

INTEGRATED REPORT 2023



OUR REPORTING JOURNEY

The directors of Wilson Bayly Holmes-Ovcon Limited (WBHO) hereby present the 2023 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

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

STRATEGIC OBJECTIVES



SO1 FLEXIBILITY & DIVERSIFICATION



SO2 PROCUREMENT & EXECUTION EXCELLENCE



SO3 REPUTATION & RELATIONSHIPS



SO4 CAPACITY & TALENT MANAGEMENT



SO5 SAFETY & ENVIRONMENTAL MANAGEMENT



SO6 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 2023

REVENUE

R24 BILLION

2022: R17 billion

HEADLINE EARNINGS PER SHARE

1 703 CENTS

2022: 1 297 cents

CASH

R3,7 BILLION

2022: R3,3 billion

CASH GENERATED FROM OPERATIONS

R1,6 BILLION

2022: R1,3 billion

OPERATING PROFIT MARGIN

4,5%

2022: 4,7%

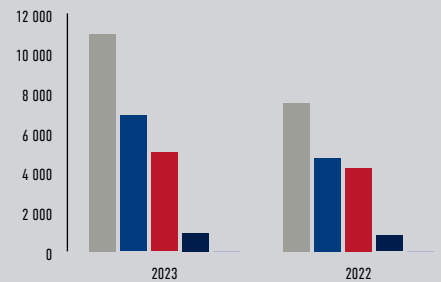
ORDER BOOK

R33 BILLION

2022: R22 billion

REVENUE - CONTRIBUTION BY SEGMENT

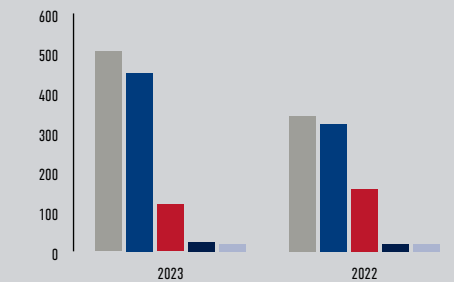
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● BUILDING AND CIVIL ENGINEERING ● ROAD AND EARTHWORKS ● UNITED KINGDOM ● CONSTRUCTION MATERIALS ● PROPERTY DEVELOPMENTS

OPERATING PROFIT - CONTRIBUTION BY SEGMENT

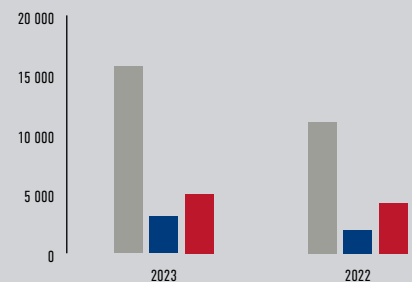
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● BUILDING AND CIVIL ENGINEERING ● ROAD AND EARTHWORKS ● UNITED KINGDOM ● CONSTRUCTION MATERIALS ● PROPERTY DEVELOPMENTS

REVENUE - CONTRIBUTION BY GEOGRAPHY

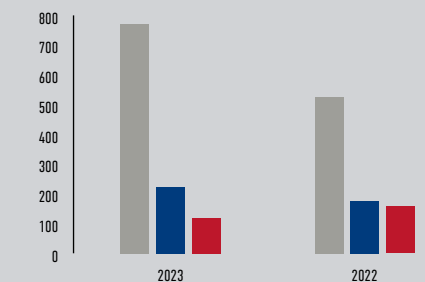
(Rm)



● 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 2023 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 2022 to 30 June 2023. Any material events after this date and up to the Board approval date of 25 October 2023 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, selected information has been provided on the progress made by the Group in exiting the region and fulfilling its commitments to certain stakeholders.

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 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 25 October 2023 and is signed on its behalf by:

Louwtjie Nel
Chairman

Wolfgang Neff
Chief Executive Officer

30 October 2023

STATEMENT OF COMPLIANCE BY COMPANY SECRETARY

I confirm that the company has lodged all returns, in respect of the year ended 30 June 2023, 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

30 October 2023

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
- International Financial Reporting Standards (IFRS)
- SAICA Headline Earnings Circular 1/2023
- Financial Pronouncements as issued by the Financial Reporting Standards Council



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

Dear Valued Stakeholder,

"In the face of recent local and global uncertainties, and throughout the challenges associated with our exit from the Australian market, WBHO has again demonstrated focus and discipline, leading to a remarkable recovery in FY2023. Throughout these turbulent times, we have focused our attention on elements within our control, underscoring our resilience and commitment.

We acknowledge that there were uncertain times during our exit from Australia that resulted in a reduction in stakeholder value. However, we believe it was the correct strategic decision which allowed us to prevent a lengthy erosion of value had we remained in Australia.

I take immense pride in the achievements of our team this fiscal year, and the share price is at a three-year high (as of the time of this report) reflecting shareholders' confidence in our potential and that Australia is behind us.

As we forge ahead on a new path, we are inspired to continually adapt and innovate, building a foundation for a successful future and the creation of lasting value."

LOUWTJIE NEL
CHAIRMAN

Recent times have been marked by global turbulence, with the escalating costs of essential commodities, services, and energy contributing to a widespread cost-of-living crisis for many. Others are grappling with the devastating impact of conflicts and climate change, which often result in the loss of homes and displacement. Here in South Africa, we face our own unique challenges of load shedding and service delivery issues. Despite these tough conditions, WBHO has been fortunate to grow its order book. We remain dedicated to positively impacting the economy, nurturing our employees while also creating new jobs, supporting small businesses, and providing value to our shareholders.

We aim to maintain this growth and enhance our presence in the market, reflecting our commitment to excellence and adaptability in a changing business environment.

TURNING A NEW LEAF: SUCCESSFUL EXIT FROM AUSTRALIA AS THE CONTINUING OPERATIONS DEMONSTRATE GROWTH.

The 2023 financial year was a pivotal period for us, as it marked the conclusion of our operations in Australia and a renewed focus on recovery. It proved to be a positive year, as the successful finalisation of our exit from Australia coincided with a surge in our revenue to R24 billion, thanks to growth across all our operational regions. Especially, our African operations delivered exceptional results, and our businesses in the United Kingdom (UK) successfully navigated a challenging business environment. This upward course is supported by a robust order book, indicating a promising future for the WBHO Group in the years to come.

Following the Board's strategic decision to discontinue operations in Australia, aimed at safeguarding shareholder value and the long-term sustainability of our core business, the WBHO management team invested significant effort to ensure a swift and well-executed exit.

The settlement of all outstanding obligations to clients and financial institutions has provided confidence for all our stakeholders in the Group as a whole. We can now direct our focus towards efficiently delivering the sizeable work-in-hand.

I am pleased by the responsible way we approached our exit from Australia and would like to express my sincere appreciation to the management team for their dedication in achieving this result.

In our Board deliberations, we have reflected on the importance of maintaining agility, recognising how this strategic approach enables us to make difficult decisions when necessary and seize emerging opportunities in response to changing market dynamics.

NAVIGATING COMPLEX OPERATING CONDITIONS

Our local industry has faced a prolonged challenge in the form of slow progress in infrastructure development. Since 2016, the contribution of the construction sector to South Africa's GDP has shrunk by approximately 44% by 2022. The South African economy and related industries need strong public-sector investment in infrastructure to enable real growth. We trust the government's renewed focus on speeding up infrastructure projects will help the country achieve its goal of economic growth driven by better infrastructure.

The past year has brought about a positive development with a substantial number of road construction projects awarded by the South African National Road Agency (Sanral). This has been beneficial for many construction companies. Despite the challenges faced by Eskom, there has still been a notable level of investment in power stations in recent years, and private sector spending in the renewable energy sector has escalated significantly. It is important to keep this development momentum going and further strengthen the partnership between the public and private sectors.

There is an urgent need for South Africa to prioritise upholding the rule of law. The adverse effects of not doing so are becoming increasingly obvious. Persistent challenges of crime and corruption function as significant deterrents to business and investor confidence, demanding swift and decisive action from the government. A thriving democracy relies on a competent criminal justice system, supported by effective policing to safeguard its citizens, and hold those engaged in corruption accountable.

MESSAGE FROM THE CHAIRMAN continued

In alignment with this need is the persistent challenge of “business forums” that continue to disrupt projects. This issue requires immediate attention. Despite numerous initiatives, many in conjunction with the government, to address this scourge, it still persists. We strongly urge government to combat the growing tide of criminal extortion and corruption that is affecting South African society, particularly within the construction sector. The South African business community is willing to collaborate and has come together under organisations like Business for South Africa to work with the government in developing strategies to combat crime and corruption, as well as addressing energy and logistical constraints.

One consequence of these challenges in South Africa is a significant talent drain across various sectors. For WBHO to achieve its growth targets, attracting and retaining talent has never been more critical. To put it in perspective, Finance Minister Enoch Godongwana noted in a May parliamentary session that 2 700 individuals earning over R500,000 annually, along with another 1 100 earning over R1 million, have left the country. This departure equates to a loss of R1,3 billion in tax revenue for South Africa. Notably, many young professionals, including engineers and quantity surveyors vital to our industry, are departing in search of opportunities abroad. This trend does not merely impact the construction sector; it has far-reaching implications for the national economy.

With our robust order book, we are well-positioned to provide our employees, especially the younger demographic, with opportunities to excel on large-scale projects and enhance their leadership and technical skills. These opportunities are crucial in softening the allure of international demand for their expertise and curbing the emigration of professional engineering skills from South Africa. We believe that by offering substantial growth and development opportunities, we can play a significant role in retaining high-calibre engineering and construction professionals and help mitigate the impact of talent loss on South Africa’s economic landscape.

The construction sector continues to be a vital catalyst for socio-economic development, benefitting the numerous villages, towns, and cities across South Africa where we have the privilege of working. We can provide employment to many unskilled and young individuals from these communities while also supporting local businesses and contributing much-needed community infrastructure.

The UK economy has faced sustained pressure, dealing with the aftermath of Covid-19, a brief but challenging stint by Prime Minister Liz Truss, Brexit, and the war in Ukraine. Record levels of inflation and interest rates have had a negative impact on developers and contractors, leading to a spike in insolvencies in 2022 and 2023. Fiscal constraints and the upcoming elections have also resulted in a reduction in public sector spending. Our management teams in the UK have responded effectively, implementing cost-cutting measures when necessary and adopting a conservative bidding strategy.

GOVERNANCE

During the period under review, there have been a number of changes to the Board and its sub-committees.

Following the resignation of Savannah Maziya on 23 November 2022, Nosipho Sonqushu was appointed as an independent non-executive director with effect from 5 December 2022. Ms Sonqushu is a qualified Chartered Accountant and a Chartered Financial Analyst candidate. She has extensive experience across a number of sectors and currently serves as a member of the Audit and Risk Committee at a large resources company. Ms Sonqushu is a member of the Audit, Nominations and Risk committees of the Company.

The composition of the Board’s subcommittees was updated to reflect this appointment, and Hatla Ntene and Karen Forbay also took on new sub-committee roles as Chairpersons of the Remuneration Committee and the Social and Ethics Committee, respectively.

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

The Board made it a point to visit our operations based in the UK within the year to gain a direct understanding of our culture, the management and operational teams, our approach to risk management, and our capability to deliver. Visits were made to all our offices and several sites to provide the Board with a comprehensive insight into the business and to familiarise themselves with the various facets of our operations. This approach allowed for a deeper connection with our people and processes, enhancing the Board’s perspective and enabling informed strategic decisions.

BLACK ECONOMIC EMPOWERMENT AND LOCALISATION

Transformation in South Africa is an economic and social imperative that WBHO has championed beyond compliance. We embrace the Construction Charter, and the seven pillars that underpin it, as it expresses a holistic approach to achieve broad-based transformation and places a responsibility on the industry to build a more equal society.

In the recently published third edition of the Sanlam Transformation Gauge Report — a comprehensive, sector-focused research report that measures economic transformation in South Africa — the construction industry has shown consistent improvements in its ratings. Currently, the industry achieved the highest overall score of 97.93 points and improved its collective B-BBEE recognition status from a Level 3 to a Level 2 with all listed entities achieving Level 1 status.

However, despite this progress, numerous challenges still need addressing, with employment equity being a primary concern.

One of the inherent barriers to improving this element of the scorecard, is the timeframe necessary for individuals to grow from a graduate engineer to a fully equipped construction manager, which in our experience we estimate to be at least 10 to 15 years.

Generational change is inevitable, over the last decade we have witnessed qualified engineers and professionals from previously disadvantaged backgrounds advancing through middle management levels into senior management roles. As the years progress, this trend will continue to accelerate. We are optimistic that this will bring about greater diversity in the medium to long term, aligning with sectoral goals and targets. One concern however is the dwindling interest in civil engineering as a career for our youth.

The introduction of new procurement regulations has brought about significant challenges for many construction companies. The revised policies have lessened the focus on the B-BBEE scorecard, with municipalities and state-owned enterprises now able to create their own specific criteria for preference points during tender adjudications.

MESSAGE FROM THE CHAIRMAN continued

An unintended consequence of the “localisation” element in state tenders, is the prevention of small emerging contractors being able to grow outside of their “local” area, adversely affecting main contractors’ ability to support these companies through their enterprise development programmes on a national basis. It is essential to balance the needs of the communities with the efforts of emerging contractors to expand operations and achieve their ambition of becoming national contractors able to execute large-scale projects.

For WBHO, a significant accomplishment this year has been the launch of our Akani 2 initiative (“Akani” in Xitsonga means “to build”). This initiative follows on from our previous broad-based ownership scheme, Akani 1 which had reached its end of life. The Akani schemes have enabled our employees to obtain a stake in WBHO and promote inclusivity and ownership among our workforce. Since its inception, 88% of Akani 1 shares were issued to black employees, with 777 484 shares having vested with beneficiaries. Akani 2 goes a step further, through which an additional trust has been created for the benefit of black women, black youth and black people living in rural and underdeveloped areas.

In other parts of Africa, the concept of localisation is gaining traction, especially in resource-rich nations, serving to facilitate economic transformation and amplify the economic participation of local populations. While the specifics of localisation laws may differ, common goals like ownership, management control, skills development and local supplier development are sought universally.

We have observed that localisation is becoming a mandatory condition for tendering for many of our mining clients across Africa. We have succeeded in establishing significant partnerships to assure compliance and support localisation efforts where possible.

I am encouraged by the meaningful collaborations we have established, enabling us not only to meet localisation requirements but also to actively participate in these transformative efforts, promoting economic inclusivity and development.

OUTLOOK AND APPRECIATION

One enduring quality that has continually impressed me during my long association with WBHO is our remarkable ‘can-do’ spirit and a commitment to always keeping our feet firmly on the ground. The 2023 financial year has been nothing short of exceptional for us, but we know that we cannot be complacent. With record order book levels achieved within our African operations and an improving outlook for our businesses in the UK, we expect a busy period ahead. I have every confidence that our management team is focused on ensuring the successful delivery of projects, maximising shareholder returns.

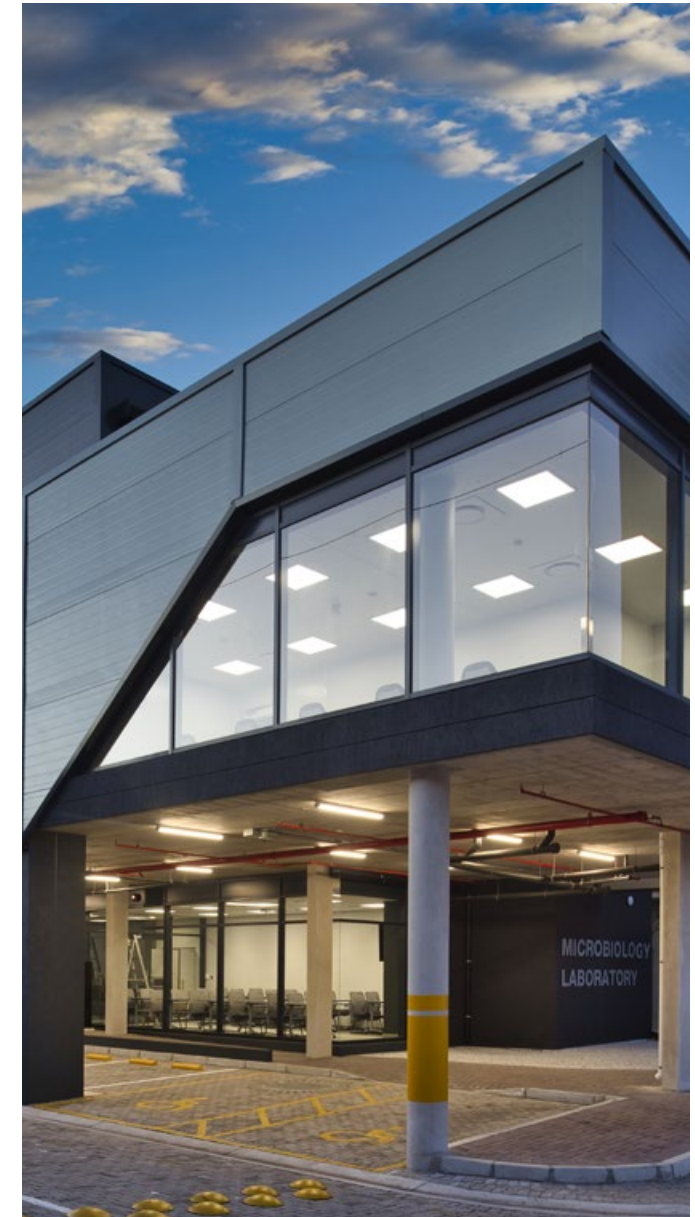
At WBHO, we recognise that our people are our greatest asset. This year, we welcomed a net total of 2 987 new employees into the WBHO family and look forward to their contributions to our continued growth in FY2024. Without the dedication and hard work of our employees, clients, subcontractors, and suppliers, our achievements over the past year would not have been possible.

I want to give a heartfelt thank-you to Wolfgang Neff and the management team for their dedication in implementing our strategic vision and upholding the ‘WBHO Way.’

Additionally, I would like to express my deep appreciation to the Board of Directors for their support, insights, and guidance throughout the past year. I would also like to thank Savannah Maziya for her unwavering support and commitment over the past 16 years and extend my best wishes for her future endeavours.

WBHO has always shown a remarkable ability to adapt to change, and now we stand at the beginning of an opportunity to make an even bigger difference that should pave a course toward stable and sustainable growth.

Louwtjie Nel
Chairman



WBHO AT A GLANCE



AFRICA

REVENUE

R18,8 BILLION

(2022: R13,0 BILLION)

OPERATING PROFIT

R995,1 MILLION

(2022: R701,5 MILLION)

NUMBER OF
EMPLOYEES

9 038

(2022: 6 148)



UNITED KINGDOM

REVENUE

R5,0 BILLION

(2022: R4,2 BILLION)

OPERATING PROFIT

R117,5 MILLION

(2022: R157,5 MILLION)

NUMBER OF
EMPLOYEES

477

(2022: 380)

WHAT DIFFERENTIATES WBHO

STRONG CULTURE

OF PROFESSIONALISM
AND RESPECT

THE WBHO WAY

- Our reputation is one of our greatest assets. We actively work to build a reputation of excellence in our people, systems and products.
- Quality is of utmost importance to the Group and both management and employees must pursue this at all times.
- Management and employees have a responsibility to consider efficiencies and provide our stakeholders with quality structures within set budgets.
- We are a team. We succeed together. When we can help our colleagues, we do. When we need help, we ask.
- We have a positive, "can do" attitude and always "go the extra mile" for our clients. We are flexible, dependable, hardworking and "a pleasure to do business with".

RESPONSIVE

SENIOR MANAGEMENT

EXTENSIVE INDUSTRY EXPERIENCE

**13 YEARS AVERAGE
LENGTH OF SERVICE OF
SENIOR MANAGEMENT**

**10 YEARS AVERAGE
EXECUTIVE DIRECTOR
TENURE ON THE BOARD**

CONSERVATIVE APPROACH

TO RISK-TAKING OUTSIDE
OF TRADITIONAL
CONSTRUCTION
SKILLS SET

RISK MANAGEMENT PROCESS

STRATEGIC RISK

Evaluated by the
Operational Risk
Committee
bi-annually

OPERATIONAL RISK

Divisional risk
assessments
undertaken bi-annually
and reported to the
Operational Risk
Committee

PROCUREMENT AND PROJECT RISK

Risk assessments by
site management
undertaken quarterly
on selected projects

CAPABILITY

TO PURSUE
OPPORTUNITIES ACROSS
NUMEROUS GEOGRAPHIES

PRESENCE IN 12 COUNTRIES AND TWO CONTINENTS



SOUTH AFRICA
REVENUE
R16 BILLION
(2022: R11 BILLION)



REST OF AFRICA
REVENUE
R3 BILLION
(2022: R2 BILLION)



UNITED KINGDOM
REVENUE
R5 BILLION
(2022: R4 BILLION)

BROAD TECHNICAL

SECTOR
SPECIALISATION

SERVICES OR PRODUCTS



**BUILDING AND CIVIL
ENGINEERING**



**ROADS AND
EARTHWORKS**



PROJECTS



**CONSTRUCTION
MATERIALS**

ABILITY

TO CONSISTENTLY EXECUTE
AND DELIVER LARGE
SCALE PROJECTS

PROJECTS 2023

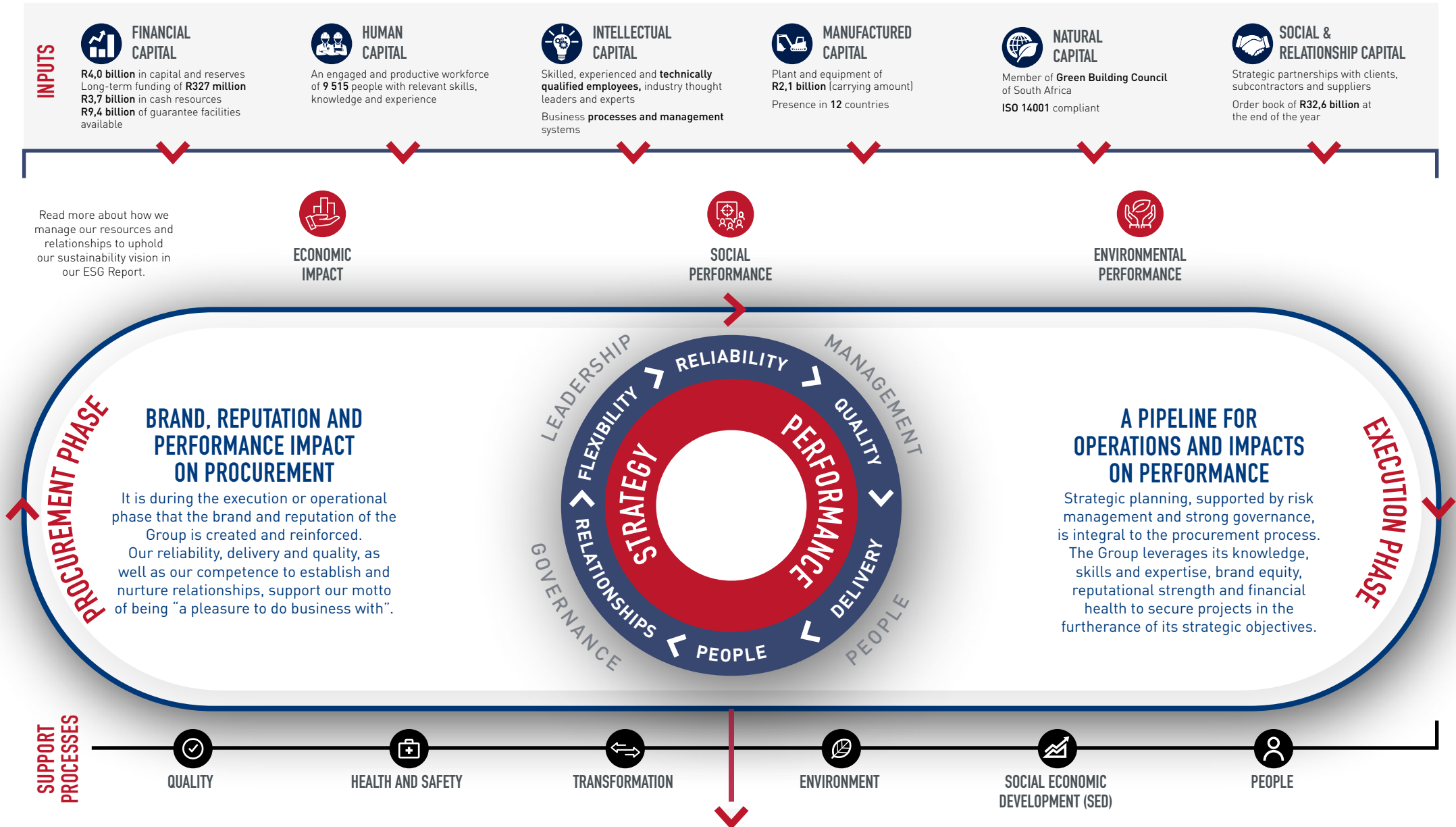


EXPLORING WHAT WE DO

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

Number of projects completed in the year

Total value of projects completed in the year

Value of order book

Client satisfaction with quality of work delivered

Number of quality audits conducted

Capital expenditure

2023

2022

101

R14,2 billion

R32,6 billion

92%

168

R510 million

110

R16,0 billion

R22,2 billion

92%

201

R239 million

CAPITAL OUTCOMES



SUPPLIERS AND SUBCONTRACTORS

Total procurement spend with black businesses

Procurement spend with black women-owned businesses

Number of work-related subcontractor fatalities

Supplier inspections

Supplier audits

2023

2022

R7,2 billion

R3,1 billion

–

98

639

R5,3 billion

R2,1 billion

1

76

175

CAPITAL OUTCOMES



INVESTORS AND FINANCIAL INSTITUTIONS

Operating profit

Cash generated from operating activities

Headline earnings per share (cents)

Dividend per share (cents)

Return on capital employed

Gearing ratio (including lease liabilities)

R1,1 billion

R1,6 billion

1 703

–

36,9%

20,7

R814,2 million

R1,3 billion

1 297

–

23,7%

11,2



GOVERNMENT AND COMMUNITIES

Taxes (direct and indirect) paid to government

Broad-Based Black Economic Empowerment status

Spending on socio-economic development

Total carbon emissions (CO₂e equivalent) (tCO₂e)

Waste recycled (tonnes)

Number of reportable environmental incidents

R2,3 billion

Level 1

R5,0 million

95 255

32 639

–

R1,6 billion

Level 1

R5,0 million

91 946

27 756

–



EMPLOYEES

Amount paid in salaries, wages and benefits

Number of work-related employee fatalities

Number of retrenchments

Recordable case rate

Person-days production lost

Investment in employee learning

Investment in bursary schemes

Number of bursaries

R3,7 billion

1

2

0,18

20 145

R90,7 million

R7,8 million

72

R2,9 billion

–

443

0,27

13 839

R80,7 million

R7,0 million

69



THE CONTEXT WE OPERATE IN

- 15 Material issues and operating context
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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 72](#) to [88](#) 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.

MATERIAL ISSUES AND OPERATING CONTEXT CONTINUED



MARKET DYNAMICS

IMPLICATIONS FOR VALUE

The construction sector is closely tied to economic cycles. Key economic factors like gross domestic product (GDP), gross domestic fixed investment (GDFI) and commodity prices, along with variations in interest rates and consumer and business confidence levels, influence investment trends and dictate infrastructure requirements. Consequently, demand for the sector's services fluctuates regularly in response to changing market dynamics.

