Stefanutti Stocks Group CONSOLIDATED ANNUAL FINANCIAL STATEMENTS '18

Stefanutti Stocks

excellence in execution

CONTENTS

PREPARATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements contained in this report, have been prepared under the supervision of the Chief Financial Officer, AV Cocciante, CA(SA). The consolidated annual financial statements have been audited in compliance with the applicable requirements of the Companies Act, No. 71 of 2008.

Antonio Cocciante
Chief Financial Officer

20 June 2018

CERTIFICATE BY THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I certify that, to the best of my knowledge and belief, Stefanutti Stocks Holdings Limited has, in respect of the financial year ended 28 February 2018, lodged with the Companies and Intellectual Property Commission all returns and notices required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.

William Somerville
Company Secretary

20 June 2018

SIMPLIFIED GROUP ORGANOGRAM

1996/003767/06
Stefanutti Stocks Holdings Limited

1997/005231/07
Stefanutti Stocks Investments Proprietary Limited (South Africa)

2005/015885/07
Stefanutti Stocks International Holdings Proprietary Limited (South Africa)

- CROSS-BORDER OPERATIONAL SUBSIDIARIES
- JOINT VENTURE AL TAYER STOCKS LLC (UNITED ARAB EMIRATES)

2003/022221/07
Stefanutti Stocks Proprietary Limited (South Africa)

- OPERATIONAL SUBSIDIARIES
- ASSOCIATES
- JOINT OPERATIONS

A full list of subsidiaries and associates is available, on request, at the head office of the group.

AUDIT, GOVERNANCE AND RISK COMMITTEE REPORT

This report is provided by the ARCO (the committee) appointed in respect of the 2018 financial year of Stefanutti Stocks Holdings Limited, which incorporates the requirements of section 94(7)(f) of the Companies Act, the King IV principles and other regulatory requirements imposed upon it.

THE ARCO

In addition to the specific statutory responsibilities bestowed upon it in terms of the Companies Act, the committee assists the board by advising and submitting recommendations on the group's financial reporting, internal financial controls, external and internal audit functions and legislative and regulatory compliance.

TERMS OF REFERENCE

The Companies Act and King IV™ have guided the detailed, formal terms of reference that have been approved and adopted by the board. Minor updates were made to the terms of reference after the annual review process. The committee confirms that it has executed its duties during the past financial year in accordance with these terms of reference. The group has performed a gap analysis of King IV, and considered the outcomes. In this regard, a discussion on the application of the 16 principles of King IV is set out on pages 42 to 49 of the integrated annual report.

EXECUTION OF DUTIES

During the year the committee:

› Monitored compliance with the code of conduct and the ethical conduct of the company in liaison with the S&E Committee;

› Evaluated the independence and effectiveness of the external auditors as well as their performance and recommended their reappointment;

› Reviewed the draft audited financial statements and integrated report, the preliminary announcement and interim statements;

› Reviewed, together with the external auditors, the conformity of the audited financial statements and related schedules with IFRS and the company's accounting policies;

› Reviewed the external audit plan and fees payable to the external auditors;

› Reviewed the external audit findings and reports;

› Approved any non-audit services performed by the external auditors and the policy in this regard;

› Reviewed internal audit policies, plans, reports and findings;

› Monitored compliance with applicable laws and regulations;

› Oversaw the process of sustainability reporting and considered the findings and recommendations of the S&E Committee;

› Assessed key risk areas facing the group and recommended risk mitigation measures;

› Advised and updated the board on issues ranging from accounting standards to published financial information;

› Evaluated the finance function and expertise and experience of the CFO;

› Reviewed the King IV gap analysis and the application of the 16 principles; and

› Considered the JSE Proactive Monitoring Reports and the impact thereof on the annual financial statements.

COMPOSITION

The board nominated the members of the committee in respect of the 2018 financial year and shareholders appointed its members at the AGM which was held on 1 September 2017. Shareholders will be requested to approve the appointment of the committee members for the 2019 financial year at the annual general meeting that is scheduled for 8 August 2018.

The committee is chaired by Zanele Matlala, an independent non-executive director, which comprises a further three independent non-executive directors, namely, Howard Craig, Mafika Mkwanazi and John Poluta (alternate to Independent Non-executive Director Mafika Mkwanazi).

Meeting invitees include the Board Chairman, CEO, CFO, Group Risk Officer, external and internal auditors as well as Dermot Quinn, a non-executive director, who is a permanent invitee of the committee. The company secretary acts as secretary to the committee.

The board has satisfied itself that the committee members are mostly suitably skilled, have the correct expertise and experience, are independent and are qualified to fulfil their duties. Abridged biographies of the members are published on page 40 of the annual integrated report.

MEETINGS

The committee held four meetings during the year. Attendance at these meetings is shown in the table set out on page 46 of the corporate governance report of the integrated annual report.

INTERNAL FINANCIAL CONTROLS

The committee's areas of focus, for the year under review, were to:

› Evaluate the effectiveness of the group's system of internal financial controls including receiving assurance from management, internal audit and external audit;
› Review matters presented in the external auditor's reports; and
› Assess the various policies and procedures in place for the prevention and detection of fraud.

The committee believes, based on the processes and assurances obtained, that the significant internal financial controls are effective.

REGULATORY COMPLIANCE

Legislative and regulatory compliance remains a standing agenda item for each committee meeting. The corporate governance report contains a more detailed discussion on regulatory compliance commencing on page 48 of the integrated annual report.

OVERSIGHT OF RISK MANAGEMENT

The committee plays an oversight role in the risk management process. The Group Risk Officer and the Internal Audit Manager report directly to the committee and address all risk identification, measurement and management through these channels.

During the year a risk management framework, risk policy and risk register were presented for consideration to the committee and the committee has satisfied itself that the following areas of focus have been appropriately attended to:

› Financial reporting risks;
› Internal financial controls;
› Fraud risks;
› Information communication technology risks; and
› Reviewed technology risks, in particular how they are managed.

Refer to page 9 of the integrated annual report for the risk management report.

INDEPENDENCE OF THE EXTERNAL AUDITORS

The committee assesses the external auditors' independence and effectiveness on an annual basis. It also considers whether the external auditors' independence is materially impaired by any non-audit services rendered. A non-audit services policy exists, which the committee reviews annually. While the external auditors rendered certain non-audit services during the reporting period, their fees were deemed immaterial.

The committee is satisfied with the external auditors' independence based on enquiries made by the committee and assurances given by the auditors. The committee has thus recommended to the board and to the shareholders, the reappointment of Mazars as the independent registered audit firm and Susan Truter as the individual registered auditor, respectively.

INTERNAL AUDIT

The group's exposure to risk is established by the internal audit function, which assesses the reliability and effectiveness of risk management processes and controls. The Internal Audit Charter guides and sets out internal audit's purpose and scope, responsibilities and duties, independence and ethics.

The Internal Audit Manager reports to the Group Risk Officer on an administrative basis and to the committee on a functional basis. The Internal Audit Manager has unfettered access to the CEO, Chairman of the board, and the Chairperson of the ARCO in order to perform his duties and meet his responsibilities.

The policies and procedures that guide the internal audit function are aligned to the International Professional Practice Framework (IPPF) as prescribed by the Institute of Internal Auditors. The amended IPPF includes the core principles within the mandatory section, which also incorporates the definition of internal auditing, the code of ethics as well as the standards for an internal audit function. These core principles, reviewed in their entirety, articulate internal audit effectiveness, namely, the internal audit function must:

› Demonstrate integrity;
› Demonstrate competence and due professional care;
› Be objective and free from undue influence (independent),
› Align with the strategies, objectives and risks of the organisation;
› Be appropriately positioned and adequately resourced;
› Demonstrate quality and continuous improvement;
› Communicate effectively;
› Provide risk-based assurance;
› Be insightful, proactive and future-focused; and
› Promote organisational improvement.

The internal audit function is also tasked with monitoring and assessing the group's corporate governance particularly pertaining to the various delegation of authority frameworks applicable across the company. The numerous management levels within the group are responsible for designing, implementing and evaluating the risk management plans and must ensure their sustainability in all aspects of the business.

The committee directs the risk-based internal audit plan and is based on the key risks identified by executive management. The internal audit plan was presented to the committee for annual review and approval at the commencement of the year under review. The following processes were covered in the approved internal audit plan:

› Tender and estimating;
› Purchases and payables;
› Subcontractor payments;
› Payroll salaries and wages;
› Financial discipline;
› ICT general computer controls, system development life cycle, change management and backup and disaster recovery; and
› Contract execution (site) reviews.

All findings were communicated to management who reinforced the existing control or implemented new controls and processes to minimise the risk identified to an acceptable level, comparing the advantages gained with the cost of the control.

The group's internal audit function also appraises the group's risk management and internal controls and submits its assessment of these to the committee annually.

As required by the International Standards of Internal Auditing, an external assessment of the internal audit function will be conducted during the 2019 financial year.

COMMITTEE FOCUS AREAS

The focus areas for the year under review:

› Key audit matters
› IT governance
› King IV
› Committee evaluation

The future focus areas for the coming year:

› Key audit matters
› King IV
› Compliance governance
› IT governance

CFO

As required in terms of the JSE Listings Requirements, the annual evaluation of the finance function of the CFO was duly undertaken, and the committee is satisfied that the CFO, Antonio Cocciante, has the appropriate qualifications, expertise, skills and experience to meet the responsibilities as CFO. The committee has also satisfied itself that the additional resources within the finance function are competent to assist the CFO with the needed support. The committee considered the matters raised from the external auditors when making its evaluation. The committee has satisfied itself and is of the opinion that, based on the processes and assurances obtained, the accounting practices are effective.

ANNUAL FINANCIAL STATEMENTS AND INTEGRATED ANNUAL REPORT

Following the review by the committee of the separate and consolidated annual financial statements of Stefanutti Stocks Holdings Limited for the year ended 28 February 2018, the committee is of the view that in all material respects they comply with the relevant provisions of the Companies Act and IFRS, the JSE Listings Requirements as well as the SAICA Financial Reporting Guides (as issued by the Accounting Practices Committee) and fairly present the consolidated and separate financial position, as at 28 February 2018, and its financial performance and cash flows for the year ended. These are available on the company's website.

The committee has also satisfied itself of the integrity of the remainder of the integrated annual report. Having achieved its objectives, the committee has recommended the integrated report for the year ended 28 February 2018 for approval to the Stefanutti Stocks board. The board has approved the report, which will be open for presentation at the forthcoming annual general meeting.

On behalf of the ARCO

Zanele Matlala
Chairperson

20 June 2018

DIRECTORS' REPORT

The directors have pleasure in presenting their report, which forms part of the consolidated annual financial statements of the group for the year ended 28 February 2018.

NATURE OF BUSINESS

Stefanutti Stocks Holdings Limited (Registration No. 1996/003767/06) is a public company incorporated and domiciled in the Republic of South Africa and is listed on the JSE Main Board in the "Construction and Materials — Heavy Construction" sector.

Stefanutti Stocks, a leading construction company operates throughout South Africa, sub-Saharan Africa and the United Arab Emirates with multidisciplinary expertise including concrete structures, marine construction, piling and geotechnical services, roads and earthworks, bulk pipelines, mine residue disposal facilities (mainly tailings dams), open-pit contract mining, all forms of building works including affordable housing, mechanical and electrical installation and construction.

FINANCIAL RESULTS AND YEAR UNDER REVIEW

The consolidated annual financial statements of Stefanutti Stocks Holdings Limited and its subsidiaries, joint operations and equity-accounted investees (collectively the group) for the year ended 28 February 2018 are set out in the annual financial statements presented on pages 13 to 58.

The board of directors report that the group's performance reflects the impact of operating within a demanding trading environment. As reported in recent years, a lack of public infrastructure spend persists in the South African construction sector, creating a challenging trading environment. In addition, heightened political uncertainty, which results in lacklustre private sector investments and decision making, impacted on the group's performance. The available public infrastructure spend is characterised by increased project fragmentation, which results in increased competition with smaller construction companies.

Furthermore, tenders for new contracts are frequently subject to significant delays, as are the awards of tenders already submitted. In this subdued trading environment, we are continuously restructuring and aligning our business to adapt to prevailing market conditions, improve synergy and efficiency and reduce costs.

Despite the above, there are opportunities locally in certain sectors of the mining industry and private sector as well as infrastructure and building opportunities in sub-Saharan Africa. These projects are sufficient to sustain the order book.

Contract revenue from operations of R10,4 billion increased by R1,3 billion compared to the previous year (Feb 2017: R9,1 billion).

With the ongoing reduction in available work in the local building market, emanating from the current negative outlook in the public and private building sector, a significant portion of goodwill and intangible assets of R667 million was impaired, predominantly relating to the goodwill that arose from the Stocks Limited acquisition (goodwill attributable to the Cycad Pipelines Proprietary Limited acquisition of R152 million was impaired in the prior year).

Consequently, the operating loss before investment income increased from R106 million in the previous year to R451 million in the current year. Should this impairment be excluded, the operating profit is R216 million, which is an improvement over the R202 million adjusted operating profit reported in the previous year.

The United Arab Emirates operation has contributed R48 million (Feb 2017: R41 million) towards the share of profits of equity-accounted investees, which in total has remained consistent at R41 million as a result of losses incurred by other equity-accounted investees.

As a result of the factors mentioned above, earnings per share is reported as a loss of 294,94 cents (Feb 2017: 79,34 cents loss). With the reversal of impairment charges relating to assets, headline earnings per share is reported as a profit of 90,35 cents (Feb 2017: 10,94 cents profit). This is a slight improvement on the adjusted headline earnings per share of 89,86 cents reported in the previous year.

Capital expenditure for the year amounted to R500 million (Feb 2017: R272 million). R369 million (Feb 2017: R87 million) was incurred in expanding capacity, of which R275 million relates to requirements from the Mining Services operation on the back of contracts awarded during the year. The increased capital expenditure resulted in an increase in depreciation to R176 million (Feb 2017: R138 million) and an increase in total interest-bearing liabilities to R783 million (Feb 2017: R675 million).

The increase in trading activities resulted in an increase in other current assets, trade payables and provisions compared to February 2017, whilst excess billings over work done reduced to R1,1 billion (Feb 2017: R1,2 billion). The group continues to experience delays in the award and commencement of contracts, as well as delayed payments from clients. All these factors contributed to a reduction in cash generated from operations to R322 million (Feb 2017: R616 million). This includes an investment in working capital of R293 million (Feb 2017: R274 million inflow). As a consequence, the group's overall cash position at year-end has decreased to R916 million (Feb 2017: R1 158 million).

The effect of the strengthening of the Rand on the translation of certain foreign operations resulted in R36 million loss (Feb 2017: R118 million loss) being recognised in other comprehensive income.

In line with the group's strategic intent to achieve greater synergy, optimise available resources and reduce costs, a decision was taken to combine the Roads, Pipelines & Mining Services with the Structures Business Units effective 1 January 2018. The new business unit is called Construction & Mining.

SUMMARISED GROUP RESULTS

	2018 R'000	2017 R'000	% change year-on-year Increase ⬆ (Decrease) ⬇	Commentary on the year-on-year movements
Contract revenue	**10 415 481**	9 058 576	⬆ 15	Primarily due to an increase in revenue of R1,0 billion in the Construction & Mining Business Unit.
Operating loss before investment income	**(451 092)**	(106 396)	⬇ (324)	Goodwill and intangible assets of R667 million impaired.
Loss	**(508 039)**	(149 790)	⬇ (239)	Goodwill and intangible assets of R667 million impaired.
Interest-bearing borrowings (including bank overdraft)	**783 395**	675 230	⬆ 16	Relates mostly to capital expenditure incurred by Mining Services operation on the back of contracts awarded.
Trade receivables	**2 261 802**	1 844 333	⬆ 23	Current market trends in which we experience significant delays in collection of outstanding amounts, certification of work, etc.
Goodwill and intangible assets	**460 506**	1 087 133	⬇ (58)	Goodwill impaired mainly relating to the Stocks Limited acquisition.
Earnings per share (cents)	**(294,94)**	(79,34)	⬇ (272)	
Headline earnings per share (cents)	**90,35**	10,94	⬆ 726	

During the year, the company, through a subsidiary, repurchased 2 756 365 (Feb 2017: 1 314 918) of its own shares at an average price of R3,03 (Feb 2017: R4,08) per share in terms of a resolution passed at the company's most recent annual general meeting. These shares will not be cancelled and will be accounted for as treasury shares.

