

WBHO

INTEGRATED REPORT 2022



OUR REPORTING JOURNEY

The directors of Wilson Bayly Holmes-Ovcon Limited (WBHO) hereby present the 2022 integrated report. This report is prepared in accordance with the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework (IIR framework) and provides stakeholders with a concise and transparent assessment of WBHO's ability to use its expertise to create sustainable value.

This section gives a broad insight into who we are and the key facets that make us a unique actor in the market.

WE ARE WBHO ONE OF THE LARGEST CONSTRUCTION COMPANIES IN SOUTHERN AFRICA

UNDERSTANDING WHO WE ARE

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This section gives a broad insight into who we are and the key facets that make us a unique participant in the market

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NAVIGATIONAL ICONS

The following icons are applied throughout the report to improve usability and to highlight integration between relevant content elements:

NAVIGATION



Indicates a page or note reference of information which can be found elsewhere in the report



Indicates a reference for information available online at www.wbho.co.za

MATERIAL ISSUES



MARKET DYNAMICS



PROJECT PROCUREMENT & DELIVERY



SKILLS SHORTAGES & CAPACITY CONSTRAINTS



LABOUR & COMMUNITY UNREST



SAFETY & ENVIRONMENTAL MANAGEMENT



REPUTATION & CULTURE



TRANSFORMATION & LOCALISATION



COMPLIANCE



COVID-19

STRATEGIC OBJECTIVES



FLEXIBILITY & DIVERSIFICATION



PROCUREMENT & EXECUTION EXCELLENCE



REPUTATION & RELATIONSHIPS



CAPACITY & TALENT MANAGEMENT



SAFETY & ENVIRONMENTAL MANAGEMENT



TRANSFORMATION & LOCALISATION

CAPITALS



FINANCIAL CAPITAL



HUMAN CAPITAL



INTELLECTUAL CAPITAL



MANUFACTURED CAPITAL



NATURAL CAPITAL



SOCIAL AND RELATIONSHIP CAPITAL

STAKEHOLDERS



CLIENTS



INVESTORS



EMPLOYEES



SUPPLIERS AND SUBCONTRACTORS



FINANCIAL INSTITUTIONS



GOVERNMENT



COMMUNITIES

PERFORMANCE HIGHLIGHTS 2022

REVENUE

R17 BILLION

2021: R20 billion

EARNINGS PER SHARE

1 303 CENTS

2021: 1 293 cents

CASH

R3,3 BILLION

2021: R3,9 billion

CASH GENERATED FROM OPERATIONS

R1,3 BILLION

2021: R1,5 billion

OPERATING PROFIT MARGIN

4,7%

2021: 4,5%

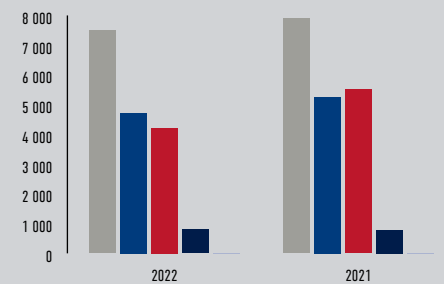
ORDER BOOK

R22 BILLION

2021: R16 billion

REVENUE - CONTRIBUTION BY SEGMENT

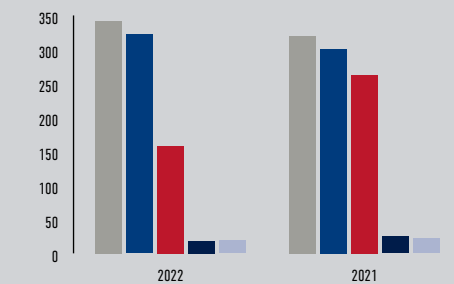
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■ BUILDING AND CIVIL ENGINEERING ■ ROAD AND EARTHWORKS ■ UNITED KINGDOM
■ CONSTRUCTION MATERIALS ■ PROPERTY DEVELOPMENTS

OPERATING PROFIT - CONTRIBUTION BY SEGMENT

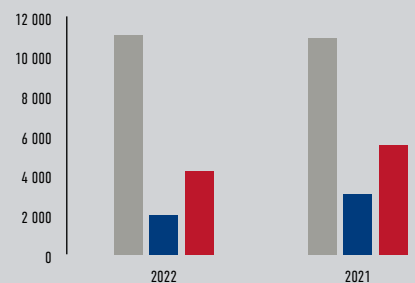
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■ BUILDING AND CIVIL ENGINEERING ■ ROAD AND EARTHWORKS ■ UNITED KINGDOM
■ CONSTRUCTION MATERIALS ■ PROPERTY DEVELOPMENTS

REVENUE - CONTRIBUTION BY GEOGRAPHY

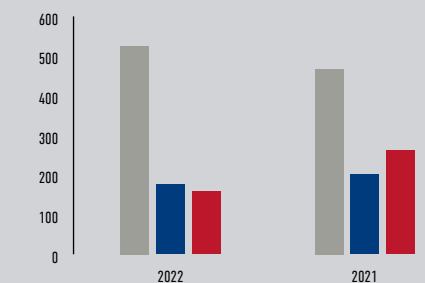
(Rm)



■ SOUTH AFRICA ■ REST OF AFRICA ■ UNITED KINGDOM

OPERATING PROFIT - CONTRIBUTION BY GEOGRAPHY

(Rm)



■ SOUTH AFRICA ■ REST OF AFRICA ■ UNITED KINGDOM

ABOUT OUR INTEGRATED REPORT

The directors of Wilson Bayly Holmes-Ovcon Limited (WBHO/the Group) hereby present the 2022 integrated report. This report is prepared in accordance with the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework (IR framework) and provides stakeholders with a concise and transparent assessment of WBHO's ability to use its expertise to create sustainable value.

SCOPE AND BOUNDARY

Reporting period

The WBHO integrated report (IR) is prepared and published annually. This report provides material information relating to our strategy and business model, operating context, material risks, stakeholder interests, performance, outlook, and governance, covering the year 1 July 2021 to 30 June 2022. Any material events after this date and up to the Board approval date of 26 October 2022 have also been included.

Operating business

The report covers the primary activities of the Group, its business clusters, key support areas and subsidiaries in Africa and the UK. In respect of the Australian operations, information has been provided on the decision taken by the Board to withdraw funding to these operations that resulted in their being placed into voluntary administration, as well as the impact of the decision on the Group. Some comparative information within this report has been restated to exclude the Australian operations.

Financial and non-financial reporting

The report extends beyond financial reporting and includes non-financial performance, opportunities, risks, and outcomes attributable to, or associated with, key stakeholders, that have a significant influence on WBHO's ability to create value.

Targeted readers

The report is the primary communication to stakeholders and is intended to address the information requirements of our shareholders. The Group also presents information relevant to other key stakeholders, including staff, clients, government, and communities.

Integrated thinking and materiality

The value creation story (see pages 12 to 13) is structured to reflect the relationship between the various elements involved in achieving stakeholder goals. By analysing the risks and opportunities identified in the operating context, stakeholder engagement process and internally identified risks and opportunities, the Group has determined which matters are most important to WBHO's value creation over the short, medium and long term. WBHO has used these as points of reference to ensure only those matters that could have a substantial effect on the ability to deliver stakeholder value are reported on.

WBHO is one of the largest construction companies in southern Africa and is listed on the Johannesburg Stock Exchange. Our vision is to be the leading construction company wherever we operate. The driving force behind WBHO is a core of dedicated, hands-on management professionals whose experience spans decades of major construction projects.

Construction activities, that cover the full construction spectrum, are divided into three main operating divisions: Building construction, Civil engineering and Roads and earthworks. WBHO's African offices are strategically located in Johannesburg, Cape Town, Durban and Gqeberha (PE) in South Africa as well as Gaborone in Botswana, Maputo in Mozambique, and Accra in Ghana. Our United Kingdom (UK) operations provide services out of London and Manchester.

Combined assurance

WBHO applies a combined assurance model to assess and assure various aspects of business operations, including elements of external reporting. These assurances are provided by management and the Board, internal audit, and independent external auditors, BDO South Africa Incorporated. External assurance has not been sought on the non-financial disclosures made in this report. The Audit committee is responsible for overseeing the content of this report and recommended the IR to the Board for its approval.

Forward-looking statements

This report contains certain forward-looking statements with respect to WBHO's financial position, results, operations, and businesses. These statements and forecasts involve risk and uncertainty as they relate to events, and depend on circumstances, that occur in the future. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Consequently, any forward-looking statements have not been reviewed or reported on by the Group's auditors.

BOARD RESPONSIBILITY

The Board acknowledges its responsibility of ensuring the integrity and completeness of this IR and its supplementary information, which in the Board's opinion addresses all the issues that are material to the Group's ability to create value and presents the integrated performance of WBHO fairly. Assisted by its Audit committee, the Board has applied its collective mind to the preparation and presentation of this report and concluded that it is presented in accordance with the IR Framework. This integrated report was approved by the Board of directors of WBHO on 26 October 2022 and is signed on its behalf by:

Louwtjie Nel
Chairman

Wolfgang Neff
Chief Executive Officer

26 October 2022

STATEMENT OF COMPLIANCE BY COMPANY SECRETARY

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

Donna Msiska
Company Secretary

26 October 2022

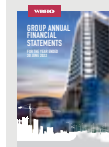
REPORTING SUITE



Integrated Report (IR)

The Integrated Report is the primary report to the stakeholders. It is structured to show the relationship between the interdependent elements involved in the value creation story, in compliance with:

- The <IR> Framework
- The Companies Act, No. 71 of 2008, as amended (Companies Act of South Africa)
- The JSE Listings Requirements
- King IV Report on Corporate Governance for South Africa 2016 (King IV™)



Audited Consolidated Financial Statements (AFS)

A comprehensive report of the Group's financial performance for the year, in compliance with:

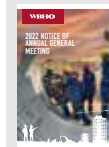
- The Companies Act of South Africa
- The JSE Listings Requirements
- King IV™
- International Financial Reporting Standards (IFRS)



Environmental, Social and Governance Report (ESG)

A detailed account of WBHO's performance for the year, including environmental, social and governance elements, in compliance with:

- The Companies Act of South Africa
- The JSE Listings Requirements
- King IV™
- Global Reporting Initiative (GRI) core



Notice of annual general meeting (AGM)

Supporting information for shareholders to participate in the AGM, in compliance with:

- The Companies Act of South Africa
- The JSE Listings Requirements
- King IV™

Feedback: For further information, please direct your questions, comments or suggestions to the Group Company Secretary, Donna Msiska on 011 321 7200 or Donna.Msiska@wbho.co.za.

MESSAGE FROM THE CHAIRMAN



LOUWTJIE NEL

CHAIRMAN

Dear Valued Stakeholder,

I write this reflection at a time of much uncertainty. Who could have conceived that as we emerged from the worst of the Covid-19 pandemic, we would be faced with an attack on Ukraine by Russia, spiralling world economies further into turmoil? The countries in which we operate have been impacted by these global trends and, yet during my long career and association with the WBHO Group, I have always been inspired by our people's ability to maintain focus and discipline – focusing on things that are within our control as we navigate headwinds.

With order book levels improving and the exit from Australia at an advanced stage, our resilience and ability to perform under pressure stand us in good stead for the future and I am confident that the Group's potential will be truly unlocked.

A CHALLENGING OPERATING ENVIRONMENT IN FY2022

In South Africa, economic growth remains weak and progress on government's Economic Reconstruction and Recovery Plan, which has integrated infrastructure development as one of its priority interventions, has been slow. This is unfortunate since a large-scale infrastructure programme has the potential to revive our construction industry, contributing to increased employment while boosting demand in the economy.

Less than one third (in value) of Public Sector tenders on which we have bid over the past few years have been awarded, the balance remain pending or have been cancelled. On average, these tenders are taking in excess of one year to be awarded which makes resource planning exceptionally challenging. As an industry, we need a more considered balance between the public sector procurement process and the

associated governance requirements in order to deliver these projects at pace for the broader benefit of the country. I therefore urge the public sector to ensure that their supply chain management has the necessary technical skills and capacity to adjudicate and award tenders timeously. Thanks to the private sector, overall construction activity within the Group's South African operations was sustained at prior year's level.

Maintaining law and order is essential to building a thriving nation. Public infrastructure projects have been plagued with corruption in recent years, so on the socio-political front, I am encouraged to see the National Prosecuting Authority acting upon the recommendations of the Zondo Commission into allegations of State Capture, with more arrests taking place.

Similarly, we urge government to curb both the criminal extortion and the associated corruption that has become prevalent in South African society. As we work collaboratively to promote and develop South Africa's investment prospects, I am hopeful that we will make a meaningful shift towards rooting out corruption and crime in all sectors of our society.

MESSAGE FROM THE CHAIRMAN continued



In the UK, we faced logistics and supply chain issues, heightened inflation and the post-Brexit effects on procurement activity within private sector markets such as hotel, residential and commercial developments.

Despite these challenges, we experienced a steady increase in procurement activity over the second half of the year in all our divisions, resulting in replenished order books across most of our operations. I remain convinced that the longer-term trends for the construction sector are underpinned by infrastructure development associated with ongoing urbanisation and population growth, the adoption of renewable energy and emerging opportunities in logistics and distribution hubs as well as data centres as the world moves increasingly into the online space.

This reinforces my belief that WBHO is a leading construction company uniquely positioned for the future.

DECISION TO EXIT AUSTRALIA

During the year under review, the Board made the very difficult decision to cease financial support to our Australian businesses. A decision we firmly believe was in the interest of our stakeholders and the long-term sustainability of the WBHO Group. The result is that the Australian operations entered voluntary administration and the Group has ended its relationship with the Australian construction industry after a presence of more than 20 years.

This decision was made despite rigorous effort and several interventions over a period of years to improve the performance of Australian operations. In arriving at this decision, the Board considered several

factors, and ultimately, the decision to exit Australia was the most prudent given that the Australian operations have eroded almost R3 billion from the Group's earnings. Coupled with this, a deteriorating and uncertain operating environment, meant that continuing to operate in Australia would have been untenable.

In making this decision, the Board supported the management team in consulting widely with our stakeholders – including our clients and employees. I believe we have implemented our exit from Australia in as responsible and transparent a manner as possible. In part because the board made a decisive decision early in 2022, the Group has been able to maintain a solid balance sheet after the deconsolidation of the Australian subsidiaries. With this chapter now largely behind us, the management team and Board have their focus firmly on improving our performance in South Africa, the rest of Africa and the United Kingdom.

BUILDING AGILITY

It is encouraging to see the embedded quality in the margins of the remaining operations having achieved a combined operating margin of over 4% in very challenging circumstances in FY2022. In SA and the rest of Africa, I believe we have reached the bottom of the cycle as we start taking on employees again on the back of our growing order book. Our agility and diversified skill base have enabled us to shift focus and “follow the market” as trends and demand within sectors evolve and fluctuate.

GOVERNANCE

Ceasing financial support to Australia was possibly the largest Board decision taken in WBHO's history. Various additional board meetings were convened during the period to ensure the Board had adequate sight and information on the severity of the challenges faced in Australia and the potential consequences of such a decision for all stakeholders. Ultimately, the Board fully supported the executive team having applied sound governance principles during this difficult period.

This has again highlighted to me the need to have a diversely-skilled board, ensuring all aspects are looked at when a decision of this magnitude is made, and I thank the Board for their guidance and support. I would like to particularly extend my appreciation to Ms Nonhlanhla Savannah Maziya, who has subsequently resigned as an independent non-executive director of the Company, and as chairperson and member of the Remuneration committee and member of the Audit, Risk and Nomination committees, all with effect from 23 November 2022. Savannah has been with the Group for 17 years and we will miss her valuable experience and guidance. The Board has commenced a process of identifying a suitable replacement and shareholders will be advised once an appointment has been made.

The Board also discussed a succession policy which is geared toward ensuring that the company benefits from succession planning across its leadership.

MESSAGE FROM THE CHAIRMAN continued

BLACK ECONOMIC EMPOWERMENT AND LOCALISATION

The construction industry has played an important role in championing broad-based transformation. Our industry was one of the first to develop sector-specific codes for transformation and encouragingly, the latest (July 2022) Sanlam Gauge report on transformation in South Africa, shows that construction is the second most transformed sector in the country.

Low economic growth in South Africa, accompanied by the slowdown in government procurement, has seen a significant shrinkage in the size of the local construction industry over the last 10 years which, in turn, has hampered transformation and employment equity efforts. A smaller construction industry means that our contribution to GDP, the fiscus and employment is constrained. More focus must be placed on how our vital industry can grow benefiting as many stakeholders across the value chain and successfully achieve broad-based transformation for the country as a whole.

Government tenders call for 30% local spend, which is generally exceeded on our projects. Unfortunately, some "community business forums" have exploited the meaning of this benchmark by demanding 30% of the revenue of a project. The actions of the forums continue to disrupt projects with unrealistic demands and extortion tactics. The practice has become well publicised due to criminal elements earning the reputation of the South Africa's "Construction mafia".

As a Group, we have sought to bring materiality into negotiations with the forums, and with the support of our clients are generally able to resolve the situations. I am, however, concerned that this practice is fast becoming normalised in our society. As a committed and longstanding leader in this important industry, I cannot underscore enough, the importance of government using systems like the criminal justice system to systematically bring any of the perpetrators to book.

We are on target for our Voluntary Rebuilding Programme (VRP) partners to achieve 25% of our South African turnover when the programme comes to an end in 2024. Managing the VRP in a shrinking market has been challenging but I believe that we have enabled three BEE companies realise their ambitions of growing to a size where they can bid and operate in the construction arena from which they were previously virtually excluded.

In the rest of Africa, localisation continues to be promoted by governments, especially in resource-rich countries, as a means of advancing economic transformation and enhancing the economic participation of the local people. While localisation laws differ from country to country, there are common areas – such as skills development, local supplier development, ownership and control – which governments and the laws seek to achieve. In our case, we are

seeing localisation become a condition for tendering for most mining clients, which is the primary source of our work in the rest of Africa. I am pleased with the meaningful partnerships that we have successfully formed to ensure we are not only compliant but also support this effort, where possible.

OUTLOOK

While projects in the public sector have been slower than expected, the long-term prospects look positive. South Africa's 2022 budget allocated R812,5 billion over the next three years to infrastructure investment. Such an investment in major infrastructure projects will support improved construction activity in the country. Load shedding is an obvious ongoing risk to economic growth; however government's removal of some of the barriers to renewable energy development is a step in the right direction allowing the private sector to contribute to a long-term solution.

Following recent political and fiscal policy changes, the UK economy faces ongoing uncertainty; however delayed projects have begun to filter through to the construction phase and with the current level of work-on-hand, our businesses there are well positioned over the short to medium term.

Thanks to our truly remarkable people, we have weathered Covid-19, Brexit and a costly exit from Australia whilst delivering a solid operational performance across Africa and in the United Kingdom and achieving benchmarks against our key metrics in respect of sustainability performance.

APPRECIATION

On behalf of the Board and management, we acknowledge the contribution from each of our staff members toward the Group's performance this year. Construction is a demanding industry at the best of times, and we are cognisant of the added strain that the challenges of the last few years have brought to our lives.

We remain ever grateful to all stakeholders for the confidence placed with us to deliver lasting value on their behalf and for the enduring relationships we have developed.

Louwtjie Nel
Chairman



WBHO AT A GLANCE



AFRICA



REVENUE

R13,0 BILLION

(2021: R14,0 BILLION)

OPERATING PROFIT

R701,5 MILLION

(2021: R667,2 MILLION)

NUMBER OF
EMPLOYEES

6 148

(2021: 6 446)



UNITED KINGDOM



REVENUE

R4,2 BILLION

(2021: R5,5 BILLION)

OPERATING PROFIT

R157,5 MILLION

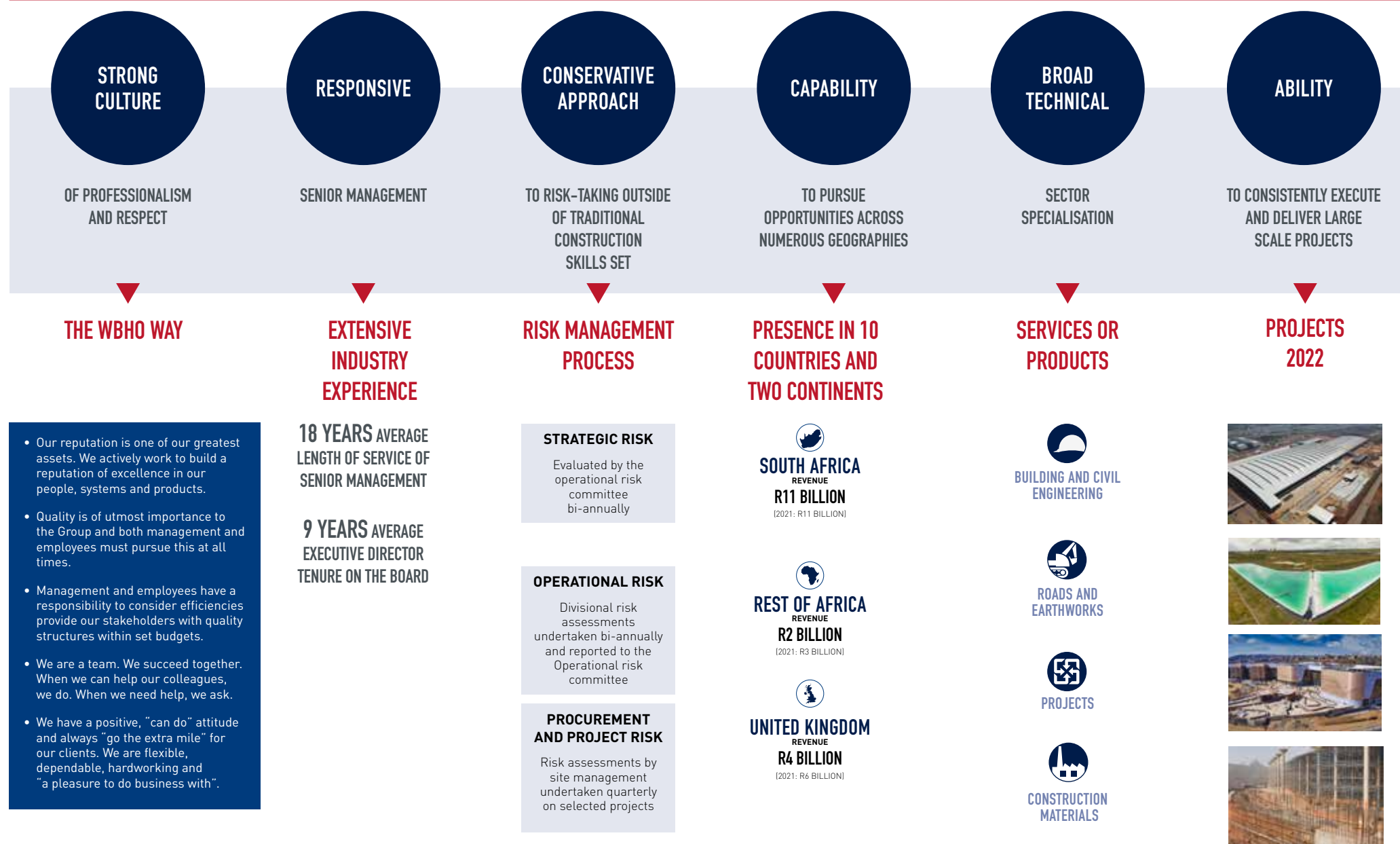
(2021: R262,4 MILLION)

NUMBER OF
EMPLOYEES

617

(2021: 664)

WHAT DIFFERENTIATES WBHO

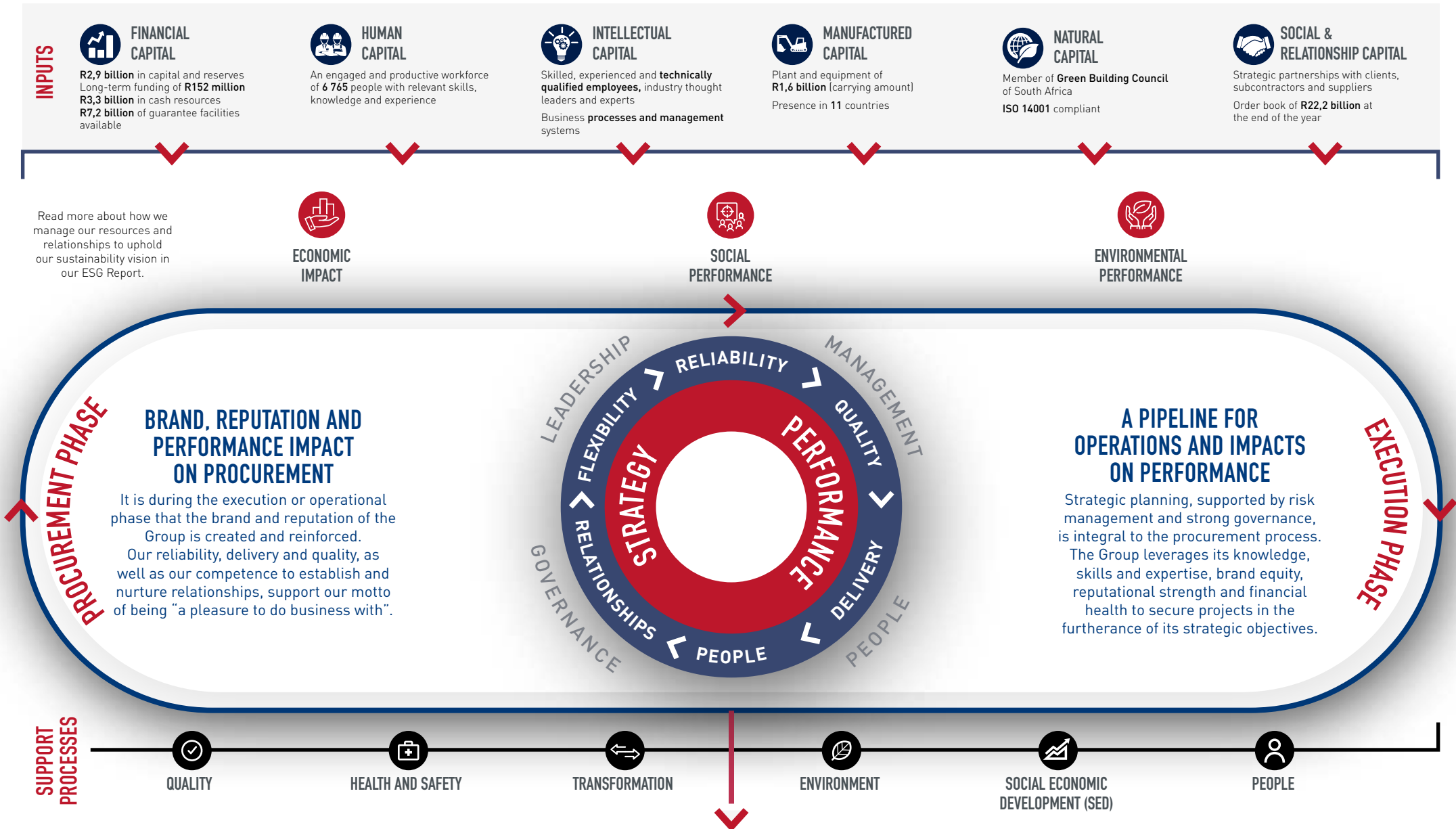


EXPLORING WHAT WE DO

12 Value creating business model

VALUE CREATING BUSINESS MODEL

The construction business model consists of the simultaneous, continuous and inter-linked processes of project procurement and execution.



OUTPUTS

SERVICES AND
PRODUCTS

SECTORS



BUILDING AND CIVIL ENGINEERING

- Retail
- Residential
- Commercial
- Healthcare
- Hotels and entertainment
- Civil works and mining infrastructure
- Industrial
- Energy infrastructure



ROADS AND EARTHWORKS

- Road works
- Mining infrastructure
- Rail infrastructure
- Energy infrastructure
- Water infrastructure
- Oil and gas



PROJECTS

- Concession arrangements
- Turnkey projects
- Design and construct projects
- Engineer, procure, construct projects
- Public-private partnerships



CONSTRUCTION MATERIALS

- Reinforced steel products

OUTCOMES FOR OUR STAKEHOLDERS

FINANCIAL
CAPITALHUMAN
CAPITALINTELLECTUAL
CAPITALMANUFACTURED
CAPITALNATURAL
CAPITALSOCIAL & RELATIONSHIP
CAPITAL

CLIENTS

	2022	2021
Number of projects completed in the year	110	87
Total value of projects completed in the year	R16,0 billion	R14,1 billion
Value of order book	R22,2 billion	R15,6 billion
Client satisfaction with quality of work delivered	92%	93%
Number of quality audits conducted	201	192
Capital expenditure	R239 million	R95 million

CAPITAL OUTCOMES



SUPPLIERS AND SUBCONTRACTORS

	2022	2021
Total procurement spend with black businesses	R5,3 billion	R5,1 billion
Procurement spend with black women-owned businesses	R2,1 billion	R1,9 billion
Number of work-related subcontractor fatalities	1	1
Supplier inspections	76	111
Supplier audits	175	78

CAPITAL OUTCOMES



INVESTORS AND FINANCIAL INSTITUTIONS

Operating profit	R814,2 million	R868,8 million
Cash generated from operating activities	R1,3 billion	R1,5 billion
Headline earnings/(loss) per share (cents)	1 303	1 293
Dividend per share (cents)	–	205
Return on capital employed	(31,0)%	11,8%
Gearing ratio (including lease liabilities)	11,2	9,9



GOVERNMENT AND COMMUNITIES

Taxes (direct and indirect) paid to South African government	R1,6 billion	R1,9 billion
Broad-Based Black Economic Empowerment status	Level 1	Level 1
Spending on socio-economic development	R5,0 million	R5,0 million
Total carbon emissions (CO ₂ e equivalent) (tCO ₂ e)	91 946	91 842
Waste recycled (tonnes)	27 756	47 401
Number of reportable environmental incidents	–	–



EMPLOYEES

Amount paid in salaries, wages and benefits	R2,9 billion	R3,1 billion
Number of work-related employee fatalities	–	1
Number of retrenchments	443	854
Recordable case rate (RCR)	0,27	0,31
Person-days production lost	13 839	84 756
Investment in employee learning	R80,7 million	R89,6 million
Investment in bursary schemes	R7,0 million	R4,8 million
Number of bursaries	69	80



THE CONTEXT WE OPERATE IN

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MATERIAL ISSUES AND OPERATING CONTEXT

The material issues represent those matters that have the most significant impact on WBHO's ability to create value over time. These may change as new trends and developments shape the macro environment and stakeholders' needs evolve.

The following diagram outlines the basic process through which the Group determines its material issues. While there are three discernible steps or phases to the process, these are not distinct and separate, but overlap and are simultaneous. It is, essentially, a continuous, cyclical process and the output (the Group strategy set by the Board) is regularly reviewed and adjusted based on the feedback received from stakeholders as well as the operational divisions responsible for its implementation.

HOW WE DEFINE OUR MATERIAL ISSUES

Identify

The first phase in the process is identifying issues that are both substantive and material. This phase consists of gathering information from clients and other stakeholders through formal and informal, regular and *ad hoc* interactions (further detail regarding our engagement with stakeholders is presented on page 25 of this report). These insights are then incorporated into WBHO's risk management processes along with prevailing economic and market-related conditions, and all relevant operational, legislative and regulatory requirements in order to ascertain the materiality of each issue.

Evaluate

The second phase is the evaluation of the information that has been gathered. This phase consists of both informal and formal reporting channels and is guided by the current strategic priorities of the Group. In essence, management and the relevant departments (such as risk and internal audit) feed the insights that are being gleaned from around the business into the relevant committees for further deliberation and appraisal, in particular, the Operational risk committee, the Audit committee, the Risk committee, and the Executive committee (the work of the Board committees is reported on page 73 to 89 of this report).

Prioritise

The third phase is prioritising the concerns that have been identified to establish the issues that are most material to the Group. Ultimately, this task is performed by the Board, based on the reports it receives from the various mandated committees. This is a regular process that happens at least once during every reporting period and results in an updated strategic risk matrix and, where necessary, new or revised strategic initiatives (our strategic issues and objectives for the reporting period are discussed on page 31 to 37 of this report).

MATERIAL ISSUES

For the purposes of this report, the Group classifies the various issues identified through this process into the following broad categories of material issues.



For the purposes of this report, the Group classifies several of the issues identified through this process into the broad categories of material issues listed in the infographic above. The Group prioritises these categories of material issues, as each of them have a material impact on WBHO's ability to create value. The material issues of the Group are highly inter-related and changes or shifts in the underlying issues of any one category can result in changing dynamics within some or all of the other categories. Changes or movements in the underlying issues within each category are discussed under the respective headings on pages 16 to 24 of this report.

While the impact of the Covid-19 pandemic on project delivery has diminished significantly, the economic effects thereof persist and are discussed under the relevant material issues to which these effects relate.

MATERIAL ISSUES AND OPERATING CONTEXT CONTINUED



MARKET DYNAMICS

Implications for value

The construction industry is closely related to economic cycles and financial and labour markets. Fluctuations in gross domestic product (GDP), gross domestic fixed investment (GDFI), commodity prices, interest rates and consumer and business confidence impact investment expenditure and the required infrastructure to meet these trends. As such, construction demand is inherently volatile.

The various sectors and geographies within which WBHO operates, each have their own intrinsic risk profiles while also being exposed to differing effects of prevailing global and local economic cycles. This, in turn, impacts the awarding of construction contracts, capacity requirements and margins across all business segments.

Associated risks and opportunities

- Continuously evolving market conditions that are often difficult to predict
- Rapid growth or decline in volumes of work procured
- Political instability
- Exchange rate volatility
- Over exposure to individual sectors/regions/client
- Volatile earnings and margins
- Payment risk
- Erratic investor sentiment

Operating context

WBHO conducts its operations in South Africa, the rest of Africa and the United Kingdom. In February 2022, the Group discontinued its operations in Australia.



Strategic response

- so1 Flexibility and diversification
- so2 Procurement and execution excellence

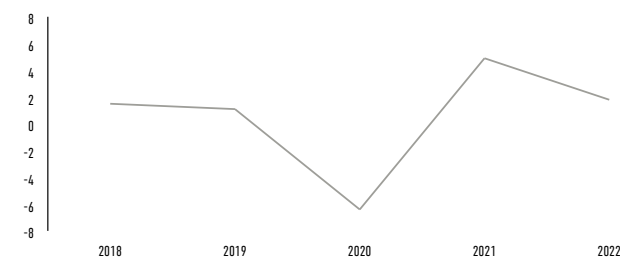
Key stakeholders impacted

- Investors
- Employees
- Suppliers and subcontractors

South Africa

South Africa's poor economic performance over the last decade has weakened several of its significant macroeconomic fundamentals and social indicators. In the past financial year, the enduring economic impact of the Covid-19 pandemic, the effects of loadshedding on business activity, the social unrest experienced in July 2021, coupled with the devastating floods in KwaZulu-Natal and the Eastern Cape, have weakened an already fragile economy. Although GDP recovered by 4,9% in 2021 and is projected to grow by 1,8% in 2022, the economy has barely returned to pre-pandemic levels.

