Stefanutti Stocks

STEFANUTTI STOCKS GROUP

2022

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTENTS

PREPARATION OF ANNUAL FINANCIAL STATEMENTS

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

Yolanda du Plessis
Chief Financial Officer

13 June 2022

CERTIFICATE BY THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act No. 71 of 2008, 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 2022, lodged with the Companies and Intellectual Property Commission all returns and notices required of a public company in terms of the Companies Act No. 71 of 2008 and that all such returns and notices are true, correct and up to date.

William Somerville
Company Secretary

13 June 2022

CEO AND CFO RESPONSIBILITY STATEMENT ON INTERNAL FINANCIAL CONTROLS

After due, careful and proper consideration, the directors, whose names are stated below, hereby confirm that:

— the separate and group consolidated annual financial statements, which can be found on the website, fairly present in all material respects the financial position, financial performance and cash flow of the company in terms of IFRS;

— no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

— internal financial controls have been put in place to ensure that material information relating to the company and its subsidiaries have been provided to effectively prepare the financial statements; and

— the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled their role and function within the combined assurance model pursuant to Principle 15 of King IV.

Where the CEO and CFO are not satisfied, they have disclosed to the audit committee and the external auditors, the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

Russell Crawford
Chief Executive Officer

Yolanda du Plessis
Chief Financial Officer

13 June 2022
Kempton Park

SIMPLIFIED GROUP ORGANOGRAM

STEFANUTTI STOCKS HOLDINGS LIMITED
1996/003767/06

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

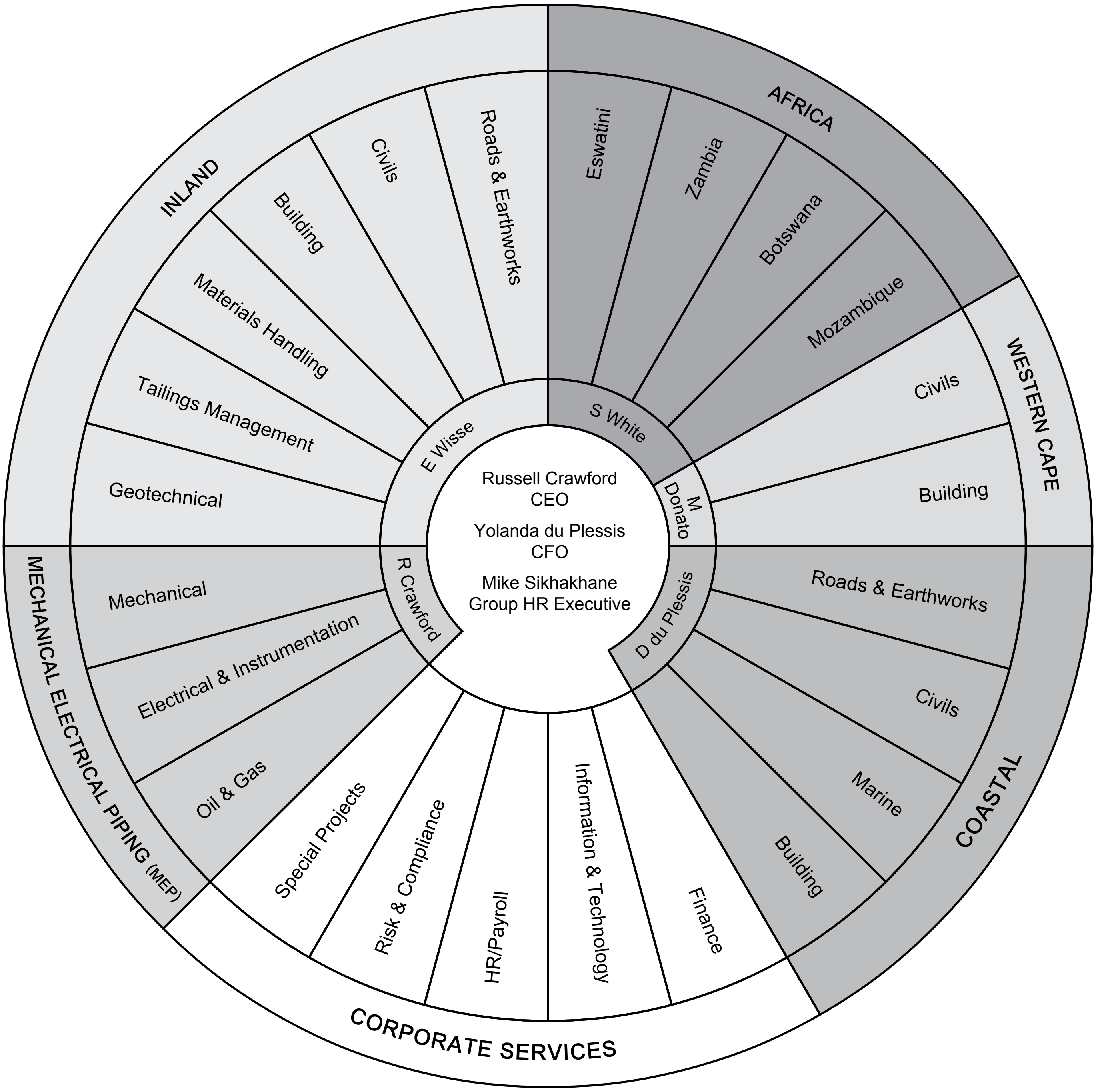
Stefanutti Stocks International Holdings Proprietary Limited
(South Africa)
2005/015885/07

- **Cross-border operational subsidiaries and joint operations**

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

- **Operational subsidiaries**
- **Equity-accounted investees**
- **Joint operations**

GROUP STRUCTURE



AUDIT, GOVERNANCE AND RISK COMMITTEE REPORT

The Audit, Governance and Risk Committee (ARCO or the committee), appointed in respect of the 2022 financial year of Stefanutti Stocks Holdings Limited, provides this report in compliance with section 94(7)(f) of the Companies Act, the principles of King IV and other regulatory requirements.

THE ARCO

In addition to the specific Companies Act statutory responsibilities bestowed upon it, the committee advises and submits recommendations to the board on the group's financial reporting, internal financial controls, legislative and regulatory compliance as well as the external and internal audit functions.

Terms of reference

Guided by the Companies Act and King IV, the board has adopted and approved the committee's formal terms of reference. No changes were made to the terms of reference after the annual review process. In accordance with these terms of reference, the committee confirms that it has executed its duties during the past financial year. Refer to pages 48 to 57 of the integrated annual report for a discussion on how the 16 principles of King IV have been applied.

Composition

The board nominated the members of the committee in respect of the 2022 financial year and shareholders appointed its members at the Annual General Meeting (AGM), which was held on 6 August 2021. Shareholders will be requested to approve the appointment of the committee members for the 2023 financial year at the AGM that is scheduled for 5 August 2022.

Dermot Quinn, an independent non-executive director, previously chaired the committee. He retired at the 2021 AGM and did not seek re-election and consequently stepped down as ARCO chairman. The board appointed Bharti Harie, an independent non-executive director and ARCO member, as chairman in place of Dermot Quinn. The committee comprises a further two independent non-executive directors, namely Busisiwe Silwanyana and John Poluta.

The board Chairman, CEO, CFO, Group Risk Officer, senior accountant, external and internal auditors attend the meeting as invitees. The company secretary acts as secretary to the committee.

The board has satisfied itself that the committee members are 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 pages 44 to 45 of the Integrated Annual Report.

Meetings

During the year, the committee held four meetings. Attendance at these meetings is set out in the corporate governance report on page 52 of the integrated annual report. The committee also met in private with the external auditors.

Execution of duties

During the year the committee:

- Identified specific focus areas, as set out on page 6;
- Evaluated the independence of the external auditors with regards to tenure, individual partner rotation as well as their performance, and recommended their reappointment, to the board;
- Reviewed the quality of the external audit function with regards to audit quality indicators as indicated in reports by external regulators;
- Reviewed the quality of the internal audit function with reference to the findings from their independent internal review processes;
- Noted the JSE requirements regarding mandatory audit firm rotation (MAFR) and partner rotation;
- Confirmed the accreditation of the external auditors and the audit partner with the JSE with regards to tenure as well as individual partner rotation;
- Considered and evaluated the key audit matters as set out in the external auditor's report which remain largely the same as the prior year and the committee is satisfied that the matters have been correctly disclosed in the integrated annual report and consolidated annual financial statements;
- Reviewed the areas identified by the external auditors as being of significant risk and their approach to auditing these;
- Reviewed the external audit findings and reports;
- Approved any non-audit services performed by the external auditors and the policy in this regard;
- Reviewed the draft audited financial statements and integrated annual report, the preliminary announcement and interim statements;
- Included the review of the company's Funding Plan and various Restructuring Plans (with their underlying assumptions), as part of its standard agenda item for each meeting;
- Reviewed the company's ongoing solvency, liquidity and going concern status;
- Reviewed, together with the external auditors, the conformity of the audited financial statements and related schedules with International Financial Reporting Standards (IFRS) and the company's accounting policies;
- Reviewed the audit plan, strategy and audit fees payable for FYE 2022 to the external auditors;
- Reviewed internal audit policies, plans, budgets, reports and findings and noted the independence of the internal audit function;
- Approved the audit fee for FYE 2022;

- Monitored compliance with the code of business conduct and ethics of the company in liaison with the S&E Committee;
- Monitored compliance with applicable laws and regulations;
- Monitored reports from the company's ethics hotline;
- Oversaw the process of sustainability reporting and considered the findings and recommendations of the S&E Committee;
- Assessed key risk areas facing the group, IT risks, the risk register and recommended risk mitigation measures;
- Considered the tax risk report and significant tax matters;
- Oversaw insurance arrangements;
- Considered internal reports on major contracts;
- Oversaw IT governance, including participation in a comprehensive presentation of the various IT processes and systems implemented within operations to manage the entire process from tender to commissioning stage;
- Advised and updated the board on issues ranging from accounting standards to published financial information;
- Nominated the external auditors and the designated audit partner for reappointment by shareholders at the AGM, as required by the Companies Act and the JSE Listings Requirements;
- Evaluated the finance function and expertise and experience of the CFO;
- Ensured that access to all financial information, and appropriate financial reporting procedures exist, for all entities included in the consolidated financial statements;
- Approved materiality for the group consolidated financial statements in terms of IFRS Practice Statement 2 —Making Materiality Judgements;
- Updated the board on the latest changes to the JSE Listing Requirements, Proactive Monitoring results, COVID-19 effective communication with investors and categorisation on disposal of assets;
- Ensured ongoing company compliance with the JSE checklist;
- Considered the continuing impact of COVID-19 on the company's business, operations and going concern status. The committee also considered the vaccination policy and the levels of vaccination uptake within the company. Based on reports and assurances provided by management, the ARCO was satisfied with the overall approach being followed to mitigate this risk, and comply with laid down regulations;
- Monitored the ongoing interaction between the Lender Group, Chief Restructuring Officer (CRO) and the Restructuring Implementation Team (RIT).

INTERNAL FINANCIAL CONTROLS

The committee's areas of focus 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.

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

As required by the JSE Listings Requirements, refer to the responsibility statement by the CEO and CFO on financial controls on the contents page of the annual financial statements.

REGULATORY COMPLIANCE

The group's compliance with applicable laws and regulations is monitored by a combination of management controls, internal audit, external audit, the sponsors and the company secretary. Given the company's size and structure, there is no dedicated in-house compliance function. However, compliance is a standard agenda item covered by the Group Risk Officer at ARCO meetings. Compliance with the MOI is overseen by the company secretary. For a more detailed discussion on regulatory compliance refer to the corporate governance report, commencing on page 55 of the integrated annual report.

Refer also to page 3 of the integrated annual report for the statement of compliance with the Companies Act and the MOI.

OVERSIGHT OF RISK MANAGEMENT

The committee oversees the risk management process and has confirmed the independence of the Internal Audit function. 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.

A risk management framework, risk policy and risk register were presented for consideration to the committee during the year. The committee has confirmed that the following focus areas below have been attended to:

- Financial reporting risks;
- Funding risks with the Lender Group;
- SSBR contract risks;
- Internal financial controls;
- Fraud risks;
- IT risks; and
- Reviewed technology risks, in particular how they are managed.

Please refer to page 11 of the integrated annual report for a full discussion on risk management.

INDEPENDENCE OF EXTERNAL AUDITORS

The committee assesses the external auditors' independence and effectiveness on an annual basis, as required in terms of Section 22.15(h) of the JSE Listings Requirements, as part of its responsibilities.

The committee reviews the group's non-audit services policy on an annual basis. This policy allows the committee to consider whether the external auditors' independence is materially impaired by any non-audit services rendered. While the external auditors rendered certain non-audit services during the reporting period, their fees were deemed immaterial. Amongst other things, the non-audit service rendered includes a factual findings report regarding B-BBEE verification, auditing of circulars issued during the year and certain other agreed upon procedures.

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 Shaun Vorster as the individual registered auditor. Shaun took over as the lead audit partner in place of Susan Truter who stepped down from the audit due to partner rotation requirements. The ARCO thanks Susan for her valuable contribution over her years of service as the individual registered auditor.

Mazars has been the auditor of the group for 16 years. Significant changes in management over the tenure of the external audit firm that mitigate the risk of familiarity include the appointment of a new Chief Executive Officer in August 2019, a new Chief Financial Officer in May 2022 and various other board and executive committee appointments. Refer to pages 44 to 47 of the Integrated Annual Report.

INTERNAL AUDIT

Internal audit's purpose and scope, responsibilities and duties, independence and ethics are set out in the internal audit charter. The internal audit function monitors the group's exposure to risk, and assesses the reliability and effectiveness of risk management processes and controls.

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

As prescribed by the Institute of Internal Auditors, the policies and procedures that guide the internal audit function are aligned to the International Professional Practice Framework (IPPF). 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. Reviewed in their entirety, these core principles articulate internal audit effectiveness. Therefore, 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.

In addition, the internal audit function is tasked with monitoring and assessing the group's corporate governance, in particular the various delegation of authority frameworks applicable across the group.

The group's numerous levels of management 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, which is based on the key risks identified by executive management and confirmed by the committee. At the beginning of the year under review, the internal audit plan was presented to the committee for annual review and approval.

The following processes were dealt with in the approved internal audit plan:

- Tender and estimating;
- Purchases and payables;
- Subcontractor payments;
- Payroll salaries and wages;
- Financial discipline;
- IT general computer controls, system development life cycle, cyber-attack defences, change management and backup and disaster recovery; and
- Contract (site) reports and 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, corporate governance processes 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 following financial year.

The internal audit function provides annual confirmation to the ARCO that it conforms to recognised industry code of ethics.

COMMITTEE FOCUS AREAS

The focus areas for the year under review were as follows:

— Ongoing monitoring of the Restructuring Plan and the Funding Plan covering:
  – Going concern;
  – Solvency and liquidity;
  – Funding requirements and repayments;
  – Asset disposals;
  – Debtors recoverability;
  – Material contracts;
  – Working capital requirements and movement;
— COVID-19 and the impact on the group; and
— Receiving feedback from the CRO and RIT.

Outside of COVID-19, the focus areas for the coming year are similar to the previous focus areas. The committee will also monitor the change in the re-organisation of its operations into regions together with its performance and focus on loss-making contracts.

CFO

The annual evaluation of the finance function and the CFO was undertaken during the year as required in terms of the JSE Listings Requirements. The committee is satisfied that the CFO, Yolanda du Plessis, has the appropriate qualifications, expertise, skills and experience to meet the responsibilities as CFO.

The committee has also satisfied itself that the resources within the finance function are appropriate to provide the CFO with the necessary support to properly fulfil her function. When making its evaluation, the committee considered the matters raised from the external auditors.

ANNUAL FINANCIAL STATEMENTS AND INTEGRATED ANNUAL REPORT

The committee has reviewed the separate and consolidated annual financial statements of Stefanutti Stocks Holdings Limited for the year ended 28 February 2022, and is of the view that in all material respects they comply with the relevant provisions of the Companies Act, IFRS, the JSE Listings Requirements, the SAICA Financial reporting Guides (as issued by the Accounting Practices Committee), as well as Financial Reporting Pronouncements (as issued by the Financial Reporting Standards Council) and fairly present the consolidated and separate financial position as at 28 February 2022, and its financial performance, the statement of changes in equity and cash flows for the financial year ended. These are available on the company's website.

The committee has also satisfied itself as to the integrity of the remainder of the integrated annual report, including the sustainability report, and accordingly has recommended the integrated annual report for the year ended 28 February 2022 for approval to the Stefanutti Stocks board. The board has approved the report, which will be open for presentation at the forthcoming AGM.

On behalf of the ARCO

Bharti Harie
Chairman

13 June 2022

DIRECTORS' REPORT

NATURE OF BUSINESS

Stefanutti Stocks Holdings Limited (Registration No. 1996/003767/06) (the company, the group or Stefanutti Stocks) 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 — Construction" sector.

Stefanutti Stocks operates throughout South Africa and Southern Africa with multi-disciplinary expertise including concrete structures, marine construction, piling, geotechnical services, roads and earthworks, bulk pipelines, materials handling, tailings management, all forms of building works including affordable housing, mechanical, electrical and piping (MEP).

A simplified group organogram has been provided, additional information on the group's operating entities is available on request. Please refer to page 1.

RESTRUCTURING PLAN UPDATE

The group hereby provides shareholders with an update on the Restructuring Plan as reported in the Reviewed Condensed Consolidated Results of Stefanutti Stocks for the 12 months ended 28 February 2022 issued on 26 May 2022.

As previously reported, the Restructuring Plan has been approved by both the company's board of directors and the Lenders and envisages, inter alia:

— the sale of non-core assets;
— the sale of underutilised plant and equipment;
— the sale of certain operations;
— internal restructuring initiatives required to restore optimal operational and financial performance;
— the securing of additional short-term funding of R430 million, of which R270 million related to the negative effects of the national lockdown in March/April 2020;
— a favourable outcome from the processes relating to the contractual claims and compensation events on the Kusile power project;
— the restructuring of the short-term funding received to date from the Lenders into a loan; and
— evaluation of an optimal business model going forward and associated capital structure analysis including the potential of raising new equity.

In accordance with the Restructuring Plan, the Lenders had provided the requisite funding and converted the short-term funding agreement into a short-term loan on 1 July 2020. The group, on 21 February 2022, reached an agreement with the Lenders to extend the current capital repayment profile of the loan as well as its duration to 28 February 2023.

The loan bears interest at prime plus 5,4%, including arranging and facility fees, and is secured by special and general notarial bonds over movable assets, continuous covering mortgage bonds over immovable assets and various cessions. The short-term and funding loans do not contain any financial covenants but rather impose certain information and general undertakings.

Following the receipt of the initial purchase consideration of R92 million relating to the disposal of Al Tayer Stocks LLC, a capital repayment of R45 million was made on 15 November 2021.

The slower than anticipated sale of certain operations, the non-implementation of the Materials Handling and Tailings Management sub-divisions transaction and further delays in resolving contractual claims and compensation events on certain projects, resulted in capital loan repayments envisaged to commence from April 2022 not materialising. The group is currently in negotiations with the Lenders to extend the capital repayments of the loan to January and February 2023, with the residual loan balance remaining at approximately R420 million.

The Lenders have agreed to provide continued guarantee support for current and future projects being undertaken by the group. Management has made considerable progress in reconfiguring the group's organisational structure to improve operational performance and decrease overhead costs, including the reduction of the group's overall headcount. This is an ongoing process which continues as the various aspects of the Restructuring Plan are being implemented.

The purpose of the Restructuring Plan is to put in place an optimal capital structure and access to liquidity to position the group for long-term growth.

The Restructuring Plan is anticipated to be implemented over the financial year ending February 2023 and, to the extent required, shareholder approval will be sought for certain aspects of the Restructuring Plan. The group will continue to update shareholders on the progress of the various aspects of the Restructuring Plan.

GOING CONCERN

The directors consider it appropriate that the group's results for the reporting period be prepared on the going-concern basis, taking into consideration:

— the current order book;
— imminent project awards;
— continuing operations executing the group's order book profitably;
— the availability of short- and mid-term projects;
— reaching favourable outcomes on contractual claims and compensation events on certain projects;
— having converted the short-term funding agreement with the Lenders to a loan terminating on 28 February 2023;
— the assumption of a successful completion of current negotiations with the Lenders relating to the extension of capital repayments of the loan to January and February 2023;
— continued support from the Lenders; and
— successfully implementing the Restructuring Plan.

The funding provided by the Lenders has assisted with the group's liquidity, even though total liabilities continue to exceed total assets at 28 February 2022. The group believes it remains commercially solvent based on the cashflow projections included in the Restructuring Plan.

However, uncertainties surrounding the contingent liabilities as noted in note 26 of the these Annual Financial Statements for the year ended 28 February 2022, continue to indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern in the short term.

ESKOM — KUSILE POWER PROJECTS

As previously highlighted to shareholders in numerous announcements and updates since late 2018, the group continues to pursue a number of contractual claims and compensation events on the Kusile power project. Due to the complexity of the claims, the processes remain ongoing. No further details of the claims have been disclosed on the basis that it may prejudice the group's position in defending the claims brought against it and in pursuing those claims brought against Eskom by the group.

Refer to note 26.

COVID-19, JULY 2021 CIVIL UNREST, RUSSIAN AND UKRAINE CONFLICT

Stefanutti Stocks' priority continues to be the health and safety of its employees. The management of the group remains committed to supporting the initiatives that the governments have implemented with respect to the COVID-19 pandemic in the various countries in which the group operates. Importantly, Stefanutti Stocks continues to adhere to the required protocols and maintains a close working relationship with clients and key stakeholders to mitigate the impact of COVID-19 and reduce the long-term effects on its business.

The July 2021 civil unrest in Gauteng and KwaZulu-Natal negatively impacted the Inland and Coastal Regions, resulting in some property damage and time delays on 17 projects where work had to be stopped. The total value amounted to R22 million, of which 70% was recovered from the group's insurers and 11 % from clients.

The impact the Russian and Ukraine conflict will have on global growth and investor confidence, indirectly impacting the group's operations, will be closely monitored. The direct impact of the conflict on the group is deemed immaterial as its projects and clients are based within South Africa and Southern Africa.

NON-CURRENT ASSETS HELD FOR SALE, DISCONTINUED OPERATIONS AND DISPOSAL GROUPS

In line with the Restructuring Plan, the group has initiated a disposal programme to sell certain operations which have accordingly been classified as discontinued operations. These disposals, including certain foreign operations, are expected to be concluded within the next 12 months.

Current market conditions, impacted by COVID-19, resulted in the delay of these disposals. The group remains committed to the sale processes as envisaged in the Restructuring Plan.

Shareholders are referred to the announcement released on 23 August 2021 advising that not all conditions precedent relating to the sale of the Materials Handling and Tailings Management disciplines had been fulfilled or waived and consequently the disposal could not be implemented. These disciplines have been retained and therefore, reclassified as part of continuing operations.

The Contract Mining discipline has been wound down from October 2021 and has subsequently been classified as a discontinued operation.

Due to these changes, the comparative period has been restated in the Statement of Profit or Loss and Other Comprehensive Income. The reclassification of disposal groups and their reserves impacted the Statement of Changes in Equity which has also been restated.

The disposal of Al Tayer Stocks LLC remains conditional, even though the initial purchase consideration of R92 million was received. The carrying value of R168 million is classified as part of non-current assets held for sale, after recognising a fair value adjustment of R76 million. Al Tayer Stocks LLC is included within discontinued operations as it represents a geographical area in which the group operated.

A fair value adjustment of R62 million was recognised relating to the foreign operation held for sale.

The financial performance, reportable assets and reportable liabilities are presented within the Africa, Coastal and Inland Regions, as well as Al Tayer Stocks LLC which is disclosed as a reconciling segment.

Further information relating to the discontinued operations can be found in note 7.

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 2022 are set out in the annual financial statements presented on pages 15 to 96.

The consolidated annual financial statements for the group (results for the year) have been prepared in accordance with International Financial Reporting Standards (IFRS), SAICA Financial Reporting Guides (as issued by the Accounting Practices Committee) and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The report is compliant with the relevant provisions of the Companies Act No. 71 of 2008 and the JSE Listings Requirements.

The accounting policies as well as the methods of computation used in the preparation of the results for the year ended 28 February 2022 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 28 February 2021.

These results are in line with the trading update released on SENS on 18 May 2022 indicating Earnings Per Share and Headline Earnings Per Share for continuing operations to reflect a loss of between 150c and 180c per share and a loss of between 60c and 90c per share respectively.

Contract revenue from continuing operations increased to R6,0 billion (restated Feb 2021: R4,7 billion) with an operating loss of R99 million (restated Feb 2021: R55 million).