DIRECTORATE

Ms Tina Eboka resigned as a director of the company with effect from 31 July 2017. Ms Nomhle Canca and Mr Bridgman Sithole and his alternate Mr Joseph Fizelle, retired by rotation at the company's Annual General Meeting held on 1 September 2017 and did not offer themselves for re-election. Ms Canca, Mr Sithole and Mr Fizelle served on the board since their original appointment in July 2007.

The Chairman and the board express their appreciation to these directors for their valued contributions and guidance over the past years, and wish them all the best for the future.

Mr John Poluta has been appointed as an alternate director to Mr Mafika Mkwanazi with effect from 1 September 2017.

Ms Bharti Harie and Ms Busisiwe Silwanyana have been appointed as independent non-executive directors with effect from 13 April 2018.

The board welcomes Bharti and Busisiwe to the group and look forward to their valuable insights and contributions.

The names of the directors who currently hold office are set out in the corporate governance report of the integrated report as well as in the corporate information section at the end of these statements. Further information relating to directors' fees, salaries and shareholding can be found in note 23.

RESOLUTIONS

At the 2017 annual general meeting, the shareholders of the company passed the following special resolutions:

- Approval of the directors' fees.
- Approval of financial assistance provided by the company to related or inter-related companies or other entities, including, its subsidiaries, for any purpose, as well as present or future directors or prescribed officers of the company or of a related or inter-related company or entity.
- Approval to repurchase shares — the company and/or its subsidiaries are authorised by way of general authority to acquire ordinary shares issued by the company within the limits set out by the resolution.

INDUSTRY-RELATED MATTERS

The legal process relating to the civil claim received from the City of Cape Town (Green Point Stadium) is ongoing, which the group is confident it can defend.

APPROVAL

The group annual financial statements, which appear on pages 13 to 58, were approved by the board of directors and are signed by:

Willie Meyburgh
Chief Executive Officer

Antonio Cocciante
Chief Financial Officer

20 June 2018
Kempton Park

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Stefanutti Stocks Holdings Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Stefanutti Stocks Holdings Limited and its subsidiaries (the group) set out on pages 13 to 58, which comprise the consolidated statement of financial position as at 28 February 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 28 February 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. All key audit matters relate to the consolidated financial statements.

MATTER	AUDIT RESPONSE
Valuation of goodwill (note 10) Goodwill comprises 7% (2017: 16%) of total assets of the group. As required by the applicable accounting standards, senior management conduct annual impairment tests to assess the recoverability of the carrying value of goodwill. This is performed using discounted cash flow models. There are a number of key areas of estimation and judgement made in determining inputs into these models which include: › Future revenue › Operating margins › Interest rates › Discount rates applied to projected future cash flows › Adequacy of budgeting techniques The impairment tests performed on goodwill is considered to be a key audit matter due to the extent of judgement and estimation involved.	Critical assessment, with the assistance of our valuation experts, as to whether the model used by management to calculate the value in use of the individual cash generating units complies with the requirements of IAS 36 — Impairment of Assets. This included: › Assessing the assumptions used to determine discount rates and recalculation of these rates; › Analysing the future projected cash flows used in models to determine the reasonability and attainability given the current macro-economic climate and expected future performance of cash generating units; › Subjecting key assumptions to sensitivity analyses; › Assessing the reasonability of forecast assumptions through: » Comparing actual results for 2017 to budgets » Discussions with management as to reasons for deviations » Corroborating reasons obtained from management above with supporting documentation » Assessing the adequacy and reliability of budgeting techniques; and › Reviewing the adequacy of disclosure as required in terms of IAS 36.

MATTER	AUDIT RESPONSE
Income tax and deferred tax (notes 5 and 11) Due to the multiple tax jurisdictions within which the group operates and the significant judgement to be applied with respect to the application of certain tax laws specifically relating to contract accounting, determining the amounts to be recognised for tax in terms of IAS 12, have been identified as a key audit matter. Judgement includes: › Consideration of regulations by various tax authorities with respect to recognition of income and deferred tax; and › Valuation of income and deferred tax assets and liabilities. Management provides for tax based on the most probable outcome as disclosed in the taxation note to the financial statements.	Evaluation of recognition and measurement of current and deferred tax assets and liabilities; including (with the assistance of our tax experts): › Analysing the current and deferred tax calculations, in order to ensure compliance with the relevant tax legislation and accounting standards, taking into account the multiple tax jurisdictions within which the group operates and specifically assessing the complex tax allowances relating to contract accounting; › Evaluating the client's assessment of the estimated manner in which timing differences, including the recoverability of deferred tax assets would be realised by comparing this to evidence obtained in other areas of the audit. These included, but were not limited to, cash flow forecasts, business plans, and minutes of meetings; and › Challenging assumptions made by senior management with respect to uncertain tax and deferred tax positions to assess the appropriateness of tax provisions against the most probable outcome.
Recognition of contract revenue, costs, related receivables and liabilities including the valuation of contracts in progress and excess billings over work done (notes 2 and 13) The industry in which the group operates is characterised by contract risk with significant judgements involved in the assessment of both current and future financial performance. Contracting, by its nature, requires a significant amount of management estimation and judgement in order to report the performance of the contract for the period accurately. Revenue and costs are recognised based on the stage of completion of individual contracts, calculated as the proportion of total costs at reporting date compared to the estimated total costs of contracts. Anticipated losses to completion are immediately recognised as an expense in contract costs. Revenue relating to contracts comprises 99% (2017: 99%) of the group's revenue. Excess billings over work done comprises 24% (2017: 29%) of total liabilities. Contracts in progress comprise 7% (2017: 6%) of total assets. Contracts in progress consist of costs incurred plus profit recognised to date less cash received or receivables less any provisions or losses. The status of contracts is updated on a regular basis. In doing so the directors are required to exercise judgement in their assessment of the valuation of contract variations and claims and liquidated damages as well as the completeness and accuracy of forecasted costs to complete and the ability to deliver contracts within forecasted timescales. Judgement is also applied with respect to the recognition and measurement of contracts in progress and excess billings over work done. The potential final contract values can cover a wide range of outcomes. As a result, this is considered a key audit matter.	Year-end verification of contracts in progress, provision for costs, over- and under-claims (excess billings over work done), contract revenue and costs was based on a sample of contracts including contracts in progress and excess billings over work done at year end as well as contracts completed during the year. Our testing included a combination of substantive procedures (tests of detail and analytical reviews) as well as test of controls and included but was not limited to: › Considering the appropriateness of the group's revenue recognition policy including the adequacy of the disclosures relating to contracts; › Verifying the completeness of revenue, for a sample of contracts, by inspecting signed Quantity Surveyor Certificates and agreeing differences to source documents; › Assessing the Quantity Surveyors' expertise, skills, competence and objectivity, (for a sample of contracts) as required by ISA 540; › Testing and recalculating the reasonability of the stage of completion calculation based on revenue and costs incurred to date in relation to the signed contract, which include the following: Costs incurred to date less prior year costs incurred to date/Total revised expected costs for contract; › Analysing estimates for total forecast revenue, costs and profit to complete through inspection of contract documentation, including taking into account historical accuracy of such estimates to perform reasonability of the stage of completion of contracts; › Recalculating the reasonability of the stage of completion calculation based on the revenue and costs incurred to date in relation to the signed contract that has been verified; › Assessing the existence and valuation of claims and variations within contract costs via inspection of correspondence with customers and the supply chain; › Agreeing balances relating to contracts in progress (as recalculated above) and excess billings over work done to the general ledger and accounting packs; › Assessing the recoverability and completeness of contracts in progress and excess billings over work done with reference to events subsequent to year-end; › Assessing recoverability of related receivables, including testing of post period end cash receipts; › Attending cost meetings (contract review meetings) where contract performance for the year was discussed. This enabled us to gain assurance over discussions held by the contract directors to identify risky contracts for the year and to oversee management exercising control over the contracts under discussion; › Inspecting site ledger reconciliations to ensure that contract costs were complete and accounted for in the correct time period; › Understanding the performance and status of contracts through enquiries with management and contract directors having oversight over various contracts; › Assessing the existence and valuation of claims and variations within contract costs through inspection of correspondence with customers and the supply chain; › Reviewing legal and contracting experts' reports received on contentious matters.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit, Governance and Risk Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa and the Integrated Annual Report, which we obtained prior to the date of this report. Other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

› Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

› Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

› Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

› Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

› Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

› Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Mazars has been the auditor of Stefanutti Stocks Holdings Limited for 12 years.

Mazars

Mazars
Registered Auditors
Partner: Susan Truter
Registered Auditor

20 June 2018
Johannesburg

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY

	Note	2018 R'000	2017 R'000
REVENUE	2	**10 490 631**	9 149 604
Contract revenue	2	**10 415 481**	9 058 576
Operating and administration expenses		**(10 081 294)**	(8 945 360)
Other income	2	**66 270**	95 830
EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION (EBITDA)	3	**400 457**	209 046
Depreciation and amortisation	7, 10	**(184 435)**	(145 882)
Impairment of assets	10	**(667 114)**	(169 560)
OPERATING LOSS BEFORE INVESTMENT INCOME		**(451 092)**	(106 396)
Investment income	2	**49 113**	44 864
Share of profits of equity-accounted investees	8	**41 388**	40 893
OPERATING LOSS BEFORE FINANCE COSTS		**(360 591)**	(20 639)
Finance costs	4	**(82 842)**	(85 597)
LOSS BEFORE TAXATION		**(443 433)**	(106 236)
Taxation	5	**(64 606)**	(43 554)
LOSS		**(508 039)**	(149 790)
OTHER COMPREHENSIVE INCOME		**(45 148)**	(10 998)
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss))		**(35 697)**	(118 328)
Reclassification adjustment from foreign currency translation reserve due to disposal of a foreign investment		**(9 451)**	2 468
Revaluation of land and buildings (may not be reclassified to profit/(loss))	7	**—**	104 862
TOTAL COMPREHENSIVE INCOME		**(553 187)**	(160 788)
LOSS ATTRIBUTABLE TO:			
Equity holders of the company		**(503 599)**	(137 068)
Non-controlling interest		**(4 440)**	(12 722)
		(508 039)	(149 790)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the company		**(545 335)**	(157 099)
Non-controlling interest		**(7 852)**	(3 689)
		(553 187)	(160 788)
BASIC LOSS PER SHARE (CENTS)	6	**(294,94)**	(79,34)
DILUTED LOSS PER SHARE (CENTS)	6	**(267,76)**	(72,88)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY

	Note	**2018 R'000**	2017 R'000
ASSETS			
NON-CURRENT ASSETS		**2 252 024**	2 548 043
Property, plant and equipment	7	**1 483 727**	1 212 248
Equity-accounted investees	8	**209 181**	189 860
Goodwill and intangible assets	10	**460 506**	1 087 133
Deferred tax assets	11	**98 610**	58 802
CURRENT ASSETS		**4 165 393**	4 019 055
Inventories	12	**146 278**	145 087
Contracts in progress	13	**465 067**	414 525
Trade and other receivables	14	**2 601 208**	2 256 514
Taxation		**10 786**	44 496
Bank balances	15	**942 054**	1 158 433
TOTAL ASSETS		**6 417 417**	6 567 098
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES		**1 880 833**	2 442 378
Share capital and premium	16	**1 013 379**	1 021 737
Other reserves		**110 401**	181 515
Retained earnings		**760 779**	1 235 000
Equity holders of the company		**1 884 559**	2 438 252
Non-controlling interest		**(3 726)**	4 126
NON-CURRENT LIABILITIES		**480 320**	370 912
Financial liabilities	18	**478 659**	346 460
Deferred tax liabilities	11	**1 661**	24 452
CURRENT LIABILITIES		**4 056 264**	3 753 808
Other current liabilities	18	**293 445**	328 794
Trade and other payables	19	**1 892 675**	1 750 748
Excess billings over work done	13	**1 092 801**	1 197 743
Provisions	20	**657 470**	420 400
Taxation		**93 710**	56 121
Bank balances	15	**26 163**	2
		6 417 417	6 567 098

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY

		Other reserves						
	Share capital and premium R'000	Share-based payment reserve R'000	Foreign currency translation reserve R'000	Revaluation surplus reserve R'000	Retained earnings R'000	Capital and reserves attributable to equity holders of the company R'000	Non-controlling interest R'000	Total equity R'000
BALANCE AT 29 FEBRUARY 2016	1 027 103	28 145	158 069	17 181	1 370 219	2 600 717	7 815	2 608 532
Treasury shares acquired	(5 366)	—	—	—	—	(5 366)	—	(5 366)
Realisation of revaluation reserve	—	—	—	(1 849)	1 849	—	—	—
Total comprehensive income	—	—	(124 893)	104 862	(137 068)	(157 099)	(3 689)	(160 788)
Loss	—	—	—	—	(137 068)	(137 068)	(12 722)	(149 790)
Other comprehensive income	—	—	(124 893)	104 862	—	(20 031)	9 033	(10 998)
BALANCE AT 28 FEBRUARY 2017	**1 021 737**	**28 145**	**33 176**	**120 194**	**1 235 000**	**2 438 252**	**4 126**	**2 442 378**
Treasury shares acquired	**(8 358)**	**—**	**—**	**—**	**—**	**(8 358)**	**—**	**(8 358)**
Realisation of share-based payment reserve	**—**	**(28 145)**	**—**	**—**	**28 145**	**—**	**—**	**—**
Realisation of revaluation reserve	**—**	**—**	**—**	**(1 233)**	**1 233**	**—**	**—**	**—**
Total comprehensive income	**—**	**—**	**(41 736)**	**—**	**(503 599)**	**(545 335)**	**(7 852)**	**(553 187)**
Loss	**—**	**—**	**—**	**—**	**(503 599)**	**(503 599)**	**(4 440)**	**(508 039)**
Other comprehensive income	**—**	**—**	**(41 736)**	**—**	**—**	**(41 736)**	**(3 412)**	**(45 148)**
BALANCE AT 28 FEBRUARY 2018	**1 013 379**	**—**	**(8 560)**	**118 961**	**760 779**	**1 884 559**	**(3 726)**	**1 880 833**
Note	16							

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY

	Note	**2018 R'000**	2017 R'000
CASH FLOWS FROM OPERATING ACTIVITIES		**286 690**	548 811
Cash generated from operations	21	**322 410**	616 297
Interest received	2	**48 379**	44 862
Finance costs	4	**(49 157)**	(30 906)
Dividends received	2,8	**21 805**	21 138
Taxation paid	21	**(56 747)**	(102 580)
CASH FLOWS FROM INVESTING ACTIVITIES		**(75 417)**	2 851
Expenditure to maintain operating capacity			
Property, plant and equipment acquired	7	**(29 407)**	(55 829)
Proceeds on disposals of property, plant and equipment		**51 494**	41 296
Proceeds on disposals of non-current assets held for sale		**—**	87 334
Acquisition of associates and joint operations — net of cash acquired		**—**	5 240
Advance of associate loan	8	**(11 706)**	(20 628)
Expenditure for expansion			
Property, plant and equipment acquired	7	**(101 326)**	(54 562)
Acquisition of joint operation — net of cash acquired		**15 528**	—
CASH FLOWS FROM FINANCING ACTIVITIES		**(423 400)**	(164 702)
Treasury shares acquired	16	**(8 358)**	(5 366)
Proceeds from long- and short-term financing	18, 21.3	**59 386**	149 511
Repayment of long- and short-term financing	18, 21.3	**(474 428)**	(308 847)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(212 127)**	386 960
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**1 158 431**	850 940
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(30 413)**	(79 535)
CASH AT THE BEGINNING OF THE YEAR — DISCONTINUED OPERATION		**—**	66
CASH AND CASH EQUIVALENTS AT YEAR-END	15	**915 891**	1 158 431

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY

1. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of consolidated annual financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures and the disclosure of contingent liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events and are believed to be reasonable under the circumstances. Actual results may differ from the estimates made by management.

