

Wilson Bayly Holmes-Ovcon Limited
(Registration no: 1982/011014/06)

Annual Financial Statements
for the year ended 30 June 2022

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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Level of assurance:

The Company financial statements have been audited in compliance with the section 30(2)(a) of the Companies Act of South Africa. The preparation of the internally prepared Company annual financial statements was supervised by the Chief Financial Officer, Charles Henwood CA (SA).

The consolidated financial statements (Group) 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.

Published: 13 September 2022

Registered office

53 Andries Street
Wynberg
Sandton
2090

Postal address

PO Box 531
Bergvlei
2012

Auditors

BDO South Africa Incorporated
Wanderers Office Park
52 Corlett Drive
Illovo
2196

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of Wilson Bayly Homes - Ovcon Limited (WBHO). The annual financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa and are supported by reasonable and prudent judgements and estimates.

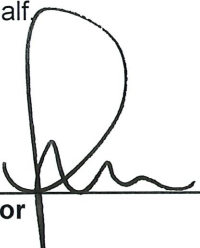
The directors acknowledge that, ultimately, they are responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is to identify, assess and monitor all known forms of risk across the Company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

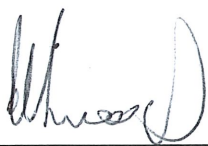
Based on the information and explanations given by management and the internal auditors, the directors are of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements; however, a system of internal control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The going concern basis has been adopted in preparing the financial statements. Based on budgets and available cash resources, the directors have no reason to believe that the Company will not be a going concern in the foreseeable future. The viability of the company is supported by the financial statements.

The financial statements have been audited by the independent auditors, BDO South Africa Incorporated who were given unrestricted access to all financial records and the related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. The unqualified audit report of BDO South Africa Incorporated is presented on pages 6 to 8.

The annual financial statements were approved by the board of directors on 9 September 2022 and are signed on its behalf



Director

Director

WILSON BAYLY HOLMES - OVCON LIMITED

STATEMENT OF COMPLIANCE BY THE AUDIT COMMITTEE
for the year ended 30 June 2022

MEMBERS

AJ Bester (Chairman)
RW Gardiner
KM Forbay
SN Maziya

Each of the members of the audit committee are independent non-executive directors. The committee meets at least four times a year to fulfil its mandate. The internal and external auditors as well as certain members of the executive and senior management attend committee meetings by invitation.

informed by the Companies Act, paragraph 3.84(g) of the JSE Listings Requirements and King IV and are approved by the Board.

The committee performed certain statutory and other duties during the year including:

- monitoring the effectiveness and implementation of internal financial controls and the adequacy of financial reporting;
- ensured that the financial reporting of the group comply with International Financial Reporting Standards and Companies Act of South Africa;
- considered the effectiveness of the Chief Financial Officer and financial function;
- considered and reviewed the independence of the external auditor and the extent of non-audit services provided;
- reviewed the audit plans for internal and external audit; and
- reviewed the key audit matters and work performed thereon by the external auditors.



Cobus Bester
Audit Committee Chairman
13 September 2022

STATEMENT OF COMPLIANCE BY THE COMPANY SECRETARY
for the year ended 30 June 2022

I confirm that the Company has lodged with the Registrar of Companies all returns that are required to be lodged by a public company in terms of the Companies Act of South Africa in respect of the year ended 30 June 2022 and that all such returns are true, correct and up to date.



Donnafeg Msiska
Company Secretary
13 September 2022

WILSON BAYLY HOLMES - OVCON LIMITED

DIRECTORS' REPORT for the year ended 30 June 2022

The directors present their annual report, which forms part of the audited financial statements of the Company for the year ended 30 June 2022.

NATURE OF BUSINESS

The Company is listed on the securities exchange operated by JSE Limited and is the holding company of a number of subsidiary companies principally engaged in civil engineering and building contracting activities in Africa and the United Kingdom.

SHARE CAPITAL

The Company has 59 890 514 ordinary shares in issue (2021: 59 890 514)

Subject to the regulations of the JSE, 5% of the unissued ordinary shares are under the control of the directors until the annual general meeting (AGM) to be held on 23 November 2022 at which time shareholders will be requested to grant the directors control over 5% of the unissued ordinary shares until the next AGM.

