Stefanutti Stocks

Stefanutti Stocks Group

Consolidated Annual Financial Statements 2023

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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, as amended (The Companies Act).

Yolanda du Plessis
Chief Financial Officer

19 June 2023

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 2023, 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

19 June 2023

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:

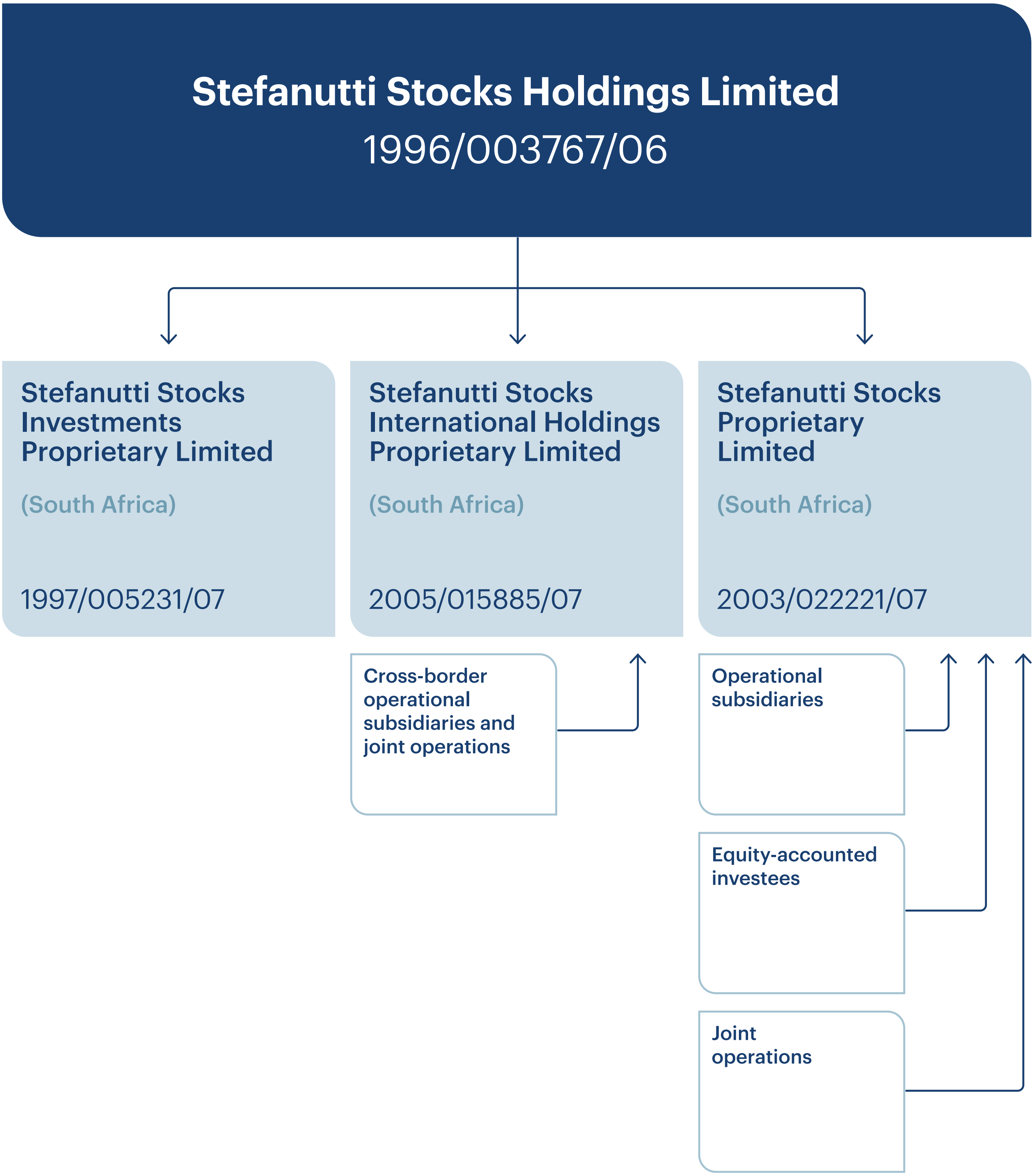
- the annual financial statements set out on pages 15 to 97, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the Audit, Governance and Risk Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
- we are not aware of any fraud involving directors.