In the process of applying the group's accounting policies, the directors have made the following estimates and judgements that have the most significant effects on the amounts recognised and disclosed in the annual financial statements:

CONSTRUCTION CONTRACTS

REVENUE AND OTHER INCOME

When applying the percentage of completion method, estimates are made on the total expected costs of individual contracts. The stage of completion is measured with reference to surveys of the work performed. When the surveys of work performed cannot be determined reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. When management estimates, based on the cost of work performed to date in relation to the total work to be performed, that the total costs to be incurred to complete a contract will be in excess of the estimated total revenue from the contract, the full expected loss to be incurred is recognised immediately.

OPERATING ASSETS

PROPERTY, PLANT AND EQUIPMENT

VALUATIONS

Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. A valuation was performed on 28 February 2017 by an accredited independent valuer. Properties were valued by either applying the Comparable Sales Method or Income Capitalisation Method. To determine which method to be the most appropriate for each property, cognisance was taken of the following relevant to each property: Each property's general uniqueness, durability, proximity of location, relatively "limited" supply, and the specific utility of a given site.

The Income Capitalisation Method of valuation entails the determination of the Net Annual Income for the property, which is then capitalised at an appropriate market related capitalisation rate: This method of valuation is best suited for income-producing properties.

The Comparable Sales Method approach entails the identification, analysis and application of recent comparable sales involving physically and legally similar units in the general proximity of the property to be valued. This method of valuation is best suited for non-income producing properties.

This valuation included a review of title deed information, town planning conditions, property descriptions and improvements as well as locality. Market conditions and demand, comparable sales and vacant land values were also taken into consideration.

USEFUL LIVES

The useful life of an asset is the period over which the group expects to utilise the benefits embodied in the assets, and not necessarily the asset's economic life. Useful lives of assets are reviewed annually. The group uses the following indicators to determine useful life:

› Expected usage of assets
› Expected physical wear and tear
› Technical and commercial obsolescence

The estimated useful lives assigned to the categories of Property, Plant and Equipment are as follows:

› Buildings:	50 years
› Plant and equipment:	5 – 10 years
› Transport and motor vehicles:	5 years
› Furniture, fittings, office and computer equipment:	3 – 8 years

RESIDUAL VALUES

An estimate is made of the amount the group would expect to receive currently for the asset, if the asset was already of the age and condition expected at the end of its useful life.

FOR THE YEAR ENDED 28 FEBRUARY

1. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS CONTINUED

IMPAIRMENT OF ASSETS

GOODWILL

Goodwill is assessed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which goodwill relates. The recoverable amount is determined as the value in use of each cash-generating unit by estimating the expected future cash flows in each unit and determining a suitable discount rate in order to calculate the present value of those cash flows.

Each year, management employs a rigorous process in assessing the recoverability of goodwill, which begins with the budgeting process as one of its base inputs. The budgets, upon which the impairment tests are based, go through an internal vetting and approval process which covers the budget and strategic planning process for the coming four years.

Budgets are zero based each year, and through the vetting process are tested for sensibility given the strategic intent and capabilities of the operations within the group. The Executive Committee and Board are part of this process, who ultimately approve these budgets.

Management believe the zero based budgeting process is best suited to the assessment of the recoverability of goodwill as it addresses the complexities of the construction environment, such as the fact that the construction industry is not static, nor is it repetitive.

The varying industry disciplines within the group which differ in nature, as well as in contract execution, adds to this complexity. During the approval process the past experience and knowledge of the Executive Committee and board are applied to further temper the budgets and inputs to the process. Refer to note 10.

PROPERTY, PLANT AND EQUIPMENT

Management assesses changes in interest rates, currency exchange rates as well as the state of affairs in the construction sector, as indicators that impairment testing may need to be performed.

OTHER FINANCIAL ASSETS

Management makes judgements as to its ability to collect outstanding receivables and provides allowances for the portion of receivables when collection becomes doubtful. The adequacy of the allowance is assessed based on historical collection experience, economic and competitive environment as well as changes in the credit worthiness of customers.

TAXATION

Management assesses the extent to which it is probable that taxable profit will be available against which deductible temporary differences can be utilised. All companies with deferred tax asset balances are currently trading and expect to make profits which will enable them to recover the deferred tax assets.

The group is subject to income taxes in numerous jurisdictions and the calculation of the group's tax charge and worldwide provisions for income taxes naturally involves a degree of estimation and judgement. There are transactions and tax computations for which the ultimate tax treatment or result is uncertain, or in respect of which the relevant tax authorities may or could indicate disagreement with the group's treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority.

The group recognises liabilities for tax based on estimates of whether additional taxes will be due after taking into account external advice where appropriate. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the reporting period in which such determination is made.

USE AND SALES RATE

The deferred tax rate applied to assets is determined by the expected manner of recovery. Where the expected recovery of the asset is through sale, the capital gains tax rate of 22,4% (2017: 22,4%) is used for South African assets, and foreign tax rates for foreign entities.

If the expected manner of recovery is through use, the normal tax rate of 28,00% (2017: 28,00%) is applied for South African assets and foreign tax rates for foreign entities.

If the manner of recovery is partly through use and partly through sale, a combination of capital gains tax rate and normal tax rate is used.

PROVISIONS

Provisions are raised when deemed necessary by management and an estimate of expected outflows is made based on the information available at the time. These provisions are expected to be utilised within the next 12 months.

Warranty provisions	Warranty provisions are recognised for expected warranty claims, based on past experience. Estimates are made of the anticipated time, materials and sub-contractor involvement required to honour the warranty.
Contract-related provisions	Contract-related provisions represent the estimated amounts relating to incurred obligations to third party suppliers. Management estimates these amounts based on the expected cash outflows required to settle its obligations to suppliers. These obligations arise when, based on surveys of the work performed, it is evident that suppliers have delivered goods or services in excess of those which the suppliers have provided documentary evidence for.

FOR THE YEAR ENDED 28 FEBRUARY

2. REVENUE

2.1 RECONCILIATION OF REVENUE

	2018 R'000	2017 R'000
CONTRACT REVENUE		
Local	**7 454 519**	6 913 182
Foreign	**2 960 962**	2 145 394
	10 415 481	9 058 576
PROJECT MANAGEMENT FEE AND RENTAL INCOME		
Project management fee	**13 600**	13 763
Rent received	**12 437**	32 401
	26 037	46 164
INVESTMENT INCOME		
Interest income from financial instruments held at amortised cost		
— Bank accounts	**44 727**	36 374
— Trade receivables and loans	**2 051**	8 345
— Joint operations	**1 014**	130
— Equity-accounted investees	**939**	—
Other interest	**382**	13
Total interest received	**49 113**	44 862
Dividends received	**—**	2
	49 113	44 864
TOTAL REVENUE	**10 490 631**	9 149 604

2.2 OTHER INCOME

	2018 R'000	2017 R'000
Profit on disposal of property, plant and equipment	**13 524**	13 377
Profit on foreign exchange rate movements	**25 644**	19 942
Other income	**1 065**	16 347
Project management fee and rental income (note 2.1)	**26 037**	46 164
Total other income	**66 270**	95 830

FOR THE YEAR ENDED 28 FEBRUARY

3. EBITDA

	2018 R'000	2017 R'000
Included in these expenses are:		
Employee costs	**2 642 350**	2 913 705
— Short-term employee benefit costs	**2 450 114**	2 736 840
— Post-employment benefit costs	**189 492**	174 947
— Long-term employment benefits (note 17)	**2 744**	1 918
Loss on foreign exchange rate movements	**35 406**	100 834
Operating lease rentals	**149 417**	33 955
— Premises	**7 509**	8 747
— Plant and equipment	**141 059**	24 406
— Vehicles	**849**	802
Voluntary Rebuild Programme costs	**—**	138 764

The Voluntary Rebuild Programme relates to the recording of a one-off present value charge concluded with the South African Government, as disclosed in the SENS announcement released on 11 October 2016. Also included are costs relating to the obligation to mentor two emerging contractors.

4. FINANCE COSTS

	2018 R'000	2017 R'000
Finance costs on financial instruments held at amortised cost:		
— Bank overdrafts and bonds	**19 305**	19 834
— Instalment sale and finance lease agreements	**33 656**	21 373
— Financing agreements	**4 922**	3 873
— Joint Operations	**2 229**	—
— Voluntary Rebuild Programme (deemed interest)	**8 024**	—
— Deferred settlement arrangement	**10 314**	38 236
Deemed interest	**—**	18 601
Interest costs	**10 314**	19 635
— Trade payables	**4 282**	685
Other interest	**110**	1 596
	82 842	85 597

FOR THE YEAR ENDED 28 FEBRUARY

5. TAXATION

5.1 TAXATION

	2018 Local R'000	2018 Foreign R'000	2018 Total R'000	2017 Local R'000	2017 Foreign R'000	2017 Total R'000
CURRENT TAX	**48 639**	**81 882**	**130 521**	88 100	31 518	119 618
— Current year	**43 262**	**82 170**	**125 432**	88 359	38 761	127 120
— Under/(over) provision previous year	**5 377**	**(288)**	**5 089**	(259)	(7 243)	(7 502)
DEFERRED TAX	**(93 183)**	**27 268**	**(65 915)**	(43 698)	(32 366)	(76 064)
— Current year	**(97 236)**	**27 630**	**(69 606)**	(43 799)	(25 478)	(69 277)
— Under/(over) provision previous year	**4 053**	**(362)**	**3 691**	101	(6 888)	(6 787)
Taxation	**(44 544)**	**109 150**	**64 606**	44 402	(848)	43 554

5.2 RECONCILIATION OF TAX CHARGE

	2018 R'000	2017 R'000
TAX AT 28% ON LOSS BEFORE TAXATION	**(124 161)**	(29 746)
Adjusted for:		
DISALLOWABLE EXPENDITURE:		
— Goodwill and intangible assets impaired	**186 792**	42 685
— Interest	**5 135**	10 706
— Other (legal fees, overseas travel, fines, etc.)	**8 546**	6 739
— Losses from equity-accounted investees	**1 883**	—
— Voluntary Rebuild Programme	**—**	36 882
— Unrealised foreign exchange transactions	**6 672**	—
EXEMPT INCOME:		
— Foreign exchange profits	**(2 646)**	(1 148)
— Other (share of profits of equity-accounted investees, etc.)	**(1 364)**	(111)
Deferred tax assets not raised on losses	**6 320**	4 375
Foreign tax rate differential	**(16 920)**	(11 517)
Change in tax rate	**—**	641
Special and future allowances	**(46 862)**	(777)
Deferred tax assets raised on losses reversed	**33 201**	—
Capital Gains Tax	**(781)**	—
Under/(over) provision previous year	**8 780**	(14 288)
Tax losses utilised	**11**	(1 959)
Withholding taxes and taxes on rental income	**—**	1 072
Effective tax	**64 606**	43 554

FOR THE YEAR ENDED 28 FEBRUARY

6. EARNINGS, HEADLINE EARNINGS AND NET ASSET VALUE PER SHARE

Cents per share	**2018**	2017
EPS — Basic	**(294,94)**	(79,34)
EPS — Diluted	**(267,76)**	(72,88)
HEPS — Basic	**90,35**	10,94
HEPS — Diluted	**82,02**	10,05
Adjusted HEPS	**90,35**	89,86
Net asset value per ordinary share	**1 111,93**	1 415,60
Diluted net asset value per ordinary share	**1 001,99**	1 296,39
Net tangible asset value per ordinary share	**840,22**	784,43
Diluted net tangible asset value per ordinary share	**757,15**	718,37

	2018 R'000	2017 R'000
LOSS/ASSET VALUES ATTRIBUTABLE TO:		
EPS — Basic and diluted	**(503 599)**	(137 068)
HEPS — Basic and diluted	**154 272**	18 892
Adjusted HEPS	**154 272**	155 230
Net asset value	**1 884 559**	2 438 252
Net tangible value	**1 424 053**	1 351 119

	Weighted average shares		As at February	
	HEPS and EPS 2018	HEPS and EPS 2017	**NAV 2018**	NAV 2017
SHARES USED FOR EPS, HEPS AND NAV				
Basic	**170 748 789**	172 750 427	**169 485 204**	172 241 569
Diluted	**188 080 746**	188 080 746	**188 080 746**	188 080 746
Reconciliation between weighted average number of shares and diluted number of shares				
Issued ordinary shares — at the beginning of the year	**188 080 746**	188 080 746	**188 080 746**	188 080 746
Effect of treasury shares held in share trusts	**(6 429 930)**	(6 429 930)	**(6 429 930)**	(6 429 930)
Effect of treasury shares held in investment subsidiary	**(10 902 027)**	(8 900 389)	**(12 165 612)**	(9 409 247)
NUMBER OF SHARES IN ISSUE	**170 748 789**	172 750 427	**169 485 204**	172 241 569
Dilution potential of ordinary shares	**17 331 957**	15 330 319	**18 595 542**	15 839 177
Diluted number of shares in issue	**188 080 746**	188 080 746	**188 080 746**	188 080 746

FOR THE YEAR ENDED 28 FEBRUARY

6. EARNINGS, HEADLINE EARNINGS AND NET ASSET VALUE PER SHARE CONTINUED

	2018 Gross amount R'000	**2018 Net amount R'000**	2017 Gross amount R'000	2017 Net amount R'000
HEADLINE EARNINGS RECONCILIATION				
Loss after taxation attributable to equity holders of the company		**(503 599)**		(137 068)
Adjusted for:				
Profit on disposal of plant and equipment	**(12 942)**	**(9 243)**	(13 377)	(9 634)
Impairment of land and buildings	**—**	**—**	14 734	11 434
Impairment of goodwill and intangible assets	**667 114**	**667 114**	154 826	154 160
Headline earnings		**154 272**		18 892
Settlement agreement charge (Voluntary Rebuild Programme)	**—**	**—**	138 764	136 338
Adjusted headline earnings		**154 272**		155 230

In adjusting HEPS, items which represent the result of activities which are non-core (e.g. impairment of goodwill and intangible assets) to the key operating objectives of the group are removed and are thus separately disclosed to enhance clarity of reporting.

7. PROPERTY, PLANT AND EQUIPMENT

	Revalued	Cost			
	Land and buildings R'000	Transport and motor vehicles R'000	Plant and equipment R'000	Furniture, fittings, office and computer equipment R'000	Total R'000
2018					
Cost/Valuation	**506 576**	**133 371**	**1 907 597**	**84 934**	**2 632 478**
Accumulated depreciation	**(903)**	**(104 777)**	**(971 235)**	**(71 836)**	**(1 148 751)**
Carrying value at year-end	**505 673**	**28 594**	**936 362**	**13 098**	**1 483 727**
2017					
Cost/Valuation	494 561	146 947	1 448 546	87 172	2 177 226
Accumulated depreciation	—	(111 394)	(777 025)	(76 559)	(964 978)
Carrying value at year-end	494 561	35 553	671 521	10 613	1 212 248

FOR THE YEAR ENDED 28 FEBRUARY

7. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Reconciliation of the carrying value of property, plant and equipment:

	Land and buildings R'000	Transport and motor vehicles R'000	Plant and equipment R'000	Furniture, fittings, office and computer equipment R'000	Total R'000
2018					
Carrying value at the beginning of the year	**494 561**	**35 553**	**671 521**	**10 613**	**1 212 248**
Foreign exchange movement	**3 229**	**43**	**(8 357)**	**27**	**(5 058)**
Additions	**28 567**	**5 925**	**456 644**	**9 327**	**500 463**
Additions through increase in investment in joint operation	**—**	**—**	**469**	**229**	**698**
Disposals	**(19 781)**	**(2 233)**	**(26 147)**	**(449)**	**(48 610)**
Depreciation	**(903)**	**(10 694)**	**(157 768)**	**(6 649)**	**(176 014)**
Carrying value at year-end	**505 673**	**28 594**	**936 362**	**13 098**	**1 483 727**
2017					
Carrying value at the beginning of the year	420 426	45 976	617 469	15 841	1 099 712
Foreign exchange movement	(60 477)	(4 052)	(29 209)	(835)	(94 573)
Revaluations	115 257	—	—	—	115 257
Additions	37 809	8 190	221 588	4 624	272 211
Disposals	(3 171)	(3 283)	(21 224)	(241)	(27 919)
Impairment	(14 734)	—	—	—	(14 734)
Depreciation	(549)	(11 278)	(117 103)	(8 776)	(137 706)
Carrying value at year-end	494 561	35 553	671 521	10 613	1 212 248

Had land and buildings been carried at cost, the carrying value of land and buildings would have been R385 million (Feb 2017: R373 million).

