects experienced significant delays and numerous tender opportunities were indefinitely suspended. In anticipation of the reduced activity, there was a consolidation of the business into a smaller and more fit-for-purpose size.

The overall operating profit of £5,4 million at a margin of 3.8% was a commendable improvement over the £5,2 million operating profit achieved in FY2020 at a margin of 2.8% and reflects the ongoing focus on productivity and operational efficiencies.

Contracts completed by Byrne Bros. during the year include the basement for a new office development at Wood Wharf and a substantial sub- and superstructure package at the new Landmark Peninsula Hotel at 1-5 Grosvenor.

Significant completed projects within Ellmers consist of the conclusion of Mayfair Park Residences, the Hickman in Whitechapel and several high-end residential apartments at 20 Grosvenor Square. The balance of activity consisted of the off-site modular construction of the washrooms for Google's new offices in Kings Cross and the fit-out of 21 luxury residential apartments at the Peninsula in Belgravia

RUSSELL-WBHO

Russell-WBHO delivered another highly successful year despite the ongoing concerns surrounding the global pandemic. While revenue declined by 13% to £123 million in FY2021, this result remains the second-highest revenue delivered in the company's 24 year history. The reduction in revenue, a direct consequence of several forecasted projects being placed on hold due to the pandemic, inevitably resulted in a lower operating profit of £7,7 million at a margin of 6.3% compared to £10,9 million at a margin of 7.7% in FY2020.

Although current construction project activity reviews continue to show Manchester and the wider North West region to be strong markets for construction, the future pipeline has undoubtedly been affected by the pandemic. The tapering of the Manchester market over that last two years has been described as a 'levelling out' to normalised levels following unprecedented activity in 2018. The office sector has been particularly affected as businesses re-evaluate space requirements considering the expected increase in post-pandemic remote working.

The residential and hotel sectors remain the primary drivers of activity comprising 80% of overall activity, supported by smaller projects within the commercial office and industrial sectors

Ongoing construction within the hotel sector in Manchester consists of the new Clayton Hotel in Portland Street and the Motel One and StayCity hybrid development at 3 St Peters, while residential activity includes the 33-storey Oxygen Towers project for Property Alliance. All projects are due for completion in H1:2022. Notable completions in the period included the £36 million Premier Inn Hotel at Circle Square that forms part of a £750 million regeneration programme in the southern part of Manchester city centre. The business also handed over the final phase of a project for the construction of the Northern Superhub for Lineage Logistics.

In Kent, a £35 million residential project forming part of the regeneration of the Chatham Docks is nearing completion while the £40 million contract for the conversion of historic listed municipal buildings in Liverpool into a 180 room boutique hotel commenced construction and will continue into FY2023.

CONSTRUCTION MATERIALS

		30 June 2021 Rm	30 June 2020 Rm
Revenue	49% growth	1 058	713
Inter-company sales		(263)	(219)
Revenue to external customers		796	494
Operating profit/(loss)	2,3% margin	25	(24)
Capital expenditure		0,4	16
Depreciation		8	7
IFRS 16 right-of-use assets		3	40
IFRS 16 depreciation		8	7

Trading conditions within the steel supply industry remain extremely competitive with the procurement of large-scale supply contracts proving difficult. Reduced commercial office, retail and residential activity within building markets, the largest source of revenue for the Reinforced Mesh Solutions (RMS), have seen lower construction margins which has resulted in persistent downward pressure on subcontractor pricing including steel supply.

The increase of 61% in revenue achieved in FY2021 stems predominantly from increases in raw material prices and does not reflect an improvement in the operating environment, although a strong focus on the cash sales market in the current year had a positive effect on both revenue and profitability. The increase in operating profit was further assisted by stringent cost cutting across all branches and the reversal of provisions raised in FY2020 that were mitigated by the successful outcome of negotiations in FY2021.

Overall volumes from the inland branches improved over the current reporting period, however this should be viewed considering two months were lost to Covid-19 lockdown restrictions in the prior period. Volumes from the coastal branches showed a marginal improvement and are reflective of the current market. The cost cutting measures undertaken resulted in all branches being either profitable or breaking even.

VSL, which provides post-tensioning for concrete slabs as well as concrete repairs to the construction market, faced another challenging year where new work procurement proved challenging due to delayed project awards and aggressive competitor pricing.