Russell Crawford
Chief Executive Officer

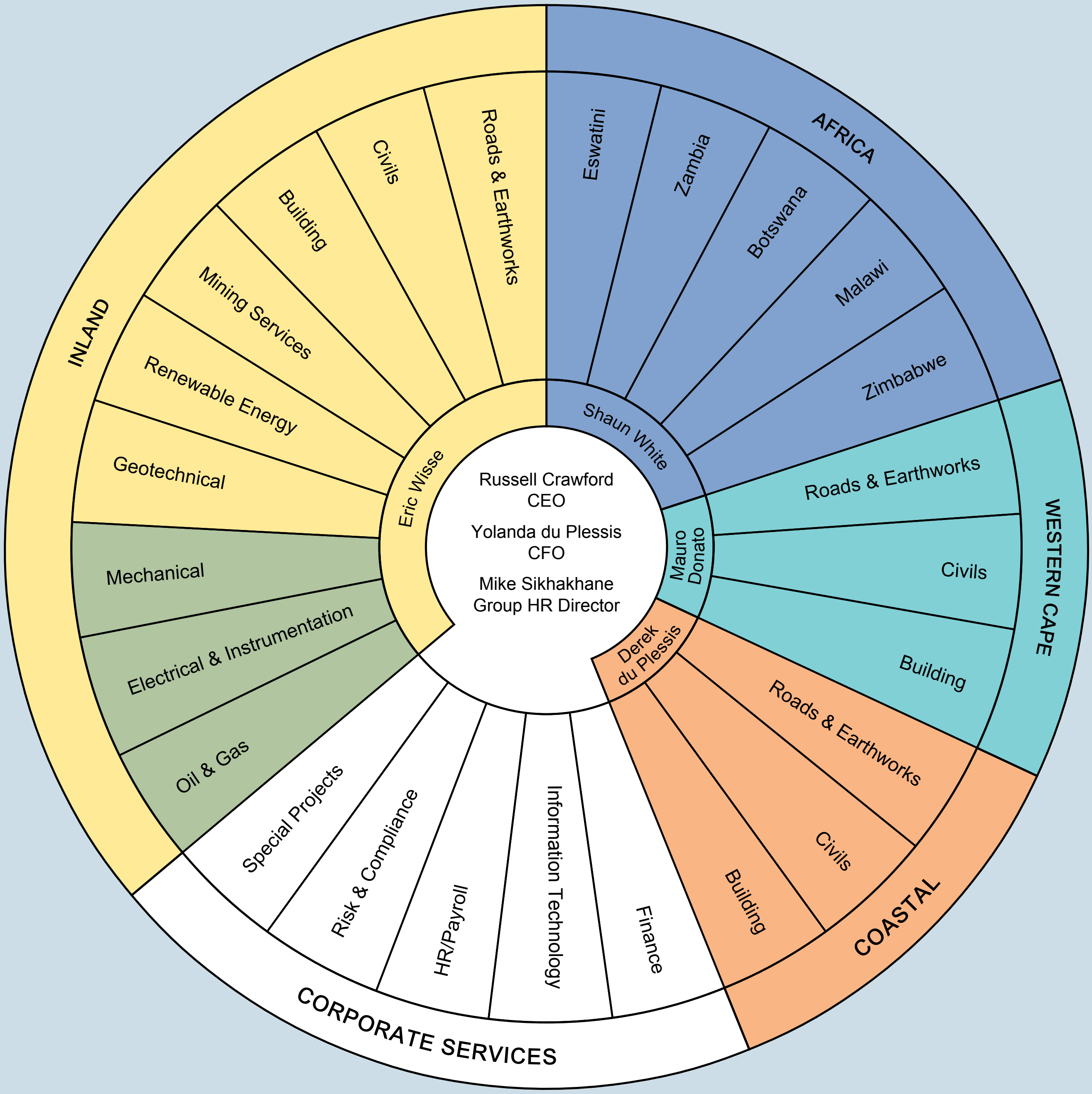
Yolanda du Plessis
Chief Financial Officer

19 June 2023
Kempton Park

Simplified group organogram



Group structure



Audit, Governance and Risk Committee report

The Audit, Governance and Risk Committee (ARCO or the committee), appointed in respect of the 2023 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 49 to 57 of the Integrated Annual Report 2023 for a discussion on how the 16 principles of King IV Report on Corporate Governance for South Africa 2016 (King IV) have been applied.