WBHO operates across diverse sectors and geographies. Each has its own risk profile and reacts differently to prevailing global and local economic cycles, which in turn affects activity levels, capacity requirements and profit margins. The long-term nature of construction projects allows for forward planning and adaptability to varying levels of new work procurement.

Associated risks and opportunities

- Continuously evolving market conditions that can be difficult to predict
- Growth or decline in volumes of work procured
- Political instability
- Regulatory shifts and compliance challenges
- Labour market dynamics and skill availability
- Exchange rate volatility
- Over exposure to individual sectors/regions/clients
- 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 (UK).

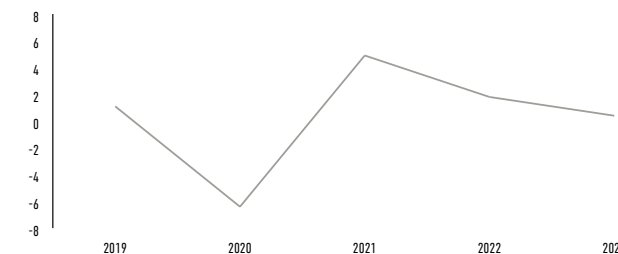


South Africa

While mirroring the global trend of heightened inflation and rising interest rates, the South African economy is also grappling with a deep-seated energy crisis that has escalated in recent years, rapidly deteriorating infrastructure along with limitations in logistics, particularly within the freight rail sector and functioning of the country's ports.

The near-term growth outlook has deteriorated. According to a recent report by the International Monetary Fund (IMF), Real GDP growth is projected to decelerate sharply to 0,1% in 2023 mainly due to an increase in the intensity of power cuts, weaker commodity prices and global factors. Over the medium term, growth is expected to improve, though only to about 1,5% per year, where labour market rigidities and human capital constraints are likely to offset expected improvements in energy supply, higher private spending on energy-related infrastructure, and a more supportive external environment.

SOUTH AFRICA: ANNUAL GDP GROWTH
(%)



Source: Tradingeconomics.com with data from Statistics South Africa

The sustained low growth in GDP alongside declining public fixed investment and low business confidence have seen a steady reduction in the contribution of the construction sector toward GDP, with the local industry having shrunk by approximately 40% over the last six years.

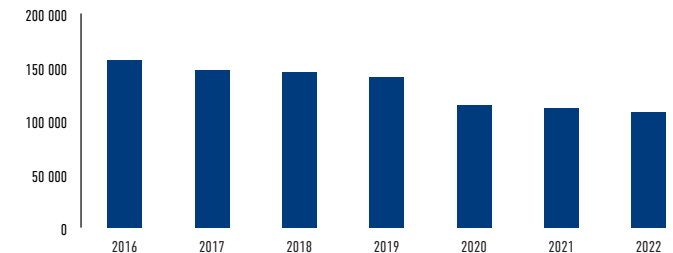
Strategic response

- s01** Flexibility and diversification
- s02** Procurement and execution excellence

Key stakeholders impacted

- Investors
- Employees
- Suppliers and subcontractors

SOUTH AFRICA: CONSTRUCTION GDP
(Rm)



Source: Statista.com

However, gross fixed capital formation had increased to 15,2% of GDP by June 2023*, up from 14% in 2022, resulting in some gains in construction GDP in 2023. This increase has been supported by increased levels of public spending, particularly in the road sector, as well as steadily climbing private investment in the renewable energy, data centre and logistics markets. The FNB/BER Civil Confidence Index that measures business conditions within the civil engineering industry, increased to a six-year high of 41 in the second quarter of 2023. The improved sentiment is attributable to a rise in construction activity, employment and profitability.

The Group has benefitted from these strengthening markets and new awards also materialised in the traditional energy and water infrastructure sectors. These projects will support activity over the medium-term. The Group also has a strong baseload of mining infrastructure projects, however as commodity prices have softened, so too has procurement activity within the mining sector.

Ongoing growth in key sectors of local building markets have supported activity this year. Demand for data centres and logistics and distribution hubs remains prevalent. Commercial office and residential sector activity has been steady, with the effects of semigration supporting new developments in the coastal regions.

* According to statistics SA.

MATERIAL ISSUES AND OPERATING CONTEXT CONTINUED

Government's undertaking to fast track the rollout of critical infrastructure appears to be keeping momentum with projects worth R134,2 billion in the procurement phase. However, high levels of public debt, governance and corruption weaknesses are potential constraints to ongoing sustainable infrastructure development.

For the first time in a while, the construction industry in South Africa has some healthy prospects for the medium term – but this will largely depend on the government's ability to create a conducive environment for the industry including curbing the disruptions caused by the "Construction mafia".

Rest of Africa

African economies have consolidated their recovery from the impact of Covid-19, while navigating an uncertain global environment characterised by the tightening of global financial conditions, spillover effects of Russia's invasion of Ukraine, subdued global growth, and persistent socio-economic challenges. African economies have demonstrated reasonable resilience, with average growth projected to stabilize at 4,1% in 2023 and 2024 according to the African Development Bank. Significant downside risks do remain, particularly an appreciation of the United States dollar which would exacerbate foreign denominated debt service costs and could increase the risk of debt distress, especially for countries with severely constrained fiscal positions.

WBHO's operations in the rest of Africa largely target the resource-intensive sectors within Botswana and Zambia in Southern Africa, Mozambique and Tanzania in East Africa and Ghana and Liberia in West Africa. The Group targets other territories on the continent on a project-by-project basis.

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 road and water infrastructure 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 opportunities supported growth in both East and West Africa during the year, while activity in Southern Africa has tapered off.

Insurgent activity and conflict between ethnic and political groups ebbs and flows, but remains a persistent threat on the continent. There was with a noticeable increase in military coups observed this year, albeit not in countries where WBHO has a presence.

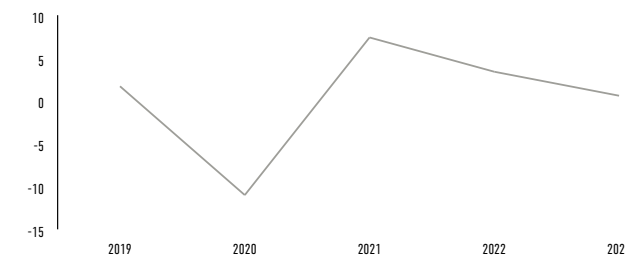
The security environment in northern Mozambique has stabilised and the likelihood of recommencing work on the suspended large-scale gas-infrastructure projects in the near-term is improving. The development of these gas fields offers a substantial potential pipeline of work for the Group over a lengthy period of time. Tanzania also has about 57 trillion cubic feet of discovered natural gas reserves.

Growth rates in the rest of Africa will likely remain well above the growth achievable in South Africa, and a presence in the region remains a primary strategic objective for WBHO.

United Kingdom

Although the United Kingdom, managed to avoid a deep recession this year, the economy has shown renewed signs of stress. The resolution of global supply chain bottlenecks and the fall in wholesale energy prices supported the easing of price pressures, but domestic influences, including strong pay growth, have kept inflation at around 7,5%. Real GDP growth has fallen from 4,1% in 2022 to a forecast 0,4% growth in 2023 and an expected 1% in 2024.

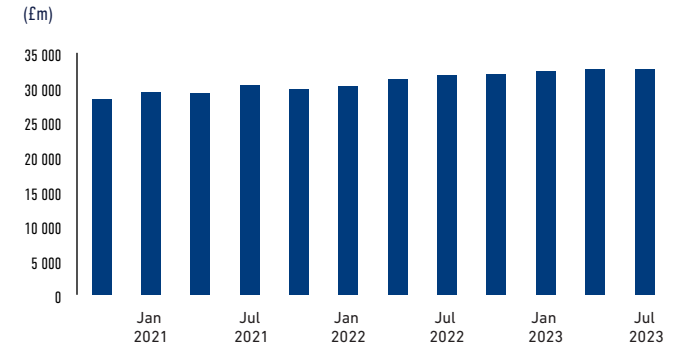
UK: ANNUAL GDP GROWTH (%)



Source: Tradingeconomics.com with data from Office for National Statistics (UK)

The construction industry in the UK has faced significant headwinds since Russia's invasion of Ukraine. Construction companies in the UK continue to struggle with persistent cost inflation, labour shortages, longer lead times and cost over runs and construction output is forecast to decline by 7% in 2023. In addition, tendering in the UK construction industry has lately been characterised by clients prioritising price over other factors resulting in contractors competing to offer the lowest price possible to win work, despite the prevailing risks. Figures from the government's Insolvency Service show that in the 12 months leading up to March 2023, 4 165 construction-related firms collapsed, representing 17% of all insolvent firms.

UK: CONSTRUCTION GDP



Weaker housing market conditions in the wake of higher borrowing costs has acted as a major constraint on UK construction output, however solid output growth in the commercial and civil engineering segments helped to offset some of the weakness in residential construction. Higher levels of business activity were attributed to resilient demand for refurbishment projects in the commercial construction sector and robust infrastructure workloads. Construction companies also experienced a decline in purchasing prices during June 2023, which contrasted with the rapid rates of cost inflation seen over the past three years.

The weaker demand for housing is expected to alleviate as the market adjusts to higher interest rates and although government has delayed certain rail and road projects ahead of elections, there are many large infrastructure projects in the pipeline. These include: Hinkley Point C, a new nuclear power station costing approximately £37 billion; the £27 billion restoration of the Palace of Westminster; £14 billion expansion of London Heathrow Airport; £5,6 billion High-Speed Rail (HS2) tunnelling work; the New Hospitals Programme with an initial budget of £3,7 billion; and the recently confirmed £1,7 billion road tunnel scheme for the ancient monument of Stonehenge, among other smaller regional projects.

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. Project procurement and delivery are viewed as core competencies, but play an important role in directing future strategy.

In every region where the Group functions, different factors greatly affect our willingness to take risks when seeking new business ventures. In times of low demand and high competition, we might adopt a more flexible approach in terms of industry and client risks, contract terms, and specific project risks, including contractual programmes.

WBHO obtains projects through formal tenders or direct approaches from clients. The contracts we work on are usually re-measurable construction-only contracts, fixed-price construction-only contracts, or design and build contracts, each with its own set of risks 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.

Poor project management, inappropriate resource distribution, and inadequate commercial contract management can lead to decreased productivity, higher costs, and not meeting set completion dates. In contrast, effective project and commercial management, along with innovative solutions on-site, can enhance efficiency, reduce risks, and save time and money.

Managing contractual claims is a natural part of ongoing project activities. Skilfully handling these claims to protect the contractor's rights while maintaining professional relations with our clients is a vital part of our business strategy. Furthermore, using modern technologies and fostering a culture of continuous improvement and adaptability can boost our project implementation and risk management skills, driving the Group towards consistent growth.

Associated risks and opportunities

- Public spending programmes
- Longer lead times
- Variability in profit margins
- Working capital risk
- Corporate identity and public perception
- Supply chain robustness
- Technological advancements and adaptation
- Workforce development and retention
- Quality assurance and customer satisfaction
- Localisation practices
- B-BBEE regulations

Strategic response

S01 Flexibility and diversification

S02 Procurement and execution excellence

Key stakeholders impacted

Investors

Employees

Suppliers and subcontractors

Operating context

The Group experienced high levels of procurement and operational activity in the current year, where revenue grew by 38% and order book levels by 47%.

Building projects currently being executed stem from a period of elevated competition for smaller and fewer projects and lower tender margins. In addition, there was an increased weighting toward lower-margin road work within the Roads and earthworks division in South Africa. The Group performed well to achieve an operating margin of 5,3% from the African operations, consistent with the 5,4% margin achieved in FY2022. This demonstrates strong project delivery and the ability to exceed tender margins through efficient contracting.

The uptick in procurement activity experienced in the second half of last year, continued throughout FY2023 primarily supported by the award of over R11 billion in new road work projects and R6 billion in renewable energy projects. Careful management of potential resource constraints in the current upcycle will be a key consideration when bidding on new work.

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



Operating context

The improved outlook for South African construction companies has resulted in renewed employment within the sector. Statistics South Africa¹ recorded increased employment over the first and second quarters of 2023. The number of employed persons increased in six of the ten industries and the largest increase in employment was recorded in construction. The construction and infrastructure sectors should be instrumental in achieving the country's objectives for growth and employment. The sector's anticipated growth not only addresses the immediate need for jobs, but also presents an opportunity for young people to develop highly sought-after skills and assist in addressing the youth employment crisis.

Bolstered by a strong order book, the WBHO Group is in a rehiring cycle, mainly in Africa. We expect employment levels in South Africa to continue to rise as the recently awarded mega-projects for Sanral gain traction in the year ahead.

Consistent with national trends in South Africa, many of our younger employees have resigned to emigrate to other countries due to the perceived political and financial instability. Younger employees are also choosing work-life balance over the financial benefits offered, and due to the nature of our business, it is difficult to meet these expectations within the construction industry. We are continuously reviewing our remuneration policies and retention strategies, while also considering how we support our employees to have better work-life balance.

The shrinking of the industry over the last decade, together with fewer students choosing engineering degrees and international demand, has resulted in a shortage of skills to meet growing capacity requirements in South Africa. The "war for talent" in the construction industry remains high on our radar. A case in point is the drive² by the Irish Department of Social Protection, in collaboration with South Africa's

Strategic response

- SO4 Capacity and talent management
- SO2 Procurement and execution excellence

Key stakeholders impacted

- Clients
- Employees

Department of Employment and Labour in May/June 2023, to recruit highly qualified South Africans to work in the construction sector in Ireland, in positions ranging from site managers, quantity surveyors, electrical engineers, and mechanical engineers.

South Africa's construction industry, and a company like WBHO in particular, is fortunate to have highly qualified professional talent. We cannot become complacent, as many of these professionals are attracted to the opportunities present in other jurisdictions.

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 where 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 across all our African operations.

The overall labour environment in the UK has seen shortages across a range of sectors, including construction, due to some European workers leaving the country post-Brexit. The expected decline in construction GDP in 2024 will likely alleviate the immediate skills shortage, however it is anticipated that more than a quarter of a million extra construction workers will be needed to meet the longer-term requirements of the project pipeline.

The Byrne Group added to its skill base in the current year following the integration of personnel from the O'Keefe group of companies. In Manchester, Russell WBHO has recommenced recruitment in expectation of various pre-construction contracts reaching final award.

¹ Source: Statistics South Africa – Quarterly Labour Force – Quarter 2:2023.

² South African Government – Employment and Labour hosts Irish companies to recruit South African graduates.

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 unrest and business forum disruptions 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. Project delays impact the ability of WBHO to successfully complete projects on time.

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 adheres to the Labour Relations Act, and supports collective bargaining at all echelons. We maintain recognition agreements with the National Union of Mineworkers and the Building Construction and Allied Workers Union. Union representation observed a decline from 26% to 19% within the year.

Centralised wage negotiations are concluded by various bargaining councils. Negotiations within the civil engineering labour market are conducted at the industry level involving the South African Federation of Civil Engineering Contractors (SAFCEC) and corresponding unions, covering the majority of the hourly-paid workforce. Meanwhile, the remainder of our staff is governed by different bargaining councils and voluntary forum agreements. The prevailing wage agreement, mediated by SAFCEC, is set to conclude on 31 August 2024. Furthermore, a three-year wage agreement with the Gauteng Building Council was established in the 2022 financial year.

A total of 77% of our South African workforce is encompassed by collective bargaining agreements. WBHO abides to the national wage agreement's terms and conditions, ensuring no employee is remunerated below the industry's national minimum wage, currently at R44.79 per hour.

Employees in the UK do not form part of a central bargaining council. Employees may, however, join a union. Membership lists are not maintained by the respective businesses and fees are paid by the individuals directly to the union.

Thanks to the multi-year wage agreements that have been negotiated in the past, there has been little strike activity by the construction labour force in South Africa over recent years and this trend is expected to continue. While South Africa saw no formal strike action, there was a significant rise in unprotected strikes. 4 037 days were lost due to this activity in FY2023, compared to 62 the previous year. This marked increase is partly because the Group is involved in several large contracts, especially in the mining sector. Such projects typically employ a significant number of contractors on fixed-term agreements and this structure can lead to more lost man-days, given various associated risk factors.

Previous reports have underscored the escalation in unauthorised work suspensions due to community protests and disruptions by various local entities, inducing significant delays and economic loss across the construction sector. WBHO has instituted strategic measures and protocols to mitigate the impact of such disruptions, emphasising early community engagement, the appointment of liaison officers, and stringent adherence to transparent tender processes. Public infrastructure projects now incorporate formal methodologies for devising and enacting community participation plans to minimise site disruptions, enabling a more harmonious operational environment.

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 that 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 in procuring work within certain sectors, 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. Many shareholders are prioritising “green” issues when making investment decisions, increasing the need for businesses to operate in a sustainable and responsible manner. The Group employs responsible environmental practices that protect the natural environment from pollution, minimise construction waste and aim 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	Key stakeholders impacted
 Safety and environmental management	 Employees
	 Suppliers and subcontractors
	 Communities

Operating context

All health and safety procedures, management, reporting and recording are governed by a formal health, safety and environmental (HSE) policy. During the year this policy underwent its annual review, in which it was found to be fit for purpose, and as a result there were no changes made. In March 2023, a high-level health, safety and environment meeting took place at which the previous HSE First interventions were reviewed for efficacy. New HSE initiatives were added to ensure compliance as well as to improve the overall HSE culture. One such initiative is to identify additional waste streams that can be re-used and recycled across all business units in Africa in an effort to set targets to reduce the quantities of waste disposed to landfill.

The Group achieved its best ever safety performance in FY2023, reflecting the progress and effort we continue to make to advance zero-harm. Our lost-time injury frequency rate (LTIFR) of 0.27 (FY2022: 0.30) is the best ever, and is also reflected in the lower recordable case rate of 0.18 (FY2022: 0.27). In particular, the African operations achieved a new record low LTIFR of 0.22 down from 0.29 in the previous period.

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 health and safety management over recent reporting periods has contributed to a substantial improvement in the safety statistics within the South African building divisions.

The VFL and Director Tours interventions continue to play an integral role in demonstrating the commitment from senior management to a proactive and hands-on approach to safety within the business that is led from the top down. As part of these programmes, scheduled visits are conducted by members of senior management to evaluate sites from a health and safety perspective, giving constructive feedback to the project team and sharing the health and safety practices and initiatives implemented on other projects.

Environmental sustainability forms 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, encouraging a progressive approach. The Byrne Group is extensively involved in testing lower-carbon concrete solutions with industry partners and has played a valuable role in the publication of the Low Carbon Concrete Working Group, the Institute of Civil Engineers' Low Carbon Concrete Routemap, and the development and launch of the ConcreteZero initiative.

The Group adheres to best practices in environmental policies and procedures through our Environmental Management System (EMS), aligning with ISO 14001:2015 standards and implemented across all sites. After a thorough audit during the past year, WBHO successfully maintained its ISO 14001 compliance across all regions. Our EMS, validated by external assurance, guarantees adherence to all relevant legislation, thus lessening our environmental impact. There were no major reportable environmental incidents in the reporting period, as well as no penalties or fines for non-compliance with environmental laws across the Group.

An increase in the number and severity of events related to climate change is undeniable. Weather patterns are becoming more violent and unpredictable, thus managing the risks associated with climate change has become an integral part of the planning process for construction projects. WBHO is focused on reducing greenhouse gas emissions as far as possible and reports annually to the Carbon Disclosure Project (CDP) on a voluntary basis. Russell WBHO have established a Net Zero Strategy and Policy, committing to be Net Zero by 2038, 12 years ahead of the target set by the UK Government.

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.

Associated risks and opportunities

- Damage to the WBHO brand
- Loss of clientele
- Inability to secure repeat business
- Disqualification from tender lists



Strategic response

- so3 Reputation and relationships
- so2 Procurement and execution excellence

Key stakeholders impacted

- 👤 Clients
- 🏛️ Government

Operating context

Over its 50 year history, WBHO has built a strong reputation for being a reliable contractor able to deliver projects to a high level of quality and on time. The Group’s strong financial position provides clients with the comfort that it has the both the operational and financial resources to complete challenging projects. A proven track record is also critical when approaching financial institutions for guarantee and asset finance facilities. Our culture of excellence combined with humility and transparency has resulted in strong relationships and a respected reputation.

The Building division of the Group is able to regularly negotiate new projects for long-standing clients and each year negotiated projects form a sizeable percentage of all new work awarded. Over the last two years a number of multi-billion projects, particularly from the public sector, have re-emerged. Selecting a capable contractor is imperative for the successfully delivery of key infrastructure. The Group is also contracting with more and more international clients in the renewable energy and data centre markets. Consequently, due diligence investigations encompassing operational, safety, governance, compliance and financial capabilities have increased.

In the UK, the substantial rise in insolvencies within the construction sector is a primary concern for clients. The recorded number of failures within the construction industry during the 12-month period up to June is the highest since 2012, when construction insolvencies peaked following the aftermath of the global financial crisis.

Smaller, specialised subcontractors have borne the brunt of the impact, making up around 60% of the total insolvencies. However, main building contractors have also been severely affected, unable to offload their challenges onto others within the supply chains.

Clients are managing project expenditure more carefully in order to contain costs and deliver expected returns. Given the diminishing margins on projects, contractors find themselves in precarious positions, unable to offset additional costs stemming from client-induced variations and postponements, creating a scenario where financial prudence potentially collides with operational feasibility. The balancing act between cost-containment and project delivery can testing the resilience client relationships.

The UK operations have robust risk management and mitigation strategies in place that begin at tender stage. Our businesses there have prioritised selecting the right projects for the right clients over winning work at all costs. Contract margins have thus been maintained even as the volume of work has in some instances declined.

WBHO attempts to negotiate contracts and resolve 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

In South Africa, transformation is fundamentally seen as the catalyst to rectify the nation's socio-economic disparities and its history of exclusion. It's not merely a strategy for building a more equitable nation but is quintessential for social harmony and business expansion. Identifying growth and inclusion avenues for small to medium-sized contractors, women, black contractors, and other marginalized groups is pivotal in driving industry transformation, especially within construction.

WBHO subscribes to the principles of broad-based transformation, which when applied effectively and ethically, are 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 Tanzania, Botswana and Ghana where certain categories of tenders are restricted to citizen-owned companies only.

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.

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



Strategic response

SO6 Transformation and localisation

Key stakeholders impacted

- Government
- Employees
- Communities

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 South Africa, the Constitutional Court judgment in Minister of Finance v Afribusiness, NCP CCT279/20, rendered the 2017 Regulations invalid. The Draft Public Procurement Bill aimed at replacing the previous Regulations is yet to be enacted. The new regulations are designed to broaden the selection process by removing the pre-qualifying criteria found in the previous regulations, allowing for more inclusive tender awarding by an Organ of State. Numerous concerns raised by the business community during the period for public comment appear to have been ignored. In the interim period where no formal legislation is in place, some state-owned entities have developed their own preferential procurement policies and are applying these to public tenders. This has profound consequences for construction companies that have gone to great lengths to comply with the Construction Sector Codes which now have much less relevance.

In Botswana, the government has set up the Citizen Entrepreneurial Development Agency to provide fledgling citizen-based companies with technical, financial, and managerial assistance.

The Minerals Commission in Ghana recently issued a directive that all mining sector procurement, including construction services, be performed by 100% citizen-owned companies unless specific approval has been granted by the Commission. 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 conclusion, transformation and localisation within the construction sector is multifaceted. While it should facilitate access to opportunities, nurture the growth and development of disadvantaged groups and foster a culture of equality and inclusivity, it should be balanced against the health and growth of the business environment necessary for its implementation and success.

MATERIAL ISSUES AND OPERATING CONTEXT CONTINUED



COMPLIANCE

Implications for value

Across the 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 the delivery of 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	Key stakeholders impacted
<div>so3</div> Reputation and relationships	<div>🏛️</div> Government
<div>so6</div> Transformation and localisation	<div>👥</div> Clients
	<div>👥</div> Investors

Operating context

The evolving regulatory landscape and ongoing ambiguity in interpreting and applying legal mandates significantly influence our operational approach, leading to increased compliance costs and reshaping interactions between businesses, regulatory bodies and governments.

In the 2023 financial year, the debate on the Occupational Health and Safety Amendment Bill gained momentum in South Africa. This amendment mandates more stringent penalties for businesses that fail to adhere to the provisions of the OHS Amendment Bill. While Section 7 of the Act lacked clarity on the OHS policy businesses should implement, the Amendment Bill rectifies this by obliging businesses to formulate their Health and Safety Management System. This is a crucial document outlining the health and safety procedures impacting employees, the public, and the environment.

The forthcoming Employment Amendment Bill, scheduled for implementation in 2023, has raised concerns across various industries. The Bill aims to empower the Minister of Labour to establish sectoral Employment Equity (EE) targets, promoting workplace equality for all qualified employees from specified groups. Compliance with this is paramount before acquiring any State Contract, as per Section 53 of the Bill.

The Draft Procurement Bill was published for commentary in August 2023. As currently drafted, the regulations allow for state-owned enterprises and municipalities to determine their own tendering criteria and preference points, outside the previous criteria of tender price and B-BBEE Scorecard.

In the UK, the Building Safety Act was enacted in April 2022 and applies from 1 October 2023. This legislation introduces sweeping changes to the legal and regulatory landscape that oversees building safety throughout its design, construction, and occupation phases. It also introduces measures to shield leaseholders from costs related to historical building safety flaws, defining responsibilities for funding remediation related to cladding and other construction defects.

The Act empowers authorities to define competence requirements for the main duty holders as defined in the Construction Design and Management Regulations and encompasses the client, principal designer, principal contractor, designer, and contractor. These competency standards will demand even greater rigour for those overseeing higher-risk structures. Amendments to the Building Regulations will also intensify the obligation on duty holders to collaborate, circulate information, and guarantee that all undertaken work aligns with the Building Regulations.

In conclusion, the volatile regulatory environment necessitates proactive adaptation and vigilance, balancing compliance with innovation and growth, and ensuring the sustenance of fruitful relationships with all stakeholders involved in the construction ecosystem.