All disposals of assets result from the sale, scrapping and replacement thereof in the normal course of business.

Additions in the cash flow statement are shown net of direct financing raised.

FOR THE YEAR ENDED 28 FEBRUARY

8. EQUITY-ACCOUNTED INVESTEES

8.1 ANALYSIS OF THE CARRYING VALUE OF EQUITY-ACCOUNTED INVESTEES

	Joint ventures		Associates	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Shares at cost less impairment	**3 832**	3 832	**(3 366)**	2 994
Share of post-acquisition reserves	**165 735**	154 170	**1 589**	8 486
Long-term borrowings	**—**	—	**41 391**	20 378
Carrying value of equity-accounted investees	**169 567**	158 002	**39 614**	31 858
RECONCILIATION OF THE CARRYING VALUE OF EQUITY-ACCOUNTED INVESTEES:				
Carrying value at the beginning of the year	**158 002**	173 672	**31 858**	15 786
Share of profit of equity-accounted investments after tax	**48 285**	40 623	**(6 897)**	270
Acquisitions of associates	**—**	—	**—**	3 879
Deemed disposal of associate	**—**	—	**—**	(700)
Transactions relating to loans:				
— Advances made	**—**	—	**11 706**	20 628
— Reclassification from associate to subsidiary	**—**	—	**—**	(5 382)
— Reclassification from trade debtors to loans	**—**	—	**9 307**	—
Elimination of intergroup profits	**—**	—	**(1 935)**	(747)
Exchange rate differences	**(18 640)**	(35 157)	**(700)**	(1 876)
Dividends received	**(18 080)**	(21 136)	**(3 725)**	—
Carrying value at year-end	**169 567**	158 002	**39 614**	31 858

FOR THE YEAR ENDED 28 FEBRUARY

8. EQUITY-ACCOUNTED INVESTEES CONTINUED

8.2 INFORMATION IN RESPECT OF MATERIAL JOINT VENTURE

	Al-Tayer Stocks	
	2018 R'000	2017 R'000
Nature of relationship	Joint venture	
Nature of joint venture	Building	
Place of business and country of incorporation	United Arab Emirates	
% Ownership	**49**	49
% Voting rights	**50**	50
SUMMARISED AMOUNTS IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE JOINT VENTURE		
Dividends received	**18 080**	21 136
Revenue	**1 962 225**	2 081 331
Depreciation	**4 444**	5 171
Profit from operations after taxation	**96 570**	81 246
Total comprehensive income	**59 288**	10 932

The difference between profit and total comprehensive income is the foreign currency translation reserve amount recognised on conversion to Rand.

	2018 R'000	2017 R'000
SUMMARISED AMOUNTS IN THE STATEMENT OF FINANCIAL POSITION OF THE JOINT VENTURE		
TOTAL ASSETS		
Non-current assets	**10 737**	11 632
Current assets	**1 409 084**	1 213 702
TOTAL LIABILITIES		
Current liabilities (consist of trade and other payables and provisions)	**(1 080 688)**	(909 330)
Net asset value	**339 133**	316 004
Group's share of net asset value	**169 567**	158 002
Carrying value of investments	**169 567**	158 002
INCLUDED IN TOTAL ASSETS, LIABILITIES AND COMPREHENSIVE INCOME:		
Cash and cash equivalents	**262 319**	223 647
Depreciation	**4 444**	5 171

8.3 INFORMATION OF NON-MATERIAL ASSOCIATES

	2018 R'000	2017 R'000
Carrying amount (including long-term borrowings)	**39 614**	31 858
Group's share of (loss)/profit after taxation	**(6 897)**	270
Group's share of total comprehensive income	**(6 897)**	270
Dividends received	**3 725**	—

No other comprehensive income relating to the associates was reported on during the year.

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9. JOINT OPERATIONS

A portion of the group's operations are performed through joint operations as unincorporated arrangements such as partnerships and contractual arrangements. Additional information relating to the group's significant joint operations is provided below:

	Nature of joint operations	Principal place of business	**Group's % interest 2018**	Group's % interest 2017
NAME OF JOINT OPERATIONS				
Kusile Civils Works — Kusile Power Station	Construction & Mining	Mpumalanga	**25**	25
SSAS — BRT Stations	Construction & Mining	Gauteng	**70**	70
SSAS 2 — BRT Stations	Construction & Mining	Gauteng	**60**	60
SS4P — PRASA Platforms	Construction & Mining	Gauteng	**70**	70
SAM — Zuikerbosch Sedimentation	Construction & Mining	Gauteng	**80**	80
Zuikerbosch Consortium — Zuikerbosch Sedimentation	Construction & Mining	Gauteng	**56**	56
SS Civeng GG66	Construction & Mining	Gauteng	**80**	—
SS Axsys GG6	Construction & Mining	Gauteng	**70**	—
Oryx — Oryx Kissy Fuel Jetty	Construction & Mining	Sierra Leone	**—**	40
Stefanutti Stocks Marine & Axsys Projects	Construction & Mining	KwaZulu-Natal	**74**	74
SSM — Medupi Pump Station	Construction & Mining	Limpopo	**75**	75
SSO — Nsezi WTW Phase 1 *	Construction & Mining	KwaZulu-Natal	**—**	68
SSO/Vitatype — Nsezi WTW Phase 2	Construction & Mining	KwaZulu-Natal	**80**	68
Usuthu WTW *	Construction & Mining	KwaZulu-Natal	**—**	68
Stefanutti Stocks/Izazi — Kusile Topsoil	Construction & Mining	Mpumalanga	**60**	60
Stefanutti Stocks/Five and Only — Ethekweni	Construction & Mining	KwaZulu-Natal	**60**	60
Eshowe — Pipelines	Construction & Mining	KwaZulu-Natal	**—**	70
Stefanutti Stocks Siyozimela	Construction & Mining	KwaZulu-Natal	**60**	—
South 32 Mine	Construction & Mining	Mpumalanga	**56**	—
Stefanutti Stocks Basil Read Kusile Building — Kusile *	Building	Mpumalanga	**—**	50
Stefanutti Stocks Ladysmith Construction — Project Sunrise	Building	KwaZulu-Natal	**75**	75
Stefanutti Stocks Building/AP Park Square — Park Square	Building	KwaZulu-Natal	**80**	80
Stefanutti Stocks Botani/Axsys — Mercedes-Benz Logistics Building	Building	Eastern Cape	**58**	58
HKS — MVA Building	Building	Swaziland	**80**	80
FISH — Five Star Hotel	Building	Swaziland	**44**	—
KISS — International Convention Centre	Building	Swaziland	**50**	50
Sikhupe International Airport	Building	Swaziland	**55**	55
Ahafo Supply	Mechanical & Electrical	Gauteng	**60**	—
Subika Supply	Mechanical & Electrical	Gauteng	**60**	—
Ahafo Install	Mechanical & Electrical	Ghana	**60**	—
Subika Install	Mechanical & Electrical	Ghana	**60**	—

* The group increased its investment in these joint operations to 100%.

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10. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Intangible assets				Total
	R'000	Trade names R'000	Technology R'000	Customer related R'000	Total R'000	R'000
2018						
Cost	**1 232 416**	**78 648**	**1 958**	**50 514**	**131 120**	**1 363 536**
Accumulated impairment	**(774 831)**	**(2 380)**	**—**	**(48 908)**	**(51 288)**	**(826 119)**
Accumulated amortisation	**—**	**(73 693)**	**(1 958)**	**(1 260)**	**(76 911)**	**(76 911)**
Carrying value at year-end	**457 585**	**2 575**	**—**	**346**	**2 921**	**460 506**
2017						
Cost	1 232 416	78 648	1 958	1 606	82 212	1 314 628
Accumulated impairment	(156 625)	(2 380)	—	—	(2 380)	(159 005)
Accumulated amortisation	—	(66 495)	(1 855)	(140)	(68 490)	(68 490)
Carrying value at year-end	1 075 791	9 773	103	1 466	11 342	1 087 133

Reconciliation of the carrying value of goodwill and intangible assets:

	Goodwill	Intangible assets				Total
	R'000	Trade names R'000	Technology R'000	Customer related R'000	Total R'000	R'000
2018						
Carrying value at the beginning of the year	**1 075 791**	**9 773**	**103**	**1 466**	**11 342**	**1 087 133**
Additions	**—**	**—**	**—**	**48 908**	**48 908**	**48 908**
Impairment	**(618 206)**	**—**	**—**	**(48 908)***	**(48 908)**	**(667 114)**
Amortisation	**—**	**(7 198)**	**(103)**	**(1 120)**	**(8 421)**	**(8 421)**
Carrying value at year-end	**457 585**	**2 575**	**—**	**346**	**2 921**	**460 506**
2017						
Carrying value at the beginning of the year	1 228 237	20 081	211	—	20 292	1 248 529
Additions	—	—	—	1 606	1 606	1 606
Impairment	(152 446)	(2 380)*	—	—	(2 380)	(154 826)
Amortisation	—	(7 928)	(108)	(140)	(8 176)	(8 176)
Carrying value at year-end	1 075 791	9 773	103	1 466	11 342	1 087 133

* The impairment recognised against customer-related intangible assets relates to an increase of percentage holding in a joint operation, whilst the impairment against the trade names relates to Cycad Pipelines (Pty) Ltd.

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10. GOODWILL AND INTANGIBLE ASSETS CONTINUED

IMPAIRMENT TESTING FOR CASH-GENERATING UNITS (CGU) CONTAINING GOODWILL

For purposes of impairment testing, goodwill is allocated to the group's operating divisions which represent the lowest CGUs, where goodwill is monitored for internal management purposes.

The value in use of the different CGUs is determined by discounting the future cash flows generated from the continuing use of the CGUs and based on the following key assumptions:

	Carrying values of goodwill per CGU		Constant growth rate (A)		AAARG % (B)		Pre-tax WACC (C)	
CASH-GENERATING UNITS	**2018 R'000**	2017 R'000	**2018 %**	2017 %	**2018 %**	2017 %	**2018 %**	2017 %
Stefanutti Stocks Marine*	**—**	16 167	**—**	3	**—**	18,1	**—**	18,5
Stefanutti Stocks Civils KZN*	**—**	34 537	**—**	3	**—**	17,4	**—**	18,7
Stefanutti Stocks Coastal*	**50 704**	—	**3**	—	**22**	—	**17,8**	—
Stefanutti Stocks Building (Stocks Building Africa (Pty) Ltd)	**294 960**	789 700	**3**	4	**9,6**	6,7	**17,4**	17,1
Stefanutti Stocks Housing	**—**	122 323	**—**	3	**—**	24,1	**—**	17,5
Stefanutti Stocks Roads and Earthworks	**22 573**	22 573	**3**	3	**3**	11,2	**16,8**	17,5
Stefanutti Stocks Mining Services	**58 926**	58 926	**3**	3	**6**	13,1	**16,5**	17,1
Mechanical	**19 360**	19 360	**3**	3	**15**	27,6	**16,7**	17,5
Electrical (Apollo E&I Construction (Pty) Ltd)	**11 062**	11 062	**3**	3	**11**	6,4	**16,7**	17,5
Electrical (Energotec)	**—**	1 143	**—**	3	**—**	6,4	**—**	17,5
	457 585	1 075 791						

* Stefanutti Stocks Marine and Stefanutti Stocks Civils KZN have merged into one CGU called Stefanutti Stocks Coastal. The goodwill relating to these separate CGUs has been combined.

These CGUs noted above cannot be directly linked to the operating segments as disclosed in the segment information in note 22, as the above CGUs are representative of acquisitions made whereas the operating segments represent the business units as a whole.

Discounted cash flow forecasts are prepared by management as the basis for determining the estimated recoverable amount. Appropriate growth and discount rates, given the industry and location of the CGUs and its operations, are applied in the forecast. The recoverable amount of each CGU, except for SS Building, SS Housing and Energotec was based on its value in use and was determined to be higher than its carrying amount.

An impairment in both the Stefanutti Stocks Building and Stefanutti Stocks Housing CGUs was recognised mainly due to changes in the prospects within the local building market as evidenced by an ongoing reduction in available work, a negative outlook in the public and private building market, as well as a general disinvestment and downturn in this sector.

The group increased its proportion in a joint operation which resulted in the recognition of an intangible asset to the value of R49 million. Subsequent to the acquisition, changes to the outlook on the contract in this joint operation indicated that the intangible asset was impaired.

Cash flows are projected based on actual operating results and four-year forecasts. Cash flows beyond this were extrapolated using a constant growth rate of (A) which does not exceed the long-term average growth rate for the industry. Appropriate growth and discount rates, given the industry and location of the CGUs and its operations, are applied to the forecast. The calculation of the weighted average cost of capital (WACC) (C) decreased due to a decrease in the risk-free rate of return (R186) year-on-year from 8,82% to 8,14%. An increase in WACC is mostly attributable to an increase in the risk profile of the CGUs.

FOR THE YEAR ENDED 28 FEBRUARY

10. GOODWILL AND INTANGIBLE ASSETS CONTINUED

Revenue forecasts were used as basis for determining the value assigned to each CGU. The AAARG (B) included in the cash flow projections is an average for the years 2019 to 2022. The values assigned to the key assumptions represent management's assessment of the CGUs and are based on both external and internal sources.

Management has determined where the AAARG are in excess of 10%, the following factors contributed to this:

- lower turnover base;
- increased exposure to cross-border work;
- benefit of recently awarded contracts;
- potential contract awards in the short term;
- potential growth opportunities in certain sectors of the market including mining surface infrastructure, marine, water and sanitation treatment plants.

The increase in the AAARG in the Stefanutti Stocks Building CGUs mainly relates to an increase in activity in the United Arab Emirates.

SENSITIVITY ANALYSIS FOR SIGNIFICANT GOODWILL

If the growth rate and WACC are adjusted to the percentages as indicated, the corresponding effect on the recoverable amount of the CGUs is illustrated in the tables below.

STEFANUTTI STOCKS BUILDING

	WACC	
GROWTH RATE %	16,4% R'000	18,4% R'000
2,0	5 826	(26 810)
4,0	35 308	(5 644)

STEFANUTTI STOCKS ROADS AND EARTHWORKS

	WACC	
GROWTH RATE %	15,8% R'000	17,8% R'000
2,0	10 678	(51 350)
4,0	68 494	(10 344)

STEFANUTTI STOCKS MINING SERVICES

	WACC	
GROWTH RATE %	15,5% R'000	17,5% R'000
2,0	16 921	(86 300)
4,0	116 138	(16 376)

Similar sensitivity analyses were performed on the remaining goodwill allocated to other CGUs and no impairments were identified.

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11. DEFERRED TAX

11.1 DEFERRED TAX ASSETS

	2018 R'000	2017 R'000
Includes:		
Property, plant and equipment	**(104 652)**	1 353
Provisions	**162 794**	20 168
Retentions	**23 003**	(600)
Doubtful debt allowance	**2 280**	—
Future allowances	**(79 357)**	(210)
Excess billings over work done	**152 057**	3 678
Work-in-progress	**(55 302)**	(230)
Prepaid expenses	**(986)**	(17)
Unrealised foreign exchange losses	**(2 012)**	(551)
Calculated losses	**785**	35 211
	98 610	58 802
Carrying value at the beginning of the year	**58 802**	28 063
Movements during the year attributable to:		
Temporary differences	**43 156**	32 056
Recognised directly in the statement of changes in equity — land and buildings	**—**	(784)
Foreign exchange	**(3 348)**	(533)
Carrying value at year-end	**98 610**	58 802

Deferred tax assets have not been raised on deductible temporary differences amounting to R118 million (2017: R14 million).

RECOVERABILITY OF DEFERRED TAX ASSETS

Management assesses the extent to which it is probable that taxable profit will be available against which deductible temporary differences can be utilised. All companies with deferred tax asset balances are currently trading and expect to make profits, which will enable them to recover the deferred tax assets.

The group considered the following criteria in assessing the probability that taxable profit will be available against which the unused tax losses can be utilised:

› Whether the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses can be utilised

› Whether it is probable that the entity will have taxable profits before the unused tax losses expire

› Whether the unused tax losses result from identifiable causes which are unlikely to recur.