Composition

The board nominated the members of the committee in respect of the 2023 financial year and shareholders appointed its members at the Annual General Meeting (AGM), which was held on 5 August 2022. Shareholders will be requested to approve the appointment of the committee members for the 2024 financial year at the AGM that is scheduled for 4 August 2023.

Post year-end, John Poluta resigned as independent non-executive director from the board of Stefanutti Stocks with effect from 13 March 2023 due to health reasons. He has served on the board since July 2017 and served as a member of the ARCO. Howard Craig was appointed as a member of the ARCO with effect from 13 March 2023 . The committee comprises further of Bharti Harie as Chairman and Busisiwe Silwanyana, both independent non-executive directors.

The board Chairman, Chief Executive Officer (CEO), Chief Financial Officer (CFO), Group Risk Officer, Financial Manager, 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 and 45 of the Integrated Annual Report 2023.

Meetings

During the year, the committee held six meetings. Attendance at these meetings is set out in the corporate governance report on page 52 of the Integrated Annual Report 2023. 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 5;
- Evaluated the independence of the external auditors with regard 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 regard to audit quality indicators as indicated in reports by external regulators. Based on these indicators, the committee was satisfied with the quality of the external audit function;
- Reviewed the quality of the internal audit function with reference to the findings from their independent internal review processes;
- Noted the Johannesburg Stock Exchange Limited (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 regard 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 previous 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 Restructuring Plan (with the underlying assumptions), as part of its standard agenda item for each meeting. This is fully discussed on page 7;
- 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 2023 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 2023;
- Monitored compliance with the code of business conduct and ethics of the company in liaison with the Social and Ethics Committee (S&E);
- 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, Information Technology (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 Listings Requirements, proactive monitoring results, COVID-19 effective communication with investors and categorisation on disposal of assets;
- Ensured ongoing company compliance with the JSE checklist;
- Reviewed compliance with King IV requirements;
- 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 the contents page of these 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 Memorandum of Incorporation (MOI) is overseen by the company secretary. For a more detailed discussion on regulatory compliance refer to the corporate governance report, commencing on page 48 of the Integrated Annual Report 2023.

Refer also to page 1 of the Integrated Annual Report 2023 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;
- Kusile Power Project contract risks;
- Internal financial controls;
- Fraud risks;
- IT risks; and
- Reviewed technology risks, in particular how they are managed.

Please refer to page 9 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 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 from the 2022 financial reporting period.

Mazars has been the auditor of the group for 17 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 CEO in August 2019, a new CFO in May 2022 and various other board and executive committee appointments. Refer to pages 44 to 47 of the Integrated Annual Report 2023.

Following on from the recent Supreme Court of Appeal ruling on the 31st of May 2023 declaring the Mandatory Audit Firm Rotation rule *ultra vires*, the group will continue to engage Mazars as its external audit firm into the future.

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 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:

- 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 controls 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.

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

During the year, an external, independent quality review of the internal audit function was conducted as required by the International Standards of Internal Auditing. These quality reviews will be done once every five years.

Committee focus areas

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

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

The focus areas for the coming year are similar to the previous focus areas.

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 2023, 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 2023, 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 2023 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

19 June 2023

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 sub-Saharan Africa with multi-disciplinary expertise including concrete structures, specialist concrete repairs, piling, geotechnical services, roads and earthworks, renewable energy, bulk pipelines, materials handling, tailings management, all forms of building works, mechanical, electrical and piping.

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 for the twelve months ended 28 February 2023, issued on 25 May 2023.

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 identified operations;
— a favourable outcome from the processes relating to the contractual claims and compensation events on certain projects; and
— evaluation of the capital structure including the potential of raising new equity.

The group, on 28 February 2023, reached agreement with the Lenders to extend the current capital repayment profile of the loan as well as its duration to 29 February 2024.

With respect to the final award of R90,9 million with regards to the Mechanical project termination, a capital repayment of R51 million has been made towards the loan, subsequent to year end.

The loan bears interest at prime plus 3,9%, 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 loan does not contain any financial covenants but rather imposes certain information and general undertakings.

The Lenders continue to provide guarantee support for current and future projects being undertaken by the group.