The following costs are included within operating loss:

- Restructuring costs and abnormal legal fees of R115 million (Feb 2021: R126 million).
- Fair value adjustment of R15 million relating to a property held for sale (Feb 2021: R8 million).
- Fair value adjustment of R12 million relating to plant and equipment held for sale (Feb 2021: R2 million).
- In line with group policy, land and buildings are independently valued every five years. Based on these valuations certain properties have decreased in value resulting in an impairment of R21 million.
- The group is required to test goodwill for impairment at each reporting period or when there is an indicator of impairment. Based on tests performed, goodwill attributable to the Stocks Limited acquisition and Mining Services discipline of R84 million and R22 million respectively has been impaired (Feb 2021: R26 million).
- Subsequent to year-end, a settlement was reached with the City of Cape Town regarding the civil claim received. A liability of R28 million was raised at year end.

Excluding the restructuring costs, fair value adjustments and impairments and the liability relating to the civil claim, the operating profit would have been R198 million (Feb 2021: R107 million).

The group has not provided for a deferred tax asset on the losses pertaining to the South African trading entity. Furthermore, the tax charge is impacted by the profitability of the cross-border operations at their varying tax rates.

The after tax loss for continuing operations is R264 million (restated Feb 2021: R236 million).

Earnings and headline earnings per share for total operations are reported as a loss of 248,27 cents (Feb 2021: 171,62 cents) and a loss of 97,07 cents (Feb 2021: 155,13 cents) respectively.

The group's order book is currently R5,3 billion of which R1,7 billion arises from work beyond South Africa's borders.

Total interest-bearing liabilities reduced by R102 million from R1 553 million reported at February 2021 to R1 451 million, resulting in a reduction in finance costs to R113 million (restated Feb 2021: R115 million). Interest paid on the loan amounted to R97 million for the year (Feb 2021: R92 million).

Cash consumed from operations is R253 million, negatively impacted by the restructuring costs, abnormal legal fees and the repayment of excess billings over work done (Feb 2021: R209 million). As a result thereof, the group's total cash position has decreased to R409 million (Feb 2021: R756 million).

CONTINGENT LIABILITIES

As previously reported, with respect to two contract mining project terminations:

- one project has been amicably settled with the client; and
- the other is proceeding to arbitration. The group is confident that the termination was lawful and therefore no provision has been made. This arbitration is expected to be completed in the following financial year.

The arbitration matter relating to the cancellation of a petrochemical contract had to be postponed due to a fundamental change in the client's defence. A date for the arbitration is yet to be set. At this stage the financial impact thereof cannot be quantified.

As previously reported, with respect to the mechanical project termination, the arbitration process is expected to be completed by February 2023. The group is confident that the termination was lawful and therefore no provision has been made.

Refer to note 26 for further detail.

SAFETY

Management and staff remain committed to the group's health and safety policies and procedures, and together strive to constantly improve the group's safety performance. The group's Lost Time Injury Frequency Rate (LTIFR) at February 2022 was 0,03 (Feb 2021: 0,03) and the Recordable Case Rate (RCR) was 0,28 (Feb 2021: 0,35).

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

The group is a level 1 B-BBEE contributor measured in terms of the Construction Sector scorecard with a Black Economic Interest score of 64,28%.

INDUSTRY RELATED MATTERS

The group continues to be negatively affected through disruptive and unlawful activities by certain communities and informal business forums in several areas of South Africa.

DIVIDEND DECLARATION

Notice is hereby given that no dividend will be declared (Feb 2021: Nil).

SUBSEQUENT EVENTS

With respect to the civil claim received from the City of Cape Town (Green Point Stadium), the parties to the civil claim being the City of Cape Town and WBHO Construction, Aveng Africa and Stefanutti Stocks ("the Contractors") remain confident of their respective legal positions. However, the parties have mutually agreed that it is in the best interests of all to amicably settle the matter rather than prolong an extended and costly arbitration and court process. This will allow for future positive engagements between the City of Cape Town and the Contractors.

The settlement includes an annual payment of R10,5 million by each Contractor over the next three years, and a commitment to Corporate Social Investment projects in the Cape Town district by WBHO Construction and Stefanutti Stocks.

SUMMARISED GROUP RESULTS

	2022 R'000	2021 R'000	
Contract Revenue (note 3)	**5 968 484**	4 691 759	Contract revenue increased due to post-pandemic economic recovery and restored operating capacity
Operating loss before investment income	**(98 906)**	(54 853)	Included in operating loss are impairments of assets (including goodwill) of R127 million and fair value adjustments of R27 million.
Property, plant and equipment (note 9)	**466 337**	608 411	Disposal of a number of non-core assets, underutilised plant and equipment, impairment of assets as mentioned above and reclassification of assets earmarked for sale as non-current assets held for sale.
Financial liabilities (note 20)	**1 432 124**	1 536 188	Total interest-bearing liabilities have reduced mainly due to the settlement of other financial liabilities
Trade and other receivables (note 16)	**1 621 822**	1 614 844	There has been a 14% decrease in trade receivables due to recovery of slow paying debtors, however this is contrasted by an increase in retention debtors of R125million.
Trade and other payables (note 21)	**1 457 071**	1 297 983	Trade and other payables increased by 15%, mainly due to increase in retention creditors in line with the increase in retention debtors.
Earnings per share (cents) (note 8)	**(248,27)**	(171,62)	Earnings per share decreased as a direct result of the movement in the statement of profit or loss
Headline earnings per share (cents) (note 8)	**(97,07)**	(155,13)	Refer to note 8 on calculation of headline earnings per share

Subsequent to year-end, the group received a non-binding offer of USD13,5 million to purchase a foreign entity. Negotiations are ongoing and no terms have been agreed. The foreign entity is classified as held for sale, and the fair value of its assets and liabilities is based on an orderly transaction between market participants at the reporting date under current market conditions.

The recent flooding in KwaZulu-Natal impacted one project in the Coastal Region. An insurance claim will be submitted for damages incurred of approximately R20 million.

Other than the matters noted herein, there were no other material reportable events which occurred between the reporting date and the date of this announcement.

DIRECTORATE

The names of the directors who currently hold office are set out in the Corporate Information section.

RESOLUTIONS

At the 2021 annual general meeting, the shareholders of the company passed the following special resolutions:

- Approval of non-executive directors' fees.
- Authorisation to provide financial assistance to present or future subsidiaries.
- 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.

APPROVAL

The group annual financial statements, which appear on pages 15 to 96, were approved by the board of directors and are signed by:

Russell Crawford
Chief Executive Officer

Yolanda du Plessis
Chief Financial Officer

13 June 2022
Kempton Park

INDEPENDENT AUDITOR'S REPORT

28 FEBRUARY 2022

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 subsidiary (the group) set out on pages 15 to 96, which comprise the consolidated statement of financial position as at 28 February 2022, 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 Stefanutti Stocks Holdings Limited and its subsidiary as at 28 February 2022, 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 Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to the consolidated statement of profit or loss and other comprehensive income, statement of financial position as well as Note 2 of the financial statements, which indicates that the group incurred a net loss of R415 million for the year ended 28 February 2022 and, as of that date, the group's current liabilities exceeded its current assets by R1 462 million. The group's total liabilities exceeded the total assets by R90 million. The group had an accumulated assessed loss of R1 225 million. As stated in Note 2 these events and conditions, along with other matters as noted, including the uncertainties surrounding the COVID-19 pandemic and contingent liabilities as disclosed in Note 26, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

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 12) Goodwill comprises 5,9% (2021: 6,4%) of total assets of the group. As required by the applicable accounting standards, 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 units to which the 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. There are a number of assumptions made in determining inputs into these models which include: — Future revenue — Operating margins — Interest rates — Discount rates applied to projected future cash flows	Our audit approach 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. As part of our assessment we performed the following substantive procedures: — With the assistance of our Valuation experts we have been critically assessing whether the model used by directors to calculate the value in use of the individual CGUs complies with the requirements of IAS 36 Impairment of Assets. — Assessment of assumptions used to calculate discount rates by comparing these to market rates and competitors and recalculating these rates. — Analysing the future projected cash flows used in the 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 2022 to budgets; — Discussing with management as to reasons for deviations; — Corroborating explanations obtained from management above with supporting documentation where appropriate; and — Inspecting the presentation and disclosure of the Goodwill within the consolidated financial statements against the requirements of IAS36.

Matter	Audit response
Valuation of goodwill (note 12) continued The complexity of these assumptions is mainly due to varying industry disciplines within the group which differ in nature, as well as contract execution as well as the difficulties faced by the construction industry, including the impact of the COVID-19 pandemic and flooding in KwaZulu Natal. The impairment tests performed on goodwill is considered to be a key audit matter due to the extent of judgement and estimation involved as noted above.	
Recognition of contract revenue, costs, related receivables and liabilities including the valuation of contracts in progress, excess billings over work done and contract provisions (note 3 and 15) The industry in which the group operates is characterised by contract risk with significant judgement involved in the assessment of both current and future financial performance including the impact of the COVID-19 pandemic and flooding in KwaZulu Natal. 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 99,6% (2021: 98,2%) of the group's revenue. Excess billings over work done comprises 19,4% (2021: 24,8%) of total liabilities. Contracts in progress comprises 16,1% (2021: 11,3%) 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.	Our testing included a combination of substantive procedures (test 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; — Assessment of the design and implementation of key controls over recognition of contract revenue and margin including tests to determine whether these controls were operating effectively throughout the period, regardless of whether these controls were ultimately relied upon; — 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 and ISA 500; — 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 the 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; — Assessing the existence and valuation of claims and variations within contract costs via inspection of correspondence with customers and the supply chain; — Assessing the recoverability and completeness of contracts in progress and excess billings over work done with reference to events subsequent to year-end; — 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 end 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 contentious matters (including reviewing the expertise, skills, competence and objectivity of mentioned management experts as required by ISA 540 and ISA 500); and — Assessing the reasonability of the contract cost provisions and onerous contract provisions by critically evaluating management's calculations.

<table>
<tr><th>Matter</th><th>Audit response</th></tr>
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Valuation of Non-Current Assets Held for Sale and the classification in terms of IFRS 5 (note 7)

The Non-current assets held for sale comprises 15,2% (2021: 19,5%) of total assets of the group.

The Restructuring Plan of the group has been fully developed and has been approved by both the Stefanutti Stocks Holdings Board and the group's primary banker and guarantee providers ("the Lenders").

The plan envisages, inter alia:

— The sale of non-core assets;
— The sale of underutilised plant and equipment; and
— The sale of certain operations within the group.

The items have been identified for sale span across all regions within the group. Further information with regards to the funding and restructuring plan can be found in note 2 of the Group Annual Financial Statements.

Valuing the non-current assets held for sale is considered complex by nature due to these having to be measured at the lower of their carrying amounts and fair value less cost to sell at the time of the reclassification and at each reporting period. Determining the fair value less cost to sell requires the determination of valuation inputs, which requires judgement due to these being based mainly on non-observable data.

Further to the above some of the non-current asset held for sale are not sold within one year due to delays resulting from current market conditions impacted by COVID -19, which results in complexity of classification of the non-current assets held for sale.

Due to the complexity surrounding the valuation and classification of the Non-Current Assets Held for sale and the testing thereof, as well as the significance of the balance the Non-current assets held for sale is considered to be a key audit matter.

</td><td>

Our audit procedures included the following:

— Evaluating the appropriateness of the classification of the discontinued operations, disposal groups and non-core assets in terms of the requirements of IFRS 5;
— Assessing that the disposal groups and non-core assets were valued correctly in terms of their own accounting standard before being reclassified to Non-Current Assets held for sale in terms of IFRS 5;
— Testing the valuation of the disposal groups, and non-core assets by reperforming the calculations with assistance of valuation experts to test whether they are measured at the lower of carrying value and fair value less cost to sell;
— Inspecting that the depreciation was stopped for non-core assets held for sale at classification date in terms of IFRS 5; and
— Inspecting the presentation and disclosure of the transactions within the consolidated financial statements to confirm that it is in line with the requirements of IFRS 5.

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Emphasis of matter – effect of COVID-19 on the consolidated financial statements

In forming our opinion on the consolidated financial statements, which is not modified, we draw your attention to the directors' view on the impact of COVID-19 as disclosed in note 29 to the consolidated financial statements, and the consideration in the going concern basis of preparation as disclosed in note 2 to the consolidated financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Stefanutti Stocks Holdings Limited Integrated Annual Report 2022" and in the document titled "Stefanutti Stocks Holdings Limited Separate Financial Statements for the year ended 28 February 2022", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's reports 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.

Auditors responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 and company's internal control.

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

— Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 and company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the 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 and its subsidiaries for 16 years.

Mazars

Mazars
Partner: Shaun Vorster
Registered Auditor

13 June 2022
Johannesburg

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY

	Note	2022 R'000	Restated* 2021 R'000
CONTINUING OPERATIONS			
Contract revenue	3	**5 968 484**	4 691 759
Other income	4	**23 599**	86 811
Operating expenses		**(6 032 318)**	(4 678 506)
Net expected credit losses	15, 16, 27	**149 985**	(45 173)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	4	**109 750**	54 891
Depreciation and amortisation	9,12	**(54 275)**	(73 741)
Fair value adjustments	7, 12	**(26 903)**	(28 145)
Impairment of assets	9,12	**(127 478)**	(7 858)
Operating loss before investment income		**(98 906)**	(54 853)
Investment income	5	**19 001**	28 430
Share of profits/(losses) of equity-accounted investees	10	**8 958**	(1 323)
Operating loss before finance costs		**(70 947)**	(27 746)
Finance costs	5	**(112 882)**	(115 289)
Loss before taxation		**(183 829)**	(143 035)
Taxation	6	**(79 913)**	(93 387)
Loss for the year		**(263 742)**	(236 422)
Loss after tax for the period from discontinued operations	7	**(151 466)**	(53 760)
Loss for the year		**(415 208)**	(290 182)
Other comprehensive income		**(27 379)**	(68 916)
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss)) — continuing operations		**(34 292)**	(17 862)
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss)) — discontinued operations	7	**8 002**	(43 731)
Revaluation of land and buildings (may not be reclassified to profit/(loss)) — continuing operations	9,13	**(676)**	—
Impairment losses recognised on revalued assets (may not be reclassified to profit/(loss)) — continuing operations	9, 13	**(413)**	(27 549)
Reclassification of foreign currency translation reserve on disposal of foreign subsidiary		**—**	20 226
Total comprehensive income		**(442 587)**	(359 098)

* The information has been restated for the changes between continuing and discontinued operations.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY CONTINUED

	Note	2022 R'000	Restated* 2021 R'000
Loss attributable to:			
Equity holders of the company		**(415 208)**	(287 027)
Loss for the period from continuing operations		**(263 742)**	(236 422)
Loss for the period from discontinued operations		**(151 466)**	(50 605)
Non-controlling interest		—	(3 155)
Loss for the period from continuing operations		—	—
Loss for the period from discontinued operations		—	(3 155)
		(415 208)	(290 182)
Total comprehensive income attributable to:			
Equity holders of the company		**(442 587)**	(352 941)
Loss for the period from continuing operations		**(299 123)**	(269 106)
Loss for the period from discontinued operations		**(143 464)**	(83 835)
Non-controlling interest		—	(6 157)
Loss for the period from continuing operations		—	—
Loss for the period from discontinued operations		—	(6 157)
		(442 587)	(359 098)
Earnings and diluted earnings per share (cents)			
Continuing operations	8	**(157,70)**	(141,36)
Discontinued operations	7	**(90,57)**	(30,26)
Total operations	8	**(248,27)**	(171,62)

* The information has been restated for the changes between continuing and discontinued operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY

	Note	2022 R'000	2021 R'000
ASSETS			
Non-current assets		**983 198**	1 211 650
Property, plant and equipment	9	**466 337**	608 411
Equity-accounted investees	10	**27 405**	25 703
Goodwill	12	**272 376**	345 664
Deferred tax assets	13	**217 080**	231 872
Current assets		**2 912 826**	3 148 139
Inventories	14	**51 579**	59 594
Contracts in progress	15	**738 384**	610 758
Trade and other receivables	16	**1 621 822**	1 614 844
Taxation		**72 818**	89 171
Bank balances	17	**428 223**	773 772
Non-current assets held for sale and disposal groups	7	**700 938**	1 053 068
Total assets		**4 596 962**	5 412 857
EQUITY AND LIABILITIES			
Capital and reserves		**(90 019)**	352 568
Share capital and premium	18	**1 007 718**	1 007 718
Other reserves		**126 819**	154 198
Accumulated loss		**(1 224 556)**	(809 348)
Non-current liabilities		**133 639**	269 703
Financial liabilities	20	**133 639**	182 821
Excess billings over work done	15	**—**	46 506
Provisions	22	**—**	40 376
Current liabilities		**4 375 114**	4 505 859
Financial liabilities	20	**1 298 485**	1 353 367
Trade and other payables	21	**1 457 071**	1 297 983
Excess billings over work done	15	**909 550**	1 205 771
Provisions	22	**598 216**	551 512
Taxation		**92 896**	79 092
Bank balances	17	**18 896**	18 134
Liabilities directly associated with disposal groups	7	**178 228**	284 727
Total equity and liabilities		**4 596 962**	5 412 857

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY

		Other reserves							
	Share capital and premium R'000	Foreign currency translation reserve R'000	Revaluation surplus reserve R'000	Legal reserve R'000	Reserves of disposal groups held for sale R'000	Accumulated loss R'000	Attributable to equity holders of the company R'000	Non-controlling interest R'000	Total equity R'000
Balance at 29 February 2020	1 007 718	114 732	112 939	764	—	(506 249)	729 904	(18 238)	711 666
Total comprehensive income	—	(5 135)	(27 549)	—	(33 230)	(287 027)	(352 941)	(6 157)	(359 098)
Loss for the year	—	—	—	—	—	(287 027)	(287 027)	(3 155)	(290 182)
Other comprehensive income	—	(5 135)	(27 549)	—	(33 230)	—	(65 914)	(3 002)	(68 916)
Realisation of revaluation reserve on sale of land and buildings	—	—	(8 323)	—	—	8 323	—	—	—
Discontinued operations	—	(82 107)	(55 939)	—	138 046	—	—	—	—
Disposal of non-controlling interest	—	—	—	—	—	(24 395)	(24 395)	24 395	—
Balance at 28 February 2021 restated *	1 007 718	27 490	21 128	764	104 816	(809 348)	352 568	—	352 568
Total comprehensive income	—	(34 292)	(1 089)	—	8 002	(415 208)	(442 587)	—	(442 587)
Loss for the year	—	—	—	—	—	(415 208)	(415 208)	—	(415 208)
Other comprehensive income	—	(34 292)	(1 089)	—	8 002	—	(27 379)	—	(27 379)
Balance at 28 February 2022	**1 007 718**	**(6 802)**	**20 039**	**764**	**112 818**	**(1 224 556)**	**(90 019)**	**—**	**(90 019)**
	Note 18	Note 18	Note 18	Note 18	Note 18				

* The information has been restated for the changes between continuing and discontinued operations.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY

	Note	2022 R'000	2021 R'000
Cash flows from operating activities		**(403 527)**	(363 445)
Cash consumed by operations	23.1	**(253 074)**	(209 145)
Investment income		**19 380**	31 718
Finance costs		**(115 920)**	(117 711)
Dividends received	10	**896**	1 565
Taxation paid	23.2	**(54 809)**	(69 872)
Cash flows from investing activities		**156 312**	256 100
Expenditure for expansion	7,9	**(1 201)**	(4 252)
Expenditure for maintaining	7,9	**(17 187)**	(18 653)
Proceeds on disposals of property, plant and equipment	7,9	**175 988**	153 937
(Advances to)/repayments of associate		**(1 288)**	4 448
Disposal of joint operation	23.4	—	126 805
Disposal of subsidiaries	23.3	—	(2 998)
Net cash outflow due to business combinations	28	—	(3 187)
Cash flows from financing activities		**(174 150)**	230 161
Repayment of long-term financing	23.5	**(163 905)**	(213 585)
Repayment of short-term financing	23.5	**(10 245)**	(71 268)
Proceeds from long-term financing	23.5	—	5 000
Proceeds from short-term financing	23.5	—	510 014
Net movement in cash and cash equivalents		**(421 365)**	122 816
Cash at the beginning of the year		**755 638**	740 513
Cash at the beginning of the year — discontinued operations		**91 628**	—
Less: Cash at the end of the year — discontinued operations	7	**(24 499)**	(91 628)
Effect of exchange rate changes on cash and cash equivalents		**7 925**	(16 063)
Cash and cash equivalents at year-end	17	**409 327**	755 638

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.

MATERIALITY STATEMENT

The group prepared a materiality statement as guided by IFRS Practice Statement 2 — Making Materiality Judgements which was approved by the ARCO. This document guided the preparers in assessing materiality when preparing the annual financial statements and applying judgement. The materiality statement covered both quantitative and qualitative factors such as the new accounting standards, industry conditions and disruptive events and items regulated by statutory requirements.

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:

REVENUE FROM CONTRACTS WITH CUSTOMERS (NOTE 3)

Revenue is recognised over time as the group transfers control of goods and services to the customer whilst enhancing an asset controlled by the customer. The output method is followed in measuring the progress towards satisfaction of the performance obligations. Revenue is measured with reference to surveys of 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. Surveys of work performed are deemed to be the best output method, as these surveys are firstly performed internally and then approved and re-performed by an external surveyor of the client. 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 or any penalties arising from failure to fulfil it, whichever is the least net cost.

Certain contracts include penalty provisions, claims and a change of scope of work to be performed which constitutes variable consideration. Variable consideration is measured either at the most likely outcome method or expected value method and is considered at each reporting date. The most appropriate method is selected for each contract and applied consistently throughout the contract term. In most instances the most likely outcome method is used as there are only a few possible outcomes.

In certain instances, the group receives advance payments when starting on a contract as part of the negotiated price. The group concluded that there is a significant financing component for those contracts where the client elects to pay in advance, other than advance payments received and utilised within 12 months. The financing component is calculated based on the length of time between the client's payment and the transfer of goods and services over time, relating to the advance payment received. This financing component is recognised in profit or loss as finance costs (note 5) as it is incurred. An appropriate interest rate is applied, which reflects the separate financing transaction between the group and the client.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NOTE 7)

The group announced its intention to sell a number of non-core assets, underutilised plant and equipment and certain operations. The group had to apply judgment in assessing whether the assets and discontinued operations meet the criteria to be classified as held for sale at reporting date. The below was considered:

- Whether the assets and operations were available for immediate sale and can be sold to a buyer in their current condition
- Whether the actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification
- Whether a potential buyer has been identified and negotiations as at the reporting date are at an advanced stage
- Whether shareholder approval was obtained

Although some of the non-current assets held for sale have not been sold within one year due to delays resulting from current market conditions impacted by COVID-19, the group remains committed to the sales processes as envisaged in the Restructuring Plan.

Valuations

Non-current assets held for sale and discontinued operations are measured at the lower of their carrying amounts and fair value less costs to sell at the time of the reclassification and at each reporting period. The group uses judgement to determine the fair value hierarchy of classes of assets and liabilities and in selecting the most appropriate valuation methods. The group takes into consideration the circumstances under which valuations are performed and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

1. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS CONTINUED

For discontinued operations, the group is responsible for identifying, assessing and selecting an appropriate independent valuation method to determine the fair value of the operations. This valuation involves a combination of asset-based, comparable company and transaction analysis and present value techniques. This includes an assessment of the underlying assets and liabilities, comparing the performance of the respective businesses relative to their peers and other transactions completed in the market to determine the current state of the market, and an estimate of future cash flows discounted at an appropriate discount rate. These estimates are adjusted based on assumptions about possible variations in the amount and timing of the cash flows, a risk premium for uncertainty inherent in the cash flows and other factors. Refer to note 7.2.

For non-current assets held for sale, the fair value for land and buildings was determined using the Income Capitalisation Method or the Direct Comparable Sales Method. These entail the use of a range of market capitalisation rates and income/expenditure ratios. The fair values for plant and equipment and transport and motor vehicles were determined using the comparable sales method. This entails the use of quoted prices for identical or similar assets in the market. This method of valuation is best suited for these types of assets. Refer to note 7.3.

For more details on the non-current assets held for sale and discontinued operations, refer to note 7.

OPERATING ASSETS

Property, plant and equipment (note 9)

Valuations

Valuations are performed generally every five years 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 2022 by accredited independent valuers. Properties were valued by either applying the Comparable Sales Method or Income Capitalisation Method. To determine which method would 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. Refer note 27.

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 (owned and instalment sales) are as follows:

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

The useful lives for right-of-use assets — other are the shorter of the lease term or the useful life of the leased asset. Generally, lease terms are between one and five years for plant and equipment, and ten years for land and buildings.

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. These residual values of property, plant and equipment are reviewed annually, by comparing it to the disposal value of comparative assets in the market.

1. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS CONTINUED

IMPAIRMENT OF ASSETS

Property, plant and equipment (note 9)

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.

Goodwill (note 12)

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 believes 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.

Provision for expected credit losses (ECLs) of contracts in progress and trade and other receivables (note 15, 16, 27)

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 27.

Included within the loss allowance is specific provisions which relates to specific clients who are showing signs of default, such as delayed payments and liquidity pressures.

Joint operations and joint ventures (note 11)

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.

Taxation (note 6, 13)

Management assesses the extent to which it is probable that taxable profit will be available against which deductible temporary differences can be utilised, also taking into account that effective from the 28 February 2024 tax year, the utilisation of an accumulated assessed loss will be limited to 80% of the taxable income in the year of assessment, with the remaining assessed loss balance to be utilised in subsequent years of assessment. All companies with deferred tax asset balances are currently trading and are expected to make profits which will enable them to recover the deferred tax assets. The South African trading entity will further recover its deferred tax asset by the implementation of the Restructuring Plan, which will include the sale of non-core assets and the sale of certain operations within the trading entity.

1. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS CONTINUED

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 applies judgements in identifying uncertainties with regards to income tax treatments. The group is of the opinion that it is more probable than not that the treatment of its taxes will be accepted by the relevant tax authorities. 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% (21,6% for tax year ending 28 February 2024) (2021: 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% (2021: 28%) 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.

The effects of the tax rate change in South Africa from 28% to 27% effective for tax year ended 28 February 2024, has resulted in a net reduction to the deferred tax asset of R0,5 million (note 6,13).

Provisions (note 22)

Provisions are raised when deemed necessary by management and an estimate of expected outflows is made based on the information available at the time.

Warranty provisions	Warranty provisions are recognised for expected warranty claims, based on past experience. Estimates are made of the anticipated time, materials and subcontractor 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. **Onerous contracts** A specific provision made for onerous contracts, in instances in which the unavoidable costs of meeting obligations under the contract exceed the economic benefits expected to be received under it. The present obligation under the contract is recognised and measured as a provision.
Severance provisions	Severance provisions relate to obligations arising from the Restructuring Plan, and include severance benefits and other costs which will be paid in line with employment agreements.

Operating segments (note 24)

The group uses judgement in applying the aggregation criteria for purposes of identifying its operating segments. 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 regional level. Segments are managed at regional level and can be further broken down into disciplines. Disciplines which are similar in nature and function and operate within a similar geographic area are aggregated and managed by the same managing director to form these regions.

Contingent liabilities (note 26)

Management may assess and determine, based on expert advice received from time to time, whether an item is a contingent or actual liability. For legal activities where no legal action has been taken/made, management has assessed the likelihood of a future outflow to be remote and no contingent liabilities have been recognised.

2. GOING CONCERN

RESTRUCTURING PLAN UPDATE

The group hereby provides shareholders with an update on the Restructuring Plan as reported in the Reviewed Condensed Consolidated Results of Stefanutti Stocks for the 12 months ended 28 February 2022 issued on 26 May 2022.

As previously reported, the Restructuring Plan has been approved by both the company's board of directors and the Lenders and envisages, inter alia:

- the sale of non-core assets;
- the sale of underutilised plant and equipment;
- the sale of certain operations;
- internal restructuring initiatives required to restore optimal operational and financial performance;
- the securing of additional short-term funding of R430 million, of which R270 million related to the negative effects of the national lockdown in March/April 2020;
- a favourable outcome from the processes relating to the contractual claims and compensation events on the Kusile power project;
- the restructuring of the short-term funding received to date from the Lenders into a loan; and
- evaluation of an optimal business model going forward and associated capital structure analysis including the potential of raising new equity.

In accordance with the Restructuring Plan, the Lenders had provided the requisite funding and converted the short-term funding agreement into a short-term loan on 1 July 2020. The group, on 21 February 2022, reached an agreement with the Lenders to extend the current capital repayment profile of the loan as well as its duration to 28 February 2023.

The loan bears interest at prime plus 5,4%, including arranging and facility fees, and is secured by special and general notarial bonds over movable assets, continuous covering mortgage bonds over immovable assets and various cessions. The short-term and funding loans do not contain any financial covenants but rather impose certain information and general undertakings.

Following the receipt of the initial purchase consideration of R92 million relating to the disposal of Al Tayer Stocks LLC, a capital repayment of R45 million was made on 15 November 2021.

The slower than anticipated sale of certain operations, the non-implementation of the Materials Handling and Tailings Management sub-divisions transaction and further delays in resolving contractual claims and compensation events on certain projects, resulted in capital loan repayments envisaged to commence from April 2022 not materialising. The group is currently in negotiations with the Lenders to extend the capital repayments of the loan to January and February 2023, with the residual loan balance remaining at approximately R420 million.

The Lenders have agreed to provide continued guarantee support for current and future projects being undertaken by the group. Management has made considerable progress in reconfiguring the group's organisational structure to improve operational performance and decrease overhead costs, including the reduction of the group's overall headcount. This is an ongoing process which continues as the various aspects of the Restructuring Plan are being implemented.

The purpose of the Restructuring Plan is to put in place an optimal capital structure and access to liquidity to position the group for long-term growth.

The Restructuring Plan is anticipated to be implemented over the financial year ending February 2023 and, to the extent required, shareholder approval will be sought for certain aspects of the Restructuring Plan. The group will continue to update shareholders on the progress of the various aspects of the Restructuring Plan.

The directors consider it appropriate that the group's results for the reporting period be prepared on the going-concern basis, taking into consideration:

- the current order book;
- imminent project awards;
- continuing operations executing the group's order book profitably;
- the availability of short- and mid-term projects;
- reaching favourable outcomes on contractual claims and compensation events on certain projects;
- having converted the short-term funding agreement with the Lenders to a loan terminating on 28 February 2023;
- the assumption of a successful completion of current negotiations with the Lenders relating to the extension of capital repayments of the loan to January and February 2023;
- continued support from the Lenders; and
- successfully implementing the Restructuring Plan.

2. GOING CONCERN CONTINUED

The funding provided by the Lenders has assisted with the group's liquidity, even though total liabilities continue to exceed total assets at 28 February 2022. The group believes it remains commercially solvent based on the cashflow projections included in the Restructuring Plan. However, uncertainties surrounding the contingent liabilities as noted in note 26 of these Annual Financial Statements for the year ended 28 February 2022, continue to indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern in the short term.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

3.1 CONTRACT REVENUE

	2022 R'000	Restated 2021 R'000
Within South Africa	**4 113 516**	3 177 308
Outside South Africa	**1 854 968**	1 514 451
Total contract revenue	**5 968 484**	4 691 759

3.2 DISAGGREGATED CONTRACT REVENUE

Revenue from contracts with customers can be further disaggregated as follows:

	Inland Region R'000	Coastal Region R'000	Western Cape Region R'000	Africa Region R'000	Mechanical Electrical Piping R'000	Total R'000
28 FEBRUARY 2022						
Within South Africa	**1 750 439**	**989 741**	**1 065 930**	**—**	**307 406**	**4 113 516**
Outside South Africa	**236 532**	**23 090**	**—**	**1 595 346**	**—**	**1 854 968**
	1 986 971	**1 012 831**	**1 065 930**	**1 595 346**	**307 406**	**5 968 484**
Private	**1 277 945**	**700 980**	**985 827**	**773 660**	**305 186**	**4 043 598**
Public	**709 026**	**311 851**	**80 103**	**821 686**	**2 220**	**1 924 886**
	1 986 971	**1 012 831**	**1 065 930**	**1 595 346**	**307 406**	**5 968 484**
28 FEBRUARY 2021 (RESTATED)						
Within South Africa	1 515 168	857 687	534 667	—	269 786	3 177 308
Outside South Africa	234 610	76 916	—	1 202 925	—	1 514 451
	1 749 778	934 603	534 667	1 202 925	269 786	4 691 759
Private	1 062 521	651 242	534 667	466 360	240 786	2 955 576
Public	687 257	283 361	—	736 565	29 000	1 736 183
	1 749 778	934 603	534 667	1 202 925	269 786	4 691 759

Revenue recognised at a point in time of R11 million (Feb 2021: R18 million) was from one group company, based in South Africa, in the private sector and cannot be further disaggregated.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS CONTINUED

	Inland Region R'000	Coastal Region R'000	Western Cape Region R'000	Africa Region R'000	Mechanical Electrical Piping R'000	Total R'000
28 FEBRUARY 2022						
Civils, earthworks and other (Segment A)	**1 715 803**	**531 017**	**10 822**	**1 314 845**	**307 406**	**3 879 893**
Roads and bridges	**139 627**	—	**670**	**190 511**	—	**330 808**
Dam, water and sanitation	**185 973**	**348 675**	**10 152**	**369 750**	—	**914 550**
Pipelines	**9 103**	—	—	—	—	**9 103**
Bulk earthworks and geotechnical services	**261 149**	**121 525**	—	**2 064**	—	**384 738**
Power stations and transmission infrastructure	**280 220**	—	—	—	—	**280 220**
Airports	—	—	—	**13 830**	—	**13 830**
Marine infrastructure	—	**33 540**	—	—	—	**33 540**
Rail infrastructure	**15 768**	—	—	**738 690**	—	**754 458**
Mines	**739 367**	—	—	—	**42 942**	**782 309**
Industrial process plants	**80 066**	**25 889**	—	—	**13 863**	**119 818**
Oil and gas	**4 530**	**1 388**	—	—	**250 601**	**256 519**
Residential (Segment B)	**188 234**	**24 321**	—	**15 952**	—	**228 507**
Low cost housing	**177 410**	**24 321**	—	—	—	**201 731**
Medium and high-end housing	**10 824**	—	—	**15 952**	—	**26 776**
Non-residential (Segment B)	**82 934**	**457 493**	**1 055 108**	**264 549**	—	**1 860 084**
Office and commercial space	—	**400**	**182 414**	**264 482**	—	**447 296**
Shopping and retail space	—	**294 971**	**115 821**	—	—	**410 792**
Hospitals and medical centres	—	**1 826**	**69 281**	—	—	**71 107**
Tourism and leisure facilities	**494**	**91 736**	—	—	—	**92 230**
Factories and warehouses	—	**68 560**	**592 938**	**67**	—	**661 565**
Power stations and transmission infrastructure	**82 440**	—	**94 654**	—	—	**177 094**
	1 986 971	**1 012 831**	**1 065 930**	**1 595 346**	**307 406**	**5 968 484**

3. REVENUE FROM CONTRACTS WITH CUSTOMERS CONTINUED

	Inland Region R'000	Coastal Region R'000	Western Cape Region R'000	Africa Region R'000	Mechanical Electrical Piping R'000	Total R'000
28 FEBRUARY 2021 (RESTATED)						
Civils, earthworks and other (Segment A)	1 568 801	584 478	—	1 202 925	269 786	3 625 990
Roads and bridges	216 445	21 586	—	181 532	—	419 563
Dam, water and sanitation	128 481	273 336	—	3 675	—	405 492
Pipelines	76 558	—	—	65 253	—	141 811
Bulk earthworks and geotechnical services	343 901	—	—	34 743	—	378 644
Power stations and transmission infrastructure	166 827	—	—	—	—	166 827
Airports	—	—	—	108 778	—	108 778
Marine infrastructure	14 283	116 486	—	—	—	130 769
Rail infrastructure	47 288	—	—	808 944	—	856 232
Mines	498 876	—	—	—	87 900	586 776
Industrial process plants	72 901	93 620	—	—	16 515	183 036
Oil and gas	3 241	79 450	—	—	165 371	248 062
Residential (Segment B)	118 278	—	—	—	—	118 278
Low cost housing	63 299	—	—	—	—	63 299
Medium and high-end housing	21 066	—	—	—	—	21 066
Apartment blocks and high-rise flats	33 913	—	—	—	—	33 913
Non-residential (Segment B)	62 699	350 125	534 667	—	—	947 491
Office and commercial space	39 816	8 256	483 458	—	—	531 530
Shopping and retail space	—	230 100	21 093	—	—	251 193
Hospitals and medical centres	—	—	21 416	—	—	21 416
Tourism and leisure facilities	1 326	93 832	—	—	—	95 158
Factories and warehouses	—	17 937	5 436	—	—	23 373
Mines	1 167	—	—	—	—	1 167
Power stations and transmission infrastructure	20 390	—	3 264	—	—	23 654
	1 749 778	934 603	534 667	1 202 925	269 786	4 691 759

3. REVENUE FROM CONTRACTS WITH CUSTOMERS CONTINUED

3.3 TRANSACTION PRICE ALLOCATED TO REMAINING PERFORMANCE OBLIGATIONS

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as follows:

	Inland Region R'000	Coastal Region R'000	Western Cape Region R'000	Africa Region R'000	Mechanical Electrical Piping R'000	Total R'000
28 FEBRUARY 2022						
Shorter than 12 months	**1 487 159**	**964 096**	**368 943**	**1 038 823**	**93 230**	**3 952 251**
Longer than 12 months	**705 942**	**120 738**	**289 397**	**54 866**	**—**	**1 170 943**
	2 193 101	**1 084 834**	**658 340**	**1 093 689**	**93 230**	**5 123 194**
28 FEBRUARY 2021 (RESTATED)						
Shorter than 12 months	1 406 311	715 951	880 860	1 446 261	136 116	4 585 499
Longer than 12 months	199 328	31 257	29 598	552 548	—	812 731
	1 605 639	747 208	910 458	1 998 809	136 116	5 398 230

The remaining performance obligations are expected to realise as indicated. Performance obligations longer than 12 months mostly relate to long-term contracts (that stretch between one to two years) in the Inland Region.

Significant long-term contracts include SMC So2 Abatement and Smelter Expansion, Mpophomeni Wastewater Treatment Works and Cape Flats Wastewater Treatment Works.

3.4 CONTRACT BALANCES

	2022 R'000	2021 R'000
Contract revenue		
Contract in progress (note 15)	**738 384**	610 758
Excess billings over work done (note15)	**909 550**	1 252 277
Trade receivables (note16)	**951 159**	1 106 091

Excess billings over work done include long and short-term advances received from clients to deliver construction related services. The movement in this value is dependent on the terms of contracts agreed with clients. There were no long term advances which result in no interest payable (2021: Rnil) (note 5).

Contracts in progress are recognised for revenue earned from construction related services and is conditional on certification and invoicing of work performed. Upon certification and invoicing, the amounts recognised as contracts in progress are reclassified to trade receivables. The increase in contracts in progress relates to a slower cycle in converting items from contracts in progress to trade receivables. The balance of expected credit losses provided for on contracts in progress amounted to R0,8 million (Feb 2021: R0,6 million) (note 15).

Trade receivables are generally on terms of 60 days and interest is charged as per agreements with individual clients. The value of trade receivables decreased mainly due to payments received from slow paying government debtors in the Inland and Africa regions. The balance of expected credit losses provided for on trade receivables amounted to R188 million (Feb 2021: R324 million) (note 16).

4. OTHER INCOME AND EBITDA

4.1 OTHER INCOME

	2022 R'000	Restated 2021 R'000
Net profit on disposal of property, plant and equipment (note 9)	**11 578**	8 520
Net profit on foreign exchange rate movements	**—**	8 714
Net gain on disposal of non-current assets held for sale (note 7)	**3 322**	2 094
Other income	**1 198**	371
Profit on sale of joint operation (note 23.4)	**—**	53 887
Profit on sale of subsidiary (note 23.3)	**—**	507
Project management fee and rental income from operating leases	**7 501**	12 718
	23 599	86 811

4.2 EBITDA

	2022 R'000	Restated 2021 R'000
Included in these expenses are:		
Auditors remuneration	**15 186**	11 988
Employee costs	**1 343 462**	1 417 696
— Short-term employee benefit costs	**1 294 905**	1 291 487
— Post-employment benefit costs	**38 254**	79 397
— Retrenchment cost	**10 303**	46 281
— Long-term employment benefits (note 19)	**—**	531
Expenses relating to leases	**53 452**	68 076
— Short-term lease (leases less than 12 months)	**52 833**	66 544
— Low value assets (assets with a new cost of R250 000 and less)	**619**	1 453
— Variable lease payments	**—**	79
Impairment of equity-accounted investees	**342**	58 533
Settlement liability — City of Cape Town	**27 552**	—
Restructuring costs and abnormal legal fees	**114 608**	126 328

5. INVESTMENT INCOME AND FINANCE COSTS

5.1 INVESTMENT INCOME

	2022 R'000	Restated 2021 R'000
Investment income from financial instruments held at amortised cost:		
— Bank accounts	**13 189**	19 675
— Trade receivables and loans	**5 801**	8 719
Other interest — South African Revenue Services	**11**	36
	19 001	28 430

5.2 FINANCE COSTS

	2022 R'000	Restated 2021 R'000
Finance costs from financial instruments held at amortised cost:		
— Bank overdrafts and bonds	**2 227**	3 027
— Lease liabilities	**3 941**	3 717
— Financing agreements (insurance, etc.)	**497**	1 535
— Joint operations	**112**	2 000
— Voluntary Rebuild Programme (deemed interest)	**8 456**	7 279
— Term Loan	**97 209**	91 663
— Trade payables	**30**	789
Other interest — South African Revenue Services & Kenya Revenue Authority	**410**	5 279
	112 882	115 289

6. TAXATION

6.1 TAXATION

	2022			Restated 2021		
	Local R'000	**Foreign R'000**	**Total R'000**	Local R'000	Foreign R'000	Total R'000
Current tax	**9 350**	**53 755**	**63 105**	1 915	61 648	63 563
— Current year	**332**	**38 319**	**38 651**	64	43 233	43 297
— Under provision previous year	**9 018**	**15 436**	**24 454**	1 851	18 415	20 266
Deferred tax	**24 261**	**(7 453)**	**16 808**	53 212	(24 992)	28 220
— Current year	**23 168**	**3 405**	**26 573**	63 931	(7 862)	56 069
— (Over)/under provision previous year	**1 093**	**(10 858)**	**(9 765)**	(10 719)	(17 130)	(27 849)
Withholding tax	**—**	**—**	**—**	—	1 604	1 604
Taxation	**33 611**	**46 302**	**79 913**	55 127	38 260	93 387

6. TAXATION CONTINUED

6.2 RECONCILIATION OF TAX CHARGE

	2022 R'000	Restated 2021 R'000
Tax at 28% on loss before taxation	**(51 472)**	(40 050)
Adjusted for:		
Tax relating to discontinued operations	**(4 468)**	(16 027)
Disallowable expenditure:		
— Goodwill impaired/fair value adjustments	**29 711**	7 309
— Settlement liability — City of Cape Town	**7 715**	—
— Deemed interest — Voluntary Rebuild Programme	**2 368**	2 038
— Professional fees	**352**	372
— Impairments of equity-accounted investees and other	**—**	12 001
— Penalties and fines	**5 919**	35
— Legal fees	**2 013**	2 051
— Other (overseas travel, fines, etc.)	**1 801**	2 130
— Losses from equity-accounted investees	**—**	2 373
Exempt income:		
— Unrealised foreign exchange transactions	**(118)**	(744)
— Other (share of profits of equity-accounted investees, etc.)	**(1 352)**	(2 646)
— Profit on disposal of subsidiary	**—**	(1 232)
Other:		
Change in tax rate	**461**	—
Deferred tax assets not raised on losses	**71 176**	136 883
Foreign tax rate differential	**(1 512)**	3 248
Special and future allowances	**—**	(388)
Capital Gains Tax differential	**3 278**	5 155
Over/underprovision previous year (note 6.1)	**14 689**	(7 583)
Tax losses utilised	**(648)**	(13 142)
Withholding taxes (note 6.1)	**—**	1 604
Effective tax	**79 913**	93 387

In relation to the change in tax rate, tax was recognised at 27% on deferred tax assets and liabilities that will realise in the year that the tax rate becomes effective.

7. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

7.1 RECONCILIATION OF THE CARRYING VALUE OF NON-CURRENT ASSETS HELD FOR SALE

Reconciliation of the carrying value of non-current assets held for sale:

	2022 R'000	2021 R'000
Non-current assets held for sale and disposal groups		
Disposal groups (note 7.2)	**587 488**	865 160
Property, plant and equipment (note 7.3)	**106 250**	187 908
Equity-accounted investee	**7 200**	—
	700 938	1 053 068
Liabilities directly associated with disposal groups		
Disposal groups (note 7.2)	**178 228**	252 907
Financial liabilities	**—**	31 820
	178 228	284 727

7.2 DISCONTINUED OPERATIONS AND DISPOSAL GROUPS

In line with the Restructuring Plan, the group has initiated a disposal programme to sell certain operations which have accordingly been classified as discontinued operations. These disposals, including certain foreign operations, are expected to be concluded within the next 12 months.

Shareholders are referred to the announcement released on 23 August 2021 advising that not all conditions precedent relating to the sale of the Materials Handling and Tailings Management disciplines had been fulfilled or waived and consequently the disposal could not be implemented. These disciplines have been retained and therefore, reclassified as part of continuing operations.

The Contract Mining discipline has been wound down from October 2021 and has subsequently been classified as a discontinued operation.

Due to these changes, the comparative period has been restated in the Statement of Profit or Loss and Other Comprehensive Income. The reclassification of disposal groups and their reserves impacted the Statement of Changes in Equity which has also been restated.

The disposal of Al Tayer Stocks LLC remains conditional, even though the initial purchase consideration of R92 million was received. The carrying value of R168 million is classified as part of non-current assets held for sale, after recognising a fair value adjustment of R76 million. Al Tayer Stocks LLC is included within discontinued operations as it represents a geographical area in which the group operated.

A fair value adjustment of R62 million was recognised relating to the foreign operation held for sale.

The financial performance, reportable assets and reportable liabilities are presented within the Africa, Coastal and Inland Regions, as well as Al Tayer Stocks LLC which is disclosed as a reconciling segment.

7. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS CONTINUED

STATEMENT OF FINANCIAL POSITION

	2022 R'000			2021 R'000		
	Local operations SA	**Foreign operations SA**	**Total**	Local operations SA*	Foreign operations SA	Total
Non-current assets	**2**	**445 883**	**445 885**	43 587	513 238	556 825
Property, plant and equipment	**2**	**277 658**	**277 660**	10 764	233 946	244 710
Goodwill	**—**	**—**	**—**	32 823	—	32 823
Deferred tax assets	**—**	**—**	**—**	—	11 603	11 603
Equity-accounted Investee – Al Tayer Stocks LLC^	**—**	**168 225**	**168 225**	—	267 689	267 689
Current assets	**2 081**	**201 362**	**203 443**	56 802	251 533	308 335
Inventories	**37**	**97 856**	**97 893**	430	86 385	86 815
Contracts in progress	**—**	**17 713**	**17 713**	625	4 950	5 575
Trade and other receivables	**550**	**50 179**	**50 729**	46 431	77 483	123 914
Taxation	**—**	**1 172**	**1 172**	—	403	403
Bank balances	**1 494**	**34 442**	**35 936**	9 316	82 312	91 628
	2 083	**647 245**	**649 328**	100 389	764 771	865 160
Less: Fair value adjustment — Disposal group	**—**	**(61 840)**	**(61 840)**	—	—	—
Total assets	**2 083**	**585 405**	**587 488**	100 389	764 771	865 160
Non-current liabilities	**—**	**—**	**—**	—	386	386
Financial liabilities	**—**	**—**	**—**	—	386	386
Current liabilities	**4 340**	**173 888**	**178 228**	43 066	209 455	252 521
Financial liabilities	**—**	**461**	**461**	408	306	714
Trade and other payables	**4 198**	**114 473**	**118 671**	39 944	147 873	187 817
Excess billings over work done	**—**	**35 604**	**35 604**	—	53 409	53 409
Provisions	**142**	**11 913**	**12 055**	2 714	7 867	10 581
Bank balances	**—**	**11 437**	**11 437**	—	—	—
Total liabilities	**4 340**	**173 888**	**178 228**	43 066	209 841	252 907

* Included is the Materials Handling and Tailings Management disciplines which have been reclassified to continuing operations in the current year.
^ The movement of the Equity-accounted investee Al Tayer Stocks LLC can be reconciled as follows;

	2022 R'000	2021 R'000
Equity-accounted investee — Al Tayer Stocks LLC	**168 225**	267 689
Opening balance	**267 689**	—
Transfer from equity-accounted investee	**—**	267 689
Foreign exchange movement	**(23 863)**	—
Fair value adjustment	**(75 601)**	—

7. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS CONTINUED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2022 R'000			2021 R'000		
	Discontinued* operation	**Disposal groups**	**Total**	Discontinued* operation	Disposal groups	Total
Contract revenue	**74 748**	**271 861**	**346 609**	694 894	520 702	1 215 596
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**7 258**	**6 385**	**13 643**	17 894	15 235	33 129
Depreciation	**(10 058)**	**—**	**(10 058)**	(57 978)	(3 324)	(61 302)
Fair value adjustments	**(517)**	**(137 441)**	**(137 958)**	—	(3 884)	(3 884)
Impairment of assets (note 9)	**—**	**—**	**—**	(7 279)	—	(7 279)
Operating (loss)/profit before investment income	**(3 317)**	**(131 056)**	**(134 373)**	(47 363)	8 027	(39 336)
Investment income	**154**	**567**	**721**	598	3 354	3 952
Share of profit of equity-accounted investees	**—**	**—**	**—**	—	5 707	5 707
Operating (loss)/profit before finance costs	**(3 163)**	**(130 489)**	**(133 652)**	(46 765)	17 088	(29 677)
Finance costs	**(2 772)**	**(217)**	**(2 989)**	(19 054)	(2 367)	(21 421)
(Loss)/profit before taxation	**(5 935)**	**(130 706)**	**(136 641)**	(65 819)	14 721	(51 098)
Taxation	**—**	**(14 825)**	**(14 825)**	—	(2 662)	(2 662)
(Loss)/profit for the year	**(5 935)**	**(145 531)**	**(151 466)**	(65 819)	12 059	(53 760)
Other comprehensive income	**—**	**8 002**	**8 002**	—	(36 232)	(36 232)
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss))	**—**	**8 002**	**8 002**	—	(43 731)	(43 731)
Reclassification of foreign currency translation reserve on disposal of foreign subsidiary	**—**	**—**	**—**	—	7 499	7 499
Total comprehensive income	**(5 935)**	**(137 529)**	**(143 464)**	(65 819)	(24 173)	(89 992)
(Loss)/profit attributable to:	**(5 935)**	**(145 531)**	**(151 466)**	(65 819)	12 059	(53 760)
Equity holders of the company	**(5 935)**	**(145 531)**	**(151 466)**	(65 819)	15 214	(50 605)
Non-controlling interest	**—**	**—**	**—**	—	(3 155)	(3 155)
Total comprehensive income attributable to:	**(5 935)**	**(137 529)**	**(143 464)**	(65 819)	(24 173)	(89 992)
Equity holders of the company	**(5 935)**	**(137 529)**	**(143 464)**	(65 819)	(18 016)	(83 835)
Non-controlling interest	**—**	**—**	**—**	—	(6 157)	(6 157)
Earnings and diluted earnings per share (cents)			**(90,57)**			(30,26)
Headline and diluted headline earnings per share (cents)			**(18,79)**			(33,27)
The (loss)/profit is arrived after taking into account the following:						
Employee benefits			**255 752**			489 837
Net expected credit losses			**222**			(1 996)
Loss/(profit) on disposal of plant and equipment			**1**			(17 768)
Gain on disposal of non-current assets held for sale			**(24 692)**			(6 054)

* Discontinued operation relates to the Contract Mining sub-discipline which was wound down in October 2021. Although not included within disposal groups as it is not a non-current asset held for sale but an abandoned operation in the current year, the results are disclosed as part of discontinued operations. Disposal groups relate to the foreign entity and the Al Tayer Stocks LLC equity-accounted investee which are held for sale.

7. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS CONTINUED

NET CASH FLOWS FROM DISCONTINUED OPERATIONS

	2022 R'000	Restated 2021 R'000
Net movement from operating activities	**(16 136)**	22 856
Net movement from investing activities	**1 084**	190 797
Net movement from financing activities	**6 663**	(232 311)
Effects of exchange rate changes on cash and cash equivalents	**(8 654)**	6 703
Net movement in cash	**(17 043)**	(11 955)

HEADLINE EARNINGS RECONCILIATION

	2022 R'000	Restated 2021 R'000
Loss after taxation attributable to equity holders of the company	**(151 466)**	(50 605)
Adjusted for:		
Loss/(profit) on disposal of plant and equipment	**1**	(17 768)
Gain on disposal of non-current assets held for sale	**(24 692)**	(6 054)
Fair value adjustments	**137 958**	3 884
Loss on disposal of subsidiary (note 23.3)	**—**	2 200
Impairment of plant and equipment	**—**	7 279
Net tax effect	**6 774**	5 426
Headline earnings	**(31 425)**	(55 638)
Number of weighted and diluted average shares in issue	**167 243 684**	167 243 684
Headline earnings and diluted headline earnings per share (in cents)	**(18,79)**	(33,27)

7. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS CONTINUED

DISAGGREGATION OF CONTRACT REVENUE

	Discontinued operations	Disposal groups			
	Inland R'000	Inland R'000	Coastal R'000	Africa R'000	Total R'000
2022					
Geographic					
Within South Africa	**74 748**	—	—	—	**74 748**
Outside South Africa	—	—	**16 379**	**255 482**	**271 861**
	74 748		**16 379**	**255 482**	**346 609**
Sector					
Private	**74 748**	—	**16 379**	**255 482**	**346 609**
	74 748	—	**16 379**	**255 482**	**346 609**
2021					
Geographic					
Within South Africa	694 894	(865)	—	—	694 029
Outside South Africa	—	18 193	17 524	485 850	521 567
	694 894	17 328	17 524	485 850	1 215 596
Sector					
Private	694 894	—	17 524	485 850	1 198 268
Public	—	17 328	—	—	17 328
	694 894	17 328	17 524	485 850	1 215 596

	2022				Restated 2021			
	Discontinued operations	**Disposal groups**			Discontinued operations	Disposal groups		
	Inland region R'000	**Coastal region R'000**	**Africa region R'000**	**Total R'000**	Inland region R'000	Inland region R'000	Africa region R'000	Total R'000
Civils, earthworks and other (Segment A)	**74 748**	**16 379**	—	**91 127**	694 894	(5 240)	—	689 654
Marine infrastructure	—	**16 379**	—	**16 379**	—	—	—	—
Mines	**74 748**	—	—	**74 748**	694 894	(5 240)	—	689 654
Residential (Segment B)	—	—	**10 514**	**10 514**	—	—	—	—
Medium and high-end housing	—	—	**10 514**	**10 514**	—	—	—	—
Non-residential (Segment B)	—	—	**244 968**	**244 968**	—	—	525 942	525 942
Office and commercial space	—	—	**225 022**	**225 022**	—	—	306 378	306 378
Sporting facilities	—	—	**171**	**171**	—	—	44 061	44 061
Factories and warehouses	—	—	**5 030**	**5 030**	—	—	152 730	152 730
Mines	—	—	**14 745**	**14 745**	—	—	22 773	22 773
	74 748	**16 379**	**255 482**	**346 609**	694 894	(5 240)	525 942	1 215 596

7. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS CONTINUED

SEGMENT INFORMATION

	Discontinued operations	Disposal groups				
	Inland region R'000	Inland region R'000	Coastal region R'000	Africa region R'000	Reconciling segment — Al Tayer Stocks LLC R'000	Total R'000
2022						
Contract revenue	**74 748**	—	**16 379**	**255 482**	—	**346 609**
Depreciation	**(10 058)**	—	—	—	—	**(10 058)**
Net expected credit loss on financial assets	—	—	—	**(222)**	—	**(222)**
Reportable segment operating loss	**(3 317)**	**1**	**(1 094)**	**(54 360)**	**(75 603)**	**(134 373)**
Investment income	**154**	—	—	**567**	—	**721**
Finance cost	**(2 772)**	—	—	**(217)**	—	**(2 989)**
Taxation	—	—	**350**	**(15 175)**	—	**(14 825)**
Reportable segment loss	**(5 935)**	—	**(744)**	**(69 186)**	**(75 601)**	**(151 466)**
Reportable segment assets	—	—	—	**419 263**	**168 225**	**587 488**
Reportable segment liabilities	—	—	—	**178 228**	—	**178 228**
2021 RESTATED						
Contract revenue	694 894	17 328	17 524	485 850	—	1 215 596
Depreciation	(57 978)	—	—	(3 324)	—	(61 302)
Net expected credit loss on financial assets	1 740	—	—	256	—	1 996
Reportable segment operating (loss)/profit	(47 363)	1 376	(1 739)	8 390	—	(39 336)
Investment income	598	—	—	3 354	—	3 952
Finance cost	(19 054)	—	—	(2 367)	—	(21 421)
Share of profits of equity-accounted investees	—	—	—	—	5 707	5 707
Taxation	—	(1 653)	(440)	(569)	—	(2 662)
Reportable segment (loss)/profit	(65 819)	(826)	(2 180)	9 358	5 707	(53 760)
Reportable segment assets	96 080	—	—	501 391	267 689	865 160
Reportable segment liabilities	33 908	—	—	218 999	—	252 907

7. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS CONTINUED

7.3 NON-CURRENT ASSETS HELD FOR SALE

The following items of property, plant and equipment were reclassified as held for sale as the group is actively marketing these assets and is expected to dispose of these within a year. Current market conditions, impacted by COVID-19, resulted in the delay of these disposals. The group remains committed to the sale processes as envisaged in the Restructuring Plan.

Property, plant and equipment

	Regions	**2022 R'000**	2021 R'000
Land and buildings	Inland and MEP	**31 293**	47 435
Transport and motor vehicles	Inland and Coastal	**167**	138
Plant and equipment	Inland, Coastal and Western Cape	**74 790**	140 335
		106 250	187 908
Opening balance		**187 908**	—
Transfer from property, plant and equipment (note 9)		**71 708**	218 985
Disposal of property, plant and equipment		**(125 415)**	(31 077)
Impairment recognised against revaluation reserve		**(531)**	—
Fair value adjustments recognised in profit or loss — continuing operations		**(26 903)**	—
Fair value adjustments , discontinued operations (note 7.2)		**(517)**	—

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

	Total operations		**Continuing operations**	
Cents per share	**2022**	2021	**2022**	Restated 2021
EPS — Basic and diluted	**(248,27)**	(171,62)	**(157,70)**	(141,36)
HEPS — Basic and diluted	**(97,07)**	(155,13)	**(78,28)**	(121,87)
Net asset value and diluted net asset value per ordinary share	**(53,83)**	210,81		
Net tangible asset value and diluted net tangible asset value per ordinary share	**(216,69)**	4,13		

	2022 R'000	Restated 2021 R'000
Loss/asset values attributable to:		
EPS — Basic and diluted — Total operations	**(415 208)**	(287 027)
HEPS — Basic and diluted — Total operations	**(162 350)**	(259 450)
EPS — Basic and diluted — Continuing operations	**(263 742)**	(236 422)
HEPS — Basic and diluted — Continuing operations	**(130 925)**	(203 812)
EPS — Basic and diluted — Discontinued operations	**(151 466)**	(50 605)
HEPS — Basic and diluted — Discontinued operations	**(31 425)**	(55 638)
Net asset value	**(90 019)**	352 568
Net tangible asset value	**(362 395)**	6 904

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

	Weighted average shares		As at February	
	HEPS and EPS 2022	HEPS and EPS 2021	**NAV 2022**	NAV 2021
Shares used for EPS, HEPS and NAV				
Basic and diluted	**167 243 684**	167 243 684	**167 243 684**	167 243 684
Reconciliation of 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	**(14 407 132)**	(14 407 132)	**(14 407 132)**	(14 407 132)
Number of shares used for EPS, HEPS and NAV	**167 243 684**	167 243 684	**167 243 684**	167 243 684

TOTAL OPERATIONS

	Gross amount 2022 R'000	**Net amount 2022 R'000**	Gross amount 2021 R'000	Net amount 2021 R'000
Headline earnings reconciliation				
Loss after taxation attributable to equity holders of the company		**(415 208)**		(287 027)
Adjusted for:				
Profit on disposal of plant and equipment (note 4,7)	**(11 577)**	**(8 324)**	(26 288)	(18 246)
Gain on disposal of non-current assets held for sale (note 4,7)	**(28 014)**	**(20 170)**	(8 148)	(5 867)
Fair value adjustments (note 7,12)*	**164 096**	**157 505**	32 029	30 214
Net loss on disposal of subsidiary (note 23.3)		**—**		1 693
Reversal of gain previously recognised on sale of subsidiary (note 23.3)		**507**		—
Profit on sale of joint operation (note 23.4)		**—**		(53 887)
Impairment of goodwill (note 12)		**106 111**		—
Impairment of equity-accounted investees (note 4)		**342**		58 533
Impairment of Property, plant and equipment (note 9)	**21 367**	**16 887**		15 137
		(162 350)		(259 450)

* Also included is a fair value adjustment relating to an equity-accounted investee.

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

CONTINUING OPERATIONS

	Gross amount 2022 R'000	**Net amount 2022 R'000**	Gross amount 2021 R'000	Restated Net amount 2021 R'000
Headline earnings reconciliation				
Loss after taxation attributable to equity holders of the company		**(263 742)**		(236 422)
Adjusted for:				
Profit on disposal of plant and equipment (note 4)	**(11 578)**	**(8 323)**	(8 520)	(5 452)
Gain on disposal of non-current assets held for sale (note 4)	**(3 322)**	**(2 393)**	(2 094)	(1 508)
Fair value adjustments (note 7,12)*	**26 138**	**19 686**	28 145	27 573
Net profit on disposal of subsidiary (note 23)		**—**		(507)
Reversal of gain previously recognised on sale of subsidiary		**507**		—
Profit on sale of joint operation (note 23.4)		**—**		(53 887)
Impairment of goodwill (note 12)		**106 111**		—
Impairment of equity-accounted investees (note 4)		**342**		58 533
Impairment of Property, plant and equipment (note 9)	**21 367**	**16 887**		7 858
		(130 925)		(203 812)

* Also included is a fair value adjustment relating to an equity-accounted investee.

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise owned and leased assets that do not meet the definition of investment property.

	2022 R'000	2021 R'000
9.1 Owned assets	**414 956**	493 290
9.2 Right-of-use assets	**51 381**	115 121
Instalment sales	**4 440**	61 492
Other	**46 941**	53 629
Total	**466 337**	608 411

Mortgage bonds have been registered over certain properties and special notarial bonds over certain items of plant as security for the loans provided for the group as disclosed in note 20.

9. PROPERTY, PLANT AND EQUIPMENT CONTINUED

9.1 OWNED ASSETS

	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
28 FEBRUARY 2022					
Cost/valuation	**186 857**	**67 594**	**849 799**	**24 694**	**1 128 944**
Accumulated depreciation	**—**	**(58 593)**	**(634 830)**	**(20 565)**	**(713 988)**
Carrying value at year-end	**186 857**	**9 001**	**214 969**	**4 129**	**414 956**
28 FEBRUARY 2021					
Cost/valuation	207 201	72 884	940 086	77 117	1 297 288
Accumulated depreciation	(695)	(61 860)	(670 584)	(70 859)	(803 998)
Carrying value at year-end	206 506	11 024	269 502	6 258	493 290

Reconciliation of the carrying value of owned assets:

	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
28 FEBRUARY 2022					
Carrying value at the beginning of the year	**206 506**	**11 024**	**269 502**	**6 258**	**493 290**
Additions	**8 492**	**797**	**7 866**	**1 163**	**18 318**
Disposals	**—**	**(1 524)**	**(9 189)**	**(259)**	**(10 972)**
Depreciation	**(2 302)**	**(2 148)**	**(38 652)**	**(3 073)**	**(46 175)**
Foreign exchange movement	**(764)**	**(4)**	**314**	**39**	**(415)**
Transfer from right-of-use assets	**—**	**981**	**45 406**	**—**	**46 387**
Impairment losses on revaluation of owned assets recognised in the statement of profit or loss	**(21 367)**	**—**	**—**	**—**	**(21 367)**
Revaluation deficit on remeasurement of owned assets recognised against revaluation reserve	**(3 160)**	**—**	**—**	**—**	**(3 160)**
Transfer from disposal groups (note 7)	**1 691**	**65**	**9 001**	**1**	**10 758**
Transfer to non-current assets held for sale (note 7)	**(2 239)**	**(190)**	**(69 279)**	**—**	**(71 708)**
Carrying value at year-end	**186 857**	**9 001**	**214 969**	**4 129**	**414 956**

9. PROPERTY, PLANT AND EQUIPMENT CONTINUED

	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
28 FEBRUARY 2021					
Carrying value at the beginning of the year	569 260	19 886	387 068	11 189	987 403
Additions	13 859	1 330	4 954	2 762	22 905
Disposals	(40)	(2 000)	(86 097)	(287)	(88 424)
Disposal of subsidiary (note 23)	—	—	(11 742)	—	(11 742)
Assets scrapped	—	—	(5)	—	(5)
Depreciation	(747)	(3 402)	(53 290)	(6 366)	(63 805)
Foreign exchange movement	(40 958)	(711)	(5 086)	(124)	(46 879)
Transfer from right-of-use assets	—	348	212 852	—	213 200
Transfer to inventories	—	—	(363)	—	(363)
Impairment losses on remeasurement of non-current assets held for sale recognised against revaluation reserve	(35 457)	—	—	—	(35 457)
Impairment loss on remeasurement of non-current assets held for sale recognised in the statement of profit or loss	(14 212)	(10)	(915)	—	(15 137)
Transfer to non-current assets held for sale (note 7)	(68 667)	(441)	(149 877)	—	(218 985)
Transfer to disposal groups (note 7)	(216 532)	(3 976)	(27 997)	(916)	(249 421)
Carrying value at the beginning of the year	(256 956)	(4 459)	(40 449)	(1 339)	(303 203)
Additions	(395)	(500)	(125)	(18)	(1 038)
Disposals	40	50	360	40	490
Disposal of subsidiary (note 23)	—	—	11 742	—	11 742
Depreciation	159	335	2 778	292	3 564
Foreign exchange movement	40 620	598	2 863	109	44 190
Transfer from right-of-use assets	—	—	(5 166)	—	(5 166)
Carrying value at year-end	206 506	11 024	269 502	6 258	493 290

Had land and buildings been carried at cost, the carrying value of land and buildings (including those held for sale and discontinued operations) would have been R473 million (February 2021: R426 million).

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

9. PROPERTY, PLANT AND EQUIPMENT CONTINUED

9.2 RIGHT-OF-USE ASSETS

	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
28 FEBRUARY 2022					
Cost	**62 377**	**4 296**	**5 870**	**352**	**72 895**
Instalment sales	**—**	**4 296**	**5 870**	**—**	**10 166**
Other	**62 377**	**—**	**—**	**352**	**62 729**
Accumulated depreciation	**(15 524)**	**(2 600)**	**(3 126)**	**(264)**	**(21 514)**
Instalment sales	**—**	**(2 600)**	**(3 126)**	**—**	**(5 727)**
Other	**(15 524)**	**—**	**—**	**(264)**	**(15 787)**
Carrying value at year-end	**46 853**	**1 696**	**2 744**	**88**	**51 381**
28 FEBRUARY 2021					
Cost	66 347	23 192	165 129	353	255 021
Instalment sales	—	6 718	77 720	—	84 438
Other	66 347	16 474	87 409	353	170 583
Accumulated depreciation	(13 403)	(19 023)	(107 280)	(194)	(139 900)
Instalment sales	—	(3 064)	(19 882)	—	(22 946)
Other	(13 403)	(15 959)	(87 398)	(194)	(116 954)
Carrying value at year-end	52 944	4 169	57 849	159	115 121

Reconciliation of the carrying value of right-of-use assets:

	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
28 FEBRUARY 2022					
Carrying value at the beginning of the year	**52 944**	**4 169**	**57 849**	**159**	**115 121**
Instalment sales	**—**	**3 654**	**57 839**	**—**	**61 493**
Other	**52 944**	**515**	**10**	**159**	**53 628**
Additions	**865**	**—**	**—**	**—**	**865**
Other	**865**	**—**	**—**	**—**	**865**
Modifications	**27**	**(56)**	**(31)**	**—**	**(60)**
Instalment sales	**—**	**(1)**	**(31)**	**—**	**(32)**
Other	**27**	**(55)**	**—**	**—**	**(28)**
Depreciation	**(6 983)**	**(1 436)**	**(9 668)**	**(71)**	**(18 158)**
Instalment sales	**—**	**(982)**	**(9 658)**	**—**	**(10 640)**
Other	**(6 983)**	**(454)**	**(10)**	**(71)**	**(7 518)**
Transfer to owned assets	**—**	**(981)**	**(45 406)**	**—**	**(46 387)**
Instalment sales	**—**	**(975)**	**(45 406)**	**—**	**(46 381)**
Other	**—**	**(6)**	**—**	**—**	**(6)**
Carrying value at year-end	**46 853**	**1 696**	**2 744**	**88**	**51 381**

9. PROPERTY, PLANT AND EQUIPMENT CONTINUED

	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
28 FEBRUARY 2021					
Carrying value at the beginning of the year	5 316	10 507	587 863	229	603 915
Instalment sales	—	5 353	297 167	—	302 520
Other	5 316	5 154	290 696	229	301 395
Additions	54 869	63	11 669	—	66 601
Instalment sales	—	—	11 649	—	11 649
Other	54 869	63	20	—	54 952
Additions due to business combinations (note 28)	80	—	—	—	80
Other	80	—	—	—	80
Foreign exchange movement	(63)	—	—	—	(63)
Other	(63)	—	—	—	(63)
Modifications	(174)	—	(272 237)	—	(272 411)
Other	(174)	—	(272 237)	—	(272 411)
Depreciation	(6 173)	(6 053)	(56 290)	(70)	(68 586)
Instalment sales	—	(1 351)	(38 125)	—	(39 476)
Other	(6 173)	(4 702)	(18 165)	(70)	(29 110)
Transfer to owned assets	—	(348)	(212 852)	—	(213 200)
Transfer to disposal groups (note 7)	(911)	—	(304)	—	(1 215)
Carrying value at the beginning of the year	(1 838)	—	(5 635)	—	(7 473)
Depreciation	711	—	165	—	876
Foreign exchange movement	63	—	—	—	63
Modifications	153	—	—	—	153
Transfer to owned assets	—	—	5 166	—	5 166
Carrying value at year-end	52 944	4 169	57 849	159	115 121

10. EQUITY-ACCOUNTED INVESTEES

The below information relates to two equity-accounted investees: a Public-private partnership based in Botswana and a local property development company.

	2022 R'000	2021 R'000
Carrying amount	**27 405**	25 703
Group's share of profit/(loss) after taxation	**8 958**	(1 323)
Other comprehensive income — foreign currency translation reserve	**(870)**	223
Group's share of total comprehensive income	**8 088**	(1 100)
Dividends received	**896**	1 565

11. JOINT OPERATIONS

A portion of the group's operations are performed through joint operations as unincorporated arrangements such as partnerships and contractual arrangements. Joint operations are dissolved at the end of a contract for which it was formed. A loss of interest is therefore in the ordinary course of business. New joint operations are formed when new contracts are awarded to ensure a contract can be executed effectively. Additional information relating to the group's significant joint operations is provided below:

	Nature of joint operations	Principal place of business	**Group's % interest 2022**	Group's % interest 2021
Name of joint operations				
Stefanutti Stocks Botani/Axsys — Mercedes-Benz Logistics Building	Building	Eastern Cape	**58**	58
Stefanutti Stocks Axsys/Simunye — Mercedes Benz Bodyshop	Building	Eastern Cape	**56**	56
Stefstocks Axsys Projects — Substation South 32	Building	Gauteng	**50**	50
Johannes Ranala Stefstocks — Gabonewe Housing Estate Development Phase 1	Building	Gauteng	**59**	59
Stefanutti Masibone — Mapulaneng Hospital Phase 3C	Building	Gauteng	**70**	70
Stefanutti Stocks Building/AP Park Square — Park Square	Building	KwaZulu-Natal	**80**	80
FISH — Five Star Hotel	Building	Eswatini	**44**	44
Sikhupe International Airport — Sikhupe International Airport	Building	Eswatini	**40**	40
Montys Eswatini — Plumbing on various building contracts	Building	Eswatini	**50**	50
SSAS 2 — BRT Stations	Civils	Gauteng	**60**	60
SAM — Zuikerbosch Sedimentation	Civils	Gauteng	**80**	80
Zuikerbosch Consortium — Zuikerbosch Sedimentation	Civils	Gauteng	**56**	56
SS Civeng GG66 — Exxaro Stockyard and Conveyors	Civils	Gauteng	**80**	80
SS Axsys GG6 — Substation Buildings	Civils	Gauteng	**70**	70
SS Mathebula Mokotong — Mathebula & Mokotong construction	Civils	Gauteng	**70**	70
SS Ergoflex — Polokwane SO2 abatement project	Civils	Limpopo	**70**	70
Kusile Civils Works — Kusile Power Station	Civils	Mpumalanga	**50**	50
Stefanutti Stocks Heinsite — Palapye Water Treatment	Civils	Botswana	**70**	70
Stefanutti Stocks VJ — Building tanks	Mechanical Electrical Piping	KwaZulu-Natal	**50**	50
BRT WP3 — BRT Stations	Roads and Earthworks	KwaZulu-Natal	**60**	60
Stefanutti Stocks Letsatsi — C25 Pipelines	Roads and Earthworks	KwaZulu-Natal	**56**	56
SS Axsys Klipspruit — Klipspruit extension WP16	Roads and Earthworks	Mpumalanga	**58**	58
Stefanutti Stocks Axsys Mareesburg — Mareesburg Phase 2	Roads and Earthworks	Mpumalanga	**75**	75
Stefanutti Stocks Consolidated Contractors — Kalabo-Sikongo Road Project	Roads and Earthworks	Zambia	**50**	50

12. GOODWILL

	28 February 2022	28 February 2021		
	Goodwill R'000	Goodwill R'000	Intangible assets — customer related R'000	Total R'000
Cost	**1 173 490**	1 232 416	2 653	1 235 069
Accumulated impairment	**(933 937)**	(827 826)	—	(827 826)
Accumulated amortisation	**—**	—	(2 653)	(2 653)
Transfer from/(to) non-current assets held for sale (note 7)	**32 823**	(58 926)	—	(58 926)
Carrying value at year-end	**272 376**	345 664	—	345 664
Reconciliation of the carrying value of goodwill and intangible assets:				
Carrying value at the beginning of the year	**345 664**	404 590	1 340	405 930
Additions due to business combinations (note 28)	**—**	—	1 313	1 313
Impairment	**(106 111)**	—	—	—
Amortisation	**—**	—	(2 314)	(2 314)
Amortisation — discontinued operations (note 7)	**—**	—	(339)	(339)
Transfer from/(to) non-current assets held for sale (note 7)	**32 823**	(58 926)	—	(58 926)
Carrying value at year-end	**272 376**	345 664	—	345 664

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

For purposes of impairment testing, goodwill is allocated to the group's operating disciplines 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)	
	2022 R'000	2021 R'000	**2022 %**	2021 %	**2022 %**	2021 %	**2022 %**	2021 %
Cash-generating units								
Stefanutti Stocks Coastal	**50 704**	50 704	**2**	2	**7**	10	**14,3**	12,7
Stefanutti Stocks Building (Stocks Limited)	**211 209**	294 960	**2**	2	**7**	24	**14,3**	12,1
Stefanutti Stocks Mining Services	**10 463**	—	**2**	—	**14**	—	**14,3**	—
	272 376	345 664						

These CGUs noted above cannot be directly linked to the operating segments as disclosed in the segment information in note 24, as the above CGUs are representative of acquisitions made whereas the operating segments represent the regions 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 was based on its value in use and was determined to be higher than the carrying amount.