To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised, the deferred tax asset is not recognised. To determine the probability that taxable profit will be available against which the unused tax losses can be utilised, the group has reviewed its budgets of taxable profits for the foreseeable future and compared that to its total tax losses.

Management has utilised financial budgets approved by management and the strategic plan, which has been approved by the executive committee and the board of directors, to determine the recoverability of the deferred tax asset balance.

FOR THE YEAR ENDED 28 FEBRUARY

11. DEFERRED TAX CONTINUED

11.2 DEFERRED TAX LIABILITIES

	2018 R'000	2017 R'000
Includes:		
Property, plant and equipment	**(1 857)**	95 814
Intangible assets	**(731)**	2 999
Provisions	**285**	(124 274)
Doubtful debt allowance	**—**	(1 417)
Retentions	**1 381**	(11 431)
Future expenditure allowances	**—**	169 588
Excess billings over work done	**484**	(147 642)
Work-in-progress	**(1 223)**	39 126
Prepayments	**—**	1 689
	1 661	24 452
Carrying value at the beginning of the year	**24 452**	57 080
Movements during the year attributable to:		
Temporary differences	**(22 759)**	(44 008)
Recognised directly in the statement of changes in equity — revaluation of land and buildings	**—**	9 611
Transfer from non-current assets held for sale	**—**	1 769
Foreign exchange	**(32)**	—
Carrying value at year-end	**1 661**	24 452

12. INVENTORIES

	2018 R'000	2017 R'000
Consumables	**27 547**	22 862
Operational inventory	**53 348**	52 743
Development property	**65 383**	69 482
	146 278	145 087
Inventories expensed during the year	**82 029**	14 827
Inventories written off during the year	**4 848**	3 374

The development property relates to various properties in South Africa, which are held while the development units are in the process of being built and will be realised when the properties are sold.

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13. CONSTRUCTION CONTRACTS

13.1 CONTRACTS IN PROGRESS

	2018 R'000	2017 R'000
Costs incurred to date	**21 357 681**	18 091 566
Plus: Profit and losses recognised to date	**1 577 083**	1 685 863
	22 934 764	19 777 429
Less: Work certified to date	**(23 359 088)**	(20 329 035)
Net amount owed	**(424 324)**	(551 606)
Plus: Advance payments on contracts in progress	**294 291**	387 829
Plus: Excess billings over work done on contracts in progress	**595 100**	578 302
Contracts in progress	**465 067**	414 525
Retention debtors on active projects included in trade and other receivables	**125 706**	107 054
13.2 EXCESS BILLINGS OVER WORK DONE		
Advances received from customers	**432 358**	543 424
Amounts claimed in excess of work performed	**660 443**	654 319
	1 092 801	1 197 743

14. TRADE AND OTHER RECEIVABLES

	2018 R'000	2017 R'000
Contract receivables	**2 261 802**	1 844 333
Allowance for doubtful receivables	**(12 821)**	(12 298)
Contract receivables (net of impairment)	**2 248 981**	1 832 035
Retention debtors	**126 676**	130 979
Other receivables	**33 422**	58 461
Amounts due by joint operations	**85 815**	105 753
Amounts due by associates	**26 514**	14 084
Prepayments	**21 864**	78 660
Value added tax	**57 936**	36 542
	2 601 208	2 256 514
MOVEMENT IN ALLOWANCE FOR DOUBTFUL RECEIVABLES		
Carrying value at the beginning of the year	**(12 298)**	(32 002)
Additional allowance raised	**(5 157)**	(11 169)
Amounts written off as uncollectable	**180**	21
Foreign currency translation movements	**(40)**	13 430
Unused amounts reversed	**4 494**	17 422
Carrying value at year-end	**(12 821)**	(12 298)
Carrying amount of receivables against which allowance has been raised	**24 728**	21 302

The group has provided for individual receivables based on estimated cash flows, determined by reference to past default experience.

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15. BANK BALANCES

Included in the cash flow statement is cash and cash equivalents comprising:

	2018 R'000	2017 R'000
Cash at banks and on hand	**942 054**	1 158 433
Less: Bank overdrafts	**(26 163)**	(2)
	915 891	1 158 431

Bank balances at the end of the year included the following balances that are restricted from immediate use:

	2018 R'000	2017 R'000
RESTRICTED CASH INCLUDED ABOVE		
Group's share of cash held by joint operations	**267 650**	198 912
Other restrictions (subject to Reserve Bank approval, etc.)	**1 331**	1 325
	268 981	200 237

Cash held in joint operations is restricted as approval for cash movements is required by all joint operation participants.

16. SHARE CAPITAL AND PREMIUM

	2018 R'000	2017 R'000
AUTHORISED		
400 000 000 ordinary shares of 0,00025 cents each (2017: 400 000 000 ordinary shares of 0,00025 cents each)	**1**	1
	1	1
ISSUED		
188 080 746 ordinary shares of 0,00025 cents each (2017: 188 080 746 ordinary shares of 0,00025 cents each)	*****	*

* Less than R1 000.

	Number of shares 2018	Number of shares 2017
Details of treasury shares in issue		
Treasury shares held by:	**18 595 542**	15 839 177
Subsidiary	**12 165 612**	9 409 247
Share trusts	**6 429 930**	6 429 930
Reconciliation of shares:		
Opening balance	**15 839 177**	14 524 259
Acquisition of treasury shares through subsidiary	**2 756 365**	1 314 918
Closing balance	**18 595 542**	15 839 177

	2018 R'000	2017 R'000
SHARE PREMIUM		
Carrying value at the beginning of the year	**1 021 737**	1 027 103
Effect of treasury shares acquired	**(8 358)**	(5 366)
Carrying value at year-end	**1 013 379**	1 021 737

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17. EMPLOYEE SHARE INCENTIVE SCHEMES

17.1 SHARE-BASED PAYMENTS RESERVE

THE STEFANUTTI & BRESSAN SHARE INCENTIVE TRUST

Options are granted to employees at a price based on the weighted average price at grant date. Vesting periods are as follows:

a) On the second anniversary of the grant date, one third of the options will immediately accrue to the employee;
b) On the third anniversary of the grant date, a further third of the options will immediately accrue; and
c) The final third of the options will immediately accrue on the fourth anniversary of the grant date.

Employees are permitted to exercise options four times per annum, on predetermined dates which do not fall within the company's closed periods. Unexercised options expire after 10 years from the grant date. In the event of resignation, voluntary termination of employment or dismissal of the option holder, unexercised options will automatically expire and be cancelled. Upon the involuntary termination of employment of the option holder, the option granted and not vested will be deemed to automatically meet all vesting conditions and may be exercised immediately. Upon retirement of an employee who is an option holder, the retiree can retain the options granted. However, the same vesting periods will apply as when the options were granted. These options are equity-settled.

	2018 Quantity	2017 Quantity
NUMBER OF SHARES HELD:	**5 496 250**	5 496 250
OPTIONS EXERCISABLE AT YEAR-END	**—**	5 171 197
Exercise price of R10 — Options expire 26 July 2017	**—**	1 963 600
Exercise price of R6 — Options expire 19 July 2017	**—**	3 207 597
REMAINING CONTRACTUAL LIFE	**—**	5 months

All share options expired on 26 July 2017. No new options were issued during the year under review.

17.2 LONG-TERM EMPLOYMENT BENEFITS

The forfeitable share plan (FSP) is operated together with the existing schemes, complementing and enhancing the ability of the group to attract, retain and reward key staff. The FSP will include participation by executive directors and selected employees of the group. Directors participate in the group's long-term incentive FSP and profit incentive schemes, which are designed to recognise the contribution that senior staff have made to the growth in the value of the group's equity and to retain key employees. In terms of the FSP, a bonus amount is awarded to the directors in proportion to their contribution to the business, as reflected by a combination of their seniority and the company's performance, within the limits imposed by the scheme. This bonus is used to buy shares in the open market, the ownership of such shares being restricted for a period of three years. The restriction on the ownership of the shares is lifted after a three-year period in terms of the scheme rules. Shares may not be disposed of or otherwise encumbered during the vesting period of three years. Resignation, voluntary termination of employment or dismissal before the vesting period has expired, will result in the forfeiture of entitlement to the shares. These amounts are included under long-term employee benefits in the executive directors' annual remuneration.

	2018 Quantity	2017 Quantity
NUMBER OF SHARES:		
Outstanding at the beginning of the year	**2 359 322**	820 766
Awarded during the year	**—**	1 538 556
Vested during the year	**140 930**	—
OUTSTANDING AT YEAR-END	**2 218 392**	2 359 322
GRANT PRICE	**—**	R4,05
FAIR VALUE AT GRANT DATE (R'000)	**—**	6 231
CONTRACTUAL LIFE OF EACH AWARD	**3 years**	3 years

Fair value at grant date represents the market value of the shares at award date. In fulfilment of the FSP obligations, the group purchases shares in the market.

FSP COSTS

An expense of R3 million (2017: R2 million) which related to the FSP was recognised in the current year (note 3).

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18. OTHER FINANCIAL LIABILITIES

18.1 NON-CURRENT AND CURRENT LIABILITIES

	2018 Non-current R'000	**2018 Current R'000**	2017 Non-current R'000	2017 Current R'000
Unsecured borrowings	**26**	**17 180**	26	6 639
Secured borrowings	**36 876**	**9 391**	55 807	73 186
Instalment sales agreements	**340 956**	**219 921**	182 547	104 633
Borrowings	**377 858**	**246 492**	238 380	184 458
Voluntary Rebuild Programme	**100 801**	**7 279**	108 080	6 976
Deferred Settlement Arrangement	**—**	**39 674**	—	137 360
Other financial liabilities	**478 659**	**293 445**	346 460	328 794

The Voluntary Rebuild Programme (note 3) is contractually repaid annually over a period of 12 years, with an annual instalment of R15 million, at an implied interest rate of 7,5%.

The Deferred Settlement Arrangement represents the obligation towards the Competition Commission for previously negotiated settlements. The repayment arrangement was discounted at a deemed interest rate of 7%, while unpaid instalments carry interest at the prime lending rate. The arrangement is unsecured and has matured during the year.

SECURITY PROVIDED AGAINST BORROWINGS

	Property, plant and equipment, transport and motor vehicles		Inventory development property	Contract receivables	Holding company	Subsidiary companies
	2018 R'000	2017 R'000	**2018 R'000**			
Secured bank loans	**193 958**	206 400	**50 705**	**Revolving dependent on facility used and outstanding receivable balance**	**Suretyships and cross guarantees**	**Cross guarantees**
Instalment sales agreements	**586 803**	281 399	**—**			
	780 761	487 799	**50 705**			

18.2 INSTALMENT SALE AND FINANCE LEASE LIABILITIES PAYABLE

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
MINIMUM INSTALMENT SALE AND FINANCE LEASE PAYMENTS DUE						
Less than one year	**260 615**	131 303	**(40 694)**	(26 670)	**219 921**	104 633
Between two and five years	**452 930**	198 982	**(111 974)**	(16 435)	**340 956**	182 547
	713 545	330 285	**(152 668)**	(43 105)	**560 877**	287 180

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19. TRADE AND OTHER PAYABLES

	2018 R'000	2017 R'000
Trade payables	**948 702**	793 315
Retention creditors and subcontractors	**233 337**	202 635
Accrued expenses	**619 879**	649 842
Value added tax	**90 733**	104 932
Unclaimed dividends	**24**	24
	1 892 675	1 750 748

20. PROVISIONS

	Balance at the beginning of the year R'000	Additional provisions raised R'000	Utilised/reversed during the year R'000	Balance at year-end R'000
Warranty provisions	46 404	57 507	(46 404)	57 507
Contract related provisions	373 996	599 963	(373 996)	599 963
	420 400	657 470	(420 400)	657 470

Warranty provisions relate to obligations to rectify defects on projects already delivered to customers. These defect periods expire within 12 months.

Contract related provisions represents the estimated amounts relating to incurred obligations to third party suppliers. It is anticipated that these will be utilised within 12 months.

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21. NOTES TO THE STATEMENT OF CASH FLOWS

21.1 CASH GENERATED FROM OPERATING ACTIVITIES

	2018 R'000	2017 R'000
Net loss before taxation	**(443 433)**	(106 236)
Adjusted for:		
Settlement agreement charge	**—**	130 056
Depreciation (note 7)	**176 014**	137 706
Amortisation of intangibles (note 10)	**8 421**	8 176
Impairment of goodwill and intangibles (note 10)	**667 114**	154 826
Impairment of assets (note 7)	**—**	14 734
Investment income (note 2)	**(49 113)**	(44 862)
Dividend received (note 2)	**—**	(2)
Finance costs (note 4)	**82 842**	85 597
Movement in provisions (note 20)	**222 435**	(71 809)
Share of profit of equity-accounted investees (note 8)	**(41 388)**	(40 893)
Net loss on foreign exchange	**311**	80 892
Profit on disposals of property, plant and equipment	**(12 942)**	(13 377)
Allowance for doubtful receivables	**483**	6 274
Other non-cash items (insurance, administration fee financed, etc.)	**4 611**	1 259
	615 355	342 341
MOVEMENTS IN WORKING CAPITAL		
Change in inventories	**758**	(33 763)
Change in contracts in progress	**(13 344)**	210 844
Change in trade and other receivables	**(284 333)**	(199 131)
Change in trade and other payables	**111 912**	(162 875)
Change in excess billings over work done	**(115 726)**	435 511
Effect of foreign exchange rate changes on working capital	**7 788**	23 370
Cash generated from operations	**322 410**	616 297

FOR THE YEAR ENDED 28 FEBRUARY

21. NOTES TO THE STATEMENT OF CASH FLOWS CONTINUED

21.2 RECONCILIATION OF TAXATION PAID DURING THE YEAR

	2018 R'000	2017 R'000
Charge against profit	**130 521**	119 618
Effect of foreign exchange rate changes on taxation	**(4 881)**	313
Other non-cash movements	**2 406**	—
Movement in taxation balance	**(71 299)**	(17 351)
Payments made	**(56 747)**	102 580

21.3 RECONCILIATION OF CASHFLOW MOVEMENTS RELATING TO FINANCING ACTIVITIES

			Non-cashflow movements				
	Opening balance R'000	Cashflow/ (cash outflow) R'000	Additions R'000	Additions through business combinations R'000	Interest R'000	Transferred to trade receivables R'000	Closing balance R'000
Unsecured borrowings	6 665	2 503	6 893	1 046	99	—	17 206
Secured borrowings	128 993	(140 511)	—	68 046	—	(10 261)	46 267
Instalment sales agreements	287 180	(156 918)	414 236	—	16 379	—	560 877
Total borrowings	422 838	(294 926)	421 129	69 092	16 478	(10 261)	624 350
Voluntary Rebuild Programme	115 056	(12 116)	—	—	5 140	—	108 080
Deferred Settlement Arrangement	137 360	(108 000)	—	—	10 314	—	39 674
	675 254	(415 042)	421 129	69 092	31 932	(10 261)	772 104

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22. SEGMENT INFORMATION

Segment reporting is done in a manner consistent with the internal reporting provided to the chief operating decision maker being the Executive Committee, with reportable operating segments being reported at business unit level. Individual members of the executive management team are responsible for the operating segments of these businesses noted below.

In line with the group's strategic intent to achieve greater synergy, optimise available resources and reduce costs, a decision was taken to combine the Roads, Pipelines & Mining Services with the Structures Business Units effective 1 January 2018. The new business unit is called Construction & Mining.

Below are the types of activities in which each business unit (operating segment) derives revenue:

BUSINESS UNIT	DESCRIPTION OF SEGMENT
Construction & Mining	Construction of roads, terraces for new developments, municipal services, mining infrastructure and rehabilitation, fibre optic cable trenching, bulk pipelines, mine residue disposal facilities, open-pit contract mining, civil engineering, structural concrete, geotechnical and marine capabilities, which include general and specialised concrete construction for infrastructure, mining and industrial markets.
Building	Full scope of building construction from commercial and industrial through to residential and leisure. This includes select residential developments for major mining and industrial clients as well as low-cost and affordable housing for the public sector.
Mechanical & Electrical	Includes mechanical and electrical installation and construction.
Other	Other segments comprise segments which do not represent more than 10% of combined revenue or combined reported profit/(loss) or combined assets of all operating segments. It also includes those operations that are primarily centralised in nature, i.e. it primarily applies to the group's headquarters and are not allocated to any one particular segment.