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



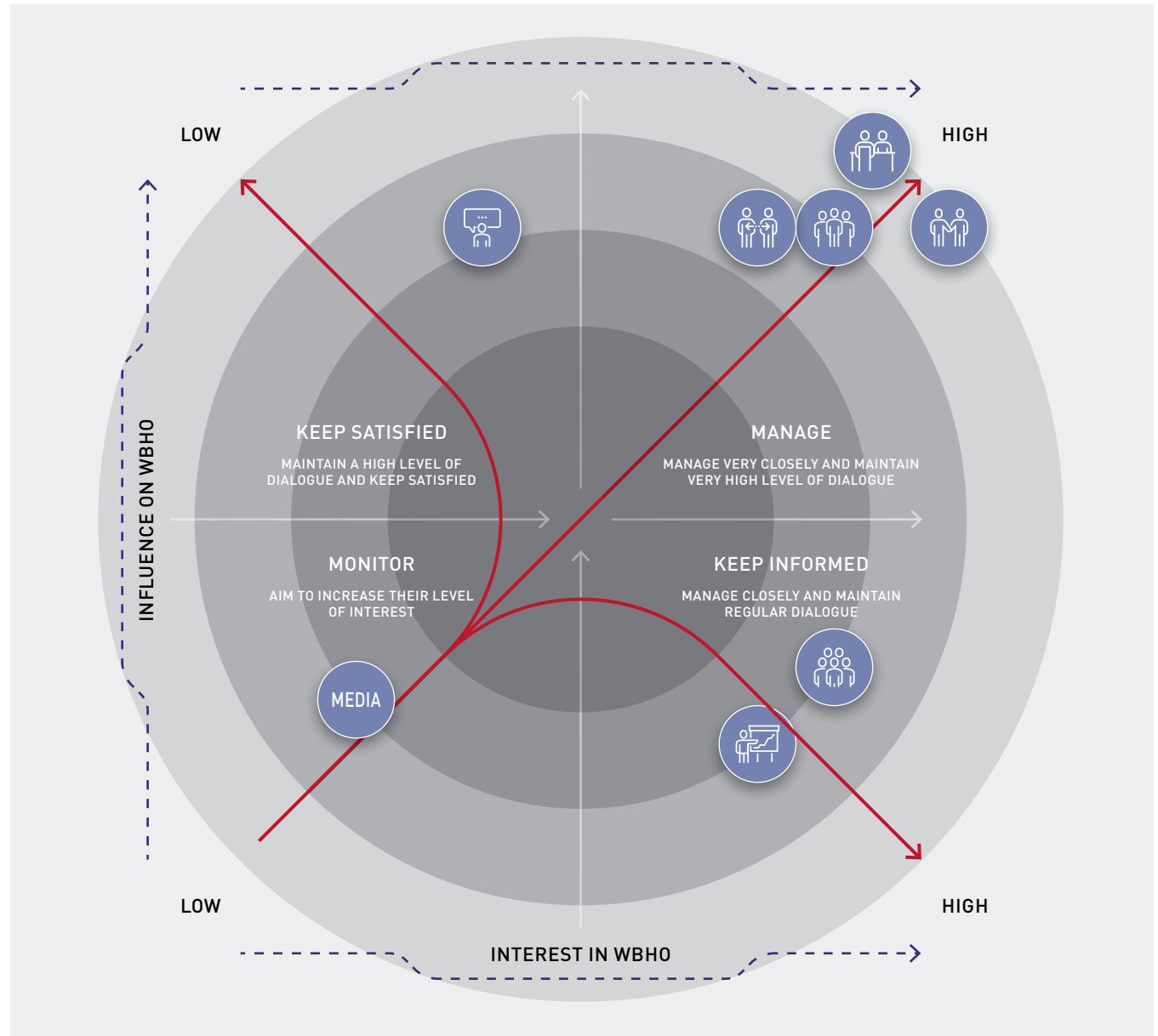
FINANCIAL INSTITUTIONS



GOVERNMENT










COMMUNITIES



STAKEHOLDER RELATIONSHIPS

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 Remuneration policy 	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.

MANAGING A STRUCTURED EXIT FROM AUSTRALIA


In February 2022, a decision was taken by the Board to withdraw further funding of the Australian operations. The decision culminated in the Australian entities of the Group entering administration and the results from the Australian operations being classified as discontinued operations.

A Deed of Company Arrangement (DOCA) took effect on 21 September 2022. The DOCA was concluded at a cost of A\$9.1 million and resolves all creditors’ claims against the administration entities while also eliminating any possible future claims or litigation against the Group. Once the administration period is completed the Australian entities will be returned to the directors for deregistration.

A settlement deed totaling A\$32 million was agreed with the client in respect of Western Roads Upgrade project (WRU) which allowed for the release from any further obligations under the construction contract and parent company guarantee (PGC) provided.

The Group had provided a PGC to the Commonwealth Bank of Australia (CBA) in support of guarantees issued by CBA on behalf of the Australian entities. Guarantees to the value of A\$72 million still in issue at the time the Australian businesses entered administration were called against. During the period, the Group successfully negotiated the return of guarantees amounting to A\$47 million of at a cost of A\$27 million resulting in a saving of A\$20 million. Cash collateral of \$11 million has been provided to CBA in respect of guarantees still in issue that have not been called. All commitments to CBA under the PGC provided had been settled at 30 June 2023.

Key stakeholders impacted

<div></div> <div>INVESTORS</div>	<ul style="list-style-type: none">The derecognition of the Australian operations together with a provision raised at 30 June 2022 in respect of the Group’s exposure under PGCs provided, amounted to a weakening of approximately R3 billion in the financial position of the Group.A significant weakening of the share price eroded shareholder value over the short-term.Investors had lingering concerns over whether the Group had fully provided for all potential exposure in the region and the possibility of further material losses being recognised.
<div></div> <div>FINANCIAL INSTITUTIONS</div>	<ul style="list-style-type: none">Given the size of the expected cash out flows required to settle the obligations of the Group in Australia, 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.The ongoing support of these institutions was critical to allow for the continuing operations to generate cash, 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 regular updates on how the Group would meet its commitments as guarantees were called as well as on the status of negotiations to have uncalled guarantees returned.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 that might result in claims against these policies.
<div></div> <div>EMPLOYEES</div>	<ul style="list-style-type: none">Employees within the African and UK operations have been naturally concerned over the future sustainability of the Group.
<div></div> <div>CLIENTS</div>	<ul style="list-style-type: none">Where possible, the Group negotiated extensively with clients in Australia to obtain the release of some guarantees in return for executing minor completion works or providing a cash contribution of a lesser amount than the guarantee value.

Response

Following the release of its interim and final results, the CEO and CFO held face-to-face meetings with major shareholders to appraise them of the progress made in Australia and the financial consequences thereof. The Group has also released a number of announcements on the Stock Exchange News Service (SENS) to keep investors abreast of developments in Australia.

During the year, management held regular feedback discussions with all financial institutions providing updates on the progress made in Australia, the financial performance of the continuing operations as well as liquidity levels and cash flow forecasts. Credit insurance providers in South Africa were also provided with similar information.

The Group negotiated the terms of a R350 million loan from its primary banker and the security to be provided was agreed with all affected financial institutions.

Senior management has been appraised of all developments in Australia on a regular basis in order that reassurance is provided to the employees of the Group.

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

Further to the 2022 Draft Procurement Bill being published, the Procurement Regulations of 2017 were repealed this year. The new regulations have largely ignored all submissions and commentary made last year. The current regulations allow for state-owned enterprises and municipalities to draft their own tendering criteria and preference points, outside the previous criteria of tender price and B-BBEE Scorecard.

The Employment Equity Amendment Bill was again presented to Parliament, with action taken by political and lobby groups.

The implications of the bills for the Group are discussed in the Material Issues section of this report.

Key stakeholders impacted



GOVERNMENT

- 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.



EMPLOYEES

- Any further decline in public sector projects may have the undesirable effect of additional retrenchments being necessary within the construction industry.

Response

WBHO, together with other construction companies participated in a submission to the Minister of Labour on 6 June 2023 expressing concern over the proposed Construction Sector targets and the unseen Regulations tabled in the Employment Equity legislation. The same concerns were addressed via a cross-industry commentary submitted by Business Unity South Africa.

The Draft Procurement Bill was published for commentary in August 2023, allowing participants just three weeks to make submissions to the Parliamentary Portfolio Committee.

Having previously made a submission to Treasury voicing concerns on the bill last year, a follow up submission was made by the Construction Sector Charter Council (CSCC) to the Parliamentary Standing Committee on 11 September 2023. There has been no formal public update since the three days of public hearings, however the new Regulations are being used in State and municipal tenders. In many recent tenders, the provisions of the Construction Sector Codes have been ignored. The CSCC has made formal objections to both the DTIC and the BEE Commissioner as these new practices are considered to be in contradiction with Act 53, the Revisions made in 2014.



SIGNIFICANT STAKEHOLDER ENGAGEMENT UNDERTAKEN DURING THE YEAR continued

THE APPROVAL AND IMPLEMENTATION OF AKANI 2, A NEW BROAD-BASED SHARE INCENTIVE SCHEME

The existing Akani employee share incentive scheme has been in existence since 2006. As very few shares were still available for issue to employees and most participants had disposed of previous awards, it had become necessary to reinvent the scheme to enable participation in the success of WBHO by employees at all levels.

Transformation is a key strategic objective of the Group. While it is essential to maintain a Level 1 B-BBEE status in order to procure public sector work, there has been increased focus on 51% and even 100% black-owned companies. Through the scheme WBHO remains a 51% black-owned company when measured using the Construction Sector Charter.

Akani 2, the new empowerment vehicle owns 20,4% of the enlarged issued share capital of WBHO. The rules of the new scheme are advantageous over the outgoing scheme in that employees are entitled to receive dividend income immediately upon joining the scheme and for as long as they remain employed by the Group. The scheme not only benefits qualifying employees of the Group, but also provides for an allocation of shares to black women, black youth and rural communities.

Response

Prior to the general meeting held on 6 June 2022, management met with major shareholders to discuss the reasons for the implementation of the new scheme and the impact on investors.

Roadshows advising employees of the new scheme, how it operates and how they will benefit from participation in the scheme have commenced.








Key stakeholders impacted

<p>INVESTORS</p>	<ul style="list-style-type: none"> The implementation of the scheme required a fresh issue of shares to the empowerment vehicle with the effect of diluting the shareholding of existing investors.
<p>EMPLOYEES</p>	<ul style="list-style-type: none"> South African employees with a minimum of five years experience will qualify for participation in the new scheme.
<p>CLIENTS</p>	<ul style="list-style-type: none"> By retaining a level 1 B-BBEE status, clients are able to claim 135% of their spend with WBHO.

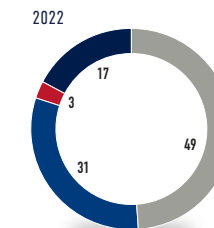
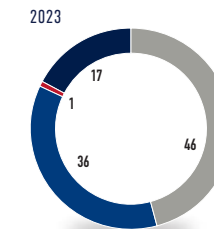
VALUE-ADDED STATEMENT

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.

VALUE-ADDED STATEMENT

Rm	2023	2022	
 CLIENTS Revenue*	27 894	20 584	WEALTH CREATED
 SUPPLIERS Cost of materials and services*	(21 592)	(15 375)	
	6 302	5 209	
 Employees Payroll costs Share-based payment expense	2 861 55	2 488 45	WEALTH DISTRIBUTED
 Investors Dividends paid to shareholders	–	116	
 Financial Institutions Interest and finance charges Lease payments	41 23	18 13	
 Government Taxes and duties	2 279	1 632	
 Communities Socio-economic development	5	5	
	5 264	4 317	
WBHO Attributable earnings (less dividends paid) Depreciation	790 248	693 199	WEALTH RETAINED
	1 038	892	

VALUE ADDED STATEMENT WEALTH DISTRIBUTION (%)

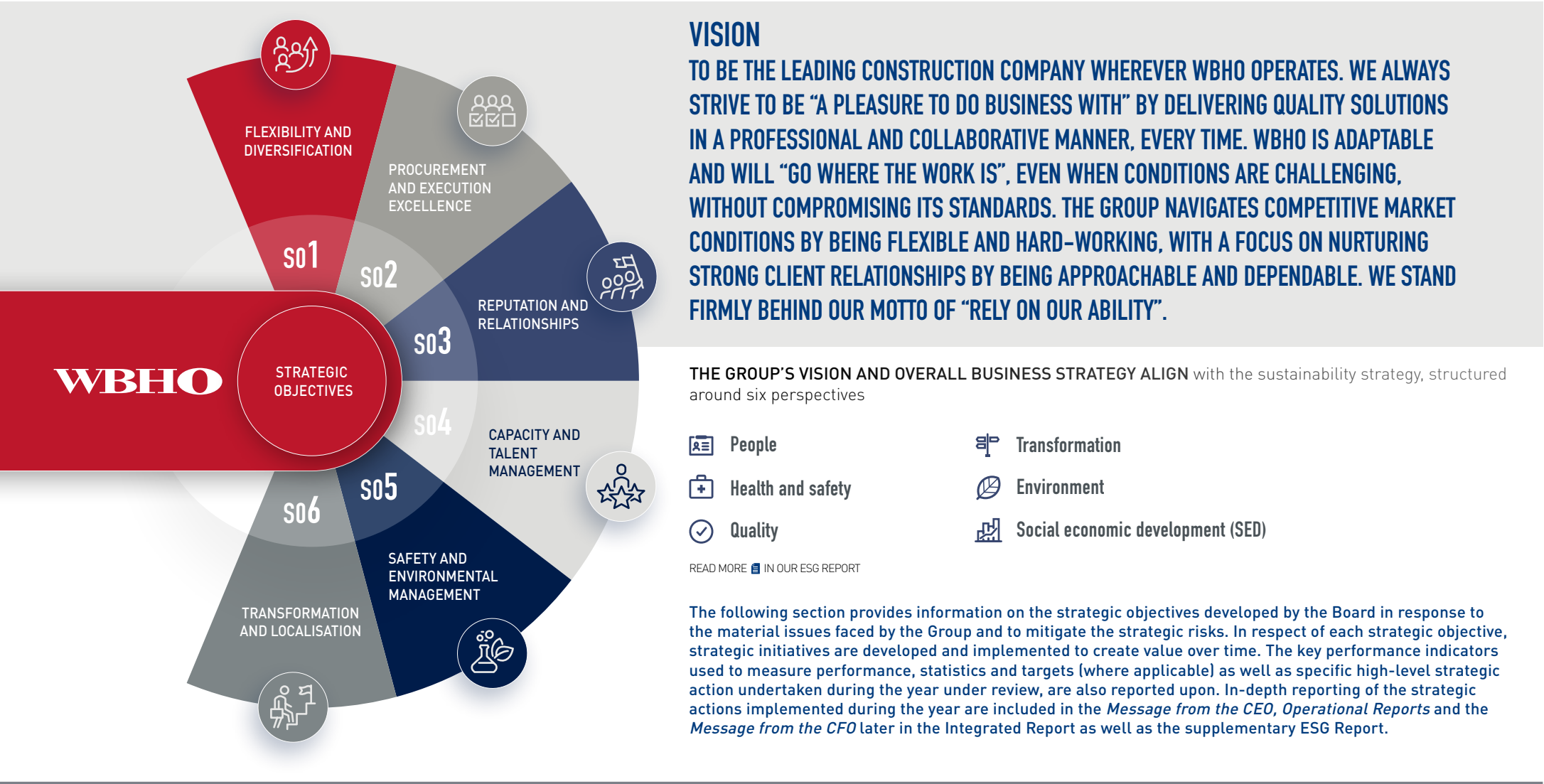


● EMPLOYEES
 ● GOVERNMENT
 ● PROVIDERS OF CAPITAL
 ● RETAINED FOR GROWTH

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

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.





so1 FLEXIBILITY AND DIVERSIFICATION

Due to the fluctuating market conditions that regularly 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 by participating 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 12 countries across two continents. WBHO's strategy is fluid and adaptable, allowing procurement activities to be proactively aligned 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

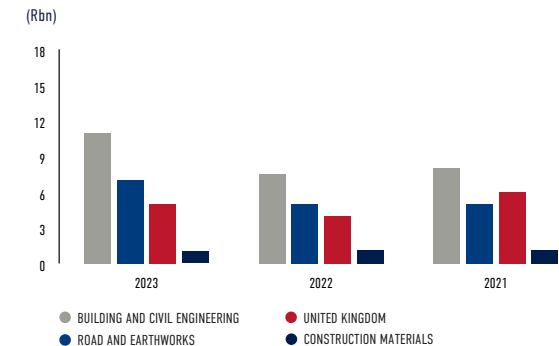
Key performance indicators

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

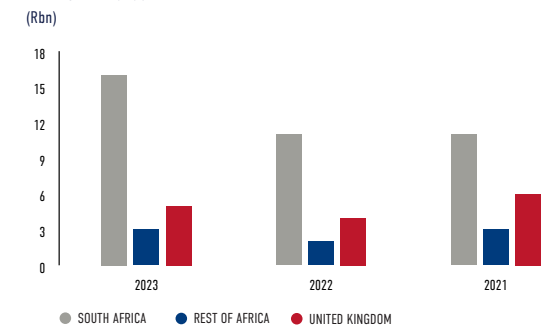
FY2023 Snapshot

- Exit from Australia finalised:
 - All obligations under the parent company guarantees have been settled.
- Strong growth in sectors offering opportunities:
 - Data centres: Growth in online activity has seen a surge in demand for data centres with projects of approximately R2,5 billion under construction during the year in both South Africa and the UK.
 - Renewable energy: A substantial increase in private investment directed toward the renewable energy sector, saw projects to the value of R5,2 billion under construction on a standalone basis and in joint venture together with a forward-looking pipeline in excess of R40 billion.
 - Road work: The award of previously delayed large-scale projects by Sanral resulted in road work contributing 50% (FY2022: 43%) of the Roads and earthworks division's revenue and comprising 62% of an enlarged order book.
- Diversification into Liberia and Tanzania to mitigate softer markets in the Southern African region:
 - Opportunities in Botswana are currently quiet and the project in Lesotho is nearing completion
 - The elevated gold price is supporting activity on gold mines in Tanzania.
 - Large-scale rail and mining infrastructure projects awarded in Liberia.
- In the UK:
 - The Byrne Group acquired the right to renegotiate certain of the existing contracts with the clients of the O'Keefe group of companies which had entered administration as well as acquiring property, plant and equipment and the transfer of personnel.
 - Through this transaction Byrne has broadened its construction capabilities to incorporate demolition, soil stabilisation and ground works and enhanced its presence in the UK construction market.
 - Russell WBHO is one of eight contractors appointed to the North West Construction Hub, the Manchester City Council's £1,5 billion high value framework and was also appointed to Pagabo's £1 billion Refurbishment and Refit framework.

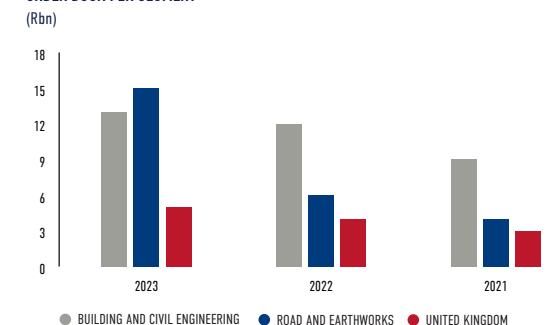
REVENUE PER SEGMENT



REVENUE PER GEOGRAPHY



ORDER BOOK PER SEGMENT





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

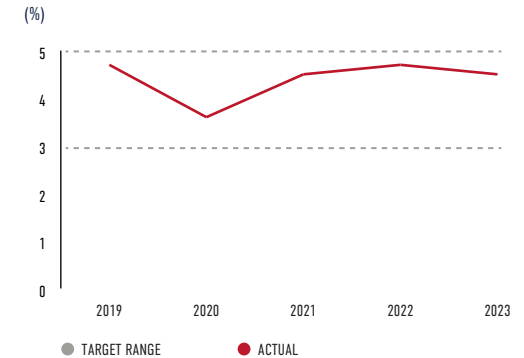
Key performance indicators

- 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

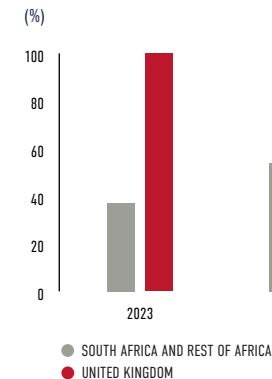
FY2023 Snapshot

- Order book growth of 47%
 - 57% in South Africa
 - 40% in the rest of Africa
 - 13% in the UK
- Record order book levels allow for selective approach to new work.
- Overall segment operating margin decreased from 5% to 4,7% but remains within target range of 4% to 6%.
- Margins declined in the UK due to:
 - A heavier weighting toward lower margin work within Ellmers Construction.
 - Lower revenue levels within Russell WBHO against a minimum fixed-cost base.
- 67% of projects exceeded tender margins demonstrating efficient contracting by operational teams.

OPERATING MARGIN



ISO 9001 AUDIT COVERAGE



67%
OF COMPLETED PROJECTS
IMPROVED ON TENDER MARGIN
(2022: 75%)

ISO
9001:2015
CERTIFIED

100%
QMS
COVERAGE
(2022: 100%)



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

FY2023 Snapshot

- New client relationships developed and fortified through competitive pricing, open negotiations 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 voted Contractor of the Year in the City of Manchester Business Awards in September 2022.
- 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 has reinforced confidence in senior management.

210

EMPLOYEES COMPLETED
COMPETITION LAW TRAINING

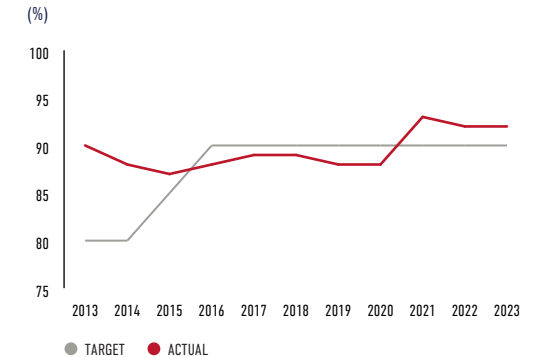
(2022: 158)

96

EMPLOYEES COMPLETED
ANTI-BRIBERY AND CORRUPTION TRAINING

(2022: 22)

CUSTOMER QUALITY PERCENTAGE RATING



pmr
africa

Diamond Arrow
2023

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 mentoring, training interventions and management development programmes, help equip staff with the necessary expertise at each 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 and the volume of work-on-hand. 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

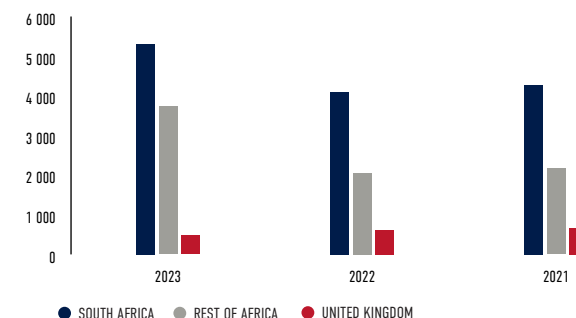
Key performance indicators

- 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

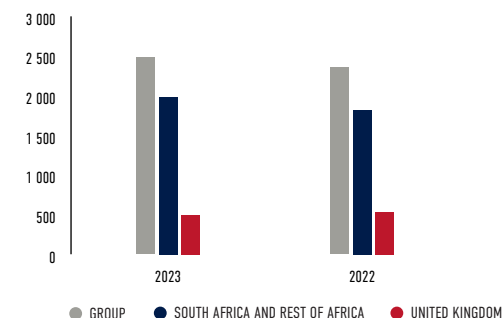
FY2023 Snapshot

- The 46% increase in the total workforce from 6 528 employees to 9 515 was commensurate with the 38% growth achieved by the Group this year.
- The increase in headcount was centred within the African operations.
 - Total headcount in SA increased by 1 219 employees from 4 088 to 5 307.
 - In the rest of Africa, our workforce increased by 1 671 employees from 2 060 staff to 3 731 as projects in Tanzania and Liberia were resourced.
- In the UK, while the overall headcount increased from 380 to 477 following the transfer of personnel from the O’Keefe group of companies to the Byrne Group, the number of employees within Russell WBHO reduced by 28 staff members due to lower activity levels.
- Hiring cycle remains in place with record growth in order book levels.
- High levels of secured work offer growth opportunities for employees demonstrating initiative.
- New financial and non-financial retention strategies implemented in FY2022 to reward and retain key talent have proven largely successful.

HEADCOUNT BY REGION



NUMBER OF EMPLOYEES TRAINED



72
STUDENTS RECEIVING
BURSARIES
(2022: 69)

R91m
TOTAL TRAINING
SPEND
(2022: R81m)

For more on our human capital and skills development practices, see WBHO’s separately published 2023 ESG Report.



s05 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

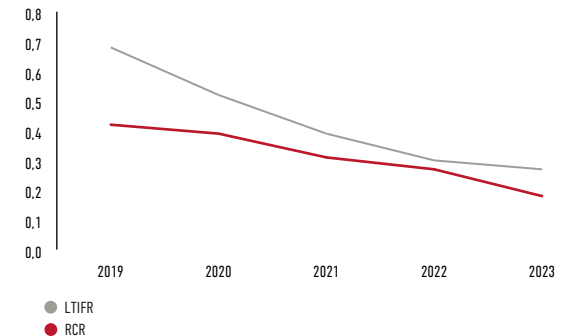
Key performance indicators

- OHSAS 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

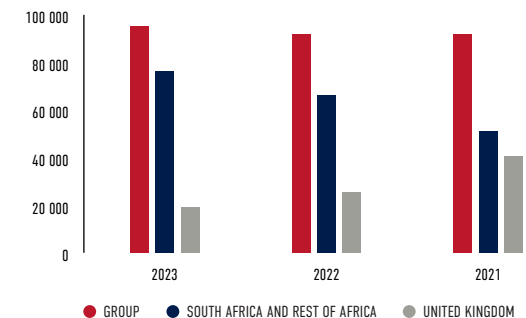
FY2023 Snapshot

- ISO 45001 and 14001 certifications maintained across all regions and entities.
- Record safety performance achieved reflects ongoing progress made toward zero-harm.
 - Record low LTIFR of 0.27 (FY2022: 0.30)
 - RCR of 0.18 (FY2022: 0.27)
 - 1 work-related fatality (FY2022: 1)
- Safety First interventions, VFL and Directors' Tours yielding positive results and demonstrate top-down commitment.
- Training and awareness programmes to ensure compliance with newly legislated Building Safety Act 2022 in the UK.
- Zero reportable incidents recorded nor fines levied for non-compliance with environmental laws and regulations.
- Participation by Byrne Bros. in the development and launch of the ConcreteZero initiative.
- Russell WBHO certified as a Carbon Neutral® company while targeting Net Zero by 2038.

LOST-TIME INJURY FREQUENCY RATE (LTIFR) AND RECORDABLE CASE RATE (RCR): GROUP (%)



CARBON EMISSIONS (tonnes CO₂e)



1

FATALITIES
(2022: 1)



14001:2015
CERTIFIED



45001:2019
CERTIFIED

100%

EMS AND SMS COVERAGE
(2022: 100%)

For more on our safety and environmental management practices, see WBHO's separately published 2023 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

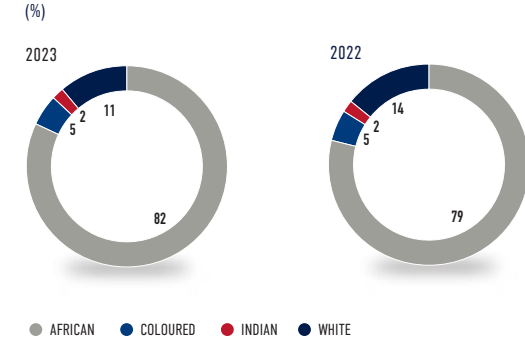
Key performance indicators

- B-BBEE Scorecard rating (by division)
- Workforce by gender, location and contract type
- Procurement spend
- Employment equity targets
- Socio-economic development (SED) spend

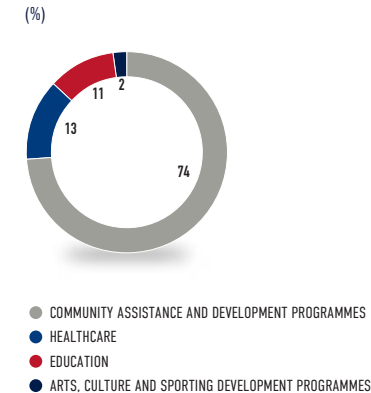
FY2023 Snapshot

- WBHO proudly retains Level 1 status for seven consecutive years.
 - Increase in black ownership and black women ownership following implementation of Akani 2, the Group's new broad-based ownership scheme approved by shareholders.
- Development of long-term mutually beneficial relationships with emerging contractors through joint ventures and enterprise development programme.
- Focus on successful achievement of VRP targets in final year of participation.
- R7 billion in black procurement spend. (FY2022: R5 billion).
- R63 million invested in the training of black individuals (FY2022: R56 million).
- Ongoing engagement with government in respect of proposed new legislation and potential impact on transformation objectives.
- Successful award of projects to newly formed citizen-owned company in Tanzania.
- 94% (FY2022: 93%) 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 (%)



10-YEAR SED SPEND (%)



LOCALISATION IN MAJOR AFRICAN COUNTRIES

93% BOTSWANA (2022: 98%)	98% GHANA (2022: 98%)	24% LESOTHO (2022: 37%)	96% MOZAMBIQUE (2022: 89%)	83% MADAGASCAR (2022: 92%)	87% ZAMBIA (2022: 80%)	91% TANZANIA (2022: 100%)	91% LIBERIA (FY2022: no comparator available)
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For more on our transformation journey, see WBHO's separately published 2023 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.