OPERATIONAL REVIEW (continued)

ORDER BOOK AND OUTLOOK

	At 30 June 2021	To 30 June 2022	Beyond 30 June 2022	At 30 June 2020	
	%	Rm	Rm	Rm	%
Order book by segment					
Building and civil engineering	31	8 558	6 116	2 442	17
Roads and earthworks	15	4 312	3 111	1 201	13
Australia	44	12 318	10 735	1 583	55
United Kingdom	10	2 699	2 628	71	15
Total	100	27 887	22 590	5 297	100
Order book by geography					
South Africa	43	11 853	8 210	3 643	24
Rest of Africa	3	1 017	1 017	-	6
Australia	44	12 318	10 735	1 583	55
United Kingdom	10	2 699	2 628	71	15
Total	100	27 887	22 590	5 297	100

The total order book decreased by 21% from R35 billion to R28 billion which comprises a 40% increase in the order book in South Africa, a 46% decrease in the order book for the rest of Africa (largely due to the suspension of the gas-related infrastructure projects in Mozambique in the last month of the reporting period) a 37% decrease in the Australian order book and a 51% decrease in the order book in the UK. While the substantial decline in the Australian and UK order books may seem alarming at face value, they reflect the lull in procurement activity experienced within the regions over the period and the implementation of the new business strategy in Australia. As such, the lower order book levels do not present any immediate concerns for the Group. Further details in this regard are discussed in the relevant sections below.

AFRICA (INCLUDING SOUTH AFRICA)

There has been a noticeable improvement in construction opportunities in building markets across South Africa including the emergence of some larger-scale projects. This is reflected not only in the 58% increase in the division's order book but also in the various projects currently being negotiated or bid upon as well as projects in the immediate pipeline.

In Gauteng, the volume of secured projects currently under construction within the industrial building and commercial building sectors together with awards amounting to R1,5 billion secured shortly after the reporting period will support activity well into FY2022 and beyond. Significant awards include a new 165 000 m² warehouse where Pick 'n Pay will be the tenant as well as a new data centre. In addition, imminent awards together with near-term opportunities in the student accommodation and residential sectors have the potential to further improve order book levels. The division is also currently executing a number of contracts for new clients bid at very keen margins in order to demonstrate our strong delivery and quality capabilities and develop longer-term relationships.

In the Western Cape, the overall construction market remains exceptionally competitive, however the division continues to successfully negotiate new projects with existing clients. Having secured a number of key large-scale projects in FY2021, the division is well positioned for the year ahead. Major projects secured this year and continuing into FY2022 include the Harbour Arch residential development and the River Club mixed-use development, both of which offer the potential for future work on additional phases. The student accommodation sector is also offering opportunities in the region. Two new projects were secured from within this sector after the reporting period with further new projects on the horizon.

Trading conditions within the KZN building market also remain challenging, yet as in the Western Cape, the division has successfully negotiated the retail phase of the Oceans mixed-use development in Umhlanga in addition to the current hotel and residential component currently under construction. This mega-development together with further work secured at the Clairwood and Northfield logistics parks within the industrial sector will provide a solid base load of work over the next two years. In the wake of the wide-scale looting and community unrest experienced in the province in July of this year, the division has also offered its assistance in the rebuild of a number of facilities.

Following the completion of several projects in the second half of FY2021, activity in the Eastern Cape will likely soften in the coming year. Nonetheless, the division successfully secured new projects for the construction of the Boardwalk Mall and a new building for the Ocean Science Department of the Nelson Mandela University in the second half of the reporting period. Further opportunities in the social housing, hotel, commercial office and student accommodation sectors are being pursued.

Building opportunities in Ghana remain limited, however the division successfully secured a new project for the construction of an office development in Accra. The refurbishment of the hotel in Zambia is targeted for completion in December 2021. Delays in the award of a new project in Botswana, on which the division is the preferred bidder, will hopefully be resolved in the coming months. The division is also actively pursuing a new project in Lesotho associated with the next phase of the Lesotho Highlands Water Project as well as exploring opportunities in East Africa.

Even though levels of secured work in South Africa have improved, following the suspension of works in Mozambique and subdued activity in Zambia, the order book of the Civil Engineering division declined by 25% overall. Existing work within the mining infrastructure, water infrastructure and renewable energy sectors will support activity into FY2022. These sectors also offer opportunities for new work later in the year. The division is also targeting various prospects in Zambia that have the potential to revive activity in the region.