Segments are managed at business unit level and can be further broken down into divisions. Divisions which are similar in nature and function are aggregated and managed by the same managing director to form business units.

Intersegment contract revenues are eliminated on consolidation. The performance of operating segments are assessed by management based on net investment income and operating profit. Goodwill to the value of R461 million (Feb 2017: R1 087 million) is included within reportable segment assets for other segments.

	Construction & Mining R'000	Building R'000	Mechanical & Electrical R'000	Other segments and eliminations R'000	Total R'000
2018					
Revenues from external customers	**5 026 692**	**4 428 692**	**1 032 004**	**3 243**	**10 490 631**
Contract revenue	**4 973 719**	**4 419 165**	**1 022 597**	**—**	**10 415 481**
Intersegment contract revenues	**2 764**	**—**	**61 325**	**—**	**64 089**
Depreciation, amortisation and impairment	**142 137**	**21 013**	**12 809**	**675 590**	**851 549**
Investment income	**28 913**	**7 703**	**9 408**	**3 089**	**49 113**
Finance cost	**(37 531)**	**(16 824)**	**(217)**	**(28 270)**	**(82 842)**
Share of (losses)/profits of equity-accounted investees	**(662)**	**48 274**	**(6 726)**	**502**	**41 388**
Reportable segment operating profit/(loss)	**174 682**	**41 265**	**13 165**	**(680 204)**	**(451 092)**
Taxation	**(83 304)**	**(46 189)**	**(5 755)**	**70 642**	**(64 606)**
Reportable segment profit/(loss)	**82 098**	**34 229**	**9 875**	**(634 241)**	**(508 039)**
Reportable segment assets	**3 714 429**	**1 594 533**	**520 964**	**587 491**	**6 417 417**
Equity-accounted investees	**—**	**208 099**	**(3 303)**	**4 385**	**209 181**
Reportable segment liabilities	**2 617 335**	**1 330 342**	**295 844**	**293 063**	**4 536 584**

FOR THE YEAR ENDED 28 FEBRUARY

22. SEGMENT INFORMATION CONTINUED

	Construction & Mining R'000	Building R'000	Mechanical & Electrical R'000	Other segments and eliminations R'000	Total R'000
2017					
Revenues from external customers	4 029 830	3 973 955	1 141 227	4 592	9 149 604
Contract revenue	3 964 177	3 959 633	1 134 766	—	9 058 576
Intersegment contract revenues*	72 148	—	33 872	—	106 020
Depreciation, amortisation and impairment	103 069	31 805	11 178	169 390	315 442
Investment income	21 682	15 938	6 461	783	44 864
Finance cost	(18 956)	(13 126)	(210)	(53 305)	(85 597)
Share of (losses)/profits of equity-accounted investees	(79)	40 442	(456)	986	40 893
Reportable segment operating profit/(loss)	188 070	(1 749)	40 330	(333 047)	(106 396)
Taxation	(60 072)	13 758	(11 768)	14 528	(43 554)
Reportable segment profit/(loss)	130 646	55 263	34 357	(370 056)	(149 790)
Reportable segment assets	3 204 089	1 701 128	593 344	1 068 537	6 567 098
Equity-accounted investees	662	177 467	3 423	8 308	189 860
Reportable segment liabilities	2 111 912	1 240 859	310 859	461 090	4 124 720

* Restated due to combination of RPM and Structures Business units into Construction & Mining.

GEOGRAPHICAL AREAS

The group operates mainly in the geographical areas of South Africa (local), Africa and the United Arab Emirates (foreign).

	2018			2017		
	Local	**Foreign**		Local	Foreign	
	R'000	**Africa R'000**	**UAE R'000**	R'000	Africa R'000	UAE R'000
Contract revenues from external customers	**7 454 519**	**2 860 999**	**99 963**	6 913 182	1 986 543	158 851
Non-current assets (excluding deferred tax)	**1 552 870**	**355 198**	**245 346**	1 935 113	338 426	215 702

MAJOR CUSTOMERS

Revenue generated from a single customer of the group amounted to approximately R994 million (2017: R831 million), of which the largest portion of this revenue was earned in Building (Feb 2017: Building). The group is not reliant on any one major customer as its services span a varied number of industries and countries.

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23. RELATED PARTIES

Stefanutti Stocks Holdings Limited is the holding company for the group.

Related parties are those who control or have a significant influence over the group and parties who are controlled or significantly influenced by the group (including subsidiaries, joint arrangements and associates).

NATURE OF RELATIONSHIPS			
SUBSIDIARIES	**EQUITY-ACCOUNTED INVESTEES (NOTE 8)**	**JOINT OPERATIONS (NOTE 9)**	**OTHER**
Stefanutti Stocks Proprietary Limited Trading company for operations based in South Africa, as well as some foreign operations **Stefanutti Stocks International Holdings Proprietary Limited** Holding company for subsidiaries based in foreign countries **Stefanutti Stocks Investments Proprietary Limited** Treasury company for the group	**Joint Venture** Al Tayer Stocks LLC, an interior fit-out company based in the United Arab Emirates **Associates** Various individually immaterial associates	Various joint operations	**Consolidated Structured Entities** Stefanutti & Bressan Share Trust Stefanutti Stocks Employee Participation Plan Trust Stocks Building Africa Share Trust Housing Africa Development Share Trust
OUTSTANDING BALANCES			
	Note 8 2018: R41 391 Receivable 2017: R20 378 Receivable **Note 14** 2018: R26 514 Receivable 2017: R14 084 Receivable	**Note 14** 2018: R85 815 Receivable 2017: R105 753 Receivable	
PROVISION OF GUARANTEES (NOTE 24)			

A full list of subsidiaries and joint arrangements is available on request.

FOR THE YEAR ENDED 28 FEBRUARY

23. RELATED PARTIES CONTINUED

NON-EXECUTIVE DIRECTORS

Non-executive director remuneration is compared to the company's peer group. Recommendations are made by the CFO and Human Resources Executive, to the Remuneration and Nominations Committee (REMCO), for onward review by the board and submission to shareholders. Non-executive directors are compensated based on attendance fees. The fees are based on the size and complexity of the group and also take into account market practices and fee surveys provided to the committee. No distinction is made between fees payable to independent non-executive directors and other non-executive directors, although the fees of the Chairman take his expanded role into account.

The total fees paid to non-executive directors are not limited to a maximum annual amount, irrespective of the number of meetings attended. Directors qualify for reimbursement of expenses incurred in performing their duties for and on behalf of the company.

Non-executive directors do not have service contracts. Instead, letters of appointment confirm their terms of engagement, and include matters such as fees, term of office, expected time commitment, share dealing and board performance assessments. The Chairman has a letter of appointment, which is specific to his role and function. This letter of appointment is in line with normal business terms.

The fees paid to non-executive directors, as well as the proposed fees for the next financial year, were approved by the REMCO, the board of directors and shareholders at the last annual general meeting.

There is no requirement for non-executive directors to be shareholders of the company and they do not qualify to participate in any incentive scheme that is operated by the group.

The company's directors are appointed for a term of three years and are obliged to retire at the end of that period, but may offer themselves for re-election at the annual general meeting. A third retire by rotation annually.

	Short-term benefits				
	Attendance fees R'000	Annual fees R'000	Pre-approved services R'000	**Total 2018 R'000**	Total 2017 R'000
NON-EXECUTIVE DIRECTORS					
KR Eborall (Chairman)	—	901	—	**901**	880
ME Mkwananzi	422	—	—	**422**	250
JM Poluta (alternate to ME Mkwanazi) (appointed on 1 September 2017)	126	—	—	**126**	—
DG Quinn	531	—	360	**891**	796
NJM Canca (retired on 1 September 2017)	386	—	—	**386**	474
T Eboka (resigned on 31 July 2017)	134	—	—	**134**	208
HJ Craig	412	—	—	**412**	419
ZJ Matlala	570	—	—	**570**	489
LB Sithole (retired on 1 September 2017)	241	—	—	**241**	252
JWLM Fizelle (alternate to LB Sithole) (retired on 1 September 2017)	170	—	—	**170**	234

FOR THE YEAR ENDED 28 FEBRUARY

23. RELATED PARTIES CONTINUED

Details of remuneration for executive directors, prescribed officers and key management personnel are as follows:

	Short-term employee benefits							
	Basic salary R'000	Other benefits R'000	Short-term incentives — relating to prior year R'000	Short-term incentives — relating to current year R'000	Long-term employee benefits R'000	Total R'000	Post-employment benefits R'000	Total R'000
2018								
EXECUTIVE DIRECTORS								
W Meyburgh — CEO	**4 805**	**272**	**1 894**	**1 501**	**—**	**8 472**	**539**	**9 011**
AV Cocciante — CFO	**3 206**	**46**	**1 263**	**1 019**	**—**	**5 534**	**294**	**5 828**
PRESCRIBED OFFICERS*								
R Crawford	**2 831**	**218**	**2 800**	**460**	**—**	**6 309**	**273**	**6 582**
W Jerling (resigned 31 January 2018)	**2 696**	**372**	**1 060**	**100**	**—**	**4 228**	**300**	**4 528**
H Jones	**3 093**	**186**	**525**	**153**	**—**	**3 957**	**295**	**4 252**
V Olley	**3 051**	**106**	**814**	**70**	**—**	**4 041**	**284**	**4 325**
EXECUTIVE KEY MANAGEMENT PERSONNEL#	**24 448**	**1 514**	**10 204**	**3 663**	**—**	**39 829**	**2 360**	**42 189**
2017								
EXECUTIVE DIRECTORS								
W Meyburgh — CEO	4 479	224	4 240	250	3 661	12 854	504	13 358
AV Cocciante — CFO	2 937	51	2 709	150	2 570	8 417	269	8 686
PRESCRIBED OFFICERS*								
R Crawford (appointed 1 March 2016)	2 656	214	2 950	700	—	6 520	257	6 777
W Jerling	2 725	215	1 308	109	—	4 357	308	4 665
H Jones	2 897	183	850	175	—	4 105	277	4 382
V Olley	2 865	119	1 094	154	—	4 232	267	4 499
F Venter (retired 31 May 2016)	307	—	—	—	—	307	—	307
EXECUTIVE KEY MANAGEMENT PERSONNEL#	23 355	1 327	21 524	1 946	—	48 152	2 236	50 388

* Prescribed officers consist of certain Executive Committee members who are not executive directors of the group.

\# Key management personnel are defined as executive directors of the company and other members of the Executive Committee.

Short-term incentives are aligned with the group strategy, using both financial performance measures and personal objectives. Minimum targets are required to be met before respective bonus awards are earned. No long-term employee benefits have been awarded as the group has implemented a new scheme, which measures performance over a three-year period. Please refer to the remuneration report included within the integrated report for more detail.

FOR THE YEAR ENDED 28 FEBRUARY

23. RELATED PARTIES CONTINUED

Any awards made in terms of the FSP scheme are included within long-term employee benefits. The details of these awards are as follows:

	2018		2017	
	Total shares awarded	**Value of shares R'000**	Total shares awarded	Value of shares R'000
EXECUTIVE DIRECTORS				
W Meyburgh — CEO	**—**	**—**	903 890	3 661
AV Cocciante — CFO	**—**	**—**	634 666	2 570

DIRECTORS' SERVICE CONTRACTS

The contracts of employment of executive directors or senior executives do not preclude the company from exercising its normal rights to terminate the contract in the event of misconduct or poor performance. Executive directors retire from their positions and from the board at their normal retirement date.

Details of all contracts of employment for executive directors are not disclosed as the group operates in a highly competitive environment and the disclosure could be detrimental to its efforts to retain its employees.

DIRECTORS' SHAREHOLDING

	2018			2017		
	Direct beneficial %	**Indirect beneficial %**	**Total %**	Direct beneficial %	Indirect beneficial %	Total %
PERCENTAGE OF FULLY-PAID SHARES HELD						
DG Quinn	**0,29**	**0,08**	**0,37**	0,29	0,08	0,37
ME Mkwanazi	**0,03**	**—**	**0,03**	0,03	—	0,03
JM Poluta (appointed on 1 September 2017)	**—**	**0,08**	**0,08**	—	—	—
JWLM Fizelle (alternate) (retired on 1 September 2017)	**—**	**—**	**—**	0,05	—	0,05
T Eboka (resigned 31 July 2017)	**—**	**—**	**—**	—	0,05	0,05
W Meyburgh (CEO)	**5,83**	**—**	**5,83**	0,95	4,40	5,35
AV Cocciante (CFO)	**0,34**	**0,15**	**0,49**	0,15	—	0,15

POST YEAR-END SHARE TRANSACTIONS

There were no transactions between the year-end date and the approval date of these annual financial statements.

24. GUARANTEES AND CONTINGENT LIABILITIES

GUARANTEES

	2018 R'000	2017 R'000
Total insurance policies ceded to third parties on behalf of the group	**3 429 362**	3 267 491
Guarantees and suretyships through certain banks	**3 157 884**	3 153 165

The directors are of the opinion that the possibility of any loss is remote and it is not anticipated that any material liabilities will arise.

Certain of the guarantees and suretyships are supported by cross suretyships from subsidiaries.

CONTINGENT LIABILITIES

The legal process relating to the civil claim received from the City of Cape Town (Green Point Stadium) is ongoing, which the group is confident it can defend.

A contract cancellation by a client in the Oil & Gas Division is being contractually challenged and at this stage the financial impact thereof cannot be quantified.

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25. CAPITAL COMMITMENTS

The group had the following outstanding lease commitments:

	2018		2017	
	Less than one year R'000	**Between two and five years R'000**	Less than one year R'000	Between two and five years R'000
2018				
Properties	**7 572**	**4 123**	6 018	5 115
Plant and equipment	**7 533**	**5 387**	38 040	17 070
Transport and motor vehicles	**106**	**211**	850	850
Furniture, fittings, office and computer equipment	**188**	**332**	171	521
	15 399	**10 053**	45 079	23 556

DETAILS OF SIGNIFICANT LEASING ARRANGEMENTS

Property rented for business purposes, have terms of between one to three years, with instalments payable monthly. Options to renew are at market-related rentals. No leases contain contingent rent provisions or covenants. The group does not have any commitments after five years.

26. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE

ACCOUNTING CLASSIFICATIONS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows the carrying amounts of financial assets and financial liabilities.

The carrying amounts of bank balances, trade receivables and trade payables approximate their fair values due to the short-term maturity of these assets and liabilities. There is no significant difference between the carrying amounts of other financial assets and liabilities and their fair values due to the effective interest method used.

	2018 R'000	2017 R'000
FINANCIAL ASSETS, LOANS AND RECEIVABLES AT AMORTISED COST		
Bank balances	**942 054**	1 158 433
Trade and other receivables	**2 521 408**	2 141 312
Equity-accounted investees — Loans — Associates	**41 391**	20 378
FINANCIAL LIABILITIES AT AMORTISED COST		
Bank balances	**26 163**	2
Trade and other payables	**1 182 039**	995 950
Financial liabilities	**772 104**	675 254

26. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

CAPITAL RISK MANAGEMENT

The primary objective of the group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The group manages its capital structure centrally and makes adjustments to it, in line with changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in respect of capital risk management during the current or previous year.

In setting the ideal mix between debt and equity, the group seeks to optimise its returns on shareholders' equity while maintaining prudent financial gearing. The group monitors capital using a gearing ratio which is net debt divided by total equity attributable to equity holders of the company. Generally, the objective is to operate at a gearing ratio of not greater than 35%. The group retains excess capital to fund future growth.

The group includes within net debt interest-bearing loans, borrowings and bank overdrafts.

Capital is considered to consist of share capital, share premium, retained earnings and other reserves. The group is subject to externally imposed capital requirements by certain of their bankers which, in the event of non-compliance may have an impact on the liquidity risk of the group. At year-end, all such requirements were met.