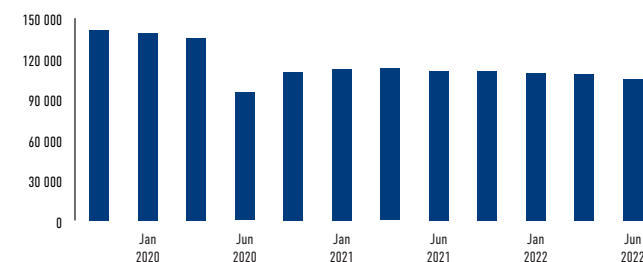
SOUTH AFRICA: ANNUAL GDP GROWTH (%)



Source: Tradingeconomics.com with data from Statistics South Africa

Due to Covid-19, the South African construction industry recorded a severe contraction of 19,8% in 2020 followed by an annual decline of 1,9% in 2021. While the industry is expected to register growth of 8% in real terms in 2022, construction GDP remains significantly below the already depressed, pre-pandemic levels and shrank further over the first six months of the current calendar year.

SOUTH AFRICA: CONSTRUCTION GDP (Rm)



Source: Tradingeconomics.com with data from Statistics South Africa

Gross domestic fixed investment in South Africa had declined to approximately 14% of gross domestic product by the end of the second quarter of 2022, with spending by private firms accounting for 71% of all capital expenditure and government and state-owned company expenditure making up 18% and 11% respectively since 2018*. This is clearly evidenced by the roll-out of the R800 billion infrastructure development plan announced by government in its 2021 budget which has gained little traction, particularly following the cancellation of major projects by SANRAL during the year.

Fortunately, the recent strength in commodity prices has resulted in significant investment in projects by the local mining industry which is supporting activity within the civil engineering sector. The reforms to regulations for private investment in renewable energy projects have borne fruit, with a number of sizeable projects entering the market this year. Bid Window 6 of the Renewable Energy Independent Power Producer Procurement Programme has also gained traction and should further stimulate this sector in the near future.

* According to research from Absa Bank

MATERIAL ISSUES AND OPERATING CONTEXT CONTINUED

The general building market has been subdued for some time, characterised by fewer and smaller sized non-residential projects. However, the Group experienced renewed activity within the sector over the second half of the year. According to Statistics South Africa (Stats SA), the total value of recorded building plans passed by larger municipalities rose by 28% year on year in 2021, with these projects having entered the tender market in the current year alongside the restart of projects that were delayed owing to the Covid-19 restrictions. One positive outcome from Covid-19 and the accompanying hybrid work-from-home solutions implemented by some large corporates, has been an increase in online activity, both from a productivity and online shopping perspective. This has resulted in strong growth in the demand for data centres and logistics and distribution hubs.

As part of the latest budget, the government announced that it will carry out 28 transportation projects, 18 housing development projects, 11 water and sanitation projects and 4.6GW (gigawatts) of new energy generation projects in the next year. However, the economy has also entered an interest rate hiking cycle to curb rising inflation. Higher interest rates and inflation increase input and borrowing costs and may impact the feasibility of new projects in the future.

Rest of Africa

Economic growth on the broader African continent, was estimated at 4% in 2021, up from a contraction in economic activity of 2% in 2020. However, growth in the region is expected to decelerate in 2022 amid a global environment with multiple (and new) shocks, high volatility, and uncertainty. Since October 2021, several countries in the region – such as Ghana and Zambia, where WBHO has operations – are either at moderate or high risk of debt distress. To address the rising risks of debt sustainability, some countries in the region implemented austerity measures; however, these actions have been insufficient to reduce debt levels.

WBHO's operations in the rest of Africa largely target the resource-intensive sectors within Botswana and Zambia in Southern Africa, Mozambique in East Africa and Ghana in West Africa, while entering other territories on the continent on a project-by-project basis. The Group recommenced activity in Tanzania this year, prompted by strong mining infrastructure prospects.

Construction opportunities within these sectors are dependent on commodity demand cycles, with the effect that growth and prospects can vary significantly from year-to-year. Public sector projects as well as private sector building work, are pursued where the Group is satisfied that potential payment and contractual risk can be successfully mitigated.

Mining infrastructure opportunities improved this year with several new projects awarded in all key geographies.

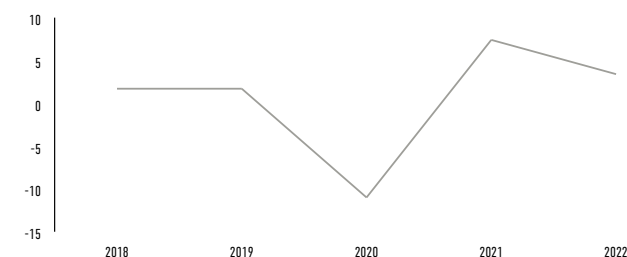
Insurgent activity and conflict between ethnic and political groups ebbs and flows, but remains a persistent threat on the continent. Insurgent activity in the north of Mozambique has been contained, but not to the extent that projects related to the large-scale gas infrastructure developments can be safely resumed.

The African construction market is expected to record an annual growth rate of more than 7.5% during the forecast period (2022–2027). Over the next two years, growth is expected to remain affected due to the economic downturn caused by the pandemic across Africa's residential, commercial, industrial, and institutional sectors. Despite near-term challenges, the medium- to long-term outlook remains positive.

United Kingdom

The UK economy initially recovered from the Covid-19 shock thanks to emergency support measures protecting jobs and incomes. However, the UK economy shrank by 0.6% over the first six months of 2022 and while economic output now stands at 0.9% above its pre-pandemic level in February 2020, some regions have struggled to break through beyond the pre-pandemic levels, deepening the regional growth imbalance.

UK: ANNUAL GDP GROWTH (%)

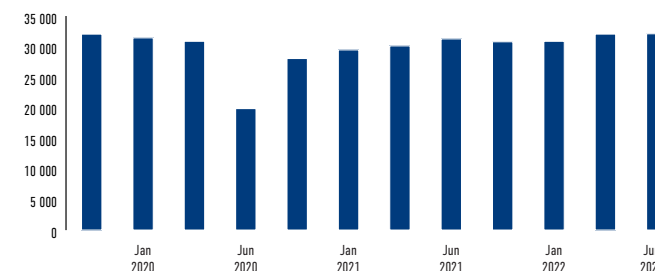


Source: Tradingeconomics.com with data from Statistics UK

Since July 2021, the UK construction industry has sustained activity marginally below pre-pandemic levels, yet activity has not been evenly spread across all sub-sectors of the industry and has been largely driven by investment in new housing and renovations and public infrastructure spending. Spurred on by Brexit, supply chain difficulties, materials and product inflation, rising insurance costs and labour constraints have been the dominant challenges recently faced by the industry.

UK: CONSTRUCTION GDP

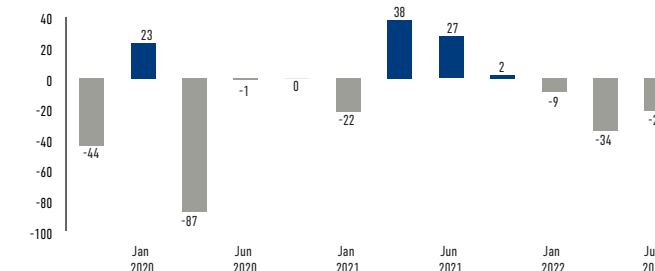
(£m)



Source: Tradingeconomics.com with data from Statistics UK

Business confidence levels improved midway through 2021 as the UK emerged from Covid-19 but have fallen consistently in subsequent quarters. As such, lower levels of non-residential private investment remained prevalent, resulting in fewer commercial building construction opportunities over the reporting period which is consistent with the declining revenue achieved by the Group's UK operations.

UK: QUARTERLY BUSINESS CONFIDENCE LEVEL (%)



Source: Tradingeconomics.com with data from Statistics UK

New work procurement as well as the number of available bids showed signs of improvement over the second six months of 2022 as delayed projects were awarded.

Despite the resilience that the industry has displayed up until recently, new headwinds have emerged. Rising energy costs and inflation following Russia's invasion of Ukraine are likely to further exacerbate cost inflation on construction products over the next 12 months and the economy is expected to enter a recession by the end of the calendar year. In addition, the substantial tax breaks implemented by the newly appointed government and that have subsequently been reversed, resulted in a weakening of the currency and even higher interest rates, the broader impact of which remains to be seen.

MATERIAL ISSUES AND OPERATING CONTEXT CONTINUED



PROJECT PROCUREMENT AND DELIVERY

Implications for value

Project procurement and delivery are continuous, inter-linked processes that underpin the Group's ability to create value. Although considered essential core competencies of the Group, project procurement and execution play an important role in directing future strategy. The recurring losses in Australia over the first six months of the reporting period were a material concern that culminated in the Board's decision to withdraw further parent company support and effectively exit the region.

Across each of the geographies in which the Group operates, market dynamics can have a significant impact on the Group's acceptance of risk when pursuing new work opportunities. In cycles of low demand and high competition, a less conservative approach to sector and client risk, contractual risk, and specific project risks may be adopted to sustain activity levels and maintain workforce capacity. WBHO bids for projects through formal tender processes and direct negotiations with clients. Construction contracts generally take the form of re-measurable construction-only contracts, fixed-price construction-only contracts or fixed-price design and construct contracts, each with different risk profiles and contractual terms.

Bidding for these projects requires extensive experience as it involves a high degree of estimation, supported by in-depth contractual and engineering know-how. The proficient assessment and pricing of project risk is fundamental to submitting competitive bids and procuring new work upon which the sustainability of the Group is dependent. Estimation errors, non-identification of specific project risks, misinterpretation of key

specifications and/or the misunderstanding of contractual terms at the time of bid submission, have the potential to negatively affect productivity, create delays and ultimately result in penalties and losses during the execution phase.

Successful project delivery depends upon the effective implementation of the bid by managing both time and cost within the contractual terms. Sub-standard project management, under- or over-resourcing of projects and poor commercial management of the contract can ultimately result in poor productivity, increased costs, and the inability to meet contractual completion programmes. Conversely, strong project and commercial management together with innovative onsite engineering solutions create efficiencies, mitigate risk, and reduce time and cost.

By its very nature, contractual claims are inherent within the live project environment. The ability to negotiate these claims in a manner that ensures the rights of the contractor are preserved, whilst at the same time maintaining professional and productive relationships with our clients, is critical.

Associated risks and opportunities

- Delayed procurement activity in the public sector
- Renewable energy projects
- Margin erosion/improvement
- Localisation
- Loss-making projects
- Highly profitable projects
- Working capital risk
- Reputation and brand damage/enhancement

Strategic response

s01 Flexibility and diversification

s02 Procurement and execution excellence

Key stakeholders impacted

Investors

Employees

Suppliers and subcontractors

Operating context

The weaker economic environment that resulted in smaller and fewer available projects upon which to bid, led to increased competition and consequently, the margins achievable to win tenders and finalise negotiations reduced thereby heightening project delivery risk.

The improved operating margin achieved by the African operations highlights strong project delivery in the current period and the ability to exceed tender margins through efficient contracting. Despite the muted macroeconomic environment, procurement activity strengthened over the second six months and the award of several large-scale projects will allow for more selective bidding looking forward while continuing to service key loyal clients. Carefully management of potential resource constraints in the current upcycle will be a key consideration when bidding on new work.

In the UK, a backlog of £800 million in unawarded but tendered projects is indicative of the tough trading conditions experienced, characterised by aggressive pricing. The UK operations have prioritised right-sizing of the businesses over securing work at low margins or pursuing complex projects outside of their core skill set, thus securing a profitable performance in spite of lower volumes of work executed.

Outside of the project losses incurred in Australia over the first six months of the reporting period, there are no material loss-making projects within the remaining operations of the Group.

MATERIAL ISSUES AND OPERATING CONTEXT CONTINUED



SKILLS SHORTAGES AND CAPACITY CONSTRAINTS

Implications for value

The construction industry is a fluctuating sector, regularly faced with a shortage or oversupply of skills depending on the amount of work available. Managing the gap between the volume of work-on-hand and the people required to execute that work, while at the same time retaining core teams and skills is essential.

Experienced management and competent artisans are crucial to project execution. Without an adequate base of experienced engineers and quantity surveyors, project delivery risk and commercial risk increase significantly. Developing and retaining skilled personnel is critical in managing these risks and underpins our ability to grow.

Associated risks and opportunities

- Skills shortages
- Impact on quality, delivery, and reputation
- Additional costs and delays on projects
- Capacity constraints/excess
- Impact on company culture
- Loss of key personnel



Strategic response

- so4 Flexibility and diversification
- so2 Procurement and execution excellence

Key stakeholders impacted

- Clients
- Employees

Operating context

Construction is a demanding yet rewarding industry that often requires long hours to meet contractual programmes. In South Africa, perceived political and financial instability alongside rising social unrest and the "Construction Mafia" present several challenges for talent retention. The quality of high school education and the number of engineers graduating from universities are also a concern. In addition, younger employees are also choosing work-life balance over the financial benefits offered, and due to the nature of our business, it is often difficult to meet these expectations. We are continuously reviewing our remuneration policies and in the current year, implemented both financial and other retention strategies to reward and retain our top talent. The staff complement was broadly maintained in the current period, while looking ahead, the Group expects to enter a rehiring cycle to support the needs and capacity of the business. Hence it is critical that we retain our position as a top employer of choice within the market.

In the rest of Africa, our hiring is mainly driven by opportunities from the mining and gas sectors, with a focus on employing citizens from local regions as far as possible, as well as offering training opportunities that will allow them to enhance the skills they need for their employment. As a result, we have developed strong local teams representing 96% of employees across all our operations in the region.

The labour environment in the UK has seen shortages across a range of sectors, including construction following the emigration of Eastern European citizens to their homes or other European countries in the wake of Brexit. More than a quarter of a million additional construction workers are estimated to be needed in the UK by 2026 to deliver upon the anticipated project pipeline. This trend is consistent at the Byrne Group, where we have seen skills shortages, as the recruitment of new talent has failed to keep up with the rate of retirement and existing skills and experience being lost to other sectors. At Russell-WBHO, the 55% decline in revenue necessitated a reduction in staff during the year under review, whilst retaining key experienced individuals who share the company's values.

MATERIAL ISSUES AND OPERATING CONTEXT CONTINUED



LABOUR AND COMMUNITY UNREST

Implications for value

The construction industry employs a sizeable labour force, either directly, or using subcontractors. The labour environments in the geographies in which we operate can be highly politicised and sensitive.

The South African social landscape is also characterised by high levels of unemployment and poverty. Community and business forum unrest events now occur on a regular basis. Interactions often entail unrealistic expectations in respect of job and work opportunities for those whom they represent and occasionally threats of violence. In addition to this potentially threatening environment, work stoppages impact productivity and create project delays that impact the ability of WBHO to successfully complete projects on time. Some clients are also seeking to transfer the responsibility and liability of managing communities and business forums onto contractors, increasing the operational and financial risk to the organisation.

Associated risks and opportunities

- Industrial action
- Harm to employees
- Additional costs, project delays and penalties
- Reduced productivity
- Negative investor perceptions
- Impact on quality, delivery and reputation



Strategic response

- so3 Reputation and relationships
- so4 Capacity and talent management
- so6 Transformation and localisation

Key stakeholders impacted

- Clients
- Employees
- Communities

Operating context

In South Africa, the Company is fully compliant with the Labour Relations Act that promotes and supports all levels of collective bargaining. We have recognition agreements in place with the National Union of Mineworkers (NUM) and the Building Construction and Allied Workers Union (BCAWU). The level of union representation increased during the year under review from 24% to 26%. Wage negotiations are conducted and concluded centrally at the bargaining council annually.

Negotiations on substantive matters within the civil engineering labour market take place at the industry level with the South African Federation of Civil Engineering (SAFEC), the Bargaining Council for the Civil Engineering Industry (BCCEI) and the representative unions. This process covers the majority of the hourly-paid employees while the balance of our personnel is covered by various other bargaining councils and voluntary bargaining forum agreements. A total 78% of employees in South Africa are covered by collective bargaining agreements. The current minimum wage for the industry in South Africa is R41.72 per hour (FY2021: R39.81 per hour). WBHO abides by the terms and conditions of the national wage agreement. To this end, no employee within the Group is paid below the national minimum wage of the industry.

The existing wage agreement negotiated by SAFCEC will expire on 31 August 2024. A new three-year wage agreement was also concluded with the Gauteng Building Council during the year. As a result, there has been very little strike activity by the construction labour force in South Africa over recent years with only 62 person days lost to unprotected strike action in FY2022 (FY2021: 508).

Employees in the United Kingdom do not form part of a central bargaining council; however, employees may join a union. Fees are paid by the individuals directly to the union. Membership lists are not maintained by the respective businesses.

In previous reporting periods, we highlighted a rise in illegal work stoppages caused by community protests and disruptions by taxi associations, business forums and local individuals. These work stoppages sometimes include an element of violence and intimidation which affects employees who wish to come to work and attend to their work duties. The violent nature of some of these disruptions persisted this year and the disruptions themselves have become commonplace within the industry.

Unfortunately, the rise of the "Construction mafia" in South Africa continues to pose a threat to the industry. These groups often present themselves under the guise of "local business forums" and invade construction sites across the country, demanding money or a stake in development projects. These groups and various emulators consistently invade construction sites nationally, demanding as much as 30% of the contract value of the job.

WBHO has developed the necessary strategies and protocols to proactively deal with these events in a manner that causes the least interruption to business activities. These include early engagement with communities and business forums where possible, the appointment of a liaison officer, transparent tender processes for available work packages, and insistence on compliant business and tax registrations.

MATERIAL ISSUES AND OPERATING CONTEXT CONTINUED



SAFETY AND ENVIRONMENTAL MANAGEMENT

Implications for value

Construction is inherently dangerous in nature and WBHO has a duty to ensure the very highest health and safety standards are observed. The Group views the protection of its workforce and the environment as a fundamental human right and a moral imperative which requires continual investment into responsible business practices. A safe and healthy workplace results in an engaged, motivated, and productive workforce that mitigates operational stoppages and reduces potential legal liabilities.

In addition, maintaining an acceptable safety record is imperative for procuring work within certain markets, particularly the mining and public infrastructure sectors. The construction industry is considered a high-impact industry and the Group fully acknowledges its moral and legal responsibility for the safeguarding of the environment and the well-being of all of those affected by the operations of the business. Stakeholders continue to place increased importance on "green" issues, intensifying the need to operate in a sustainable and responsible manner. The Group employs responsible environmental practices that protect the natural environment from pollution, minimises construction waste and aims to reduce the carbon footprint of the Group. Effective implementation of the ISO14001 certified environmental management system also reduces potential legal liabilities.

Associated risks and opportunities

- Project delays
- Reputational damage
- Criminal prosecution
- Financial penalties
- Potential disqualification from tendering in certain sectors
- Competitive advantage when procuring work in certain sectors
- Productive and motivated workforce



Strategic response

SO5 Safety and environmental management

Key stakeholders impacted

Employees

Suppliers and subcontractors

Communities

Operating context

The Group takes responsibility for employee and subcontractor welfare, morale, and productivity, as well as legal compliance on all its projects. With a lost-time injury frequency rate (LTIFR) of 0.30 and a recordable case rate (RCR) of 0.27, WBHO achieved its best-ever safety performance in FY2022, reflecting the enormous progress made and effort given in our journey toward zero-harm.

In particular, the African operations achieved a new record low LTIFR of 0.29 down from 0.36 in the previous period. In the UK, the LTIFR improved from 0.75 to 0.32. The UK is legally subject to the "Reporting of Injuries, Diseases and Dangerous Occurrences Regulations of 2013" to measure lost time in respect of reportable injuries, which utilises a different measurement framework to those used by the wider Group. The improvement in the current year reflects the further alignment of lost-time injury management within the UK operations with standard Group practice.

The Group recorded an all-injury frequency rate of 0.63 (FY2021: 0.79) per 100 000 hours worked. Root cause investigations are undertaken for all accidents and incidents and methods are developed and implemented to prevent similar incidents from recurring.


A focus on detailed safety risk assessments and stringent supervision over subcontractor safety management over recent reporting periods have contributed to a substantial improvement in the safety statistics within the South African building divisions. The Visible Field Leadership and Directors' Tours interventions continue to play an integral role in demonstrating the commitment of senior management to a proactive and hands-on approach to safety within the business that is led from the top down.

As stakeholder awareness of environmental issues grows, there is increasing demand on businesses to operate in a sustainable and responsible manner. This increased expectation is not limited to our national market but is clearly driven and influenced by international trends and pressures.

Aspects of environmental sustainability form a critical part of maintaining a good reputation within the industry as well as with our investors, clients and even our staff. We work with our clients to promote sustainable alternative materials, equipment, and methods, and we cascade our environmental and wider sustainability values through our supply chain when possible, encouraging a progressive approach. There were no major reportable environmental incidents in the reporting period and no penalties or fines for non-compliance with environmental laws across the Group.

Our approach to environmental management is thus constantly developing in accordance with legislative updates, our clients' requirements, best practice and innovation.

MATERIAL ISSUES AND OPERATING CONTEXT CONTINUED



REPUTATION AND CULTURE

Implications for value




The appointment of competent and reliable contractors is critical for clients to ensure the delivery of complex projects safely within contractual timeframes and to the correct specifications and quality. Private sector clients are regularly prepared to negotiate projects with contractors that are consistently able to demonstrate their proficiency, while at the same time adopting a collaborative “can do” approach.

Maintaining a positive relationship with key stakeholders and a trustworthy reputation in both the public and private sectors, is critical to ensure repeat work and the credibility to tender on large projects.

Furthermore, an organisation’s culture plays a fundamental role in employees’ attitudes and clients’ perceptions toward the business.


Associated risks and opportunities

- Investment in, or damage to, the WBHO brand
- Loss of clientele
- Inability to secure repeat business
- Disqualification from tender lists

	Strategic response	Key stakeholders impacted
	<div>so3</div> Reputation and relationships	<div>  Clients </div>
	<div>so2</div> Procurement and execution excellence	<div>  Government </div>

Operating context

The last 10 years has seen the collapse of various large, medium and emerging contractors across all regions. Tough trading conditions have transferred additional risk to contractors and impacted the effective and timeous execution of projects which has become a primary concern for stakeholders. In addition, the increased prevalence of loss-making projects has resulted in deteriorating construction balance sheets, thus creating further unease over contractors’ ability to see challenging projects through to completion.

With lower margins available on projects, contractors are unable to absorb additional costs in respect of client-related variations and delays, while at the same time, clients are managing project expenditure more carefully in order to contain costs and deliver expected returns. These contractual negotiations can potentially strain relationships. *Material issues: market dynamics and project procurement and delivery.* 

WBHO attempts to resolve contractual claims in a transparent, ethical and collaborative manner that reflects our culture and values. Our clients’ best interests are at the heart of how we conduct ourselves, whilst ensuring a fair and equitable outcome.

MATERIAL ISSUES AND OPERATING CONTEXT CONTINUED



TRANSFORMATION AND LOCALISATION

Implications for value

WBHO has long believed that when applied effectively and ethically, broad-based transformation is a key tool in addressing historical inequalities within South Africa. Strong empowerment credentials are imperative for participation in large public infrastructure projects and WBHO is of the firm belief that transforming the construction sector, and the local economy, is a necessity.

Across the rest of Africa there is also a strong focus on increasing local participation in public spending, particularly in Mozambique, Tanzania, Botswana and Ghana where certain categories of tenders are restricted to citizen-owned companies only. In Botswana, the government has set up the Citizen Entrepreneurial Development Agency to provide fledgling citizen-based companies with technical, financial, and managerial assistance. Ghana has a local content policy applicable to the roadwork and mining sectors which requires incorporating local ownership when bidding for projects. In Mozambique, and other territories, work permits are only issued to expatriates where it can be demonstrated that equivalent skills are not available in-country.

In the UK, while no formal policies exist specifically supporting minority groups in construction, migrant labour and the associated perception that UK citizens are unable to find employment as a result thereof, was a significant catalyst in the decision to leave the European Union (EU).

Associated risks and opportunities

- Lower B-BBEE ratings
- Inability to tender on public infrastructure projects
- Failure to meet employment equity targets
- Sanctions from the Department of Labour
- Meeting Voluntary Rebuild Programme obligations
- Preferential allocation of public sector projects in favour of citizen-owned companies



Operating context

Due to the significant public spending directed toward the construction sector by governments, transformation and localisation remain high on political agendas. The concept of localisation, known as black economic empowerment in South Africa, has taken hold across the African continent and is promoted by governments as a means of advancing economic transformation and enhancing the economic participation of the local people, specifically those who have been disadvantaged by oppressive regimes such as Apartheid and colonialism. While the laws governing localisation differ from country to country, there are common themes which governments and the laws seek to achieve.

In 2017, new regulations on preferential procurement in South Africa directed that all contracts above R30 million should contain a local sub-contracting element of 30%, where feasible. Preferential procurement has its roots in the Constitution, which says that public procurement, while being competitive and cost-reflective, can also be used to empower previously disadvantaged groups. The challenge, however, is that these transformation requirements are continuously changing within the tender market with transformation-driven procurement rules by state-owned entities being inconsistently and sometimes illegally applied and often not in alignment with current legislation or policy.

More recently, the industry has been reflecting on two draft pieces of legislation that were released for public comment; namely the Draft Public Procurement Bill (DPPB) and the Draft Employment Equity Amendment Bill (DEEAB). The fundamental proposal within the DPPB is that the Act will enable the Minister of Finance to prescribe a framework for preferential procurement that can vary on a tender-by-tender basis meaning businesses will have no clear guidance on the transformation policy of government around which to plan. Businesses need policy certainty about B-BBEE as investing in deliverables such as ownership, employment equity and enterprise and supplier

Strategic response

S06 Transformation and localisation

Key stakeholders impacted

- Government
- Employees
- Communities

development are long-term investments and decisions. In addition, the fundamental shift of control from statutory law to government executive discretion may have the unintended consequence of procurement entities throughout all levels of government the wide range of proposed discretionary powers as an exclusionary tool.

The latest draft of the Employment Equity Amendment Bill published on 20 July 2020 includes controversial amendments to the Employment Equity Act, 55 of 1998 ("the EEA") which empower the Minister to identify national economic sectors and determine numerical targets for those sectors and then require that the numerical targets set by employers comply with the sectoral targets set by the Minister.

Secondly, the Bill proposes that before a certificate of compliance to a designated employer may be issued, the employer must have achieved the sectoral targets set by the Minister within three years, hence rendering targets tailored by individual employers to suit their employment equity plans irrelevant.

In June 2022, the Presidency appointed the country's new B-BBEE Advisory Council, responsible for guiding the government on the "intensified transformation" of the economy. As a longstanding contributor to the construction industry's transformation, WBHO will be following these developments closely.

Legislation in the rest of Africa is typically prescriptive regarding the procurement of local labour services, and goods. At a base level, local content is to be encouraged by the contractor (and in some cases sub-contractor), while at the top end, local content is prescribed by law with minimum percentages for goods and services and local employment requirements.

MATERIAL ISSUES AND OPERATING CONTEXT CONTINUED



COMPLIANCE

Implications for value

Across various operating geographies, new and amended legislation and regulations are continuously being implemented that impact WBHO. These include regulations relating to the construction industry, company and tax law, labour relations, environmental, health and safety standards, and meeting social objectives.

Major transgressions can have serious consequences for the Group in terms of work stoppages, additional costs, fines, reputational damage and even criminal proceedings. As such, legal and regulatory compliance is a priority for the Board. Compliance with the relevant legislation and regulations in the countries and sectors in which we do business is essential and grants us our licence to operate.

Associated risks and opportunities

- Reputational damage
- Legal prosecution
- Financial losses
- Deregistration from government/industry bodies



Strategic response

- so3 Reputation and relationships
- so6 Transformation and localisation

Key stakeholders impacted

- Government
- Clients
- Investors

Operating context

Increasing regulatory measures and continuing uncertainty in the interpretation and application of legal requirements impacts the way in which we operate, results in greater compliance related costs and affects the nature of the relationship between business and governments. Across all operating geographies, several building regulations and other laws exist that control or influence the operating environment of the construction industry. Compliance with these regulations and laws is a statutory requirement in the construction of buildings.

In the reporting period under review, the UK Government's Building Safety Bill received Royal Assent on Thursday, 28 April 2022. Following months of debate and tabled amendments, the Building Safety Act 2022 is intended to "create lasting generational change" to the way in which high-risk and high-rise residential buildings are both constructed and maintained.

The Building Safety Act seeks to implement a raft of new measures designed to protect leaseholders from the costs of historic building safety defects. A new "waterfall" system will be established to dictate who is responsible for the funding of cladding and non-cladding related remediation. This includes a change to the Defective Premises Act 1972 (DPA) for construction defects that render a dwelling unfit for habitation. Further, the Act will enshrine in law the new "golden thread" of information for the storage and dissemination of all safety-related matters in the design and construction of high-risk and high-rise residential buildings. In addition, there are new requirements being placed on duty holders to have clear accountability and statutory responsibilities as buildings are designed, constructed and refurbished. WBHO, through its operating businesses in the UK, is keeping abreast of these developments.

ENGAGING AND CREATING VALUE FOR STAKEHOLDERS

APPROACH

WBHO is committed to transparent reporting in accordance with its duty to all stakeholders. In executing its governance role and responsibilities, WBHO adopts a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders over time.

The Board is ultimately accountable for stakeholder engagement. The Group engages regularly with stakeholders to understand their perceptions of WBHO and pinpoint future trends, possible risks, determine material issues and areas for strategic development. Engagement with stakeholders is aimed at building mutually beneficial relationships.

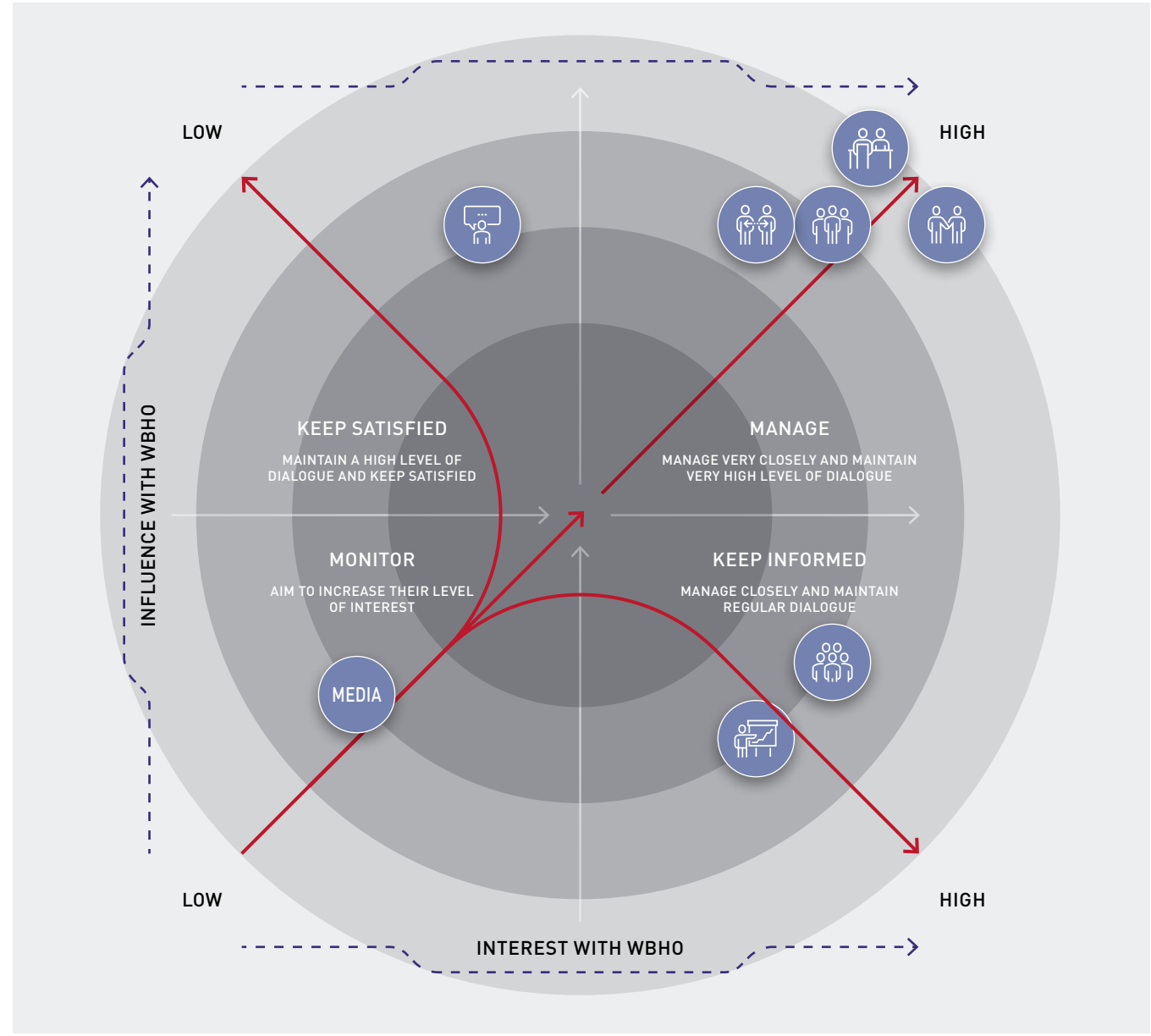
Mapping WBHO's Stakeholders

In prioritising its material stakeholders, WBHO applies the following criteria:

- The degree to which WBHO depends on the relevant stakeholder's support in achieving its strategic goals
- The extent to which the relevant stakeholder can impact performance
- The relative importance of the relevant stakeholder for the group as a whole
- The risk exposure for WBHO by not engaging with the relevant stakeholder.

STAKEHOLDERS








			
CLIENTS	INVESTORS	EMPLOYEES	SUPPLIERS AND SUBCONTRACTORS
			
FINANCIAL INSTITUTIONS	GOVERNMENT	COMMUNITIES	



STAKEHOLDER RELATIONSHIPS

● GOOD QUALITY ● ROOM FOR IMPROVEMENT

Guided by WBHO's vision, the strategic objectives of the Group represent the key attributes we believe are necessary for a successful and sustainable construction business and are linked to underlying strategic initiatives and specific metrics and indicators where applicable.