In line with the Restructuring Plan, the group has initiated a disposal programme to sell certain operations which have accordingly been classified as discontinued operations. These disposals included the Mining Services division, and consequently the goodwill of R59 million associated with the Mining Services division had been transferred to non-current assets held for sale as at 28 February 2021 and a fair value adjustment of R26 million was recognised.

12. GOODWILL CONTINUED

A fair value adjustment of R26 million was recognised on re-classification. On 23 August 2021, not all conditions precedent relating to the sale of the Materials Handling and Tailings Management disciplines had been fulfilled or waived and consequently the disposal could not be implemented. Subsequently, R33 million of goodwill was transferred from non-current assets held for sale.

This non-implementation of the sale transaction negatively impacted on the operations orderbook, resulting in the recognition of an impairment of R22 million.

An impairment of R84 million was recognised relating to the Stocks Limited acquisition (Stefanutti Stocks Building). This impairment was caused by the right-sizing and refocusing of the former Gauteng Building division due to a declining orderbook.

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) increased due to a increase in the beta from 0,18 to 0,53. The beta coefficient is a measure of the volatility, or systematic risk, of an individual stock in comparison to the unsystematic risk of the entire market. The risk-free rate of return (R186) increased from 9,10% to 9,44% from prior year.

Revenue forecasts were used as the basis for determining the value assigned to each CGU. The AAARG (B) included in the cash flow projections is an average for the years 2023 to 2026. The values assigned to the key assumptions represent management's assessment of the CGUs and are based on both external and internal sources as well as past experience.

SENSITIVITY ANALYSIS FOR 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		Stefanutti Stocks Coastal		Stefanutti Stocks Mining	
	Growth rate % 1,0 R'000	Growth rate % 3,0 R'000	Growth rate % 1,0 R'000	Growth rate % 3,0 R'000	Growth rate % 1,0 R'000	Growth rate % 3,0 R'000
13,3%	4 457	35 998	5 805	46 359	2 845	20 887
15,3%	(26 660)	(5 104)	(34 354)	(6 638)	(15 083)	(2 753)

13. DEFERRED TAX ASSETS

	2022 R'000	2021 R'000
Includes:		
Property, plant and equipment	**(74 728)**	(129 613)
Provisions	**195 110**	183 661
Leases	**14 308**	15 315
Retentions	**(442)**	7 793
Expected credit loss (ECL)	**19 780**	48 264
Future allowances	**(64 720)**	(102 418)
Excess billings over work done	**182 262**	180 988
Work-in-progress	**(129 367)**	(51 140)
Prepaid expenses	**(2 221)**	(1 230)
Calculated losses	**77 098**	80 252
	217 080	231 872
Carrying value at the beginning of the year	**231 872**	266 776
Temporary differences — continuing operations (note 6)	**(16 808)**	(28 220)
Temporary differences — discontinued operations	**—**	107
Arising due to business combinations (note 28)	**—**	(169)
Realisation of revaluation reserve (note 9)	**2 602**	7 908
Transfer from/to non-current assets held for sale	**(872)**	(11 603)
Foreign exchange	**286**	(2 927)
Carrying value at year-end	**217 080**	231 872

Tax losses for which no deferred tax asset has been raised can be summarised as follows:

Country	Tax rate %	2022 R'000	2021 R'000	Expiry date
Eswatini	27,5	**1 273**	80	None
Kenya	30	**2 407**	8 000	Utilise within 10 years
Lesotho	25	**—**	556	None
Ghana	25	**4 560**	—	Utilise within 3 years
Tanzania	30	**133**	—	None
Namibia	32	**1 366**	492	None
Guinea	25	**3 148**	—	Utilise within 3 years
Mauritius	15	**180**	3 373	Utilise within 5 years
South Africa	28	**244 864**	479 162	None — effective from the 28 February 2024 tax year, the utilisation of an accumulated assessed loss will be limited to 80% of the taxable income in the year of assessment, with the remaining assessed loss balance to be utilised in subsequent years of assessment.

Tax was recognised at 27% on deferred tax assets and liabilities that will realise in the year that the tax rate becomes effective.

13. DEFERRED TAX ASSETS CONTINUED

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. The South African trading entity with deferred tax asset balances is currently trading and is expected to recover the deferred tax assets as follows:

- ongoing trading and expectation of creating profits;
- the sale of non-core assets;
- the sale of underutilised plant and equipment; and
- favourable outcomes on contractual claims and compensation events on certain projects.

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 when operating in foreign jurisdictions (Kenya and Mauritius); and
- 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, in conjunction with the restructuring plan. Refer to note 2.

14. INVENTORIES

	2022 R'000	2021 R'000
Consumables	**5 258**	5 330
Operational inventory	**33 438**	35 766
Development property	**12 883**	18 498
	51 579	59 594
Inventory expensed	**26 944**	42 015
Inventories written off	**3 955**	2 212

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. None of the development property is pledged as security (2021: nil).

Inventories are written down to their net realisable value based on expected wear and tear and factors that indicate that the costs exceeds the amount that could be recovered through use or sale. These write downs are recognised in operating expenses.

15. CONTRACT BALANCES

15.1 CONTRACTS IN PROGRESS

Contract in progress relate to the group's rights to consideration for work completed but not invoiced at the reporting date for construction services rendered.

	2022 R'000	2021 R'000
Gross carrying value at beginning of the year	**611 339**	640 490
Revenue recognised from performance obligations satisfied in previous periods	**(417 649)**	(447 821)
Realisation of work in progress as contract costs	**(94 385)**	(106 090)
Additions due to business combinations (note 28)	—	317
Contracts in progress recognised	**636 669**	542 030
Foreign exchange	**2 535**	(7 199)
Transfer from/(to) disposal groups (note 7.2)	**625**	(5 575)
Disposal of subsidiary (note 23.3)	—	(4 813)
	739 134	611 339
Expected credit loss (note 27)	**(750)**	(581)
Carrying value at year-end	**738 384**	610 758
Current	**738 384**	610 758

Simplified approach — expected credit loss (note 27)

Opening balance	**(581)**	(945)
Changes due to credit risk movement	**(169)**	—
Amounts reversed	—	364
Closing balance	**(750)**	(581)

15.2 EXCESS BILLINGS OVER WORK DONE

	2022 R'000	2021 R'000
Gross carrying value at beginning of the year	**1 252 277**	1 348 556
Revenue recognised which was included in the opening balance	**(842 411)**	(472 646)
Excess billings over work done recognised	**480 533**	514 347
Additions due to business combinations (note 28)	—	634
Foreign exchange	**19 151**	(56 948)
Transfer to disposal groups (note 7.2)	—	(53 409)
Disposal of subsidiary (note 23.3)	—	(28 257)
Carrying value at year-end	**909 550**	1 252 277
Non-current	—	46 506
Current	**909 550**	1 205 771

16. TRADE AND OTHER RECEIVABLES

	2022			2021		
	Gross R'000	**ECL R'000**	**Net R'000**	Gross R'000	ECL R'000	Net R'000
Contract receivables	**1 139 198**	**(188 039)**	**951 159**	1 430 543	(324 452)	1 106 091
Retention debtors	**266 562**	**(213)**	**266 349**	141 196	(151)	141 045
Other receivables	**76 870**	**(2 054)**	**74 816**	54 175	(2 044)	52 131
Amounts due by joint operations	**207 639**	**(1 206)**	**206 433**	186 366	(699)	185 667
Prepayments*	**103 106**	**—**	**103 106**	86 371	—	86 371
Value added taxation*	**19 959**	**—**	**19 959**	43 539	—	43 539
	1 813 334	**(191 512)**	**1 621 822**	1 942 190	(327 346)	1 614 844

* Non-financial assets.

Information about the credit exposure of trade receivables are disclosed in note 27.

Below table is the reconciliation of the expected credit losses:

	Simplified approach		General approach	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Opening balance	**(325 302)**	(400 760)	**(2 044)**	(30)
Changes due to credit risk movement — continuing operations	**(20 131)**	(78 875)	**(10)**	(2 014)
Changes due to credit risk movement — discontinued operations (note 7)	**(222)**	1 996	**—**	—
Amounts written off	**103 325**	18 366	**—**	—
Amounts recovered	**38 057**	16 986	**—**	—
Unused amounts reversed	**28 913**	—	**—**	—
Foreign currency translation	**(14 034)**	35 213	**—**	—
Disposal groups	**(64)**	1 451	**—**	—
Disposal of subsidiary (note 23.3)	**—**	80 321	**—**	—
Carrying value at year end	**(189 458)**	(325 302)	**(2 054)**	(2 044)
Individual expected credit loss	**(166 811)**	(305 291)	**—**	—
Collective expected credit loss	**(22 647)**	(20 011)	**(2 054)**	(2 044)

17. BANK BALANCES

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

	2022 R'000	2021 R'000
Cash at banks and on hand	**428 223**	773 772
Less: Bank overdrafts	**(18 896)**	(18 134)
	409 327	755 638

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

Restricted cash included above

Group's share of cash held by joint operations	**91 384**	104 341
Other restrictions (cash held as collateral and security for contract guarantees)	**18 966**	86 592
	110 350	190 933

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

18. SHARE CAPITAL, PREMIUM AND RESERVES

	2022 R'000	2021 R'000
Authorised		
400 000 000 ordinary shares of 0,00025 cents each (2021: 400 000 000 ordinary shares of 0,00025 cents each)	**1**	1
Issued		
188 080 746 ordinary shares of 0,00025 cents each (2021: 188 080 746 ordinary shares of 0,00025 cents each)	*****	*

* Less than R1 000.

	Number of shares	
	2022	2021
Details of treasury shares in issue		
Treasury shares held by:	**20 837 062**	20 837 062
Subsidiary	**14 407 132**	14 407 132
Share trusts (note 19)	**6 429 930**	6 429 930
Closing balance	**20 837 062**	20 837 062

	2022 R'000	2021 R'000
Share premium		
Carrying value at the beginning of the year	**1 007 718**	1 007 718
Carrying value at year-end	**1 007 718**	1 007 718

Ordinary shares carry one vote per share and give equal right to dividends.

RESERVES

Foreign currency translation reserve comprises the translation effect of foreign subsidiaries, equity-accounted investees and joint operations to the reporting currency.

Revaluation surplus reserve comprises the revaluation of land and buildings.

Legal reserve comprises a percentage provided as per legislative requirements pertaining to a foreign subsidiary.

Reserves of disposal groups comprises foreign currency translation and revaluation surplus reserves that relate to the disposal groups.

19. EMPLOYEE SHARE INCENTIVE SCHEMES

19.1 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.

	2022	2021
Number of shares held:	**6 429 930**	6 429 930

All share options expired on 26 July 2017. No new options were issued or exercised since the share options expired.

19.2 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.

	2022	2021
Number of shares		
Outstanding at the beginning of the year	**2 218 392**	2 218 392
Vested during the year	**(2 218 392)**	—
Outstanding at year-end	**—**	2 218 392
Contractual life of each award	**3 years**	3 years

In fulfilment of the FSP obligations, the group purchases shares in the market. No shares have been granted for the past 3 years.

FSP costs

No expense was recognised during the current year (2021: R0,5 million) (note 4).

20. FINANCIAL LIABILITIES

20.1 NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

	2022		2021	
	Non-current R'000	**Current R'000**	Non-current R'000	Current R'000
Unsecured borrowings	**3 045**	**7 725**	3 909	8 610
Secured borrowings	**1 533**	**1 231 270**	53 636	1 278 719
Bonds and other	**1 533**	**4 837**	4 247	7 477
Term loan (note 20.3)	**—**	**1 160 581**	—	1 205 390
Term loan 2 (note 20.3)	**—**	**65 852**	49 389	65 852
Lease liabilities (note 20.2)	**48 044**	**4 999**	55 776	24 788
Borrowings	**52 622**	**1 243 994**	113 321	1 312 117
Settlement — City of Cape Town	**18 061**	**9 491**	—	—
Voluntary Rebuild Programme	**62 956**	**45 000**	69 500	41 250
Financial liabilities	**133 639**	**1 298 485**	182 821	1 353 367

The Voluntary Rebuild Programme is contractually repaid annually over a period of 12 years, starting in 2016, with an annual instalment of R15 million, at an implied interest rate of 7,5%.

The funding loan was converted from a short-term funding agreement into a term loan on 1 July 2020. The group, on 21 February 2022, reached an agreement with the Lenders to extend the current capital repayment profile of the loan as well as its duration to 28 February 2023. The loan bears interest at prime plus 5,4%, including arranging and facility fees, and is secured by special and general notarial bonds over movable assets, continuous covering mortgage bonds over immovable assets and various cessions. The short-term and funding loans do not contain any financial covenants but rather impose certain information and general undertakings.

Refer to note 27 for further information regarding terms and conditions.

20.2 LEASE LIABILITIES

a) Lease liabilities can be categorised as follows:

	2022		2021	
	Non-current R'000	**Current R'000**	Non-current R'000	Current R'000
Instalment sale agreements	**172**	**1 767**	5 067	20 802
Leases	**47 872**	**3 232**	50 709	3 986
	48 044	**4 999**	55 776	24 788

b) Undiscounted cash flows

	2022 R'000	2021 R'000
Less than one year	**8 577**	29 776
Instalment sale agreements	**1 883**	22 092
Leases	**6 694**	7 684
Between two and five years	**63 612**	74 304
Instalment sale agreements	**174**	4 573
Leases	**63 438**	69 731

20. FINANCIAL LIABILITIES CONTINUED

c) Cash outflow relating to leases were recognised as follows:

	2022 R'000	2021 R'000
Operating activities — finance costs	**6 384**	22 976
Instalment sale agreements	**2 667**	18 855
Leases	**3 717**	4 121
Financing activities — capital repayments	**52 017**	169 088
Instalment sale agreements (note 23.5)	**47 561**	140 223
Leases (note 23.5)	**4 456**	28 865
Total cash outflows	**58 401**	192 064

20.3 SECURITY

Security provided against borrowings

	Property, plant and equipment, transport and motor vehicles			
	2022 R'000	2021 R'000	Holding company	Subsidiary companies
Secured bank loans (first mortgage bonds)	**119 288**	137 068	Suretyships and cross guarantees	Cross guarantees
Lease liabilities	**51 381**	141 033		
Instalment sales	**4 440**	84 747		
Leases	**46 941**	56 286		
	170 270	278 101		

Security provided against term loans

The companies, Stefanutti Stocks Holdings Limited, Stefanutti Stocks International Holdings Proprietary Limited and K2011136847 (South Africa) Proprietary Limited signed as guarantors for the loan.

Security for the term loan is as follows:

	Capital value R'000	Additional value R'000
Continuous covering mortgage bond*		
Land and Buildings held by Stefanutti Stocks Proprietary Limited with a value of R21 million	14 892	2 978
Special notarial bond		
Plant and equipment held in Stefanutti Stocks Proprietary Limited with a value of R171 million	2 000 000	400 000
General notarial bond		
Stefanutti Stocks Holding Limited	1 000 000	200 000
K2011136847 (South Africa) Proprietary Limited	1 000 000	200 000
Stefanutti Stocks International Holdings Limited	1 000 000	200 000
Stefanutti Stocks Proprietary Limited	1 000 000	200 000

* A further continuous Covering Mortgage Bond is registered on Land and Buildings situated in Botswana to the value of R27 million, with a capital value of BWP21 million and additional value of BWP4 million.

20. FINANCIAL LIABILITIES CONTINUED

Security for the term loan 2 are as follows:

	Capital value R'000	Additional value R'000
Continuous covering mortgage bond		
Property held by Stefanutti Stocks Proprietary Limited with a value of R119 million	145 000	29 000

21. TRADE AND OTHER PAYABLES

	2022 R'000	2021 R'000
Trade payables	**447 557**	428 743
Amount due to joint operations	**188 560**	161 087
Retention creditors and subcontractors	**223 532**	146 820
Accrued expenses*	**510 940**	484 226
Value added tax and withholding taxes*	**86 458**	77 083
Unclaimed dividends*	**24**	24
	1 457 071	1 297 983

* Non-financial liabilities.

22. PROVISIONS

	Balance at the beginning of the year R'000	Additional provisions raised R'000	Utilised/reversed during the year R'000	Balance at the end of the year R'000
Non-current				
Contract-related provisions	40 376	—	(40 376)	—
Current				
Warranty provisions	16 759	22 071	(16 759)	22 071
Contract-related provisions	506 755	540 599	(506 755)	540 599
Severance provisions	27 998	35 546	(27 998)	35 546
	551 512	598 216	(551 512)	598 216
Total provisions	591 888	598 216	(591 888)	598 216

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. As previously reported, Eskom has adopted an adverse approach to certification of applications for work done by the Stefanutti Stocks Basil Read JV (SSBR), which has required a substantial increase of internal funding for this project. This has increased the initial funding requirement of R400 million to approximately R986 million excluding the initial impact of COVID-19. Consequently, in addition to the provision of R263 million raised at February 2019 for the potential unrecoverable preliminary and general costs, the group raised a further provision in 2020 of R462 million for potential unrecoverable monthly measured works to complete the building works of the project.

Severance provisions relate to obligations arising from the Restructuring Plan which includes internal restructuring initiatives required to restore optimal operational and financial performance and the sale of certain operations. These will result in severance of employment for a number of employees within the affected operations, for which severance benefits and other associated costs will be paid in line with group policy and employment agreements.

23. NOTES TO THE STATEMENT OF CASH FLOWS

23.1 CASH GENERATED FROM OPERATING ACTIVITIES

	2022 R'000	2021 R'000
Net loss before taxation from continuing operations	**(183 829)**	(143 035)
Net loss before taxation from discontinued operations (note 7)	**(136 641)**	(51 098)
Adjusted for:		
Net loss/(profit) on foreign exchange	**170**	(8 714)
Profit on disposals of property, plant and equipment (note 4)	**(11 578)**	(8 520)
Gain not previously recognised on disposal of non-current assets held for sale (note 4)	**(3 322)**	(2 094)
Profit on disposal of joint operation (note 23.4)	—	(53 887)
Investment income (note 5)	**(19 001)**	(28 430)
Finance costs (note 5)	**112 882**	115 289
Depreciation (note 9)	**54 275**	71 088
Assets scrapped (note 9)	—	5
Share of (profit)/loss of equity-accounted investees (note 10)	**(8 958)**	1 323
Profit on disposal of subsidiary (note 23.3)	—	(507)
Amortisation of intangibles (note 12)	—	2 653
Impairment of goodwill (note 12)	**106 111**	—
Impairment of equity-accounted investments (note 4)	**342**	58 533
Impairment of property, plant and equipment (note 9)	**21 367**	7 858
Foreign exchange realised on winding up of subsidiary	—	12 727
Movement in provisions (note 7,22)	**7 802**	(401 962)
Fair value adjustments (note 7.3)	**26 903**	28 145
Fair value adjustments — equity-accounted investees — other	**(765)**	—
Net expected credit loss for trade and other receivables and work in progress (note 15,16)	**(149 985)**	45 173
Reversal of gain previously recognised on disposal of subsidiary	**507**	—
Discontinued operations (note 7)	**113 502**	101 808
Gain not previously recognised on disposal of non-current assets held for sale	**(24 692)**	(6 054)
Depreciation	**10 058**	61 302
Fair value adjustments (note 7)	**137 958**	3 884
Finance costs	**2 989**	21 421
Impairment of property, plant and equipment (note 9)	—	7 279
Loss on disposal of subsidiary (note 23.3)	—	2 200
Foreign exchange realised on disposal of subsidiary	—	7 499
Net loss on foreign exchange	**(12 313)**	33 700
Net expected credit losses	**222**	(1 996)
Loss/(profit) on disposals of property, plant and equipment	**1**	(17 768)
Investment income	**(721)**	(3 952)
Share of profits of equity-accounted investees	—	(5 707)
Other non-cash items	**58 046**	36 925
Short-term insurance and other	**8 525**	24 411
Guarantee and arranging fees	—	12 514
Settlement liability — City of Cape Town (note 23.5)	**27 552**	—
Withholdings taxes written off	**21 969**	—
	(12 172)	(216 720)

23. NOTES TO THE STATEMENT OF CASH FLOWS CONTINUED

	2022 R'000	2021 R'000
MOVEMENTS IN WORKING CAPITAL		
Change in inventories	**661**	42 120
Change in contracts in progress	**(138 279)**	18 136
Change in trade and other receivables	**199 333**	248 907
Change in trade and other payables	**89 731**	(308 144)
Change in excess billings over work done	**(360 531)**	57 902
Effect of foreign exchange rate changes on working capital	**(31 817)**	(51 346)
Cash consumed by operations	**(253 074)**	(209 145)

23.2 RECONCILIATION OF TAXATION PAID

	2022 R'000	2021 R'000
Charge against profit — continuing operations (note 6)	**63 105**	63 563
Charge against profit — discontinued operations	**(4)**	2 769
Withholding taxes	**—**	1 604
Effect of foreign exchange rate changes on taxation	**(873)**	(5 923)
Other non-cash movements (provision for interest and penalties, withholding taxes written off)	**21 969**	9 626
Disposal of subsidiary (note 23.3)	**—**	(12 680)
Transfer to non-current assets held for sale (note 7)	**769**	403
Movement in taxation balance	**(30 157)**	10 510
Payments made	**54 809**	69 872

23. NOTES TO THE STATEMENT OF CASH FLOWS CONTINUED

23.3 DISPOSAL OF SUBSIDIARIES

	2021		
	Stefanutti Stocks Nigeria (Pty) Ltd R'000	Pacific Eagle (Pty) Ltd R'000	Total R'000
Property, plant and equipment (note 9)	11 742	—	11 742
Inventories	—	3 883	3 883
Contracts in progress (note 15)	4 813	—	4 813
Trade and other receivables	53 618	—	53 618
Bank balances	2 988	10	2 998
Total assets	73 161	3 893	77 054
Financial liabilities	26	—	26
Trade and other payables	29 998	—	29 998
Excess billings over work done (note 15)	28 257	—	28 257
Taxation (note 23.2)	12 680	—	12 680
Total liabilities	70 961	—	70 961
Net asset value	2 200	3 893	6 093
Disposal value	—	4 400	4 400
(Loss)/profit on disposal of subsidiary	(2 200)	507	(1 693)
Net cash inflow/(outflow)	(2 988)	(10)	(2 998)

The sale of Pacific Eagle (Pty) Ltd did not materialise due to failure by the buyer in settling the outstanding amounts payable as stated in the sale agreement. The sale was therefore reversed in the current year.