DIVIDENDS

The Company declares dividends dependent upon profits earned and the availability of cash. A dividend of 205 cents per share was declared for the year ended 30 June 2021. There was no interim dividend declared and no dividend declared for the 2022 financial year.

BORROWING POWERS

In terms of the memorandum of incorporation the Company has unlimited borrowing powers.

DIRECTORATE

Details of the Company's directors are available online at www.wbho.co.za. The business physical address, postal address and company secretary details are set out on the first page of the financial statements.

Ms SN Maziya has resigned and will not be eligible for re-election. Also in terms of the memorandum of incorporation, Mr RW Gardiner and Mr H Ntene retire by rotation and offer themselves for re-election.

DIRECTORS' SHAREHOLDING

The direct and indirect interests of the directors are disclosed in note 6 of the financial statements. There have been no changes to directors' shareholdings between the reporting date and the date of this report.

RELATED PARTY TRANSACTIONS

Related party transactions are disclosed under note 6.

EVENTS AFTER THE REPORTING DATE

The South African operating company, WBHO Construction (Pty) Ltd has secured a loan of R520 million to support the cashflow required to fund its Australian exit. This loan is repayable over 36 months at the prime lending rate and is secured by a pledge over cash balances in Mozambique. The pledge requires approval from the Mozambique Central Bank. This approval has not been obtained at the date of these financial statements.

The Group has reached an agreement to sell its 50% interest in the Units on Park joint operation for an amount of R178 million. This sale is subject to Competition Commission approval.

The board is not aware of any other matter or circumstance arising since the end of the reporting period not otherwise dealt with in the financial statements, which significantly affects the financial position of the Company as at 30 June 2022 or the results of its operations or cash flows for the year then ended.

WILSON BAYLY HOLMES - OVCON LIMITED

DIRECTORS' REPORT (Continued) for the year ended 30 June 2022

GOING CONCERN

The directors are satisfied that the Company has access to adequate resources to continue in operational existence for the foreseeable future. The going concern basis has been applied in preparing the Company financial statements.

AUDITORS

BDO South Africa Incorporated will continue in office in accordance with section 90(6) of the Companies Act. At the AGM, shareholders will be requested to re-appoint BDO South Africa Incorporated as the group auditors for the 2023 financial year and it is noted that Mr J Schoeman will be the individual registered auditor who will undertake the audit.

SPECIAL RESOLUTIONS

The following special resolutions were passed at the 2021 AGM:

SPECIAL RESOLUTION NUMBER 1

Approval of non-executive directors' fees for the 2022 financial year.

SPECIAL RESOLUTION NUMBER 2

Financial assistance to directors, prescribed officers, employee share scheme beneficiaries and related or inter-related companies and corporations.

SPECIAL RESOLUTION NUMBER 3

General authority to repurchase company shares.

Independent Auditor's Report

To the Shareholders of
Wilson Bayly Holmes-Ovcon Limited

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Wilson Bayly Holmes-Ovcon Limited (the company) set out on pages 9 to 23, which comprise the separate statement of financial position as at 30 June 2022, and the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Wilson Bayly Holmes-Ovcon Limited as at 30 June 2022, and its separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period.

We have determined that there are no key audit matters to communicate in our report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled Wilson Bayly Holmes-Ovcon Limited Separate Financial Statements for the year ended 30 June 2022 the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa which we obtained prior to the date of this report and the document titled Wilson Bayly Holmes-Ovcon Limited Integrated Report 30 June 2021, which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that BDO South Africa Incorporated has been the auditors of Wilson Bayly Holmes-Ovcon Limited for 36 years.

BDO South Africa Inc.
BDO South Africa Inc. (Sep 13, 2022 06:46 GMT+2)

BDO South Africa Incorporated
Registered Auditors

J. Schoeman
Director
Registered Auditor

13 September 2021

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

WILSON BAYLY HOLMES - OVCON LIMITED

STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

	Notes	2022 R	2021 R
Assets			
Investments in subsidiaries and special purpose entities	1	<u>42,748,249</u>	<u>42,748,516</u>
Total non-current assets		<u>42,748,249</u>	<u>42,748,516</u>
Loan to group company	2	236,790,376	242,177,530
Cash and cash equivalents		3,522,285	218,152
Interest receivable		86	9
Inter-company receivable		-	3,471,368
Current tax assets		-	596
Total current assets		<u>240,312,747</u>	<u>245,867,655</u>
Total assets		<u>283,060,996</u>	<u>288,616,171</u>
Equity			
Share capital		31,113,714	31,113,714
Retained earnings		<u>139,918,441</u>	<u>143,679,635</u>
		<u>171,032,155</u>	<u>174,793,349</u>
Liabilities			
Loans from group companies	3	110,750,787	112,593,531
Unclaimed dividends		1,278,047	1,229,291
Taxation		7	-
Total current liabilities		<u>112,028,841</u>	<u>113,822,822</u>
Total equity and liabilities		<u>283,060,996</u>	<u>288,616,171</u>