STAKEHOLDERS	RELATIONSHIP	ENGAGEMENT PROCESSES	MAIN CONCERNS	STRATEGIC RESPONSE
 CLIENTS	Satisfied clients are critical to the ongoing success of the Group. We seek to create and develop strong relationships with our clients through honest, clear and regular communication.	<ul style="list-style-type: none"> Client perception surveys On-site visits Regular meetings Media (editorial and advertorial) Company events Website updates Integrated reports 	<ul style="list-style-type: none"> Quality of work Capacity to deliver (skills and resources) Reliability and expertise Safety Depth of senior management Financial strength 	S02 S03 S04 S05
 INVESTORS	The financial capital available to the Group enables business continuity and growth, including strategic investments. We aim to provide our shareholders and investors with returns in excess of 20%, which exceed the real growth in the economy and the construction sector, in particular.	<ul style="list-style-type: none"> SENS announcements Printed and electronic media releases Results presentations Integrated reports Company AGMs Face-to-face/virtual management sessions Analyst-hosted events 	<ul style="list-style-type: none"> Revenue growth Operating margin Return on investment Dividends Order book Company sustainability Executive remuneration Leadership Corporate governance Ethics 	S01 S03
 EMPLOYEES	The success of WBHO is attributable to its people. The Group is committed to providing employees with a safe, industrious and encouraging environment within which they can thrive and grow.	<ul style="list-style-type: none"> Internal and on-site meetings Union meetings Newsletters Notice boards and staff memos Training initiatives Awareness campaigns Employee forums 	<ul style="list-style-type: none"> Remuneration Career paths and growth opportunities Training and skills development Employment equity Safety Job security 	S04 S05
 SUPPLIERS	The ability to deliver quality services to clients relies heavily on the quality of the services and products received from suppliers and subcontractors. As a result, WBHO seeks to develop close working relationships with these stakeholders.	<ul style="list-style-type: none"> Regular supplier audits On-site visits and meetings Electronic communications Service level agreements 	<ul style="list-style-type: none"> Continuity of work Payment terms Safety requirements 	S02 S05
 FINANCIAL INSTITUTIONS	Financial institutions support WBHO's growth objectives through the provision of banking and guarantee facilities.	<ul style="list-style-type: none"> Regular one-on-one/virtual meetings Presentations Electronic communications 	<ul style="list-style-type: none"> Operational performance Debt-to-equity ratios Liquidity Financial and risk management processes 	S01
 GOVERNMENT	WBHO regularly works with public sectors in different countries on large-scale infrastructural development projects. Government-appointed regulators are largely responsible for developing and enforcing policies and regulations for the construction industry.	<ul style="list-style-type: none"> Tenders Industry forums One-on-one/virtual meetings Presentations Skills development plans B-BBEE scorecard submissions Construction Industry Charter Council 	<ul style="list-style-type: none"> Regulatory compliance <ul style="list-style-type: none"> Safety Environmental Competition Tax collections Transformation Employment equity Job creation Skills development Enterprise development 	S06 S05 S03
 COMMUNITIES	WBHO seeks to have a positive impact on the communities within which it operates by employing and training local people where possible and constructing local amenities as part of its socio-economic development (SED) commitments.	<ul style="list-style-type: none"> Meetings and consultations Community presentations Site visits Environmental impact assessments Awareness campaigns Sponsorships Donations 	<ul style="list-style-type: none"> Employment opportunities Environmental impact of our activities Local SED initiatives 	S06

SIGNIFICANT STAKEHOLDER ENGAGEMENT UNDERTAKEN DURING THE YEAR

Over the course of the financial year the following significant areas of concern were discussed with stakeholders:

DECISION TO WITHDRAW FUNDING TO THE AUSTRALIAN OPERATIONS, EFFECTIVELY EXITING THE REGION

The most significant stakeholder engagement issue for the Group during the year under review, was the decision taken by the Board to withdraw funding of the Australian operations that culminated in these operations being placed into administration proceedings on 23 February 2022.

The Australian government's approach to controlling Covid-19 infections had a severely detrimental impact on the Australian construction industry as well as numerous other sectors on which the construction industry relies for work. This approach resulted in reduced activity and further substantial losses being incurred by WBHO Infrastructure (WBHOI) and Probuild in the first half of current reporting period, necessitating substantial further parent company support.

Key stakeholders impacted

 INVESTORS	<ul style="list-style-type: none"> As WBHO has traditionally reported conservatively on problematic projects, the material recurring losses reported upon in Australia over several consecutive reporting periods was concerning. Cumulative operating losses over the last three years amounting to R2,7 billion. The derecognition of the Australian operations together with the existing parent company exposure at the date funding was withdrawn, would amount to a further weakening of R1 billion of the financial position of the Group. The decision to withdraw funding would likely have a significant impact on shareholder value over the short to medium term. Major shareholders sought an audience with the directors to obtain a full understanding of the circumstances leading to the decision to withdraw funding, the consequences thereof and management's intended strategy in respect of the parent company's exposure.
 FINANCIAL INSTITUTIONS	<ul style="list-style-type: none"> Given the size of the parent company guarantees (PCG) provided from South Africa in support of guarantee facilities in Australia and the performance obligations of WBHOI on the Western Road Upgrade project (WRU), financial institutions sought assurance that the Group had sufficient liquidity to support the operational performance on contracts within the African and UK operations for which they had provided guarantees. It was critical that the Group secure the ongoing support of these institutions for the continuing operations, as well as to bridge any potential funding shortfall that may occur in honouring the parent company's obligations. The financial institution in Australia, to which a PCG had been provided, sought clarity on how the Group would meet its commitments following the demand against the PCG. Insurers that had provided credit insurance to suppliers and subcontractors of the Group's continuing operations also sought assurance that there were no liquidity constraints that might affect payments to suppliers and subcontractors by the African and UK operations that might result in claims against these policies.
 EMPLOYEES	<ul style="list-style-type: none"> Operational and administrative employees in Australia were affected by the decision to discontinue these operations. Employees from within the African and UK operations were naturally concerned over the future sustainability of the Group.
 CLIENTS	<ul style="list-style-type: none"> The majority of projects in Australia, for which guarantees were in issue, were in a defects liability or maintenance period which presented the Group with an opportunity to work with clients to obtain the release of some of these guarantees in return for executing minor completion works or a providing a cash contribution of a lesser amount than the guarantee value. Clients in Africa and the UK sought assurance that there were no implications for their projects arising from the decision taken by the Board to effectively exit Australia.

Response

Prior to the announcement by the Group to discontinue further funding of the Australian operations, and in order to procure their ongoing support for facilities granted in South Africa, management met with all major local guarantee providers to advise them of the potential outcome of the meetings of the main Board and subsidiary boards in Australia, the likely financial consequences thereof, and how the parent company would seek to honour its obligations under the PCGs provided. Management also obtained a commitment from its main banker to provide lending to bridge any potential funding shortfall of the parent company's obligations.

The executive directors met with senior management from the African and UK operations to advise them of the impending developments in Australia, provide an understanding thereof and discussed the communication to be had with employees and clients of the continuing operations to address any concerns that may arise. Subsequent, to the release of the interim results of the Group in February 2022, formal communication was released to clients, employees and financial institutions in the UK.

In the period since the announcement to discontinue funding, management have conducted extensive negotiations with the administrator, guarantee providers and certain clients in Australia through which the following key outcomes have been achieved:

- Settlement of guarantees as and when demanded, as opposed to fully cash collateralising the full PCG in accordance with the terms of the underlying facility agreement.
- Conclusion of DOCAs in respect of both Probuild and WBHOI.
- Agreed formal deeds with certain clients of Probuild for the release of guarantees.
- Agreed a formal deed with the client of WRU to allow WBHOI to exit the contract (subject to approval from the state government).

Management held several meetings with investors and released various announcements on the Stock Exchange News Service (SENS) to keep investors abreast of developments in Australia since those operations entered voluntary administration.

Management also provided regular feedback to financial institutions and credit insurance providers in South Africa.

SIGNIFICANT STAKEHOLDER ENGAGEMENT UNDERTAKEN DURING THE YEAR continued

THE IMPACT OF PROPOSED EMPLOYMENT EQUITY AND PUBLIC PROCUREMENT LEGISLATION ON THE GROUP AND THE WIDER CONSTRUCTION INDUSTRY

In a previous reporting period, two draft pieces of legislation were released for public comment: namely the Draft Public Procurement Bill (DPPB) and the Draft Employment Equity Amendment Bill (DEEAB). The implications of the bills for the Group are discussed in the *Materials Issues* section of this report.

Key stakeholders impacted

<div> <div></div> <div>GOVERNMENT</div> </div>	<ul style="list-style-type: none"> Additional bureaucratic red tape in bidding for and awarding public tenders may have the effect of hampering the effectiveness of government’s planned infrastructure roll-out aimed at stimulating the economy.
<div> <div></div> <div>EMPLOYEES</div> </div>	<ul style="list-style-type: none"> Any further decline in public sector projects may have the undesirable effect of additional retrenchments being necessary within the construction industry.

Response

As the largest construction company in South Africa, the Group has representation on both the South African Forum of Civil Engineering Contractors (SAFCEC) as well as the Construction Charter Council. The Group offered its views to these bodies on the potential pitfalls and unintended consequences included in the legislation, which in turn have formulated their responses to Government.

Last year, a SAFCEC task team made substantial submissions, supported by statistics and research, to the Minister of Labour, Commission of Employment Equity and Business Unity South Africa. SAFCEC also made formal representation to the Parliamentary Portfolio Committee on 14 April 2021 which included legal opinion that the bill in its current form, contradicts sections of the Procurement Bill and existing BEE legislation as well as section 217 of the Constitution. Other industry bodies also made representations to the Committee.

In response to an advert inviting further comment on the Proposed EEAB by the 22 January 2022, a legal opinion was obtained from Senior Counsel. This, together with relevant information from previous submissions was presented to a Parliamentary Select Committee on Trade and Industry on 22 February 2022.

The DOEL made presentation to the Construction Alliance of South Africa “CASA” on 15 August 2022 of suggested targets for the Construction Industry that should be agreed with the Minster of Labour; and these were rejected by the membership of CASA.






SIGNIFICANT STAKEHOLDER ENGAGEMENT UNDERTAKEN DURING THE YEAR continued

THE IMPACT OF THE “CONSTRUCTION MAFIA” ON THE GROUP AND THE WIDER CONSTRUCTION INDUSTRY

Since 2015, South Africa has witnessed the emergence of organised groups targeting the construction sector. Dubbed the “construction mafia” in the media, these people have organised themselves into groups known as “local business forums” and invaded construction sites across the country, demanding money or a stake in development projects in what the media has described as extortion.

Respected analysts have reported that the activities of the construction mafia have been fueled by the weak response from the state, allowing them to expand and continue with their activities. The lack of economic transformation coupled with poor economic growth has created fertile ground for criminal elements who exploit these conditions to justify their actions and claim that by invading construction sites they are only implementing the principles of economic transformation contained in public procurement regulations.

Key stakeholders impacted

 INVESTORS	<ul style="list-style-type: none"> The regular occurrence of these disruptions results in delays and occasionally the long-term suspension of projects impacting business continuity and profitability.
 EMPLOYEES	<ul style="list-style-type: none"> The Group's employees in South Africa have tangible concerns over their safety due to the increased threats of violence and intimidation posed by the “Construction Mafia”. Younger professionals in particular are considering careers in alternative industries.
 CLIENTS	<ul style="list-style-type: none"> Clients are affected by the “Construction Mafia” through project delays and increased costs. In some instances, clients seek to transfer the contractual risk of community and social disruptions onto the contractor, while others are prepared to work collaboratively to resolve issues.

Response

WBHO fully supports transformation and has developed several black SMME sub-contractors over the years. We monitor and manage procurement spend on an ongoing basis to ensure that we continue to direct spending early on in the bidding phase of a project, towards black-owned businesses and black women-owned businesses, as well as qualifying small and micro enterprises and other sufficiently empowered enterprises. Under the sector codes, procurement has been expanded to include designated groups which include rural suppliers and youth.

This allows us to create opportunities for suppliers and contractors in the rural areas where WBHO operates and to focus on supporting youth in business. We are, however, continuously raising this issue with the authorities, particularly the security cluster of the state, on how we can help reduce the spate of intimidation and violence.


WBHO conducts risk assessments of the likelihood that disruptions will occur at tender stage. The outcome of these assessments influences contractual negotiations as well as the planning of projects ahead of commencement. Site management attempt to engage with communities and business forums before construction begins to determine what services and products can be supplied from local people.

Where violence or intimidation is present, the Group has a stand-down policy where the site is immediately vacated to protect employees. We liaise with the relevant law enforcement agencies to end these activities and identify perpetrators.

EXPIRY OF THE EXISTING CIVIL ENGINEERING WAGE COLLECTIVE AGREEMENTS

The existing Conditions of Employment, Wage and Task Grade and Exemptions Collective agreements that cover the civil engineering labour market in South Africa expired on 31 August 2021.

Key stakeholders impacted








 EMPLOYEES	<ul style="list-style-type: none"> Unions representing employees initially demanded a three-year, 15% wage hike across the board while employers proposed a wage freeze for 2021 following the economic impact of Covid-19 on the industry. The Building Construction and Allied Workers Union and the National Union of Mineworkers both declared a dispute at the Bargaining Council for the Civil Engineering Industry (BCCEI) after two rounds of negotiations.
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Response

Through the BCCEI the Group participated in the negotiations to conclude a new three-year wage agreement with the unions. After protracted negotiation, all issues were resolved. Wage increases of 4,8% per annum for the first year and CPI plus 0,75% for the second and third years were agreed and the agreement received ministerial approval on 27 December 2021 with an effective date of 13 October 2021, thus successfully avoiding any pervasive strike action.

VALUE-ADDED STATEMENT

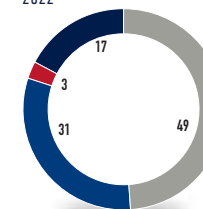
As part of a greater socio-economic ecosystem, we recognise that we are dependent on robust relationships with key stakeholders. Value-added indicates the wealth WBHO creates through its activities to the following stakeholders: shareholders, employees, debt providers, suppliers and the government.

Rm	2022	2021	
 CLIENTS Revenue*	20 584	23 117	WEALTH CREATED
 SUPPLIERS Cost of materials and services*	(15 375)	(17 858)	
	5 209	5 259	
 Employees Payroll costs Share-based payment expense	2 488 45	2 410 40	WEALTH DISTRIBUTED
 Investors Dividends paid to shareholders	116	–	
 Financial Institutions Interest and finance charges Lease payments	18 13	17 13	
 Government Taxes and duties	1 632	1 877	
 Communities Socio-economic development	5	5	
	4 317	4 362	
WBHO Attributable earnings (less dividends paid) Depreciation	693 199	688 209	
	892	897	WEALTH RETAINED

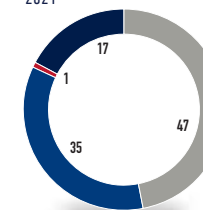
* Including value-added tax and sales tax where applicable.

VALUE ADDED STATEMENT WEALTH DISTRIBUTION (%)

2022



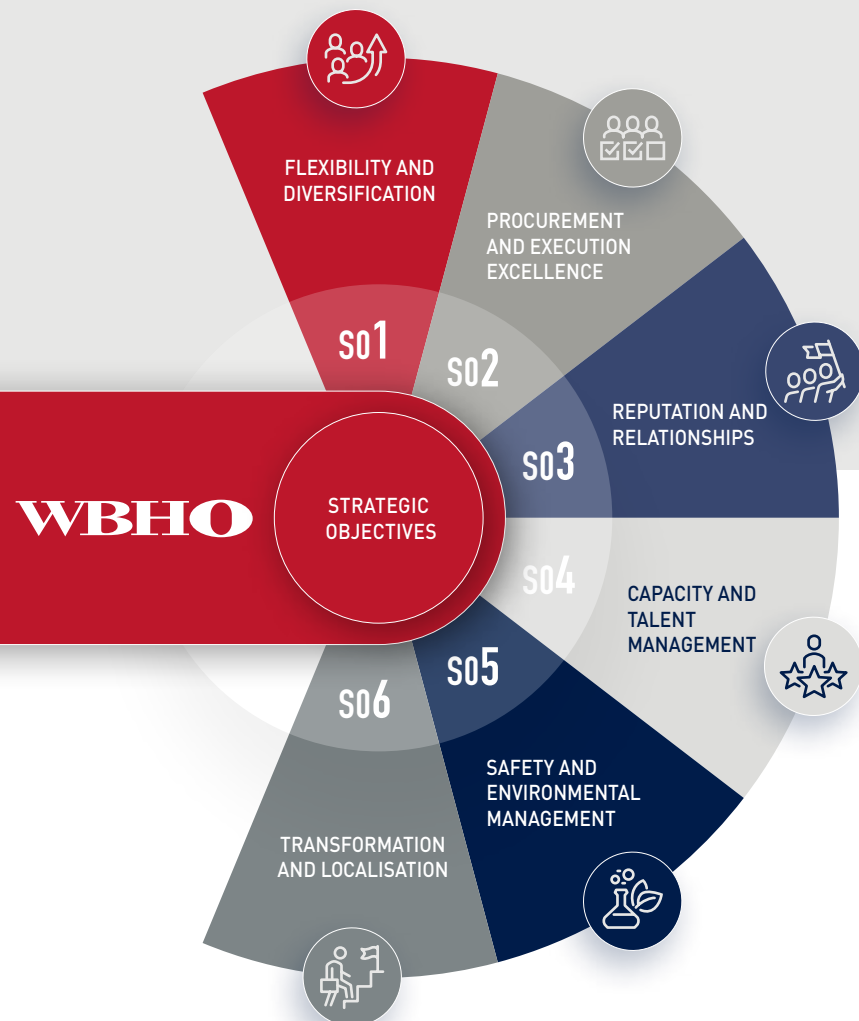
2021



● EMPLOYEES
● GOVERNMENT
● PROVIDERS OF CAPITAL
● RETAINED FOR GROWTH

STRATEGIC OBJECTIVES

Guided by WBHO's vision, the strategic objectives of the Group represent the key attributes we believe are necessary for a successful and sustainable construction business and are linked to underlying strategic initiatives and specific metrics and indicators where applicable.



VISION

TO BE THE LEADING CONSTRUCTION COMPANY WHEREVER WBHO OPERATES. WE ALWAYS STRIVE TO BE "A PLEASURE TO DO BUSINESS WITH" BY DELIVERING QUALITY SOLUTIONS IN A PROFESSIONAL AND COLLABORATIVE MANNER, EVERY TIME. WBHO IS ADAPTABLE AND WILL "GO WHERE THE WORK IS", EVEN WHEN CONDITIONS ARE CHALLENGING, WITHOUT COMPROMISING ITS STANDARDS. THE GROUP NAVIGATES COMPETITIVE MARKET CONDITIONS BY BEING FLEXIBLE AND HARD-WORKING, WITH A FOCUS ON NURTURING STRONG CLIENT RELATIONSHIPS BY BEING APPROACHABLE AND DEPENDABLE. WE STAND FIRMLY BEHIND OUR MOTTO OF "RELY ON OUR ABILITY".

OUR GROUP'S VISION AND OVERALL BUSINESS STRATEGY ALIGN with our sustainability strategy, structured around six perspectives

- | | |
|-------------------|-----------------------------------|
| People | Transformation |
| Health and safety | Environment |
| Quality | Social economic development (SED) |

READ MORE IN OUR ESG REPORT

The following section provides information on the strategic objectives developed by the Board in response to the material issues faced by the Group and to mitigate the strategic risks. In respect of each strategic objective, strategic initiatives are developed and implemented to create value over time. The key performance indicators used to monitor progress and/or measure performance, statistics and targets (where applicable) as well as specific high-level strategic action undertaken during the year under review, are also reported upon. In-depth reporting of the strategic actions implemented during the year are included in the *Message from the CEO*, *Operational Reports* and the *Message from the CFO* later in the Integrated Report as well as the supplementary ESG Report.



SO1 FLEXIBILITY AND DIVERSIFICATION

Due to the fluctuating market conditions that continuously confront the construction industry, flexibility and diversification are fundamental for delivering sustainable value. Growth objectives are facilitated through the implementation of a long-term diversification strategy across different geographies and industry sectors and at multiple levels of the construction value chain. Through its various business units, the Group offers construction services to different sectors of the economy in up to 10 countries across two continents. WBHO's strategy is fluid and adaptable, in order to proactively align procurement activities with those markets offering the greatest value. This, in turn, mitigates risk and enhances shareholder value by providing stability in earnings. Exposure levels to individual sectors and geographies are carefully managed over the short to medium term.

Strategic initiatives

- Geographic diversification and new markets
- Segment diversification and new markets
- Strategic project selection
- Right-sizing in response to market conditions
- Specialised project services and innovation
- Turnkey solutions encompassing several disciplines

Key performance indicators

- Revenue growth
- Revenue by operating segment and industry sector
- Revenue by geography
- Order book (by industry sector, operating segment and geography)

FY2022 Snapshot

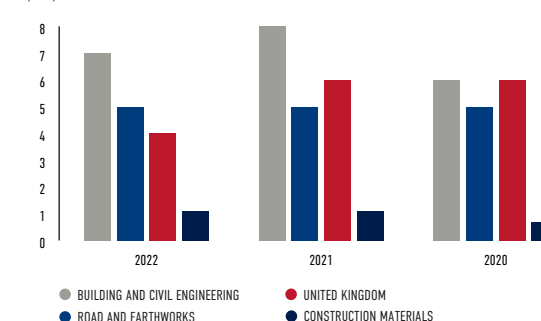
- Effective exit from Australia following withdrawal of parent company support in order to:
 - Mitigate further erosion of shareholder value.
 - Ensure sustainability of African and UK operations.
 - Focus on operations and geographies that deliver value.
- New client engagement across several sectors and geographies within an acceptable risk framework:
 - Renewable energy: Changes in regulatory framework resulted in increased private investment in these projects with sizeable new projects secured before and after the end of the reporting period.
 - Residential: Traditional residential and student accommodation projects secured with new clients during the year.
 - Data centres: Growth in consumer and corporate online activity since Covid-19 has supported increased demand for data storage and resulted in the award of a large design and construct project for a new client alongside negotiations with other potential new clients.

- Tanzania: renewed activity on the gold mines in the region and a friendlier approach to foreign contractors by the new political regime offered opportunities to re-enter the region. The Group has partnered with citizen-owned companies in Tanzania and was recently awarded projects on the Geita Gold mine for AngloGold Ashanti. The division is also forging new relationships on additional mines in the region.
- Opportunities in Kenya are being pursued and a rail project in Liberia was awarded after the reporting period.

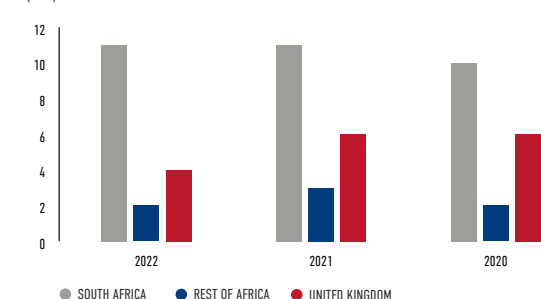
• In the UK:

- Byrne Bros successfully targeted and secured several smaller, low-risk construction only civil projects related to HS2.
- Shortly after the end of the reporting period, the Byrne Group acquired certain assets, employees and associated liabilities of O'Keefes Construction, a demolition business that will complement their current skill set.
- Russell-WBHO was appointed as a partner contractor on the Associated British Ports framework for projects in North West England and Scotland, in order to capitalise on increased government spending.

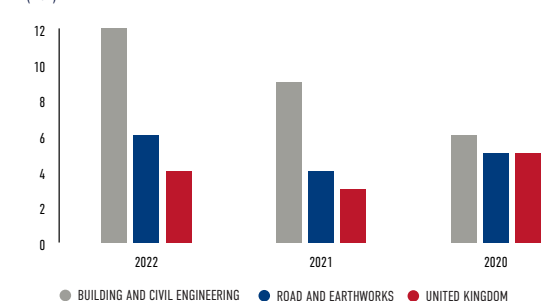
REVENUE PER SEGMENT
(Rbn)



REVENUE PER GEOGRAPHY
(Rbn)



ORDER BOOK PER SEGMENT
(Rbn)





so2 PROCUREMENT AND EXECUTION EXCELLENCE

The standard and quality of submitted bids directly impacts operational performance. WBHO seeks to offer a competitive price at acceptable levels of risk for all parties involved. During the procurement phase, the Group targets those projects that will best serve WBHO's strategic objectives and create value for stakeholders.

During the execution phase that follows, brand equity and the reputation of the Group is cultivated and maintained. Confidence and credibility are generated when clients consistently experience high-quality work which, in turn, enhances WBHO's ability to secure future projects.

Strategic initiatives

- Client and project evaluation
- Tender evaluation and governance
- Selective bidding
- Contract payment terms and hedging
- Regular mid-cycle project cost-to-complete assessments
- Risk management
- Quality audits
- Quality training

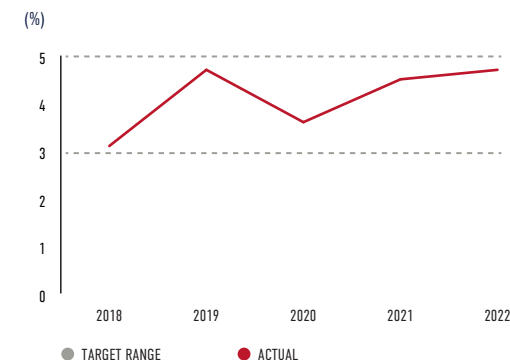
Key performance indicators

- Operating margin
- Actual versus tender margin analysis
- Number of underperforming and loss-making projects
- ISO 9001: Quality management system (QMS)
 - QMS coverage and audit outcomes
 - Training
 - Cost of rework and waste

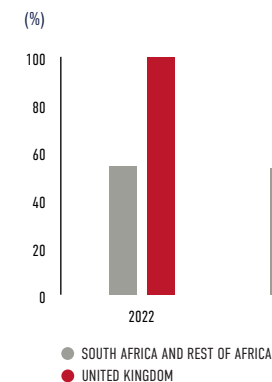
FY2022 Snapshot

- Improved operating margins achieved across African operations.
- Project margins sustained in the UK as lower volumes persist and fixed-cost base affects overall operating margin achievable.
- No material loss-making projects within continuing operations.
- Tender margins regularly achieved or exceeded by operational teams through efficient contracting.
- Order book levels replenished following a rebound in procurement activity over the second half of FY2022.
- Award of large-scale projects reduces reliance on sub-R250 million building markets and allows for more selective bidding on projects.
- Delayed awards by the South African National Roads Agency of road projects on which the Group is competitively positioned, followed by the ultimate cancellation of some large-scale projects, had a significant impact on anticipated revenue from the road sector in the current period.

OPERATING MARGIN



ISO 9001 AUDIT COVERAGE



75%
OF COMPLETED PROJECTS
IMPROVED ON TENDER MARGIN
(2021: 69%)

ISO
9001:2015
CERTIFIED

100%
QMS
COVERAGE



so3 REPUTATION AND RELATIONSHIPS

A noticeable presence in the marketplace, a proven track record and a reputation for reliability, consistency and value are crucial to establishing and maintaining client relationships and our ability to bid on major projects. Our reputation hinges on our ability to deliver projects to the highest standards and provide an all-inclusive “quality experience”.

Our commitment to “execution excellence” is achieved by embedding our culture throughout our business in doing things “The WBHO Way”. The WBHO Way embodies a set of shared values, including reliability, delivery, and a focus on building relationships, which together underpin our motto of “being a pleasure to do business with”.

Strategic initiatives

- Proactive stakeholder engagement
- Ethics programmes
- Regulatory compliance programme
- Corporate governance excellence
- Entrenching culture among new employees

Key performance indicators

- Client perception survey ratings
- Percentage of negotiated projects
- Percentage of repeat work from clients

FY2022 Snapshot

- New client relationships developed and fortified through competitive bidding and strong execution of projects.
- In South Africa, the Group was awarded the Diamond Arrow Award for Best Construction Company for the 23rd consecutive year.
- Russell-WBHO attained Platinum status in the UK investors in People Award. The highest accreditation obtainable with less than 2% of competing companies achieving Platinum status.
- Widely considered one of the few remaining contractors able to execute large complex projects in South Africa.
- Responsive senior management.
- Transparent and forthright communication with financial institutions and other key stakeholders throughout complex and difficult exit from Australia.

158

**EMPLOYEES COMPLETED
COMPETITION LAW TRAINING**

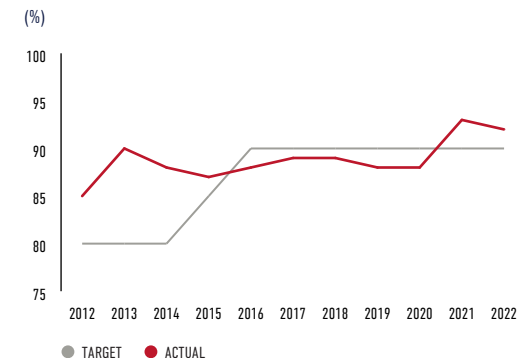
(2021: 220)

22

**EMPLOYEES COMPLETED
ANTI-BRIBERY AND CORRUPTION TRAINING**

(2021: 17)

CUSTOMER QUALITY PERCENTAGE RATING



pmr
africa

**Diamond Arrow
2022**

**National Survey on
Construction Companies**

**WBHO Construction
(Pty) Ltd**

Outstanding – 1st overall

Rated by a random, national sample of 190 respondents comprising of 50 architects, 70 consulting engineers, 20 property developers and 50 quantity surveyors



S04 CAPACITY AND TALENT MANAGEMENT

People management is a key focus area within the Group. Effective employee development earns staff loyalty and commitment to “The WBHO Way”, as well as attaining our strategic goals of “procurement and execution excellence” and “transformation and localisation”. Bursary schemes, inductions, on- and off-site training interventions and management development programmes, help equip staff with the necessary expertise at each key phase of their career development, while also attending to the skills shortages experienced in the construction industry.

The overlapping nature of active and new projects means they seldom begin and end in a linear manner. The number of employees required at the differing stages of projects also varies significantly. We call the process of dealing with these lags or overlaps – “managing the gap”. The right-sizing of our teams is a continuous process to match the demand for our services with economic cycles. Effective recruitment processes and solid working relationships with the representative unions are essential in achieving this outcome.

Strategic initiatives

- Succession planning
- Training and skills development initiatives including:
 - Learnerships
 - Bursaries
 - Mentoring
- Management development programmes
- Targeted recruitment
- Optimal resource allocation
- Leadership reviews
- Salary benchmarking
- Ethical labour practices

Key performance indicators

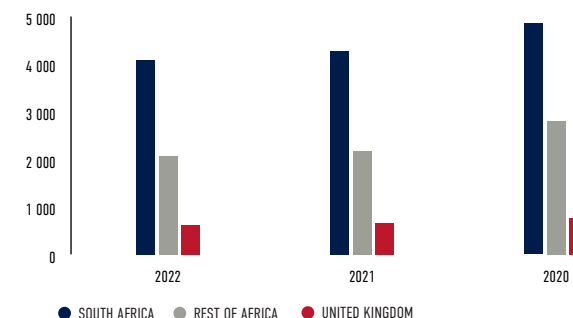
- Employees by region and division
- New hires
- Retrenchments
- Employee turnover (%)
- Investment in training
- Training hours (average)
- Number of employees trained
- Professional registration assistance programmes
- Number of learnerships
- Bursary spend
- Number of students receiving bursaries

FY2022 Snapshot

- The 16% decrease in the total workforce from 8 049 employees to 6 765 was primarily attributable to the derecognition of the Australian operations.
- The headcount in respect of the continuing operations was broadly sustained.
 - Total headcount in South Africa reduced marginally by 190 employees from 4 278 to 4 088
 - In the rest of Africa, our workforce has decreased by 108 employees from 2 168 staff to 2 060 as projects in certain regions were completed without being replaced.
- In the UK, Russell-WBHO realigned capacity to match lower activity levels representing 40 of the decrease in headcount of 47 people.
- Hiring cycle entered over second six months of the year following record growth in order book levels.
- New financial and non-financial retention strategies implemented to reward and retain key talent.
- Significant decrease in the Group avoidable employee turnover rate to 9,7% in FY2022 (FY2021: 12,7%).
- Ongoing investment in employee development through formal and informal training initiatives of R81 million (FY2021: R90 million).

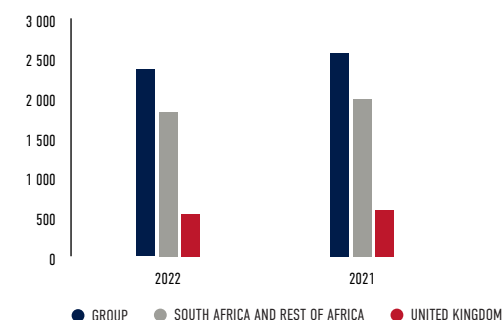
HEADCOUNT BY REGION

(Quantity)



NUMBER OF EMPLOYEES TRAINED

(Quantity)



44
STUDENTS RECEIVING
BURSARIES
(2021: 57)

R81m
TOTAL TRAINING
SPEND
(2021: R90m)

For more on our human capital and skills development practices, see WBHO's separately published 2022 ESG Report.



so5 SAFETY AND ENVIRONMENTAL MANAGEMENT

As a contractor with an international footprint, operating across Africa and the United Kingdom, it is essential that WBHO holds itself to the very highest health and safety standards. Protecting the welfare of employees and subcontractors results in healthy morale and uninterrupted productivity. Additionally, a proven safety record is imperative for the procurement of work within certain key markets, particularly mining infrastructure and the public sector.

As a moral corporate citizen, the Group has an ethical and legal duty to minimise its impact on the environment in the areas in which it operates. Compliance with environmental regulations and legislation strengthens WBHO's reputation and avoids legal and financial consequences.

Strategic initiatives

- Implementation of global industry best practice
- Accident and near-miss reporting
- Effective and transparent incident management
- Visible Field Leadership (VFL) and Directors' Tours programmes
- Safety First Initiative
- Medical fitness programme
- Training and awareness programmes
- Safety alert and safety stand-down practices
- Carbon disclosure project
- Water usage management
- Waste management initiatives
- Green Building accreditation

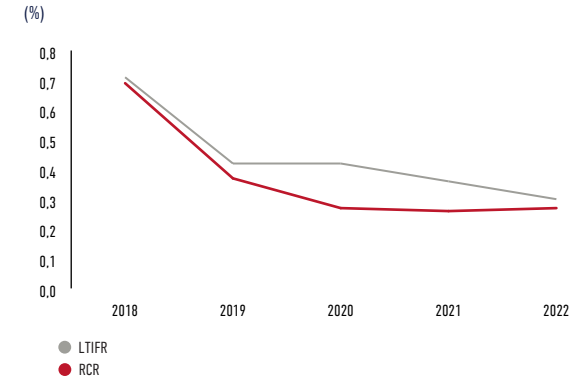
Key performance indicators

- ISO 45001: Safety management system (SMS)
 - Number of LTIs and fatalities
 - LTIFR and RCR
 - Alcohol and drug test results
 - SMS coverage and audit outcomes
- ISO 14001: Environmental management system (EMS)
 - Environmental incidents
 - Carbon emissions
 - EMS coverage and audit outcomes

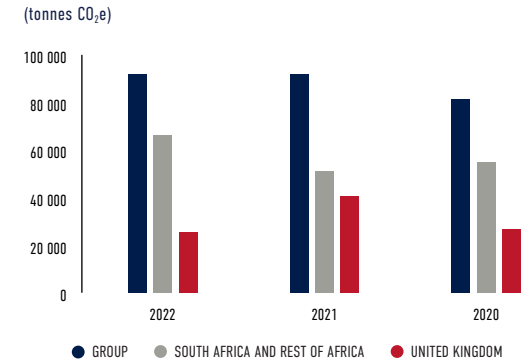
FY2022 Snapshot

- ISO 45001 and 14001 certifications maintained across all regions.
- Best ever safety performance achieved by African and UK operations, reflecting the significant progress made toward zero-harm.
 - Record low lost-time injury frequency rate (LTIFR) of 0.30 (FY2021: 0.39).
 - One work-related fatality (FY2021: 2).
 - A recordable case rate (RCR) of 0.27 (FY2021: 0.31).
- Safety first interventions alongside VFL and Directors' Tours yielding positive results and demonstrate top-down commitment.
- Zero reportable incidents recorded nor fines levied for non-compliance with environmental laws and regulations.