The Roads and Earthworks division has sustained its order book levels in all regions other than Mozambique, where the suspension of the gas-related infrastructure works has had a significant impact. While order book levels in South Africa have yet to demonstrate growth, the general outlook continues to look positive. In addition to the roadwork contracts secured in the current period, the division has submitted bids in excess of R30 billion on new road projects still to be adjudicated. The division is well placed on a number of these projects valued at approximately R5 billion, with the results expected to be announced within the next few months. In addition, new roadwork projects amounting to approximately R15 billion are expected to reach the market over the next 12 months. The recent rebound in commodity prices has seen strong profitability from the country's major mining houses and a corresponding increase in capital expenditure. The division is pursuing additional works on its existing contracts as well as tracking new opportunities scheduled to reach the market later in the new financial year. Within the energy infrastructure sector, SASOL is expected to release further phases of its Black Products Project, and with the division's successful track record on the initial phases, it is well placed to compete for this potential new work. Eskom has also announced new work to be completed at both the Medupi and Kusile power stations and the renewable energy sector is also likely to be a source of new construction opportunities over the short and medium term. New mid-sized opportunities alongside existing work are sufficient to sustain activity levels for the pipeline teams in the coming year and the division is hopeful that the client's negotiations with the communities in the Richards Bay area will be resolved in this reporting period, allowing for the re-commencement of the suspended Zulu Pipeline project on which the division continues to perform care and maintenance activities.

Activity in Botswana is expected to remain at FY2021 levels. Procurement enquiries within the mining sector has shown a marked increase over recent months and it is predicted that tangible new opportunities will reach the market over the course of the new financial year. These projects if awarded would likely only support activity in future reporting periods.

Sourcing significant volumes of replacement work in Mozambique over the short-term will likely prove challenging and as a result the division has begun pursuing opportunities in Uganda and Tanzania within East Africa. Work for Total at Area One of the gas fields in Mozambique is not forecast to resume before FY2023.

The rebound in commodity prices has also seen improved procurement activity within the mining sector in Ghana and the division has submitted updated pricing on a few long-delayed mining infrastructure projects in the region with further projects expected to be bid upon in the second half of the year. The division is the preferred bidder on some imminent rail work for a long-standing client, also in Ghana. In Madagascar, there is potential for additional works to be secured on the division's existing mining infrastructure project. Longer-term prospects include design-and-build road projects in Liberia and the Ivory Coast that are being pursued alongside the Group's Projects division.

OPERATIONAL REVIEW (continued)

ORDER BOOK AND OUTLOOK (continued)

AUSTRALIA

The Australian Government's hard-line approach to managing Covid-19 through a combination of border restrictions, snap lockdowns and mandatory work from home regulations for many sectors, has had a considerable impact on property markets as well as other industries such as the leisure industry. Border restrictions have resulted in hundreds of thousands of foreign students, tourists, and investors unable to gain entry to the country. Population levels in the two major cities of Melbourne and Sydney have shown negative growth as a result. The impact of lockdown restrictions on the retail, hotel and leisure and commercial office sectors of building markets has been prevalent across global economies. These conditions 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 of the construction industry.

Although Covid-19 has no doubt created difficulties in replenishing order book levels in Victoria and NSW, in light of the Group's strategy and efforts aimed at consolidating the building business, where no new work has been pursued in both QLD and WA and lower-risk bidding strategies have been adopted in the remaining targeted states, the decrease of 37% in the Australian order book is not considered a major threat to the sustainability of the Australian business.

Based on current levels of secured work, revenue from Australia is expected to decline further in the year ahead. In response to reduced activity levels, the business has restructured its operations and taken the necessary steps to align overhead costs with a smaller and more focused business envisioned.

The Infrastructure and civil engineering order book at 30 June 2021 amounts to A\$151 million of which A\$118 million relates to the Western region, up from A\$74 million in the prior period. The current work on hand consists of construction-only roadwork and mining infrastructure projects within the business's traditional procurement model. WBHOI is also well positioned for a further A\$45 million of additional work on an existing project, expected to commence in H2:FY2022

UNITED KINGDOM

The marked decline of 51% in the combined order book of the UK operations reflects the low levels of procurement activity experienced during the reporting period when varying levels of Covid-19 lockdown restrictions caused market uncertainty particularly within the private sector. This uncertainty resulted in projects reaching completion not being fully replaced.

This lull in securing new work will continue to impact activity levels through H1:FY2022. However, the easing of restrictions over the last quarter of FY2021 and the final lifting of them in early July has seen a significant resurgence in private sector construction opportunities and overall activity levels should remain broadly in line in pound terms with those of FY2021.