WILSON BAYLY HOLMES - OVCON LIMITED**STATEMENT OF FINANCIAL PERFORMANCE AND OTHER COMPREHENSIVE INCOME**
for the year ended 30 June 2022

	Notes	2022 R	2021 R
Dividends received		123,795,578	-
Financial reporting cost recoveries		-	3,018,833
Non-executive director fees and reporting costs		(4,779,071)	(3,799,594)
Bank charges		(2,432)	(1,955)
Finance income		285	7,165
Profit before tax		119,014,360	(775,551)
Income tax expense	5	-	(62,857)
Profit for the year		119,014,360	(838,408)

WILSON BAYLY HOLMES - OVCON LIMITED**STATEMENT OF CHANGES IN EQUITY**
for the year ended 30 June 2022

	Number of ordinary shares issued	Share capital R	Retained earnings R	Total equity R
Balance at 30 June 2020	59,890,514	31,113,714	144,518,043	175,631,757
Loss for the year	-	-	(838,408)	(838,408)
Balance at 30 June 2021	59,890,514	31,113,714	143,679,635	174,793,349
Loss for the year	-	-	119,014,360	119,014,360
Dividend paid (note 4)	-	-	(122,775,554)	(122,775,554)
Balance at 30 June 2022	59,890,514	31,113,714	139,918,441	171,032,155

* The company has 100 000 000 authorised ordinary shares of 1 cent each and
redeemable preference shares of 5 cents each

WILSON BAYLY HOLMES - OVCON LIMITED

STATEMENT OF CASH FLOWS
for the year ended 30 June 2022

	Notes	2022 R	2021 R
Cash flow from operating activities			
Profit/(loss) before tax		119,014,360	(775,551)
<i>Adjust for non-cash items:</i>			
Dividends received		(1,017,641)	-
Expected credit loss		-	-
(Decrease)/increase in loans to/(from) group companies		(52,384)	50,000
<i>Working capital movements:</i>			
Increase in unclaimed dividends		48,756	2
Decrease/(increase) in inter-company receivables		3,471,368	(3,471,368)
(Increase)/decrease in value-added tax and interest receivable		(76)	198,396
(Decrease)/increase in loans from group companies		4,614,702	4,015,800
		<u>8,134,750</u>	<u>742,830</u>
Income tax (paid)/received		603	127,499
Dividend paid	4	(122,775,554)	-
Net cash flow from operating activities		<u>3,304,133</u>	<u>144,778</u>
Increase in cash and cash equivalents for the year		3,304,133	144,778
Cash and cash equivalents at the beginning of the year		218,152	73,374
Cash and cash equivalents at the end of the year		<u><u>3,522,285</u></u>	<u><u>218,152</u></u>

SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Wilson Bayly Holmes-Ovcon Limited is a company domiciled in South Africa. The address of the Company is 53 Andries Street, Wynberg, Sandton, 2090. The Company is an investment holding Company and does not contribute to the financial performance of the Group. The Group is principally engaged in civil engineering and building construction activities in Africa and the United Kingdom as well as owning a number of subsidiary companies and participating in joint arrangements engaged in similar activities both locally and internationally. The consolidated financial statements of the Group are available at the Company's registered address or on its website.

STATEMENT OF COMPLIANCE

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the requirements of the Companies Act of South Africa.

BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis. The accounting policies adopted have been consistently applied to all the periods presented. The financial statements have been prepared on the going concern basis.

These financial statements are separate financial statements.

The financial statements are presented in South African Rands, which is the functional currency of the Company.