LOST-TIME INJURY FREQUENCY RATE (LTIFR): GROUP (%)



CARBON EMISSIONS (tonnes CO₂e)



1

FATALITIES
(2021: 2)



14001:2015
CERTIFIED



45001:2019
CERTIFIED

100%

EMS AND SMS COVERAGE
(2021: 100%)

For more on our safety and environmental management practices, see WBHO's separately published 2022 ESG Report.



S06 TRANSFORMATION AND LOCALISATION

A diversified workforce, the development of skills, succession planning and the transfer of economic benefits to previously disadvantaged individuals and local community members in all regions of operation, as well as cultivating a representative management structure, are fundamental to WBHO's long-term sustainability.

Strategic initiatives

- Transformation strategy and implementation programme
- Localisation practices
- Employment equity plan
- Construction Industry Charter Council representation
- Communication and negotiations with the Department of Labour

Key performance indicators

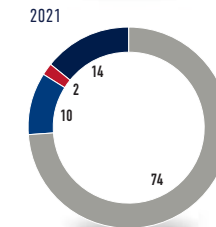
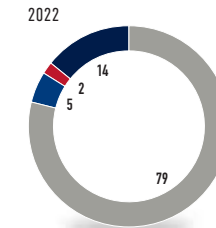
- B-BBEE scorecard rating (by division)
- Workforce by gender, location and contract type
- Procurement spend
- Employment equity targets

FY2022 Snapshot

- WBHO proudly retains Level 1 status for six consecutive years.
- Reduction in black ownership and black women ownership targets due to lower proportion of foreign revenue following derecognition of Australian operations.
 - New broad-based employees share incentive scheme being developed to mitigate impact in FY2023 and replace Akani scheme that is approaching completion.
- Development of long-term mutually beneficial relationships with emerging contractors through joint ventures and enterprise development programme.
- Ongoing support of VRP initiative in a difficult trading environment.
- R5 billion in black procurement spend (FY2021: R5 billion).
- R56 million invested in the training of black individuals (FY2021: R64 million).
- Ongoing engagement with government in respect of proposed new legislation and potential impact on transformation objectives.
- Formation of citizen-owned companies in Botswana, Ghana and Tanzania.
- 93% (FY2021: 92%) of the workforce in African countries represented by citizens of the host country (excludes South Africa).
- Proactive community engagement to support localised job creation and minimise site disruptions.

DEMOGRAPHICS OF SOUTH AFRICAN EMPLOYEES

(%)



● AFRICAN
● COLOURED
● INDIAN
● WHITE

LOCALISATION IN MAJOR AFRICAN COUNTRIES

98%
BOTSWANA
(2021: 96%)

98%
GHANA
(2021: 96%)

37%
LESOTHO
(2021: 94%)

80%
ZAMBIA
(2021: 89%)

89%
MOZAMBIQUE
(2021: 81%)

92%
MADAGASCAR
(2021: 91%)

100%
TANZANIA

89%
NAMIBIA

For more on our transformation journey, see WBHO's separately published 2022 ESG Report.

RISK MANAGEMENT

OUR APPROACH

WBHO realises that risk management is a fundamental management practice that is imperative for good corporate governance. While risk cannot be eliminated from business activities, the risk management process provides a methodised way to identify, prioritise and manage risk.

By entrenching risk management within Group business processes in a specific and practical manner, a formal means for managing the risks associated with the operating environment is established.

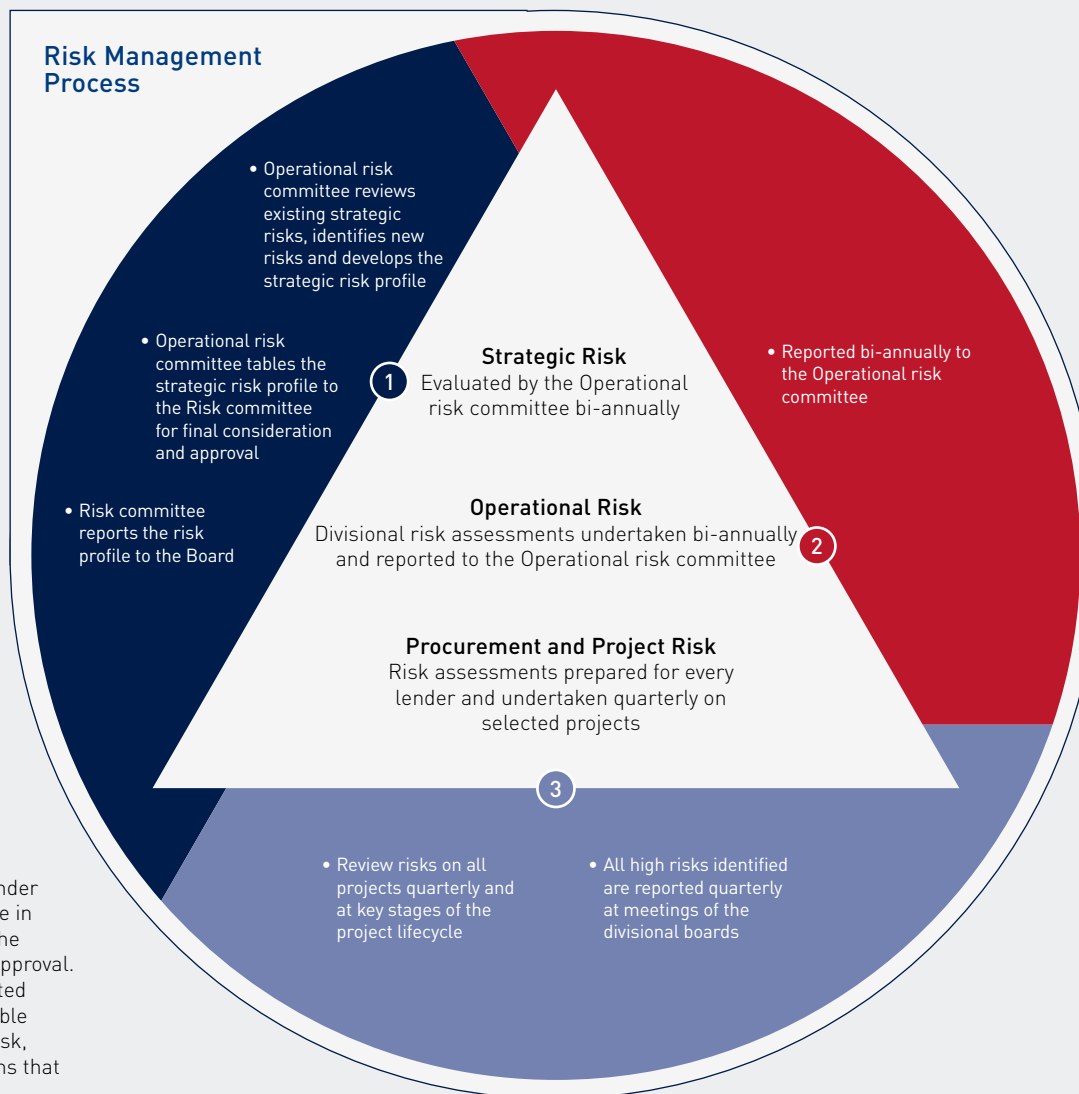
The Board is assisted by the Risk committee and the internal audit function when considering and reporting on strategic, operational and project risks. The Board is ultimately responsible for risk governance and determines the level of risk tolerance within the Group and reviews its risk profile bi-annually.

Risk management methodology

Procurement and project risk

Potential projects are assessed prior to tender submission and defined authority levels are in place for how bids are escalated through the management structures of the Group for approval. As with active projects, tenders are evaluated against time and cost, together with available resources, client assessments, payment risk, margins, country risk and contractual terms that are considered to be unusual.

Risk Management Process



Major projects are assessed every three months as well as at crucial lifecycle stages of the project. These evaluations take the form of risk and opportunity schedules that focus on the key risks of time, cost, resources, contractual claims and stakeholder relationships. The outcome of these evaluations are tabled and discussed at monthly management meetings. These schedules are also captured into the risk database and the divisional dashboards identify trends and common themes across all the Group's projects.

Operational risk

Operational risks are evaluated at a divisional or business unit level. Giving due consideration to the individual operating environments, risk assessments are made relating to current market dynamics, skills shortages, capacity, talent management and stakeholder relationships (clients, professionals, labour, suppliers and communities). These risks are presented and discussed at a senior management level and appropriate risk mitigation strategies are developed and refined. Once entered into the risk database, these risks are escalated to the Operational risk committee and, ultimately, the Risk committee.

Strategic risk

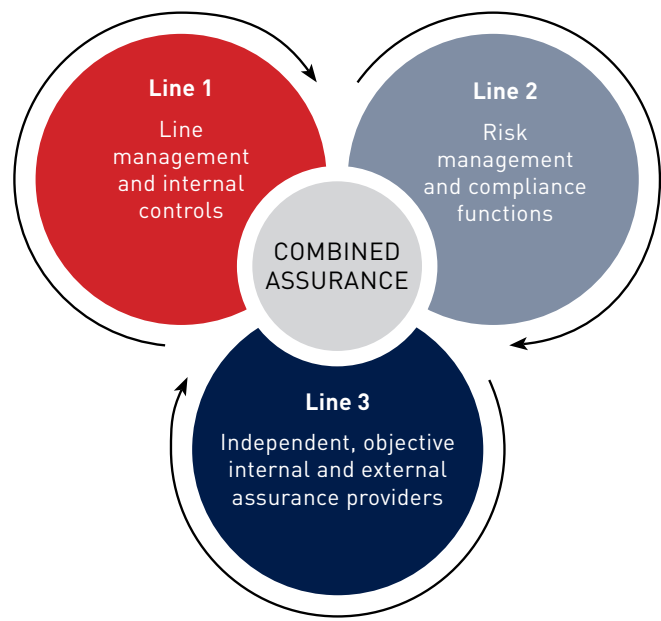
The risks and trends incorporated within the operational risk assessments inform the Risk committee's assessment of the risk profile of the Group in the context of delivering its strategic objectives. The macro environment, together with corporate, regulatory and legal compliance risks are also assessed. These risks are presented to the Board, which then determines the overall strategy of the Group.

RISK MANAGEMENT continued

Assurance

Assurance is an invaluable business tool enabling us to identify potential risks, understand our exposures, and ensure that the right checks and balances are in place to mitigate these risks.

The overarching framework, incorporating the three lines of defence illustrated in the following infographic, was presented to the Audit committee during the year:



The Board, through the Audit committee and supported by the Risk committee, are responsible for ensuring that the combined assurance model is applied to provide a coordinated approach for all assurance activities, in order to appropriately address all the significant risks facing the organisation.

In developing the combined assurance plan, a comprehensive risk assessment was made of the various operational and financial areas of the business, categorising each of these into areas requiring low, medium or high levels of assurance, based on their inherent risk profiles.

Those areas identified as requiring medium and high levels of assurance are then incorporated into the audit plans of the various independent assurance providers of the Group, namely the environmental, safety and internal audit teams.

The following table lists the content and processes on which WBHO obtains assurance, together with the providers of this assurance:

Content and functions	Assurance provider	Level of assurance	Outcome
Annual financial statements	BDO South Africa Incorporated	Level 3	Qualified audit opinion (Refer to the CFO Report on page 62 for further details)
B-BBEE rating	EmpowerLogic (Pty) Ltd	Level 3	Level 1 certified
Environmental management	BSI	Levels 2 and 3	ISO 14001 compliant
Occupational health and safety	BSI	Levels 2 and 3	ISO 45001 compliant
Quality management	TUV Reinland	Levels 2 and 3	ISO 9001 compliant
Internal control environment	Deloitte South Africa	Levels 1 and 3	Reliance on internal controls

Risk tolerance and risk appetite

WBHO understands and proactively manages risks within set risk appetite and risk tolerance levels in order to optimise business returns. Risk appetite is defined as the amount and type of risk that the organisation is willing to take in order to meet its strategic objectives.

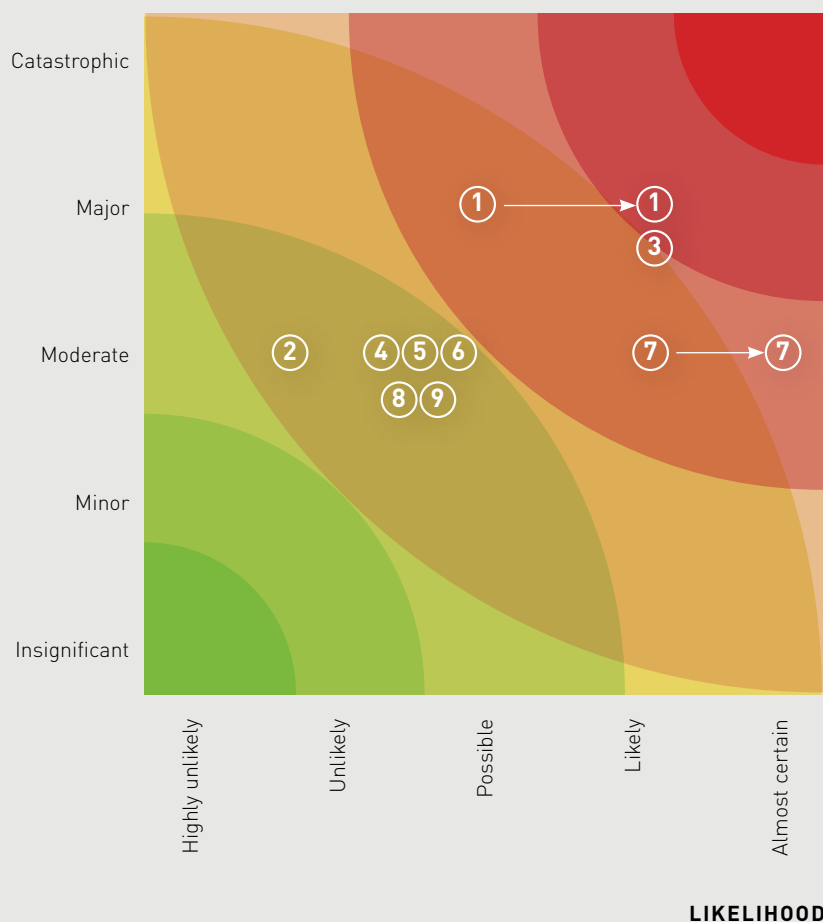


RISK MANAGEMENT continued

ENTERPRISE RISK MANAGEMENT

The enterprise risk management process records and aggregates the risks and opportunities identified at the project and operational levels of the business, which then informs the assessment of certain strategic risks. Aggregate values at risk are determined both at business unit level and ultimately the Group. Project risks have been standardised to cover numerous individual site circumstances, which allows for consistent reporting and aggregation of risk.

IMPACT



SO Strategic Objective ● Risk unchanged ● Risk decreased ● Risk increased

	Risk and impact on value if not managed	Key response or mitigation
1. SO1	<p>Country risk and changing market dynamics <i>(uncontrollable)</i></p> <p>The Group conducts business across numerous sectors and in various geographical locations. Various factors, including economic cycles, political environments, government policy and currency volatility impact the markets in which the Group operates. A material deterioration in one or more of these countries or markets could have a severe impact on the size and nature of the Group.</p> <p>The after-effects of Covid-19 on global economies remain present through worldwide supply chain constraints and rising inflation. The Russian-Ukraine conflict has compounded matters further with severe energy shortages creating additional cost of living pressures.</p> <p>A recession is projected in Europe alongside a slowdown on the African continent which could impact the Group's mid-term prospects and operating environment. The World Bank recently downgraded South Africa's growth rate to 1,9%. In addition, an increased prevalence in questionable awards by public sector entities raises concerns over interference in these tenders.</p> <p>The UK economy has been negatively affected by these global developments with world markets critical of the newly appointed governments policies to address the crisis.</p> <p>Insurgent activity in Mozambique has quietened but remains present.</p> <p>Risk has increased from possible to likely with the impact remaining major.</p> <p>Discontinued Australian operations <i>(partially controllable)</i></p> <p>The Australian government's approach to controlling Covid-19 infections had a severely detrimental impact on the Australian construction industry as well as numerous other sectors on which the construction industry relies for work. This approach resulted in reduced activity and further substantial losses being incurred by the Australian operations that culminated in the Group's exit from the region.</p> <p>The prevailing unfavourable market conditions within the wider Australian construction industry indicate that despite the significant cost of exiting Australia, the decision to do so has protected the position of the remaining operations as well as the stakeholders of the Group.</p> <p>The extensive negotiations with employees, clients, sureties, and the Administrator have provided certainty over the timing and remaining cost to complete the Group's exit from Australia, significantly reducing further exposure and risk.</p>	<ul style="list-style-type: none"> • Structured risk assessment framework in place to ensure operational procedures are aligned with identified risk. • Ongoing review of market intelligence in countries with political conflict. • Broad diversification across core competencies and geographical expansion or disinvestment. • Flexible and responsive management. • Strong logistical capabilities to access remote African regions. • Commencement of Administration proceedings. • Approval of the Deed of Company Arrangement (DOCA) presented by the Group – an important step in resolving the voluntary administration process, as it eliminates any possible future claims and litigation against the Group. • Formal deed agreed with client on WRU project to allow for early withdrawal from the contract and the 12-year contractual exposure of the Group.

RISK MANAGEMENT continued

S0 Strategic Objective Risk unchanged Risk decreased Risk increased

	Risk and impact on value if not managed	Key response or mitigation
2. so3 so6	<p>Industrial action (<i>uncontrollable</i>)</p> <p>South Africa is heavily unionised and unions wield significant influence. Regular industrial action can occur. Industrial action impacts on-site productivity, delivery and financial performance. There has been little strike activity by the construction labour force in South Africa over recent years, and this reflects positively on the industry's work to build mutually-beneficial industrial relations.</p> <p>New wage agreements have been concluded within both building and civil labour markets and thus the risk remains at unlikely and moderate.</p>	<ul style="list-style-type: none"> • Open and transparent dialogue with employees and their representatives. • Ongoing, and regular engagement with major unions. • Negotiation of multi-year wage agreements where possible.
3. so2	<p>Contracting with unreliable clients (<i>controllable</i>)</p> <p>Due to the value and size of construction contracts, failure by clients to meet their payment obligations can significantly impact the Group's cash flow, and result in margin deterioration and delays in project execution.</p> <p>The subdued construction market over recent years has necessitated bidding for new clients. We have observed increased payment terms being negotiated with certain clients alongside regular overdue payments from public sector clients.</p> <p>This risk remains likely with the impact being major.</p>	<ul style="list-style-type: none"> • Robust due diligence processes in place to ensure clients are properly assessed prior to engagement. • Stringent negotiation of payment terms and guarantees. • Requirement for payment guarantees on majority of projects.
4. so2	<p>Procurement and execution risk (<i>controllable</i>)</p> <p>Procurement and execution risk are closely linked to changes in market dynamics, skills shortages and talent management. In the existing competitive environment, margins have been eroded, requiring an increased focus on project execution. Having replenished order book levels, the Group is able to be more selective when bidding for new work, thus reducing procurement risk over the near-term.</p> <p>The prevalence of these risks is determined with reference to the total residual value at risk across all projects and trend analyses obtained from the risk database.</p> <p>The Group widely utilises the services of suppliers and subcontractors on projects. Downward pressure on subcontractor pricing and macro-economic conditions has resulted in a number of business failures and increased risk of non-performance. This has serious consequences for projects, which include financial, operational, and reputational implications.</p> <p>Although order book levels have grown substantially, these projects were secured amid a competitive low margin environment resulting in this risk remaining possible and moderate.</p>	<ul style="list-style-type: none"> • Structured planning and resource utilisation processes. • Formal tender policy and tender approval authority matrix in place. • Due diligence investigations undertaken on critical suppliers and subcontractors. • Stringent monitoring of project performance via thorough forecasting of completion costs at critical stages of the project lifecycle. • Implementation of globally accredited quality best practices.

	Risk and impact on value if not managed	Key response or mitigation
5. so5	<p>Major safety, health or environmental incident (<i>controllable</i>)</p> <p>The construction industry is seen as a high-impact and hazardous sector. Any major incidents that occur have reputational implications for the Group, which can affect its ability to procure work.</p> <p>The Group has implemented internationally recognised best practice systems across all operations and in the current reporting period, the Group achieved its best-ever safety performance – reflecting positively on our drive to achieve zero-harm. Similarly, the Group had no major and/or reportable environmental incidents.</p> <p>Nonetheless, the risk of a serious safety or environmental incident remains possible with a moderate impact.</p>	<ul style="list-style-type: none"> • Implementation of globally accredited, safety and environmental best practices across all operations. • Top-down responsibility and accountability to ensure culture is embedded at all levels of operations. • Proactive information and knowledge sharing. • Ongoing prevention initiatives. • Regular training interventions.
6. so3	<p>Non-compliance to laws and regulations (<i>controllable</i>)</p> <p>The Group is subject to numerous legislative and regulatory requirements across various geographies.</p> <p>Non-compliance with any legislation carries significant reputational risk, the potential for fines and penalties and the possible loss of the necessary licences or accreditations needed to procure work.</p> <p>The Group monitors compliance with existing and new regulations and legislation through its regulatory risk matrix. Due to the many inherent variables, the risk remains possible and moderate.</p>	<ul style="list-style-type: none"> • Frequent review of regulatory and legal matrix together with monitoring of non-compliance. • Mandatory Competition law and Anti-bribery and corruption training for identified employees. • Communication of the Code of Conduct to all new hires.
7. so6	<p>Community unrest (<i>uncontrollable</i>)</p> <p>The South African government's procurement regulations alongside high levels of unemployment have resulted in unrealistic expectations of employment opportunities on construction projects. In built-up areas, various business forums claim to represent local communities and businesses, but these forums are often just a means to exploit contractors. These incidents are now commonplace.</p> <p>WBHO has developed the necessary strategies and protocols to proactively deal with these events in a manner that causes the least interruption to business activities.</p> <p>The likelihood of this risk has increased back to almost certain from likely with the impact remaining moderate.</p>	<ul style="list-style-type: none"> • Formal protocols developed on how to: <ul style="list-style-type: none"> ◦ Engage with communities and business forums prior to construction. ◦ Manage relationships throughout the construction phase. ◦ Respond to disruptions and threats of violence. • Appointment of community liaison officers. • Increase on-site security measures.

RISK MANAGEMENT continued

	Risk and impact on value if not managed	Key response or mitigation
<div>8.</div> <div> <div>s03</div> <div>s04</div> <div>s06</div> </div>	<p>Transformation and localisation <i>(partially controllable)</i></p> <p>Transformation within the construction sector remains high on the South African government’s political agenda. Draft legislation in respect of employment equity and public procurement is not seen as business-friendly and may have implications for work prospects if promulgated in its current form.</p> <p>In countries on the remaining African continent, localisation practices have become more prevalent. These include limitations on work permits for expatriates, minimum targets for local employment and public procurement spend directed toward majority-owned citizen businesses.</p> <p>The Group retained its Level 1 B-BBEE status in South Africa this year, maintains high levels of local employment and participates in citizen-owned companies in the rest of Africa. However, government policies and regulations governing transformation and localisation within the sector are often unclear and this risk remains possible and moderate.</p>	<ul style="list-style-type: none"> Structured risk assessment framework in place to ensure operational procedures are aligned with identified risk. Ongoing review of market intelligence in countries with political conflict. Broad diversification across core competencies and geographical expansion or disinvestment. Flexible and responsive management. Strong logistical capabilities to access remote African regions.
	Risk and impact on value if not managed	Key response or mitigation
<div>9.</div> <div> <div>s02</div> </div>	<p>Meeting obligations under the Voluntary Rebuild Programme (VRP) <i>(partially controllable)</i></p> <p>Participants in the VRP that elected to mentor emerging contractors are required to assist in growing the cumulative turnover of those contractors to 25% of the participant’s turnover by 2024, with a sub-minimum of 10% per annum. Penalties are levied on any shortfall in meeting the sub-minimum targets from 2021.</p> <p>In the current economic environment, particularly following the impact of Covid-19, achieving growth within the construction industry over recent years has been near impossible. Although the emerging contractors have, under the mentorship of the Group, successfully survived the impact of the pandemic, achieving future year-on-year growth of 10% may not be realistically deliverable.</p> <p>While targets have been met in 2021 and 2022, the Group considers the risk of penalties in 2024 possible and moderate.</p>	<ul style="list-style-type: none"> Ongoing implementation of mentoring programmes which include: <ul style="list-style-type: none"> Assistance with bidding protocols. Assistance with implementation of enhanced OHS policies and procedures. Execution of projects in joint venture and on-site mentoring of employees. Progress towards meeting objectives identified in individual needs analyses. Engagement with government to motivate Covid-19 as a material adverse event under the Agreement.



THE VALUE WE'VE DELIVERED



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MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



RESETTING AND REBUILDING FOR GROWTH

WOLFGANG NEFF

CHIEF EXECUTIVE OFFICER

WBHO remains a solid business with favourable prospects, despite the challenges we have faced. Our growing order book and diversification into new sectors and geographies highlight the adaptability of our business in a dynamic and ever-changing market.

Delivering value safely and sustainably is a core priority for us and in FY2022, we achieved our record safety performance.

After more than 50 years in business, WBHO has grown from being a new player in the South African construction market to a leading international contractor. Over that time, we diversified our construction capabilities across all sectors and expanded our footprint over three continents with the aim of building a uniquely differentiated construction company able to deliver quality solutions professionally and collaboratively, while contributing positively to society. We have capitalised on the highs and endured the lows of fluctuating economic cycles and significant world events.

Our difficult decision to exit Australia this year and the waning impact of the global pandemic, mark the beginning of yet another new chapter in our long history. A time to reset after the challenges of recent years and rebuild the business for renewed growth, the foundation for which is already firmly in place.

In my interactions with our employees, clients, sub-contractors, suppliers, and regulators, I am always impressed by how favourably the WBHO Group is seen. This bears testament to our culture of safety, quality and reliability, which is the driving force behind our resilience and standing in the market.

THE YEAR IN REVIEW

We began FY2022 with a firm view on positioning WBHO for recovery after a period of sustained pressure brought on by the Covid-19 pandemic. The African operations have certainly achieved this outcome, having performed well operationally and replenishing order books. In the UK, it was always going to be difficult to sustain activity levels given the low volume of work-on-hand at the outset of the year. However, with procurement activity having improved over the second six months and our new ability to offer a turnkey solution combining demolition and frame construction, following the acquisition of certain assets and liabilities, and employment of personnel, of a distressed company shortly after the end of the financial year, I believe that for the most part we delivered on our recovery objectives within the Byrne Group. Russell-WBHO did not fare quite as well as the Manchester construction market remained suppressed.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER continued

Regrettably, in Australia the revised business strategy that we implemented in FY2021 was unable to bear any fruit, as the industry slumped in the face of the impact of the severe Covid-19 restrictions implemented by the Australian government and spiralling inflation eroding margins on fixed-price contracts that resulted in substantial losses within Probuild and WBHO Infrastructure, our two main operating companies in the region.

Having performed poorly for a number of years, the losses incurred over the first six months of FY2022 and the additional support necessary from South Africa for the Australian operations to be able to continue to trade, were the final straws that culminated in the Board's decision to cease financial assistance and the consequential voluntary administration that followed. This was a difficult and hard stance taken, but ultimately, it was the right decision for the Group and its continued sustainability.

It goes without saying that the exit from Australia, including the various interventions we explored in the lead-up to the decision, came at a significant financial cost to the Group, coupled with a huge amount of management time invested.

Throughout the administration process, we have worked closely with the sureties to whom a parent company guarantee was provided, the administrator and various clients on affected projects. As a result of these extensive negotiations, we hope to achieve a positive result of A\$23 million against the original guarantee value of A\$119 million.

I am pleased by the manner in which we have pursued a clean exit from Australia and the mechanism achieved via the Deed of Company Arrangement (commonly referred to as a "DOCA"), which is a binding arrangement between a company and its creditors agreed to after a business enters voluntary administration.

The DOCA effectively resolves all claims against the administration entities and avoids the liquidation of those entities, thereby preventing any future recourse against the directors and holding company.

We have also agreed a deed with the client of the Western Roads Upgrade project that allows for an amicable withdrawal from the contract. In terms of the deed, WBHO will contribute A\$19 million toward re-engaging various subcontractors in order to reach final completion. Thereafter, a contingency amount of A\$10 million will be put in place for a period of one year to cover any remaining defects. The deed remains subject to approval from the State of Victoria, which once obtained, will allow for a far better outcome for WBHO than having the parent company guarantee exposure for the next 12 years.

All expected costs arising from the administration process in Australia have been accounted for at 30 June 2022.

I would like to express my gratitude to our Chief Financial Officer, Charles Henwood, who – along with his team and a number of our colleagues – has been instrumental in facilitating a swift, clean and effective exit from Australia since the announcement in February 2022.

A particular highlight for the Group this year, was attaining the PMR Diamond Arrow Award as the best construction company in South Africa for 23 years in a row. Consistent with our belief that our people are our most valued asset, Russell-WBHO attained the Platinum status in the Investors in People Award in the UK for 2022. This accreditation is the global benchmark for measuring a company's commitment to people – from wellbeing, engagement, training, career progression and job satisfaction.

OPERATING CONTEXT AND PERFORMANCE

Although Group revenue from continuing operations decreased by 11% from R19,5 billion in FY2021 to R17,2 billion in the current period, this decrease should be viewed in light of the deferred revenue from FY2020 that supported activity in FY2021. The deferred revenue from FY2020 arose due to the hard lockdown implemented in April and May of that year, where minimal construction activity took place due to the emergence of the Covid-19 pandemic. Given this anomaly, I am comfortable with our activity levels as a Group this year.

Revenue from the African operations decreased by 7% to R13 billion from R14 billion in the previous year. The decrease was attributable to lower activity levels experienced in the rest of Africa that stemmed from the suspension of Total's large-scale gas-infrastructure project in Mozambique in the second half of FY2021. We achieved over R1 billion in revenue from Mozambique in FY2021 which is well above normal levels. Replacing that volume of work in the Mozambique construction market at short notice was unlikely, yet we did well to secure some sizeable projects in the second half of the year that will support activity in the region into FY2023.

Despite the lower revenue generated from Africa, operating profit increased in value from R667 million to R701 million and at an improved operating margin of 5,4% compared to 4,8%. Having secured many of these projects during the height of the pandemic when conditions were particularly competitive, this is a remarkable performance.

We are seeing positive signs of renewed activity within the Building division. Alongside the noticeable shift toward industrial buildings and warehousing over recent years, in the current period the award of several large-scale projects in excess of R1 billion and increased demand for data centres in South Africa were positive developments. The emergence of data centres as a source of new work has brought with it exposure to international clients in this sector, including Vantage Data Centres, Amazon and Microsoft, and we are keen to develop these new relationships further.

Activity within our Roads and Earthworks division was supported strongly by the South African mining sector which is benefitting from improved commodity prices. Within the road sector, the division continued to execute a sizeable volume of projects, however, the cancellation of certain projects by the South African National Road Agency (SANRAL) and ongoing delays in the award of others resulted in significantly lower than anticipated activity from the sector. We were obviously disappointed at the contract cancellations by SANRAL on which we were well-positioned, however, SANRAL continues to issue large volumes of work into the tender market. WBHO has bid upon pending tenders amounting to approximately R31 billion with a further R4 billion to be bid upon before the end of 2022. While this bodes extremely well for the road construction sector in South Africa in general, the lengthy time taken to award projects creates difficulties. Businesses have a finite resource capacity and it is challenging to determine how many projects to continuously submit bids for without knowing the outcome of bids submitted between nine and 12 months ago. Aligned with our focus on diversifying and exploring opportunities as they arise, we recommenced activity in Tanzania following increased activity on the gold mines which complemented other mining infrastructure activity in Ghana, Botswana and Madagascar.

Turning to our UK-based businesses, the low business confidence experienced due to Covid-19 throughout FY2021 continued to hamper new work procurement in the current reporting period. This lack of confidence, combined with the uncertainty and inflationary effect of the war in Ukraine, resulted in a decrease in revenue and profit for the year to 30 June 2022. Despite this, our UK operations continued to deliver existing projects successfully and produced satisfactory results given the prevailing trading conditions.

The loss from discontinued operations of almost R3 billion represents the trading losses of R2 billion incurred by the Australian operations and a loss from the loss of control of subsidiaries of R1 billion which includes our remaining parent company obligations. This will hopefully be the final blemish on our results from Australia.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER continued

CAPACITY AND TALENT MANAGEMENT

Balancing the needs and capacity of our business with the size of teams is an important consideration for capacity and talent management across the Group. The decrease in the overall number of employees from 8 049 to 6 765 relates primarily to the administration process in Australia, through which we had to sadly say goodbye to our Australian team. In respect of the remaining operations, the core workforce was maintained with the exception of Russell-WBHO where a 55% reduction in revenue necessitated a reduction in headcount.

In South Africa, our total headcount reduced marginally from 4 278 to 4 088, however, the Group business entered a rehiring cycle in South Africa over the second half of the year, bolstered by a strong order book and prospects of future projects in the renewable energy and mining infrastructure sectors.

In the rest of Africa, the completion of projects in Lesotho and Zambia together with lower activity levels in Botswana resulted in our workforce in the region decreasing to 2 060 employees in the year under review (FY2021: 2 168).

When hiring employees in the rest of Africa, the Group seeks to employ citizens from local regions where possible, as well as offer training opportunities that will allow them to enhance the skills they need for their employment. As a result, we have developed strong local teams across all our African operations. At the end of the FY2022 financial year, 93% of the workforce in the rest of Africa represented citizens of the host country (FY2021: 92%).

While the UK has seen slower activity levels, the construction sector is still an important contributor to the country's economy. The decline in activity levels in the UK, characterised by stalled projects, contributed to a reduction in the workforce of 47 people, from 664 to 617 employees, of which 40 related to Russell-WBHO.

NEW BENCHMARKS IN SAFETY AND ENVIRONMENTAL MANAGEMENT

This year we achieved significant inroads on our journey towards zero-harm. Our focus is to ensure that our employees return to their families without injury and in a healthy state of mind each and every day. The Group achieved its best safety performance in FY2022, reflecting the enormous progress and effort we continue to make as we advance toward zero-harm. Our lost-time injury frequency rate (LTIFR) was recorded at 0.30 (FY2021: 0.39). This represents a small number of injuries that required time off from duty over the course of 43 million hours worked by our employees and those of our joint venture partners, suppliers and subcontractors.

This landmark performance in safety is a result of our rigorous focus on safety risk assessments and interventions. One of the most successful elements of our safety programme is our Visible Field Leadership and Director Tours interventions that play an integral role in demonstrating the commitment from senior management, ensuring that the Group has a proactive and hands-on approach to safety.

Sadly, Mr Yongama Gwe, a subcontractor employee, succumbed to his injuries from a work-related incident in South Africa. The Board and management extend their heartfelt condolences to the family, friends and colleagues of the deceased for their loss.

Our efforts in applying best practices through our Environmental Management System (EMS) also ensured that no major reportable environmental incidents and no penalties or fines for non-compliance with environmental laws were received across the Group during the reporting period.

OUR COMMITMENT TO TRANSFORMATION AND LOCALISATION

WBHO has contributed toward the transformation of South Africa's construction industry since the early 2000s. Our commitment has always been to go beyond compliance, with the utmost consideration for implementing broad-based transformation goals that aim to redress the historical inequalities in our society. The Group continues to play an essential role in advancing the Construction Sector Charter, coupled with active participation and support of the Construction Charter Sector Council.