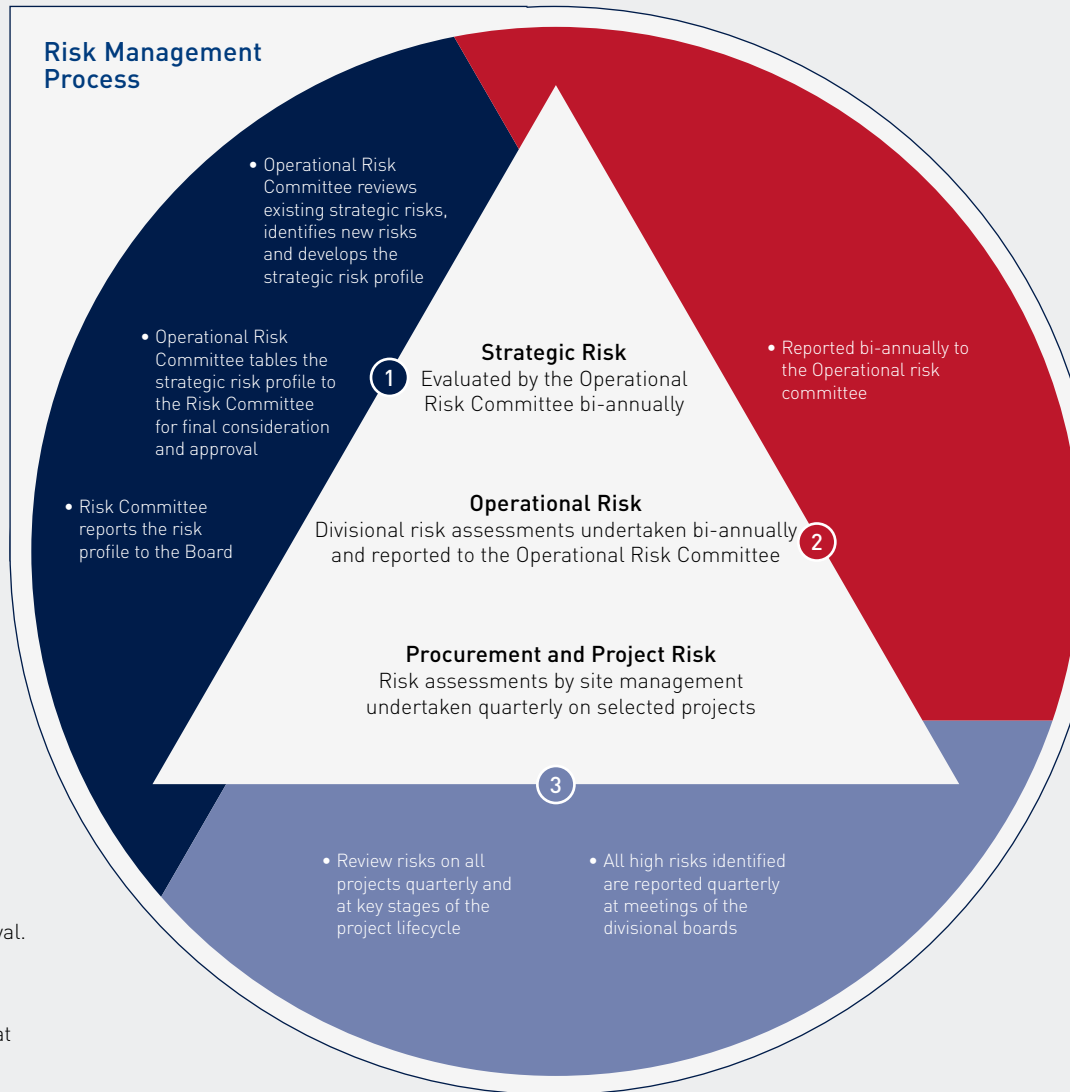
By entrenching risk management within Group business processes in a specific and practical manner, a formal means for managing the risks associated with the operating environment is established.

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.



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 in order to 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

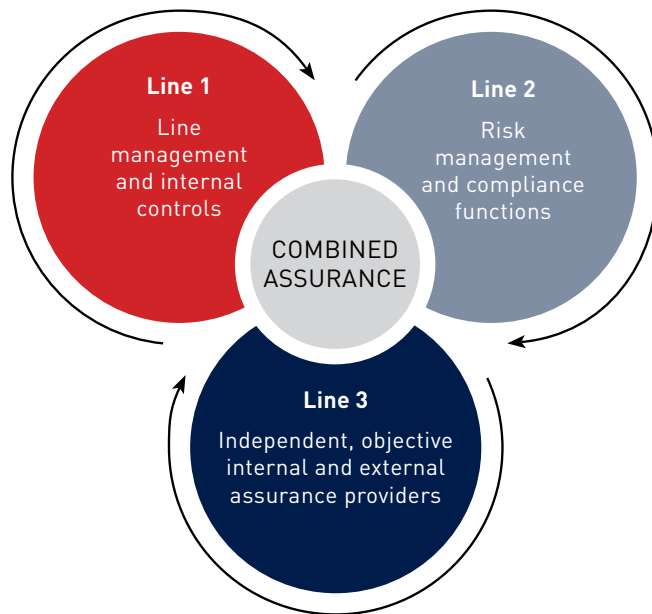
The risks and trends incorporated within the operational risk assessments inform the Risk Committee's assessment of the risk profile of the Group in the context of delivering its strategic objectives. The macro environment, together with corporate, regulatory and legal compliance risks are also assessed. 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:

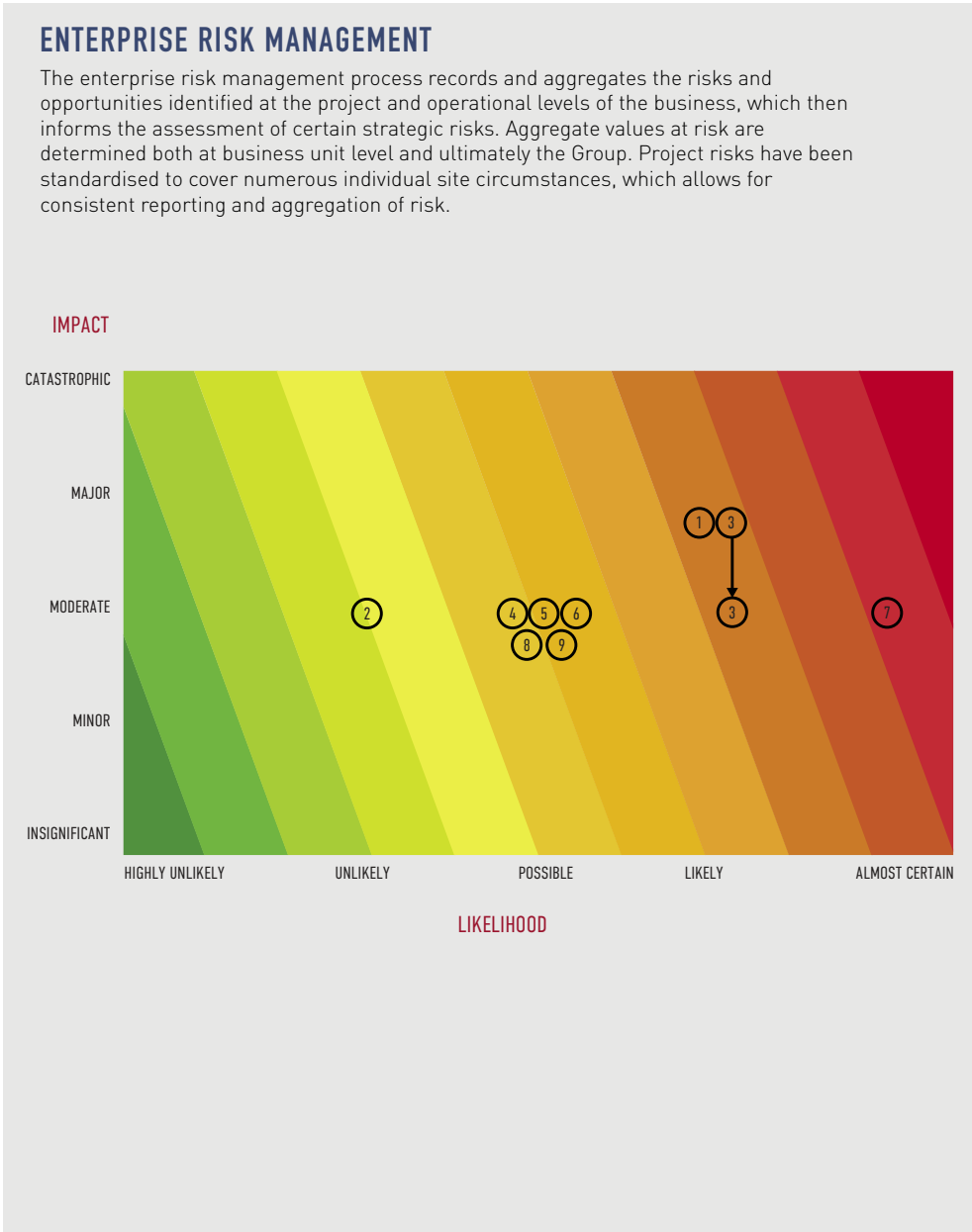
Content and functions	Assurance provider	Level of assurance	Outcome
Annual financial statements	BDO South Africa Incorporated	Level 3	Unmodified audit opinion
B-BBEE rating	EmpowerLogic (Pty) Ltd	Level 3	Level 1 certified
Environmental management	BSI	Levels 2 and 3	ISO 14001 compliant
Occupational health 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



SO

Strategic Objective

Risk unchanged

Risk decreased

Risk increased

	Risk and impact on value if not managed	Key response or mitigation
<div>1.</div> <div>Strategic objective:</div> <div>so1</div>	<p>Country risk and changing market dynamics <i>(uncontrollable)</i></p> <p>The Group conducts business across numerous sectors and in various geographical locations. A number of factors, including economic cycles, political environments, government policy and currency volatility impact the markets in which the Group operates. A material deterioration in the status of 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 and the impact of the conflict between Russia and Ukraine on global economies remain present through rising inflation and an associated increase in both global and local interest rates.</p> <p>The major global economies have successfully avoided a recession, however global growth forecasts are muted.</p> <p>Despite low economic growth and the impact of load shedding, increased public sector spending during 2023 has supported order book growth in South Africa. Nonetheless, public sector procurement policies remain uncertain and subject to change at short notice.</p> <p>There has been a visible slow-down in certain African economies and the focus on awarding construction contracts to citizen-owned entities continues to gain traction. Insurgent activity in Mozambique has quietened but remains present.</p> <p>The UK economy has been negatively affected by geo-political developments and the implementation of Brexit. Economic growth remains weak, constrained by monetary tightening by the Bank of England, depressed consumer confidence and sluggish exports.</p> <p>The effect of high interest rates within the economies in which the Group operates will likely continue to impact economic growth for some time, which together with looming elections in various geographies, means this risk remains likely with the potential impact being major.</p> <p>Discontinued Australian operations <i>(partially controllable)</i></p> <p>The deterioration of the Australian construction industry following Covid-19 culminated in the Group's exit from the region in FY2022.</p> <p>Any further country risk had little impact on the Group's ability to settle its remaining obligations to clients and guarantee providers.</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 as circumstances dictate. Flexible and responsive management. Strong logistical capabilities to access remote African regions.

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. Strategic objective: so3 so6	Industrial action <i>(uncontrollable)</i> <p>The South African labour market is heavily unionised and unions are able to wield significant influence resulting in industrial action. Industrial action impacts on-site productivity, delivery, and financial performance.</p> <p>There has been little formal strike activity by the construction labour force in South Africa over recent years, however there was an increase in unprotected strike action in the current period.</p> <p>Strike action in the UK has been limited to the public sector and is unlikely to spread to the construction sector.</p> <p>Wage agreements concluded within both building and civil labour markets in South Africa remain in effect until FY2024 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. Strategic objective: so2	Contracting with unreliable clients <i>(controllable)</i> <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>Fluctuating demand within the sectors on which the construction market relies has resulted in bidding for new clients. We have observed increased payment terms being negotiated with certain clients alongside intermittent overdue payments from both private and public sector clients.</p> <p>This risk remains likely with the impact now considered moderate.</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 payment guarantees. Requirement for payment guarantees on majority of projects.
4. Strategic objective: so2	Procurement and execution risk <i>(controllable)</i> <p>Procurement and execution risk are closely linked to changes in market dynamics, skills shortages and talent management. The substantial increase in order book levels in the current period, has reduced procurement risk over the near-term. Importantly, the current work-on-hand was secured during competitive market conditions, thus requiring a greater emphasis on project execution.</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 has resulted in business failures and increased risk of non-performance. This has financial, operational and reputational implications for projects.</p> <p>The high levels of work-on-hand secured amid a low-margin environment have resulted in this risk remaining possible and moderate.</p>	<ul style="list-style-type: none"> Formal tender policy and tender approval authority matrix in place. Structured planning and resource utilisation. Due diligence investigations undertaken on critical suppliers and subcontractors. Monitoring of project performance via 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. Strategic objective: so5	Major safety, health or environmental incident <i>(controllable)</i> <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>Despite the Group achieving record low safety statistics for the second consecutive year and no reportable environmental incidents, 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. 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. Compliance with new safety and environmental laws introduced in the UK.
6. Strategic objective: so3	Non-compliance to laws and regulations <i>(controllable)</i> <p>The construction industry 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 and 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. Strategic objective: so6	Community unrest <i>(uncontrollable)</i> <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, yet 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 remains almost certain 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

S0 Strategic Objective ● Risk unchanged ● Risk decreased ● Risk increased

	Risk and impact on value if not managed	Key response or mitigation
8. Strategic objective: S03 S04 S06	<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 together with the new preferential procurement policy recently released by Sanral are not seen as business-friendly and may have implications for work prospects.</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 subject to change hence this risk remains possible and moderate.</p>	<ul style="list-style-type: none"> Strategies developed and implemented to meet all elements of the construction sector scorecard. Operational focus on scorecard elements within their control. Regular monitoring and reporting of performance against targets at management meetings and Transformation Exco. Retention strategy and management development programme in place for promising previously disadvantaged individuals. Provide public comment on proposed legislation through industry bodies.

	Risk and impact on value if not managed	Key response or mitigation
9. Strategic objective: S02 S04	<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.</p> <p>In the recent economic environment, achieving growth within the construction industry has been challenging. Although the emerging contractors have, under the mentorship of the Group, successfully survived the impact of the Covid-19 pandemic, achieving year-on-year growth of 10% has not been possible.</p> <p>Despite this, the Group, together with the emerging contractors, have implemented the necessary strategies to ensure that the broader deliverable of 25% is met by 2024.</p> <p>While targets were met in 2021 and 2022, in 2023 the 10% year-on-year growth targets were not met and the Group considers the risk of penalties possible and moderate.</p>	<ul style="list-style-type: none"> Allocation and execution of projects in joint venture with emerging contractors. 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 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

"After the difficulties experienced in the last financial year, WBHO bounced back with an exceptional performance from our continuing operations. I began my 2022 report with the statement that, 'despite the challenges we have faced, WBHO remains a solid business with favourable prospects', I believe we have firmly demonstrated our underlying strength once again this year and I am extremely proud of the results that the team have achieved. In our ongoing commitment is to deliver value in a manner that is both safe and sustainable, we also surpassed our previous safety records".

WOLFGANG NEFF

CHIEF EXECUTIVE OFFICER

In February last year we made the difficult decision to end financial support to our Australian operations, knowing that the effect of this decision would lead to those businesses entering administration and come at a significant financial cost to the Group. I remember vividly standing up at our annual management conference and sharing the extent of the losses and impact on our financial position with our senior management. Naturally, at the time there was significant concern of our ability to weather this storm. I shared the Board's reasoning behind the decision as well as the actions already taken to limit our exposure and secure the necessary support and potential funding from our local financial institutions. Although the events taking place in Australia were worrisome, we had also secured record order book levels within our African operations. I asked the team to do what they do best and deliver the work-on-hand. They certainly took that request to heart, achieving 38% growth in revenue and an even more impressive 47% growth in an already elevated order book.

When reflecting on WBHO's progress, I am always reminded that this is truly a company that has stood the test of time – evolving and responding to the ever-changing market conditions. This year marks 53 years of existence, and 2024 will mark 30 years since our listing on the Johannesburg Stock Exchange. None of this would've been possible without our spirit of resilience, and a commitment to a culture of excellence, safety, quality and reliability. The driving force behind WBHO is our people whose experience spans decades of major construction projects across Africa and the UK. The 2023 financial year proved once again that our vision of being a leading construction company wherever we operate can, and will continue, to build a path for growth for us.

THE YEAR IN REVIEW

This year has been a significant one for WBHO. Construction industries across the globe have faced mounting macroeconomic challenges culminating in losses and insolvencies. For a number of years WBHO was the standout contractor. Yet, after a period of sustained losses in Australia and limited growth in Africa, some had begun to tarnish us with the same brush. It has been important for me to ensure stability and show the value we have to offer. The embedded strength within our continuing operations has allowed us to recapitalise our business, and in doing so, avert the need to raise capital which the market had predicted we may well need. The resurgence seen in FY2023 within our South African and other African entities has gone a long way in reinstating confidence in the robustness of our balance sheet to meet the increasing demands of our growing order book.

The continuing operations of our business delivered substantial growth this year, underpinned by an outstanding performance by our African businesses and complemented by growth from the UK in the latter half of the fiscal year. We maintained a healthy overall operating margin of 4.5%, generated R1,6 billion in cash from operations and further enhanced order book levels.

We also exerted a considerable amount of effort in ensuring a swift but sensible exit from Australia, which was effectively achieved by December 2022, just 10 months after the original announcement thereof. The settlement reached on the Western Roads Upgrade project enabled our exit from the contract and absolved the Group of all obligations under the parent company guarantee, all commitments to the Commonwealth Bank of Australia were satisfied and the implementation of the Deed of Company Arrangement resolves all creditor claims and eliminates any future claims and litigation against the Group. Although this came at an additional cost of R100 million over the provision raised at 30 June 2022, it has provided finality and marks the closure of a complex chapter for us.

Alongside the pleasing results achieved this year, a standout accomplishment for our Group was once again securing the PMR Africa Diamond Award, reaffirming our position as the premier construction company in South Africa. In tandem with this recognition, our UK-based subsidiary, Russell WBHO, received the distinguished title of City of Manchester Contractor of the Year in September 2022. These accolades symbolise our commitment to excellence and innovation in the construction industry.

OPERATING CONTEXT AND PERFORMANCE

In FY2023, Group revenue from continuing operations grew to R24 billion, marked by strong performances in South Africa and the rest of Africa, where sizeable growth of 42% and 56% was achieved respectively. Revenue from South Africa increased to R16 billion, up from R11 billion in FY2022, and reflects the high levels of work secured amid a more favourable procurement environment in the previous year. One factor influencing the growth in South Africa has been a noticeable improvement in public sector spending. While this increase was predominantly driven by projects from Sanral, we also executed projects for Eskom, Transnet, Rand Water and the City of Cape Town during the year. Consequently, the contribution of revenue from South Africa toward Group revenue increased to 66% (FY2022: 64%). Although the increased public sector activity is welcome, given the fiscal constraints faced by government, it cannot be relied upon for consistent growth over the medium to

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER continued

longer term. WBHO is firmly rooted in South Africa, however a meaningful presence in both the rest of Africa and the UK is a crucial part of our diversification strategy.

Increased activity in the rest of Africa was propelled by diversification into Liberia and Tanzania together with a rejuvenated performance in Mozambique following the award of new work at the Temane gas fields for Sasol. The contribution from the rest of Africa now stands at 13% compared to 11,5% last year.

The combined operating margin from Africa was 5% in the current and prior periods, a commendable result given the extent of the growth.

The renewed activity experienced within the Building division last year was cemented by further growth of 28% in the current period.

The division completed and is busy with a number of flagship projects across various regions. The successful handover to the operator, of the design and construction of new offices for the Department of Agriculture, Land Reform and Rural Development under a public-private partnership agreement (in which the Group also has an equity investment), was a significant milestone achieved during the year. The emerging data centre market continues its growth trajectory, providing ongoing work for the division alongside a promising forward-looking pipeline. The industrial building and warehousing sector also remained a strong source of activity, particularly in KwaZulu-Natal. The rising trend of semigration in South Africa has boosted construction activity in the Western Cape across both the private and public sectors where we have observed increased demand for office space, residential and student accommodation, schools and healthcare facilities. Sourcing suitable building projects in the rest of Africa that fit our risk profile is a work-in-progress, but we remain alert to opportunities and continue to engage with prospective new clients.

Revenue from civil engineering disciplines saw a substantial increase in revenue, driven by a surge in demand from the private renewable energy sector where the Projects division has three large-scale EPC solar projects and a wind farm under construction.

The Roads and earthworks division was the primary beneficiary of the increase in public sector spending in South Africa. After much lamenting by the industry over the delayed award and suspension of projects by Sanral, to their credit, this year saw a magnitude of mid-sized and mega-projects awarded. Although the award of so many projects in such a short space of time creates its own unique challenges in terms of resource allocation, it was a much-needed injection of work for the industry. The division has a strong allocation of work in the rest of Africa which made up 38% of its total revenue. Activity was focused on mining infrastructure projects in Ghana,

Liberia and Tanzania and gas-infrastructure projects in Mozambique. Revenue from Botswana decreased due to the completion of projects amid a cyclical decline in available work.

Growth of 18% in the UK was delivered via the Byrne Group through a positive contribution from Ellmers Construction and a healthy performance by the O'Keefe team, who were absorbed into the business following the renegotiation of contracts that had suspended when the original O'Keefe group of companies entered administration. The addition of this resource base provides the Byrne Group with a skill set that is contracted much earlier in the project lifecycle and enables diversification into new markets. Russell WBHO had a difficult year in that a sizeable project at an advanced stage of negotiation failed to materialise and other imminent projects were further delayed.

All in all, WBHO has demonstrated that the heart of our business remains intact, achieving a sturdy operational performance across divisions, characterised by careful project selection when necessary and strategic inroads into new growth areas, thus ensuring restored value creation and sustainability.

CAPACITY AND TALENT MANAGEMENT

The size of our operational teams is in constant flux depending on the volume of work we have on hand. After reducing the size of the workforce during Covid-19, growing order book levels over the last two years have placed us back in a hiring cycle. During the year under review, our heightened operational activities across various regions triggered a significant 46% swelling of our workforce to 9 515 employees, a substantial leap from 6 528 in FY2022.

Our employee count increased by 1 219 in South Africa, 1 671 in the rest of Africa and 92 in the UK. Retaining our corporate culture has been a long-standing competitive advantage for us. A spike in headcount such as we have experienced this year requires careful management. New employees within our management structures have been paired with experienced existing personnel to ensure our culture is preserved.

The escalating demand for skills both in South Africa and on an international scale, coupled with the prevailing economic and political uncertainties within the nation, has contributed towards increasing levels of emigration. In response to these developments, we have recalibrated our remuneration and broader retention strategies. In the current environment, maintaining competitive compensation and fostering an environment where our employees can advance their careers within WBHO locally, is essential in ensuring we retain our top-tier talent and are able to attract the best available resources in the market.

In the rest of Africa, new projects in Tanzania and Liberia were the dominant factor behind the growth in employment numbers where 91% of the workforce in both regions is comprised of local citizens.

Within our UK operations, the integration of personnel from the O'Keefe group of companies, which had entered administration, contributed to the increase in total headcount. This integration within the Byrne Group has expanded our talent pool and provided new capabilities.

The ongoing enhancements to our remuneration and talent management strategies reflect our intent to entrench a robust and high-performing organisational culture within our business, ensuring that our growth trajectory is well-supported by a competent and motivated workforce.

SETTING NEW STANDARDS IN SAFETY AND ENVIRONMENTAL PERFORMANCE

Within our industry, a safe business is a successful business, both operationally and financially. At WBHO, our goal is to make sure that every employee and contractor returns home safely to their loved ones every day. This is only achievable by instilling a 'Safety First' mindset in each and every person on site, led from the top. One of the keys to our safety programme is our Visible Field Leadership and Director Tours interventions. This approach shows the commitment of our senior management and ensures that we're actively involved in making our workplaces safer.

Our safety culture prioritises three elements: People; Behaviour and Environment. By equipping our staff with knowledge and awareness, enforcing, encouraging and monitoring safe behaviour and providing the correct attire, equipment, climate and management systems, we make further progress towards our goal of zero harm each year.

After our best-ever safety performance in 2022, we've continued to do better in 2023. The Group achieved a lost-time injury frequency rate (LTIFR) of 0.27 (FY2022: 0.30). Our recordable case rate also improved to 0.18 (FY2022: 0.27). Our teams in Africa did particularly well, setting a record low LTIFR of 0.22, down from 0.29 in the previous period.

Despite our hard work to prevent any fatalities, we sadly had one this year. Mr. Doctor Shabangu passed away on July 4th, 2022, due to injuries from a work-related incident in South Africa. The Board, myself personally and management extend their deepest condolences to his family, friends and colleagues.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER continued

Our ISO-certified environmental management system ensured we had no major reportable environmental incidents, and we received no penalties or fines for breaking environmental laws across the Group.

OUR COMMITMENT TO EMPOWERMENT, TRANSFORMATION AND LOCALISATION

WBHO has actively participated in reshaping South Africa's construction industry through our transformation strategy and objectives. Our strategy is designed to exceed mere compliance with laws and regulations and aims to create a tangible difference within our society. We provide regular support to the Construction Sector Charter Council and are committed to the principles of broad-based transformation contained in the sector charter. We proudly retained our Level 1, B-BBEE status this year.

Within this reporting period, we instituted Akani 2, a new employee participation transaction, enabling inclusivity and equitable participation in the success of WBHO by employees at all levels. Through the scheme, WBHO remains a 51% black-owned company when measured using the Construction Sector Charter. Black equity ownership is a pivotal move towards economic transformation, contributing to the increased involvement of black individuals in South Africa's economy.

The recent enactment of the Employment Equity Amendment Act 2020, signed into law by President Cyril Ramaphosa on 12 April, has raised concerns. It stipulates that the sectoral target for professionally qualified Africans in the construction sector should reach 65,2% in the coming five years, a substantial increase from 46,9%. While the intention behind the act is commendable, achieving these targets in the short term is unfeasible due to the scarcity of experienced staff. WBHO, steadfast in its commitment to transformation, is concentrating on recruiting young talent from previously disadvantaged backgrounds and ensuring their long-term professional development and proficiency.

However, it's evident that substantial economic growth is crucial to facilitate further transformation. In essence, fostering transformation is inextricably linked to industry growth. The prolonged decline in government infrastructure spend has significantly hindered transformation within the construction sector. However, the recent initiation of several substantial road projects is promising and provides our staff with opportunities for personal growth, has the potential to boost the employment of unskilled workers in local communities and enables SMMEs to gain experience and grow.