Within the Byrne Group, procurement activity that has largely been focused on public sector civil engineering projects through FY2021 has now shifted heavily toward private sector opportunities, particularly within the commercial office sector. Strong existing relationships have afforded the business the opportunity to enter into single-source negotiations on a sizeable value of projects with a number of clients. The commencement of these projects in the second half of the new reporting period should likely provide a solid baseload of new work heading into FY2023. Ellmers Construction, which felt the brunt of declining activity in FY2021, was awarded a £68 million contract for the construction of the new 199 room, Marlybone Hotel in London shortly after the reporting period and in addition has a letter of intent for a further £31 million fit-out contract. These projects are not reflected in the order book at 30 June 2021.

In Manchester, the short-term outlook for Russell-WBHO is likely to remain subdued as the hotel and commercial office sectors take time to recover. The residential sector continues to offer opportunities with the industrial and logistics sectors experiencing a boom due to the pandemic boosting online retail to new highs. The resulting demand for warehouse and temperature controlled storage space is expected to continue to rise, providing opportunities for Russell-WBHO which has significant expertise in this sector. Projects that will generate revenue in FY2022 include the sizeable projects at Portland Street, St Peter's Square, Store Street and the Municipal building in Liverpool.

OUTLOOK

As vaccination drives gain traction in South Africa, the rest of Africa and Australia and with the UK population already highly vaccinated, we are hopeful that the disruptions caused by Covid-19 will continue to diminish. The current rebound in private fixed investment that is now taking place alongside increased public sector spending, has seen a resurgence in the forward-looking project pipelines in South Africa, certain regions in the rest of Africa and the UK. This has prompted a far more positive outlook over the medium-term for construction opportunities within the Group's traditional markets. The softer short-term outlook in Australia due to rising Covid-19 infection rates, low levels of vaccinations and ongoing lockdowns has allowed the Group space to implement its future consolidation strategy and reduce capacity. Whilst we are optimistic on the future of the construction industry in each jurisdiction, we are cognisant that the timing of awards could be affected by the reactions of both business and governments to the continuing uncertainty caused by the pandemic.

SAFETY

The Group's improved safety statistics achieved at 30 June 2020 were maintained through the current reporting period with a lost-time injury frequency rate (LTIFR) of 0,60 injuries per million man hours compared to 0,59 in the previous period. Further improvements were achieved in both the African and UK operations.

Sadly, Mr Petros Sipho Sibeko from WBHO and Mr Siphwe Agreement Kgatla, a subcontractor employee, tragically lost their lives in work-related incidents in South Africa. The Board and management offer their deepest condolences to the family, friends and colleagues of the deceased for their devastating loss.

APPRECIATION

FY2021 continued to be fraught with disruptions related to the Covid-19 pandemic and the Board and management acknowledge and commend the resilience shown by all our employees across the globe in successfully adapting to this frustrating and challenging environment. Having lived through the pandemic for over 18 months, we have by now all experienced losing loved ones, friends, colleagues or acquaintances and we extend our deepest sympathies to each and every employee, client, subcontractor, supplier and other stakeholders who have been affected by this devastating disease in one way or another. We also thank our many clients, who like us, have found innovative ways to ensure the survival of their businesses and bring new projects to the market for us to execute on their behalf.

DIVIDEND DECLARATION

In light of the improved profitability in FY2021 and satisfactory levels of liquidity, the Board has elected to resume dividend payments to shareholders.

Notice is hereby given that the directors have declared a final gross dividend of 205 cents per share (2020: nil) payable to all shareholders recorded in the register on 15 October 2021.

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

The dividend is made from income reserves and is subject to dividend withholding tax of 20% which results in a net dividend of 164 cents per share

COMMENTARY (continued)

DIVIDEND DECLARATION (continued)

The number of shares in issue at date of declaration amount to 59 890 514 (53 181 054 exclusive of treasury shares) and the company's tax reference number is 9999597710.

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

Last date to trade cum dividend:	Tuesday 12 October 2021
Trading ex dividend commences:	Wednesday 13 October 2021
Record date:	Friday 15 October 2021
Payment date:	Monday 18 October 2021

Shares may not be dematerialised or re-materialised between Friday, 13 October and Friday 15 October 2021, both dates inclusive

PRESENTATION OF THE FINANCIAL RESULTS AT 30 JUNE 2021

Shareholders and interested parties are advised that a virtual presentation of the Company's audited consolidated financial results for the year ended 30 June 2021 will be held on Friday, 3 September 2021. The presentation will also be made available on the Company's website at www.wbho.co.za.

WP Neff

3 September 2021

Sponsor:

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ADMINISTRATION

WILSON BAYLY HOLMES-OVCON LIMITED

(Incorporated in the Republic of South Africa)
Registration number 1982/011014/06
Share code: WBO
ISIN: ZAE00009932
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