SIGNIFICANT JUDGEMENTS AND CRITICAL ACCOUNTING ESTIMATES

In preparing the financial statements, management is required to make estimates and assumptions that affect the application of the Company's accounting policies and recognised amounts of assets, liabilities, income and expenses. Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. There have not been any significant judgements or estimates applied to the financial statements.

INVESTMENT IN SUBSIDIARIES

Subsidiaries are entities controlled by the Company. The Company obtains control of a subsidiary when it becomes exposed to, or gains rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

FINANCIAL INSTRUMENTS

Recognition and initial measurement

Financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

FINANCIAL INSTRUMENTS (continued)

Classification and subsequent measurement

Financial assets

Financial assets that meet the following conditions are classified and subsequently measured at amortised cost:

- the financial asset is held within a business model where the objective is to hold the financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In assessing whether the contractual cash flows are solely payments of principle and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers contingent events that would change the amount or timing of cash flows and terms that may adjust the amount to be repaid.

All financial assets of the Company are classified as measured at amortised cost.

Financial assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The 'effective interest rate' is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired).

Financial liabilities

Financial liabilities of the Company are classified as measured at amortised cost. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Impairment of financial assets

The Company recognises loss allowances for expected credit losses (ECLs) for financial assets that are measured at amortised cost.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the financial assets.

Measurement of expected credit losses

Historic ECL percentages are calculated using the probability of default (PD) and loss-given default (LGD) of a financial assets. The PD and LGD represent the likelihood of the occurrence of a default and the quantum of any losses arising from that default. The Company considers a default to have occurred when a financial asset is more than 90 days past due.

The PD and LGD are derived from a statistical analysis of historical data (where available). The historic ECL is adjusted after taking into account relevant quantitative and qualitative forward-looking information. The exposure to default represents the gross carrying amount of a financial asset or portfolio of financial assets at the reporting date.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. ECLs are measured at the present value of cash shortfalls arising from a credit default event, discounted at the effective interest rate of the financial asset.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022

FINANCIAL INSTRUMENTS (continued)

Derecognition

Financial assets or a portion thereof are derecognised when the Company's rights to the cash flows expire, when the Company transfers all the risks and rewards related to the financial asset or when the Company loses control of the financial asset.

Financial liabilities or a portion thereof are derecognised when the obligations specified in the contract are discharged, cancelled or expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

DIVIDEND, FINANCE AND OTHER INCOME

The Company recognises dividend income when the right to receive payment is established and can be estimated reliably.

Finance income is recognised using the effective interest method.

Other income is recognised when the outcome of a transaction involving the rendering of services can be estimated reliably. Other income associated with the transaction is recognised when the related expense is recognised and is therefore recoverable.

INCOME TAX

Income tax for the period comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or items directly recognised in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable on the taxable income for the year using substantively enacted tax rates and includes any adjustments to tax payable in respect of prior years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax assets and liabilities are offset only if certain criteria are met.

Dividend tax is withheld at a rate of 20% on all shareholders registered unless a shareholder qualifies for an exemption or at a lower rate in terms of double taxation agreements.

Deferred tax

Deferred taxes recognised in respect of temporary differences between the carrying amounts for financial reporting purposes and the tax base used for tax purposes.

Deferred tax is not recognised on temporary differences relating to:

- temporary differences on the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences relating to investments in subsidiaries to the extent they will probably not reverse in the foreseeable future.

A deferred tax asset is recognised to the extent that it is probable that future taxable income will be generated against which any available tax losses and deductible temporary differences can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any. Deferred tax assets and liabilities are offset only if certain criteria are met.

STANDARDS AND INTERPRETATIONS

There have been no new standards applied in the current reporting period.

NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements there are a number of new standards, amendments and interpretations which will only be effective after 30 June 2022 and have not been early adopted by the Company. The following standards and amendments are significant to the Company:

Classification of Liabilities as Current or Non-Current
Amendments to IAS 1

1 January 2024

The IASB issued amendments to IAS 1 Presentation of Financial Statements which clarifies that the classification of liabilities as current or non-current is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. It further states that classification is unaffected by an entity's intention to exercise its right to defer settlement of a liability.

The amendment further clarifies the definition of a settlement to be a transfer to the counterparty that results in the extinguishment of the liability.

The classification of liabilities by the Company is currently aligned with this amendment. Therefore, the amendment will not have a material impact.

Disclosure of Accounting Policies
IAS 1

1 January 2023

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.