Although we retained our Level 1 B-BBEE rating this year, the percentage of black ownership decreased from 88% to 59% due to a lower contribution of foreign revenue following our exit from Australia. A Level 1 B-BBEE rating is our licence to trade with public sector entities and with increased public infrastructure spending on the horizon, we are busy developing a new broad-based employee share incentive scheme to ensure this strategic imperative is maintained.

A concerning development, however, is the mooted revision of South Africa's employment equity laws. The National Council of Provinces recently passed the Employment Equity Amendment Bill, which will bring sector-specific employment equity targets across most of the country's major industries. While well-intended, the Bill is not aligned with the demographics of the graduating and professionally registered professionals in the construction industry, nor with the demographics of school-leaving matriculants meeting the requirements to study in engineering fields. As such, in its current form the proposed Bill presents a number of difficulties for the local construction industry and others to achieve compliance.

We believe focusing on growing the South African construction industry will bode well for transformation. Simply put, we cannot pursue transformation without growing the industry – the two go hand-in-hand.

OUTLOOK

South Africa has a unique opportunity to follow through on the promise of its National Infrastructure Plan (NIP) as part of government's Economic Reconstruction and Recovery Plan over the medium- to long-term.

The ERRP aims to build a new economy and unleash South Africa's economic potential by focusing on four broad interventions – infrastructure investment, energy generation, employment stimulus and industrialisation. This could spur new activity in the construction sector and unlock the fixed investment that the country desperately needs.

If SANRAL alone, are able to award the backlog of already tendered projects, it would provide a significant boost in public sector infrastructure spending and provide a healthy platform for the industry over the medium-term.

Encouragingly, President Ramaphosa's announcement of the removal of the 100MW cap on private energy generation, and other wide ranging energy reforms, are a positive development for renewable energy projects. WBHO is positioned to offer clients a turnkey solution that combines not only the electrical and civil balance of plant solutions, but the manufacturing of concrete towers and erection of towers and turbines as well.

Despite a tough investment climate, our private sector clients continue to innovate and find ways to invest in new infrastructure. Mining infrastructure, data centres, residential property and logistic hubs are expected to remain a good source of work over the near-term.

Urbanisation and mining infrastructure are the key drivers expected to stimulate growth on the African continent, both of which require construction services. Our long-term presence in Ghana in West Africa, Mozambique in East Africa and Botswana in Southern Africa allows us to capitalise on opportunities in neighbouring countries as and when they arise while limiting our fixed-cost base.

In the UK, economic recovery has been earmarked by the new administration as critical to alleviating the current pressures being faced. However, following the recent political turmoil high levels of uncertainty exist within this market.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER continued

In summary, volatility within world markets driven by supply constraints, rising inflation and the Russian conflict in Ukraine, have increased the possibility of a global recession and creates some uncertainty over future longer-term market conditions. However, our high volume of work-on-hand together with a solid forward-looking pipeline means WBHO is well set for the short and medium term.

APPRECIATION

During a time of immense change, our people have been steadfast in delivering value safely and sustainably. "Rely on our ability" is more than just a motto – it is our promise to our clients and stakeholders as we fulfil their ambitions through the construction of their projects.

Our employees, who represent the heart of our business, continue to commit themselves to deliver value for our clients. Their passion, resilience and focus have been inspiring during this time. I would like to express my gratitude to them. The management team and Board have provided me with invaluable support as we have worked to collaboratively steer WBHO to greater heights in line with our values.


The continued support of our sub-contractors, suppliers and clients, and the professional consulting teams, remains invaluable, and I am thankful for our relationships on this front.

Wolfgang Neff

Chief Executive Officer



OPERATIONAL REPORTS



BUILDING AND CIVIL ENGINEERING

REVENUE

2022: 7 498m

2021: 7 900m

OPERATING PROFIT

2022: 342m

2021: 320m

OPERATING MARGIN

2022: 4,6%

2021: 4,1%

CAPITAL EXPENDITURE

2022: 21m

2021: 9m

PROJECTS NEGOTIATED

2022: 33%

2021: 24%

EMPLOYEES

2022: 1 458

2021: 1 788

RETRENCHMENTS

2022: 172

2021: 399

TRAINING SPEND

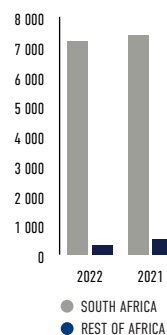
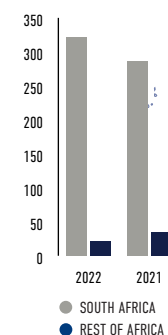
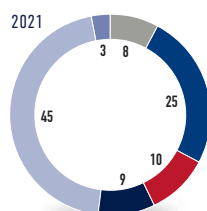
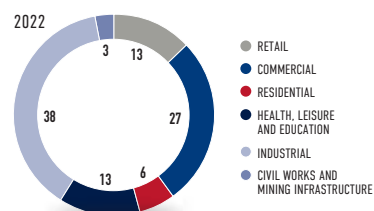
2022: 37,0m

2021: 45,8m

LTIFR

2022: 0,25

2021: 0,53

REVENUE
(Rm)OPERATING PROFIT
(Rm)*REVENUE BY SECTOR
(%)

The year in perspective

Overall revenue decreased by 5%

- FY2021 revenue was supported by deferred revenue from FY2020, as projects recommenced after Covid-19 hard lockdowns
- 3% decrease in South Africa
- 40% decrease in the rest of Africa with reduced activity in Mozambique and Zambia

Operating profit improved by 7% alongside an improved margin of 4,6% compared to 4,1% in the preceding reporting period

- South Africa 4,4% (FY2021: 3,8%)
- Rest of Africa 6,9% (FY2021: 7,1%)

The overall headcount for the division decreased from 1 788 to 1 458, following the retrenchment of 172 permanent staff over the period. A total of 142 retrenchments took place in the rest of Africa, due to the suspension of works on Total's gas project in Mozambique and reduced building as well as civil engineering activity in Zambia.

Capital expenditure increased to R21 million from R9 million in FY2021, a year in which expenditure was limited to critical items.

Face-to-face training resumed cautiously over the year as the impact of Covid-19 was contained, hence training investment within the division decreased from R46 million to R37 million.

In the current period, the division matched its record LTIFR of 0.25 improving over the LTIFR of 0.30 achieved in FY2021. Lost-time injuries (LTIs) decreased from seven to six from 24 million hours worked. Four of the six LTIs were suffered by subcontractor employees and the division continues to intensify its monitoring of subcontractor HSE systems and compliance. Regrettably, one subcontractor employee suffered a fatal injury.

OPERATIONAL REPORTS CONTINUED

BUILDING AND CIVIL ENGINEERING CONTINUED

Building

Revenue decreased by 4%

Industrial buildings, distribution centres and data centres remained strong sources of work with further opportunities in forward-looking pipeline

Commercial and residential developments continue to contribute positively toward activity

In Gauteng, activity levels were consistent with those achieved in FY2021 and margins improved

→ Industrial building and warehousing sector contribute over 50% of revenue

→ Award of several projects in excess of R1 billion within residential and commercial office sectors

Despite a 9% decrease in revenue, stable results were achieved within coastal regions

New projects commenced in Botswana and Lesotho supporting activity in the rest of Africa

Ghana remains quiet

The division performed well across all regions and experienced a noticeable improvement in procurement activity over the second half of the year, resulting in a substantial increase in order book levels. Building activity which declined by 3,9%, would have likely been in line with that of the prior year had it not been for the well-publicised suspension of the River Club.

In Gauteng, activity levels were consistent with those achieved in FY2021 and margins improved. The industrial building and warehousing sector remained a strong source of activity in the region, with revenue from this sector comprising 52% (FY2021: 51%) of overall activity. Revenue from commercial office and mixed-use developments declined by 17% as various projects from within the sub-R250 million market of this sector were completed. Despite this decrease, the sector comprised 26% of activity in the region as 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 contributed strongly toward activity. Retail activity in the region remains subdued with no new projects secured from this sector during the period.

The increase in online activity since the onset of Covid-19 and a trend toward cloud storage solutions by corporates, has resulted in significant demand for data storage facilities. During the period, the division was awarded a new data centre for Vantage Data Centres on a design and construct basis that was executed, commissioned, and handed over within 10 months. The successful completion of this project represents an important addition to the division's skill set as this sector is set to become a strong source of future activity.

Already, an additional data centre project has been secured just prior to the end of the period. The division was also awarded, and commenced, a residential project of more than R1 billion at Steyn City in the second half of the financial year.

Despite a 9% decrease in revenue, the division delivered stable results from the coastal regions. In the Western Cape, the division performed well in the region. Construction of the River Club commercial offices and the Harbour Arch mixed-use development underpinned activity alongside various residential and student accommodation projects. In the Eastern Cape, activity tapered off in line with expectations, particularly within the industrial and warehousing sector following the completion of several projects in the first half of the year. Construction of the Boardwalk Mall was the primary driver of activity in the region, supported by two projects at the Nelson Mandela University and other smaller retail projects.

The division produced increased revenues in KwaZulu-Natal (KZN) supported by the ongoing construction of the large-scale Oceans mixed-use development in Umhlanga and various warehousing projects secured in the second half of FY2021. In the rest of Africa, the refurbishment of a hotel in Lusaka, Zambia was completed in December 2021. The long-awaited award of the accounting college in Botswana finally materialised and contributed towards activity in the second half of the year.

The division also commenced construction of the Polihali Village for the Lesotho Highlands Development Agency which comprises permanent housing, a visitors' lodge, school, recreational centre, and sports facilities.

Civil engineering

Revenue decreased by 16%

→ The division was unable to fully replace suspended gas-infrastructure works in Mozambique

→ Mining, energy, and water infrastructure projects alongside marine work supported 11% growth in South Africa

Operating profit levels were maintained despite lower volume of work following the settlement of claims in Mozambique

The forward-looking pipeline for the division remains healthy with good opportunities for mining infrastructure and renewable energy projects, particularly wind farms

Activity in Mozambique could resume in 2023

Revenue from the Civil engineering division declined by 16% as the division struggled to fully replace the suspended LNG gas infrastructure contract in Mozambique with local projects. Improved commodity prices and increased opportunities within the renewable energy sector resulted in an 11% increase in activity in South Africa. Two mining infrastructure projects secured in FY2021 that were completed in the current period, were replaced with a new project at the Two Rivers Platinum mine, secured late in the financial year. Construction at the 147MW Roggeveld wind farm was also completed.

Other significant projects include the re-access works at Kusile which is expected to reach final completion in FY2023, the ongoing construction of a 158m diameter concrete reservoir with associated pipework and valve chambers in joint venture with VRP partner, Motheo Construction, and marine, civil, and electrical engineering works for the construction of a new tug jetty at the port in Ethekwini. In Zambia, procurement activity within the mining sector remains negligible following various political interventions highlighted in previous reporting periods' reports. Work from other sectors is also muted and the division is evaluating its continued presence in the region.

DRD COMMERCIAL OFFICES

New 85 610m² offices for the Department of Agriculture, Land Reform and Rural Development including a four-storey office structure comprising five office blocks above two levels of parking alongside the restoration and memorialisation of heritage structures.



OPERATIONAL REPORTS

ROADS AND
EARTHWORKS

REVENUE

2022: 4 713m

2021: 5 258m

OPERATING PROFIT

2022: 322m

2021: 300m

OPERATING MARGIN

2022: 6,8%

2021: 5,7%

CAPITAL EXPENDITURE

2022: 196m

2021: 77m

PROJECT NEGOTIATED

2022: 11%

2021: 20%

EMPLOYEES

2022: 4 353

2021: 4 288

RETRENCHMENTS

2022: 265

2021: 369

TRAINING SPEND

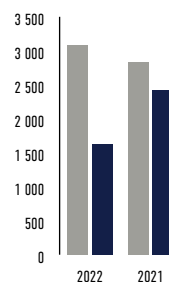
2022: 21,5m

2021: 23,9m

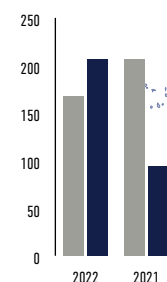
LTIFR

2022: 0.33

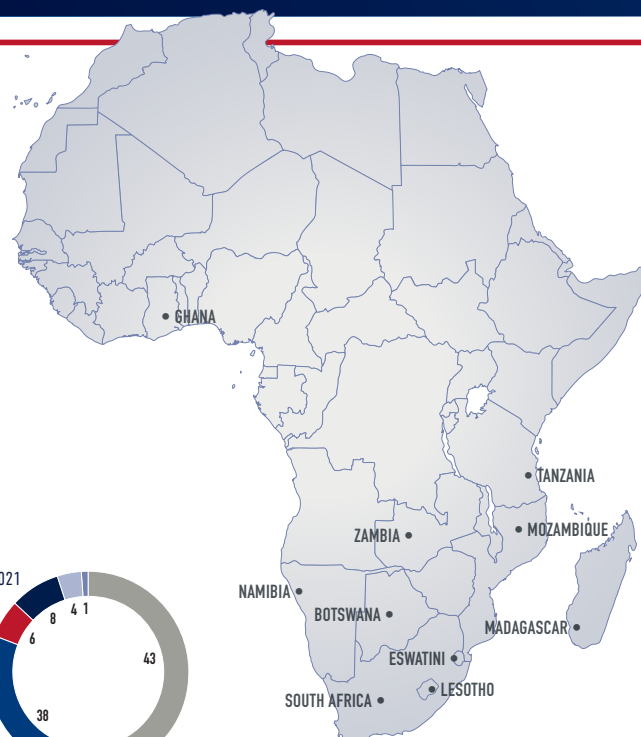
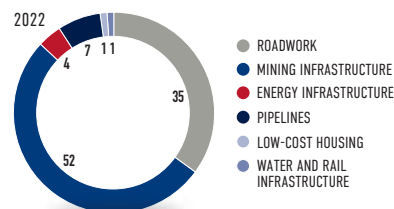
2021: 0.48

REVENUE
(Rm)

● SOUTH AFRICA
● REST OF AFRICA

OPERATING PROFIT
(Rm)*

● SOUTH AFRICA
● REST OF AFRICA

REVENUE BY SECTOR
(%)

● ROADWORK
● MINING INFRASTRUCTURE
● ENERGY INFRASTRUCTURE
● PIPELINES
● LOW-COST HOUSING
● WATER AND RAIL INFRASTRUCTURE

The year in perspective

Revenue decreased by 10% (FY2021: Increase of 6%)

- 9% increase in South Africa
- 33% decline in activity from the rest of Africa

Operating profit increased by 7%

- 23% increase in South Africa
- 6% decline in activity from the rest of Africa

Improved operating margin at 6.8% (FY2021: 5.8%)

Revenue from the Roads and Earthworks division decreased by 10% over the comparative period while the operating margin improved from 5,8% to 6,8%.

The overall headcount for the division increased by 65 people from 4 288 to 4 353. This comprised an increase of 67 employees in South Africa alongside only 12 retrenchments during the year. In the rest of Africa, staff numbers increased by 61 employees while at the same time, 253 retrenchments took place. Further retrenchments were necessary in Mozambique due to low levels of work, while increased activity in Ghana over the second half of the year and the division's re-entry into Tanzania required new appointments. The strong growth in order book levels has necessitated a renewed focus on recruitment and the division will continue to grow capacity over the course of FY2023.

Following a strict curtailment of capital expenditure in FY2021 aimed at conserving cash reserves during a time of increased uncertainty over future activity levels, in FY2022 the acquisition of new plant normalised resulting in a spend of R196 million.

OPERATIONAL REPORTS CONTINUED

ROAD AND EARTHWORKS CONTINUED

The division carefully monitors the age and composition of its fleet of plant and a capital expenditure budget of R342 million has been approved for FY2023 in order to ensure all necessary replacements and strategic new items of plant are provided for to meet the division's operational requirements.

The LTIFR improved from 0.48 to 0.33 this year. The number of LTIs decreased from seven to five alongside a decrease in the number of man-hours worked from 15 million to 13 million. There were no fatal injuries experienced in the current reporting period.

Training investment decreased from R24 million to R21 million.

South Africa

Revenue growth underpinned by strong uptick in mining infrastructure activity

→ Existing projects on-hand for most major mining houses

Overall volumes of road work sustained

→ Strong growth within road rehabilitation and asphalt and bitumen supply businesses

Anticipated growth in new road construction impacted by cancellation and delayed award of large-scale Sanral projects

Energy infrastructure and pipeline construction continue to contribute well

Operating margins improved due to increased contribution from private sector mining infrastructure projects

Revenue generated in South Africa increased by 9% over FY2021 following a strong uptick in activity from mining infrastructure projects as the improvement in commodity prices continues to support new capital expenditure programmes from the major mining houses. Existing projects for Seriti Coal, Kumba Iron Ore, a subsidiary of Anglo American and South 32 were complemented by new tailings facilities for Harmony at Kareerand and Goldfields at Doornpoort, a new contract for Anglo Platinum that is part of the Mototolo and Der Brochen life extension project and additional works for Kumba Iron Ore at the Kolomela mine.

The division continued to execute a sizeable volume of roadwork projects where a decline in road construction projects was offset by strong growth within Roadspan, the division's road surfacing, road rehabilitation and asphalt and bitumen supply business. Further delays by SANRAL in the award of some large-scale road projects on which the division was competitively positioned, followed by their ultimate cancellation, had a significant impact on anticipated revenue from the road sector for the current period.

Within the energy infrastructure sector, the successful completion of the FAD 6 project cemented the division's relationship with Sasol and supported the award of new projects in both South Africa and Mozambique. Work at the Camden power station for Eskom was also completed in the period. Turnkey solutions that offer clients both civil engineering and pipeline construction services on select projects continued to underpin pipeline activity with work centred at various mining, water and energy infrastructure sites. In the period, the division completed the pumping system for the tailings facility at the Two Rivers Mine and the replacement of water pipelines between Rooi-El's and Hermanus in the Western Cape.

Rest of Africa

Decline in activity primarily due to suspension of LNG projects in Mozambique that were unable to be fully replaced

Activity in Botswana consistent with prior period

Improved outlook for Ghana with sizeable new projects secured in the second six months of the year

Diversification into Tanzania following decreased activity in Mozambique

Operating profit decrease by 6% due to lower volume of work executed

Improved operating margin following settlement of termination and suspension claims in Mozambique

Revenue from the rest of Africa decreased by 33% and was centred in Mozambique, where the division was unable to replace the sizeable revenues generated from the large-scale gas infrastructure projects suspended in FY2021. In the rest of Africa, revenue from Botswana remained consistent with the comparative period supported by activity

on the copper and diamond mines. The roadwork project in Swaziland and the advanced infrastructure project in Lesotho were both completed during the current period. In Mozambique, the division was unable to replace activity related to various LNG gas infrastructure projects for Total, that were either suspended or terminated in FY2021. The enhanced outlook for the mining sector supported activity in Ghana and although revenue in FY2022 was in line with the prior period, new awards in the second half of the financial year will strengthen future activity in the region.

The division's diversification into Madagascar last year was hampered by several unpredictable setbacks in the first half of the reporting period. Site conditions and productivity improved over the second half of the year and the scope of works has been increased. Although this will likely remain a challenging project until completion, there are prospects of a recovery. The division re-entered Tanzania this year in search of replacement work for the drop-off in activity in Mozambique. International mining houses in the region have welcomed the support provided by the division to existing citizen-owned contractors to improve productivity, allowing for larger projects to be bid upon either in partnership or through newly formed citizen-owned businesses in which the division participates.

CAMDEN POWER STATION

Construction and commissioning of the ash slurry and ash return water piping and installation of 700 000m² of HDPE liner forming part of the Camden ash handling plant upgrade.



OPERATIONAL REPORTS CONTINUED

UNITED
KINGDOM

REVENUE

2022: 4 210m

2021: 5 509m

OPERATING PROFIT

2022: 158m

2021: 262m

OPERATING MARGIN

2022: 3,8%

2021: 4,8%

CAPITAL EXPENDITURE

2022: 10m

2021: 9m

PROJECTS NEGOTIATED

2022: 22% (Byrne Group)

2022: 83% (Russell-WBHO)

2021: 6% (Byrne Group)

2021: 75% (Russell-WBHO)

EMPLOYEES

2022: 617

2021: 664

RETRENCHMENTS

2022: 3

2021: 46

TRAINING SPEND

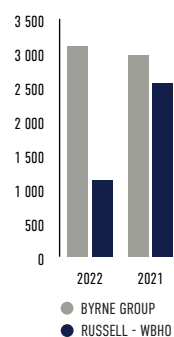
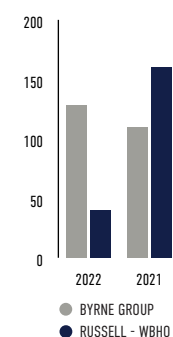
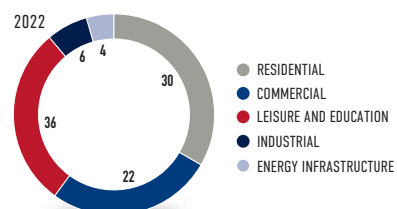
2022: 1,7m

2021: 1,6m

LTIFR

2022: 0,32

2021: 0,75

REVENUE
(Rm)OPERATING PROFIT
(Rm)*REVENUE BY SECTOR
(%)

The year in perspective

Overall revenue from the UK declined by 24%

Operating profit down 40% as volumes decline and margin contracts

The London market improved over the second half of the year

→ Private sector sentiment gained traction with commencing back log of approximately £800 million in tendered projects beginning to unlock

Weak procurement environment persisted in Manchester for most of the year with no new significant projects secured

→ Traditional hotel, residential and commercial office sectors slow to recover

→ Industrial sector offered smaller sized opportunities during the year

Revenue in the UK declined from £5,5 million to £4,2 million in the current year, comprising of a 24% decline in Rand terms and 22% in pound terms. Low levels of work-on-hand at the start of the reporting period, a weak procurement environment in Manchester over the first six months of the year and selective bidding were the primary reasons behind the decrease in activity. Operating profit declined by 40% aligned with the lower activity levels experienced and a lower operating margin within Russell-WBHO in order to preserve the minimum fixed-cost base.

The decline in activity levels within Russell-WBHO necessitated the retrenchment of 40 personnel which comprised the bulk of the overall decrease in headcount of 47 from 664 to 617 employees. The Byrne Group's staff turnover remains below the national average at 8,9% while the WBHO-Russells workforce was significantly impacted by the reduction in its orderbook and reduced to 165 employees. Each of the businesses within the UK prioritised the right-sizing of capacity levels over securing work at low margins and as such margins on projects have been maintained.

OPERATIONAL REPORTS CONTINUED

UNITED KINGDOM CONTINUED

Byrne Group

Revenue increased by 7%

Recovery within Ellmer Construction offset reduced activity in Byrne Bros.

Leisure and residential sectors make up the majority of activities

Supported by smaller, construction-only public sector civil engineering projects in respect of HS2

Strong execution of existing projects resulted in improved operating margin to 4,1%

Strong order book heading into FY2023

The UK operations continue to demonstrate significant improvements in safety performance. The LTIFR declined further this year, from 1.64 in FY2020 and 0.75 in FY2021 to just 0.32 in FY2022 which is now comparable with those of the African operations. This illustrates the commitment by the safety teams in the region to further align its management processes with those of the overall Group.

Revenue from the Byrne Group increased by 7% from £143 million to £153 million this year, where reduced activity within Byrne Bros. was offset by a rejuvenated performance from Ellmer Construction following the award of the £68 million Marylebone Hotel project and the £21 million Stoke Park project during the reporting period. The increased activity within Ellmer was in line with expectations as revenue returned to pre-pandemic levels following the consolidation of the business over the course of FY2021.

In the current environment, the operating profit of £6.5 million achieved at a margin of 4,1% represents a praiseworthy performance when compared to the operating profit of £5.4 million achieved in FY2021 at a margin of 3,8%. Current projects for Byrne Bros. include, Elephant park a residential scheme for Lend Lease, various contracts for HS2 and a new £30 million residential project for Sisk in Wembley. Contracts completed by Byrne Bros. during the year included an energy from waste project in Loughborough, Santander's new headquarters in Milton Keynes, the two high rise towers at Nine Elms and a new distribution centre in Luton for Lidl.

Current projects for Ellmer include the fit-out of Google's new offices in Kings Cross, the fit-out of 18 luxury residential apartments at the Peninsula in Belgravia, the main contract works at the 199-room Marylebone Lane Hotel and 15 high-end residential apartments in Vauxhall. Ellmer completed the refurbishment of the Mansion and Pavilion at Stoke Park during the year.

Subsequent to the reporting period, the Byrne Group acquired the plant yard of O'Keefe Construction, a company specialising in demolitions, along with 11 projects and its staff complement. The Byrne Group is now able to provide clients with a full service offering of demolition, frame construction and fit-out.

Russell-WBHO

Revenue decreased by 55%

→ Project feasibilities affected by rising inflation and supply chain constraints

→ Over £250 million in unawarded tenders

Contract margins maintained at historic levels

Operating profit decreased to £2 million at a margin of 3,6%

WBHO acquired the remaining 10% bringing the its total interest to 100%

Revenue from Russell-WBHO decreased substantially by 55% to £55 million compared to £123 million in FY2021. It was a difficult year affected by the aftermath of the Covid-19 pandemic and very few available projects, as high levels of inflation impacted the feasibility of new developments. Operating profit decreased from £7.7 million last year to £2 million in FY2022 accompanied by a decrease in the operating margin from 6,3% to 3,6%. While contract margins were maintained at historic levels, the low volume of work was insufficient to mitigate the impact of preserving the minimum fixed-cost base required.

Despite the challenging year, Russell-WBHO completed projects with a total value of £165 million over the first six months of the year which is the highest value of handed over projects in a given period in the history of the business. This included projects in the residential, hotel, leisure and office sectors. Current projects comprise the delivery of new and upgraded facilities nationwide for Lineage Logistics and the rolling out

of their UK solar PV installation programme as well as the £43 million conversion of Liverpool's Municipal Building into a luxury 4-star hotel for Fragrance Group and Accor Hotels.

The second half of the year revealed the full of extent of the hesitancy prevailing in the construction markets due to the post Brexit and Covid-19 market conditions, and more recently, geopolitical and other economic factors that have slowed progress on projects valued at more than £150 million that the company is pursuing. This mirrors national trends where independent research found a 23% increase in the time taken for projects to commence due to reappraisals of input costs. Although the labour shortages within the construction sector have not affect Russell-WBHO directly, certain subcontractors and material suppliers have experienced challenges that have the potential to impact productivity on projects.

Reassuringly, several delayed projects within Manchester made positive steps forward in the second half of the year and subsequent to the reporting period, Russell-WBHO was awarded one project and made preferred bidder on a second.

BYRNE BROS ONE NINE ELMS

Construction of two residential skyscraper structures towering 200m and 160m respectively. The taller of the two towers is 58-storeys and will be one of the tallest skyscrapers in London.



ELLMER CONSTRUCTION MARLYBONE HOTEL

Construction of a new 8-storey hotel, containing basement parking 205 guest rooms and suites, an events space, restaurant and a rooftop bar and pool terrace.



RUSSELL-WBHO LIVERPOOL MUNICIPAL BUILDINGS

The conversion of the Grade II listed Municipal Buildings in Liverpool's Dale Street from council offices into a luxury four star, 179 bedroom hotel for international hotel operator Fragrance Group.

OPERATIONAL REPORTS CONTINUED



CONSTRUCTION MATERIALS

REVENUE (Rm)

2022: 1 127

2021: 1 058

OPERATING PROFIT (Rm)

2022: 18

2021: 25

OPERATING MARGIN

2022: 1,6%

2021: 2,4%

CAPITAL EXPENDITURE (Rm)

2022: 3,0

2021: 0,4

EMPLOYEES

2022: 151

2021: 133

RETRENCHMENTS

2022: Nil

2021: Nil

TRAINING SPEND (Rm)

2022: 3,3

2021: 2,4

LTIFR

2022: Zero

2021: Zero

The year in perspective

Revenue increased by 6% driven by increased input costs
Competitive pricing remains prevalent thus impacting margins
Lower volumes experienced across nearly all branches

Sales volumes decreased by 19% over the previous reporting period with revenue growth of 6% revenue attributable to higher raw material prices. Rising steel prices amid supply-chain constraints caused by the closure of some steel mills for lengthy periods during the year, brought complexity for suppliers, contractors and project owners alike. The price index for steel is a significant contributor toward the overall escalation of construction materials, rising 112,7% over the last 12 months.

The growing demand over recent years for industrial buildings, warehouses and data centres has not translated into growth for long-steel product suppliers due to the lower steel content required for these types of projects. Reinforcing Mesh Solutions (RMS) has maintained its focus on the cash sales market to counteract the effect of fewer traditional building contracts.

The increased order books of the construction divisions of the Group, particularly within the commercial building, residential, roadwork and renewable energy sectors should support an improved outlook for the business in FY2023.

VSL Construction Solutions (VSL), which provides post-tensioning for concrete slabs alongside concrete repair services produced a solid performance delivering topline growth and a turnaround in profitability in what has been an exceptionally competitive market. Pricing within the market has been at unsustainable levels for some time, evidenced by the business failure of a key competitor in the Gauteng region during the year.

The business has persevered through this period and is well positioned to take advantage of improving market conditions with fewer participants.

The workforce of the construction materials businesses increased from 133 to 151 following the appointment of staff by VSL. The LTIFR also increased from zero to 0.79 in the current period due to a single LTI from 1.3 million man-hours worked.



ORDER BOOK AND OUTLOOK

The order book for continuing operations increased by 43% from R15,6 billion to R22,2 billion and highlights the much-improved procurement environment across all regions and divisions. The order book for the African operations increased by 39% which comprises a 33% increase in the order book in South Africa and a 116% increase in the order book for the rest of Africa. Following a difficult procurement environment in the UK over the last 18 months, activity improved noticeably over the second half of FY2022.

GROUP ORDER BOOK

R22 BILLION
UP 43%

92% OF FY2022 REVENUE
SECURED FOR FY2023

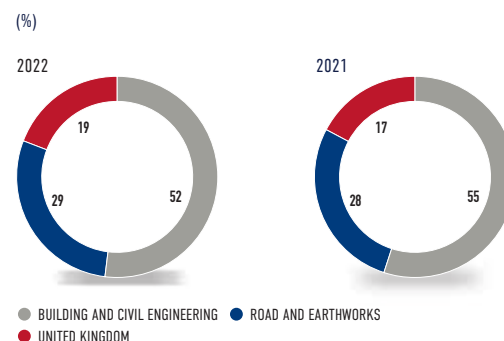
39% INCREASE IN
AFRICAN ORDER BOOK

UK ORDER BOOK UP 58%

R5,2 BILLION
IN FURTHER IMMINENT AWARDS

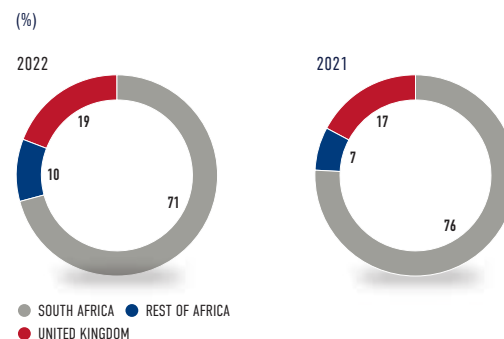
Order book by segment

Rm	At 30 June 2022	12 months to 30 June 2023	Beyond 30 June 2023	At 30 June 2021
Building and civil engineering	11 540	7 804	3 736	8 558
Roads and earthworks	6 400	3 820	2 580	4 312
United Kingdom	4 270	4 250	20	2 699
Total	22 210	15 874	6 336	15 569



Order book by geography

Rm	At 30 June 2022	12 months to 30 June 2023	Beyond 30 June 2023	At 30 June 2021
South Africa	15 786	10 181	5 605	11 853
Rest of Africa	2 154	1 443	711	1 017
United Kingdom	4 270	4 250	20	2 699
Total	22 210	15 874	6 336	15 569



Africa

South Africa

- Order book up by 33%
- Noticeable improvement in procurement activity over H2:2022
- Building and civil engineering order book up 32% and Roads and earthworks order book up 37%
- Strong pipeline for renewable energy projects
- Tenders submitted for several large-scale public infrastructure projects across building, road, health and energy sectors and although timing remains uncertain

Rest of Africa

- Work-on-hand increased by 116%
- Increased activity from the mining sector is driving growth
- Renewed baseload of work in Ghana
- Re-entry into Tanzania
- Improved security environment in Mozambique may result in the large-scale gas project resuming in 2023
- New gas-infrastructure projects awarded at Temane and Pande gas fields in Mozambique
- Citizen-owned companies in place to meet localisation requirements
- Building work centred in Lesotho and Botswana in FY2023

United Kingdom

- UK order book increased by 58%
- Growth underpinned by new awards and strong secured order book within the Byrne Group
- In Manchester, delayed projects gained traction and new project enquiries picked up
- Russell-WBHO named as a partner contractor for the Associated British Ports framework for projects in North West England and Scotland
- Noticeable shift toward residential sector following project awards within Byrne Bros. and recovery of Ellmers order book
- Commercial and hotel sectors remain under pressure due to prevailing economic environment
- Industrial sector and civil engineering projects, specifically HS2, continue to offer opportunities

ORDER BOOK AND OUTLOOK continued

Building and Civil engineering

	% Growth	At 30 June 2022	At 30 June 2021
South Africa	32	11 018	8 360
Rest of Africa	164	522	198
Total	35	11 540	8 558

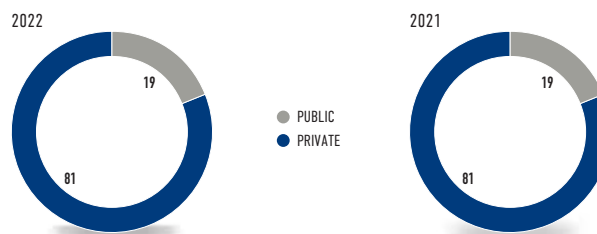
The improvement in available construction opportunities within local building markets over the reporting period alongside the award of a number of large-scale projects strengthened Building order book levels at 30 June 2022.

The Gauteng and Western Cape regions have a solid baseload of work extending well into FY2024 and although general market conditions remain competitive, a more selective approach can now be adopted when considering future opportunities. The forward-looking pipeline remains robust with further large-scale projects including PPPs in the process of adjudication.

In Gauteng, the award of several projects in excess of R1 billion has reduced reliance on procuring work from the sub-R250 million market. Nonetheless, four new commercial office developments and a student accommodation development of less than R250 million were secured during the period. The division will continue to target projects from this sub-sector for key clients. Significant awards supporting future activity in the region, include a new 165 000m² distribution warehouse for the Fortress Group for whom Pick n Pay will be the tenant, the large-scale residential development at Steyn City and extension and refurbishment of the head office of the South African Reserve Bank. The division has been awarded a new data centre for Africa Data Centre which together with the successful completion of the Vantage Data Centre in Midrand has presented the division with further prospects in this market.

In the Western Cape, the award of four new office developments for various clients, including the Investec regional head office, a new retirement village in Stellenbosch, two student accommodation developments and a project for the Western Cape Education

PUBLIC VS PRIVATE (%)



Department, will complement the ongoing construction of the large-scale Harbour Arch residential development expected to reach completion in FY2023. The River Club mixed-use development, for which Amazon is the tenant, may potentially resume activity toward the end of the 2022 calendar year. Both the Harbour Arch and River Club projects have the potential for further phases of construction. Market conditions in the region remain competitive and existing relationships remain crucial when bidding for and negotiating new work. Similar to the Gauteng building market, data centres have emerged as a future source of activity in the region.