Stefanutti Stocks Nigeria (Pty) Ltd was disposed to a related party — a previous employee of the group.

23.4 DISPOSAL OF JOINT OPERATION

	KISS — International Convention Centre Joint Operation 2021 R'000
Trade and other receivables	284 385
Bank balances	27 269
Total assets	311 654
Trade and other payables	123 270
Excess billings over work done	73 148
Provisions	3 305
Total liabilities	199 723
Net asset value	111 931
Disposal value	165 818
Profit on disposal of joint operation	53 887
Cash outflow	(27 269)
Cash inflow	154 074
Net cash inflow	126 805

23. NOTES TO THE STATEMENT OF CASH FLOWS CONTINUED

23.5 RECONCILIATION OF CASHFLOW MOVEMENTS RELATING TO FINANCING ACTIVITIES

			Non-cashflow movements					
	Opening balance R'000	Cashflow inflow/ (cash outflow) R'000	Additions R'000	Foreign exchange movements R'000	Interest R'000	Transfer from/(to) non-current assets held for sale R'000	Other non-cashflow movements* R'000	Closing balance R'000
2022								
Unsecured borrowings	**12 519**	**(11 262)**	**9 153**	**—**	**(48)**	**408**	**—**	**10 770**
Secured borrowings	**1 332 355**	**(108 078)**	**—**	**—**	**—**	**8 526**	**—**	**1 232 803**
Leases (instalment sale agreements)	**25 869**	**(47 560)**	**—**	**—**	**—**	**23 630**	**—**	**1 939**
Leases (other)	**54 695**	**(4 456)**	**865**	**—**	**—**	**—**	**—**	**51 104**
Total borrowings	**1 425 438**	**(171 356)**	**10 018**	**—**	**(48)**	**32 564**	**—**	**1 296 616**
Settlement — City of Cape Town	**—**	**—**	**27 552**	**—**	**—**	**—**	**—**	**27 552**
Voluntary Rebuild Programme	**110 750**	**(2 794)**	**—**	**—**	**—**	**—**	**—**	**107 956**
	1 536 188	**(174 150)**	**37 570**	**—**	**(48)**	**32 564**	**—**	**1 432 124**
2021								
Unsecured borrowings	26 886	(30 277)	23 101	(1 999)	172	(408)	(4 956)	12 519
Secured borrowings	886 125	429 526	—	825	11 555	(8 190)	12 514	1 332 355
Leases (instalment sale agreements)	183 340	(140 223)	6 555	—	(173)	(23 630)	—	25 869
Leases (other)	300 459	(28 865)	54 952	(136)	5	(692)	(271 028)	54 695
Total borrowings	1 396 810	230 161	84 608	(1 310)	11 559	(32 920)	(263 470)	1 425 438
Voluntary Rebuild Programme	103 472	—	—	—	7 278	—	—	110 750
	1 500 282	230 161	84 608	(1 310)	18 837	(32 920)	(263 470)	1 536 188

* Other non-cashflow movements consist of the following:

	2022 R'000	2021 R'000
Transfer between debtors, creditors and liability balances	—	(4 930)
Lease modifications	—	(271 028)
Disposal of subsidiary (note 23.3)	—	(26)
Guarantee and arranging fees	—	12 514
	—	(263 470)

24. SEGMENT INFORMATION

As part of the internal restructuring initiatives to restore optimal operational and financial performance, as set out in the Restructuring Plan, the group has reorganised its operations into regions, with the exception of the Mechanical & Electrical (M&E) business, effective 1 March 2021. The regions are reported as Inland, Coastal, Western Cape and Africa. The Mechanical & Electrical business has been renamed to Mechanical Electrical Piping (MEP). 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 regional level. Individual members of the executive management team are responsible for the operating segments of these regions noted below.

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

Region	Description of segment
Inland	Civil, Building, Roads & Earthworks and Geotechnical, Materials Handling and Tailings Management works within the Gauteng and other inland regions
Coastal	Civil, Building, Roads & Earthworks and Marine within the KwaZulu-Natal and Eastern Cape regions
Western Cape	Civil and Building works within the Western Cape region
Africa	General contracting work within African countries
Mechanical Electrical Piping	Mechanical and Electrical installation and construction and Oil and Gas
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.

Revenue can be further disaggregated into sectors. Refer to note 3.

Intersegment contract revenues are eliminated on consolidation. The performance of operating segments is assessed by management based on operating profit. Goodwill to the value of R272 million (Feb 2021: R346 million) is included within reportable segment assets for other segments.

	Inland R'000	Coastal R'000	Western Cape R'000	Africa R'000	MEP R'000	Other segments and eliminations R'000	Total R'000
2022							
Contract revenue	**1 986 971**	**1 012 831**	**1 065 930**	**1 595 346**	**307 406**	**—**	**5 968 484**
Intersegment contract revenue	**1 506**	**716**	**2 343**	**—**	**17 938**	**—**	**22 503**
Depreciation and amortisation	**(26 373)**	**(13 067)**	**(1 239)**	**(7 839)**	**(5 588)**	**(169)**	**(54 275)**
Impairment of assets and fair value adjustments	**(31 861)**	**—**	**(750)**	**(626)**	**(15 033)**	**(106 111)**	**(154 381)**
Net expected credit loss on financial assets	**115 293**	**3 145**	**(7)**	**30 917**	**637**	**—**	**149 985**
Reportable segment operating profit/(loss)	**86 050**	**3 439**	**54 058**	**102 433**	**(78 187)**	**(266 699)***	**(98 906)**
Investment income	**12 297**	**1 616**	**2 945**	**1 276**	**120**	**747**	**19 001**
Finance cost	**(603)**	**(4 027)**	**(68)**	**(205)**	**(301)**	**(107 678)**	**(112 882)**
Share of (losses)/profits of equity-accounted investees	**(14 247)**	**—**	**—**	**—**	**—**	**23 205**	**8 958**
Taxation	**(41 031)**	**(6 779)**	**2 823**	**(32 632)**	**565**	**(2 859)**	**(79 913)**
Reportable segment profit/(loss)	**42 467**	**(6 845)**	**59 757**	**71 968**	**(77 803)**	**(353 286)***	**(263 742)**
Reportable segment assets	**1 364 608**	**485 063**	**149 490**	**1 703 701**	**344 606**	**549 494**	**4 596 962**
Equity-accounted investees	**1 738**	**—**	**—**	**—**	**—**	**25 667**	**27 405**
Reportable segment liabilities	**957 586**	**393 540**	**266 495**	**1 326 868**	**135 353**	**1 607 139**	**4 686 981**

* Included in reportable segment operating loss are restructuring costs and abnormal legal fees of R115 million (Feb 2021: R126 million) (note 4).

24. SEGMENT INFORMATION CONTINUED

	Inland R'000	Coastal R'000	Western Cape R'000	Africa R'000	MEP R'000	Other segments and eliminations R'000	Total R'000
2021 (RESTATED)							
Contract revenue	1 749 778	934 603	534 667	1 202 925	269 786	—	4 691 759
Intersegment contract revenue	8 533	38 050	—	1 110	18 242	—	65 935
Depreciation and amortisation	(42 019)	(13 987)	(2 223)	(13 142)	(2 370)	—	(73 741)
Impairment of assets and fair value adjustments	(7 679)	—	(600)	—	(27 724)	—	(36 003)
Net expected credit loss on financial assets	(19 769)	(3 806)	(21)	(20 574)	(1 035)	32	(45 173)
Reportable segment operating profit/(loss)	26 355	(7 169)	4 327	73 224	(64 168)	(87 422)	(54 853)
Investment income	9 905	9 001	756	4 526	505	3 737	28 430
Finance cost	(2 832)	(5 527)	(4 226)	—	(861)	(101 843)	(115 289)
Share of (losses)/profits of equity-accounted investees	(10 793)	—	—	—	9 382	88	(1 323)
Taxation	(58 913)	(2 047)	1 476	(7 728)	(24 938)	(1 237)	(93 387)
Reportable segment profit/(loss)	(35 329)	(11 351)	6 423	69 867	(79 004)	(187 028)	(236 422)
Reportable segment assets	1 773 300	411 179	357 269	1 754 270	351 807	765 032	5 412 857
Equity-accounted investees	21 475	—	—	—	—	4 228	25 703
Reportable segment liabilities	1 239 989	448 152	386 188	1 350 891	84 575	1 550 494	5 060 289

GEOGRAPHICAL AREAS

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

	2022					Restated 2021				
	Local	**Foreign — Africa**				Local	Foreign — Africa			
	R'000	**Botswana R'000**	**Eswatini R'000**	**Zambia R'000**	**Other R'000**	R'000	Botswana R'000	Eswatini R'000	Zambia R'000	Other R'000
Contract revenues from external customers	**4 113 516**	**455 966**	**732 076**	**627 334**	**39 592**	3 177 308	542 364	658 364	233 063	80 660
Non-current assets (excluding deferred tax)	**638 982**	**53 226**	**71 119**	**2 791**	**—**	831 897	71 130	24 105	2 505	50 141

Included in other is mainly Lesotho, Namibia and Zimbabwe.

MAJOR CUSTOMERS

Revenue generated from a single customer of the group amounted to approximately R524 million (restated Feb 2021: R220 million), of which the largest portion of this revenue was earned in the Africa Region (restated Feb 2021: Africa Region). The group is not reliant on any one major customer as its services span a varied number of industries and countries.

25. 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). All related party transactions take place on terms equivalent to those that prevail on an arm's length basis.

Subsidiaries	Equity-accounted investees (note 10)	Joint operations (note 11)	Other
Nature of relationships			
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	**Associates** Two individually immaterial associates	**Various joint operations**	**Consolidated Structured Entities** Stefanutti & Bressan Share Trust
Outstanding balances			
	2022: Rnil million receivable 2021: R19 million receivable	**Note 16** 2022: R206 million receivable 2021: R186 million receivable **Note 21** 2022: R189 million payable 2021: R161 million payable	
Provision of guarantees (note 26)			
A full list of subsidiaries and joint arrangements is available on request.			

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 her 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 her 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.

25. RELATED PARTIES CONTINUED

	2022			2021		
	Short-term benefits			Short-term benefits		
	Attendance fees R'000	Annual fees R'000	Total R'000	Attendance fees R'000	Annual fees R'000	Total R'000
Non-executive Directors						
ZJ Matlala	**—**	**959**	**959**	—	880	880
HJ Craig	**639**	**—**	**639**	488	—	488
B Harie	**568**	**—**	**568**	448	—	448
JM Poluta	**494**	**—**	**494**	441	—	441
DG Quinn (retired 6 August 2021)	**567**	**—**	**567**	648	—	648
B Silwanyana	**584**	**—**	**584**	472	—	472

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

	Basic salary R'000	Other benefits (travel allowances) R'000	Acting allowance R'000	Short-term incentives — relating to prior years R'000	Discretionary bonus 2021 R'000	Discretionary bonus 2022 R'000	Post-employment benefits R'000	Total R'000
2022								
Executive directors								
RW Crawford	**3 798**	**234**	**—**	**—**	**1 200**	**2 714**	**361**	**8 307**
Y du Plessis (appointed 1 June 2021)^#	**1 006**	**58**	**563**	**—**	**—**	**1 163**	**153**	**2 943**
AV Cocciante (resigned 31 May 2021)#	**786**	**—**	**—**	**—**	**720**	**—**	**77**	**863**
Prescribed officers*								
S White	**2 811**	**163**	**—**	**3 515**	—	**—**	**269**	**6 758**
DR du Plessis	**3 172**	**442**	**—**	**1 000**	—	**—**	**302**	**4 916**
HF Schwegmann (retired 28 February 2022)	**3 499**	**263**	**—**	**1 000**	—	**—**	**300**	**5 062**
E Wisse (appointed 1 January 2022)#	**400**	**77**	**—**	**94**	—	**—**	**36**	**607**
M Donato (appointed 1 January 2022)#	**331**	**47**	**—**	**100**	—	**—**	**36**	**514**
Executive key management personnel	**20 802**	**1 542**	**563**	**7 457**	1 920	**3 877**	**2 005**	**38 166**

* Prescribed officers consist of executive officers and certain Executive Committee members who are not executive directors of the group.
^ Y du Plessis was appointed as Acting CFO and executive director on 1 June 2021. Her permanent appointment as CFO was subsequently confirmed on 20 May 2022.
\# Pro-rata.

25. RELATED PARTIES CONTINUED

	Basic salary R'000	Other benefits (travel allowances) R'000	Retention bonus R'000	Short-term incentives — relating to prior years R'000	Termination benefits R'000	Post-employment benefits R'000	Total R'000
2021							
Executive directors							
RW Crawford	3 582	232	2 150	—	—	309	6 273
AV Cocciante (resigned 31 May 2021)	3 182	32	1 837	140	—	264	5 455
Prescribed officers*							
HF Schwegmann (resigned 28 February 2022)	2 919	222	—	1 000	—	256	4 397
DR du Plessis	2 991	190	—	1 970	—	258	5 409
S White	2 650	159	—	1 750	—	230	4 789
VE Olley (resigned 25 August 2020)	2 050	48	—	—	792	145	3 035
Executive key management personnel	22 367	1 322	3 987	5 530	792	1 814	35 812

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

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 annual report of Stefanutti Stocks Holdings Limited for more detail.

DIRECTORS' SERVICE CONTRACTS

All employment contracts of executive directors and senior management are in terms of the group's standard employment terms and conditions.

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.

For further detail of executive directors and senior management remuneration practices refer to the remuneration report included in the integrated annual report.

DIRECTORS' AND PRESCRIBED OFFICERS' SHAREHOLDING

	2022				2021			
	Direct beneficial %	**Indirect beneficial %**	**Total %**	**Share-holding**	Direct beneficial %	Indirect beneficial %	Total %	Share-holding
Percentage of fully-paid shares held								
Directors								
DG Quinn (retired 6 August 2021)	—	—	—	—	—	0,37	0,37	700 000
JM Poluta	—	**0,08**	**0,08**	**150 612**	—	0,08	0,08	150 612
RW Crawford (CEO)	—	—	—	**7 693**	—	—	—	7 693
AV Cocciante (CFO) (resigned 31 May 2021)	—	—	—	—	0,34	0,15	0,49	925 001
Prescribed officers								
DR du Plessis	**0,01**	—	**0,01**	**14 864**	0,01	—	0,01	14 864
S White	—	—	—	**1 845**	—	—	—	—
HF Schwegmann (resigned 28 February 2022)	**0,04**	**4,47**	**4,51**	**8 488 284**	0,04	4,47	4,51	8 488 284

25. RELATED PARTIES CONTINUED

POST YEAR-END SHARE TRANSACTIONS

Post year end, JM Poluta (a non-executive director) acquired 850 000 shares at 55 cents each (indirect beneficial). There were no other transactions with related parties between the year-end date and the approval date of these annual financial statements.

26. GUARANTEES AND CONTINGENT LIABILITIES

	2022 R'000	2021 R'000
Guarantees		
Total insurance policies ceded to third parties on behalf of the group to guarantee the full and due performance of works as set out in the contract or other related matters	**3 861 990**	4 037 192
Guarantees through certain banks for facilities to the value of R2,35 billion (Feb 2021: R2,35 billion) and other obligations	**2 680 581**	2 725 390
Suretyships		
Suretyships through certain banks for facilities to the value of R 560 million (Feb 2021: R560 million)	**553 450**	553 450

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

CONTINGENT LIABILITIES

Subsequent to year end, settlement was reached on the civil claim relating to the City of Cape Town (Green Point Stadium). Refer to note 30.

As previously reported, with respect to two contract mining project terminations:

- one project has been amicably settled with the client; and
- the other is proceeding to arbitration. The group is confident that the termination was lawful and therefore no provision has been made. The arbitration is expected to be completed within the next financial year.

The arbitration matter relating to the cancellation of a petrochemical contract had to be postponed due to a fundamental change in the client's defence. A date for the arbitration is yet to be set. At this stage the financial impact thereof cannot be quantified.

With respect to the mechanical project termination, the arbitration process is expected to be completed by February 2023. The group is confident that the termination was lawful and therefore no provision has been made.

ESKOM — KUSILE POWER PROJECT

As reported in the February 2020 financial year, Eskom has adopted an adverse approach to certification of applications for work done by the Stefanutti Stocks Basil Read JV ("SSBR"), which has required a substantial increase of internal funding for this project. This has increased the initial funding requirement of R400 million to approximately R986 million excluding the initial impact of COVID-19. Consequently, in addition to the provision of R263 million raised at February 2019 for the potential unrecoverable preliminary and general costs, the group raised a further provision of R462 million in February 2020 for potential unrecoverable monthly measured works to complete the building works of the project.

As stated in the SENS announcement dated 8 July 2020, Stefanutti Stocks notes the release of the Eskom briefing document dated 10 June 2020 reflecting the "Kusile Contract Investigations Status" ("briefing document") where it is stated, amongst other things, that Stefanutti Stocks has been overpaid by Eskom in relation to certain projects. Stefanutti Stocks has considered the briefing document and notes, for the benefit of shareholders in particular, that the investigations being carried out by and on behalf of Eskom are not complete. That said, Stefanutti Stocks disputes that it, or the joint operations in which it participates, have been overpaid.

As previously highlighted to shareholders in various announcements and updates since late 2018, the group is pursuing a number of contractual claims and compensation events on the Kusile power project, and due to the complexity of the claims, the processes remain ongoing. No further details of the claims have been disclosed on the basis that it may prejudice the group's position in defending the claims brought against it and in pursuing those claims brought against Eskom by the group.

The group advises shareholders as follows in relation to the matters raised with respect to Stefanutti Stocks in the briefing document:

During the period between 2015 to 2018, payments made by Eskom to SSBR on package 16 were all made consequent to certificates issued by the independent engineer. During that period, representatives of the engineer and Eskom carried out audits of SSBR records and the payment certificates were issued after they had satisfied themselves that the costs claimed were actually and validly incurred in the construction at Kusile.

26. GUARANTEES AND CONTINGENT LIABILITIES CONTINUED

Stefanutti Stocks contends that SSBR is owed additional amounts in respect of work done since December 2018 and in respect of which payments have been withheld. SSBR and Eskom have both committed to a claims resolution process which involves the appointment of independent experts to evaluate the causes of delay and the quantum thereof. This process remains ongoing.

The parties and the Dispute Adjudication Board (DAB) have signed a further joint agreement which states that:

— The DAB will issue decisions confirming the entitlements which the experts have agreed which will be binding on the parties;
— The DAB will rely on the experts for the narrowing of the issues and information it must consider;
— The DAB will continue to make interim decisions on the narrowed issues and information, in a progressive manner which will be binding on the parties;
— The DAB will issue such interim decisions for both time and money;
— At the end of the process, in respect of both time and money, the DAB will issue a final decision in terms of the contract, at which point (and not prior thereto) a party may issue a notice of dissatisfaction and refer the dispute to arbitration (if at all).

In relation to Package 28, during February 2019, Eskom terminated the contract with Stefanutti Stocks Izazi JV ("SSI") due to its inability to provide access to SSI to be able to complete the relevant works. Based on the works completed, as well as Eskom's inability to provide access, Stefanutti Stocks contends that there are significant amounts due to it. SSI commenced an adjudication process to recover these material amounts in 2018.

During August 2019 and April 2020, the engineer appointed by the client issued two negative final payment certificates, alleging overpayments had been made to the JV. This prompted the notification of many new disputes which were included in the adjudication process. Adjudication hearings were conducted during November 2020 and February 2021. It is highly probable that these disputes will be referred to arbitration. As several disputes relate to measurement of the works, all parties involved embarked on an independent expert process to resolve these disputes. In order to accommodate this independent expert process, the adjudicator has been requested not to publish his decision. The measurement of the direct works should be concluded in the near future. Thereafter it is our intention to request the adjudicator to release his decision, whereafter we hope to engage Eskom on the remaining compensation events. Given the magnitude of the amounts in dispute, it is highly probable that the disputes will be referred to arbitration, which could delay this matter further.

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE

FAIR VALUE

Measurement of fair value — land and buildings

The fair value measurement for land and buildings has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

Land and Buildings are either measured using the Income Capitalisation Method or the Direct Comparable Sales Method. There has been no change in the valuation techniques used for the various properties from prior valuations.

Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
Income Capitalisation Method	Market capitalisation rate between 10,0% and 10,5% Income/expenditure ratio between Local — Inland 22,2% - 27,2% Local — Western Cape 17% Foreign — Swaziland 8,48%	Market capitalisation rate: — Increase with 1% resulting in decrease in value of R10 million; — Decrease with 1% resulting in increase in value of R13 million Income/Expenditure ratio: — Increase with 1% resulting in decrease in value of R2 million; — Decrease with 1% resulting in increase in value of R1million Market capitalisation rate and Income/Expenditure ratio: — Both increase with 1% resulting in decrease in value of R12 million; — Both decrease with 1% resulting in increase in value of R14 million — Income/Expenditure ratio increase with 1% and market capitalisation rate decrease with 1% resulting in increase of value of R11 million — Income/Expenditure ratio decrease with 1% and market capitalisation rate increase with 1% resulting in decrease of value of R9 million

Refer to Note 9 for the reconciliation of land and buildings measured at fair value.

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

Measurement of fair value — Non-current assets held for sale and Discontinued operations

Discontinued operations

The fair value measurement for discontinued operations has been categorised as a Level 3 fair value based on the significant unobservable inputs to the valuation technique used. This valuation involves the use of a combination of asset-based, comparable company and transaction analyses and present value techniques. The present value technique includes the use of an appropriate discount rate, growth rate, risk premium and adjustments for other factors. Refer to note 7.2.

Non-current assets held for sale

Non-current assets held for sale consist of land and buildings, plant and equipment and transport and motor vehicles.

Land and buildings have been categorised as a Level 3 fair value based on the significant unobservable inputs to the valuation technique used. Land and Buildings are either measured using the Income Capitalisation Method or the Direct Comparable Sales Method. These entail the use of a range of market capitalisation rates and income/expenditure ratios. Non-current assets held for sale consist of land and buildings, plant and equipment and transport and motor vehicles.

Plant and equipment and transport and motor vehicles have been categorised as a Level 3 fair value based on significant observable inputs to the valuation technique used. These assets are measured using the comparable sales method. This entails the use of quoted prices for identical or similar assets in the market.

Refer to note 7.3.

FINANCIAL INSTRUMENTS

The group's principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of these liabilities is to finance the group's operations. The principal financial assets include trade and other receivables, and cash and cash equivalents that is derived directly from the group's operations.

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 and other receivables and trade and other 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.

	2022 R'000	2021 R'000
Financial assets, loans and receivables at amortised cost		
Bank Balance (note 17)	**428 223**	773 772
Trade and other receivables (note 16)	**1 498 757**	1 484 934
Equity-accounted investees	**—**	18 803
Financial liabilities at amortised cost		
Bank Balance (note 17)	**18 896**	18 134
Trade and other payables (note 21)	**859 649**	736 650
Financial liabilities (note 20)	**1 432 124**	1 536 188

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 or issue new shares. No changes were made to the capital risk management objectives and policies during the current year. The group, on 21 February 2022, reached an agreement with the Lenders to extend the current capital repayment profile of the loan as well as its duration to 28 February 2023. Refer to note 2 for further detail, as well as the directors report on page 7.

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.

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

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 (such as restrictions on issuing of shares or any rights attached) 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:

	2022 R'000	2021 R'000
Net debt	**1 451 020**	1 553 433
Interest-bearing liabilities	**1 432 124**	1 535 299
Bank overdrafts (note 17)	**18 896**	18 134
Total equity attributable to equity holders of the company	**(90 019)**	352 568
Gearing ratio (%)	**(1 611,9)**	440,6

The gearing ratio decreased from 440,6% to (1 611,9)%. This is mostly attributable to a reduction in equity as a result of a loss made to the value of R415 million (2021: R290 million). Refer to the directors report on page 7.

The term and funding loans included within interest-bearing liabilities do not contain any financial covenants but rather impose certain information undertakings and general undertakings. Information undertakings include items such as submission of financial statements, operating budgets, fortnightly cash flow forecasts and various other undertakings. General undertakings consists mainly of compliance matters.

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 gross amounts of financial assets represent the maximum credit exposure and are as follows:

	2022 R'000	2021 R'000
Contract in progress (note 15)	**739 134**	611 339
Contract receivables (note 16)	**1 139 198**	1 430 543
Retention debtors (note 16)	**266 562**	141 196
Amounts due by joint operations (note 16)	**207 639**	186 366
Other receivables (note 16)	**76 870**	54 175
Total	**2 429 403**	2 423 619

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 region 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.