All current accounting policies are considered as being material but will be reassessed in the period in which this amendment becomes effective.

WILSON BAYLY HOLMES - OVCON LIMITED**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022**

	2022 R	2021 R
1. Investments in subsidiaries (Annexure 1)		
Shares at cost less accumulated impairment losses	42,748,249	42,748,516
A complete list of investments in subsidiaries is set out in Annexure 1.		
2. Loan to group companies		
WBHO Management Trust	236,790,376	242,177,530
The loan is unsecured, bears no interest and has no fixed terms of repayment.		
The Company has advanced loans to share trusts in order to facilitate employee share schemes within the group. Repayment of the loan is dependant on dividend declarations and the vesting of allocated shares. Vesting only occurs under pre-determined conditions therefore the timing and amount of repayment remains uncertain.		
3. Loans from group companies		
WBHO Construction (Pty) Ltd	107,445,452	109,357,425
Loans from share trusts (annexure 1)	3,305,335	3,236,106
Current liabilities	110,750,787	112,593,531
The loans are unsecured, bear no interest and have no fixed terms of repayment.		
4. Dividend paid		
Final dividend in respect of the year ended 30 June 2021: 205 cents (30 June 2020: nil).	122,775,554	-
	122,775,554	-

WILSON BAYLY HOLMES - OVCON LIMITED
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022

	2022	2021
	R	R
5. Income tax expense		
South African normal tax		
Current taxation		
- Current year	-	-
- Prior year under provision	-	44,420
Deferred taxation		
- Current year	-	18,437
- Prior year over provision	-	-
Total tax charge	<u>-</u>	<u>62,857</u>
Reconciliation of tax rate :		
South African normal tax rate	28.0%	28.0%
Adjusted for:		
Non-taxable dividends received	-29.1%	0.0%
Non-deductible expenses in the production of non-taxable income	1.1%	-28.0%
Current year losses not recognised	0.0%	0.0%
Prior year under provision	0.0%	8.1%
Effective tax rate	<u>0.0%</u>	<u>8.1%</u>

No provision has been made for 2022 tax as the Company has no taxable income. There is no tax loss available for set-off against future taxable income (2021: nil).

WILSON BAYLY HOLMES - OVCON LIMITED
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022
6 Related party transactions

The Company has related party relationships with its subsidiaries (annexure 1) and directors and executive officers.

	2022 R	2021 R
Balances owing by related parties		
WBHO Construction (Pty) Ltd	-	3,471,368
Transactions with related parties		
Financial reporting cost recoveries	-	3,018,833
Dividends received		
Wholly- owned subsidiary		
WBHO Construction (Pty) Ltd	123,000,000	-
Structured entity		
Akani Investment Holdings (Pty) Ltd	795,578	-
	123,795,578	-
Dividends paid		
Structured entity		
Akani Investment Holdings (Pty) Ltd	7,042,904	-
WBHO Management Trust	5,380,259	-
WBHO Share Trust	69,495	-
WBHO Broad Based Employee Incentive Trust	2,705,747	-
	15,198,405	-

6.1 Directors' emoluments

The remuneration of the executive directors and prescribed officers are paid by subsidiaries of the Company.

	Directors' fees R	Salaries R	Short-term benefits R	Short-term Incentives R	Post-employment benefits R	Total emoluments R
2022						
Executive						
EL Nel	-	1,755,000	561,476	5,468,000	593,050	8,377,526
WP Neff	-	2,454,000	600,468	6,972,000	657,360	10,683,828
CV Henwood	-	2,398,000	642,000	6,878,000	653,664	10,571,664
	-	6,607,000	1,803,944	19,318,000	1,904,074	29,633,018
Non-executive						
SN Maziya	979,829	-	-	-	-	979,829
AJ Bester	843,174	-	-	-	-	843,174
RW Gardiner	1,043,150	-	-	-	-	1,043,150
KM Forbay	564,375	-	-	-	-	564,375
H Ntene	642,975	-	-	-	-	642,975
	4,073,503	-	-	-	-	4,073,503
Total	4,073,503	6,607,000	1,803,944	19,318,000	1,904,074	33,706,520
2021						
Executive						
EL Nel	-	1,920,000	438,237	6,015,000	593,050	8,966,287
WP Neff	-	2,320,000	451,004	7,050,000	621,984	10,442,988
CV Henwood	-	2,260,880	528,613	6,910,000	617,464	10,316,958
	-	6,500,880	1,417,854	19,975,000	1,832,498	29,726,232
Non-executive						
SN Maziya	684,475	-	-	-	-	684,475
AJ Bester	630,975	-	-	-	-	630,975
RW Gardiner	936,850	-	-	-	-	936,850
KM Forbay	498,675	-	-	-	-	498,675
H Ntene	585,225	-	-	-	-	585,225
	3,336,200	-	-	-	-	3,336,200
Total	3,336,200	6,500,880	1,417,854	19,975,000	1,832,498	33,062,432