Trading conditions within the KZN building market are challenging. Construction of the retail phase of the Oceans mixed-use development in Umhlanga will continue into FY2023. Industrial property, in particular warehousing and logistics facilities, have proven to be resilient in the region and five new projects with a combined value in excess of R650 million were secured from this sector during the period. The division is targeting further opportunities at the Clairwood industrial park as well as unfolding projects from a new R6 billion industrial park development. A residential development and a retail project make up the balance of new work to be executed in the region during the next financial year.

Rebuild opportunities from the July 2021 unrest still exist alongside select retail and healthcare prospects. Following two exceptional years of strong activity in the Eastern Cape, order book levels in the region have normalised, yet remain healthy. New sizeable awards supporting activity in FY2023 comprise a cold storage facility at Coega and a residential development in Gqeberha. The forward-looking pipeline in

SECTOR SPREAD (%)



the region strengthened over the second half of the reporting period and while industrial opportunities have quietened, good prospects exist in the retail, hotel and social housing markets.

In FY2023, building work in rest of Africa will be centred in Lesotho and Botswana. Opportunities exist in Ghana and Botswana with further prospects available in Rwanda, Kenya and the Democratic Republic of Congo. The division will continue to adopt its conservative risk appetite when evaluating and bidding on any new projects in these regions.

The order book of the Civil engineering division has stabilised, supported largely by new projects secured from the mining infrastructure sector in South Africa. Work within the mining infrastructure, water infrastructure, marine and renewable energy sectors will support activity into FY2023. Each of these sectors offer additional opportunities for new work to be secured later in the year as well as supporting the longer-term pipeline. The security environment in the north of Mozambique is believed to have improved, although sporadic incidents continue to occur. Interactions with the client indicate that activity on the gas project may resume in the first half of 2023. In Zambia, the anticipated revival of the procurement environment has not materialised and the outlook remains subdued.

ORDER BOOK AND OUTLOOK continued

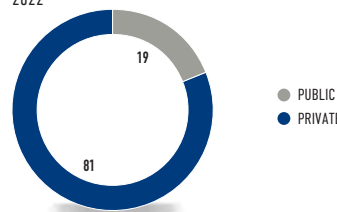
Road and earthworks

	% Growth	At 30 June 2022	At 30 June 2021
South Africa	37	4 768	3 493
Rest of Africa	99	1 632	819
Total	48	6 400	4 312

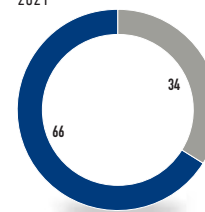
PUBLIC VS PRIVATE

(%)

2022



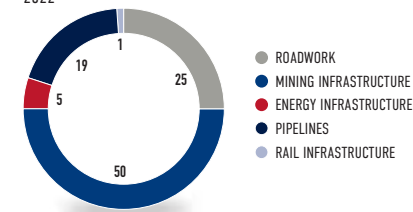
2021



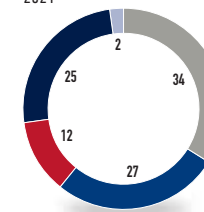
SECTOR SPREAD

(%)

2022



2021



The Roads and earthworks division grew its order book by 48%. The division has developed a strong baseload of mining infrastructure work in South Africa with scope for additional work on existing projects as well as other new work prospects. Within the roadwork sector, the division has submitted bids on SANRAL projects to the value of more than R28 billion, offering strong mid-term opportunities. However, of these projects approximately R14 billion have required extensions to the tender validity for on average nine months, thus creating significant uncertainty over the timing of awards and the ability to effectively allocate resources.

In the meantime, the division is active on projects along the N2 in the Eastern Cape with additional prospects in the region. Roadspan has a firm order book and a promising pipeline for mid-sized road surfacing and rehabilitation projects. The pipeline of energy infrastructure projects is positive. The division has submitted bids for new work on two power stations and has other opportunities for the civil engineering components of wind and solar farms in the renewable energy market.

In Botswana, activity will remain concentrated on the copper and diamond mines where the division has a proven track record and strong relationships with existing clients. There are sufficient mining infrastructure projects available to sustain future activity at current levels, however, the division is exploring prospects in Namibia in order to diversify from the cyclical nature of the Botswana construction market.

Following the suspension and termination of the gas-related infrastructure works at Afungi, in northern Mozambique, the division targeted new mining infrastructure opportunities in Tanzania, supported by renewed activity on the gold mines in the region and a friendlier approach to foreign contractors by the new political regime. The division has partnered with citizen-owned companies in Tanzania and was recently awarded projects on the Geita Gold mine for Anglogold Ashanti.

The division is also forging new relationships on additional mines in the region. The division recently secured three new projects for Sasol at the Temane and Pande gas fields in the south of Mozambique, which in addition to the possibility of the suspended gas-related infrastructure works resuming in the second half of FY2023, will reinforce renewed activity in the region.

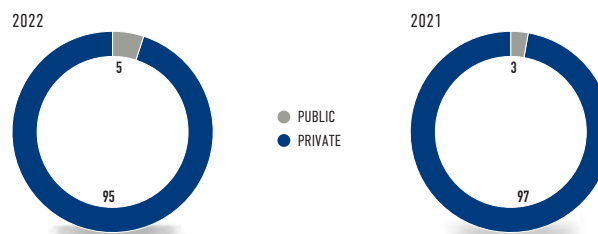
In West Africa, the award of two new tailings storage facilities at the Ahafo and Iduapriem mines in the second half of FY2022 will result in increased activity in Ghana in FY2023 and place the division in a good position to secure additional phases of work on these mines. Subsequent to the end of the reporting period the division secured an exciting large-scale rail rehabilitation contract for Arcelor Mittal at its Liberia mining project and is in further negotiations with them for construction of a tailings facility and waste management plant at the same location.

ORDER BOOK continued

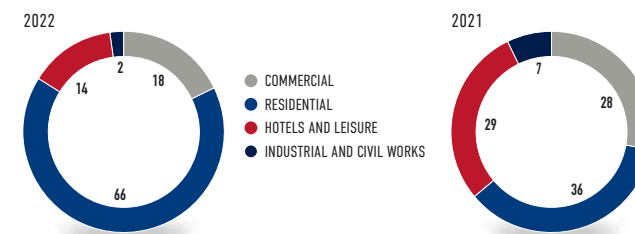
United Kingdom

	% Growth	At 30 June 2022	At 30 June 2021
Byrne Group	68	3 541	1 659
Russell-WBHO	(30)	729	1 040
Total	58	4 270	2 699

PUBLIC VS PRIVATE (%)



SECTOR SPREAD (%)



The UK order book increased by 58% at 30 June 2022 underpinned by new awards within the Byrne Group.

Byrne Bros. has a strong secured order book which includes completing superstructure works at Google's Headquarters, concrete works for the Atomic Weapons Establishment (AWE) project at Mensa, a new residential project in Elephant and Castle and an office development in Kings Cross. New awards secured during the period comprise three projects related to the large-scale High Speed Rail project, an additional project for AWE and two towers for a residential project at Wembley Park. The forward-looking pipeline remains healthy with the pending award of several delayed projects likely to further support activity levels in FY2023 and FY2024. Byrne Bros. has been awarded a pre-construction agreement for the North London Heat and Power plant worth £65 million. Byrne Bros. has successfully diversified its sector and client base to ensure resilience against challenging market conditions and provide a stable platform for future growth.

Within Ellmer Construction, the secured order book for FY2023 includes the completion of the residential apartments at the Peninsula, the Marylebone Lane Hotel, the balance of the Google contract and the Vauxhall apartments. The estimating team is extremely busy and having recently been made the preferred contractor on £66 million hotel contract called The Other House, is being more selective on new opportunities. The London and South-East construction market will remain the principal focus of the business with continued opportunities in our core strength areas of high-end residential, hotel and commercial developments.

In Manchester, project enquiries have picked up in recent months and the estimating department has increased capacity in order to meet demand. Enquiries are also developing into real opportunities, rather than clients testing the market. The rising escalation on projects remains an issue that clients are grappling with, however the supply chain has adapted well. During the period Russell-WBHO received a letter of intent for a £10 million care home project as well as the £10 million, Doncaster project. A notice of appointment was also received for the Supercomputer Centre valued at £28 million. Subsequent to the reporting period, the Manchester Markets project valued at £17 million was awarded. These projects will all commence in FY2023. A further imminent award is the Whitworth Street residential apartments valued at £80 million where pricing has been accepted by the client and project commencement is subject only to final funding approval. Russell-WBHO has been named as a partner contractor for the Associated British Ports framework for projects in North West England and Scotland, which is part of a five-year, £415 million building programme at its 21 ports around the country. With further frameworks expected to be announced, this is expected to be a growing source of projects for the business over the medium term.



MESSAGE FROM THE CHIEF FINANCIAL OFFICER



**RECORD ORDER BOOK LEVELS HAVE
SET A STRONG FOUNDATION FOR
RESTORING FINANCIAL STABILITY**

CHARLES HENWOOD

CHIEF FINANCIAL OFFICER

“The Board’s announcement to discontinue any further financial assistance to the Australian operations marked a significant turning point for the future of WBHO. I’m certain that the Board made the right decision for the majority of our stakeholders, however, there are some that have been negatively affected. It was critical that we secured the longevity of the continuing operations through the ongoing support of local and UK-based financial institutions and guarantee providers, while proactively managing our exposure and commitments in Australia. I believe that the progress we have made over a relatively short period of time, should allow for the finalisation of an orderly exit from Australia.”

FINANCIAL ASPECTS OF THE DECISION AND THE IMPACT OF THE DISCONTINUED AUSTRALIAN OPERATIONS ON OUR PERFORMANCE

Prior to the announcement to withdraw further financial support to the Australian operations, approximately R2 billion in equity funding had been provided from South Africa to recapitalise the Australia balance sheet, alongside significant parent company support for guarantee facilities. Following recurring material losses from our primary operating businesses in Australia, guarantee providers were seeking further parent company support for the renewal of these facilities. The extent of the funding provided, when combined with the increased balance sheet exposure necessary for the Australian businesses to continue to operate and a highly uncertain business climate, presented too great a financial risk to the wider Group and its stakeholders.

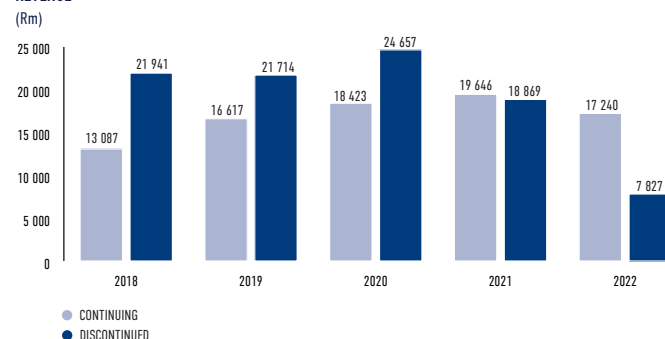
At the time that the Australian operations were placed into voluntary administration, the South African parent company had exposure to guarantees still in issue under the Commonwealth Bank of Australia

(CBA) facility of A\$119 million. In addition, we had issued a parent company guarantee for the performance obligations of WBHO Infrastructure (WBHOI) in relation to the Western Road Upgrade project (WRU). Although WRU reached commercial acceptance in October 2021, WBHOI had continuing performance obligations up until the expiry of the defect liability period.

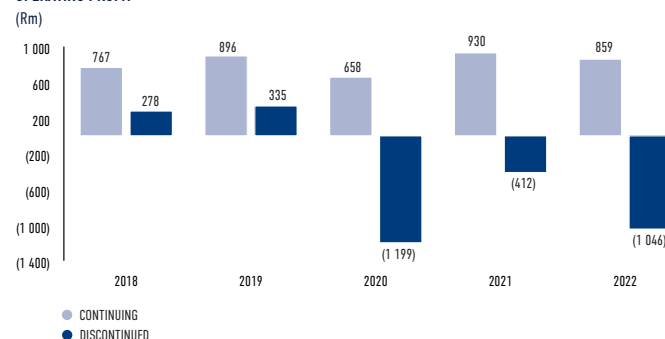
Subsequent to the commencement of administration proceedings, the Group actively engaged with certain clients, sureties and the Administrator to fulfil the obligations of the Australian Group under the parent company support provided and to limit, as far possible, the accompanying financial exposure. At 30 September 2022, guarantees to the value of A\$71 million had been called under the CBA facility and we were able to settle this amount from existing cash reserves. The Group has successfully negotiated the return of guarantees to the value of A\$38 million which we anticipate should result in a saving of approximately A\$21 million once the cost of recovering the guarantees has been accounted for. Guarantees to the value of A\$11 million still require resolution.

MESSAGE FROM THE CHIEF FINANCIAL OFFICER continued

REVENUE



OPERATING PROFIT



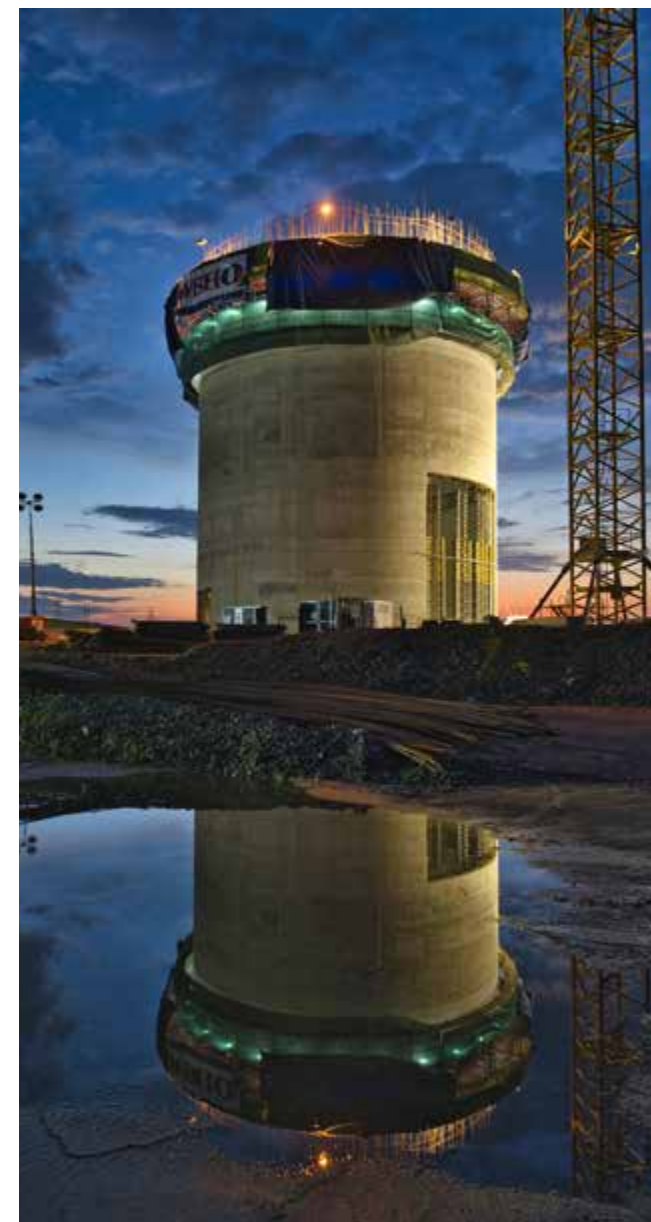
The loss from discontinued operations comprises the operating performance of the Australian operations of the Group for the period 1 July 2021 to 31 January 2022, an impairment of goodwill and the derecognition of deferred tax assets. The loss from discontinued operations for this period amounted to A\$168 million which translates to R1.9 billion. The loss arising from the loss of control of subsidiaries represents the derecognition of the net liabilities of the Australian operations, the derecognition of the non-controlling interests, the recycling through profit and loss of the foreign currency translation

reserve at the date control was lost and the expected cost of the remaining parent company obligations. Included in these obligations are the settlement of guarantees called after the end of the reporting period, a contribution from the Group contracted via the Deed of Company Arrangement amounting to A\$9 million and the anticipated costs to withdraw from the WRU contract which amount to A\$29 million.

Together, the loss from discontinued operations and loss of control of subsidiaries amount to almost R3 billion in the current reporting period with the impact of discontinued operations on earnings attributable to shareholders of the WBHO amounting to a loss of R53.65 per share and on headline earnings amounting to a loss of per share of R49.90.

	Rm
Loss from discontinued operations	(1 922)
Loss from derecognition of net liabilities and non-controlling interests	(46)
Translation of foreign entities reclassified through profit or loss	460
Parent company costs to settle guarantee obligations	(1 485)
Total loss from discontinued operations and the loss of control of subsidiaries	(2 993)

The administration process in Australia also resulted in a qualified audit opinion being issued by the auditors of the Group in respect of certain items pertaining to the discontinued operations. Stakeholders are referred to the "Basis of Qualification" paragraph included in the consolidated annual financial statements for the year ended 30 June 2022 for full details of the items and amounts subject to the qualification. In summary, despite a significant amount of substantive audit work being performed by the auditors of the Group, in their opinion, they were unable to issue an unqualified opinion on the discontinued operations as a whole. It is important to note that the combined loss from discontinued operations and the loss of control of subsidiaries is not misstated. Any increase or decrease to the loss from discontinued operations would have the equal and opposite effect on the loss of control of subsidiaries.



MESSAGE FROM THE CHIEF FINANCIAL OFFICER continued

KEY FINANCIAL STATISTICS AND RATIOS

	2022	2021
Revenue (decrease)/growth (%) Target > 10%	(11.4)	5.6
Operating profit margin (%) Target > 4 – 6.5%	4.7	4.5
Earnings/(loss) per share (cents)		
– total	(4 062.1)	594.2
– continuing	1 301.1	1 293.2
– discontinued	(5 365.2)	(699.0)
Headline earnings per share (cents)		
– total	(3 693.4)	619.5
– continuing	1 297.0	1 321.9
– discontinued	(4 990.3)	(702.4)
Dividend per share (cents)	–	205
Current ratio (times)	1.0	1.1*
Debt/equity ratio (%)	11.2	9.9*
Effective tax rate (%)	30.1	27.4
Return on capital employed (%)	(31.0)	11.8*
Closing share price (cents)	8 088	11 300
Market capitalisation (Rm)	4 844	6 768
Number of employees	6 765	7 110

* Includes Australia.

The condensed financial information included in the accompanying table is extracted from the full audited financial statements of the Group which are available on the Company's website. The financial years 2018 to 2020 include the financial information pertaining to the Australian operations. For financial year 2021 and 2022, the Statement of comprehensive income and cash flow information, the financial information pertaining to the Australian operation is disclosed as a single line item, Discontinued Operations. The Statement of financial position for the 2021 financial year includes balances relating to Australia. The Australian operations were de-recognised with effect from 31 January 2022 and as a result the Statement of financial position for the 2022 financial year includes information relating the continuing operations only. This information is provided for reference purposes when reading this report.

CONDENSED FINANCIAL STATEMENTS

(R'000)	2022	2021	2020	2019	2018
Revenue	17 240 278	19 463 590	43 080 295	40 614 297	35 028 475
Operating profit/(loss) before non-trading items	858 968	929 645	(541 341)	561 235	1 045 397
Non-trading items	(44 769)	(60 827)	(43 986)	(48 394)	(14 535)
Operating profit/(loss)	814 199	868 818	(585 327)	512 841	1 030 862
Profits and losses from equity-accounted investees	100 456	68 873	109 284	51 958	(4 830)
Deemed loss on disposal of equity-accounted investee	–	(8 350)	–	–	–
Net finance income	89 378	67 930	165 851	183 447	168 467
Income tax expense	(285 212)	(273 383)	(197 921)	(199 253)	(351 053)
Profit/(loss) after tax	718 821	723 888	(508 113)	548 993	843 446
Discontinued operations	(2 993 120)	(373 338)	–	–	–
Profit/(loss) for the year	(2 274 299)	355 550	(508 113)	548 993	843 446
Property, plant and equipment	1 562 606	1 763 539	2 054 254	1 936 709	1 883 072
Right-of-use assets	230 613	320 638	406 690	–	–
Goodwill	512 532	1 005 631	1 085 894	921 103	531 117
Equity accounted investees	660 253	885 410	1 105 159	346 916	373 136
Long-term receivables	152 645	265 023	283 598	1 069 822	745 059
Deferred taxation	550 223	797 094	733 583	903 657	667 779
Inventories	420 918	405 600	364 992	–	–
Contract assets	281 448	1 054 546	864 638	1 423 218	1 816 792
Trade and other receivables	4 056 538	6 162 925	6 212 471	6 716 352	6 213 877
Current tax assets	99 941	102 817	199 549	–	–
Cash and cash equivalents	3 339 230	5 680 717	7 599 344	5 951 985	5 992 461
Non-current asset held-for-sale	–	31 200	–	495 066	400 563
Total assets	11 866 947	18 475 140	20 910 172	19 764 828	18 623 856
Shareholder's equity	2 855 039	5 528 779	5 676 447	5 872 186	5 811 639
Non-controlling interests	81 255	96 456	205 173	261 645	207 517
Total equity	2 936 294	5 625 235	5 881 620	6 133 831	6 019 156
Lease liabilities	193 550	273 797	352 336	–	–
Long-term liabilities	152 186	252 115	305 984	193 164	169 718
Deferred taxation	42 522	29 447	27 979	174 131	27 527
Contract liabilities	1 908 312	2 490 026	2 998 037	2 206 511	2 337 660
Trade and other payables	4 137 375	7 505 691	8 912 917	8 627 016	8 293 976
Provisions	2 448 492	2 281 192	2 368 563	2 414 682	1 764 968
Current tax liabilities	48 216	17 637	62 736	15 493	10 851
Total liabilities	8 930 653	12 849 905	15 028 552	13 630 997	12 604 700
Cash flows from:					
Operating activities	957 022	1 314 102	753 780	1 147 906	927 687
Investing activities	(1 630 134)	158 133	138 212	(867 136)	(308 871)
Financing activities	(237 152)	(303 879)	(230 478)	(444 500)	(219 924)
Discontinued operations	(1 587 092)	(2 556 296)	–	–	–

MESSAGE FROM THE CHIEF FINANCIAL OFFICER continued

FINANCIAL REVIEW

Revenue and operating profit from continuing operations by segment

The continuing operations comprising the African and UK businesses delivered a respectable performance in FY2022 when considering the lingering economic effects of Covid-19 that remained present. It was certainly encouraging to see a rebound in procurement activity over the second half of the year alongside the award of some prominent projects we had been tracking for some time.

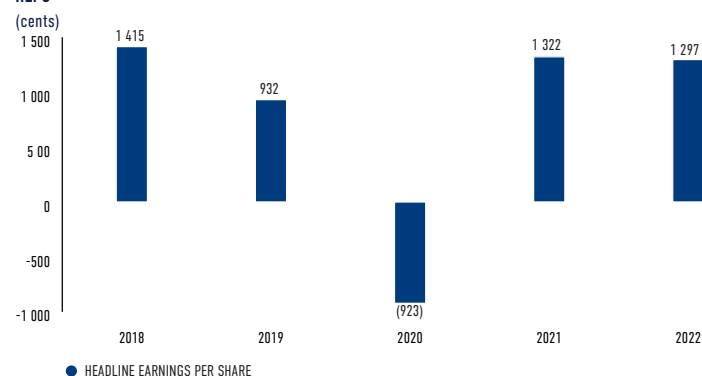
The South African businesses performed particularly well, managing to increase revenue by 1,4% to R11 billion despite the cancellation of some major projects by SANRAL. Although revenue from the rest of Africa declined by 35% to R2 billion, this is in line with historic levels as revenue in FY2021 was bolstered by high levels of activity at various large-scale gas-infrastructure projects in Mozambique prior to them being suspended or terminated. In the UK, notwithstanding the geo-political and inflationary pressure experienced in the second half of the year, work procurement returned to pre-pandemic levels in the London area. The subdued procurement environment prevalent in Manchester in FY2021 persisted in FY2022 where the number of available projects on which to bid reduced substantially. Revenue from the UK operations declined by 24% overall as a result.

The overall segment operating profit from continuing operations declined by 8% from R930 million in FY2021 to R859 million at 30 June 2022, which was essentially due to the lower volume of work executed in the UK. Operating profit from South Africa increased by 5% to R525 million at a margin of 4,7% (FY2021: 4,3%). In the rest of Africa, although profitability decreased from R201 million to R175 million, the margin achieved improved to 8,9% (FY2021: 6,6%) following the resolution of termination and suspension claims in Mozambique.

Earnings per share and headline earnings per share from continuing operations

At 30 June 2022, the Group generated earnings from continuing operations of R13.03 per share compared to restated earnings per share of R12.93 at 30 June 2021. Headline earnings from continuing operations amounted to R12.97 per share versus R13.22 earnings per share in the comparative period.

HEPS



Cash balances and net finance income

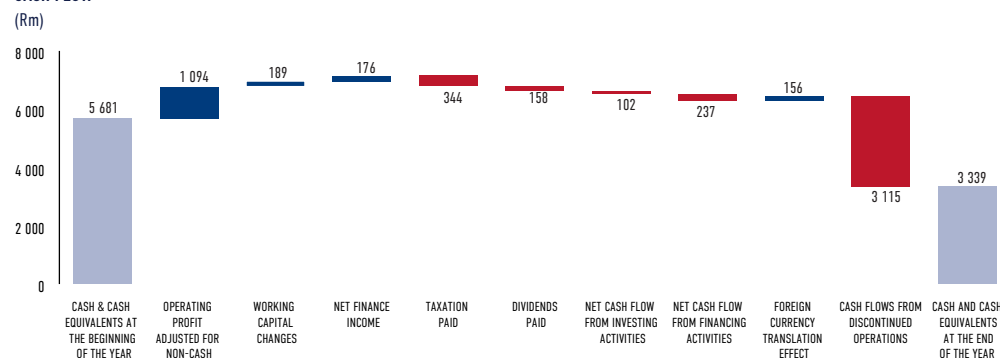
The Group maintained cash balances related to the continuing operations above R3 billion. The cash operating losses and parent company obligations in Australia amounting to R1.3 billion were funded by strong cash operating cash flows from the continuing operations of the Group, limiting the decrease in cash balances in South Africa from R1.5 billion to R1.1 billion.

In total, the Australian operations had a negative cash flow effect on Group cash balances of R3.1 billion in FY2022. This amount comprises cash outflows of R1.6 billion from the Australian subsidiaries of which R414 million was supported by parent company funding from South Africa, the settling of called guarantees by the parent company of R854 million and the derecognition of cash balances amounting to R675 million upon the loss of control.

Net cash outflows from investing activities amounted to R102 million and net cash outflows from financing activities amounted to R237 million, of which R130 million related to the settlement of the final put option from the minority shareholders of Russell-WBHO.

Given the extent of funding into Australia over the last two years amounting to approximately R2.3 billion the Group's has performed admirably to maintain cash balances at current levels and highlights the strong cash generating capability of the continuing operations.

CASH FLOW



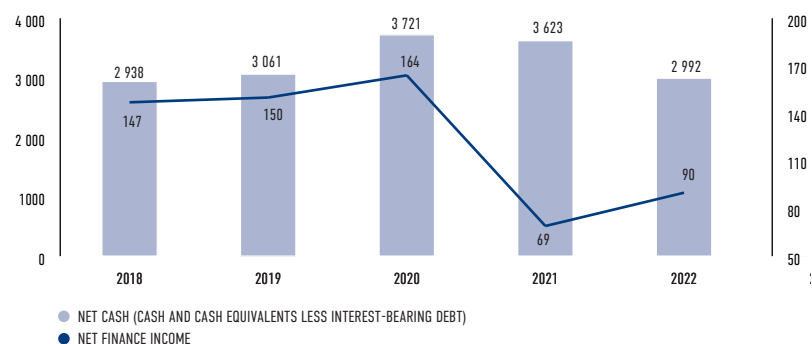
WBHO invests its core and strategic cash in A-rated money market funds with 24 hour liquidity and overnight call facilities with major financial institutions. Finance income earned during the year amounted to R120 million (2021 re-presented: R98 million) while finance costs amounted to R30 million and relate primarily to asset-based financing. The graph below shows cash balances less interest-bearing debt compared to net finance income over the five-year period. Each year has been re-presented to exclude Australia.

MESSAGE FROM THE CHIEF FINANCIAL OFFICER continued

The graph illustrates that the African and UK operations have improved their cash position over time, with the decline in FY2022 primarily due to funds being sent to Australia. The decline in net interest income is attributable to the reduction of interest rates in South Africa in FY2020/2021 due to Covid-19 as interest earned on cash deposits reduced by R86 million.

NET FINANCE INCOME VS NET CASH

(Rm)



Income tax expense and tax balances

WBHO adopts a practical and ethical tax structure, employing both dedicated internal tax professionals as well as making use of suitable specialist tax consultants to ensure the Group is able to meet its tax obligations across all tax jurisdictions.

The total tax charge for FY2022 amounted to R285 million at an effective tax rate of 31%. The African operations accrued R255 million toward the tax collections of various revenue authorities at an effective tax rate of 34% while in the UK, tax of R30 million was provided for.

The current tax asset of R100 million consists of tax refunds due of R85 million (2021: R69 million) and R15 million (2021: R 24 million) in foreign tax credits. Tax liabilities amount to R48 million (2021: R18 million).

The Group has a sizeable net deferred tax asset of R508 million. R465 million (2021 re-presented: R392 million) relates to timing differences where tax profits exceed accounting profit. R43 million relates to deferred tax assets in respect of unutilised tax losses. Deferred tax assets have not been recognised on tax losses in subsidiaries amounting to R137 million (2021: R144 million).

Rm	FY2022	FY2021 re-presented
Net deferred tax asset	508	423
Net current tax asset	52	75

The South African income tax rate has been decreased to 27% for years of assessment commencing on or after 1 April 2022 while the tax rate in the UK had been announced to increase to 25% for years of assessment commencing after 1 April 2023. The relevant deferred tax assets and liabilities were remeasured accordingly as these were the enacted tax rates expected to apply to the period in which the asset is realised or the liability is settled.

Property, plant and equipment

The Group's plant replacement policy is aimed at ensuring an ideal size and age of its fleet. A reliable fleet not only ensures optimal production time but also the safety of staff on site. In recent years the acquisition of plant has been restricted to critical additions and replacements. Looking ahead to FY2023, there will likely be a significant increase in capital expenditure spend which is required to support the growth in the Group's Africa order book.

Rm	Approved 2023	Actual 2022	Actual 2021
Replacement	223	183	51
Expansion	154	58	44
Total	377	241	95

Additions to major plant and equipment amounted to R218 million in the current year. R102 million was acquired from available cash resources while the remainder was funded through instalment sale agreements.

Rm	FY2022	FY2021
Property, plant and equipment	1 563	1 764
Depreciation	146	154*
Right-of-use assets	230	321
Depreciation	53	54*

* Re-presented.

Long-term receivables

Rm	FY2022	FY2021
Mezzanine financing arrangements	229	255
Other long-term receivables	0,5	196
Less: loss allowance	(0,5)	(1)
Less: current portion	(77)	(185)
TOTAL	152	265

The Group provides mezzanine financing to key clients where opportunities exist to unlock developments and procure work. Interest is levied at rates higher than those available from financial institutions and acceptable security is obtained. Due to its parent company commitments in Australia, the Group did not consider any new arrangements this year while R73 million was repaid.

MESSAGE FROM THE CHIEF FINANCIAL OFFICER continued

Interests in associates and joint ventures

Subject to available cash resources, the Group invests in property developments and concession projects to unlock construction opportunities for its operations, while at the same time creating higher-margin income streams. Investments in concession projects create annuity income, while returns on property investments are realised once construction of the development has been completed and transfer of the properties takes place.

The table below sets out the different types of investments undertaken by the Group, amounts invested and loans advanced as well as any profits realised or losses incurred during the financial year:

Entity	Industry	Country	Effective %	Carrying amount		After-tax share of profits and losses	
				30 June 2022 Rm	30 June 2021* Rm	30 June 2022 Rm	30 June 2021* Rm
CONSTRUCTION:							
Edwin Construction	Infrastructure	South Africa	49	67,1	84,1	7,5	8,8
Ilembe Airport Construction Services	Airport construction	South Africa	29,3	–	3,8	–	–
CONCESSIONS:							
Dipalopalo	Serviced accommodation	South Africa	27,7	52,0	53,9	–	–
DFMS Joint Venture	Serviced accommodation	South Africa	14,6	11,3	7,4	3,5	3,1
Tshala Bese Uyavuna (RF)	Serviced accommodation	South Africa	32,5	0,3	0,8	–	–
Gigajoule International	Gas supply	Mozambique	26,6	239,3	202,1	38,4	31,6
Gigajoule Power	Power supply	Mozambique	13	131,7	150,8	43,9	18,7
PROPERTY DEVELOPMENTS:							
Catchu Trading	Residential	South Africa					
Trilogy Phase 1			50	24,3	24,3	–	–
Trilogy Phase 2			50	30,6	30,6	–	–
19 on Loop/Rubik	Residential	South Africa	20	23,2	–	–	–
PROPERTY DEVELOPER:							
Russell Homes Limited	Residential schemes and house builder	United Kingdom	31,7	324,3	226,7	7,2	6,7
Total				904,1	784,5	100,5	68,9
Current portion of loans				(243,0)	–	–	–
Expected credit loss				(0,8)	[0,9]	–	–
Total				660,3	783,6	100,5	68,9

* Re-presented to exclude Australia.

Construction

The Group received cash dividends of R24,5 million from Edwin Construction during the period.

Concessions

During the year, the Group received R8,6 million (2021: R7,1 million) in interest and repayment of the loan to the Dipalopalo Concession. The concession is in its sixth year of operation with the concession ending in 2042. Construction of the new offices for the Department of Rural Development and Land Reform (DRDLR) is progressing well and the Group has a 32,5% interest in the concession company that will provide serviced accommodation to DRDLR over the 25-year concession.

Both the Matola Gas Company and Gigajoule Power continued to perform well in the current year recognising a combined after-tax profit of R82 million. Preference dividends of R29 million were paid during the year alongside an ordinary dividend of R64.5 million.

Property developments and property developers

To date, 369 of the 374 units of Phase 1 of the Trilogy development have been sold. Phase 2 of Trilogy remains on hold.

Russell Homes has been subject to the slowdown in economic activity in Manchester over the course of the last two years. Nonetheless current developments produced revenue of £22,5 million compared to £15 million in FY2021 and profit before tax of £1,1 million. Interest of £569 thousand was paid on loan of £12,4 million from Russell-WBHO.

Long-term liabilities and contingent liabilities

Rm	FY2022	FY2021
Lease liabilities	243	345
Instalment sale agreements	104	99
Other long-term liabilities	244	231
Less: current portion	(245)	(149)
TOTAL	346	526

The majority of the lease liabilities recognised relate to property and vehicles leases in the United Kingdom. Instalment sale agreements relate to plant acquired in South Africa and Africa with a net book value of R127 million (2021: R131 million). Other long-term liabilities within the Group consist of the property development loan of R105 million over the Units on Park student accommodation development in Hatfield, Tshwane and the present value of R96 million in respect of the remaining instalments of the VRP settlement agreement between the Group and the Government of South Africa. In the current year, the Group reached a settlement of R30 million with the City of Cape Town in respect of the litigation over the Greenpoint Stadium payable over three years. The present value of the liability of R27 million has been recognised.