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

These receivables comprise of a widespread customer base, primarily in South Africa but also in the rest of Africa, mainly Botswana, Eswatini and Zambia. 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 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, considering its financial position, past experience and other factors.

Expected credit loss model

The group applied the simplified approach to determine the expected credit loss (ECL) for its trade receivables and contract assets, by calculating the lifetime ECLs for these receivables. The general approach is applied to determine the expected credit loss on other receivables by assessing, at each reporting period, whether there has been a significant increase in credit risk since initial recognition. Where there is no significant increase in credit risk, the group provides for a 12-month ECL. Where there is a significant increase in credit risk, a lifetime ECL is calculated. An impairment analysis is performed at each reporting date using a provision rate matrix. The provision rates are calculated based on defined credit risk grades and reflect a probability of default based on past events, current conditions and a forecast of future economic conditions. Forecast of future economic conditions incorporates the use of reliable default rate statistics from reputable credit risk rating agencies, which take into account forecast macroeconomic data, including financial and growth conditions of specific industry sectors. The provision rates are revised each year where there are changes in customer profiles and behaviours, new information and changes in forecasted economic conditions. Customers were classified into specific credit risk grades based on the following main criteria:

- Within South Africa or outside South Africa
- Private or public sector
- Days past due of outstanding debt
- Industry sector within which the customer operates
- Other factors specific to each customer where applicable

The provision rates applied ranged from 0,003% for the lowest risk category to 33,2% for the highest risk category (2021: 0,003% – 60,2%). Although global default rates in 2021/22 had reduced slightly post the COVID-19 pandemic and subsequent economic recovery, default rates applied in the group's calculation of ECL have been conservatively kept in line with prior year, considering the uncertainty surrounding the post-pandemic operating environment. The provision rate matrix was applied to all receivables as they are mainly from similar customers with similar risk profiles. Additional factors specific to each category of financial assets were also considered and rates were adjusted accordingly.

Trade receivables

Trade receivables represent invoiced amounts due from contract customers. The average credit period for trade receivables 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 are assessed on an individual basis.

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

The summarised risk categories and calculated ECL for trade receivables are as follows:

	Current to 30 days R'000	60 to 90 days R'000	120 to 150 days R'000	180 days R'000	Over 180 days to less than 1 year R'000	Over 1 year R'000	Total R'000
2022							
Within South Africa	**415 626**	**53 212**	**949**	—	**482**	**148 233**	**618 502**
Public	**141 572**	**17 724**	**259**	—	—	**10 898**	**170 453**
Private	**274 054**	**35 488**	**690**	—	**482**	**137 335**	**448 049**
Outside South Africa	**93 550**	**36 977**	**21 264**	—	**10 551**	**358 354**	**520 696**
Public	**66 457**	**22 874**	**21 170**	—	**8 597**	**324 257**	**443 355**
Eswatini	**56 852**	**14 843**	**21 170**	—	**6 078**	**161 405**	**260 348**
Botswana	**9 605**	—	—	—	—	—	**9 605**
Zambia	—	**8 031**	—	—	**2 519**	**162 852**	**173 402**
Private	**27 093**	**14 103**	**94**	—	**1 954**	**34 097**	**77 341**
Botswana	**15 823**	**209**	—	—	—	—	**16 032**
Eswatini	**11 270**	—	—	—	**1 602**	**378**	**13 250**
Namibia	—	—	—	—	—	**1 499**	**1 499**
Lesotho	—	—	—	—	**352**	—	**352**
Zambia	—	**13 894**	**94**	—	—	**32 220**	**46 208**
Gross total	**509 176**	**90 189**	**22 213**	—	**11 033**	**506 587**	**1 139 198**
Average expected credit loss rate (%)	—	**20,3**	**2,3**	—	**9,5**	**33,2**	**16,5**
Expected credit loss	**187**	**18 306**	**500**	—	**1 052**	**167 994**	**188 039**
Collective	**187**	**1 866**	**500**	—	**570**	**18 105**	**21 228**
Individual	—	**16 440**	—	—	**482**	**149 889**	**166 811**
Carrying amount	**508 989**	**71 883**	**21 713**	—	**9 981**	**338 593**	**951 159**

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

	Current to 30 days R'000	60 to 90 days R'000	120 to 150 days R'000	180 days R'000	Over 180 days to less than 1 year R'000	Over 1 year R'000	Total R'000
2021							
Within South Africa	428 428	8 095	24 906	15 449	46 739	223 790	747 407
Public	95 658	—	—	—	30 874	13 086	139 618
Private	332 770	8 095	24 906	15 449	15 865	210 704	607 789
Outside South Africa	232 244	41 459	135 178	1 880	5 583	266 792	683 136
Public	161 309	36 501	117 157	—	—	262 241	577 208
Eswatini	88 972	4 729	117 157	—	—	139 478	350 336
Zambia	—	31 772	—	—	—	122 763	154 535
Botswana	72 337	—	—	—	—	—	72 337
Private	70 935	4 958	18 021	1 880	5 583	4 551	105 928
Eswatini	20 402	—	384	—	—	437	21 223
Zambia	41 872	4 802	17 637	1 880	5 583	1 146	72 920
Namibia	—	—	—	—	—	2 968	2 968
Botswana	8 661	156	—	—	—	—	8 817
Gross total	660 672	49 554	160 084	17 329	52 322	490 582	1 430 543
Average expected credit loss rate (%)	—	6,3	2,5	26,6	33,7	60,2	22,7
Expected credit loss	—	3 135	3 924	4 618	17 648	295 127	324 452
Collective	—	3 135	3 924	234	1 947	9 921	19 161
Individual	—	—	—	4 384	15 701	285 206	305 291
Carrying amount	660 672	46 419	156 160	12 711	34 674	195 455	1 106 091

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

In determining the expected credit loss, the following historical and forward-looking factors were considered:

Historical factors	Forward-looking factors
— Payment history of the customer — Consideration of reasons for delay in payments- whether they are indicative of liquidity/solvency issues — Contractual recourse for non-payment of debtors — Collateral/credit insurance available in case of default Country specific factors considered for the Eswatini and Zambia debtors in particular due to materiality include: — Zambia – Regular formal interactions at ministerial level – Ability to offset amounts due to and due from government (example VAT) – Work suspended until payment is received — Eswatini – No history of bad debts – Significant advance payments received – Long outstanding due to the regulation that surrounds payments of government debtors	— Financial state of client and any indication of financial distress based on most recent information available and management discussions — Commitments made for payment and whether they are realistic based on history, client relationship and progress of contract — Political climate — Potential roll-out of future projects Country specific factors considered for the Eswatini and Zambia debtors in particular due to materiality include: — Zambia – Movements in copper price that influence the Zambia government – List of new projects to be rolled out by the relevant departments of the Government in the short to medium term – Willingness from government to offset amounts due to and due from government – GDP annual growth rates — Eswatini – Target of foreign funded projects with the same client (government departments) – Formal funding mechanisms in place for these projects

The individual expected credit loss relates to specific clients who are showing signs of default such as delayed payments and liquidity pressures in the below countries for which provisions have been raised:

	2022		2021	
	Gross carrying amount R'000	**Expected credit loss R'000**	Gross carrying amount R'000	Expected credit loss R'000
Eswatini	**10 664**	**10 664**	39 983	39 983
Namibia	**1 314**	**1 314**	589	589
Zambia	**82 404**	**82 404**	72 262	72 262
Within South Africa	**72 429**	**72 429**	205 150	192 457
Total	**166 811**	**166 811**	317 984	305 291

The following contributed to the change in the collective expected credit loss from prior year:

— Changes in ageing of debtors — slight increase in the over 1 year debtors, which attracts a higher default rate.

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

CONTRACTS IN PROGRESS

Contracts in progress have been disaggregated into two main categories to assess credit risk: Work in progress and Materials on site.

Work in progress includes timing differences between measured work performed but not yet certified and invoiced, pending sign-off from clients' quantity surveyors. Revenue is recognised based on measured work performed. Any work measured but not yet certified is treated as work in progress, until such time as it is certified and invoiced. Once invoiced, the balance is reclassified to trade receivables.

Materials on site includes costs incurred to complete the contract, but contractually cannot be billed at period end as it has not been used in measured work performed.

The summarised risk categories and calculated ECL for contracts in progress are as follows:

	Work in progress		Materials on site		
	Public R'000	Private R'000	Public R'000	Private R'000	Total R'000
2022					
Within South Africa	**89 605**	**273 743**	**42 381**	**61 189**	**466 918**
Outside South Africa	**81 157**	**139 704**	**35 119**	**16 236**	**272 216**
Botswana	**15 804**	**—**	**35 119**	**6 851**	**57 774**
Eswatini	**54 982**	**1 697**	**—**	**—**	**56 679**
Zambia	**10 371**	**138 007**	**—**	**9 385**	**157 763**
Gross total	**170 762**	**413 447**	**77 500**	**77 425**	**739 134**
Average expected credit loss rate (%)	**0,1**	**0,1**	**—**	**0,1**	**0,1**
Expected credit loss	**196**	**427**	**36**	**91**	**750**
Carrying amount	**170 566**	**413 020**	**77 464**	**77 334**	**738 384**
2021					
Within South Africa	115 011	208 471	17 682	52 573	393 737
Outside South Africa	108 851	52 435	46 257	10 059	217 602
Botswana	37 162	2 500	46 257	—	85 919
Eswatini	63 392	6 089	—	—	69 481
Zambia	8 297	43 846	—	10 059	62 202
Gross total	223 862	260 906	63 939	62 632	611 339
Average expected credit loss rate (%)	0,1	0,1	0,1	0,1	0,1
Expected credit loss	283	151	59	88	581
Carrying amount	223 579	260 755	63 880	62 544	610 758

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

In determining the expected credit loss, the following historical and forward-looking factors were considered:

Historical factors	Forward-looking factors
— Contractual provisions for alternative recovery in case of disputes regarding work performed — Majority of the contracts in progress balances are current and relate to work which will be certified within the next 12 months — History of probability of work not being certified/disputes arising regarding work performed based on prior experience with clients	— Financial state of client and any indication of financial distress based on most recent information available — Discussions between the group and the clients regarding recoverability of amounts outstanding and any probabilities of default — The value of work certified after year-end in relation to the closing balances at period end

The following contributed to the change in the expected credit loss from prior year:

— Increase of 21% in contract asset balances.

RETENTION DEBTORS

Retention debtors relate to amounts invoiced but not paid until the conditions specified in the contract are fulfilled or until defects have been rectified. The retention debtors are only due and payable once a contract is completed and all obligations are met.

The summarised risk categories and calculated ECL for retention debtors are as follows:

	2022			2021		
	Public R'000	**Private R'000**	**Total R'000**	Public R'000	Private R'000	Total R'000
Within South Africa	**45 773**	**86 567**	**132 340**	37 094	61 437	98 531
Outside South Africa	**91 703**	**42 519**	**134 222**	36 671	5 994	42 665
Botswana	**—**	**26 818**	**26 818**	20 448	488	20 936
Eswatini	**72 807**	**3 462**	**76 269**	1 154	2 383	3 537
Zambia	**18 896**	**12 239**	**31 135**	15 069	3 123	18 192
Gross total	**137 476**	**129 086**	**266 562**	73 765	67 431	141 196
Average expected credit loss rate (%)	**0,1**	**0,1**	**0,1**	0,1	0,1	0,1
Expected credit loss	**134**	**79**	**213**	60	91	151
Carrying amount	**137 342**	**129 007**	**266 349**	73 705	67 340	141 045

In determining the expected credit loss, the following historical and forward-looking factors were considered:

Historical factors	Forward-looking factors
— Payment history of client in relation to previous invoices raised — Contractual provisions for alternative recovery in case of non-payment — Ageing of retention debtors (majority of retention debtors are current and only due in future periods)	— Financial state of client and any indication of financial distress based on most recent information available — Discussions between the group and the client regarding recoverability of amounts outstanding and any probabilities of default — Progress of contract and probability of disputes regarding valued work and other contractual conditions at end of contract

The following contributed to the change in the expected credit loss from prior year:

— Increase of 89% in retention balances.

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

RECEIVABLES FROM JOINT OPERATIONS

Receivables from joint operations consist of either resource funding or cash advances. Resource funding relates to recoveries for expenses incurred on behalf of the joint operation by related parties which are settled in the normal course of business. Cash advances relate to contractual loans granted to alleviate temporary cash flow constraints of the operation.

The summarised risk categories and calculated ECL for receivables from joint operations are as follows:

	Current to 30 days R'000	60 to 90 days R'000	120 to 150 days R'000	180 days R'000	Over 180 days to less than 1 year R'000	Over 1 year R'000	Total R'000	Resource accounts R'000	Cash advances/ other R'000
2022									
Within South Africa	**21 111**	**97**	**415**	**401**	**982**	**34 737**	**57 743**	**14 228**	**43 515**
Public	**9 326**	**—**	**—**	**—**	**—**	**206**	**9 532**	**9 532**	**—**
Private	**11 785**	**97**	**415**	**401**	**982**	**34 531**	**48 211**	**4 696**	**43 515**
Outside South Africa	**4 779**	**277**	**135**	**6 038**	**1 126**	**137 541**	**149 896**	**20 834**	**129 062**
Private	**4 779**	**277**	**135**	**6 038**	**1 126**	**137 541**	**149 896**	**20 834**	**129 062**
Eswatini	**—**	**—**	**—**	**6 000**	**—**	**119 834**	**125 834**	**—**	**125 834**
Botswana	**4 429**	**—**	**—**	**—**	**—**	**—**	**4 429**	**1 201**	**3 228**
Zambia	**350**	**277**	**135**	**38**	**1 126**	**17 707**	**19 633**	**19 633**	**—**
Gross total	**25 890**	**374**	**550**	**6 439**	**2 108**	**172 278**	**207 639**	**35 062**	**172 577**
Average expected credit loss rate (%)	**0,1**	**1,3**	**1,3**	**0,1**	**3,1**	**0,6**	**0,6**		
Expected credit loss	**15**	**5**	**7**	**8**	**65**	**1 106**	**1 206**		
Carrying amount	**25 875**	**369**	**543**	**6 431**	**2 043**	**171 172**	**206 433**		
2021									
Within South Africa	31 262	2 855	403	1 019	2 241	9 598	47 378	21 378	26 000
Public	4 563	420	—	838	450	—	6 271	5 039	1 232
Private	26 699	2 435	403	181	1 791	9 598	41 107	16 339	24 768
Outside South Africa	1 500	—	—	—	—	137 488	138 988	14 161	124 827
Public	1 500	—	—	—	—	123 327	124 827	—	124 827
Eswatini	1 500	—	—	—	—	123 327	124 827	—	124 827
Private	—	—	—	—	—	14 161	14 161	14 161	—
Eswatini	—	—	—	—	—	14 161	14 161	14 161	—
Gross total	32 762	2 855	403	1 019	2 241	147 086	186 366	35 539	150 827
Average Expected credit loss rate (%)	0,1	1,4	3,7	1,0	4,6	0,3	0,4		
Expected credit loss	17	41	15	10	103	513	699		
Carrying amount	32 745	2 814	388	1 009	2 138	146 573	185 667		

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

In determining the expected credit loss, the following historical and forward-looking factors were considered:

Historical factors	Forward-looking factors
— Past experience — these are normally settled in the normal course of business — Joint operations are still trading, and, in most instances, we are the lead partner and administer and manage the cash therefore ensuring payment	— Cash flow projections prepared on a regular basis — Ability of joint operation partners to fund cash flow requirements — Joint operation relationships are governed by joint operation agreements and will exist until end of contract/project — Future profitability of the project taking into consideration timing of profit distributions in terms of the joint operation agreement

The following contributed to the change in the expected credit loss from prior year:

- Increase of 11% in amounts due from joint operations.

OTHER RECEIVABLES

Other receivables consist mostly of deposits (mainly house rental deposits), interest accrued and sundry debtors. No ECL was calculated on interest accrued as these monies have already been credited to our bank account.

The summarised risk categories and calculated ECL for other receivables are as follows:

	2022 R'000	2021 R'000
Within South Africa	**71 647**	50 467
Outside South Africa	**5 223**	3 708
Eswatini	**3 066**	2 598
Namibia	**10**	177
Zambia	**1 116**	—
Other (Botswana, Guinea, Kenya)	**1 031**	933
Gross total	**76 870**	54 175
Average expected credit loss rate (%)	**2,7**	3,8
Expected credit loss	**2 054**	2 044
Carrying amount	**74 816**	52 131

In determining the expected credit loss, the following historical and forward-looking factors were considered:

Historical factors	Forward-looking factors
Deposits — History of default by agents on repayment of deposits — Materiality of deposit amounts that could affect ability of agent to re-pay	**Deposits** — Whether deposits can be transferred to other properties under the same rental agent
Sundry debtors — Materiality of amounts due from the various sundry debtors — Nature of the debtor (whether low credit-risk entities, e.g. banks, trusts)	**Sundry debtors** — Financial state of the debtor and any indication of financial distress based on most recent information available

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

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

COLLATERAL

	2022 R'000	2021 R'000
Contract receivables for which guarantees are held	—	6 550
Collateral held in the form of:		
Payment guarantee	—	6 459
Builder's lien	—	60 288
Credit insurance	—	111 154

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.

CREDIT INSURANCE

Insurance obtained in case of default of client.

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.

The group maintains the following lines of credit:

— R1 393 million (Feb 2021: R1 556 million) which include mainly banking, guarantee and asset-based facilities.

As on 28 February 2022 the facilities used from the above credit lines are as follows:

	Limit R'000	Utilisation R'000	Available R'000
FEBRUARY 2022			
Facility A	**1 350 127**	**1 342 783**	**7 344**
Facility D	**42 468**	**19 387**	**23 081**
	1 392 595	**1 362 170**	**30 425**

Facilities B and C were closed during the current year as they were asset-based facilities for which credit is no longer required.

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

	Limit R'000	Utilisation R'000	Available R'000
FEBRUARY 2021			
Facility A	1 484 419	1 476 419	8 000
Facility B	2 108	2 108	—
Facility C	24 419	24 419	—
Facility D	44 888	22 825	22 063
	1 555 834	1 525 771	30 063

EXPOSURE TO LIQUIDITY RISK

The following are the remaining contractual maturities of financial instruments 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
2022						
Financial assets						
Trade and other receivables	**1 498 757**	**1 498 757**	—	**1 498 757**	—	—
	1 498 757	**1 498 757**	—	**1 498 757**	—	—
Financial liabilities						
Other financial liabilities*	**1 432 124**	**1 572 325**	—	**1 417 508**	**118 989**	**35 828**
Trade and other payables	**859 649**	**859 649**	—	**859 649**	—	—
Bank balances	**18 896**	**18 896**	—	**18 896**	—	—
	2 310 669	**2 450 870**	—	**2 296 053**	**118 989**	**35 828**
2021						
Financial assets						
Trade and other receivables	1 484 934	1 484 934	—	1 484 934	—	—
	1 484 934	1 484 934	—	1 484 934	—	—
Financial liabilities						
Other financial liabilities*	1 536 188	1 768 417	588	1 486 035	167 537	114 257
Trade and other payables	736 650	736 650	—	736 650	—	—
Bank balances	18 134	18 134	—	18 134	—	—
	2 290 972	2 523 201	588	2 240 819	167 537	114 257

* Other financial liabilities in the "less than one year" bracket mainly consist of term loans to the value of R1,33 billion. The terms of these loans are currently under negotiation for extension of capital repayments of the loan to January and February 2023.

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.

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

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), Botswana Pula (BPW) and other African currencies.

	2022				2021			
	BWP R'000	**ZMW R'000**	**Other R'000**	**Total R'000**	BWP R'000	ZMW R'000	Other R'000	Total R'000
Profit/(loss) for the year after tax included	**45 063**	**25 459**	**(15 282)**	**55 240**	25 433	28 619	(4 026)	50 026
Unhedged monetary assets	**96 124**	**298 327**	**16 228**	**410 679**	118 618	283 742	39 755	442 115
Trade receivables	**25 632**	**127 783**	**—**	**153 415**	80 982	149 199	2 361	232 542
Other receivables	**38 516**	**75 857**	**12 280**	**126 653**	32 591	33 110	30 836	96 537
Bank balances	**31 976**	**94 687**	**3 948**	**130 611**	5 045	101 433	6 558	113 036
Unhedged monetary liabilities	**56 320**	**143 712**	**4 674**	**204 706**	39 555	43 739	4 363	87 657
Trade payables	**7 357**	**75 848**	**1 580**	**84 785**	6 158	5 758	239	12 155
Other payables	**48 963**	**67 864**	**3 094**	**119 921**	33 397	37 981	4 124	75 502

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

Other currencies include Kenya Schillings (KES), Tanzanian Schilling (TZS), Ghanaian Cedi (GHC), Guinean Franc (GNF), Mauritian Rupee (MUR) and the United States Dollar (USD).

	Average rate		Closing rate	
	2022	2021	**2022**	2021
The following exchange rates have been applied				
BPW	**1,3192**	1,4407	**1,3283**	1,3833
ZMW	**0,8424**	0,8620	**0,8685**	0,6926

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

Sensitivity analysis

A reasonably possible strengthening/(weakening) of the following currencies at year-end would have affected the measurement of profit or loss after tax 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)	
	2022 %	2021 %	**2022 R'000**	2021 R'000
BPW	**8%**	7	**3 799/(3 799)**	1 722/(1 722)
ZMW	**2%**	22	**580/(580)**	6 157/(6 157)

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 region 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	
		2022 %	2021 %		**2022 R'000**	2021 R'000
Unsecured borrowings	ZAR	**3,00 – 8,55**	3,00 – 11,82	2023 – 2025	**10 770**	11 630
Secured borrowings	ZAR	**6,25 – 8,00**	6,00 – 7,49	2023	**1 231 171**	1 330 643
Secured borrowings	SZL	**9,00**	9,00	2035	**1 632**	1 712
Lease liabilities (instalment sale agreements)	ZAR	**5,65**	5,65 – 9,00	2023	**1 939**	25 869
Lease liabilities (other) — local	ZAR	**5,00 – 9,50**	7,00 – 9,75	2023 – 2030	**51 104**	54 695
Settlement liability — City of Cape Town	ZAR	**7,96**	—	2024	**27 552**	—
Voluntary Rebuild Programme	ZAR	**7,50**	7,50	2027	**107 956**	110 750
					1 432 124	1 535 299

Sensitivity analysis

A change of 125 basis points in interest rates (in line with the change in the South African prime rate since the beginning of the year) would have increased or decreased profit or loss by R22 million before tax (Feb 2021 restated: R26 million).

28. BUSINESS COMBINATIONS

There were no business combinations during the current year.

2021

The group increased its shareholding in two non-material joint operations during the year due to operational requirements.

The fair value of assets and liabilities of the acquisitions are reflected in the note below:

	Khumani — joint operation	Mpophomeni — joint operation
Effective date	1 November 2020	1 November 2020
Voting equity acquired	50,5%	25%

	Khumani — joint operation R'000	Mpophomeni — joint operation R'000
AT ACQUISITION VALUES:		
Non-current assets	—	80
Property, plant and equipment (note 9)	—	80
Current assets	5 022	2 775
Contracts in progress (note 15)	—	317
Trade and other receivables	4 220	2 447
Bank balances	802	11
Non-current liabilities	—	169
Deferred taxation (note 15)	—	169
Current liabilities	2 361	2 660
Financial liabilities	—	103
Trade and other payables	2 361	1 237
Excess billings over work done (note 15)	—	634
Provisions	—	686
Net asset value	2 661	26
Cost of acquisition	3 000	1 000
Cash paid	3 000	1 000
Intangible assets recognised on acquisition (note 12)	339	974
Revenue since acquisition included in results	11 941	5 747
Profit before tax since acquisition included in results	1 414	316
Revenue since the beginning of the year	33 479	50 455
Profit since the beginning of the year	6 128	1 516
Acquisition-related costs recognised within operating expenses	—	—

NET CASH FOR ACQUISITION OF JOINT OPERATIONS

	Khumani — joint operation R'000	Mpophomeni — joint operation R'000	Total R'000
Cash consideration paid	(3 000)	(1 000)	(4 000)
Less: cash acquired	802	11	813
Net cash outflow	(2 198)	(989)	(3 187)

29. CONTINUING IMPACT OF COVID-19, JULY 2021 CIVIL UNREST, RUSSIAN AND UKRAINIAN CONFLICT

CONTINUING IMPACT OF COVID-19

The pandemic is considered to be an ongoing event and management is continuously assessing and monitoring developments with regard to its impact on the business, with a focus on the following aspects:

Going concern

The outbreak of the pandemic in March 2020 occurred in the midst of the implementation of the group's "Restructuring Plan" which was initiated to put in place the optimal capital structure and access to liquidity to position the group for long-term growth. Management has made considerable progress in reconfiguring the group's organisational structure to improve operational performance and decrease overhead costs, including the reduction of the group's overall headcount. This is an ongoing process which continues as the aspects of the Restructuring Plan are being implemented in this uncertain environment.