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2022**
6 Related party transactions (continued)

The interests of directors and those of their families in the share capital of the company are as follows:

	2022			2021		
Number of ordinary shares	Direct	Indirect	Total	Direct	Indirect	Total
EL Nel	320,635	600	321,235	320,835	600	321,435
WP Neff	83,626	14,260	97,886	34,022	-	34,022
CV Henwood	106,289	-	106,289	106,289	-	106,289
SN Maziya	15,000	243,897	258,897	-	241,584	241,584
	525,550	258,757	784,307	461,146	242,184	703,330

Indirect shares disclosed in the above table represent allocated shares in respect of the empowerment initiative of the group and do not represent the number of shares likely to vest upon fulfilment of the vesting conditions. The number of WBHO shares that will ultimately vest is dependent on the market value of the shares on the vesting date, based on a pre-determined threshold. Using the share price at 30 June 2022, the director would receive no shares in terms of the formula

Long-term incentive scheme (LTIs)

	2022			2021		
	Share appreciation rights	Performance shares	Total	Share appreciation rights	Performance shares	Total
EL Nel	-	40,500	40,500	74,833	57,500	132,333
WP Neff	-	116,500	116,500	57,833	64,500	122,333
CV Henwood	-	111,500	111,500	72,500	64,500	137,000
	-	268,500	268,500	205,166	186,500	391,666

IFRS 2 Expense recognised (R'000)

	2022	2021
EL Nel	1,205,851	1,342,341
WP Neff	2,048,251	1,298,686
CV Henwood	2,030,523	1,400,222
	5,284,624	4,041,248

6.2 Prescribed officers

	Salaries R	Short-term benefits R	Short-term Incentives R	Post-employment benefits R	Total emoluments R
2022					
PJ Foley	7,044,677	2,253,226	5,400,000	598,921	15,296,824
EA Mashishi*	306,000	65,408	-	82,368	453,776
SN Gumede	2,006,000	426,681	3,100,000	427,614	5,960,295
AF De Necker	2,209,000	494,085	6,010,000	592,680	9,305,765
CA Jessop	2,356,000	541,394	6,200,000	402,600	9,499,994
	13,921,677	3,780,794	20,710,000	2,104,183	40,516,654
2021					
PJ Foley	6,783,048	1,771,008	5,600,000	566,681	14,720,738
EA Mashishi	1,781,120	358,128	2,000,000	479,720	4,618,968
SN Gumede	1,914,720	303,417	3,000,000	365,078	5,583,214
AF De Necker	2,080,000	396,034	5,800,000	558,624	8,834,658
CA Jessop	2,227,896	397,134	6,000,000	381,463	9,006,493
	14,786,784	3,225,721	22,400,000	2,351,566	42,764,071

*resigned 15 July 2021

6 Related party transactions (continued)**6.3 Prescribed officers' shareholding**

The interests of prescribed officers and those of their families in the share capital of the Company are as follows:

Number of ordinary shares

	2022			2021		
	Direct	Indirect	Total	Direct	Indirect	Total
PJ Foley	50,000	-	50,000	101,989	-	101,989
EA Mashishi	-	-	-	12,935	-	12,935
AF de Necker	51,428	-	51,428	68,920	-	68,920
CA Jessop	43,394	24,549	67,943	41,034	16,155	57,189
	144,822	24,549	169,371	224,878	16,155	241,033

Long-term incentive scheme (LTIs)

	2022			2021		
	Share appreciation rights	Performance shares	Total	Share appreciation rights	Performance shares	Total
PJ Foley	-	104,000	104,000	72,500	63,500	136,000
EA Mashishi	-	-	-	49,333	40,000	89,333
SN Gumede	-	57,000	57,000	13,000	28,000	41,000
AF De Necker	-	104,000	104,000	55,333	59,500	114,833
CA Jessop	-	104,000	104,000	55,333	59,500	114,833
	-	369,000	369,000	245,499	250,500	495,999

IFRS 2 Expense recognised (R'000)

	2022	2021
PJ Foley	1,939,446	1,388,395
EA Mashishi	-	923,028
SN Gumede	930,573	502,823
AF De Necker	1,858,384	1,218,076
CA Jessop	1,858,384	1,218,076
	6,586,787	5,252,420

The long-term incentives are part of the WBHO share plan.