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 2024 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 year 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 a favourable outcome on contractual claims and compensation events on certain projects ;
— 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 as at 28 February 2023 the group's current liabilities exceed its current assets by R1 141 million (Feb 2022: R1 462 million) and the group's total liabilities exceed its total assets by R66 million (Feb 2022: R90 million). The group had an accumulated loss of R1 209 million (Feb 2022: R1 225 million). The group believes it remains commercially solvent based on the cash flow projections included in the Restructuring Plan. However, the matters as noted above including uncertainties surrounding the contingent liabilities as stated in note 26, continue to indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern, and as a consequence could impact on the group's ability to realise its assets and discharge its liabilities in the ordinary course of business.

Refer to note 2.

Kusile power project update

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.

Since August 2021, the group has secured payment of a combined total of R110 million for measured work and the Dispute Adjudication Board (DAB) rulings. Substantial variations are still being agreed with Eskom. The outcome thereof will determine whether further certification will be secured for measured works or whether the variations will be referred to the DAB.

Stefanutti Stocks and Eskom (the parties) have entered into an "Interim Arrangement for the Purposes of Agreeing or Determining the Contractor's Claims and Facilitating the Dispute Resolution Process" in February 2020, for all delay events up to the end of December 2019. This process involves the appointment of independent experts (the experts) to evaluate the causes, duration and quantification of delays.

Further to the above, the parties and the DAB have signed a memorandum of understanding (MOU) as set out below:

— The DAB will issue decisions confirming entitlements, which entitlements the experts have agreed to, which will then be binding on the parties;
— The DAB will rely on the experts for the narrowing of the issues and information to be considered in its assessments;
— 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 duration and quantification; and
- At the end of the process the DAB will issue a final binding decision in terms of the contract with respect to duration and quantification, at which point either party may issue a notice of dissatisfaction and refer the dispute to arbitration.

The group has submitted the following provisional claims to the experts after taking into account all payments received to date on the project:

1. an overarching preliminary and general cost claim of R337 million;
2. a subcontractor overarching preliminary and general cost claim of R194 million;
3. a construction cost claim of R438 million; and
4. a finance cost claim of R171 million.

Therefore, the total of all provisional claims submitted to the experts is R1,140 billion. In terms of the process as outlined above the experts will review all claims, draft agreements and narrow issues of difference for referral to the DAB for a decision. The ongoing process will address the final phase of the delay analysis in the coming months. Once this is concluded, the group will submit its final consolidated claims, which will include the commissioning and interest costs soon thereafter.

The group envisages that the DAB will issue its binding decision before the end of the February 2024 financial year, at which point either party may issue a notice of dissatisfaction and refer the dispute to arbitration.

At this stage, the group's claims team is unable to quantify the value of the potential awards nor the exact timing thereof, as the claims must follow due process. Therefore, these provisional claims have not been recognised in the financial statements as the outcome of the process remains uncertain.

Refer to note 26.

Non-current assets held for sale, discontinued operations and disposal groups

A number of non-core assets, underutilised plant and equipment and identified operations earmarked for sale have been reclassified in terms of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations. Current market conditions resulted in the delay of these disposals. The group remains committed to the sale processes as envisaged in the Restructuring Plan. These disposals are expected to be concluded within the next 12 months.

On 22 November 2022 shareholders approved the disposal of SS — Construções (Moçambique) Limitada (SS Mozambique) by the company's wholly-owned subsidiaries, Stefanutti Stocks Mauritius Holdings Limited and Stefanutti Stocks International Holdings Proprietary Limited. The completion of the transaction is subject to the fulfilment and/or waiver of certain conditions precedent, of which one remains outstanding at year-end. Subsequently, and in terms of the agreements, the parties to the transaction have agreed to extend the date to fulfill and/or waive the last outstanding condition precedent to 31 December 2023.

The East Coast Procurement division, which deals with the group's import and export of goods and services, previously envisaged to form part of the SS Mozambique transaction has been retained and therefore, reclassified as part of continuing operations. The comparative period has been restated in the Statement of Profit or Loss and Other Comprehensive Income to reflect this reclassification.