Recoverability and impairment of assets

Goodwill

In calculating the value-in-use of the cash generating units to which the investments relate, the most recent cash flow forecasts were used, post the COVID-19 effects. There was no significant impact due to these effects on the assessment of the impairment.

Financial assets

The group's assessment of expected credit losses on its financial assets entails the use of global default rates forecasted by reliable, independent credit risk rating agencies. Default rates in 2021/22 had reduced slightly post the COVID-19 pandemic and subsequent economic recovery. In general, default rates applied in the group's calculation of ECL have been conservatively kept in line with prior year, considering the uncertainty surrounding the post-pandemic operating environment.

Deferred tax assets

The recoverability of deferred tax assets is assessed considering the continuing impact of COVID-19 on the group's results. The group has not provided for a deferred tax asset on the losses pertaining to the South African trading entity.

Subsequent to year-end, there have been no significant changes in the COVID-19 pandemic restrictions impacting the group. The declaration of the end of the national state of disaster by the South African President on 4 April 2022 had no significant impact on the group as all sites were fully operational.

JULY 2021 CIVIL UNREST

The July 2021 civil unrest in Gauteng and KwaZulu-Natal negatively impacted the Inland and Coastal Regions, resulting in some property damage and time delays on 17 projects where work had to be stopped. The total value amounted to R22 million, of which 70% was recovered from the group's insurers and 11 % from clients.

RUSSIAN AND UKRAINE CONFLICT

The impact the Russian and Ukraine conflict will have on global growth and investor confidence, indirectly impacting the group's operations, will be closely monitored. Although the direct impact of the conflict on the group is deemed immaterial as its projects and clients are based within South Africa and Southern Africa, the potential energy supply disruptions, increased energy, food, raw material, transport costs (driven by fuel hikes) and inflation could impact the group and its customers indirectly.

30. SUBSEQUENT EVENTS

With respect to the civil claim received from the City of Cape Town (Green Point Stadium), the parties to the civil claim being the City of Cape Town and WBHO Construction, Aveng Africa and Stefanutti Stocks ("the Contractors") remain confident of their respective legal positions. However, the parties have mutually agreed that it is in the best interests of all to amicably settle the matter rather than prolong an extended and costly arbitration and court process. This will allow for future positive engagements between the City of Cape Town and the Contractors.

The settlement includes an annual payment of R10,5 million by each Contractor over the next three years, and a commitment to Corporate Social Investment projects in the Cape Town district by WBHO Construction and Stefanutti Stocks. Refer to note 4.

Subsequent to year-end, the group received a non-binding offer of USD13,5 million to purchase a foreign entity. Negotiations are ongoing and no terms have been agreed. The foreign entity is classified as held for sale, and the fair value of its assets and liabilities is based on an orderly transaction between market participants at the reporting date under current market conditions. Refer to note 7.

The recent flooding in KwaZulu-Natal impacted one project in the Coastal Region. An insurance claim will be submitted for damages incurred of approximately R20 million.

Other than the matters noted herein, there were no other material reportable events which occurred between the reporting date and the date of this announcement.

31. AVAILABILITY OF STEFANUTTI STOCKS SEPARATE ANNUAL FINANCIAL STATEMENTS

The Stefanutti Stocks Holdings Limited separate annual financial statements have been prepared and signed on 13 June 2022, 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 No 71 of 2008 and the company's independent auditors, Mazars, has expressed an unqualified opinion with an emphasis of matter thereon.

BASIS OF PREPARATION

GOING-CONCERN STATEMENT

The below should be read in conjunction with note 2.

The funding provided by the Lenders has assisted with the group's liquidity, even though total liabilities continue to exceed total assets at 28 February 2022. The group believes it remains commercially solvent based on the cashflow projections included in the Restructuring Plan. However, uncertainties surrounding the contingent liabilities as noted in note 26, continue to indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern in the short term.

These annual financial statements have been prepared using a combination of the historical cost and, where indicated, fair value basis of accounting and are consistent with prior financial years.

PREPARED IN ACCORDANCE WITH

International Financial Reporting Standards (IFRS), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.	JSE Listings Requirements	Companies Act, No. 71 of 2008	Going-concern principles

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 presentation currency of the group by 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.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 28 FEBRUARY

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.

REFERENCE TABLE BETWEEN SIGNIFICANT ACCOUNTING POLICIES AND NOTES

Significant accounting policies	Notes and accounting policy (AP)
Construction contracts	**AP 1**
Revenue	3
Contract assets and liabilities	3, 15, 16
Provisions (including onerous contracts provisions)	22
Investment income	5
Other income and EBITDA	4
Employee benefits	**AP 2**
Short-term benefits	4
Post-employment benefits	4
Long-term employment benefits	4, 19
Group and Company accounting	**AP 3**
Translation of foreign operations	Statement of changes in equity Statement of profit or loss and other comprehensive income
Subsidiaries	—
Equity-accounted investees and joint operations	10, 11
Operating assets and related liabilities	**AP 4**
Property, plant and equipment	9
Goodwill	12
Inventories	14
Lease liabilities	20
Financial instruments	**AP 5**
Financial assets	15, 16, 17, 27
Impairment	15, 16, 27
Financial liabilities	15, 17, 20, 21, 27
Non-current assets held for sale	**AP 6**
Capital and reserves	**AP 7**
Share capital	18
Reserves	Statement of changes in equity
Treasury shares	Statement of changes in equity, 8, 18

ACCOUNTING POLICIES

FOR THE YEAR ENDED 28 FEBRUARY CONTINUED

1. CONSTRUCTION CONTRACTS

CONTRACT REVENUE FROM CONTRACTS WITH CUSTOMERS

			Recognition	Measurement
Contract revenue	Within South Africa	South Africa	Stage of completion based on surveys of measured work performed When surveys of work performed cannot be determined reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable	Based on: — Transaction price received or receivable — Including variations and claims — Excluding Value added tax
	Outside South Africa	Botswana, Eswatini and Zambia		

Revenue type	Includes	Recognition	Transfer of control	Measurement	Duration of contract
Roads, earthworks and pipelines	— Bulk earthworks — Road construction, maintenance and rehabilitations — Crushing and screening — Agricultural land preparation and infrastructural development — Large diameter welded steel pipe installation	Stage of completion based on surveys of work performed — Measured work performed	Over time as the construction works progress and enhances the asset which is controlled by the customer	Transaction price	— Longer than 12 months — Shorter than 12 months
Mining services	— Bulk materials handling — Design, construction, operations and maintenance of tailing storage facilities — Hydraulic mining	Stage of completion based on surveys of work performed — Measured work performed	Over time as the construction works progress and enhances the asset which is controlled by the customer	Transaction price	— Longer than 12 months
Civil works	— Caisson floating and installations — Civils works, bridges and transport infrastructure — Concrete rehabilitation — Marine and shipyard infrastructure	Stage of completion based on surveys of work performed — Measured work performed	Over time as the construction works progress and enhances the asset which is controlled by the customer	Transaction price	— Longer than 12 months — Shorter than 12 months
Geotechnical services	— Geotechnical construction piling and lateral support — Rock anchors and shotcrete	Stage of completion based on surveys of work performed — Measured work performed	Over time as the construction works progress and enhances the asset which is controlled by the customer	Transaction price	— Shorter than 12 months
General contracting	— Dam construction — Balance of plant infrastructure for renewable energy projects	Stage of completion based on surveys of work performed — Measured work performed	Over time as the construction works progress and enhances the asset which is controlled by the customer	Transaction price	— Longer than 12 months — Shorter than 12 months

1. CONSTRUCTION CONTRACTS CONTINUED

Revenue type	Includes	Recognition	Transfer of control	Measurement	Duration of contract
Non-residential	— Airport buildings — Commercial buildings — Education facilities — Hospitals and medical facilities — Industrial warehouses, factories and distribution centres	Stage of completion based on surveys of work performed — Measured work performed	Over time as the construction works progress and enhances the asset which is controlled by the customer	Transaction price	— Longer than 12 months — Shorter than 12 months
Residential	— Affordable housing — Residential developments	Stage of completion based on surveys of work performed — Measured work performed	Over time if the group is not the developer and does not have the ownership of the development	Transaction price	— Longer than 12 months — Shorter than 12 months
			Transfer of control at end of period upon issue of completion certificate or registration if the group is the developer and owns the development		
Mechanical Electrical Oil & Gas	— Control system installation — Design and build high rate water clarifier plants — Field instrumentation installation — Pipe spool fabrication — Petrochemical shutdown maintenance work	Stage of completion based on surveys of work performed — Measured work performed	Over time as the construction works progress and enhances the asset which is controlled by the customer	Transaction price	— Shorter than 12 months

Stefanutti Stocks operates throughout South Africa and Southern Africa with multi-disciplinary expertise including concrete structures, marine construction, piling, geotechnical services, roads and earthworks, bulk pipelines, materials handling, tailings management, all forms of building works including affordable housing, mechanical, electrical and piping (MEP).

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods or services. Payment terms for services delivered are normally within 30 to 60 days.

1. CONSTRUCTION CONTRACTS CONTINUED

Costs	Variable consideration	Significant financing component	Significant financing component
Costs to obtain All costs incurred to obtain a contract are expensed immediately and recognised in profit or loss as they are not incremental. **Costs to fulfil** 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 or any penalties arising from failure to fulfil it, whichever is the least net cost.	The group estimates the amount of variable consideration, to which it would be entitled to. Variable consideration is constrained to the extent that it is highly probable that a significant reversal of revenue will not occur. Certain contracts include penalty provisions, claims and a change of scope of work to be performed which constitutes variable consideration. Variable consideration is measured either at the most likely outcome method or expected value method and is considered at each reporting date. The most appropriate method is selected for each contract and applied consistently throughout the contract term. In most instances the most likely outcome method is used as there are only a few possible outcomes.	**Shorter than 12 months** Advances received on contracts with customers are generally shorter than 12 months, and therefore the group does not adjust the consideration for the effects of a significant financing component, since the group applies the practical expedient.	**Longer than 12 months** In instances where advances received are utilised in a period longer than 12 months, the group adjusts the consideration for the effects of a significant financing component by using an applicable interest rate. Contract revenue is adjusted with this financing component and accounted for as finance costs paid.

WARRANTIES AND RELATED OBLIGATIONS

Performance guarantees	Advance payment guarantees	Subcontractor retentions	Defects liabilities	Tender guarantees
Performance guarantees are issued to a client to guarantee the quality and performance of the construction services rendered in the event that there is default in terms of the contract.	Advance payment guarantees are issued in lieu of an advance received and reduces over the period of the contract as the advance payment is utilised.	Specific amounts are withheld on each payment made to subcontractors, and either repaid when the defects liability period comes to an end or when payment is received from the client.	Defects liabilities provide for warranties relating to defects arising subsequent to the completion of the contract.	Tender guarantees are issued as guarantee that should the project tendered for be awarded, the group would be in the position to execute the contract.
Performance guarantees are dependent on the nature, terms and timing of each specific contract.	Advance payment guarantees are dependent on the nature, terms and timing of each specific contract.	Retentions are dependent on the nature, terms and timing of each specific contract.	Defects liabilities are dependent on the nature, terms and timing of each specific contract.	Tender guarantees are dependent on the nature, terms and timing of each specific contract tendered on.

1. CONSTRUCTION CONTRACTS CONTINUED

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.
	Impairment: refer to accounting policy 5: Financial Instruments.

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. **Onerous contracts** In the instance where the group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

OTHER INCOME AND EBITDA

	Includes	Recognition	Measurement
Other income	Amounts both received and accrued	Over time as services are rendered	Fair value
Management fee	Amounts both received and accrued	Over time as the group provides the management services and the customer simultaneously consumes the benefit	Fair value
Rental income	Amounts both received and accrued	Rental income from leases are recognised as operating leases Over period of lease term on a straight-line basis	Lease payments

EBITDA

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

INVESTMENT INCOME

	Includes	Recognition	Measurement
Investment income	Amounts both received and accrued	Time proportion basis	Effective interest method

2. EMPLOYEE BENEFITS

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

SHORT-TERM BENEFITS

Includes	Basic salary, 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.

2. 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.

3. GROUP AND COMPANY ACCOUNTING

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.

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
c) Whether the group is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity

Recognition and measurement

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 using consistent accounting policies and prepared for the same reporting period as the parent company.

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.

3. GROUP ACCOUNTING CONTINUED

EQUITY-ACCOUNTED INVESTEES AND JOINT OPERATIONS

Associates and joint ventures	Joint operations
Initial recognition and measurement Associates are deemed to be material if the interest in the equity-accounted investee (cost and long-term loans) exceed 3% of the non-current asset value of the group. Associates and joint ventures are accounted for using the equity method. Interest in equity-accounted investees are initially recognised at cost. Investor's interest includes any equity contributions, which are made at the date of acquisition, equity- accounted losses which are recognised against the cost of the investment, 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 and 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 the investors' interest which include cost plus loans which will in all likelihood not be settled in the near future.	**Impairment** Recognised assets are impaired in line with group policy for similar type of assets

4. OPERATING ASSETS

PROPERTY, PLANT AND EQUIPMENT

Owned assets

Categories	Initial measurement	Subsequent measurement	Depreciation method and period	Impairment
Land and buildings	Initially recognised at cost, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located.	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 Transport and motor vehicles Furniture, fittings, office and computer equipment		Cost less accumulated depreciation and accumulated impairment losses.		

The revaluation of Land and Buildings are recognised in other comprehensive income and against a revaluation reserve in the statement of changes in equity. The revaluation reserve is recycled to retained earnings upon disposal (but not annual usage) of the Land and Buildings to which the revaluation reserve pertains.

RIGHT-OF-USE ASSETS

Categories	Initial measurement	Subsequent measurement	Depreciation method and period
Land and buildings	Right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located, less any lease incentives received.	Cost less accumulated depreciation and accumulated impairment losses.	Right-of-use assets from instalment sales are depreciated over their expected useful lives on the same basis as owned assets. Right-of-use assets from leases other than instalment sales agreements are depreciated over the useful life of the asset or term of lease, whichever is shorter.

GOODWILL

	Initial measurement and recognition	Subsequent measurement	Amortisation method and period	Impairment
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	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

INVENTORIES

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.

SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

Initial measurement and recognition

The group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Low-value assets are defined as assets with a new cost of R250 000 and less. Lease payments associated are recognised in profit or loss on a straight-line basis over the term of the relevant lease.

4. OPERATING ASSETS CONTINUED

LEASE LIABILITIES

Initial measurement and recognition	Subsequent measurement
Lease liabilities are initially measured at the present value of the lease payments that are due at the commencement date, discounted using the group's incremental borrowing rate.	At amortised cost. It is remeasured when there is a change in future lease payments arising from a change in term or if the group changes its assessment on whether it will exercise a purchase, extension or termination option at the end of the contract. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

5. 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
Amortised cost	Trade and other receivables (excluding Value Added Tax and Prepayments) and cash and cash equivalents.	Trade receivables are measured at their transaction price if the trade receivables do not contain a significant financing component. Other financials assets are measured at fair value plus direct transaction costs.	Amortised costs using the effective interest rate method, less expected credit loss.

Impairment	
Expected credit loss model	**Cash and cash equivalents** The group only deposits cash with reputable banks with high-quality credit ratings. The credit quality therefore is assessed as good and no expected credit loss is provided for. **Trade and other receivables and contract assets** The group uses an allowance account to recognise credit losses on contract assets and trade and other receivables. The group applies its impairment model as follows: **Expected credit loss model (ECL) — trade and other receivables and contract assets** The group applies the simplified approach of recognising lifetime ECLs over the lifetime of the trade receivables and contract assets. The group applies a matrix in measuring the expected credit loss, based on general economic conditions and an assessment of both current and future conditions. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the entity, failure to make contractual payments for a period of greater than 120 days past due based on historical experience and when external information such as probable insolvency or significant difficulties indicates that it is unlikely to receive the outstanding contractual amounts in full. Any amount written off is only performed after considering any collateral held. Financial assets written off may still be subject to enforcement activities under the group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss in operating expenses. The group applies the general approach of recognising ECLs on other receivables by assessing, at each reporting period, whether there has been a significant increase in credit risk since initial recognition. Where there is no significant increase in credit risk, the group provides for a 12-month ECL. Where there is a significant increase in credit risk, a lifetime ECL is calculated. Impairment allowances are deducted from the carrying amounts of trade and other receivables and contract assets.

FINANCIAL LIABILITIES

Classification	Instruments included in the classification	Initial measurement	Subsequent measurement
Amortised cost	Financial liabilities (interest and non-interest bearing loans), trade and other payables, including retention creditors and subcontractors and bank overdrafts.	Fair value plus direct transaction costs.	Amortised costs using the effective interest method.

6. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss and other comprehensive income.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

Initial measurement and recognition	Depreciation and amortisation	Impairment/gain
Measured at the lower of carrying value and fair value less costs to sell, except for deferred tax assets, assets arising from employee benefits and financial assets.	Amortisation and depreciations ceases when an asset is classified as held for sale.	An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised.

7. CAPITAL AND RESERVES

SHARE CAPITAL

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

RESERVES

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.

Legal reserve comprise a percentage provided as per legislative requirements pertaining to a foreign subsidiary.

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.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 28 FEBRUARY CONTINUED

NEW ACCOUNTING PRONOUNCEMENTS

STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

The following standards became effective during the current year and have no effect on the financial statements of the company as at year-end:

- **IFRS 3 Business Combinations —** Amendments to definition of a business. There were no business combinations in the current year
- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors —** clarifies definition of materiality. This principle is already applied.
- **Interest Rate Benchmark reform — Phase 2 — Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 —** provides temporary relief to address financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). There are no loans whose interest rates are linked to IBOR.
- **IFRS16 — COVID-19-Related Rent Concessions, Extension Of Practical Expedient (Lessees Only) And Lease Incentives —** This amendment affects lessees only and makes it easier to account for COVID-19-related rent concessions. There were no lease rental concession received.

STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET EFFECTIVE

The company has chosen not to early adopt the following Standards and Interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 March 2022 or later periods.

	Accounting standard/interpretation	Type	Effective date	Impact on the financial statements
IFRS 1: FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS	SUBSIDIARY AS A FIRST-TIME ADOPTER	Amendment	1 January 2022	Not applicable to the company but will be considered for new subsidiaries.
IFRS 9: FINANCIAL INSTRUMENTS	FEES IN THE '10 PER CENT' TEST FOR DERECOGNITION OF FINANCIAL LIABILITIES	Amendment	1 January 2022	The amendment will be assessed for all modifications or exchanges of financial liabilities at the effective date.
IAS 16: PROPERTY, PLANT AND EQUIPMENT	PROCEEDS BEFORE INTENDED USE	Amendment	1 January 2022	No expected impact as no such proceeds arise.
IAS 37: PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS	ONEROUS CONTRACTS — COST OF FULFILLING A CONTRACT	Amendment	1 January 2022	No expected change as standard is currently appropriately applied.
IAS 1: PRESENTATION OF FINANCIAL STATEMENTS	PRESENTATION OF LIABILITIES DISCLOSURE OF ACCOUNTING POLICIES	Amendment	1 January 2023	No impact as the principle is already applied.
IAS 12: INCOME TAXES	DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION	Amendment	1 January 2023	No impact as the principle is already applied.
IAS 8: ACCOUNTING ESTIMATES	DEFINITION ON ACCOUNTING ESTIMATES	Amendment	1 January 2023	No impact as the principle is already applied. Management distinguishes clearly between a change in accounting policy and a change in accounting estimate.
PRACTICE STATEMENT 2 MAKING MATERIALITY JUDGEMENTS	DISCLOSURE OF ACCOUNTING POLICIES	Amendment	1 January 2023	No expected change as standard is currently appropriately applied.

SHAREHOLDERS' ANALYSIS

ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 25 FEBRUARY 2022

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
SHAREHOLDER SPREAD				
1 — 1 000	4 735	73,96	873 828	0,46
1 001 — 10 000	1 099	17,17	4 116 384	2,19
10 001 — 100 000	449	7,01	14 839 478	7,89
100 001 — 1 000 000	91	1,42	30 074 328	15,99
Over 1 000 000	28	0,44	138 176 728	73,47
Total	6 402	100,00	188 080 746	100,00
DISTRIBUTION OF SHAREHOLDERS				
Close corporations	15	0,23	1 305 000	0,69
Collective investment schemes	5	0,08	49 887 586	26,52
Custodians	7	0,11	1 913 077	1,02
Foundations and charitable funds	2	0,03	45	—
Hedge funds	2	0,03	18 619 993	9,90
Investment partnerships	10	0,16	12 658 048	6,73
Managed funds	1	0,02	258 550	0,14
Private companies	34	0,53	3 541 097	1,88
Retail shareholders	6 268	97,90	62 769 606	33,37
Retirement benefit funds	1	0,02	616 235	0,33
Scrip lending	1	0,02	990 335	0,53
Share schemes	2	0,03	6 479 930	3,45
Stockbrokers and nominees	4	0,06	223 233	0,12
Treasury	2	0,03	14 407 132	7,66
Trusts	46	0,72	14 410 574	7,66
Unclaimed scrip	2	0,03	305	—
Total	6 402	100,00	188 080 746	100,00
SHAREHOLDER TYPE				
Non-public shareholders	31	0,48	34 041 106	18,10
Directors and associates of the company and subsidiaries	23	0,36	11 985 335	6,37
Prescribed officers	4	0,06	1 168 709	0,62
Own holdings	2	0,03	14 407 132	7,66
Share trusts	2	0,03	6 479 930	3,45
Public shareholders	6 371	99,52	154 039 640	81,90
Total	6 402	100,00	188 080 746	100,00

SHAREHOLDERS' ANALYSIS

ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 25 FEBRUARY 2022 CONTINUED

	Number of shares	% of issued capital
BENEFICIAL SHAREHOLDERS WITH A HOLDING GREATER THAN 3% OF THE ISSUED SHARES		
AG Capital	28 636 128	15,23
Steyn Capital Management	17 881 543	9,51
Stefanutti Stocks Investments (Pty) Ltd	14 407 132	7,66
Welkom Investments	12 421 350	6,60
Ninety One	9 351 628	4,97
The Windsor Drive Property Trust	8 417 953	4,48
PSG	7 235 979	3,85
Stefanutti & Bressan Share Incentive Trust	6 429 930	3,42
Total	104 781 643	55,72

ABBREVIATIONS AND DEFINITIONS

"AAARG"
Average Anticipated Annual Revenue Growth

"AGM"
Annual general meeting

"ARCO"
Audit, Governance and Risk Committee

"CEO"
Chief Executive Officer

"CFO"
Chief Financial Officer

"CGU"
Cash generating unit

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

"CRO"
Chief Restructuring Officer

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

"EPS"
Earnings per share

"FYE"
Financial year-end

"FSP"
Forfeitable Share Plan

"HEPS"
Headline earnings per share

"ICT"
Information communication technology

"IFRS"
International Financial Reporting Standards

"IT"
Information technology

"JSE"
Johannesburg Stock Exchange

"JSE Listings Requirements"
Listings Requirements of the JSE Limited

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

"MOI"
Memorandum of Incorporation

"NAV"
Net asset value

"Operating profit/(loss)"
Operating profit/(loss) before investment income

"REMCO/NOMCO"
Remuneration and Nominations Committee

"RIT"
Restructuring Implementation Team

"S&E Committee"
Social and Ethics Committee

"SAICA"
South African Institute of Chartered 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 2022

"the next year"
The financial year ending 28 February 2023

"the previous year"
The financial year ended 28 February 2021

"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
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Telephone number
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Directors
As at 13 June 2022: ZJ Matlala* (Chairman); HJ Craig*; B Harie*; JM Poluta*; BP Silwanyana*; RW Crawford (CEO); Y du Plessis (CFO)

* Independent non-executive directors.

COMPANY SECRETARY

WR Somerville
Co-Unity Offices, 18 Royal Street, Hermanus, Western Cape, 7200

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TRANSFER SECRETARIES

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SPONSOR

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BANKERS

Banco Comercial e de Investimentos
Banco Internacional de Mocambique
Banco Nacional de Investimento
Eswatini Bank Limited
First National Bank, a division of FirstRand Bank Limited
First National Bank Botswana Limited
First National Bank Eswatini, a division of FirstRand Bank Limited
Nedbank Limited
Nedbank Eswatini Limited
Standard Bank Mocambique Limited
Stanbic Bank Botswana Limited
Stanbic Bank Zambia Limited
Standard Bank Eswatini
United Bank for Africa Mozambique SA
United Bank for Africa Zambia Limited

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