The execution of revised procurement regulations, nevertheless, remains a formidable challenge. The emphasis on the B-BBEE scorecard has been compromised by allowing municipalities and state-owned enterprises each to establish their own unique criteria for preference points in tender adjudication. This development poses a standardisation challenge as construction companies, previously aligning with transformation objectives in the construction codes for optimal scorecard levels, must now navigate and align with a plethora of empowerment criteria across various municipalities and state-owned entities. Specific focus on 100% black-owned businesses does not support broad-based transformation, negates the billions of rand spent by the business community on improving previously gazetted scorecards through meaningful transformation initiatives and raises the ultimate cost of projects to the economy.

Across the broader African continent, there is a significantly greater emphasis on localisation, as numerous African nations are steering towards recovery and development. We persistently strive to back these objectives wherever feasible, prioritising the employment of local individuals and forging partnerships with indigenous companies.

LOOKING AHEAD

With our order book levels increasing by 47% and a brighter short-term outlook for our UK businesses, I believe WBHO is positioned well to deliver further growth next year. Our main focus is now on executing these many projects successfully.

In addition, the forward-looking pipeline of projects is healthy, specifically the renewable energy sector where we have line of sight of prospective projects in excess of R40 billion. Infrastructure is seen as a critical part of the country's Economic Recovery Plan. While investment in public-sector infrastructure has been slow over the past decade, it is encouraging to see a focus on speeding up infrastructure development through the work of the Infrastructure Fund and Infrastructure South Africa. There are also a number of public-private partnerships for the Department of Home Affairs and the public healthcare sector that are on the horizon.

The possible recommencement of the gas-infrastructure projects for Total in Mozambique, further phases of work in Liberia and Tanzania and new opportunities in Madagascar can support our goals for growth in the rest of Africa.

Although the UK economy remains under pressure, our UK businesses have reasonable levels of secured work and a number of imminent prospects close to award that provide some level of confidence for an improved performance next year. Inflation has stabilized and a pause in interest rate hikes by the Bank of England recently has created some positive sentiment, however it will take time for these effects to impact construction markets. The pipeline of potential projects is robust, yet developers remain cautious and project delays are still common.

The final resolution of all exposure to the now discontinued Australian operations alongside the re-strengthening of the balance sheet, means we can focus fully on building on our recent success. While we took great pride in restoring our reputation as a quality business in 2023, we have an exciting and busy time ahead of us. We look forward to the challenge ahead and delivering another positive result for all of our stakeholders.

APPRECIATION

None of what we have been able to achieve would have been possible without people – from our employees, clients, subcontractors, professional consulting teams, suppliers, service providers and partners. We are fundamentally a people business, and the value we create is dependent on the strength of our relationships.

We are incredibly grateful to our clients, who "Rely on our ability" to deliver. This is more than just a motto for us at WBHO – it is a promise that we aim to keep every time a client entrusts WBHO with a project.

The support from the Board has been invaluable, aiding in a collaborative effort to navigate WBHO towards improved performance, all while staying true to our core values.

Wolfgang Neff

Chief Executive Officer

BIO-MED RESEARCH FACILITY

Construction of a new research facility for the University of Stellenbosch consisting of a basement, three office levels and a machine room on the top floor. The facility allows the university to expand its research activities and teaching capacity.



OPERATIONAL REPORTS

BUILDING AND CIVIL ENGINEERING

REVENUE

2023: R10 981m

2022: 7 498m

OPERATING PROFIT

2023: R504m

2022: R342m

OPERATING MARGIN

2023: 4,6%

2022: 4,6%

CAPITAL EXPENDITURE

2023: R6m

2022: R21m

PROJECTS NEGOTIATED (%)

2023: 32

2022: 33

NUMBER OF EMPLOYEES

2023: 1 645

2022: 1 458

RETRENCHMENTS

2023: Nil

2022: 172

TRAINING SPEND

2023: R37m

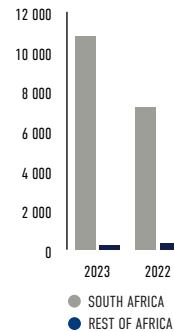
2022: R37m

LTIFR

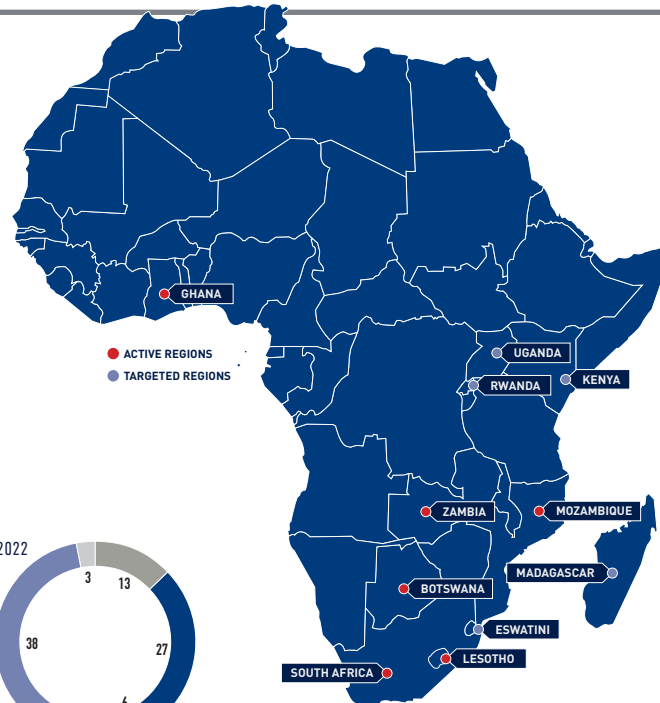
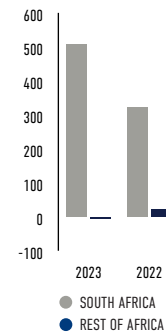
2023: 0.26

2022: 0.25

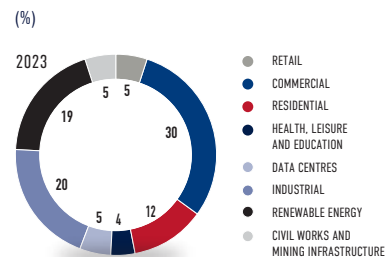
REVENUE (Rm)



OPERATING PROFIT (Rm)



REVENUE BY SECTOR (%)



The year in perspective

- Revenue increased by 47%
 - 50% growth in South Africa
 - 22% decrease in the rest of Africa, but comprises only 2% of total divisional revenue
- Operating profit up 47%
- Margin of 4,6% maintained in a high growth environment
 - South Africa 4,7% (FY2022: 4,4%)
 - Rest of Africa (2,1%) (FY2022: 6,9%)
 - Small losses incurred in Zambia

The overall headcount for the division increased from 1 458 to 1 645 in support of the growth achieved in South Africa. No retrenchments took place in the current year.

Capital expenditure decreased from R21 million in FY2022 to R6 million this year. Although the division is not heavily plant intensive, expenditure has been curtailed in recent years as the Group has managed through Covid-19 and the exit from Australia. Following the positive results delivered in FY2023, additional capital expenditure of R71 million has been approved for FY2024. The forecast capital expenditure is primarily geared toward the replacement of plant that has reached end of life.

In the current period, the division closely matched its record LTIFR of 0.25 achieving an LTIFR of 0.26. Eight lost-time injuries (LTIs) occurred from 33 million hours worked compared to six LTIs in FY2022 from 24 million hours worked. Regrettably, one of our employees suffered a fatal injury in July 2022. All other LTIs were suffered by subcontractor employees. Improving the safety performance of our subcontractors remains a key objective for the division.

Training investment within the division was maintained at R37 million.

OPERATIONAL REPORTS CONTINUED

BUILDING AND CIVIL ENGINEERING continued

Building

- **Revenue increased by 28% over the comparative period**
 - 27% revenue growth in Gauteng
 - 29% growth from the coastal regions
 - Revenue from the rest of Africa remains at low levels
- **Large-scale anchor projects across all key sectors in Gauteng**
- **Data centre projects valued at R1,5 billion secured in the year alongside a strong pipeline of potential new work**
- **Semigration driving growth across multiple sectors in the Western Cape**
- **Industrial buildings and warehouses were a primary source of activity in KwaZulu-Natal**

The Building division performed well across all regions in South Africa. Procurement activity remained buoyant and order book levels were broadly maintained at the elevated levels achieved last year.

In Gauteng, the award of the R2,5 billion extension and refurbishment project for the South African Reserve Bank in Tshwane, coupled with the conclusion of the construction phase of the public-private partnership (PPP) contract for the Department of Agriculture, Land Reform, and Rural Development, has prompted a revitalisation in the commercial office sector, accounting for 46% (FY2022: 26%) of the region's revenue. In the sub-R250 million commercial office sector, two projects reached completion this year, with another two set to continue into FY2024. This division maintains a strategic presence in this sub-sector.

The contribution from industrial and warehousing toward revenue in the region dropped to 21% from 52% in FY2022. Significant projects under construction included the completion of a logistics and distribution centre for Fortress, with Pick n Pay as the tenant, and construction for AB InBev at its Rosslyn plant in Tshwane. Construction of a manufacturing facility supplying automotive parts to BMW, also in Rosslyn, is ongoing. The residential sector displayed growth, contributing 17% to revenue, up from 4% in FY2022, with large-scale

projects like Steyn City progressing well into FY2025. The division, a front runner in the data centre sector, secured a new project for Teraco and two for Vantage during the year. Within the healthcare sector, the division secured a R1 billion upgrade and extension to the Siloam District Hospital in Limpopo to be executed in a joint venture.

Solid growth was observed in the coastal regions of KwaZulu-Natal (KZN) and the Western Cape. In KZN, industrial building and warehousing projects accounted for 63% of the region's revenue. The division completed various projects at prominent logistics parks alongside warehousing projects for Zenprop, Shoprite, Coca-Cola and Growthpoint. Within the retail sector, the Springfield Value Centre and retail component of the large-scale, mixed-use Oceans development in Umhlanga were completed with two new sizeable awards secured in the second half of the year.

In the Western Cape, commercial offices and mixed-use developments comprised 75% of activity in the region where construction at three anchor projects, namely the Harbour Arch and River Club mixed-use developments and new offices for Investec at the V&A Waterfront, were the most significant contributors in this sector. The residential sector, contributing 17% to activity, saw the completion of several student accommodations, construction of a retirement village consisting of 250 apartments, 190 freestanding houses and a lifestyle centre at the Sitari Estate in Somerset West. Two residential apartment developments, 9 Palms in Century City and the Val de Vie Estate in Paarl will continue into FY2024. The division has also been appointed to a framework for the Western Cape Department of Health and Education, with several projects already underway.

In the Eastern Cape, activity is diverse, spanning the retail, industrial buildings, residential and education sectors, with notable projects including the Boardwalk Mall and the Westbrook residential development at Riverdale in Gqeberha, an expansion of the SAB iBhayi brewery and the commencement of a new luxury residential and hotel development in Plettenberg Bay.

In the wider African region, construction of residential housing and hotel and conferencing facilities at the Polihali Village in Lesotho successfully achieved its first milestone in March 2023, with the project due for completion in November 2023. The division was recently awarded the enabling works for a data centre in Ghana, with negotiations for the main works progressing.

Civil engineering

- **Revenue increased by 162%**
- **Primarily driven by a surge in activity within the renewable energy sector:**
 - R6 billion in new renewable energy projects secured by the either in joint venture or on a stand-alone basis
 - Over 500MW of renewable energy under construction
 - Manufacture of concrete keystones for wind farms provides an additional revenue stream from this sector
- **New mining infrastructure projects secured**
- **Negotiations for remobilisation in Northern Mozambique have progressed**

Although traditional civil engineering activity in South Africa was static over the financial year, procurement activity witnessed a significant upswing in the latter half of the period. The value of work poised for FY2024 has already surpassed that executed in FY2023.

The Civil engineering division is also benefitting from the renewable energy sector having secured a large-scale contract in a joint venture for the manufacture and supply of 78 pre-cast concrete towers to be installed at the San Kraal, Phezukumoya and Coleskop wind farms, which form part of the Koruson 1 wind farm cluster located in the Eastern Cape.

Activity this year included the construction of civil infrastructure at the Two Rivers Platinum Mine, marine works at Durban Harbour, continuous works at the Kusile Power Station, and the completion of the Vlakkfontein reservoir. In the second half of the year, the division secured two mining infrastructure projects for Anglo American Platinum at the Der Brochen mine in Limpopo and at their Rustenburg Base Metals Refinery. Additionally, a project for Tronox was acquired, in conjunction with the Roads and Earthworks division, at the Namakwa Sands East OFS Project in the Western Cape.

RIVER CLUB MIXED-USE DEVELOPMENT

New office and retail facilities for Amazon in Cape Town with a total construction area of 98 600m²



OPERATIONAL REPORTS

ROADS AND EARTHWORKS

REVENUE

2023: R6 857m

2022: R4 713m

OPERATING PROFIT

2023: R450m

2022: R322m

OPERATING MARGIN

2023: 6,6%

2022: 6,8%

CAPITAL EXPENDITURE

2023: R472m

2022: R196m

PROJECTS NEGOTIATED (%)

2023: 7

2022: 11

NUMBER OF EMPLOYEES

2023: 7 050

2022: 4 353

RETRENCHMENTS

2023: Nil

2022: 265

TRAINING SPEND

2023: R38m

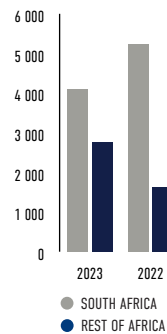
2022: R21,5m

LTIFR

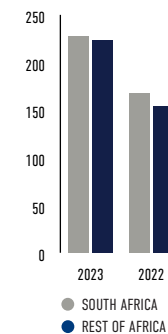
2023: 0.17

2022: 0,33

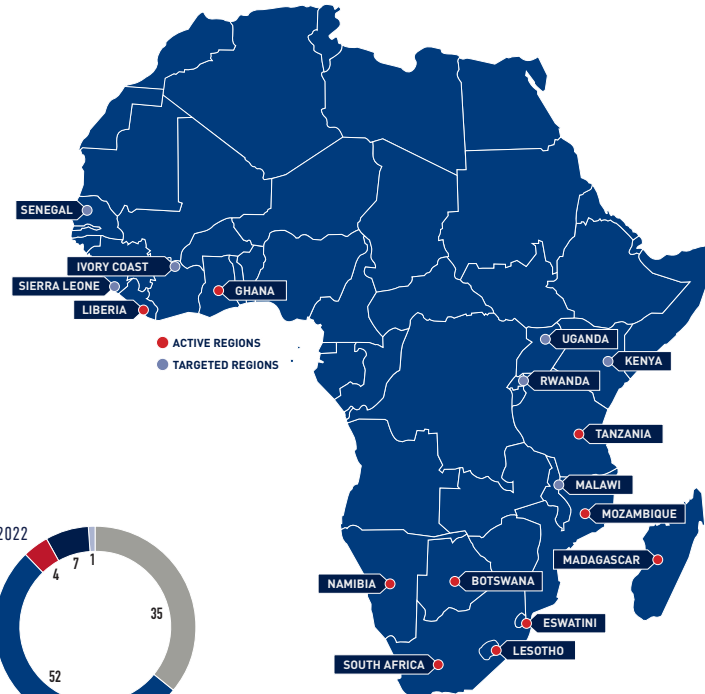
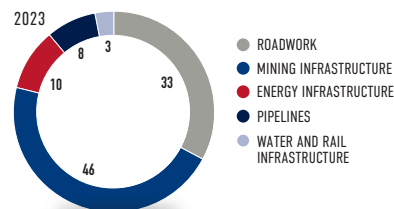
REVENUE (Rm)



OPERATING PROFIT (Rm)



REVENUE BY SECTOR (%)



The year in perspective

- Revenue increased by 46% (FY2022: 10%)
 - South Africa 33% (FY2022: 23%)
 - Rest of Africa 50% (FY2022: 6% decline)
- Operating profit increased by 40% to R450 million
- Operating margin slipped marginally to 6,6% (FY2022: 6,8%)
 - South Africa 5,5% (FY2022: 5,4%)
 - Rest of Africa 8,1% (FY2022: 9,5%)

The headcount of the division increased substantially this year, particularly in the rest of Africa. Overall the number of employees increased by 2 697 people from 4 353 to 7 050. This comprised an increase of 974 employees in South Africa and 1 723 employees in the rest of Africa. 559 local staff were employed in Liberia, an additional 40 citizens in Tanzania and over 1 000 new local employees appointed in Mozambique. No retrenchments were necessary during the year. The division anticipates further growth in employee numbers in South Africa next year in order to deliver the sizeable growth secured in order book levels.

The division has a substantial fleet of plant to meet operational requirements. Capital expenditure of R472 million was incurred FY2023 against a budget of R342 million. The additional expenditure was incurred primarily to support the 50% growth in revenue in the rest of Africa. The curtailment in spending over FY2021 and FY2022 has resulted in the average age of various plant items exceeding the ideal ages for replacement. Given the high volume of work-on-hand, a capital expenditure budget of R454 million has been approved for FY2024 in order to ensure an optimal operational

OPERATIONAL REPORTS CONTINUED

ROAD AND EARTHWORKS *continued*

performance. R330 million will be directed toward the replacement of aging plant and R124 million is to be spent on new equipment where a need has been identified.

The LTIFR improved from 0.33 to 0.17 this year. The number of LTIs decreased from five to four despite the substantial increase in the number of man-hours worked from 13 million to 23 million. There were no fatal injuries experienced in the current reporting period.

The increase in training investment from R22 million to R38 million is intended to support employees with the increase in their responsibilities and workload associated with the growth achieved.

South Africa

- **Revenue growth underpinned by a strong uptick in roadwork activity**
 - R11,4 billion in new work secured from Sanral
 - Three mega-projects valued at R8 billion were secured, two of them in joint venture
- **Moderate growth in mining infrastructure activity over the elevated volumes of FY2022**
- **Increased contribution from energy infrastructure**
 - Active on three coal-fired power stations and four renewable energy projects
- **Operating margin improved to 5,5% in spite of increased contribution from lower margin roadwork**

The strong baseload of large-scale mining infrastructure projects on hand ensured moderate growth in the volume of work delivered from this sector during the year, however, the substantial upswing in roadwork activity resulted in the contribution toward revenue decreasing from 46% to 40%. The division has ongoing projects for many of the major mining houses that extend throughout FY2024 and into FY2025. The current work-on-hand includes projects for Seriti Coal, Kumba Iron Ore, South 32, Harmony and Anglo Platinum.

Existing projects combined with awards of R11,4 billion in new work from Sanral saw the contribution from roadwork increase to 50% of

total activity, up from 43% last year. The high levels of roadwork on hand at the beginning of the period were further supplemented by the award of the R3,9 billion Keyridge project along the N3, a R1,2 billion improvement project along the R63 to the intersection of the N6 near Bhisho, a R2,9 billion project in joint venture for the construction of section 20 of the N2 Wild Coast Highway Section 20 between the Msikaba Bridge and the Mtentu Bridge as well as four additional mid-sized projects with a combined value of R1,4 billion. Roadspan, the division's road surfacing, road rehabilitation and asphalt and bitumen supply business has also benefitted from the elevated levels of roadwork delivering 66% growth over the prior period.

Within the energy infrastructure sector, the division has ongoing work for Sasol as well as various projects for Eskom at the Medupi, Matimba and Majuba power stations. In addition, the division is active within the renewable energy space, executing the civil works at the Coleskop windfarm and Tronox solar farm alongside the Group's Projects division.

Pipeline activity remains limited to smaller mining infrastructure projects and work for the City of Cape Town on various bulk water schemes.

Rest of Africa

- **The doubling of revenue this year was achieved by growth in a number of regions:**
 - Diversification into Liberia with two large-scale projects secured
 - New work secured with citizen-owned businesses in Tanzania
 - Strong growth in Mozambique
 - Two large-scale mining infrastructure projects in Ghana reached peak activity levels
- **Operating profit up 45%**
- **Operating margin declined to 8,1% due to start-up of new work and positive impact on margins in FY2022 after settling suspension claims in Mozambique**
- **Activity in Botswana subject to cyclical decline**

Revenue from the rest of Africa increased by 50% and comprises 38% of the division's total revenue. This increase in revenue is due to improved activity in Ghana and Mozambique, further assisted by the division's entry into Liberia and Tanzania. Revenue from Botswana decreased as projects were completed through the year with fewer and smaller projects secured to replace them.

In Mozambique, construction activity was focused on three projects for Sasol at the Temane gas fields and the advance site infrastructure works related to the large-scale gas infrastructure project for Total.

Revenue from the West African region improved substantially over the period due to two sizeable mining infrastructure projects at the Ahafo and Iduapriem mines in Ghana and the rail and mining infrastructure projects secured in Liberia. The mining infrastructure project in Madagascar was successfully completed in April 2023 and ultimately returned a small profit.

KAREERAND

Construction of tailings storage facilities for Harmony Gold. The total footprint of the facility is 375ha with a length of 2km and a width of 1,85km.



OPERATIONAL REPORTS CONTINUED

UNITED KINGDOM

REVENUE

2023: R4 988m

2022: 4 210m

OPERATING PROFIT

2023: R117m

2022: R158m

OPERATING MARGIN

2023: 2,3%

2022: 3,8%

CAPITAL EXPENDITURE

2023: R239m

2022: R10m

PROJECTS NEGOTIATED (%)

2023: 7

2022: 11

NUMBER OF EMPLOYEES

2023: 477

2022: 380*

* Restated from 617 in FY2022 to exclude self-employed personnel

RETRENCHMENTS

2023: 2

2022: 3

TRAINING SPEND

2023: 3m

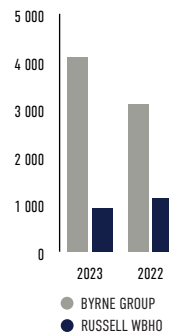
2022: 2m

LTIFR

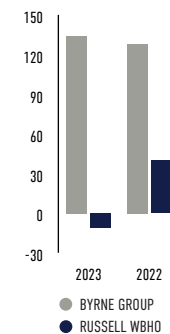
2023: 1.0

2022: 0.32

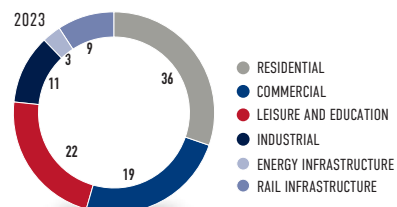
REVENUE (Rm)



OPERATING PROFIT (Rm)



REVENUE BY SECTOR (%)



The year in perspective

- Revenue increased by 13% in pound terms
 - Byrne Group achieved an increase of 26% (FY2022: 7%)
 - Russell WBHO declined by 23% (FY2022: 55% decline)
- Operating profit decreased by to R117 million
- Operating margin slipped to 2,6% (FY2022: 3,8%)
 - Byrne Group 3,2% (FY2022: 4,1%)
 - Russell WBHO (0,1%) (FY2022: 3,6%)

Any meaningful post-Covid-19 recovery within the construction sector in the UK has been hampered by high levels of inflation arising from a combination of Brexit and the war in the Ukraine. As a result, the businesses have prioritised careful project selection over securing work in an inflationary environment at uncompetitive margins and have in fact performed well to avoid potential losses.

Operating profit decreased to R117 million and the overall margin from the UK declined from 3,8% to 2,3%. The decline in margin can be attributed to a heavier weighting toward lower margin work from Ellmers Construction within the Byrne Group and Russell WBHO reporting a marginal loss. On a positive note, procurement activity and the award of new work and pre-construction contracts improved over the second half of the year.

OPERATIONAL REPORTS CONTINUED

UNITED KINGDOM continued

BYRNE GROUP

- **Revenue growth supported by:**
 - Strong performance from Ellmers Construction
 - Integration of O’Keefe operations
- **Lower activity within Byrne Bros. due to delay in commencement of projects and postponed rollout of HS2**
- **Hotel and high-end residential sectors were key markets for Ellmers**
- **Volume of civil works growing within Byrne Bros.**
- **O’Keefe operations delivered a solid performance**

The Byrne Group achieved a 26% increase in revenue from £153 million to £192 million. The uptick in activity was facilitated by growth within Ellmers Construction and the renegotiation of selected contracts from O’Keefe, a firm which entered administration in FY2022.

O’Keefe is a groundwork, demolition, soil stabilisation and concrete frame specialist that targets commercial and residential markets. The incorporation of O’Keefe within the Byrne Group adds further substance to the business’s presence in the UK construction market by expanding its client base and creating a skill set that offers clients a holistic solution from demolition through to fit-out.

Despite volatile market conditions, Byrne Group realised a combined operating profit of £6,1 million at a margin of 3,2%, compared to £6,5 million at a margin of 4,1% in FY2022.

Byrne Bros. performed reasonably well against the backdrop of turbulent market conditions where delays in the award of projects and the postponement of targeted work associated with the High Speed 2 Infrastructure network (HS2) resulted in reduced revenue. Current secured projects include the North London Heat and Power Plant for Acciona, a ‘build to rent’ development in Wembley for Sisk and two projects for the Atomic Weapons Establishment (AWE). Two HS2 projects at Area Central for the Skanska, Costain and Strabag joint venture and various sites in Birmingham for the Balfour Beatty Vinci joint venture are also progressing well. Contracts completed during the year include the Paddington Amphitheatre, a low-carbon concrete venture, the Elephant Park residential development and the Euston Station project as part of the wider HS2 scheme.

Current projects for Ellmers include fit-out work at Google’s new offices in King’s Cross, the fit-out of 18 luxury residential apartments at the Peninsula in Belgravia, the main contract works at the Marylebone Lane Hotel, 15 high-end residential apartments in Vauxhall, a 155 bed hotel in Covent Garden, and 36 apartments in Bayswater. Completed projects comprised of refurbishment works to the Mansion and Pavilion at Stoke Park.

O’Keefe, in its inaugural year with the support of the Byrne Group, executed its existing projects well, while at the same time growing a healthy order book for FY24. Revenue for the year exceeded management expectations and the projects performed solidly delivering a strong operating profit, hampered only by the impairment of an outstanding debtor following the collapse of a key client. Current projects include Shinfield Film Studios, Kitchener Barracks, KYN Kensington, North London Heat and Power and Pentonville Road, spanning the commercial, infrastructure and residential sectors.

Russell WBHO

- **Revenue impacted by the loss of a key negotiated project where the final contract price could not be agreed**
- **Recovery of Manchester market continued to lag**
- **Improvement in procurement environment in second half of the year**
- **Delayed projects moving closer to award**
- **Appointment on key public sector frameworks**

Revenue from Russell WBHO decreased by 23% to £43 million compared to £55 million in FY2022. The high levels of inflation have continued to impact the feasibility of new developments. Two projects with a combined value of £97 million that were expected to commence early in FY2023 did not materialise, which consequently affected revenue for the current reporting period. One of these projects has fallen away completely while the other was delayed until the end of FY2023 with only £2 million in revenue generated this year. Operating profit decreased from £2 million last year to a small operating loss of £0,5 million in FY2023 where contracting profits were insufficient to fully cover the business’s overhead cost.

During the year, Russell WBHO secured and commenced the first project under the Crown Commercial Services Framework, to which the company was appointed in December 2019 namely, the £30 million super-computing centre at Sci-Tech Daresbury for the Hartree Centre, part of the UK government’s Science and Technologies Facilities Council. Other projects under construction during the year included completing the £46 million conversion of Liverpool’s Grade II listed Municipal Building into a luxury hotel, a £10 million, 76-bed care home for Care UK and a £14 million industrial build for pharmaceutical wholesaler and distributor, Mawdsleys.