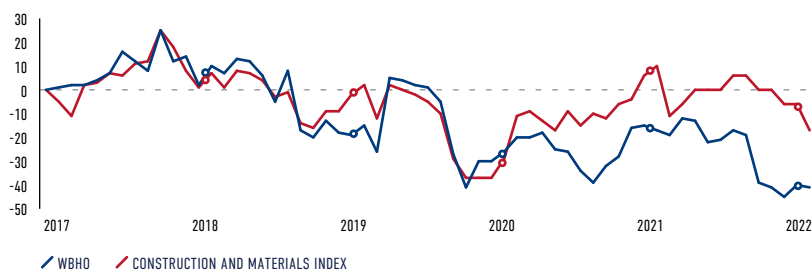
Financial guarantees issued to third parties amounted to R5 billion compared to R4.5 billion in issue at 30 June 2021. At 30 June 2022, the Group had guarantee facilities of R7.2 billion of which R2.2 billion is available to support new projects.

MESSAGE FROM THE CHIEF FINANCIAL OFFICER continued

Share price performance

The WBHO share price has depreciated both in real terms, and relative to our peers, during the period of recurring losses from the Australian operations and the Group's eventual exit from the region. Management's ability to conclude this exit in a sensible manner, both from a cost and time perspective should provide certainty and consistency in respect of the future performance of the Group. The share price which has improved from R80.88 per share at 30 June 2022 to R95.24 as of the date of this report.

WBHO SHARE PRICE VERSUS CONSTRUCTION AND MATERIALS INDEX



OUTLOOK AND GOING CONCERN

Although all government restrictions relating to Covid-19 in our areas of operation were lifted during the current reporting period, the after-effect on global economies can still be felt. The tightening of monetary policies by central banks, global supply chain constraints and fuelled inflation has been further aggravated by the Russian-Ukraine conflict and spiralling energy costs. The likelihood of a global recession presents ongoing uncertainty for various sectors on which the construction industry relies for work.

Nonetheless, at 30 June 2022, the order book of the Group had grown by 43% which provides a solid baseload of work well into FY2024. Within our strategic objectives, we focus on diversification and flexibility, and it is pleasing to see us enter not only new sectors, but also new territories, particularly on the African continent. This will further support our regional growth and positioning in the market as the preferred construction company. In addition, the forward-looking pipeline has strengthened and procurement activity is increasing in all regions. This provides us with a solid foundation for strengthening WBHO's balance sheet.

In respect of the Group's remaining exposure to the closure of its Australian operations, the Deed of Company Arrangement (DOCA) with Australian creditors and a deed that has been agreed with the client for the release of the parent company guarantee over the WRU project, provide certainty of the expected costs still to be incurred by the Group. All expected costs in relation to the DOCA, the net payment of guarantees and the WRU settlement have been fully provided for in the consolidated financial statements at 30 June 2022. In addition, the Group has secured sufficient funding from a South African financial institution to fulfil its remaining obligations in Australia. Subsequent to the publishing of the consolidated annual financial statements which stated that this funding was subject to regulatory approval in Mozambique being obtained, the approval has been obtained but not for the required quantum. The Group and the South African financial institution have agreed a revised capital repayment term that ensures the Group achieves the short-term funding requirement.

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

- The sufficiency of amounts accrued in relation to future cash outflows to settle obligations in Australia.
- The external debt secured to fulfil the future cash outflows to settle obligations in Australia.
- The budgets and the forecast cash flows to 30 September 2023.
- Order book levels of secured work to be executed at 30 June 2022.
- New order intake between the end of the current reporting period and the date of authorisation 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.
- Available financial facilities and existing cash reserves.

The Group has maintained its strong relationships and ongoing support from guarantee providers, continues to operate within its facility limits and has access to the necessary facilities to fund capital expenditure when required.

APPRECIATION

I would like to extend my appreciation to our colleagues across the Group, who have worked tirelessly to ensure that we continue to deliver on our objectives, despite the challenging environment. The finance teams across the Group have been hard at work ensuring we remain disciplined yet agile as the macro-economic environment evolves. I'd also like to acknowledge the support and guidance received from the Board and members of the Audit committee during the year.

I am also grateful for the efforts of numerous colleagues who continue to be part of the process to ensure a smooth and considered exit from Australia. Their commitment has ensured that we protect our balance sheet and set the wheels in motion for a new chapter for WBHO.

Charles Henwood

Chief Financial Officer

HOW WE PROTECT VALUE

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MESSAGE FROM THE LEAD INDEPENDENT DIRECTOR



GOOD GOVERNANCE IS GOOD BUSINESS FOR WBHO

ROSS GARDINER

LEAD INDEPENDENT
DIRECTOR

“Good governance and corporate citizenship are core to how we conduct business within the Group. The values of honesty and integrity guide us. As the business environment evolves, we are noticing a shift in the importance placed on how value is created and shared. For us, sustainable value creation is built on ethical leadership and we strive to foster an ethical culture within every level of our business.”

The world of corporate governance is ever-evolving, with a sharpened focus on how Boards ought to make decisions that are net-positive for society, employees, the environment and communities more broadly. In the year under review, we have considered on our role providing tangible benefits to society, while maintaining our focus on building long-term value.

The Board is conscientious of the responsibilities and duties conferred upon it by the Companies Act, JSE Listings Requirements and King IV™, and accepts fundamental responsibility for ensuring that the strategy, risk, performance, and sustainability of the Group are inseparable and weighed against the interests of all stakeholders.

The implementation of robust corporate governance processes is designed to protect executives and employees when fulfilling their duties and cement stakeholder confidence in our business. We understand that the trust of stakeholders can be lost in an instant and we aim to visibly demonstrate that, as a business, we are truly live ethically. WBHO steadfastly maintains zero tolerance for corruption, and we actively encourage our staff to use our whistleblowing lines. Incidents are reported directly to the CEO

and independent internal audit function for assessing the level of investigation required. A summary of all incidents and the outcome of any investigations are also presented to the Audit committee quarterly. I am content that we have acted decisively where we have identified wrongdoing.

Contracting with unreliable or questionable parties is one of our strategic risks and hence this philosophy is also carried through to our client and supplier relationships. The Board provides continuous oversight of significant matters, acting as an independent check and balance for the executive management team, whose main responsibility remains the management of the business.

The ability to provide appropriate and effective judgement and guidance to management is significantly enhanced by having a skilled and diverse Board which possesses a breadth of experience across several industries, supported by an appropriate mix of gender, race, knowledge and perspectives.

As a Board, we ensure that corporate governance is appropriate and relevant to the size, nature, and complexity of the Group's operations, whilst still encouraging robust practices within the context of economic performance. I am comfortable that the Board and its committees have successfully discharged their duties and responsibilities this year in accordance with their charters and mandate.

Ross Gardiner

Leader Independent Director

BOARD OF DIRECTORS

WBHO recognises that accountability and transparency are fundamental to investor trust and that good governance contributes to value creation in the short, medium and long term. A summarised account of the work done by the Board during the 2022 financial year follows, and describes how the Board has applied principles of good governance in order to enable and support the Company's value creation process. Refer to the separately published ESG Report for the detailed governance report.

EXECUTIVE DIRECTORS

NON-EXECUTIVE DIRECTORS



LOUWTJIE NEL ⁽⁶¹⁾

CHAIRMAN

Qualifications:
BSc Eng

Board member since: 1 August 2008

Skills, expertise and experience: Engineering

Industry experience: 33 years

Other significant directorships: WBHO Group companies



By invitation to Remuneration committee



ROSS GARDINER ⁽⁵⁹⁾

LEAD INDEPENDENT DIRECTOR

Qualifications:
BSc (Hons) (Mining and Petroleum Engineering)

Board member since: 23 January 2014

Skills, expertise and experience: Mining, engineering and risk management

Industry experience: 37 years

Other significant directorships: New Africa Mining Fund 3 (Pty) Ltd



COBUS BESTER ⁽⁶³⁾

INDEPENDENT NON-EXECUTIVE

Qualifications:
BCom (Acc) Hons, CA(SA)

Board member since: 1 November 2017

Skills, expertise and experience: Finance, taxation, governance and risk management

Industry experience: 34 years

Other significant directorships: Bombela Operating Company (Pty) Ltd



WOLFGANG NEFF ⁽⁵¹⁾

CHIEF EXECUTIVE OFFICER

Qualifications:
BSc Eng (Civil), Pr.Eng, Pr.CPM

Board member since: 20 November 2019

Skills, expertise and experience: Engineering

Industry experience: 27 years

Other significant directorships: WBHO Group companies



By invitation



HATLA NTENE ⁽⁶⁸⁾

INDEPENDENT NON-EXECUTIVE

Qualifications:
BSc (Surv), Dip.Con. Econ, Dip.Civ.Eng, Pr.CPM, PRQS, PMAQS

Board member since: 1 November 2017

Skills, expertise and experience: Quantity surveyor and governance

Industry experience: 32 years

Other significant directorships: Calgro M3 Holdings (Pty) Ltd, The Don Group Ltd, Mvua Property Partners (Pty) Ltd, Aecom South Africa Group Holdings (Pty) Ltd



KAREN FORBAY ⁽⁵²⁾

INDEPENDENT NON-EXECUTIVE

Qualifications:
BCom, BCom (Hons) Economics and Finance, BCom (Hons) Accounting, Hdip (Tax), Post Graduate Diploma (Leadership)

Board member since: 1 November 2017

Skills, expertise and experience: Governance, finance and taxation

Industry experience: 4 years

Other significant directorships: KMF and Associates (Pty) Ltd



CHARLES HENWOOD ⁽⁵⁹⁾

CHIEF FINANCIAL OFFICER

Qualifications:
BCom, BCompt (Hons), CA(SA)

Board member since: 9 November 2011

Skills, expertise and experience: Finance

Industry experience: 32 years

Other significant directorships: WBHO Group companies



By invitation



SAVANNAH MAZIYA ⁽⁵⁴⁾

INDEPENDENT NON-EXECUTIVE

Qualifications:
BA (Hons), MBA

Board member since: 25 October 2006

Skills, expertise and experience: Finance and mining

Industry experience: 17 years

Other significant directorships: Bunengi Holdings (Pty) Ltd, Sibanye-Stillwater Ltd, Rand Water, WSP Group Africa, Parsons Brinckerhoff Africa (Pty) Ltd



● REMUNERATION COMMITTEE

● RISK COMMITTEE

● AUDIT COMMITTEE

● NOMINATIONS COMMITTEE

● SOCIAL AND ETHICS COMMITTEE

BOARD OF DIRECTORS continued

BOARD OF DIRECTORS

The Board is constituted in terms of WBHO's Memorandum of Incorporation (MOI) and is aligned with King IV™. The majority of Board members are independent and non-executive directors. Emphasis is placed on ensuring that Board composition reflects diversity in the broadest sense. Diversity encourages robust debate that ensures that appropriate guidance is provided to management in delivering on our strategic objectives. The Board is committed to ensuring that diversity, including that of background, experience, skills, geography, race, age, and gender is reflected in its composition. The Board has adopted a race and gender diversity policy and has set a target range for minimum representation on the Board by female directors of between 25% and 30% and black directors of 30%. WBHO has a unitary Board structure, comprising mostly of non-executive directors, independent of management.

BOARD CHARTER

The Board follows a stakeholder-inclusive approach in the execution of its governance roles and responsibilities and assumes collective responsibility for strategy, policy, oversight and accountability. The Board Charter encapsulates the Board's overall business philosophy, formalised duties and responsibilities. In addition, it highlights the characteristics of the Board and individual Board members, and sets out the policies, procedures and steps to be followed by the Board pertaining to the discharge of its duties and the conduct of its activities in order to ensure overall good corporate governance. The Board Charter was reviewed and adopted during the year.

BOARD COMPOSITION

The Board comprises the appropriate balance of knowledge, skills, experience, diversity and independence to discharge its governance role and responsibilities objectively and effectively. The diversity in its membership together with its various attributes creates value by promoting better decision-making and effective governance.

QUALIFICATIONS



EXECUTIVE DIRECTORS



NON-EXECUTIVE DIRECTORS



BSc



MBA



BCom (Hons)



BA (Hons)

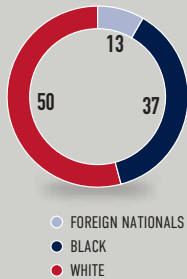


HDip (Tax)



CA (SA)

DEMOGRAPHICS (%)



37%

OF THE BOARD MEMBERS
ARE BLACK

75%

OF THE BOARD MEMBERS
ARE MALE

25%

OF THE BOARD MEMBERS
ARE FEMALE

BOARD ATTENDANCE

Directors	Board attendance
Independent non-executive directors	
Ross Gardiner	8/8
Cobus Bester	8/8
Karen Forbay	8/8
Savannah Maziya	8/8
Hatla Ntene	8/8

Directors	Board attendance
Executive directors	
Louwtjie Nel (Chairman)	8/8
Wolfgang Nef (CEO)	8/8
Charles Henwood (CFO)	8/8

GOVERNANCE REPORT

GOVERNANCE FRAMEWORK

WBHO's governance framework, as set out below, enables the Board to maintain effective control while delegating authority through its Board committees and the Executive committee:

BOARD				
Responsible for strategic leadership and guidance and ensuring that the Company remains a robust, successful business, responsive to stakeholders and accountable to shareholders.				
BOARD COMMITTEES				
AUDIT COMMITTEE	RISK COMMITTEE	SOCIAL AND ETHICS COMMITTEE	REMUNERATION COMMITTEE	NOMINATION COMMITTEE
Oversight of financial risk management and ensuring the integrity of financial reporting	Oversight of the risk management framework and combined assurance reporting	Oversight of good corporate citizenship, encompassing ethical, legal, social and environmental governance	Oversight of all remuneration policies and practices	Oversight of the evaluation of all subcommittees and main Board directors as well as identifying and sourcing appropriately skilled new directors
CEO				
EXECUTIVE COMMITTEE				
Responsible for implementing the strategy of the Group and assisting the CEO in managing the day-to-day operations. In addition, mandates are given to the committees below to oversee specific areas of importance on behalf of the Executive committee.				
INFORMATION TECHNOLOGY STEERING COMMITTEE	CREDIT COMMITTEE	TRANSFORMATION COMMITTEE	SKILLS DEVELOPMENT COMMITTEE	VRP RISK COMMITTEE
Responsible for ensuring effective, appropriate IT governance and support	Responsible for assessing all capital projects against financial, technical and strategic objectives	Responsible for implementing initiatives to achieve the strategic transformation objectives of the Group	Responsible for ensuring the training and skills development programmes of the Group are coordinated and effective	Responsible for monitoring progress against VRP targets and developing strategy to ensure the ultimate obligation is achieved

BOARD EFFECTIVENESS

Through the Board, WBHO endorses, and is committed to, the recommendations of the King Report on Corporate Governance for South Africa (King IV™); the dictates of the Companies Act of South Africa, No. 71 of 2008; and the JSE Listings Requirements. WBHO recognises that being a "good corporate citizen" requires the organisation to deliberate and act with fairness, responsibility, transparency and accountability.

The Board has five standing committees through which it executes some of its duties namely: Audit, Risk, Social and ethics, Remuneration and the Nomination committees. Each committee has adopted formal terms of reference and is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the year. The Audit committee and Remuneration committee reports are included in this report. For more on the membership, attendance at meetings, key focus areas in the year and planned focus areas for FY2022 for the remaining committees, refer to the detailed governance report included in the separately published ESG Report. Separate Audit

and Remuneration committees have been established in Australia. During the year, a Remuneration committee was established in the UK, while the establishment of an Audit committee will be finalised in FY2022. Formal procedures currently exist to provide governance over the areas for which an Audit committee would be responsible and these are reported upon at the relevant Board subcommittees.

A Delegation of Authority Framework is in place and the Board is satisfied that the framework contributes to role clarity and effective exercise of its responsibilities.

GOVERNANCE REPORT continued

The table below summarises the key activities undertaken by the Board in the year as well as planned focus areas for FY2023:

	Desired outcomes	Activities in the year	Specific planned focus areas for FY2023
Strategy performance and reporting	<ul style="list-style-type: none"> A well-considered strategy, taking into account the operating environment, risks and opportunities, with the intent to deliver sustained long-term value. Appropriate alignment and monitoring of key performance measures and targets for assessing the achievement of the strategic objectives. Providing reliable external reports that enable stakeholders to make an informed assessment of the Group's performance. 	<ul style="list-style-type: none"> Monitored the performance and implementation of the approved strategy. Approved key performance metrics and targets for FY2022. Reviewed detailed divisional business reports at the interim reporting period to highlight any emerging issues and risks. Approved the FY2022 budget. Approved the FY2022 Integrated Report, annual financial statements and published results announcements. Reviewed solvency, liquidity and going-concern status. Convened a number of special board meetings to deliberate and strategise over the decision to withdraw financial support to the Australian operations. 	<ul style="list-style-type: none"> Continue to monitor the execution of projects in the UK operations given the effects of Covid-19 and Brexit on the UK economy. Review and interrogate the strategic direction and objectives in relation to risks, opportunities, resources and relationships at the annual Board strategy session. Closely monitor high-risk projects and areas in which the business operates.
Risk, oversight and compliance	<ul style="list-style-type: none"> Strengthened diversity in thought, experience and independence of the Board and its committees. Continuous improvement in the performance and effectiveness of the Board. Compliance with WBHO policies and country specific laws and regulations throughout WBHO in each country of operation. Substantial compliance with the spirit and principles of King IV™ 	<ul style="list-style-type: none"> No new independent non-executive directors were appointed in the year. Monitored progress made in terms of gender and role diversity. Considered the requirements of the Promotion of Access to Information Act (PAIA) and the Protection of Personal Information Act (POPIA) Through the Audit committee, reviewed internal audit reports covering compliance with country and Group-specific policies and procedures. Identified and assessed potential risk of non-compliance throughout the Group on a regular basis. 	<ul style="list-style-type: none"> Continuously assess the current mix of the Board to determine if it adequately addresses the needs of the business and represents the demographics of the nation. An annual assessment of the independence of the Board is performed. Ensure compliance with the Diversity Policy of the Group.
Remuneration	<ul style="list-style-type: none"> Fair, responsible and transparent remuneration practices. Alignment of executive director and stakeholder interests. 	<ul style="list-style-type: none"> Reviewed the Remuneration policy and implementation plan against WBHO's strategic objectives. Gave specific attention to the performance measures of the short-term and long-term incentive schemes and approved the necessary targets. Approved the value of the short-term incentive pool. 	<ul style="list-style-type: none"> Ongoing review of remuneration structures against industry norms and performance of the Group. Review medium- to long-term methods to retain key skills and/or employees within the Group.
Stakeholder relations	<ul style="list-style-type: none"> Stakeholder-inclusive approach in the execution of governance roles and responsibilities. Reasonable needs, interests and expectations of stakeholders, balanced with the best interests of the Group over time. 	<ul style="list-style-type: none"> Identified material stakeholders and oversaw the extent of stakeholder engagement. Oversaw facilitation by management of regular and pertinent communication with shareholders. 	<ul style="list-style-type: none"> Ongoing monitoring of stakeholder engagement.
Corporate governance	<ul style="list-style-type: none"> Appropriate governance structures and procedures to ensure effective control over the Company. 	<ul style="list-style-type: none"> Considered the independent assessment of long tenure, non-executive directors. Implemented virtual Board and committee meetings and strengthened electronic communication. Reviewed and monitored ongoing remedial actions to align the IT Governance Framework with international best practice following the IT governance assessment conducted in previous years. 	<ul style="list-style-type: none"> Review of the corporate governance framework and the delegation of authority policy by the Board. Annual assessment of the independence of long-tenure directors and their reappointment in terms of King IV™.

MESSAGE FROM THE AUDIT COMMITTEE CHAIRMAN



COBUS BESTER

AUDIT COMMITTEE
CHAIRMAN

Dear shareholders,

I am pleased to present the Audit committee report for the 2022 financial year. In addition to fulfilling the statutory and other duties and responsibilities conferred upon us, we closely monitored the material financial risks confronted by the Group. The most prominent risks considered by the committee were the deteriorating performance of the Australian operations over the first six months of the reporting period that ultimately led to the decision to withdraw any further funding thereof, and the consequences of that decision on the financial position, liquidity and going concern of the remaining operations.

Given the material impact of this decision on the Group, the committee alongside the Board and senior management, deliberated extensively over the financial ramifications thereof. It is never easy to arrive at a verdict that holds widespread consequences for so many parties, both in South Africa and Australia, yet I am convinced that it was necessary for the long-term prosperity of WBHO and the majority of its stakeholders. We gave specific attention to the accounting and IFRS technical matters that arose from the classification of the Australian subsidiaries as discontinued operations and the loss of control of those subsidiaries on 23 February 2022. Once aware of a possible audit qualification, we also made lengthy inquiries of the auditors of the Group to determine whether the qualification could be avoided with the execution of further audit work and satisfied ourselves as to how they arrived at their qualified audit opinion in respect of certain amounts included in the loss from discontinued operations and loss of control of subsidiaries disclosed in the consolidated annual financial statements.

Later in the report, we provide details of how the committee satisfied its various statutory obligations during the year, how it assessed the effectiveness of the internal auditors and the appointment, independence and effectiveness of the external auditors. The report also reflects on significant matters that arose in the year and how the committee addressed those.

In addition, we obtained confirmation from the internal auditors on the resolution of all medium- and high-risk findings within their reports. The number of projects achieving satisfactory or better internal audit reports decreased slightly from 83% of projects audited to 78%. Of the projects audited, 22% required improvement over certain controls. Follow-up audits were conducted in respect of larger projects in this category and all control weaknesses were successfully remedied. There were no projects reported to have a weak control environment. In addition, measures have been introduced to improve controls over site assets, procurement and overtime being the three main areas of concern that are consistently identified on projects.

Each year we evaluate the suitability of the expertise and experience of the Chief Financial Officer, review the expertise, resources and experience of the finance function as a whole while also obtaining regular independent reports on the appropriateness and effectiveness of the Group's internal control environment from the internal and

external auditors. As a committee, we are able to confirm that the financial processes and controls of the Group are sufficiently robust to ensure the integrity of WBHO's financial reporting.

The committee will continue to operate within its mandate and address all regular matters reserved for its consideration in FY2023 as well as giving specific focus to the following areas:

- Monitoring the actions and steps necessary to finalise the exit from Australia, including the funding thereof.
- Monitoring the performance of the continuing operations of the Group in light of the substantial increase in order book levels and the volume of work to be executed.
- Continue to monitor and assess the liquidity, working capital and going concern position of the Group.

In closing, I would like to thank my fellow committee members for their contribution and support at committee meetings as well as to commend Charles Henwood, the Chief Financial Officer, and his finance team for their role in expediting a timeous and responsible exit from Australia given the complex and difficult nature of such an event. It has been an exceptionally challenging year confronted by difficult issues that have been disclosed and reported upon in a principled and transparent manner. In the year ahead, I look forward to reporting back to stakeholders on the progress we hope to have made in restoring profitability and re-strengthening the business.

Cobus Bester

Audit committee chairman

AUDIT COMMITTEE REPORT

The Audit Committee's primary purpose is to provide financial oversight on behalf of the Board in compliance with the statutory duties and responsibilities prescribed by the Companies Act, JSE Listings Requirements and King Codes.

AUDIT COMMITTEE RESPONSIBILITIES

The committee has adopted appropriate formal terms of reference and is responsible for:

- Performing its statutory duties as prescribed by the Companies Act, with specific reference to audit quality, auditor independence and financial policies and reporting concerns.
- Considering the financial performance, financial position and cash flows of the Group on a quarterly basis.
- Overseeing, assessing and approving the internal and external audit functions with respect to appointment, work plans, quality of work executed, matters arising from the work performed and independence.
- Reviewing the expertise, resources and experience of the finance function and evaluating the suitability of the expertise and experience of the Chief Financial Officer.
- In conjunction with the Social and ethics and Risk committees, considering the risk management framework and policy as they relate to financial reporting risks, internal financial controls and fraud, IT and non-compliance risks as they relate to financial reporting as well as the adequacy of the risk management process.
- Overseeing the combined assurance framework and plan, including the quality of, and reporting by, assurance services provided within the Group as well as any external assurance providers in order to ensure the integrity of information for internal and stakeholder decision-making, as well as the adequacy and effectiveness of internal controls.
- Recommending to the Board for approval, the interim and annual financial statements as well as the Integrated Report including the committee's assessment of the solvency and liquidity of the Group.

The committee confirms that it has discharged its responsibilities as mandated by the Board, its statutory duties in compliance with the Companies Act and the JSE Listings Requirements, and aligned with best practice in corporate governance, as advocated by King IV™.

The Audit committee specifically addressed the following matters in FY2022:

Focus area	Activities and explanation
The decision to withdraw further funding to the Australian operations, the classification of the Australian subsidiaries as discontinued operations and the calculation of the loss of control	<p>Prior to the decision of the Board to withdraw further funding of the Australian operations, the committee in conjunction with management, reviewed and assessed the following material financial information:</p> <ul style="list-style-type: none"> • The worsened performance of the Australian operations for the six-month period ending 31 December against the backdrop of the revised business strategy implemented in FY2021. • The quantum of the additional parent company funding and balance sheet exposure necessary for the Australian businesses to continue to operate and the associated risk of doing so. • The contingent risks in existing and legacy projects that would likely impact the future performance of the Australian operations. • The consequences of the Australian operations entering into voluntary administration including: <ul style="list-style-type: none"> – The quantum of parent company guarantees (PCG) given to Australian guarantee providers. – The potential exposure arising from the PCG provided to the client on the WRU project and the duration thereof. – The funding required to honour the Group's obligations under the PCGs and the impact on the liquidity and working capital position of the continuing operations. – Confirmation of the ongoing support of the continuing operations from the South African financial institutions. – The solvency of the Group following the derecognition of the Australian subsidiaries from the consolidated financial statements. – The quantum and sufficiency of the provision to be recognised by the Group for the obligations under the PCGs, upon implementing the decision. <p>The committee's assessment of the risk of providing continued funding to the Australian operations was to recommend the withdrawal of such funding to the Board.</p> <p>In the second half of the reporting period, the committee monitored the ongoing developments surrounding the decision which included:</p> <ul style="list-style-type: none"> • Monitoring the progress of the administration proceedings. • Reviewing the terms of the Deed of Creditors Arrangement (DOCA) and the deed agreed to with the client of WRU. • Obtaining regular updates from management on the position negotiated with the Australian guarantee providers. • Reviewing the key terms accepted by management for the external funding of the Group's obligations in connection with the PCG agreed to by management. • Evaluating the 12-month forward-looking cash forecasts of the Group. <p>From a technical perspective, the committee confirmed with management and the auditors that the Australian operations were correctly accounted for in terms of IFRS 5: Discontinued Operations and reviewed the accompanying notes to the financial statements.</p>
Qualified audit opinion	<p>The committee received and reviewed the external audit opinion pertaining to the consolidated annual financial statements for the year ended 30 June 2022.</p> <p>The committee obtained an understanding of the reasons behind the limited financial information available from 1 February to 23 February 2022 and access to Australian management personnel as well as the actual audit procedures performed by the auditors in connection with the discontinued operations.</p>

AUDIT COMMITTEE REPORT continued

Focus area	Activities and explanation
Going concern assessment	<p>The loss from discontinued operations and the loss of control of subsidiaries in Australia resulted in the net asset value of the Group decreasing by approximately R3 billion at 30 June 2022. During the reporting period the Group sent a further R1.3 billion in cash to Australia and at 30 June 2022 raised an accrual for further anticipated cash outflows of R0.6 billion in FY2023.</p> <p>Due to the materiality of these amounts, the committee gave increased attention to the directors' going concern assessment of the Group.</p>
Taxation	<p>The committee reviewed and approved the tax policy of the Group. The committee obtained and considered a quarterly tax report from management providing details of the prevailing tax risks and tax matters being attended to and monitored the outcome of tax audits conducted by revenue authorities.</p> <p>A key concern noted by the committee was the perceived aggressive approach adopted by revenue authorities post-Covid-19 in all tax jurisdictions.</p> <p>Considered the tax accrual review undertaken by BDO and noted that no significant matters of concern were reported. The committee also reviewed and considered the recognition and recoverability of current and deferred tax assets.</p>
Timing and impact of the mandatory audit firm rotation	<p>The Independent Regulatory Board for Auditors (IRBA) has prescribed that external auditors of Public Interest Entities must comply with mandatory audit firm rotation (MAFR) for year-ends commencing on or after 1 April 2023. In FY2021, the committee concluded that a new external audit firm will be appointed for the audit of the year ending 30 June 2024. The Group has issued a request for proposal in respect thereof and three auditing firms have expressed their interest. The process to evaluate the firms commenced in October 2022.</p>
IT governance	<p>In FY2021, the Group obtained external verification that governance over the IT control landscape, enterprise architecture and the quality of operations and IT support was suitable for an organisation of WBHO's nature. The Group's approach to managing a major cybercrime event was carried over to FY2022. In FY2022, the committee reviewed management's assessment of the impact of a cybercrime event on the Group and the need for related insurance cover, and concurred with management's view that any downtime and restoration costs associated with such an event would not be crippling to the wider operations and that the limited extent of the cover provided by insurers and the deductibles payable in the event of a claim did not support the cost thereof.</p> <p>External confirmations were also obtained with regard to the security of internal and external systems and threats identified were resolved.</p>
Corporate governance	<p>In order to meet its obligations when approving the consolidated annual financial statements for the Group in terms of section 3.84(g) of the JSE Listings Requirements, the committee assessed the internal control processes over the consolidation of the various entities including the preparation of subsidiary packs, compiled in accordance with IFRS and signed off by the relevant external auditors prior to consolidation.</p> <p>The committee reviewed a reconciliation prepared by management of revenue and operating profit from the Management Accounting Reports to the Financial Statements and obtained confirmation from the auditors of the Group that the audits of the financial statements of all material subsidiaries had been completed.</p> <p>The Committee also confirmed that the necessary processes were in place for the CEO and CFO sign their Responsibility Statement in terms of section 3.84(k) of the JSE Listings Requirements.</p>
Internal Audit	<p>Deloitte & Touche SA are the Internal Auditors for the African Group and attend all the Audit Committee meetings. During the financial year, the auditors performed internal audits on 18 projects which translated into 61% of the total contract value. Overall the Group achieved a "Satisfactory" outcome. The area where deficiencies were noted is receiving the necessary attention by management.</p>

Composition and attendance at meetings

During the year under review the committee members comprised independent non-executive directors. All members have the requisite business, financial and leadership skills for their positions.

Composition	Appointed	Meeting attendance	Other regular attendees
Cobus Bester (Chairman)	1 November 2017	4/4	<ul style="list-style-type: none"> • Chief Executive Officer • Chief Financial Officer
Karen Forbay	1 November 2017	4/4	<ul style="list-style-type: none"> • Finance • Information technology
Ross Gardiner	28 April 2014	4/4	<ul style="list-style-type: none"> • Internal auditors
Savannah Maziya	29 August 2017	4/4	<ul style="list-style-type: none"> • External auditors

Refer to page 71 for detailed qualifications and experience of committee members.

Designated advisors may be invited to meetings from time to time. The chairman met separately with management and the external and internal auditors in preparation for each quarterly meeting. During the year under review, no closed sessions with management or internal and external auditors were held for committee members only. Three additional special Board meetings were held to consider the Australian financial situation.

Internal audit

The Group outsources its internal function to Deloitte in respect of its African operations. The internal audit function in the United Kingdom is currently managed in-house.

During the year the committee:

- Confirmed the independence of the internal auditor.
- Approved the fees payable for services rendered by the internal auditor.
- Reviewed the internal audit plan for the year.
- Reviewed the audit reports of internal audits conducted and made appropriate enquiries of management and the Chief Audit Executive on significant audit findings.
- The chairman held regular feedback meetings with the Chief Audit Executive.

External auditors

In respect of the external auditor, the committee:

- Satisfied itself that the external auditor was independent as set out in section 94(8) of the Companies Act. The independence of the external auditors is regularly reviewed as prescribed by the Independent Regulatory Board of Auditors (IRBA). The requisite assurance was provided by the external auditor to support and demonstrate its claim to independence.

AUDIT COMMITTEE REPORT continued

- Determined the fees payable and terms of engagement for the FY2022 audit as well as the nature and extent of any non-audit fees that the external auditor provided to the Group. All non-audit related services are governed by a formal approval framework.
- Reviewed and approved the external audit plan giving specific attention to the key audit matters and the proposed scope.
- The chairman of the committee held separate meetings with the external auditor without management being present at which no matters of concern were raised.
- Received and reviewed external audit reports for the year pertaining to the annual financial statements for the year ended 30 June 2022.
- Assessed the quality of the external audit undertaken, and overall, the Audit committee is satisfied with the quality of the external audit services performed for the year, after having:
 - Made enquiries with management regarding their overall experience of the external audit services. With the exception of the qualified audit opinion explained earlier in the report, no significant matters were raised with the committee.
 - Reviewed the reports submitted as well as the quality of engagement with the external auditors at committee meetings.
- Reviewed and considered the findings from IRBA on BDO as an audit firm as well as its partners.
- Approved the process and timing for the implementation of the mandatory audit firm.
- After review of the information provided by BDO as required per paragraph 22.15(h) of the JSE Listings Requirements and in consultation with management, agreed to recommend to the Board for approval at the AGM, the re-appointment of BDO South Africa Inc. as the external auditors for the 2023 financial year and confirm that Mr J Schoeman is not required to rotate from his position, but be confirmed as the designated lead partner for the forthcoming year.

Comments on audit matters

With respect to the key audit matters addressed by BDO in their external audit report, the committee provides some insight at a high level as to the oversight function of the committee:

Recognition of contract revenue and related contract assets and liabilities

Revenue and margin recognition on construction contracts requires significant judgement to determine current and future financial performance. The committee assessed the methodology and judgement applied by management in determining the contractual performance obligations. For contracts where performance obligations delivered over time, the committee focused on the measurement of progress of material contracts. The committee discussed the matter

with the external auditors considered the audit procedures and evidence obtained to support management's judgements.

The committee is satisfied that the methodology and judgements applied by management are in accordance with IFRS.

Valuation of goodwill

For the reporting period ending 30 June 2022, WBHO had recognised material values of goodwill (being the excess of the fair values of acquired assets and liabilities over the net consideration paid) on acquisitions in Australia and the United Kingdom. By its nature, the testing of goodwill for impairment involves significant judgement.

Due to the losses incurred by the Australian subsidiaries in the first six months of the reporting period, the goodwill in Probuild Constructions (Pty) Ltd was fully impaired at 31 December 2021.

Due to the substantial decrease in the revenue and profitability from Russell-WBHO in the United Kingdom, the committee considered the appropriateness of the growth forecasts and key assumptions applied to the valuation model in the assessment of goodwill for FY2022. The committee is satisfied that the models and assumptions applied were appropriate and consistent with available market information. No impairment expense was recognised in the year.

Completeness and adequacy of contract and other provisions

Construction companies are exposed to various claims, possible legal disputes and other construction-related provisions during and after the construction phase. Determining the levels of required provisions requires judgement based on past experiences and known current factors.