On 18 July 2022, shareholders were advised that the disposal of Al Tayer Stocks LLC became unconditional. The transaction is being implemented subject to the terms of the agreement and the final purchase consideration of approximately R83 million, included in other current assets, is expected to be paid in due course. As previously disclosed, R92 million was received in November 2021, R11 million in May 2022, R8 million in October 2022 and R16 million in April 2023. The realisation of a foreign exchange gain of R71 million included within reserves, has been reclassified to profit or loss on disposal. Al Tayer Stocks LLC is included within discontinued operations as it represents a geographical area in which the group operated.

Further information relating to the discontinued operations and disposal groups 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 2023 are set out in the annual financial statements presented on pages 15 to 97.

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 2023 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 28 February 2022.

These results are in line with the trading update released on JSE Stock Exchange News Services (SENS) on 15 May 2023 indicating Earnings Per Share and Headline Earnings Per Share for continuing operations to reflect a loss of between 40,58c and 8,12c per share and a loss of between 37,30c and 20,72c per share respectively.

In furtherance of the internal restructuring initiative as previously disclosed, from 1 March 2022 the Mechanical Electrical Piping (MEP) business forms part of the Inland Region. In addition, certain African countries previously included within MEP are now reported as part of the Africa Region.

A specific contract, which is executed in Zimbabwe, is included within the Inland Region for reporting purposes, as the required specialised skills and expertise to execute the contract is derived from the Inland Region.

Contract revenue from continuing operations is R6,0 billion (restated Feb 2022: R6,0 billion) with an improved operating profit of R101 million (restated Feb 2022: operating loss of R107 million).

Summarised group results — Continuing operations

	2023 R'000	2022 R'000	
Contract revenue (note 3)	**5 979 555**	5 968 484	Contract revenue remained similar to prior year, impacted by the suspension of a Mechanical contract and the late award of a significant Building contract.
Operating profit/(loss) before investment income	**100 689**	(106 605)	The improvement in operating profit is mainly due to the reduction in restructuring costs and abnormal legal fees. The prior year's results was also impacted by impairment of assets (including goodwill) of R127 million and fair value adjustments of R27million.
Investment income (note 5)	**28 459**	19 010	Included in investment income is R13 million relating to the arbitration award with regard to the Mechanical project termination.
Trade and other receivables (note 16)	**1 988 285**	1 621 822	The increase in trade and other receivables predominantly relates to an increase in activity on a cross-border project with extended credit terms.
Financial liabilities (note 20)	**1 335 760**	1 432 124	Financial liabilities have reduced due to ongoing capital repayments.
Trade and other payables (note 21)	**1 274 463**	1 457 071	The reduction in trade and other payables mainly relates to the initial purchase consideration of R92 million received from Al Tayer Stocks LLC, being reclassified when the sale became unconditional.
Earnings per share(cents) (note 8)	**(22,42)**	(162,30)	Earnings per share improved as a direct result of the movement in the statement of profit or loss.
Headline earnings per share (cents) (note 8)	**(27,80)**	(82,88)	Refer to note 8 on calculation of headline earnings per share.

Earnings before interest, tax, depreciation and amortisation (EBITDA) improved from R102 million to R157 million mainly due to the reduction of restructuring costs and abnormal legal fees, as well as a net expected credit loss (ECL) reversal of R61 million (Feb 2022: R150 million). The reversal in ECL is mainly due to debtors that were previously provided for and subsequently recovered.

The tax charge is impacted by the profitability of the cross-border operations at their varying tax rates. Deferred tax for all South African entities has been raised at the new tax rate of 27%, whilst the current tax expense is still recognised at 28%.

The after tax profit for total operations is R15 million (restated Feb 2022: R415 million after tax loss).

Earnings and headline earnings per share for total operations is 8,72 cents earnings per share (Feb 2022: 248,27 cents loss per share) and 38,73 cents loss per share (Feb 2022: 97,07 cents loss per share) respectively.

The group's order book is currently R6,8 billion of which R1,1 billion arises from work beyond South Africa's borders.

Total interest-bearing liabilities reduced from R1 451 million reported at February 2022 to R1 354 million. Interest paid on the loan amounted to R115 million for the year (Feb 2022: R97 million).

The increase in other current assets, provisions and excess billings over work done and the reduction in trade and other payables contributed towards cash generated from operations of R512 million (Feb 2022: consumed R253 million) improving the group's overall cash position to R561 million (Feb 2022: R409 million).