The commercial team also successfully secured appointments on two of the region’s biggest and most high-profile frameworks. Russell WBHO is just one of eight contractors named by the North West Construction Hub, Manchester City Council’s £1,5 billion high value framework and is also among a small number of contractors appointed to the £1 billion Refurbishment and Refit Pagabo Framework.

NORTH LONDON HEAT AND POWER PLANT

Byrne Bros have been awarded the civil works package of a new waste to energy plant capable of converting 700 000 tonnes of waste. The civil works comprise construction of 35m reinforced concrete bunker walls and 1.4m deep foundation slabs for the tipping hall and boiler hall.



OPERATIONAL REPORTS CONTINUED

CONSTRUCTION MATERIALS

REVENUE

2023: R919m

2022: R803m

OPERATING PROFIT

2023: R23m

2022: R18m

OPERATING MARGIN

2023: 2,5%

2022: 2,3%

CAPITAL EXPENDITURE

2023: R4m

2022: R3m

EMPLOYEES

2023: 148

2022: 151

RETRENCHMENTS

2023: Nil

2022: Nil

TRAINING SPEND

2023: R3,8m

2022: R3m

LTIFR

2023: Zero

2022: 0.79

The year in perspective

- Growth in revenue of 14,4% (FY2022: 6%)
- Operating margins improved to 2,5%
- LTIFR of zero achieved for second consecutive year
- Positive outlook
 - High volumes of roadwork within the industry
 - Wind farm projects within the renewable energy sector offer good opportunities

The workforce of the construction materials businesses decreased from 151 to 148 employees. The LTIFR returned to zero after increasing to 0.79 in the prior period where a single LTI occurred from 1,3 million man-hours worked. There were no LTIs in the current period from the same number of hours worked. Training spend amounted to R3,8 million (FY2022: R3 million)

Reinforced Mesh Solutions (RMS)

Reinforced Mesh Solutions (RMS), the steel supply subsidiary of the Group, maintained profitable operations amidst a challenging industry landscape marked by intense competition in pricing, especially for extensive projects. The strategic emphasis on growing cash sales in recent years has been instrumental in bolstering overall margins.

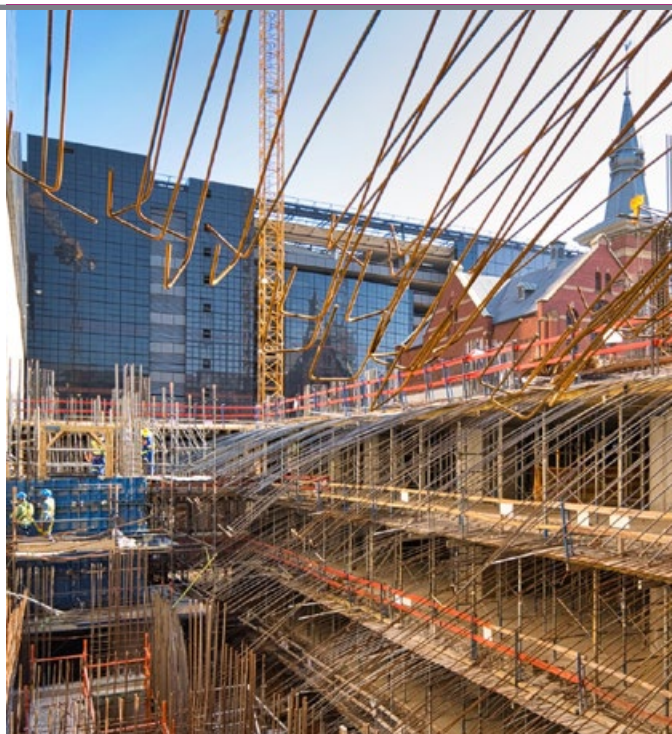
RMS witnessed a 20% increase in sales volumes compared to the previous period where growth was a function of rising input costs being passed on to clients. The revitalisation of the broader construction industry saw healthy performances delivered by the coastal regions, however, the Johannesburg factory continues to function significantly below its maximum capacity.

The influx of roadwork projects and the escalating activities in wind farms over the past year present promising avenues for short-term growth. Despite the industry's intrinsic low-margin nature, RMS retains its strategic importance for the Group, offering a competitive edge and contributing to the diversified portfolio of the company.

VSL Concrete Solutions (VSL)

VSL provides post-tensioning for concrete slabs and concrete repair services to the construction industry across all regions of South Africa. The business continues to perform well, with activity levels in line with the prior period and profit levels intact.

The market remained competitive despite the failure of a prominent competitor last year, however, conditions improved in the final quarter. The business has a healthy order book which was further supplemented by additional awards subsequent to 30 June 2023. VSL is also assisting the Civil engineering division with the manufacture of the keystones for the wind farms.



ORDER BOOK AND OUTLOOK

The Group order book increased by 47% from R22 billion to R33 billion. Order book levels within the Roads and earthworks division increased by 131% while the Building and civil engineering division increased order book levels by 12%. The order book in the UK improved by 13% following 58% growth over the course of FY2022.

GROUP ORDER BOOK

R33 billion
UP 47%

85% OF FY2023 REVENUE
SECURED FOR FY2024

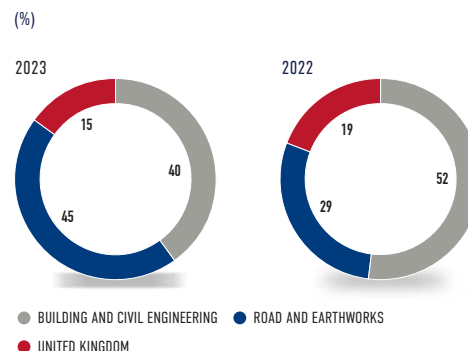
55% INCREASE in
AFRICAN ORDER BOOK

UK ORDER BOOK UP 13%

R4,8 BILLION
IN FURTHER IMMINENT AWARDS

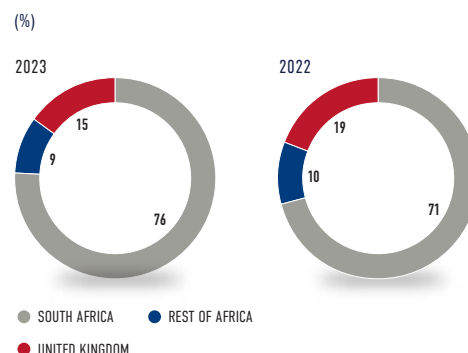
Order book by segment

(Rm)	At 30 June 2023	12 months to 30 June 2024	Beyond 30 June 2024	At 30 June 2022
Building and civil engineering	12 947	9 812	3 108	11 540
Roads and earthworks	14 789	6 140	8 649	6 400
United Kingdom	4 815	4 184	631	4 270
Total	32 551	20 163	12 388	22 210



Order book by geography

(Rm)	At 30 June 2023	12 months to 30 June 2024	Beyond 30 June 2024	At 30 June 2022
South Africa	24 738	14 117	10 621	15 786
Rest of Africa	2 998	1 862	1 136	2 154
United Kingdom	4 815	4 184	631	4 270
Total	32 551	20 163	12 388	22 210



Africa

South Africa

- Surge in order book of 57%
- Building and civil engineering order book up 12%
 - Growth supported by renewable energy projects and traditional civil engineering markets
 - Increased contribution from data centres following new awards and growing demand
 - Flagship projects in all key regions
 - Public sector frameworks in the Western Cape and new logistics parks in KZN offer opportunities in coastal regions
- Roads and earthworks order book up 131%
 - Huge award of projects by Sanral drives growth in order book
 - Sizeable shift in weighting of order book toward roadwork
 - Mining and energy infrastructure sectors remain key markets

Rest of Africa

- Secured work increased by 39%
- Predominantly mining and gas infrastructure projects
- Diversification into Liberia mitigates cyclical downturn in Botswana and lower activity levels in SADC regions
- Current base level of work in Ghana is strong
- Possible recommencement of suspended gas infrastructure projects in Mozambique in FY2024

United Kingdom

- 13% order book growth follows 58% growth in FY2022
- Growth centred within the Byrne Group
- Ellmers Construction secured order book for FY2024 at 135% of FY2023 revenue
- High-end residential projects support activity within Ellmers
- Strategic diversification through integration of O'Keefe operations offers new client base
- Growth in contribution from industrial and civil engineering sector
- Cancellation of some sections of HS2 may impact future opportunities from civil engineering sector
- Positive prospects for Russell WBHO in Manchester
 - Russell WBHO begins the year with a €35 million secured order book, constituting 83% of FY2023 revenue
 - On-site on four projects to the value of £159 million under pre-construction service agreements

ORDER BOOK AND OUTLOOK continued

BUILDING AND CIVIL ENGINEERING

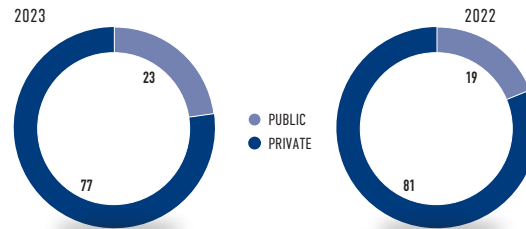
	% growth	30 June 2023	30 June 2022
South Africa	14	12 509	11 018
Rest of Africa	[16]	438	522
Total	12	12 947	11 540

The order book of the Building and civil engineering division grew by 12% over the comparative period supported by the award of renewable energy projects and growth in traditional civil engineering markets and data centres.

In Gauteng, the large-scale projects within the residential and commercial office sectors alongside ongoing construction of three data centres will comprise the bulk of activity during FY2024, supported by smaller projects including industrial and mixed-use developments, student accommodation and sub-R250 million commercial offices. These sectors, alongside the data centre sector where ongoing growth is anticipated, remain key markets offering opportunities in this region as the type of large-scale projects awarded in previous reporting periods are unlikely to be repeated on a regular basis.

All divisions within the coastal region commence FY2024 with increased volumes of work on hand. In the Western Cape, work for the Western Cape Department of Education awarded under the existing framework agreement will form a significant proportion of work undertaken next year alongside a good mix of residential, hotel and commercial projects. The division currently has one data centre project under design with the division's design and construct team, and construction is expected to commence in late 2023. Construction of a new hospital in George for Mediclinic was also awarded late in the reporting period which will be delivered together with the Eastern Cape region. The industrial and warehousing sector will continue to underpin activity in KZN. Two new retail projects have been secured to replace the retail component of the now complete Oceans development and various projects from the residential, hotel, healthcare and commercial office sectors comprise the balance of work to be executed. In the Eastern Cape, the award of the new hospital in George for Mediclinic and a new warehouse with accompanying office space for Shoprite, toward the end of the reporting period will likely result in increased activity in the region in FY2024.

PUBLIC VS PRIVATE
(%)



In FY2024, building work in the rest of Africa will initially be centred on completing the Polihali Village in Lesotho, potentially followed by the successful negotiation of the main works for a data centre in Ghana. Opportunities continue to exist in Ghana, Rwanda, Kenya and Swaziland, however, these projects take a substantial amount of time to ultimately reach the market and the division will continue to adopt its conservative risk appetite when evaluating and bidding on any new projects in these regions.

The removal of the 100MW cap on private energy generation has resulted in a strong uptick in both current activity and the forward-looking pipeline in respect of renewable energy projects. The Projects team have secured over R6 billion in design and construct contracts in joint venture and on a stand-alone basis over the last 18 months. As some elements of these projects are executed by the Roads and earthworks division and the Civil engineering division is itself geared to manufacture concrete towers on a number of wind farms, renewable energy projects are able to support future activity across all divisions of the Group.

After a protracted period of subdued procurement activity, the order book of the Civil engineering division finally demonstrated solid growth in South Africa. New awards within the mining infrastructure and renewable energy sectors will bolster activity through FY2024. Each of these sectors and the traditional energy sector offer additional opportunities for new work to be secured later in the 2024 financial year. The security environment in the north of Mozambique has improved and interactions with the client around remobilisation of the large-scale gas infrastructure project have gained traction. While prospects in Zambia remain limited, the division is one of two final bidders on a large-scale industrial project for Zambia Sugar which, if successful, will revive activity in the region until FY2025. The division is also awaiting the outcome of a tender for marine work in Madagascar.

SECTOR SPREAD
(%)



The forward-looking pipeline has grown substantially following the inclusion of renewable energy projects in excess of R40 billion and additional public-private partnerships covering commercial offices, six new border posts and healthcare facilities. The public sector frameworks in the Western Cape offer opportunities in education, healthcare and water infrastructure. The investment in data centres is also expected to grow further, with significant international interest in the South African market.

Building and civil engineering (Rm)	South Africa	Rest of Africa	Total
Commercial and mixed-use developments	7 050	4 897	12 151
Residential	9 742	–	9 742
Industrial buildings and warehousing	4 911	1 500	6 411
Data centres	3 600	603	4 203
Hotels, healthcare and education	5 230	–	5 230
Retail	2 347	–	2 347
Energy infrastructure	44 930	40	44 970
Mining infrastructure	2 280	1 905	4 215
Total	80 090	8 976	89 066
Public	10 050	2 470	12 520
Private	70 040	6 506	76 546
Total	80 090	8 976	89 066

ORDER BOOK AND OUTLOOK continued

ROAD AND EARTHWORKS

	% growth	30 June 2023	30 June 2022
South Africa	156	12 228	4 768
Rest of Africa	57	2 561	1 632
Total	131	14 789	6 400

The Roads and Earthworks division has experienced 131% growth in its order book. Secured projects extend to FY2027, of which R6,1 billion is projected for execution in FY2024. However, the order book in South Africa is expected to have peaked and will possibly taper as the multi-billion rand roadwork projects progress. After a surge in roadwork volumes, both this sector and the mining infrastructure sector – impacted by declining commodity prices – are experiencing reduced procurement activity.

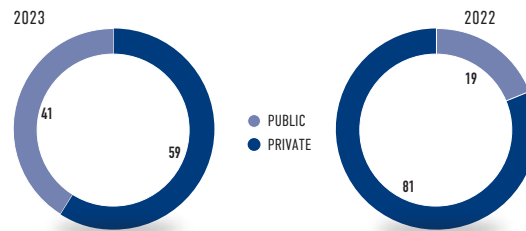
The energy sector, nevertheless, continues to be a reservoir of opportunities due to persistent load shedding, extending to existing coal-fired power stations and renewable energy projects. Within the order book is the R2 billion N2 Lingeni to Msikaba road project – a 50% joint venture – currently under legal review to verify the legitimacy of the award. Excluded is a conditional R1,3 billion award for the Ngwadini Dam construction for Umgeni Water, pending finalisation of the contract participation plan for emerging contractors – a client responsibility.

Two substantial mining infrastructure projects, totaling R1,2 billion, were awarded post the reporting period. The abundant baseline of work enables selective project targeting for future periods, ensuring strategic procurement.

Although the Roads and earthworks division grew its order book level by 131%, the order book has an extended horizon until FY2027, with a manageable R6,1 billion expected to be executed in FY2024. In addition, the order book in South Africa has probably now peaked and will likely begin to taper as the multi-billion rand roadwork projects begin to make headway.

Following the significant volumes of roadworks that have recently entered the market, this sector, together with the mining infrastructure sector where softening commodity prices have been experienced, have

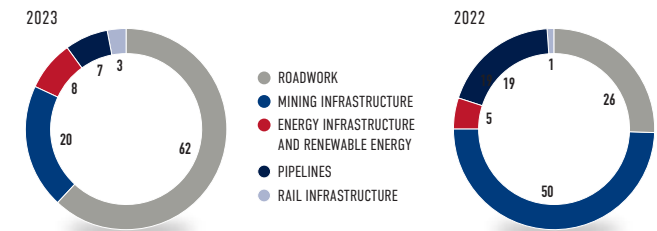
PUBLIC VS PRIVATE
(%)



shown signs of lower procurement activity. The energy sector should continue to provide ongoing opportunities, both on existing coal-fired power stations and in the renewable energy space for as long as load shedding remains prevalent. Included in the order book is the R2 billion N2 Lingeni to Msikaba road project in which the division is a 50% joint venture partner, that is subject to court proceedings to determine the validity of the award. However, not included in the order book is a conditional award of R1,3 billion for construction of the Ngwadini Dam for Umgeni Water. The award is subject only to the finalisation of the contract participation plan for emerging contractors, which is the client's responsibility. Two sizeable mining infrastructure projects with a combined value of R1,2 billion were awarded shortly after the reporting period. The strong baseload of work on hand will allow the division to be selective on which projects to target when procuring additional work for future reporting periods.

In the rest of Africa, increased volumes of work in both east and west Africa have alleviated reduced procurement activity in southern Africa, namely Lesotho, Eswatini and Botswana. Security works for the Ministry of Defence in the north of Mozambique and completion of the three projects for Sasol at the Temane gas fields comprise the work still to be executed in FY2024. When released for tender, opportunities exist for further packages to be secured for Sasol later in the year. In the north of Mozambique, opportunities for additional security works exist alongside the possible recommencement of the suspended projects related to the LNG gas project for Total in the second half of the reporting period. The remobilisation in Tanzania was completed in FY2022 and the division has since targeted various opportunities in partnership with citizen-owned companies on which it has been successful. The medium-term pipeline in the region is positive, particularly as the gold price has shown resilience over the last 12 months. In West Africa, the tailings storage facilities at the Ahafo and Iduapriem mines will be completed during FY2024. The division

SECTOR SPREAD
(%)



continues to bid upon further phases at Iduapriem. A recent directive from the Minerals Commission in Ghana that all mining sector projects be undertaken by 100% citizen-owned companies has cast some uncertainty over future work available from the region. The large-scale rail rehabilitation contract and construction of a tailings facility and waste management plant for Arcelor Mittal at its Liberia mining project have provided good diversification within the West African construction market. Additional works on both projects should offer further opportunities in the country. In addition, the division is pursuing new projects in Madagascar.

Looking forward, load shedding, the deterioration in water infrastructure and the damage to the road network due to a lack of rail logistics will require ongoing investment by government. Despite softening commodity prices, fairly large volumes of mining infrastructure projects in South Africa and the remaining continent remain available. The development of the gas fields in Mozambique is also an identified growth opportunity once activity recommences.

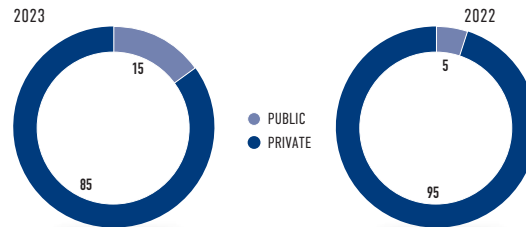
Roads and earthworks (Rm)	South Africa	Rest of Africa	Total
Roadworks	28 925	–	28 925
Mining infrastructure	11 500	10 400	21 900
Energy infrastructure	2 080	8 500	10 580
Water infrastructure	15 500	–	15 500
Total	58 005	18 900	76 905
Public	40 475	–	40 475
Private	17 530	18 900	32 205
Total	58 005	18 900	76 905

ORDER BOOK continued

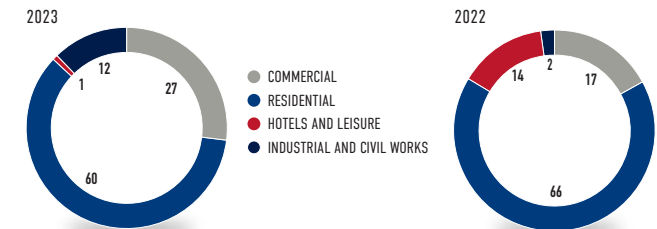
UNITED KINGDOM

	% growth	30 June 2023	30 June 2022
Byrne Group	13	3 998	3 541
Russell WBHO	12	817	729
Total	13	4 815	4 270

PUBLIC VS PRIVATE
(%)



SECTOR SPREAD
(%)



Following growth of 58% in FY2022, the UK order book increased by a further 13% during FY2023.

In the current challenging economic environment, Byrne Bros. continues to diversify its client base and is positioned well to grow and expand its offering. Government's decision to postpone sections of HS2 and the effect of high interest rates have impacted opportunities within some sectors, however, there are adequate opportunities within the broader construction market, which together with the current work on hand, should be sufficient to sustain activity levels.

Within Ellmers Construction, the secured order book for FY2024 stands at 135% of FY2023 revenue, providing a strong platform for the year ahead. New projects secured include the fitout of the penthouses of both the N6 Tower and Damac Tower in Nine Elms, London. 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 leisure and commercial developments. The pipeline of projects that suit O'Keefe's capabilities is promising and offer good opportunities for increased activity levels over the short term.

In Manchester, as inflation stabilised over the year, procurement activity showed visible signs of improvement. Russell WBHO commences the year with a secured order book of £35 million comprising 83% of FY2023 revenue. In addition, the business is in direct negotiations with various clients for work to the value of approximately £164 million. While these projects are expected to commence in earnest in the first six months of FY2024, Russell WBHO has already taken site and begun the works under initial instructions or pre-contract service agreements on four of these projects.

The pipeline of projects in the UK offers sufficient bidding opportunities to sustain activity levels, although delays in project awards remains an inhibiting factor. Rising input costs and high interest rates are persistent concerns for private developers and public sector institutions. Commercial developments and civil and industrial works present a number of opportunities for each of our businesses. Shortages in residential accommodation have resulted in various new schemes being developed, however, affordability at current interest rate levels has dampened demand at certain income levels.

United Kingdom (Rm)	Total
Byrne Group	35 952
Russell WBHO	9 840
Total	45 792
Commercial	16 680
Residential	7 584
Hotel and leisure	7 584
Industrial	1 680
Healthcare	600
Civil works	11 664
Total	45 792



MESSAGE FROM THE CHIEF FINANCIAL OFFICER

"The solid financial performance by the continuing operations of the Group over the last two years has been instrumental in achieving a structured exit from Australia. The strong generation of cash from operations allowed the Group to settle its obligations to the Commonwealth Bank of Australia (CBA) as guarantees were called, thus avoiding a demand to provide cash collateral for CBA's full exposure and the need to approach investors for additional capital. Available cash reserves also strengthened the Group's ability to negotiate the return of issued guarantees by reaching suitable settlements with previous clients of the Australian operations. The fulfilment of all our commitments in Australia, the recapitalisation of the balance sheet and high volumes of secured work, means the Group is well set to create value for stakeholders as we move forward".



CHARLES HENWOOD

CHIEF FINANCIAL OFFICER

The 38% growth in revenue delivered by the Group this year, alongside growth of 47% in order book levels, was a really satisfying achievement after the challenging years we have faced recently. The operational and support functions have all gone above and beyond what was expected of them to bring about this result. Likewise, were it not for the support of the financial institutions we have relationships with in South Africa, we would not have been able to generate the results necessary to produce this remarkable turnaround, exit Australia and position the business for additional growth. All institutions not only maintained our guarantee facilities locally, but recently approved significant increases in these facilities to support the growth in order book levels. In the UK, some guarantee providers affected by the events in Australia withdrew facilities, however many others continued to support our businesses there. I would like to extend a special thanks to each of them for their faith in us through uncertain times.

Much has been said of Australia in our recent reports, as such I will provide a only brief recap of the most significant events that occurred this year.

In 2022 a decision was taken by the Board to withdraw further funding of the Australian operations. This culminated in the Australian entities of the Group entering administration and the results from the Australian operations being classified as discontinued operations.

The Deed of Company Arrangement took effect during the year and resolves all creditors' claims against the administration entities while also eliminating any possible future claims or litigation against the Group. Unfortunately, the administration period, previously expected to be complete by July 2023, has been extended to resolve a potential insurance claim and litigation against the administrator in relation to monies recovered from a debtor. Once the administration is completed the Australian entities will be returned to the directors for deregistration.

The settlement deed agreed with the client in respect of Western Roads Upgrade project (WRU), allowed the Group to terminate the construction contract and obtain the return of the parent company guarantee provided. All obligations under the parent company guarantee provided to CBA have also been fulfilled. At 30 June 2023, all known and expected costs in respect of the Group's obligations to third parties in Australia had been settled or provided for.

Other than the potential to recover funds held in trust by CBA for a small number of guarantees that have not been called, and progress being made in pursuing spuriously called guarantees, the conclusion of the above agreements and payment of monies owing, effectively ends our chapter in Australia.

The Board elected not to pay a dividend for the year under review which may have been unexpected given the strength in the underlying performance, where approximately R1 billion was added to the net asset value of the Group. A number of factors influenced the decision not to distribute dividends this year. The decision to exit Australia eroded approximately R3 billion in value from the balance sheet in the prior period. The Group developed a strategy to honour its commitments in Australia by utilising existing cash reserves, working capital and third party debt, rather than engage in a capital raise. While the exceptional results achieved allowed us to successfully deliver on this strategy and reduce the extent of third party debt required by almost half, working capital was stressed across all regimes. From a cash perspective, the outflow of funds related to Australia amounted to R782 million in the current period. When combining this sizeable outflow with an increased capital spend on plant and equipment, the Group generated additional free cash of just R79 million. Furthermore, the capital expenditure budget required to meet operational requirements in FY2024 has grown by 42% over the budget approved in FY2023 and our secured work includes a number of multi-billion-rand projects that have yet to begin in earnest and may have increased working capital requirements.

Now that Australia is thoroughly behind us, we can concentrate on the task of executing our elevated order book and resuming distributions to our shareholders.

MESSAGE FROM THE CHIEF FINANCIAL OFFICER continued

KEY FINANCIAL STATISTICS AND RATIOS

	2023	2022	Restated 2021
Revenue growth/(decrease) (%)	37,9	(11,4)	5,6
Operating profit margin (%)	4,5	4,7	4,5
Earnings/(loss) per share (cents)			
– total	1 489,7	(4 062,1)	594,2
– continuing	1 678,6	1 303,1	1 293,2
– discontinued	(188,9)	(5 365,2)	(699,0)
Headline earnings per share (cents)			
– total	1 514,5	(3 693,4)	619,5
– continuing	1 703,4	1 297,0	1 321,9
– discontinued	(188,9)	(4 990,3)	(702,4)
Dividend per share (cents)	–	–	205
Current ratio (times)	1,0	1,0	1,1
Debt/equity ratio (%)	20,7	11,2	9,9
Effective tax rate (%)	31,0	30,1	27,4
Return on capital employed (%)	36,9	23,7	11,8
Closing share price (R)	104.48	80.88	113.00
Market capitalisation (R'm)	7 420	4 844	6 768
Number of employees	9 515	6 528	7 110

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, and is provided for reference purposes when reading this report. The financial years presented from 2019 to 2020 include the full financial information pertaining to the Australian operations while for the years 2021 to 2023, the financial information pertaining to Australia is disclosed as a single line item called Discontinued Operations, specifically in the Statement of comprehensive income and cash flow information. The Statement of financial position for the 2019 to 2021 financial years includes balances relating to Australia. In 2022, these balances were derecognised as the Group no longer had control over the Australian businesses.