There were no other transactions with directors or prescribed officers or entities in which directors or prescribed officers have a material interest. There have been no changes to directors' shareholding between the reporting date and the date of this report.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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7. Financial instruments and financial risk management

Overview

The Company's activities expose it to limited credit risk. The Company's strategy remains the same as in the prior period and there has been no change to its risk profile.

	2022 R	2021 R
Financial instruments by category		
Loan to group company (note 2)	236,790,376	242,177,530
Inter-company receivable	-	3,471,368
Cash and cash equivalents	3,522,285	218,152
	240,312,661	245,867,050
Loans from group companies (note 3)	(110,750,787)	(112,593,531)
Unclaimed dividends	(1,278,047)	(1,229,291)
Total carrying value	128,283,826	132,044,228

Fair value

At 30 June the carrying amount of the all the financial instruments approximated their value unless otherwise disclosed. The Company does not trade in financial instruments.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the company's long-term receivables and cash and cash equivalents maintained with financial institutions.

ALLOWANCES FOR EXPECTED CREDIT LOSSES (ECL)

The Company establishes a loss allowance that represents its estimate of expected credit losses in respect of financial assets held at amortised cost. The allowance comprises individually significant exposures as well as exposure to a general portfolio of customers where the nature of customers, overdue accounts and collateral held are taken into account. This was assessed as a low credit risk.

ECL ASSESSMENT OF INTER-COMPANY LOANS

The Company is exposed to credit risk through loans advanced to special purpose entities. As the settlement of these loans is managed and controlled by the Company, specific expected credit losses are recognised only when there are clear forward-looking indicators of impairment. ECLs on these loans are considered to have a low credit risk, therefore no ECL is recognised.

8 Going Concern

The directors are satisfied that the Company has access to adequate resources to continue in operational existence for the foreseeable future. The going concern basis has been applied in preparing the Company financial statements.

9 Events after the reporting date

The South African operating company, WBHO Construction (Pty) Ltd has secured a loan of R520 million to support the cashflow required to fund its Australian exit. This loan is repayable over 36 months at the prime lending rate and is secured by a pledge over cash balances in Mozambique. The pledge requires approval from the Mozambique Central Bank. This approval has not been obtained at the date of these financial statements.

The Group has reached an agreement to sell its 50% interest in the Units on Park joint operation for an amount of R178 million. This sale is subject to Competition Commission approval.

The board is not aware of any other matter or circumstance arising since the end of the reporting period not otherwise dealt with in the financial statements, which significantly affects the financial position of the Company as at 30 June 2022 or the results of its operations or cash flows for the year then ended.

WILSON BAYLY HOLMES - OVCON LIMITED

ANNEXURE 1 - INVESTMENTS IN SUBSIDIARIES
for the year ended 30 June 2022

	Issued capital	Effective holding		Shares at cost		Amounts owing by/(to) subsidiaries	
		2022 %	2021 %	2022 R	2021 R	2022 R	2021 R
Held directly							
WBHO Construction (Pty) Ltd	R 900,000	100	100	42,737,628	42,737,628	(107,445,452)	(109,357,425)
WBHO Industrial Holdings (Pty) Ltd	R 1	100	100	-	1	-	-
Special purpose entities							
WBHO Management Trust		-	-	-	-	236,790,376	242,177,530
WBHO Share Trust		-	-	-	-	(3,270,306)	(3,200,811)
WBHO Broad-based Employee Share Incentive Trust		-	-	-	-	-	-
Akani Investment Holdings (Pty) Ltd	R34 406	31	35	10,621	10,887	(35,029)	(35,295)
				42,748,249	42,748,516	126,039,589	129,583,999

All the entities listed above are incorporated in South Africa