The effect of the weakening Rand on the translation of certain foreign operations resulted in R41 million profit (Feb 2022: R34 million loss) being recognised in other comprehensive income. In addition, a R5 million foreign exchange gain relating to the deregistration of a foreign subsidiary was also realised.

The weakened post-COVID 19 economy has been further exacerbated by the Russia and Ukraine conflict, which caused a rise in energy prices, resulting in increased inflation and therefore interest rates, further increasing raw material and fuel costs. These increases, together with continuous power supply disruptions and disruptive floods in KwaZulu-Natal in April 2022, continued to put pressure on the group's operations and of its customers.

Contingent liabilities and assets

With respect to a contract mining project termination, the matter is proceeding to arbitration. This arbitration is expected to commence in October 2023. The group is confident that the termination was lawful and therefore no provision has been made.

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 has been completed and a final award has been made subsequent to year-end. In terms of the award, Stefanutti Stocks was awarded R90,9 million. In addition, legal fees have also been awarded and are subject to taxing in accordance with the High Court tariff. As soon as this process has been completed, shareholders will be advised accordingly.

Further to the announcement dated 30 November 2022, with respect to the Arbitration relating to a contractual claim on the construction of the Kalabo-Sikongo-Angola border gate road in the Western Province of Zambia, shareholders are advised that the client applied to set the Arbitral Tribunal award aside, citing "contrary to public policy" and "matters beyond the scope of the Arbitration." The hearing was heard on the 24 February 2023 and the Judge reserved judgment for 90 days.

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 2023 was 0,05 (Feb 2022: 0,03) and the Recordable Case Rate (RCR) was 0,44 (Feb 2022: 0,28).

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 72,76%.

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 2022: Nil).

Forfeitable Share Plan (FSP)

The group established the FSP in August 2009 for purposes of implementing a share scheme to complement and enhance the ability of the group to attract, retain, incentivise and reward key employees by issuing Awards.

The FSP plays an important role in the retention and attraction of suitable and competent employees within the group and further acts as a mechanism to encourage participants to build up a shareholding in the group to provide alignment between the interests of participants and shareholders.

Certain amendments were proposed to shareholders on 26 April 2023 to ensure that the group continues to embody and enhance the objectives of the FSP and to, in addition, facilitate the promotion of broad-based black economic empowerment transformational objectives within the group in accordance with the spirit and purpose of the B-BBEE Act.

These amendments were approved by shareholders on 26 April 2023.

Subsequent events

Management continues to monitor the impact of increased load shedding on the groups operations and that of its customers and suppliers. The group includes in its assessment the risk of a total blackout and the resulting impact on water supply and security.

The group's projects currently have planned back-up or off-grid generation facilities which ensure that construction work is not significantly affected during periods of load shedding. However, this has resulted in increased operational costs, of which some are built into the contract. The operations have also experienced disruptions in the supply chain, which delays delivery of materials.

Through improved planning processes and continued availability of off-grid power supply, the group believes that the risks associated with load shedding on the business are manageable, although the potential financial effects of a total blackout cannot be reliably estimated as at date of this report.

Following the final award of R90,9 million with regards to the Mechanical project termination, a capital repayment of R51 million towards the loan has been made subsequent to year end.

Other than the matters noted herein, there were no other material reportable events which occurred between the reporting date and the date of release of the annual financial statements.

Directorate

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

Changes to the board

John Poluta resigned as independent non-executive director from the board of Stefanutti Stocks effective 13 March 2023 due to health reasons. John served on the board since July 2017.

Howard Craig was appointed as a member of the ARCO with effect from 13 March 2023 replacing John. The board expresses its appreciation to John for his valued contributions, insight and guidance over the years.

Resolutions

At the 2022 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 consolidated annual financial statements, which appear on pages 15 to 97, were approved by the board of directors and are signed by:

Russell Crawford
Chief Executive Officer

YduPlessis

Yolanda du Plessis
Chief Financial Officer

19 June 2023
Kempton Park

Independent auditor's report

To the Shareholders of Stefanutti Stocks Holdings Limited

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Stefanutti Stocks Holdings Limited and its subsidiaries (the group) set out on pages 15 to 97, which comprise the consolidated statement of financial position as at 28 February 2023, 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 subsidiaries as at 28 February 2023, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa.