Gearing ratios at year-end were as follows:

	2018 R'000	2017 R'000
Net debt	**783 395**	675 230
Interest-bearing long-term liabilities	**757 232**	675 228
Bank overdrafts	**26 163**	2
Total equity attributable to equity holders of the company	**1 884 559**	2 438 252
Gearing ratio	**41,6%**	27,7%

The gearing ratio increased from 27,7% to 41,6%. This is mostly attributable to a reduction in equity as a result of the goodwill impairment of R667 million.

RISK MANAGEMENT FRAMEWORK

The group's board of directors has overall responsibility for the establishment and oversight of the group's risk management framework.

The group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

CREDIT RISK

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers.

The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Management also considers the factors that may influence credit risk including the default risk of the industry and country in which customers operate. The credit granting policy is set on a group basis and managed at operating entity level. Each business unit in the group is responsible for the management of credit risk in receivables and does so through ongoing credit evaluations and credit control policies and procedures.

Trade receivables comprise a widespread customer base, primarily in South Africa but also in the rest of Africa and the United Arab Emirates. The majority of the customers are concentrated in the industrial public and private development sectors. Due to the diverse nature of the operations, management does not believe that the group is significantly exposed to a high concentration of credit risk. Any change in the credit quality of trade receivables is considered from the date credit was granted up to the reporting date. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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26. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The movements in the allowance for impairment in respect of trade and other receivables during the year are disclosed in note 14.

	2018 R'000	2017 R'000
AGEING OF CONTRACT RECEIVABLES		
As at 28 February, the ageing analysis of contract receivables is as follows:		
Not past due and not provided for		
Current	**1 015 748**	840 925
30 days	**297 684**	259 443
	1 313 432	1 100 368
Past due but not impaired		
60 days	**175 166**	202 387
90 days	**245 095**	102 415
>120 days	**503 381**	417 862
	923 642	722 664
Impaired	**24 728**	21 301
	2 261 802	1 844 333

The average credit period is 60 days. Interest is charged as per agreements reached with individual clients per signed contracts. The group has the right to waive interest as it deems necessary. Before accepting a new client, the group runs thorough credit and background checks in order to determine the potential customer's creditworthiness. All contracts and clients' creditworthiness is assessed on an individual basis. As a result of the policies and procedures implemented by management as noted above, the credit quality of contract receivables that are not past due and not provided for is considered to be good.

Exposure to trade receivables is mitigated by the request for collateral.

	2018 R'000	2017 R'000
COLLATERAL		
Contract receivables	**195 790**	74 988
Collateral held in the form of:		
Payment guarantee	**100 931**	142 903
Builder's lien	**122 838**	9 894

Payment guarantee

Guarantees are received from clients on signing the construction contract when required. Payment guarantees can be called on when the client is in default of negotiated terms. Guarantees are issued for specified periods and expire on final completion of the contract.

Builder's Lien

This is the right the contractor has over the construction (the building) if the client is in default on negotiated terms. The builder's lien is not readily convertible into cash, because of the nature of the collateral. The group will hold the right until payment is received should there not be a market for disposing of such an asset.

Bank balances

The group only deposits with major banks with high-quality ratings, the credit quality therefore is assessed as good.

LIQUIDITY RISK

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The group manages liquidity risk through an ongoing review of future commitments and credit facilities and by ensuring that adequate unutilised borrowings facilities are maintained. This will ensure that the group will be in a position to meet its liabilities when they are due. The group also monitors on a monthly basis the level of expected cash inflows on trade and other receivables together with expected cash outflows to ensure all commitments are met. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

26. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

The group maintains the following lines of credit:

› R1 938 million (2017: R1 901 million) which include mainly banking, guarantee and asset-based facilities.

EXPOSURE TO LIQUIDITY RISK

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are presented gross and undiscounted, and include contractual interest payments.

	Carrying amount R'000	Total R'000	On demand R'000	Less than one year R'000	Between two and five years R'000	More than five years R'000
2018						
Other financial liabilities	**772 104**	**967 584**	**—**	**342 059**	**550 525**	**75 000**
Trade and other payables	**1 182 039**	**1 182 039**	**—**	**1 182 039**	**—**	**—**
Bank balances	**26 163**	**26 163**	**—**	**26 163**	**—**	**—**
	1 980 306	**2 175 786**	**—**	**1 550 261**	**550 525**	**75 000**
2017						
Other financial liabilities	675 254	785 913	—	369 740	318 685	97 488
Trade and other payables	995 950	995 950	—	995 950	—	—
Bank balances	2	2	—	2	—	—
	1 671 206	1 781 865	—	1 365 692	318 685	97 488

MARKET RISK

Market risk is the risk that changes in foreign exchange rates and interest rates, which affect the group's income or the value of its holdings of financial instruments.

Currency risk

The group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and bank balances are denominated and the respective functional currencies.

In addition to the above, the group also has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The presentation currency of the group is Rand. The currencies in which these transactions are primarily denominated are Zambian Kwacha (ZMW), Mozambique Metical (MZN), United Arab Emirates Dirham (AED), United States Dollar (USD) and other African currencies.

	2018					2017			
	AED R'000	**ZMW R'000**	**MZN R'000**	**Other R'000**	**Total R'000**	ZMW R'000	MZN R'000	Other R'000	Total R'000
Profit/(loss) for the year included	**42 816**	**66 216**	**26 013**	**42 681**	**177 726**	(8 791)	(3 670)	(80 122)	(92 583)
Unhedged monetary assets	**17 546**	**552 934**	**168 322**	**387 200**	**1 126 002**	459 285	261 077	239 531	959 893
Trade receivables	**—**	**521 155**	**69 532**	**174 762**	**765 449**	366 653	99 895	118 118	584 666
Other receivables	**—**	**5 041**	**20 228**	**29 519**	**54 788**	8 228	37 149	14 640	60 017
Bank balances	**17 546**	**26 738**	**78 562**	**182 919**	**305 765**	84 404	124 033	106 773	315 210
Unhedged monetary liabilities	**7 187**	**104 516**	**150 260**	**65 838**	**327 801**	124 420	161 850	96 920	383 190
Trade payables	**210**	**11 013**	**38 340**	**40 651**	**90 214**	191	23 108	20 644	43 943
Other payables	**6 977**	**93 503**	**111 920**	**25 187**	**237 587**	124 229	138 742	76 276	339 247
Bank overdraft	**—**	**—**	**—**	**—**	**—**	—	—	—	—

26. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

The group trades in a number of currencies and certain currencies have been excluded where considered immaterial.

	Average rate		Closing rate	
	2018	2017	**2018**	2017
THE FOLLOWING EXCHANGE RATES HAVE BEEN APPLIED				
ZMW	**1,3748**	1,4158	**1,1987**	1,3682
MZN	**0,2089**	0,2208	**0,1911**	0,1860
AED	**3,5631**	3,9119	**3,2004**	3,5472
USD	**13,0869**	14,2764	**11,7548**	13,0283

Sensitivity analysis

A reasonably possible strengthening/(weakening) of the following currencies at year-end would have affected the measurement of profit or loss denominated in a foreign currency by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Movement		Strengthening/(weakening)	
	2018 %	2017 %	**2018 R'000**	2017 R'000
ZMW	**3**	3	**7 284/(7 284)**	967/(967)
MZN	**5**	33	**1 402/(1 402)**	1 224/(1 224)
AED	**9**	6	**3 818/(3 818)**	2 607/(2 607)
USD	**8**	6	**4 866/(4 866)**	4 111/(4 111)

Interest rate risk

The group is exposed to interest rate risk through its cash and cash equivalents and interest-bearing, short- and long-term liabilities. Short-term interest rate exposure is monitored and managed by each business unit in the group. The majority of borrowings are obtained at variable rates exposing the group to cash flow interest rate risk.

The terms and conditions of outstanding interest-bearing loans are as follows:

	Currency	Nominal interest rate		Year of maturity	Carrying value	
		2018 %	2017 %		**2018 R'000**	2017 R'000
Unsecured borrowings	ZAR	**Variable linked to prime**	Variable linked to prime	2018 calendar year	**2 334**	6 639
Secured borrowings	ZAR	**9 – 9,3**	9 – 9,5	2016 – 2022	**46 267**	65 348
Secured borrowings	ZAR	**—**	JIBAR +2,5 prime	—	**—**	63 645
Instalment sales agreements	ZAR	**8,9 – 11**	8 – 12	2017 – 2022	**560 877**	287 180
Voluntary Rebuild Programme	ZAR	**7,5**	7,5	2027	**108 080**	115 056
Deferred Settlement Arrangement	ZAR	**7**	7	2019	**39 674**	137 360
					757 232	675 228

Trade and other payables are settled within normal business terms.

SENSITIVITY ANALYSIS

A change of 100 basis points in interest rates would have increased or decreased profit or loss by R3 million before tax (2017: R6 million).

27. AVAILABILITY OF STEFANUTTI STOCKS SEPARATE ANNUAL FINANCIAL STATEMENTS

The Stefanutti Stocks Holdings Limited separate annual financial statements have been prepared and signed on 20 June 2018, and are available on the group's website.

The Stefanutti Stocks separate annual financial statements have been prepared in accordance with the requirements of the Companies Act and the company's independent auditors, Mazars, has expressed an unqualified opinion thereon.

FOR THE YEAR ENDED 28 FEBRUARY

BASIS OF PREPARATION

GOING-CONCERN STATEMENT

The directors consider that the group has adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going-concern basis in preparing the annual financial statements of the group. The directors have satisfied themselves that the group is in a sound financial position and that it has access to sufficient cash resources to meet foreseeable cash requirements.

These annual financial statements have been prepared using a combination of the historical cost and fair value basis of accounting.

PREPARED IN ACCORDANCE WITH

International Financial Reporting Standards (IFRS), SAICA Financial Reporting Guides (as issued by the Accounting Practices committee).	JSE Listing Requirements	Companies Act, No. 71 of 2008	Going-concern principles

FUNCTIONAL AND PRESENTATION CURRENCY

South African Rand

ROUNDING POLICY

R'000 (thousand)

FOREIGN CURRENCY TRANSACTIONS

PROCEDURES FOLLOWED TO TRANSLATE TO PRESENTATION CURRENCY

In the group annual financial statements, transactions are translated into the respective functional currencies of group companies applying the following principles:

- Monetary assets and liabilities for each statement of financial position presented are translated at the closing rate at reporting date.
- Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.
- Income and expenses for each statement of profit or loss and other comprehensive income are translated at exchange rates at the dates of the transactions or, where exchange differences did not fluctuate significantly, at the average exchange rates for the period.

SIGNIFICANT ACCOUNTING POLICIES

Included below is a summary of the significant accounting policies applicable to the group annual financial statements. These accounting policies include only the areas in IFRS where elections have been made or policy choices exercised (including the choice or election made) as well as measurement criteria applied. The accounting policies also include information where it will assist users in understanding how transactions, other events and conditions are reflected in reported financial performance and financial position and was included based on the materiality as determined by management.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Construction contracts			
Revenue and other income	EBITDA	Contract assets and liabilities	
Employee benefits			
Short-term benefits	Post-employment benefits	Long-term employment benefits	
Group accounting			
Subsidiaries	Equity-accounted investees and joint operations	Translation of foreign operations	
Operating assets			
Property, plant and equipment	Goodwill and intangible assets	Leases	Inventories
Financial instruments			
Financial assets	Impairment	Financial liabilities	
Capital and reserves			
Share capital	Reserves	Treasury shares	

ACCOUNTING POLICIES

FOR THE YEAR ENDED 28 FEBRUARY

CONSTRUCTION CONTRACTS

REVENUE AND OTHER INCOME

		INCLUDES	RECOGNITION	MEASUREMENT
Contract revenue	Local	South Africa	Based on: › Fair value consideration received or receivable › Including variations and claims › Excluding Value added tax	Stage of completion based on surveys of work performed
	Foreign	Rest of Africa as well as United Arab Emirates		When surveys of work performed cannot be determined reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable
Other income	Interest income	Amounts both received and accrued	Time proportion basis	Effective interest method
	Project management fee	Amounts both received and accrued	When services are rendered	Fair value
	Rental income	Amounts both received and accrued	Over period of lease term	Fair value
	Other income	Amounts both received and accrued	When services are rendered	Fair value

EBITDA

EBITDA comprises earnings before interest, share of profits of equity-accounted investees, taxation, depreciation, amortisation and impairment.

CONTRACT ASSETS AND LIABILITIES

CONTRACT ASSETS	MEASUREMENT
Contracts in progress	Cost plus profit recognised to date less cash received or receivable less any provision for losses.

CONTRACT LIABILITIES	MEASUREMENT
Excess billings over work done	The amount by which progress billings exceed costs incurred plus recognised profit less recognised losses.
Provisions	Estimates are made of the expected cash outflows relating to contracts.

EMPLOYEE BENEFITS

Stefanutti Stocks identifies three types of employee benefits which are accounted for in accordance with IAS 19.

SHORT-TERM BENEFITS

Includes	Paid vacation leave, sick leave, bonuses, medical aid, death and disability cover.
Accounting treatment	The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.
	The expected cost of accrued leave is recognised as the employees render services that increase their entitlement or, in the case of non-accumulating leave, when the absence occurs. Accrued leave is measured as the amount that the company expects to pay as a result of unused entitlement that has accumulated to the employees at the reporting date.

FOR THE YEAR ENDED 28 FEBRUARY

EMPLOYEE BENEFITS CONTINUED

POST-EMPLOYMENT BENEFITS

Defined contribution plan	The group contributes to a defined contribution plan. The group requires monthly-paid employees to partake in a group retirement fund and hourly-paid employees in the relevant industry funds. The group contributes a monthly contribution to these funds and does not bear any further responsibility thereafter. These funds are managed by various portfolio managers and are governed by the Pension Funds Act, No. 24 of 1956.
Accounting treatment	The payments are charged as expenses when the related services are provided.

LONG-TERM EMPLOYMENT BENEFITS

Forfeitable share plan	The group operates a profit-sharing bonus scheme whereby the consideration for services received from directors and senior employees is paid through a performance-based bonus that is used to purchase a variable number of shares in the open market. The shares may not be disposed of or otherwise encumbered during the vesting period of three years. All risks and benefits associated with the shares transfer to the employee on award of the bonus.
Accounting treatment	The bonus cost is expensed over the vesting period in profit and loss.

GROUP ACCOUNTING

SUBSIDIARIES

Subsidiaries are entities controlled by the group.

The group also considers the following facts and circumstances in assessing whether it has power over an entity:

a) Rights arising from contractual arrangements
b) The group's voting rights and potential voting rights

RECOGNITION AND MEASUREMENT

Business combinations are accounted for using the acquisitions method. When the group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the group's accounting policies as well as the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Subsidiaries are consolidated from the date of acquisition, which is the date on which the group obtains control of the subsidiary and continue to be consolidated until the date that control ceases.

The annual financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

NON-CONTROLLING INTEREST (NCI)

NCIs are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

INTERCOMPANY TRANSACTIONS

All intergroup balances, transactions, income and expenses are eliminated in full in the consolidated annual financial statements.

CONSOLIDATED STRUCTURED ENTITIES

Consolidated structured entities include share incentive trusts set up for the benefit of the group's employees. Such trusts are consolidated in the group results as the group effectively controls these trusts through the specific mechanisms that were established when the trusts were formed. Shares issued to or held by these trusts are treated as treasury shares until such time as participants pay for or take delivery of such shares.

FOR THE YEAR ENDED 28 FEBRUARY

GROUP ACCOUNTING CONTINUED

EQUITY-ACCOUNTED INVESTEES AND JOINT OPERATIONS

JOINT OPERATIONS AND JOINT VENTURES

Management assesses whether a joint arrangement must be classified as a joint operation or joint venture. This assessment depends on whether the joint arrangement has rights to the assets, and obligations for the liabilities, relating to the arrangement. The group recognises its investments as joint operations when the operations are performed through unincorporated arrangements such as partnerships and contracts, and the group has rights to the assets, and obligations for the liabilities. In determining the classification of joint arrangements, management considered the contractual agreements with respect to sharing control; and whether parties are jointly and severally liable for the joint arrangement's rights and obligations. Other investments are recognised as joint ventures when the group only has rights to the net assets of the arrangement.