Condensed financial statements

(R'000)	2023	2022	2021	2020	2019
Revenue	23 768 747	17 240 278	19 463 590	43 080 295	40 614 297
Operating profit/(loss) before non-trading items	1 112 556	858 968	929 645	(541 341)	561 235
Non-trading items	(54 562)	(44 769)	(60 827)	(43 986)	(48 394)
Operating profit/(loss)	1 057 994	814 199	868 818	(585 327)	512 841
Share of profits from associates and joint ventures	130 870	100 456	68 873	109 284	51 958
Loss on disposal of associate	(19 762)	–	–	–	–
Deemed loss on disposal of associate	–	–	(8 350)	–	–
Net finance income	125 223	89 378	67 930	165 851	183 447
Income tax expense	(360 418)	(285 212)	(273 383)	(197 921)	(199 253)
Profit/(loss) for the year	933 907	718 821	723 888	(508 113)	548 993
Discontinued operations	(100 191)	(2 993 120)	(373 338)	–	–
Profit/(loss) for the year	833 716	(2 274 299)	350 550	(508 113)	548 993
Cash flows from:					
Operating activities	1 340 140	957 022	1 314 102	753 780	1 147 906
Investing activities	(351 668)	(101 941)	158 133	138 212	(867 136)
Financing activities	(129 897)	(237 152)	(303 879)	(230 478)	(444 500)
Net cash flows from discontinued operations	–	(1 587 092)	(2 556 296)	–	–
Payment to settle obligations in Australia	(782 114)	(853 551)	–	–	–
Proceeds on loss of control of subsidiary, net of cash	–	(674 642)	–	–	–
Property, plant and equipment	2 111 201	1 562 606	1 763 539	2 054 254	1 936 709
Right-of-use assets	158 688	230 613	320 638	406 690	–
Goodwill	602 317	512 532	1 005 631	1 085 894	921 103
Interest in associates and joint ventures	702 715	660 253	885 410	1 105 159	346 916
Long-term receivables	39 755	152 645	265 023	283 598	1 069 822
Deferred taxation	478 474	550 223	797 094	733 583	903 657
Inventories	430 462	420 918	405 600	364 992	–
Contract assets	776 031	281 448	1 054 546	864 638	1 423 218
Trade and other receivables	5 435 850	4 056 538	6 162 925	6 212 471	6 716 352
Current tax assets	226 241	99 941	102 817	199 549	–
Cash and cash equivalents	3 684 687	3 339 230	5 680 717	7 599 344	5 951 985
Non-current asset held-for-sale	–	–	31 200	–	495 066
Total assets	14 646 421	11 866 947	18 475 140	20 910 172	19 764 828
Shareholder's equity	3 864 405	2 855 039	5 528 779	5 676 447	5 872 186
Non-controlling interests	136 506	81 255	96 456	205 173	261 645
Total equity	4 000 911	2 936 294	5 625 235	5 881 620	6 133 831
Lease liabilities	131 617	193 550	273 797	352 336	–
Long-term liabilities	327 157	152 186	252 115	305 984	193 164
Deferred taxation	33 197	42 522	29 447	27 979	174 131
Contract liabilities	2 426 624	1 908 312	2 490 026	2 998 037	2 206 511
Trade and other payables	5 043 441	4 137 375	7 505 691	8 912 917	8 627 016
Provisions	2 650 533	2 448 492	2 281 192	2 368 563	2 414 682
Current tax liabilities	32 941	48 216	17 637	62 736	15 493
Total liabilities	10 645 510	8 930 653	12 849 905	15 028 552	13 630 997

MESSAGE FROM THE CHIEF FINANCIAL OFFICER continued

FINANCIAL REVIEW

Revenue and operating profit from continuing operations by segment

The continuing operations comprising of the African and UK businesses, delivered a commendable performance in FY2023 as activity surged in South Africa and Mozambique, and work began on two large projects in Liberia. In the UK, although activity in Russell WBHO continued to contract due to a slowdown in awards, Ellmers contributed to a good result for the Byrne Group. At the same time, the Group ended the year strongly with a 43% increase in the order book between June 2022 and June 2023. The 57% increase in the South African order book was particularly pleasing following the downturn experienced within the local construction operating cycle over a number of years.

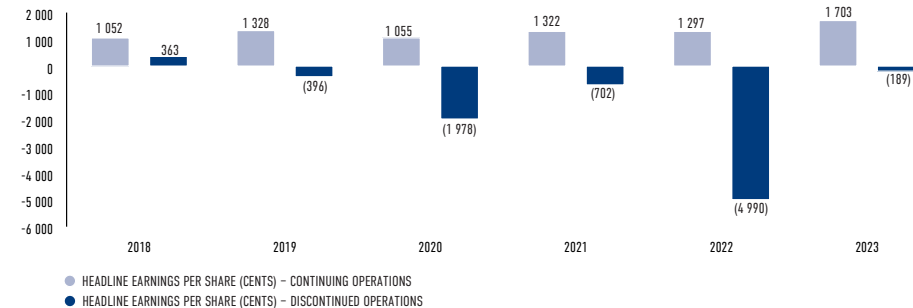
The South African businesses produced an exceptional result with revenue and operating profit increasing by 42% and 47% respectively. Consequently, employment levels grew by 30% with further appointments necessary next year to meet operational requirements. Revenue from the rest of Africa increased by 56%, largely due to renewed activity in Mozambique and new projects secured in Tanzania and Liberia. In the UK, the commencement of work on projects secured in the second half of FY2022 was complemented by additional projects from the O'Keefe operations which assisted in an increase of 19% in revenue.

The combined segment operating profit from continuing operations increased by 30% from R859 million to R1,1 billion. Increased profitability in South Africa and the rest of Africa offset lower margins achieved in the UK. Operating margins in South Africa remained steady while margins in the rest of Africa softened from 8,9% in FY2022 to 7,2%. It should be noted that in the prior year, the profitability from the rest of Africa had the benefit of the resolution of the termination and suspension claims in Mozambique. The subdued procurement environment prevalent in Manchester in FY2021 and FY2022 persisted into FY2023 as inflation concerns impacted pricing and funding for new developments. These lower activity levels resulted in Russells producing a small operating loss which saw a decline in margin from 3,7% to 2,4% for the overall UK operations. On a positive note, procurement activity has improved and the commercial team in Manchester secured appointments on to two of the region's biggest and most high-profile frameworks.

Earnings per share and headline earnings per share from continuing operations

Investors will have been pleased with the increase in earnings per share from continuing operations of 29% from R13.03 to R16.74 per share. At the beginning of the year we had hoped not to report additional losses in respect of Australia. Additional costs of R64,9 million (A\$5,6 million) and foreign exchange losses of R35,3 million resulted in a loss per share attributable to the discontinued operations of R1.89, a considerable reduction from the loss of R53.65 per share incurred at 30 June 2022. Headline earnings from continuing operations amounted to R17.03 per share versus R12.97 per share in the comparative period. The accompanying graph highlights the consistent contribution of the continuing operations towards HEPS and the negative impact of Australia over time.

HEPS

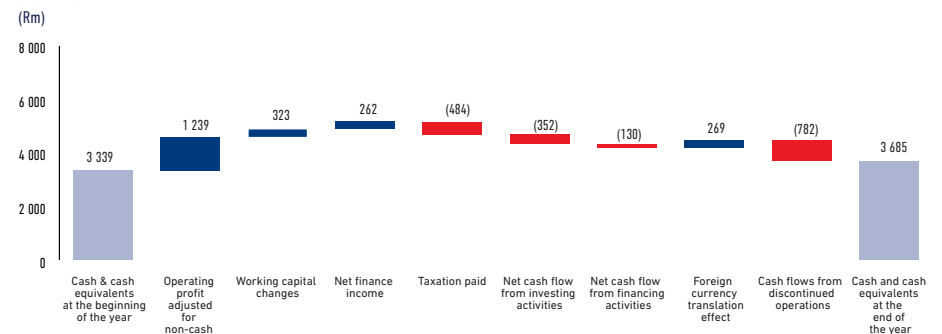


Cash balances and net finance income

Given the extent of funding into Australia over the last two years, amounting to approximately R3 billion, and the increased capex spend required to keep up with the increased activity within the African operations, the Group performed admirably to increase its cash balances from R3,3 billion to R3,7 billion. This highlights the strong cash-generating capability of the continuing operations and its cash management processes.

The Group generated cash flows of R1,3 billion from operating activities. Net cash outflows from investing activities, excluding the cash flows related to Australia, amounted to R352 million and includes R209 million to acquire property, plant and equipment from the O'Keefe group of companies that had entered administration, and R192 million in capital expenditure acquired for cash. Net cash outflows from financing activities amounted to R130 million. The Group obtained a loan of R350 million from its primary banker of which R180 million was repaid prior to 30 June 2023. The increase in payments in respect of instalment sale agreements from R58 million to R134 million reflects the high levels of investment in plant and equipment this year.

CASH FLOW

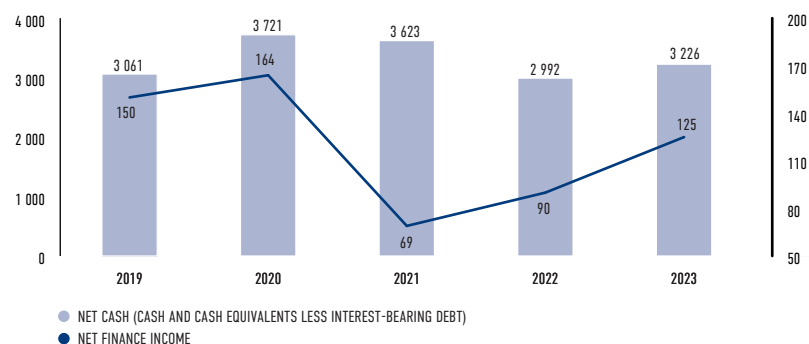


MESSAGE FROM THE CHIEF FINANCIAL OFFICER continued

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 R189 million (FY2022: R120 million). Finance costs amounted to R64 million, up from R30 million in the prior year primarily due to the increase in asset-based financing and the working capital loan. The accompanying graph illustrates net finance income generated over a 5 year period compared to the cash balances on hand less interest-bearing debt. Each year has been re-presented to exclude Australia where necessary. The African and UK operations have improved their cash position over time, with the decline in FY22 primarily due to funds being sent to Australia. Net finance income has improved in line with rising interest rates.

NET FINANCE INCOME VS NET CASH

(Rm)



Income tax expense and tax balances

Tax compliance is a growing risk for all multi-national organisations. Lower growth rates are affecting tax collections across all geographies, and in response tax authorities have stepped up their compliance and monitoring activities. In the rest of Africa, transfer pricing practices are facing increased scrutiny, and although the underlying principles are common, subtle differences in the legislation of each region needs to be carefully managed. WBHO has adopted a practical and ethical tax structure, employing both dedicated internal tax professionals and suitable specialist tax consultants to ensure the Group meets its tax obligations across all tax jurisdictions.

The South African corporate income tax rate decreased to 27% for years of assessment commencing on or after 1 April 2022, while the tax rate in the UK increased to 25% on 1 April 2023. The total tax charge for FY2023 amounted to R360 million (FY22: R285 million) at an effective tax rate of 30,9% when excluding profits earned from associates. The African operations contributed R334 million toward the tax collections of various revenue authorities at an effective tax rate of 29,7%, while in the UK, tax of R27 million was provided for.

The Group has a sizeable net deferred tax asset of R445 million. R375 million (FY2022: R464 million) relates to timing differences where tax profits exceed accounting profit and R70 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 R140 million (FY2022: R137 million).

The net current tax asset of R229 million consists of tax refunds due of R203 million (FY2022: R86 million) and R26 million (FY2022: R15 million) in foreign tax credits. Tax liabilities amount to R36 million (FY2022: R48 million).

Rm	FY2023	FY2022
Net deferred tax asset	445	508
Net current tax asset	193	53

Property, plant and equipment

The Group's capital expenditure strategy is aimed at ensuring an ideal size and age of its fleet. A reliable fleet ensures optimal production time and a safe environment on site for our staff. In order to manage the impact of Covid-19 and the exit from Australia, plant acquisitions have been restricted to critical additions and replacements in past periods. In the current reporting period, the Group increased its fleet significantly to support the growth in its order book and to rebalance the age of the fleet. The Board has approved additional capital expenditure of R535 million for FY2024 with the majority aimed at further replacements.

Capital expenditure on plant and equipment:

Rm	Approved 2024	Actual 2023	Actual 2022
Replacement	403	263	183
Expansion	132	247	58
Total	535	510	241

Additions to major plant and equipment of R497 million were primarily funded through instalment sale agreements with major South African financial institutions. In the UK, the Byrne Group acquired a new plant yard to accommodate their sizeable plant operations. The yard was acquired for cash and formed part of the property, plant and equipment purchased from the administrator of the O'Keefe operations for R209 million.

Rm	FY2023	FY2022
Property, plant & equipment	2 111	1 563
Acquired through a business combination	209	–
Depreciation	202	146

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 additional 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 Group has limited its investments in these types of transactions in recent years, however in the current year an equity stake was acquired in the Tshala Bese Uyavuna concession company and 19 on Loop, a property company developing the Rubik mixed-use development in Cape Town.

MESSAGE FROM THE CHIEF FINANCIAL OFFICER continued

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 Rm		After-tax share of profits and losses Rm	
				30 June 2023	30 June 2022	30 June 2023	30 June 2022
CONSTRUCTION:							
Edwin Construction	Infrastructure	South Africa	–	–	67,1	4,3	7,5
CONCESSIONS:							
Dipalopalo	Serviced accommodation	South Africa	27,7%	49,3	52,0	–	–
DFMS Joint Venture	Serviced accommodation	South Africa	14,6%	13,7	11,3	3,9	3,5
Tshala Bese Uyavuna (RF)	Serviced accommodation	South Africa	32,5%	98,2	0,3	–	–
Gigajoule International Group	Gas and power supply	Mozambique	26,6%	385,2	371,0	136,3	82,3
PROPERTY DEVELOPMENTS:							
Catchu Trading	Residential	South Africa	50%	39,6	54,9	(13,1)	–
19 on Loop/Rubik	Residential	South Africa	20%	19,8	23,2	(0,9)	–
PROPERTY DEVELOPER:							
Russell Homes Limited	Residential schemes and house builder	United Kingdom	31,7%	398,5	324,3	0,5	7,2
Total				1 604,2	904,1	131,0	100,5
Current potion of loans to associates				(299,9)	(243,0)	–	–
Expected credit loss				(1,7)	(0,8)	–	–
Total				702,7	660,3	131,0	100,5

Construction

The Group received dividends of R15 million from Edwin Construction during the period. Edwin Construction participates in the Group's VRP Programme and in anticipation of the programme ending in June 2024, the investment was disposed of in January 2023. A loss on disposal of R20 million was realised.

Concessions

During the year, the Group received R9,1 million (2022: R8,6 million) in interest and capital repayments in respect of the loan to the Dipalopalo Concession. The concession is in its 7th year of operation and ends in 2042. Construction of the new offices for the Department of Rural Development and Land Reform (DRDLR) was completed during the current year and the service commencement began on 15 March 2023. The Group has a 32,5% interest in Tshala Bese Uyavuna, the concession company that will provide serviced accommodation to DRDLR over the 25-year concession. The equity investment amounts to R98 million.

Both the Matola Gas Company and Gigajoule Power continued to perform well in the current year. WBHO's share of the combined after-tax profit amounted to R136 million (2022: R82 million). Total dividends received amounted to R163 million.

Property developments and Property developers

To date, 371 of the 374 units of Phase 1 of the Trilogy development have been sold. A pre-tax return of 9% has been achieved thus far on this phase. The development of Phase 2 remains on hold and the land value was impaired in the current year.

Rising inflation and the accompanying increase in interest rates has dampened demand for residential property in the UK. Russell Homes has experienced slower sales on existing developments and has delayed the commencement of new schemes which have achieved planning approval. The high inflation environment has also impacted opportunities to secure external funding for ready-to-go schemes. Current developments produced revenue of £19,3 million compared to £22,5 million in FY2022. A profit before tax of £100 thousand was incurred due to fixed overhead costs. Interest of £869 thousand was paid on the loan of £12,7 million from Russell WBHO.

Long-term receivables

Rm	FY2023	FY2022
Mezzanine financing arrangements	159	229
Other long-term receivables	0,5	0,5
Consideration receivable	30	–
Less: loss allowance	(0,1)	(0,5)
Less: current portion	(150)	(77)
TOTAL	40	153

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 commitments in Australia, the Group did not consider any new arrangements this year, while R71 million in respect of existing loans was repaid. Consideration receivable of R30 million was raised in respect of the sale of Edwin Construction (Pty) Ltd and is repayable on or before 30 June 2029.

Long-term liabilities and contingent liabilities

Rm	FY2023	FY2022
Lease liabilities	168	243
Instalment sale agreements	277	104
Bank loans	271	105
Other long-term liabilities	124	139
Less: current portion	(382)	(244)
TOTAL	458	347

MESSAGE FROM THE CHIEF FINANCIAL OFFICER continued

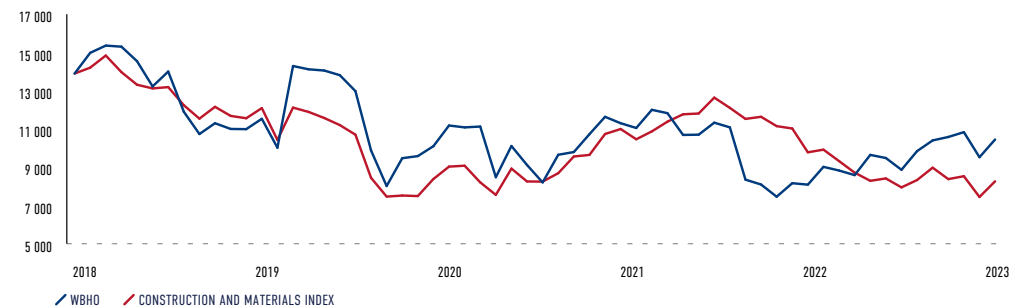
Most of the lease liabilities recognised relate to property and vehicle leases in the UK. Instalment sale agreements relate to plant acquired in South Africa and the rest of Africa with a net book value of R368 million (2022: R127 million). The increase in bank loans relates to a working capital loan obtained during the period. The loan has an outstanding balance of R170 million. The property development loan over the Units on Park student accommodation development in Hatfield, Tshwane has reduced to R101 million. Other long-term liabilities comprise the present value of the remaining instalments of the settlement agreement between the Group and the South African Government amounting to R110 million as well as R20 million owing to the City of Cape Town following the settlement reached in respect of the Cape Town Stadium last year.

Financial guarantees issued to third parties amounted to R6,9 billion compared to R5 billion in issue at 30 June 2022. At 30 June 2023, the Group had guarantee facilities of R9,4 billion of which R3,5 billion is available to support new projects.

Share price performance

WBHO's share price has depreciated consistently in recent years following a weak domestic environment, poor results from Australia and the Group's ultimate exit from the region last year. Having closed out the Group's obligations in Australia by December 2022, the share price subsequently recovered from R84 to R104 per share at 30 June 2023. The inherent strength within the continuing operations should provide certainty for investors in a consistent future performance of the Group. At the approval date of this report, the share price had improved further to approximately R119.

WILSON BAYLY HLM-OVC LTD VS FTSEJSE CONSTRUCTION AND MATERIALS



OUTLOOK AND GOING CONCERN

Despite facing multiple challenges over the past few years, including Covid-19 and the exit from Australia, the Group's top priority remains to deliver projects successfully in order to drive growth and maximise shareholder returns. Additionally, we aim to make a positive contribution to the economies in which we operates.

Following on from the exceptional performance in 2023, growth of 47% in our order book at 30 June 2023 provides a solid baseload of work well into FY2025. Our success in the renewable energy space sets us up well for work in this growing sector across the African continent. Diversification and flexibility form part of our strategic objectives, and it is encouraging to see us grow in new sectors. We have also broadened our footprint on the African continent which will support regional growth. While the mix of the forward-looking pipeline has shifted following the magnitude of road work awarded in FY2023, it remains robust and offers sufficient opportunities to support procurement activity in the year ahead. Having strengthened the Group's balance sheet by R1 billion in 2023, the focus in 2024 will be on creating financial stability and a platform for further growth.

The Group has worked hard to maintain its strong relationships with financial institutions and I am grateful for their support through what has been a difficult period. Their willingness to increase guarantee and asset finance facility limits to support our increased order book indicates a firm belief in our business case. Earlier in this Integrated Report we highlighted a trend of rising insolvencies within the UK construction environment. Consequently, a number of guarantee providers have exited this market and commercial banks require hard collateral in the form of property or cash when seeking new or additional facilities. Existing facility limits are sufficient to meet our immediate requirements but these developments will need to be carefully managed as we move forward.

In accordance with the mandatory audit firm rotation policy implemented by the Independent Regulatory Board for Auditors, PriceWaterhouseCoopers Incorporated was appointed by the Board as the auditors of the Group for the 2024 financial year. I thank BDO South Africa Incorporated for their lengthy service to the Group and their support over the past two years in particular.

APPRECIATION

After 13 years as CFO, I will be retiring at this year's annual general meeting in November 2023. I would like to extend my heartfelt appreciation to my many colleagues across the Group, as well as countless others who have made my journey with WBHO a rewarding and fulfilling experience. The finance teams across the Group are committed and disciplined and I am very proud of the invaluable support they provide to our operational teams. The lasting relationships I have built during my time with WBHO are very special to me and I have complete faith in the team to build on the success achieved this year and forge a new path for WBHO.

Charles Henwood

Chief Financial Officer



HOW WE PROTECT VALUE

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MESSAGE FROM THE LEAD INDEPENDENT DIRECTOR

"At WBHO, we understand that good governance doesn't merely amplify performance; it fortifies trust among our shareholders and stakeholders. Our dedication to governance goes beyond mere checkboxes.

We're not just keeping pace with changes; we're aiming to strive for excellence in governance."

ROSS GARDINER

LEAD INDEPENDENT
DIRECTOR

GOING BEYOND COMPLIANCE

In the rapidly evolving landscape of governance, Boards such as ours confront an ever-changing variety of challenges and opportunities. This journey demands not only an incisive grasp of emerging trends but also the agility to adjust to new circumstances.

At WBHO, we understand that good governance doesn't merely amplify performance; it fortifies trust among our shareholders and stakeholders. Those companies that master the art of corporate governance chart their course towards long-term viability and sustainability.

Our dedication to governance goes beyond mere checkboxes. We're not just keeping pace with changes; we to strive for excellence in governance.

Assessing our governance journey

The WBHO Board is acutely aware of its responsibilities as mandated by the Companies Act, JSE Listing Requirements, and King IV™. We hold the cornerstone belief that strategy, risk, performance, and the Group's sustainability are intertwined, and we align them with the interests of all stakeholders.

Our robust governance processes serve as a shield for our executives and employees, bolstering stakeholder faith in our operations. Trust, we recognise, is delicate. Our unwavering stand against corruption is complemented by our encouragement to staff to use whistleblowing channels. Incidents undergo rigorous scrutiny, with direct reporting to the CEO and independent internal audit functions to determine the extent of investigation needed. Each incident and subsequent investigation's outcomes are presented to the Audit Committee quarterly.

A key component of our strategy is avoiding engagements with unreliable or questionable parties. This extends to our dealings with clients and suppliers alike. Our Board remains vigilant over critical issues, providing an impartial check on our executive management team, who remain at the helm of business operations.

Our Board's effectiveness is amplified by its rich combination of skills and experience, spanning several industries, diverse genders, races, knowledge bases, and viewpoints.

Trends and prospects

The spotlight from stakeholders has intensified on matters ranging from equity, inclusion, and diversity to cybersecurity, transparency, and climate change. As we perpetually evaluate our Board's efficacy, we remain committed to staying abreast of the latest trends, ensuring our duties are discharged with the requisite knowledge required.

The WBHO governance model complements the scale, nature, and intricacy of the Group's operations, while also championing rigorous practices within the ambit of economic performance.

In closing, I am confident that the Board and its committees have, this year, lived up to their charters and mandates with unwavering dedication.

Ross Gardiner

Lead 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 2023 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



By invitation to Remuneration Committee

LOUWTJIE NEL ⁽⁶²⁾

CHAIRMAN

Qualifications:

BSc Eng

Board member since:

1 August 2008

Skills, expertise and experience:

Engineering

Industry experience: 36 years

Other significant directorships:

WBHO Group companies



By invitation to all sub-committees

WOLFGANG NEFF ⁽⁵²⁾

CHIEF EXECUTIVE OFFICER

Qualifications:

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

Board member since:

20 November 2019

Skills, expertise and experience:

Engineering

Industry experience: 30 years

Other significant directorships:

WBHO Group companies



By invitation to all sub-committees

CHARLES HENWOOD ⁽⁶⁰⁾

CHIEF FINANCIAL OFFICER

Qualifications:

BCom, BCompt (Hons), CA(SA)

Board member since:

9 November 2011

Skills, expertise and experience:

Finance

Industry experience: 33 years

Other significant directorships:

WBHO Group companies

NON-EXECUTIVE DIRECTORS



ROSS GARDINER ⁽⁶⁰⁾

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: 38 years

Other significant directorships:

New Africa Mining Fund 3 (Pty) Ltd



HATLA NTENE ⁽⁶⁹⁾

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: 39 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 ⁽⁵³⁾

INDEPENDENT NON-EXECUTIVE

Qualifications:

BCom, BCom (Hons) Economics and Finance, BCom (Hons) Accounting, Hdp (Tax), Post Graduate Diploma (Leadership), ACMA, CGMA®

Board member since:

1 November 2017

Skills, expertise and experience:

Governance, finance and taxation

Industry experience: 6 years

Other significant directorships:

KMF and Associates (Pty) Ltd



NOSIPHO SONQUSHU ⁽³³⁾

INDEPENDENT NON-EXECUTIVE

Qualifications:

CA(SA), CFA candidate

Board member since:

5 December 2022

Skills, expertise and experience:

Finance and mining

Industry experience: 1 year



COBUS BESTER ⁽⁶⁴⁾

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: 36 years

Other significant directorships:

Bombela Operating Company (Pty) Ltd

- REMUNERATION COMMITTEE
- RISK COMMITTEE
- AUDIT COMMITTEE
- NOMINATIONS COMMITTEE
- SOCIAL AND ETHICS COMMITTEE

BOARD OF DIRECTORS continued

THE BOARD

The Board is constituted in terms of WBHO's Memorandum of Incorporation 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.

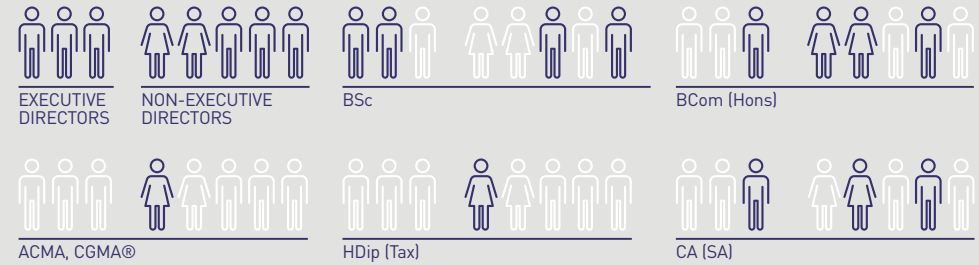
STATEMENT OF COMPLIANCE

The Board complies fully with applicable laws and regulations in the jurisdictions under which it operates. The Group has embraced King IV™ as recommended and through its King IV™ register, which can be viewed on the Group's website (www.wbho.co.za) seeks to provide a narrative-based report in which it references each of the King IV™ principles and the Group's application of the principle.

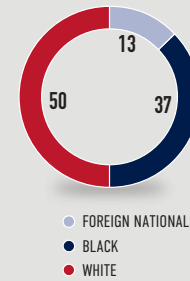
The Board has delegated responsibility for compliance with applicable laws and regulations to Exco and senior management. The compliance function is monitored through the Compliance Officer who reports on compliance matters at the various sub-committees and the Board.

During the 2023 financial year, WBHO was compliant in all material respects with the requirements of the Companies Act 71 of 2008 (Companies Act), the Companies Act regulations and the JSE Listings Requirements.