The committee considered management's representation of current obligations and potential claims related to construction activities. The committee also considered the representation made by the Group legal function of known and potential claims against the Group. The committee discussed the matter with the external auditors considered the audit procedures and evidence obtained to support management's judgements and is satisfied that the provisions recognised are adequate to meet the contractual obligations of the Group.

Review of cash flow forecasts

The ongoing administration process in Australia will require parent company funding of approximately R600 million in FY2023 for guarantee and closure commitments. The required funding is to be supported from a combination of the available cash resources of the Group and external financing to be obtained from a financial institution. The Group is reliant on the funding from a South African financial institution to fulfil a portion of its remaining obligations in Australia. The funding remained subject only to regulatory approval which subsequent to the date of the financial statements has been obtained, but for a lesser amount.

At the time, the committee reviewed the 12-month forward-looking cash flow forecast of the Group, and evaluated the assumptions applied by management in preparing the report against the cash flows generated or utilised in the current financial year. The committee also reviewed the budget for the 12 months ending 30 June 2023 and took into consideration the auditor's evaluation of management's assessment of going concern.

The committee is satisfied that the Group has the necessary cash resources and borrowing facilities to meet its financial obligations for the next 12 months.

Annual confirmations

The principal matters attended to by the committee during the year included:

- Annual financial statements and integrated report:
The committee is satisfied that WBHO's financial reporting procedures are operating appropriately. The committee reviewed and considered the annual financial statements as well as the 2022 Integrated Report and recommended them for approval by the Board.
The committee, in the finalisation of the annual financial statements, also considered matters, including those emanating from the JSE's ongoing communication of emerging shortcomings in financial reporting garnered from their pro-active monitoring process in respect of accounting policies and financial reporting.
- Solvency and liquidity:
The committee reviewed quarterly assessments by management of the going concern premise of the company before communicating to the Board that the company and Group will be a going concern for the foreseeable future.
- Evaluation of the expertise and adequacy of the Chief Financial Officer (CFO) and the finance function
Considered and satisfied itself of the appropriateness of the expertise and adequacy of resources within the finance function of the Group and specifically of the CFO.
- Effectiveness of internal controls:
Using WBHO's combined assurance model and assurance obtained from the various assurance providers across the three lines of defence as a basis, the committee recommended to the Board that it issues a statement as to the adequacy of the Group's internal control environment.

The committee also considered the effectiveness of the Chief Audit Executive and internal audit function and monitored adherence to the annual internal audit plan. The committee satisfied itself that the internal audit function is independent and had the necessary resources, standing and authority to discharge its duties.

MESSAGE FROM THE REMUNERATION COMMITTEE CHAIRPERSON



SAVANNAH MAZIYA

REMUNERATION COMMITTEE CHAIRPERSON

Dear shareholders,

This year produced a mixed bag of results for the Group, with the decision to cease funding of the Australian operations being at the forefront and the South African operations, in particular, producing good results in a difficult South African market even in the face of limited opportunities in the public sector. Cash in the African and UK businesses remains stable and comparable to the prior year despite sending funds to assist the Australian operations. The order book is at one the highest levels since inception of the business and provides optimism that the business is heading in the right direction in the future, without Australia in the mix.

Short-term and long-term incentives were significantly affected by the Australian businesses, with none of the financial indicators achieving threshold. All of the share appreciation rights (SARs) were forfeited during the year as a result of the depreciation of the share price to such an extent that it is highly unlikely that the required share appreciation will be achieved over the period of the allocation. Share options were awarded to employees within the African operations in recognition of their efforts in a difficult environment and to retain key management staff. The overarching responsibility of the Remuneration committee is to ensure that the principles of accountability, transparency and good governance are followed for all remuneration-related matters across WBHO. The committee ensures that WBHO has the appropriate remuneration policies and practices in place to attract, motivate and retain the right talent, especially at executive and operational level, and to ensure that there is an appropriate link between executive remuneration and the Group's performance against its strategic objectives. The committee must also annually review the skills profile of the Group and its leadership team as well as undertake annual evaluations of the performance of WBHO's executive directors and management. In FY2022, the Remuneration committee specifically focused on:

- The impact of inflation and rising oil prices on employees and considered the need to provide more than an annual increase;
- Assessing the Group and divisional operating performance, focussing particularly on how the results from Australia's operations will affect the different incentive schemes in place;
- Decision to pay bonuses in accordance with the Remuneration policy in respect of the FY2022 performance after:
 - Assessing the Group and divisional operating performance;
 - Determining that the Australian performance should not penalise all employees;
 - Applying the remuneration strategy taking cognisance of fairness to all employees;
 - Assessing the sustainability of WBHO;
 - Evaluating the executive personal scorecards;
 - Assessing the need for a discretionary bonus for the EXCO members particularly, given the effect of the Australian operations on all the key financial indicators;

- Reviewing the 2022 short-term incentive targets, giving consideration to the reasonableness thereof and ensuring a suitable stretch target, which resulted in no changes being made to the 2022 short-term incentive metrics;
- Discussed succession planning for the board and EXCO with particular reference to the CFO and the non-executive director positions;
- Reviewing the method of calculation for ROCE and TSR in regard to long-term incentives;
- Monitoring remuneration practices and reports ensuring alignment with the requirements of the Remuneration policy;
- Reviewing the annual remuneration report to be disclosed in this Integrated Report;
- Remuneration packages and benefits for executive directors including any termination benefits payable;
- Ensuring that executive remuneration packages are effective in delivering WBHO's strategy and the right behaviour;
- Ongoing communication with shareholders to ensure Remco policy is understood and takes cognisance of shareholders' concerns;
- Ensuring a safe and stimulating work environment for employees; and
- Ongoing review and assessment of gender equality within the organisation.

APPRECIATION

I would like to thank my colleagues on the committee for their assistance this year in delivering upon our important responsibilities and for striving for progressive remuneration policies and practices. I extend my thanks also to the executive team for their dedication and hard work over the year.

Savannah Maziya

Remuneration committee chairperson

REMUNERATION COMMITTEE REPORT

REMUNERATION GOVERNANCE

The Remuneration committee (Remco) is tasked by the Board to independently approve and oversee the implementation of a Remuneration policy that will encourage the achievement of the Group's strategy and grow stakeholder value on a sustainable basis.

Responsibilities

The committee has adopted appropriate formal terms of reference and is responsible for:

- Determining, agreeing and developing the Group's general policy on non-executive, executive and senior management remuneration.
- Ensuring that the Group remunerates directors and executives fairly and responsibly and that disclosure of director remuneration is accurate, complete and transparent.
- Monitoring compliance with the remuneration policy.

MEMBERSHIP

The committee comprises three independent non-executive directors. All members have the requisite business, financial and leadership skills for their positions. There were no changes to the committee membership in the year. Savannah Maziya tendered her resignation as a director on the Board and all the Board committees in which she was a member on 12 September 2022, effective on 23 November 2022.

For detailed qualifications and experience of non-executive committee members see page 71.

For details of attendance at committee meetings see page 72 of the ESG Report.

REMUNERATION CONSULTANTS

Where appropriate, the Remco obtains advice from independent remuneration consultants. The Group utilised the services of Tribach Consultants (Pty) Ltd as independent remuneration consultants in determining the quantum and mix of LTI awards for FY2022. The Remco also reviewed the targets for STIs and LTIs for FY2022. The targets for STIs and LTIs for the 2022 financial year have not been adjusted.

NON-BINDING ADVISORY VOTE ON WBHO'S REMUNERATION POLICY AND IMPLEMENTATION REPORT

In terms of the JSE Listings Requirements, shareholders are required to cast a non-binding advisory vote on the Remuneration policy as presented in this report. Voting results on our Remuneration policy at the FY2019, FY2020 and FY2021 annual general meetings were as follows:

	Remuneration policy (%)			Implementation report (%)		
	Votes for	Votes against	Votes abstained	Votes for	Votes against	Votes abstained
24 November 2021	90,69	9,31	0,03	90,59	9,41	2,20
10 February 2021	97,32	2,68	0,05	75,46	24,54	0,05
20 November 2019	93,50	6,50	0,03	93,41	6,59	0,03

Should shareholders exercising 25% or more of the voting rights vote against the Remuneration policy and Implementation report at the upcoming AGM, the Group shall extend an invitation to dissenting shareholders in its voting results announcement, to address the reasons for their vote and indicate the manner and timing of such engagement.

REMUNERATION AND IMPLEMENTATION REPORT

REMUNERATION PHILOSOPHY AND POLICY

WBHO's remuneration philosophy defines how its remuneration practices seek to be fair, responsible, transparent and compliant with legislative requirements within all the jurisdictions in which the Group operates. Furthermore, it seeks to encourage and reward long-term sustainable performance that is aligned to the Group's strategy as well as ensure the achievement of the desired culture across WBHO. The key elements of the remuneration strategy and policy have been articulated in a remuneration policy.

WBHO's strategy, vision, business model, culture, objectives and targets have been defined. The Group's strategy has been developed by the executive and senior management teams and approved by the WBHO Board. Management is responsible for delivering against this mandate and managing the business on a day-to-day basis to achieve the stated objectives. Overall, this feeds into the evaluation of performance against a set of pre-determined metrics that forms part of the remuneration cycle. All employee-related processes from recruitment to monitoring performance against agreed metrics have been accordingly aligned.

The Remuneration policy recognises that WBHO considers its employees to be the most important factor contributing towards its continued success and, through its application, aims to fairly remunerate all employees and reward individual performance in a way that is able to attract, motivate and retain key personnel.

The Group's Remuneration policy, which is available online under the governance section of the company's website at www.wbho.co.za/governance, defines the principles to be applied when determining remuneration for employees, including both executive and non-executive packages. A primary purpose of the policy is to align the interests of senior executives with the interests of shareholders and with the business strategy formulated by the Board, particularly with regard to how performance-based rewards are utilised to drive performance. There were no changes to the policy during the year.

Gender equality

WBHO is committed to gender equality, and our policy is to pay men and women equally for equivalent roles.

REMUNERATION AND IMPLEMENTATION REPORT continued

KEY ELEMENTS OF THE REMUNERATION POLICY

The key elements of the remuneration framework and structure which guides payments to all employees are summarised below:

Element	Settlement	Implementation
TOTAL GUARANTEED PACKAGE (TGP)		
Reflects an individual's skills, performance, location in relation to place or residence and experience and is benchmarked against comparable industry packages.		
Basic salary		
Hourly-paid employees	Cash-settled	Determined annually at the Industry Bargaining Council through negotiations between industry and employee representatives, with increases effective in September of each year, for South African employees.
Salaried employees	Cash-settled	Determined annually taking cognisance of inflationary pressures, Group and individual performance and in most instances includes a 13th cheque based on pensionable salary. Increases are effective in March of each year for South African operations and in July for the UK operations.
Executive directors and prescribed officers	Cash-settled	Determined annually, recognising the role and responsibility for the delivery of strategy and performance. The guaranteed pay levels of executive directors are set below the median level in order to minimise the gaps in salary between executive directors and key senior operational management and maintain cohesion within the team, while taking cognisance of comparable guaranteed executive pay levels within the industry.
Benefits		
All employees		Competitive, market-aligned benefits including provident fund contributions, medical aid, leave pay, vehicle allowances, subsistence allowances and various other allowances appropriate to an employee's role and location.
SHORT-TERM INCENTIVES (STIs) (VARIABLE PAY)		
STIs reward the individual performance of employees taking cognisance of their relevant roles and responsibilities are assessed annually based on performance at 30 June, approved by the Remco, and payable in November or December of each year.		
Hourly-paid employee	Cash-settled	Bonuses are determined at Industry Bargaining Council levels through a process of negotiations between industry and employee representatives.
Salaried employees	Cash-settled	Annual appraisal by management in accordance with the Group's performance management processes taking cognisance of the overall performance of the Group and individual performance of the relevant division and employee.
Prescribed officers and senior management	Cash-settled	Assessed against a predetermined target for headline earnings per share, their relevant division's contribution to the Group and other economic, social and environmental targets and carrying a heavier weighting than TGP.

continued

LONG-TERM INCENTIVES (LTIs)

The purpose of the LTIs is to retain and reward employees for their contribution toward the creation of shareholder value over the long term.

Hourly-paid and salaried employees	Share incentive awards Akani share scheme	<i>Share incentive awards</i> An empowerment share scheme rewarding individuals with service in awards in excess of five years. A fixed number of shares are allocated to employees. The dividends from the allocated shares are utilised to acquire actual shares on the open market which then vest after five years. Additionally, a proportion of the scheme allocated shares may vest with employees after five years depending on the share price performance over the period in accordance with a pre-determined formula.
Senior and middle management	Full recourse shares and/or share options Cash-settled share scheme	<i>Share options</i> May be issued to select individuals in acknowledgement of their contribution towards the performance of the Group and to achieve the Group's retention strategies. The options have a five-year vesting period and individuals are given two years post vesting to exercise the option. No dividends accrue to the employees until the options are exercised. <i>Phantom shares</i> A retention scheme in which qualifying individuals are allocated phantom shares and must remain in the employment of the Group for three years from the date of reward. Employees will receive the cash equivalent of the growth in the linked share price (being the WBHO share price) from the date of allocation to the date of vesting.
Executive directors, prescribed officers and senior management	Share incentive awards	<i>Share incentive awards</i> Aligned with the performance of the Group and benchmarked against comparable listed entities on the Johannesburg Securities Exchange. The components of the WBHO Share Plan are: <ul style="list-style-type: none"> • Performance shares where value is created through growth or maintenance of returns relative to competitors. • Share appreciation rights where value is created through share price growth.

REMUNERATION AND IMPLEMENTATION REPORT continued

EXECUTIVE DIRECTORS' AND SENIOR MANAGEMENT REMUNERATION

Senior management, including executive directors, receive remuneration appropriate to their scope of responsibility and contribution to operating and financial performance, considering industry norms, external market and country benchmarks. The annual packages of senior management include a guaranteed base salary and benefits as well as a variable portion including short-term cash and long-term cash or share incentives.

Guaranteed pay

Guaranteed pay levels of executive directors and senior management are deliberately set below the median level of comparable executive guaranteed remuneration within the construction industry in order to prevent large gaps in salary developing between executive directors and key senior operational management. It is the belief of the Group that such gaps (often found in other companies) are counter-productive in a construction company where working as a cohesive team is crucial to success.

Variable pay

Performance-based variable pay carries a significantly heavier weighting than guaranteed pay particularly when rewarding the operational performance of senior directors and key management, with the result that STIs can form the major portion of their total remuneration, although their total remuneration (guaranteed and variable pay in combination) is aligned with industry norms. The remuneration scenarios for executive directors at different performance levels are reflected in the accompanying diagram.

Below is an illustration of the different potential outcomes on the total remuneration for the Chief Executive Officer, when applying the various targets for both STIs and LTIs to the financial performance of the Group for the year ended 30 June 2022:

Maximum performance incentive	STI		LTI
Threshold	100% of TGP	0% to 99% of awards	
On target	200% of TGP	100% to 299% of awards	
Maximum	400% of TGP	300% of awards	

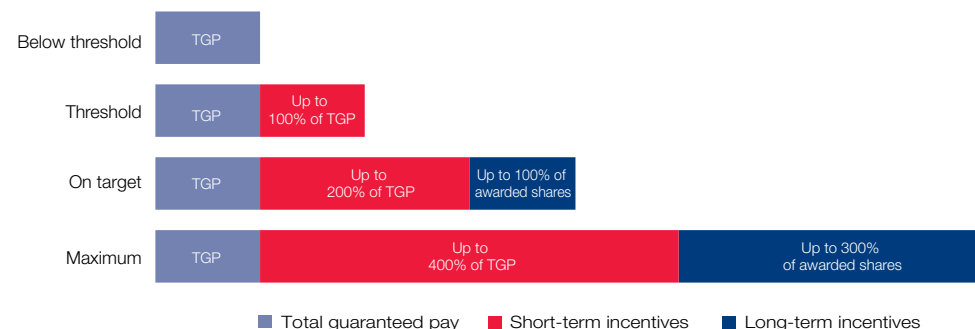
The maximum potential award for each target has been applied in calculating the amounts below:

Chief Executive Officer	Threshold R'000	Target R'000	Stretch R'000
TGP	3 712	3 712	3 712
STI	3 712	7 424	14 847
Performance shares (Offer 2017) ¹	–	971	2 912
Share appreciation rights ²	–	–	–
Total	7 424	12 107	21 471

¹ Calculated based on the value of the performance share awards at 30 June for the allocation that vested in that financial year.

² All share appreciation rights were forfeited in FY2022 as the share price depreciated to a value where none of the allocated share appreciation rights would be exercisable.

Remuneration scenarios for executive directors at differing performance levels



Malus and clawback

A Malus and Clawback Policy permits the reduction or clawback of vested and unvested STI and LTI awards by the committee under the following circumstances:

- A material misstatement resulting in an adjustment in the audited consolidated accounts of the Group or the audited accounts of any member company of the Group where the Board is satisfied that the employee has contributed to and is responsible for such misstatement; and/or
- Where any information used to determine the quantum of an incentive remuneration amount was based on an error, or inaccurate or fraudulent information.

Contracts and restraints of trade

The service contracts of executive directors are on the same terms as the standard contracts of employment of the Group and do not contain any additional termination of employment obligations nor any restraint of trade provisions.

Non-executive directors' fees

The remuneration of non-executive directors is determined on an annual basis based on proposals from Remco, after being compared with that of selected peer companies. The recommendations from Remco are submitted to the Board for ratification prior to inclusion in the notice to the annual general meeting for formal shareholder approval and apply with effect from 1 October of that financial year.

Non-executive directors sign service contracts with the company upon appointment. Non-executive remuneration is determined and paid quarterly, based on the annual fee. A penalty is deducted for non-attendance at any meeting. Any additional time spent on company business is paid at a fixed hourly rate. Any travel and accommodation expenses of non-executive directors are not included in the fees and paid by WBHO.

REMUNERATION AND IMPLEMENTATION REPORT continued

IMPLEMENTATION REPORT

Executive directors' and prescribed officers' emoluments

Single total figure of remuneration

The table below discloses the total remuneration for the reported financial year and the previous financial year and includes guaranteed pay, the STIs accrued for the financial years presented ending 30 June and paid in November of the following financial year, and the LTIs that vested in the financial years presented.

(R'000)	FY2022			
	TGP	STI	Vested LTI	Total remuneration
Executive directors				
EL Nel	2 910	5 468	1 572	9 950
WP Neff	3 712	6 972	832	11 516
CV Henwood	3 694	6 878	1 479	12 051
	10 316	19 318	3 883	33 517
Prescribed officers				
AF De Necker	3 296	6 000	1 109	10 405
PJ Foley ¹	9 897	5 400	1 479	16 776
SN Gumede	2 860	3 100	555	6 515
CA Jessop	3 300	6 200	1 109	10 609
EA Mashishi ²	454	–	–	454
	19 807	20 700	4 252	44 759
	30 122	40 018	8 135	78 275

(R'000)	FY2021			
	TGP	STI	Vested LTI	Total remuneration
Executive directors				
EL Nel	2 951	6 015	2 822	11 788
WP Neff	3 393	7 050	1 634	12 077
CV Henwood	3 407	6 910	2 673	12 990
	9 751	19 975	7 129	36 855

(R'000)	FY2021			
	TGP	STI	Vested LTI	Total remuneration
Prescribed officers				
AF De Necker	3 035	5 800	1 634	10 469
PJ Foley ¹	9 121	5 600	2 673	17 394
SN Gumede	2 583	3 000	–	5 583
CA Jessop	3 006	6 000	1 634	10 640
EA Mashishi ²	2 619	2 000	1 634	6 253
	20 364	22 400	7 575	50 339
	30 115	42 375	14 704	87 194

¹ PJ Foley has been seconded to the United Kingdom and is remunerated in pound sterling.

² EA Mashishi resigned on 15 July 2021.

Short-term incentives

The financial targets set by the Board for FY2022 in respect of each key performance indicator, as well as the performance against these targets are disclosed in the table below:

Targets

KPI	FY2022			FY2021		
	Threshold	Target	Stretch	Threshold	Target	Stretch
Operating profit (Rm)	518	556	647	477	513	596
HEPS growth (%)	0	7,5	10,5	0	5,6	8,6
ROCE (%)	14,0	17,5	21,0	14,0	17,5	21,0
Cash generation (Rm)	5 681	5 794	5 965	7 599	7 751	7 979
Personal scorecard	30%	60%	120%	30%	60%	120%

Performance

KPI	Actual performance	Result achieved	FY2022	FY2021
			Score (%)	Score (%)
Operating profit (Rm)	(176)	Target not achieved	–	53
HEPS growth (%)	(695%)	Target not achieved	–	54
ROCE (%)	(31,0%)	Target not achieved	–	–
Cash generation (Rm)	3 339	Target not achieved	–	–
Total score			–	107
Maximum attainable score			280	280

REMUNERATION AND IMPLEMENTATION REPORT continued

The individual performance of the executive directors and prescribed officers is assessed when calculating their STI. The individual performance measures are as follows:

Category	Objective	Weighting	Factors considered
Leadership	The extent to which leadership has been provided in achieving the objectives of the Group, cultivating an ethical environment and ensuring that the business applies best practices.	40	<ul style="list-style-type: none"> Maintaining a strong safety culture which requires achieving a Group LTIFR of 0,6% or lower. No reportable environmental incidents during the period. Ensuring the survival of the Group by discontinuing funding of the Australian operations and dealing with the subsequent negotiations and obligations when the Australian subsidiaries went into administration. Providing the necessary management support to make sure that the UK acquisitions continue to perform well. Ensuring a low turnover of senior management in the current period. Effectively managing the cash flow effects of funding and exiting the Australian operations.
Business strategy	The ability to implement the long-term strategy of the business, giving specific consideration to: <ul style="list-style-type: none"> capability to identify and implement alternatives to traditional methods; and use of technical and corporate knowledge to define effective strategies that deliver upon the financial and socio-economic objectives of the Group. 	40	<ul style="list-style-type: none"> Managing replenishment of order books in the various regions and securing work for FY2023 and beyond. Successfully positioning the Group to benefit from renewable energy within the private sector. Providing support to divisions seeking expansion opportunities in other countries such as Tanzania and Liberia. Effect alternative transactions to preserve and generate cash.
Management and support	The extent to which: <ul style="list-style-type: none"> Stakeholder engagement and employee relationships have been achieved; and Successful management of the business within the relevant frameworks, policies, laws and regulations. 	40	<ul style="list-style-type: none"> Revised and implemented the Safety First Interventions programme effectively. Successfully implementing succession plans in the UK and African operations. Maintenance of a Level 1 B-BBEE Scorecard. Implementation of a new Employment Equity Plan. Successfully managing and maintaining the guarantee facilities affected by the Australia exit decision.
		120	

The personal scorecard components of the executive directors are as follows:

	Leadership	Business Strategy	Management and Support	Score	Effective score	
EL Nel	36	32	34	102	85%	Target achieved
WP Neff	38	35	34	107	89%	Target achieved
CV Henwood	38	33	34	105	88%	Target achieved

The overall scorecards for each executive director are disclosed in the table below:

KPI	Personal scorecard	Financial scorecard	Total % score	Maximum % of TGP	Actual STI per score	Actual STI awarded
EL Nel	102	–	102	400	2 968	5 468
WP Neff	107	–	107	400	3 972	6 972
CV Henwood	105	–	105	400	3 878	6 878

While the maximum percentage of TGP attainable for the calculation of STIs may appear above market norms, stakeholders are reminded that the TGP of executive directors is deliberately set below the median which necessitates a higher STI percentage. The actual STI awarded as a percentage of the maximum award is approximately 26% for EL Nel and CV Henwood and 27% for WP Neff.

The Remuneration committee awarded each of the executive directors a discretionary bonus in recognition of three key performance areas:

- The management of the Group's continuing operations especially through the period when Covid-19 was constricting normal business' practices;
- The improved orderbook including adjusting to trends towards renewable and data warehouse projects; and
- The management of the Australian exit strategy from a cash perspective, managing the call on guarantees as well as maintaining guarantee facility limits with the financial institutions.

The committee also considered cost-to-company benchmarks against external and internal executives and prescribed officers. It was decided that a R3 million should be awarded to the CEO and CFO and R2,5 million to the chairman.

REMUNERATION AND IMPLEMENTATION REPORT continued

Long-term incentives

During the year no (FY2021: Nil) share appreciation rights were awarded and 554 500 (FY2021: 356 500) performance shares were allocated to executive directors, prescribed officers and key members of management.

Share appreciation rights

Share appreciation rights vest in equal tranches over three years and may be exercised on the third, fourth and fifth anniversaries from the time of allocation, but need not be exercised until the seventh anniversary. On settlement, the value accruing to participants is the full appreciation of the share price over the vesting period.

The hurdle to be met before the SARs can vest is the average growth in adjusted headline earnings per share (HEPS) compared against the average CPI plus 3%. The average calculation is determined annually in three-year cycles.

At 30 June 2022, 704 833 share appreciation rights allocated in prior years were forfeited by all participants as a result of the depreciation of the share price.

Performance shares

The performance shares contain a full value element, essentially having no strike price and vest on the third anniversary from the time of the award. The number of shares that vest depend on the extent to which the specified criteria are met over the three-year measurement period.

ROCE is a measure of the Group's profitability and the efficiency with which its capital (equity plus borrowings) is employed. Remco changed the actual calculation of ROCE from an average over three years to the actual calculation of ROCE for the vesting year 2023 and 2024 to ensure the scheme aligned senior management to shareholders.

Total shareholder return (TSR) is calculated as the increase in value of a portfolio of shares, including dividends received, over the period that the performance shares are held. TSR is measured against a comparative peer grouping initially consisting of Aveng, Murray & Roberts, Raubex, Stefanutti Stocks, Hudaco, Barloworld and Pretoria Portland Cement. After being placed into business rescue, Basil Read and Group 5 were replaced by KAP Industrial Holdings and Nampak in the 2020 financial year. The TSR for the allocation made in December 2018 was measured with Basil Read and Group 5 included.

The targets for each performance criterion are set by the Board and are disclosed in the table below:

Performance criteria	Weighting	Threshold	Target	Stretch
ROCE (applicable from Offer 2019 onwards)	50%	14%	16%	20%
Adjusted ROCE (applicable to Offer 2018)	50%	14%	19%	23%
TSR	50%	7th position	5th position	2nd position
Potential award		0%–99% of TGP	100%–299% of TGP	300% of TGP

The table below discloses the actual performance against the set criteria for Offer 2018 and Offer 2019. The performance for the year ended 30 June 2021 is applicable to Offer 2018. This offer vested in November 2021 with approval from the Remuneration committee to ensure that the vesting process was complete before WBHO entered into a closed period on 31 December 2021. The actual performance for the period ended 30 June 2022 applies to Offer 2019 which vests in December 2022.

Performance criteria	Offer 2018 Performance shares	Offer 2019 Performance shares
ROCE	6,58%	{31%}
TSR	4th	6th
Result	83%	33%
ROCE	Not achieved	Not achieved
TSR	Target exceeded	Threshold exceeded
Award	83%	33%

Long-term incentives that vested during the year

Performance shares

Offer 2018	
Award price	R144.85
Award date	13 December 2018
Vesting price	110.93
Vesting date	22 November 2021
Achieved	83% of the awarded shares vested

	Number of awards	Number of vested shares	Value of shares at vesting date
Executive directors			
EL Nel	17 000	14 167	1 571 545
WP Neff	12 000	10 000	1 109 300
CV Henwood	16 000	13 334	1 479 141
Prescribed officers			
AF De Necker	12 000	10 000	1 109 300
PJ Foley	16 000	13 334	1 479 141
CA Jessop	12 000	10 000	1 109 300
SN Gumede	6 000	5 000	554 650
Total	91 000	75 835	8 412 377

REMUNERATION AND IMPLEMENTATION REPORT continued

	Offer 2018				Offer 2019		Offer 2020 ¹		Offer 2021 ¹				
Award price	144.85				142.58		102.34		110.27				
Award date	2018/12/13				2019/11/18		2020/11/18		2021/11/25				
Vesting date – performance shares	2021/12/13				2022/11/18		2023/11/18		2024/11/25				
Threshold met	83%				33%		0%		0%				
Name	Number of awards	Awards vested during the year	Awards forfeited during the year	Market value at issue date	Number of awards	Market value at issue date	Number of awards	Market value at issue date	Number of awards	Market value at issue date	Number of awards at 30 June 2022	Vesting position at 30 June 2022	Fair value at 30 June 2022
Executive directors													
EL Nel													
Performance shares	17 000	(14 167)	(2 833)	2 462 450	18 000	2 566 440	22 500	2 302 670	–	–	40 500	6 000	485 280
WP Neff													
Performance shares	12 000	(10 000)	(2 000)	1 738 200	21 000	2 994 180	31 500	3 223 738	64 000	7 057 280	116 500	7 000	566 160
CV Henwood													
Performance shares	16 000	(13 334)	(2 666)	2 317 600	19 000	2 709 020	29 500	3 019 057	63 000	6 947 010	111 500	6 333	512 213
Prescribed officers													
AF De Necker													
Performance shares	12 000	(10 000)	(2 000)	1 738 200	19 000	2 709 020	28 500	2 916 716	56 500	6 230 255	104 000	6 333	512 213
PJ Foley													
Performance shares	16 000	(13 334)	(2 666)	2 317 600	19 000	2 709 020	28 500	2 916 716	56 500	6 230 255	104 000	6 333	512 213
SN Gumede													
Performance shares	6 000	(5 000)	(1 000)	869 100	7 000	998 060	15 000	1 535 114	35 000	3 859 450	57 000	2 333	188 693
CA Jessop													
Performance shares	12 000	(10 000)	(2 000)	1 738 200	19 000	2 709 020	28 500	2 916 716	56 500	6 230 255	104 000	6 333	512 213
Total awards	91 000	(75 835)	(15 165)	13 181 350	122 000	17 394 760	184 000	18 830 727	331 500	36 554 505	637 500	40 665	3 288 985

¹ Due to the difficulty in calculating a future ROCE and a current TSR of 10th position, Offers 2020 and 2021 which are subject to vesting in November 2023 and November 2024 respectively, have been calculated at a vesting percentage of 0%. This calculated percentage may be different from those at the vesting date.

REMUNERATION AND IMPLEMENTATION REPORT continued

Directors' and prescribed officers' shareholding

Number of ordinary shares ('000)	2022			2021		
	Direct	Indirect [^]	Total	Direct	Indirect	Total
EL Nel	320	1	321	321	1	322
WP Neff	84	14	98	34	–	34
CV Henwood	106	–	106	106	–	106
SN Maziya*	15	244	259	–	242	242
	525	259	784	461	243	704

[^] The indirect shares are held by related parties.

* 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.

Non-executive directors' remuneration

WBHO compensates and remunerates non-executive directors in a manner that enables it to attract and retain high-calibre and professional directors to ensure that the Board has the necessary skills required to execute on its mandate. Fees are determined by Remco and ratified by the main Board and shareholders. During the year four special Board meetings were held in respect of the decision to discontinue funding to Australia. These additional meetings disproportionately increased the total value of directors' fees in comparison to the prior period.

Directors' fees for the year are reflected below:

R'000	FY2022	FY2021
AJ Bester	843	631
KM Forbay	564	499
RW Gardiner	1 043	937
SN Maziya	980	684
H Ntene	643	585
	4 073	3 336

Fees are considered annually and approved by shareholders at the AGM. Voting at the last three AGMs are reflected below:

Non-executive director's fees	Votes for	Votes against	Votes abstained
24 November 2021	99,99%	0,01%	0,04%
10 February 2021	99,58%	0,42%	0,03%
20 November 2019	96,64%	3,36%	0,00%

The average percentage increase proposed for directors' fees is 5,5% (FY2021: 4,0%). The proposed fees for non-executive directors in respect of FY2023 are disclosed below:

R'000	FY2022	FY2021
Lead independent director	430 600	408 100
Non-executive director	269 700	255 600
Chairman of Audit committee	408 800	387 400
Chairman of Risk committee	199 900	189 400
Chairman of Remuneration committee	199 000	189 400
Chairman of Social and ethics committee	199 000	189 400
Committee members (per meeting)	37 550	35 400
	4 073	3 336

Guaranteed pay adjustments

In determining the increases for the year, market conditions such as inflation and the expected growth of the construction industry were considered as well as the scarcity and demand for skills in the construction sector and retention of key staff. The Remuneration committee approved an average below inflation increase for South African senior management and executives of 4,02% (FY2021: 4,2%). The average increase for the remainder of employees in South Africa was 6,5% (FY2021: 4,5%).

Taking into consideration rampant inflation and the need to retain skills In the United Kingdom, employees within the Byrne Group received an average increase of 5,0% (FY2021: 2,2%). The employees of Russell-WBHO (including senior management) received an average increase of 2,8% (FY2021: 2,3%).

Employee benefits

R'000	FY2022	Re-presented FY2021
Salaries and wages	2 657 214	2 792 839
Benefits and other contributions	259 253	310 526
	2 916 467	3 103 365

Total STIs paid during the year amounted to R348 million (FY2021: R295 million) and included amounts paid to directors and prescribed officers.

REMUNERATION AND IMPLEMENTATION REPORT continued

Other long-term incentive schemes

The table below provides details of LTIs awarded to employees other than directors and prescribed officers:

	WBHO Management Trust	Black Partners	Employees
Total shares/options allocated ('000)	2 197	732	1 078
Options/shares allocated in the current year ('000)	690	–	236
Dividend shares purchased ('000)	n/a	7	15
Vested in the current year ('000)	–	–	(17)
Shares to be bought back ('000)	–	–	(1 622)
Shares available for future allocations ('000)	1 084	–	–

Further details in respect of the above schemes are available online in the consolidated annual financial statements under the investor section of the company's website at www.wbho.co.za/investors.

SUPPLEMENTARY INFORMATION

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REFERENCE INFORMATION

ABBREVIATIONS AND ACRONYMS

B-BBEE	Broad-based black economic empowerment
Black	African, Indian and Coloured
GDP	Gross domestic product
IFRS	International Financial Reporting Standards
IT	Information technology
LTI	Long-term incentive
King IV™	King IV Report on Corporate Governance for South Africa, 2016
MOI	Memorandum of Incorporation
LTIFR	Lost-time injury frequency rate
RCR	Recordable case rate
SAFCEC	South African Forum of Civil Engineering Contractors
SANRAL	South African National Roads Agency
SED	Socio-economic development
STI	Short-term incentive
VRP	Voluntary Rebuild Programme
WRU project	Western Roads Upgrade project

FINANCIAL DEFINITIONS

Current ratio	Current assets/current liabilities
EBIDTA	Number of issued shares x close share price at year end
Gross profit margin	Gross profit/revenue
HEPS	Headline earnings per share
Market capitalisation	Number of issued shares x close share price at year end
Net profit margin	Net profit/revenue
Net working capital	Sum of inventory and trade receivables less trade payables
NPAT	Net profit after tax
ROCE	Return on capital employed
Solvency ratio	(Current assets less cash and cash equivalents)/current liabilities

SHAREHOLDERS' DIARY

Financial year end	30 June
Final results announced	September
Integrated report published	October
Interim results announced	February
DIVIDEND	
INTERIM	
Approval	February
Payable	April
FINAL	
Approval	August/September
Payable	October

STATUTORY INFORMATION

WILSON BAYLY HOLMES-OVCON LIMITED

(Incorporated in the Republic of South Africa)
Registration number 1982/011014/06
Share code: WBO ISIN: ZAE000009932
(WBHO)

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