ASSOCIATES AND JOINT VENTURES	JOINT OPERATIONS
INITIAL RECOGNITION AND MEASUREMENT Associates and joint ventures are accounted for using the equity method. Interest in equity-accounted investees are initially recognised at cost. Cost includes any equity contributions, which are made at the date of acquisition as well as loans which will in all likelihood not be settled in the near future. Goodwill recognised on the acquisition of a joint venture as well as an associate company is included in the cost of the investment. In instances where the year-ends of equity-accounted investees differ from that of the group, monthly management accounts are used to ensure information is reported coterminous with the group's year-end.	Results of joint operations are included when two or more parties combine their operations, resources and expertise in order to manufacture/build a particular product.
DERECOGNITION On the date that the equity-accounted investments are disposed of, the entity ceases to equity account the investments.	When the combined operation ceases, the group's share of the assets and liabilities held jointly as well as its share of profits or losses is derecognised.
SUBSEQUENT MEASUREMENT Subsequent to initial recognition, the group recognises its share of the profit or loss and other comprehensive income, until the date on which joint control ceases.	The group has rights to the assets and obligations for its liabilities in a joint operation, and therefore recognises in relation to its interest in a joint operation the following: a) its assets, including its share of any assets held jointly; b) its liabilities, including its share of any liabilities incurred jointly; c) its share of the revenue from the sale of the output by the joint operation; and d) its expenses, including its share of any expenses incurred jointly.
IMPAIRMENT The group assesses whether there is any indication that an equity-accounted investee may be impaired and its value-in-use is less than the carrying amount at each reporting date. An impairment is recognised when there is objective evidence that the equity-accounted investment is impaired and its value-in-use is less than the carrying amount. Impairment losses are deducted from the carrying amount of these investments. Any impairment is calculated after application of the equity method. Losses resulting from transactions with equity-accounted investees are recognised only to the extent of unrelated investors' interests in the equity-accounted investees.	

TRANSLATION OF FOREIGN OPERATIONS

PROCEDURES FOLLOWED TO TRANSLATE TO PRESENTATION CURRENCY

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Rand at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Rand at the exchange rates at the dates of the transactions.

The difference in translation between these rates is recognised in the foreign currency translation reserve.

FOR THE YEAR ENDED 28 FEBRUARY

OPERATING ASSETS

PROPERTY, PLANT AND EQUIPMENT

CATEGORIES	INITIAL MEASUREMENT	SUBSEQUENT MEASUREMENT	DEPRECIATION METHOD AND PERIOD	IMPAIRMENT
Land and buildings	Initially recognised at cost	Carried at the revalued amount (Fair value less depreciation and accumulated impairment losses)	Land is not depreciated, all other assets are depreciated on a straight-line basis over their useful life	Assets are tested for impairment, when there is an indication that it may be impaired, by determining the recoverable amount of the assets either individually or at the cash generating unit level
Plant and equipment		Cost less accumulated depreciation and accumulated impairment losses		
Transport and motor vehicles				
Furniture, fittings, office and computer equipment				

GOODWILL AND INTANGIBLE ASSETS

	CATEGORIES	INITIAL MEASUREMENT AND RECOGNITION	SUBSEQUENT MEASUREMENT	AMORTISATION METHOD AND PERIOD	IMPAIRMENT
Intangible assets	Tradename	Measured at cost including transaction cost	Cost less accumulated amortisation and impairment	Amortised on the straight-line method over the useful life of 10 years. The remaining amortisation period is less than a year.	Management uses the value-in-use method to determine the recoverable amount of goodwill and when there are impairment indicators for intangible assets as there is no active market for these assets
	Technology				
	Customer-related			Amortised on the straight-line method over the period of the contract.	
Acquired through business combination	Goodwill	Measured at fair value as at the date of the business combination Measured at cost if the fair value at date of acquisition cannot be determined	Cost less accumulated impairment	Goodwill is not amortised but is assessed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired	

LEASES

FINANCE LEASE

INITIAL MEASUREMENT AND RECOGNITION	SUBSEQUENT MEASUREMENT	DEPRECIATION METHOD
Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments.	At amortised cost.	Finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the terms of the leases.

OPERATING LEASE

INITIAL MEASUREMENT AND RECOGNITION
Rentals payable and receivable under operating leases are recognised in profit or loss on a straight-line basis over the term of the relevant lease.

FOR THE YEAR ENDED 28 FEBRUARY

INVENTORIES

INVENTORY

INITIAL MEASUREMENT AND RECOGNITION

Inventories include consumables (such as fuel, tyres, spares and stationery) and operational inventory. Operational inventory is inventory that will be used in the normal operating cycle. Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and comprises the cost to purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

FINANCIAL INSTRUMENTS

Financial assets, financial liabilities and equity instruments are recognised in the group's statement of financial position when the group becomes a party to the controlled provisions of the instrument.

FINANCIAL ASSETS

CLASSIFICATION	INSTRUMENTS INCLUDED IN THE CLASSIFICATION	INITIAL MEASUREMENT	SUBSEQUENT MEASUREMENT
Loans and receivables	Trade and other receivables, loans to group companies and cash and cash equivalents.	Fair value plus direct transaction costs.	Amortised costs using the effective interest rate method, less impairment.

IMPAIRMENT

Criteria the entity uses to determine that there is objective evidence that an impairment loss has occurred (including measurement)

LOANS AND RECEIVABLES: TRADE AND OTHER RECEIVABLES

An estimate of any impairment is made to an allowance account on individual receivables. Objective evidence that the collection of the full amount under the original terms of the invoice is no longer probable would include indicators such as probable insolvency or significant difficulties in the debtor. Impaired debts are derecognised when they are assessed as uncollectable.

CONTRACT RECEIVABLES (INCLUDED IN TRADE AND OTHER RECEIVABLES)

The impairment calculation recognise an allowance, measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition, in determining the estimate of any impairment, less any collateral held against contract receivables where applicable. To minimise the risks related to contract receivables, management may, at its discretion, request collateral in the form of payment guarantees and builders' liens for such receivables. The impairment calculation takes into account the existence of any collateral held against contract receivables, where applicable.

LOANS TO GROUP COMPANIES

Significant financial difficulties, probability that the company will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered as objective evidence of impairment.

FINANCIAL LIABILITIES

CLASSIFICATION	INSTRUMENTS INCLUDED IN THE CLASSIFICATION	INITIAL MEASUREMENT	SUBSEQUENT MEASUREMENT
Loans and borrowings and payables.	Other liabilities, loans from group companies, trade and other payables and bank overdrafts.	Fair value plus direct transaction costs.	Amortised costs using the effective interest method.

FOR THE YEAR ENDED 28 FEBRUARY

CAPITAL AND RESERVES

SHARE CAPITAL

Share capital issued by the company is recorded at the proceeds received, net of issue costs.

RESERVES

The share-based payment reserve realised into retained earning during the year as all options relating to the reserve expired.

Foreign currency translation reserve comprises the translation effect of foreign subsidiaries and joint arrangements to the reporting currency.

Revaluation surplus reserve comprises the revaluation of land and buildings.

TREASURY SHARES

When shares are held in the group, through subsidiary companies, reducing the group's share capital, those equity instruments, held at cost (treasury shares), are presented as a deduction against the group's equity. No gain or loss is recognised in profit or loss. The share capital is reduced for the par value of the shares and the balance against the share premium.

FOR THE YEAR ENDED 28 FEBRUARY

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED

STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET EFFECTIVE

The group has chosen not to early adopt the following Standards and Interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 March 2018 or later periods.

	ACCOUNTING STANDARD/INTERPRETATION	TYPE	EFFECTIVE DATE	IMPACT ON THE ANNUAL FINANCIAL STATEMENTS
IFRS 9	**FINANCIAL INSTRUMENTS** The new standard requires financial assets to be measured initially at its fair value. Except for certain trade receivables. Debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income, on the basis of their contractual cash flows and the business model under which the debt instruments are held. The new impairment requirements are based on an Expected Credit Loss (ECL) model and replace the IAS 39 incurred loss model. It is no longer required for a credit event to have occurred before credit losses are recognised. An entity always accounts for ECLs, and updates loss allowance for changes in these ECLs at each reporting date to reflect changes in credit risk since initial recognition. The ECL model applies to debt instruments accounted for at amortised cost or at fair value through other comprehensive income, lease receivables and contract assets. Loan commitments and financial guarantee contracts that are not measured at fair value through profit or loss are also included in the scope of the new ECL model.	New	1 January 2018	The group's business model is to hold and collect and the group only collects capital and interest, therefore its financial instruments are unlikely to change. The impairment requirements might result in earlier recognition of credit losses.
IFRS 15	**REVENUE FROM CONTRACTS WITH CUSTOMERS** New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers.	New	1 January 2018	The group is in the process of analysing and implementing the new standard. Material contracts with customers have been selected and these contracts are being analysed to determine the impact of applying the standard. This analysis may result in numerous additional disclosures, a restatement of revenue recognised and may also change the pattern of revenue recognition, possibly affecting operating profit margins
IFRS 16	**LEASES** New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease ability representing its obligation to make lease payments.	New	1 January 2019	Recognition of "right of use assets" together with the related lease liabilities. Increase in depreciation relating to "right of use assets" together with an increase in finance cost. Additional disclosures required.

SHAREHOLDERS' ANALYSIS

ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 23 FEBRUARY 2018

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
SHAREHOLDER SPREAD				
1 — 1 000	720	40,75	271 669	0,14
1 001 — 10 000	588	33,28	2 319 567	1,23
10 001 — 100 000	307	17,37	10 802 542	5,74
100 001 — 1 000 000	111	6,28	33 382 272	17,75
Over 1 000 000	41	2,32	141 304 696	75,14
TOTAL	1 767	100,00	188 080 746	100,00
DISTRIBUTION OF SHAREHOLDERS				
Assurance companies	13	0,74	13 824 807	7,35
Close corporations	19	1,07	437 544	0,23
Collective investment schemes	54	3,05	90 263 819	47,99
Custodians	13	0,74	1 517 245	0,81
Foundations and charitable funds	17	0,96	782 547	0,42
Hedge funds	5	0,28	2 229 439	1,19
Insurance companies	4	0,23	497 144	0,26
Investment partnerships	10	0,57	151 993	0,08
Managed funds	5	0,28	282 938	0,15
Medical aid funds	7	0,40	1 034 988	0,55
Organs of State	1	0,06	3	0,00
Private companies	28	1,58	590 906	0,31
Public companies	1	0,06	19	0,00
Public entities	3	0,17	198 178	0,11
Retail shareholders	1 375	77,81	22 611 140	12,02
Retirement benefit funds	121	6,85	19 523 658	10,38
Scrip lending	3	0,17	1 553 411	0,83
Share schemes	4	0,23	6 479 930	3,44
Stockbrokers and nominees	5	0,28	726 322	0,39
Treasury	2	0,11	12 101 312	6,43
Trusts	76	4,30	13 273 398	7,06
Unclaimed scrip	1	0,06	5	0,00
TOTAL	1 767	100,00	188 080 746	100,00
SHAREHOLDER TYPE				
NON-PUBLIC SHAREHOLDERS	34	1,92	32 018 161	17,02
Directors and associates of the company and subsidiaries	29	1,64	13 486 919	7,17
Own holdings	2	0,11	12 101 312	6,43
Share trusts	3	0,17	6 429 930	3,42
PUBLIC SHAREHOLDERS	1 733	98,08	156 062 585	82,98
TOTAL	1 767	100,00	188 080 746	100,00

SHAREHOLDERS' ANALYSIS CONTINUED

ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 23 FEBRUARY 2018

	Number of shares	% of issued capital
BENEFICIAL SHAREHOLDERS WITH A HOLDING GREATER THAN 3% OF THE ISSUED SHARES		
Sanlam Group	31 336 364	16,66
PSG	19 959 717	10,61
Coronation Fund Managers	17 937 331	9,54
Stefanutti Stocks Investment Holding	12 101 312	6,43
Investec	9 843 645	5,23
Meyburgh Family Trust	8 275 233	4,40
Allan Gray	6 749 008	3,59
TOTAL	106 202 610	56,46

ABBREVIATIONS AND DEFINITIONS

"AAARG"
Average Anticipated Annual Revenue Growth

"AGM"
Annual general meeting

"ARCO"
Audit, Governance and Risk Committee

"C&M"
Construction & Mining

"CEO"
Chief Executive Officer

"CFO"
Chief Financial Officer

"CGU"
Cash generating unit

"Companies Act"
Companies Act, No. 71 of 2008, as amended

"EBITDA"
Earnings before interest, share of profits of equity-accounted investees, taxation, depreciation and amortisation

"EPS"
Earnings per share

"FSP"
Forfeitable Share Plan

"HEPS"
Headline earnings per share

"ICT"
Information communication technology

"IFRS"
International Financial Reporting Standards

"JSE"
JSE Limited

"JSE Listings Requirements"
Listings Requirements of the JSE Limited

"King IV"
King IV Report on Corporate Governance for South Africa 2016

"M&E"
Mechanical & Electrical

"NAV"
Net asset value

"Operating profit"
Operating profit before investment income

"REMCO"
Remuneration and Nominations Committee

"S&E Committee"
Social and Ethics Committee

"SAICA"
South African Institute of Charted Accountants

"Stefanutti Stocks"; "the group" or "the company"
Stefanutti Stocks Holdings Limited, all of its subsidiaries, joint operations and equity-accounted investees

"the board"
The board of directors of Stefanutti Stocks

"the current year"
The financial year ended 28 February 2018

"the next year"
The financial year ending 28 February 2019

"the previous year"
The financial year ended 28 February 2017

"UAE"
United Arab Emirates

"WACC"
Weighted average cost of capital

CORPORATE INFORMATION

COMPANY INFORMATION

Stefanutti Stocks Holdings Limited

Share code: SSK ISIN: ZAE000123766

JSE Sector: Construction

Year end: 28 February

REGISTRATION NUMBER

1996/003767/06

COUNTRY OF INCORPORATION

South Africa

REGISTERED OFFICE

No. 9 Palala Street, Protec Park, Cnr Zuurfontein Avenue
and Oranjerivier Drive, Kempton Park, 1619

POSTAL ADDRESS

PO Box 12394, Aston Manor, 1630

TELEPHONE NUMBER

+27 11 571 4300

FACSIMILE

+27 11 976 3487

DIRECTORS

As at 20 June 2018: KR Eborall* (Chairman); ZJ Matlala*; HJ Craig*; ME Mkwanazi*; B Harie*; BP Silwanyana; JM Poluta*; DG Quinn; W Meyburgh (CEO); AV Cocciante (CFO)

* Independent Non-executive Directors

COMPANY SECRETARY

WR Somerville

20 Lurgan Road, Parkview, 2193

Telephone number: +27 11 326 0975

AUDITORS

Mazars

Mazars House, 54 Glenhove Road, Melrose Estate, 2196

PO Box 6697, Johannesburg, 2000

Telephone number: +27 11 547 4000

ATTORNEYS

Webber Wentzel

90 Rivonia Road, Sandton, Johannesburg, 2196

PO Box 61771, Marshalltown, 2107

Telephone number: +27 11 530 5000

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd

Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

PO Box 61051, Marshalltown, 2107

Telephone number: +27 11 370 5000

SPONSOR

Bridge Capital Advisors (Pty) Ltd

50 Smits Road, Dunkeld, Illovo, 2196

PO Box 651010, Benmore, 2010

Telephone number: +27 11 268 6231

BANKERS

Nedbank Limited
Nedbank (Swaziland) Limited
Nedbank Namibia
The Standard Bank of South Africa Limited
Absa Bank Limited
Barclays Bank Moçambique
Bidvest Bank Limited
First National Bank, a division of FirstRand Bank Limited
First National Bank Moçambique
First National Bank Zambia Limited
RMB Botswana
Standard Bank Swaziland
Standard Bank Malawi
Standard Bank Moçambique
Standard Lesotho Bank Limited
Standard Chartered Bank
Emirates NBD
First Gulf Bank
HSBC Middle East
Banco Unico
Banco Comercial e de Investimentos
Banco Internacional de Moçambique
United Bank for Africa
Ecobank
Société Générale de Banques en Guinée
Diamond Bank Plc Nigeria
Zenith Bank Plc Nigeria
Stanbic IBTC Bank Nigeria
Stanbic Bank Zambia Limited
Stanbic Bank Botswana

WEBSITE

www.stefanuttistocks.com

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