QUALIFICATIONS



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	5/5
Cobus Bester	5/5
Karen Forbay	5/5
Savannah Maziya*	1/1
Hatla Ntene	5/5
Nosipho Sonqushu^	3/3

Directors	Board attendance
Executive directors	
Louwtjie Nel (Chairman)	5/5
Wolfgang Nef (CEO)	5/5
Charles Henwood (CFO)	5/5

* Resigned 23 November 2022

^ Appointed 5 December 2022

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

GOVERNANCE REPORT continued

The table below summarises the key activities undertaken by the Board in the year as well as planned focus areas for FY2024:

	Desired outcomes	Activities in the year	Specific planned focus areas for FY2024
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 and interrogated changes to the strategy at the strategy meeting. Approved key performance metrics and targets for FY2023. Reviewed detailed divisional business reports at the interim reporting period to highlight any emerging issues and risks. Approved the FY2023 budget. Approved the FY2023 Integrated Report, annual financial statements and published results announcements. Reviewed solvency, liquidity and going-concern status. Visited WBHO UK as part of the process of monitoring the execution of the projects for the UK operations. Reviewed and approved the Akani 2 B-BBEE Scheme. 	<ul style="list-style-type: none"> 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. Continuously assess how the business maintains its competitive advantage by monitoring the businesses solvency and liquidity position. Monitor relationships with clients, in particular on high-risk projects.
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"> One new independent non-executive director was appointed in the year and one non-executive director resigned. Monitored progress made in terms of gender and role diversity. 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 Board.
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. Following the voting patterns at the AGM, reviewed the Remuneration Policy to ascertain whether it was still relevant and appropriate. Performed an analysis of executive management remuneration against industry peers 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. Engaged with shareholders who expressed an interest in engaging with the Board in regard to the Remuneration Implementation Report. 	<ul style="list-style-type: none"> Ongoing monitoring of stakeholder engagement. Perform an assessment of the sufficiency and effectiveness of WBHO's engagement with stakeholders
Corporate governance	<ul style="list-style-type: none"> Appropriate governance structures and procedures to ensure effective control over the Group. 	<ul style="list-style-type: none"> Considered the independent assessment of long tenure, non-executive directors. 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. Review and update the Board of Directors Charter 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 2023 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 finalisation of the Group's exit from Australia, the associated effect on liquidity as obligations were settled, adherence to covenants within all lending agreements, the impact of the significant growth achieved this year on the financial position of the Group and the appointment of new auditors for the year ending 30 June 2024. To this end the Committee gave appropriate attention to the working capital cycle and available asset finance and guarantee facilities while also enquiring of any material loss-making contracts.

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 78% of projects audited to 67%. Of the projects audited, 33% required improvement over certain controls. The deterioration in the number of projects achieving a satisfactory or better result has been attributed to the growth delivered, and management has acted swiftly to ensure any deficiencies in the internal control environment on these projects have been remedied. Follow-up audits were conducted in respect of most projects in this category and these subsequent audits concluded that all control weaknesses were successfully addressed. There were no projects reported to have a weak control environment. The controls over site assets, procurement procedures not followed and overtime remain the three main areas that are consistently identified as not being fully complied with on projects. Management continues to engage with site personnel in order to make the necessary improvements.

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 FY2024 as well as giving specific focus to the following areas:

- Closely monitor and assess the performance of recently awarded large-scale projects
- Monitoring the performance of the broader 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 and working capital position of the Group

Lastly, I would like to thank my fellow committee members for their contribution and support this year as well as to commend Charles Henwood, the Chief Financial Officer, and his finance team for their role in managing a challenging but successful exit from Australia as well as their role in the Group's remarkable performance in FY2023. In the year ahead, I look forward to reporting back to stakeholders on the further progress we hope to have made in re-strengthening the business and delivering value for our stakeholders.

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 FY2023:

Focus area	Activities and explanation
Monitoring the progress of the Group's exit from Australia	<p>The committee monitored the ongoing developments surrounding the decision to exit Australia which included:</p> <ul style="list-style-type: none"> • Monitoring the progress of the administration proceedings and specifically fulfilment of the conditions precedent to the Deed of Company Arrangement. • Reviewing the terms of the deed agreed with the client of WRU and reasons for the increase in the settlement amount. • Obtaining regular updates from management on the remaining exposure to the Australian guarantee providers and the status of called, uncalled and recovered guarantees. • Confirming with management the full release of all obligations in respect of the parent company guarantees provided to the Australian guarantee providers and the client of WRU. • Obtaining regular updates from management in respect of drawdown of external funding and repayment thereof during the course of the year. • Evaluating the 12-month forward-looking cash forecasts of the Group.
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 current reporting period the Group sent a further R782 million in cash to Australia and recognised a further R100 million loss from discontinued operations.</p> <p>Due to the materiality of these amounts, the committee gave increased attention to the directors' going concern assessment of the Group. Pleasingly, the performance of the continuing operations resulted in a recapitalisation of R1 billion and cash balances increased by 11%.</p>
Dividend	<p>The committee assessed the impact of exiting Australia on the financial position and cash flows of the Group as well as potential future working capital requirements to service the order book growth. The committee concluded that it agreed with management's recommendation that no dividend be declared for the year ended 30 June 2023.</p>
Taxation	<p>The committee reviewed 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 and noted that no dispute would have a material negative outcome.</p> <p>The committee considered the tax accrual review undertaken by BDO and noted that no significant matters of concern were reported.</p> <p>The committee also reviewed the recoverability of current and deferred tax assets.</p>
Appointment of new auditors for the year ending 30 June 2024	<p>The Independent Regulatory Board for Auditors has prescribed that external auditors of Public Interest Entities must comply with mandatory audit firm rotation for year-ends commencing on or after 1 April 2023. During the year the committee considered the proposals of three auditing firms recommended by management. PricewaterhouseCoopers South Africa Incorporated was ultimately recommended to the Board and, subject to shareholder approval at the next AGM, will be appointed as the Group's auditors for the 2024 financial year. Although the mandatory rotation was set aside by the Supreme Court of Appeal, the Group had already completed its appointment process.</p>

AUDIT COMMITTEE REPORT continued

Focus area	Activities and explanation
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 size and nature. In FY2023, the internal audit function conducted an external maturity assessment of the Group's IT Governance controls, the outcome of which was found to be satisfactory.</p> <p>The overall objective of the project was to perform a maturity assessment of IT Governance, which specifically included the following control process areas:</p> <ul style="list-style-type: none"> • IT Management Framework; • IT Risk Management; • IT Change Management; and • IT Security Services. <p>As part of assessing the control design elements, Internal Audit assessed the adequacy of the IT governance related controls in terms of CoBIT 2019 and specifically assessed whether the controls were adequately designed and implemented.</p> <p>The evaluation concluded that 39% of the control activities tested were deemed to be above the desired maturity, 43% at desired maturity and 18% below desired maturity.</p> <p>Management subsequently implemented additional measures in respect of those controls to achieve the desired maturity.</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 subsidiaries of the Group 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 to sign the Responsibility Statement in terms of section 3.84(k) of the JSE Listings Requirements.</p>
Risk Governance	<p>This year, the Group conducted an external maturity assessment of its risk governance practices. The risk maturity assessment performed concluded that there has been an upward trajectory in WBHO's risk management capabilities, with a considerable number of improvements made over a period of time to enhance the governance of risk and improving risk processes.</p> <p>There is a good level of commitment from Executive management and the Board with respect to the further enhancement of risk maturity across the organisation.</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	• Chief Executive Officer
Karen Forbay	1 November 2017	4/4	• Chief Financial Officer
Ross Gardiner	28 April 2014	4/4	• Members of the Finance function
Savannah Maziya	Resigned 23 November 2022	2/2	• Information technology
Nosipho Sonqushu	5 December 2022	2/2	• Internal auditors • External auditors

Refer to pages 70 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, four closed sessions with management or internal and external auditors were held for committee members only.

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 separate meetings with the Chief Audit Executive without management being present at which no matters of concern were raised

AUDIT COMMITTEE REPORT continued

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
- Determined the fees payable and terms of engagement for the FY2023 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 2023
- 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
 - 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
- As required per paragraph 22.15(h) of the JSE Listings requirements recommended to the Board for approval at the AGM, the appointment of PricewaterhouseCoopers South Africa Inc. as the external auditors for the 2024 financial year and confirm that Mr A Rossouw 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 require 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 2023, 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 the United Kingdom. By its nature, the testing of goodwill for impairment involves significant judgement.

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 FY2023. 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.

The committee also assessed the fair values of the property, plant and equipment, contract assets, intangible assets, contract liabilities and payroll liabilities acquired from the O'Keefe group of companies (which had entered administration), and concurred with management that no goodwill be recognised.

Completeness and adequacy of contract and other provisions

Construction companies are exposed to various claims, possible legal disputes and other construction-related obligations 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 administration process in Australia resulted in an outflow of funds amounting to R782 million in FY2023 related to guarantee and closure commitments. The required funding was supported by a combination of available cash resources of the Group and external financing.

On a quarterly basis, 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 2024 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 2023 Integrated Report and recommended them for approval by the Board.

The committee, in the finalisation of the consolidated 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 the assurance obtained from 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



HATLA NTENE

REMUNERATION COMMITTEE CHAIRPERSON

Dear shareholders,

Following the significant financial impact of the exit from Australia last year, the Group recovered well in the 2023 financial year, boosted by an impressive contribution from the African operations. The strength of the recovery was reflected in the growth in profits delivered and an increase in cash generated from operations. Furthermore, the outlook for the Group is promising. New awards from the public sector supplemented a strong order intake throughout the year, resulting in a strong order book of secured work. The committee was extremely pleased to approve increases above the prevailing inflation rate for the majority of our operations in the current period. The objective behind this increase was to recognise and reward the efforts of our staff and provide some financial support in what have been difficult times for many.

The overarching responsibility of the Remuneration Committee is to ensure that the principles of accountability, transparency and good governance are followed in respect of 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 also annually reviews the skills profile of the Group and its leadership team as well as undertakes annual evaluations of the performance of the executive directors and management.

During the year the composition of the committee changed following the resignation of Savannah Maziya. Cobus Bester, chair of the Audit Committee joined the committee in Ms Maziya's place.

At our last AGM, 53,23% of shareholders voted against the Implementation Report presented for the prior year. The primary reason given was the deviation by the committee from the calculations provided for in the Remuneration policy and the award of discretionary bonuses to executive directors.

The committee considered the concerns raised by the shareholders and undertook a thorough review of the Remuneration policy to determine if there was a need for any amendments. Following a number of robust discussions between the committee members, it was decided to leave the Remuneration policy unchanged insofar as it relates to executive pay.

In June 2023, a new broad-based employee incentive scheme (Akani 2) was introduced for FY2023 and replaces the previous Akani scheme, full details of Akani 2 can be found in the annual financial statements.

The positive results achieved by the Group this year resulted in the stretch targets for both short- and long-term incentives being met for all financial KPIs, with the exception of Total Shareholder Return.

In FY2023, the Remuneration Committee specifically focused on:

- Comparing the total pay of the Group executives against available data within the South African construction sector;
- Assessing the mix between guaranteed pay and variable pay for the executives to establish if it remains relevant;
- Elected to award bonuses in accordance with the Remuneration policy for the 2023 financial year after:
 - Assessing the Group and divisional operating performances;
 - Applying the remuneration strategy and the principle of fairness to all employees;
- Assessing the statement of financial position, cash generation and cash balances, giving due consideration to the effect of the Australian exit and the current mix of projects on future cash flows.
- Assessing the sustainability of WBHO;
- Evaluating the executive personal scorecards;
- Reviewing the 2023 short-term incentive targets, taking into consideration the reasonableness thereof and ensuring a suitable stretch target. The review resulted in no changes being made to the 2023 short-term incentive metrics;
- Discussing the succession plan for the position of CFO and the possible resultant changes that would flow within the Finance department;
- Approval of additional retention initiatives aimed at key members of staff across various management levels comprising:
 - Salary adjustments
 - Retention bonuses
 - Phantom shares
- Reviewing the method of calculation for ROCE and TSR for long-term incentives;
- Monitoring remuneration practices within the Group, ensuring alignment with the requirements of the Remuneration policy;
- Reviewing the annual Remuneration and Implementation report disclosed in this Integrated Report;
- Ensuring that executive remuneration packages are effective in delivering WBHO's strategy and promote behaviour that is aligned with shareholder interests;
- 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 Savannah Maziya and 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.

Hatla Ntene

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. Savannah Maziya resigned as a director on the Board and all the Board committees in which she was a member on 23 November 2022. As a result of Savannah's resignation, Hatla Ntene was appointed as Chairperson of the committee and Cobus Bester was appointed as a member of the committee. For detailed qualifications and experience of non-executive committee members see [page 70](#).

On 9 October 2023, Charles Henwood announced his retirement as CFO of the Group, effective from 23 November 2023. In keeping with WBHO's culture of management continuity Andrew Logan, the current Group financial director and a qualified chartered accountant who has been with the Group for over 20 years will be appointed as the incoming CFO.

For details of attendance at committee meetings see [page 70](#) 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 FY2023. The Remco also reviewed the targets for STIs and LTIs for FY2023. The targets for STIs and LTIs for the 2023 financial year have not been adjusted.

NON-BINDING ADVISORY VOTE ON THE 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 FY2020, FY2021 and FY2022 annual general meetings were as follows:

	Remuneration policy [%]			Implementation report [%]		
	Votes for	Votes against	Votes abstained	Votes for	Votes against	Votes abstained
23 November 2022	94,63	5,37	0,03	46,77	53,23	0,03
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

Following the votes against the Implementation report at the 2022 AGM, an invitation was extended to shareholders to engage with management in regard to their concerns about the Implementation report. The vote against the Implementation report was due to the Remuneration Committee's decision to pay a discretionary bonus to the executive directors in the prior period. Conversations with shareholders who requested engagement were constructive. The committee reviewed the Remuneration Policy during the year and no changes in regard to executive remuneration were made.

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 continued

REMUNERATION PHILOSOPHY AND POLICY

WBHO's remuneration philosophy determines 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 are articulated in WBHO's 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 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.

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. Taking cognisance of comparable guaranteed executive pay levels within the industry, 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.
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.

REMUNERATION AND IMPLEMENTATION REPORT continued

Element	Eligibility	Implementation
Executive directors	Cash-settled	<p>Assessed based on the financial performance of the Group against predetermined targets set by the Board as well as personal scorecard objectives and carrying a heavier weighting than TGP.</p> <p>The key performance indicators on which evaluations are based are as follows:</p> <p>Financial: (70% weighting):</p> <ul style="list-style-type: none"> • Operating profit • Headline earnings per share growth • Return on capital employed (ROCE) • Cash generation <p>Personal: (30% weighting) (not limited to the following):</p> <ul style="list-style-type: none"> • Transformation • Safety and environmental • Leadership/relationships • Reputation
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	Incentive awards Akani share scheme	<p><i>Incentive awards</i></p> <p>On 6 June 2023, the Akani Share Scheme that had been in place since 2006 was replaced by a new share scheme, Akani 2. Akani 2 is an empowerment scheme rewarding individuals with service in excess of five years. Each qualifying employee will receive a unit in one of the relevant underlying trusts which will entitle them to dividends declared by Akani 2 Investment Holdings (Pty) Ltd for as long as they remain employed in the Group.</p>
Senior and middle management	Share options	<p><i>Share options</i></p> <p>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.</p>
	Cash-settled share scheme	<p><i>Phantom shares</i></p> <p>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 award. 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.</p>
Executive directors, prescribed officers and senior management	Share incentive awards	<p><i>Share incentive awards</i></p> <p>Aligned with the performance of the Group and benchmarked against comparable listed entities on the Johannesburg Securities Exchange.</p> <p>The components of the WBHO Share Plan are:</p> <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 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 2023:

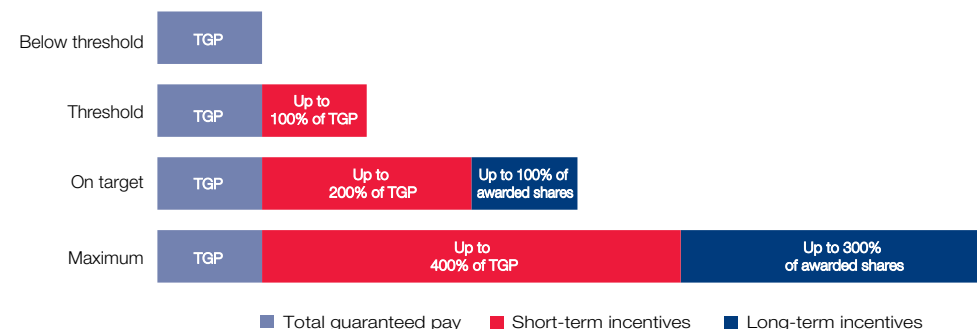
Maximum performance incentive	STI	LTI
Threshold	100% of TGP	0% to 99% of awards
On target	200% of TGP	100% to 299% of awards
Maximum	400% of TGP	300% of awards

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	3 927	3 927	3 927
STI	3 927	7 854	15 708
Performance shares (Offer 2018) ¹	–	2 194	6 582
Total	7 854	13 975	26 217

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

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. Travel and accommodation expenses of non-executive directors are not included in the fees and are 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 but paid in November of the following financial year, and the LTIs that vested in the financial years presented.

(R'000)	FY2023			
	TGP	STI	Vested LTI	Total remuneration
Executive directors				
ELN Nel	2 588	9 860	571	13 019
WP Neff	3 927	15 120	666	19 714
CV Henwood	3 908	15 006	603	19 516
	10 423	39 986	1 840	52 249
Prescribed officers				
AF De Necker	3 471	10 000	603	14 074
PJ Foley	10 815	7 000	603	18 417
SN Gumede	3 165	5 000	222	8 387
CA Jessop	3 501	10 000	603	14 103
	20 951	32 000	2 030	54 982
	31 374	71 986	3 870	107 230

(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

(R'000)	FY2022			
	TGP	STI	Vested LTI	Total remuneration
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

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 FY2023 in respect of each key performance indicator, as well as the performance against these targets are disclosed in the table below:

Targets

KPI	FY2023			FY2022		
	Threshold	Target	Stretch	Threshold	Target	Stretch
Operating profit (Rm)	859	923	1 074	518	556	647
HEPS growth (%)	0	9,1	12,1	0	7,5	10,5
ROCE (%)	14,0	17,5	21,0	14,0	17,5	21,0
Cash generation (Rm)	3 339	3 406	3 506	5 681	5 794	5 965
Personal scorecard	30%	60%	120%	30%	60%	120%

Performance

KPI	Actual performance	Result achieved	FY2023	FY2022
			Score (%)	Score (%)
Operating profit (Rm)	1 113	Stretch exceeded	98	–
HEPS growth (%)	31,4	Stretch exceeded	54	–
ROCE (%)	36,9	Stretch exceeded	86	–
Cash generation (Rm)	3 685	Stretch exceeded	42	–
Total score			280	–
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. Providing the necessary management support to ensure 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 exiting the Australian market. Successful management of opportunities to preserve cash and funding of obligations arising from Australian exit.
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 the growth in order books in the various regions and securing work for FY2024 and beyond. Successfully positioning the Group to benefit from renewable energy within the private sector. 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 2023 Safety First Interventions programme effectively. Successful implementation of succession plans in the UK and African operations. Maintenance of a Level 1 B-BBEE Scorecard. Implementation of the approved Employment Equity Plan. Successfully increasing the guarantee facilities for the group in order to support growth within the divisions. Collaborative management of the VRP Agreements to ensure successful achievement of 2024 targets.
Total		120	

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

	Leadership	Business Strategy	Management and Support	Score	Effective score	
EL Nel	33	34	34	101	84%	Target achieved
WP Neff	34	36	35	105	88%	Target achieved
CV Henwood	33	35	36	104	87%	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	101	280	381	400	9 860	9 860
WP Neff	105	280	385	400	15 120	15 120
CV Henwood	104	280	384	400	15 006	15 006

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 95% for EL Nel and 96% for CV Henwood and WP Neff.

REMUNERATION AND IMPLEMENTATION REPORT continued

Long-term incentives

During the year 438 000 (FY2022: 554 500) 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.

In the prior year 704 833 share appreciation rights allocated in prior years were forfeited by all participants as a result of the depreciation of the share price. No allocations were made in the current year.

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. The profitability is measured using profit from continuing operations.

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 consisting of Aveng, Murray & Roberts, Raubex, Stefanutti Stocks, Hudaco, Barloworld, Pretoria Portland Cement, KAP Industrial Holdings and Nampak.

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	50%	14%	16%	20%
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 2019 and Offer 2020. The performance for the year ended 30 June 2022 is applicable to Offer 2019. This offer vested in November 2022. The actual performance for the period ended 30 June 2023 applies to Offer 2020 which vests in December 2023.

Performance criteria	Offer 2019 Performance shares	Offer 2020 Performance shares
ROCE	10%	24%
TSR	6th	7th
Result	33%	167%
ROCE	Threshold not achieved	Stretch exceeded
TSR	Threshold exceeded	Threshold met
Award	33%	167%

Long-term incentives that vested during the year

Performance shares

Offer 2019	
Award price	R142,58
Award date	18 November 2019
Vesting price	R95,17
Vesting date	18 November 2022
Achieved	33% of the awarded shares vested

	Number of awards	Number of vested shares	Value of shares at vesting date
Executive directors			
EL Nel	18 000	6 000	571 020
WP Neff	21 000	7 000	666 190
CV Henwood	19 000	6 333	602 712
Prescribed officers			
AF De Necker	19 000	6 333	602 712
PJ Foley	19 000	6 333	602 712
CA Jessop	19 000	6 333	602 712
SN Gumede	7 000	2 333	222 032
Total	122 000	40 665	3 356 170

REMUNERATION AND IMPLEMENTATION REPORT continued

	Offer 2019				Offer 2020		Offer 2021		Offer 2022				
Award price	142,58				102,34		110,27		99,07				
Award date	2019/11/18				2020/12/04		2021/11/25		2022/11/24				
Vesting date – performance shares	2022/11/18				2023/12/04		2024/11/25		2025/11/24				
Threshold met/assumed future vesting	33%				167%		233% ¹		300% ¹				
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 2023	Vesting position at 30 June 2023	Fair value at 30 June 2023
Executive directors													
EL Nel													
Performance shares	18 000	(6 000)	(12 000)	2 566 440	22 500	2 302 670	–	–	–	–	22 500	37 500	3 918 000
WP Neff													
Performance shares	21 000	(7 000)	(14 000)	2 994 180	31 500	3 223 738	64 000	7 057 280	53 000	5 250 710	148 500	205 056	21 424 251
CV Henwood													
Performance shares	19 000	(6 333)	(12 667)	2 709 020	29 500	3 019 057	63 000	6 947 010	52 000	5 151 640	144 500	199 167	20 808 968
Prescribed officers													
AF De Necker													
Performance shares	19 000	(6 333)	(12 667)	2 709 020	28 500	2 916 716	56 500	6 230 255	47 000	4 656 290	132 000	182 389	19 056 003
PJ Foley													
Performance shares	19 000	(6 333)	(12 667)	2 709 020	28 500	2 916 716	56 500	6 230 255	40 000	3 962 800	125 000	175 389	18 324 643
SN Gumede													
Performance shares	7 000	(2 333)	(4 667)	998 060	15 000	1 535 114	35 000	3 859 450	25 000	2 476 750	75 000	104 444	10 912 309
CA Jessop													
Performance shares	19 000	(6 333)	(12 667)	2 709 020	28 500	2 916 716	56 500	6 230 255	47 000	4 656 290	132 000	182 389	19 056 003
Total awards	122 000	(40 665)	(15 165)	17 394 760	184 000	18 830 727	331 500	36 554 505	264 000	26 154 480	779 500	1 086 334	113 500 176

¹ The thresholds achieved at 30 June 2023 have been used to calculate fair value on the awards still to vest and factored by an accelerated vesting. Offers 2021 and 2022 are subject to vesting in November 2024 and 2025 respectively, therefore the percentages used in the calculation of fair value may be different to those at the vesting dates.

REMUNERATION AND IMPLEMENTATION REPORT continued

Directors' and prescribed officers' shareholding

Number of ordinary shares ('000)	2023			2022		
	Direct	Indirect [^]	Total	Direct	Indirect [^]	Total
Executive directors						
EL Nel	300	1	301	320	1	321
WP Neff	91	14	105	84	14	98
CV Henwood	110	–	110	106	–	106
Non-executive director						
SN Maziya*	–	–	–	15	244	259
Prescribed officers						
PJ Foley	50	–	50	50	–	50
AF De Necker	55	–	55	51	–	51
CA Jessop	47	25	72	43	25	68
SN Gumede	–	4	4	–	3	3
	653	44	697	669	287	956

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

* Indirect shares disclosed in the above table represented allocated shares in respect of the old Akani empowerment initiative of the Group and did not represent the number of shares likely to vest upon fulfilment of the vesting conditions. The number of WBHO shares that would ultimately vest was 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 have received no shares in terms of the formula.

* SN Maziya resigned on 23 November 2022.

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.

Directors' fees for the year are reflected below:

R'000	FY2023	FY2022
AJ Bester	880	843
KM Forbay	645	564
RW Gardiner	1 268	1 043
SN Maziya [^]	402	980
H Ntene	657	643
NN Sonqushu*	296	–
	4 148	4 073

[^] SN Maziya resigned on 23 November 2022

* NN Sonqushu was appointed on 5 December 2022

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 2022	99,98%	0,02%	0,02%
24 November 2021	99,99%	0,01%	0,04%
10 February 2021	99,58%	0,42%	0,03%

The average percentage increase proposed for directors' fees is 8% (FY2022: 5,5%). The proposed fees for non-executive directors in respect of FY2024 are disclosed below:

R'000	FY2024	FY2023
Lead independent director	465 200	430 600
Non-executive director	291 200	269 700
Chairman of Audit Committee	441 500	408 800
Chairman of Risk Committee	215 800	199 900
Chairman of Remuneration Committee	215 800	199 000
Chairman of Social and Ethics Committee	215 800	199 000
Committee members (per meeting)	40 600	37 550
Ad Hoc fees (per hour)	2 700	2 500

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 above average inflationary increase for South African senior management and executives of 11,11% (FY2022: 4,02%). The average increase for the remainder of employees in South Africa was 9,02% (FY2022: 6,5%).

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 6,96% (FY2022: 5,0%). The employees of Russell WBHO (including senior management) received an average increase of 5,0% (FY2022: 2,8%).

Employee benefits

R'000	FY2023	FY2022
Salaries and wages	3 429 127	2 657 214
Benefits and other contributions	275 165	259 253
	3 704 292	2 916 467

Total STIs paid during the year amounted to R327 million (FY2022: R348 million) and included amounts paid to directors and prescribed officers.

REMUNERATION AND IMPLEMENTATION REPORT continued

Other long-term incentive schemes

On 6 June 2023 at a general meeting, the shareholders approved the implementation of a new empowerment scheme, Akani 2. In terms of the scheme qualifying employees are allocated a unit in the WBHO Broad Based Employee Share Incentive Trust (BBESI) or the Akani Share Incentive Trust (ASI) once they have served a continuous period of five (5) or more years within qualifying subsidiaries in the Group. The unit received entitles the employee to dividends declared by Akani 2 Investment Holdings (Pty) Ltd for as long as they remained employed within the Group.

Following the approval of Akani 2, a trigger event under the agreements signed in respect of the original Akani empowerment scheme was declared which resulted in the vesting of allocations made to the empowerment partners and the employees per the table above.

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	-	-
Units allocated in the current year ('000) (Akani 2)	-	-	2 095
Vested in the current year ('000) (Akani 1)	-	32	26
Shares to be bought back ('000) (Akani 1)	-	(700)	(2 684)
Shares available for future allocations ('000)	1 084	-	-
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	March
DIVIDEND	
INTERIM	
Approval	February/March
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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