We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the 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 note 2 of the consolidated financial statements, which indicates that at 28 February 2023 the group's current liabilities exceeded its current assets by R1 141 million (2022: R1 462 million), and as of that date, the group's total liabilities exceed its total assets by R66 million (2022: R90 million). The group had an accumulated loss of R1 209 million (2022: R1 225 million). As stated in note 2 these events and conditions, along with other matters as noted, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. 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, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. All key audit matters relate to the consolidated financial statements.

Matter	Audit response
Valuation of goodwill (note 12) Included in the consolidated financial statements as disclosed in note 12 is goodwill comprising 5,29% (2022: 5,93%) of total assets in the group. As required by IAS 36: *Impairment of Assets*, 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 (CGUs) 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 this model 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 CGUs 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 critically assessed whether the model used by directors to calculate the value in use of the individual CGUs complied with the requirements of IAS 36: *Impairment of Assets*; — Assessed the assumptions used to calculate discount rates by comparing these to market rates and competitors and recalculating these rates; — Analysed 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 the CGU; — Subjected key assumptions to sensitivity analyses; — Assessed the reasonability of forecast assumptions through, comparing actual results for 2023 to budgets; — Discussed with management reasons for deviations and corroborated with supporting documentation where appropriate; and — Assessed the adequacy of the disclosures with regard to the goodwill held in the consolidated financial statements in terms of the disclosure requirements of IAS 36.

<table>
<tr><th>Matter</th><th>Audit response</th></tr>
<tr><td>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.
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.</td><td></td></tr>
<tr><td>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 management estimation and judgement involved in the assessment of both current and future financial performance 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 99,3% (2022: 99,6%) of the group's revenue.
— Excess billings over work done comprises 23,2% (2022: 19,4%) of total liabilities.
— Contracts in progress comprises 10,3% (2022: 16,1%) of total assets and 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.</td><td>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:
— Considered the appropriateness of the group's revenue recognition policy including the adequacy of the disclosures relating to contracts;
— Assessed the design and implementation of key controls over recognition of contract revenue and margin including tests to determine whether these controls operated effectively throughout the period;
— Verified the occurrence and accuracy of revenue, for a sample of contracts, by agreeing the amounts as per the signed Quantity Surveyor Certificates and the amounts per the contract schedule. Any differences identified were agreed to supporting documentation;
— Tested and recalculated the reasonability of the stage of completion being the ratio of revenue and costs incurred to date for the signed contract to total revised expected costs for the contract;
— Analysed estimates for total forecast revenue, costs and profit to complete through inspection of contract documentation, and considered the historical accuracy of such estimates to assess the reasonability of the stage of completion of contracts;
— Assessed the recoverability and completeness of contracts in progress and excess billings over work done with reference to events subsequent to year-end;
— Attended cost meetings (contract review meetings) where contract performance for the year was discussed. This enabled us to gain assurance over discussions held with the contract directors to identify risky contracts for the year end to confirm management exercising control over the contracts under discussion;
— Inspected site ledger reconciliations to ensure that contract costs were completed and accounted for in the correct time period;
— Gaining an understanding of the performance and status of contracts through enquiry from management and contract directors;
— Assessed the existence and valuation of claims and variations within contract costs through inspection of correspondence with customers and the suppliers;
— Reviewed legal and contentious matters;
— Assessed the competence, capabilities and objectivity of management's legal experts, engineering experts and quantity surveyors through inspection of their qualifications, professional memberships and obtaining an understanding of their work; and
— Assessed the reasonability of the contract cost provisions and onerous contract provisions by critically evaluating management's calculations.</td></tr>
</table>

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 2023" and in the document titled "Stefanutti Stocks Holdings Limited Separate Financial Statements for the year ended 28 February 2023", 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 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 17 years.

Mazars
Partner: Shaun Vorster
Registered Auditor

26 June 2023
Johannesburg

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 28 February

	Note	2023 R'000	Restated* 2022 R'000
Continuing operations			
Contract revenue	3	**5 979 555**	5 968 484
Other income	4	**43 754**	23 599
Operating expenses		**(5 928 213)**	(6 040 013)
Net expected credit losses	15,16, 27	**61 477**	149 985
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	4	**156 573**	102 055
Depreciation	9	**(41 540)**	(54 275)
Fair value adjustments	7	**(14 344)**	(26 907)
Impairment of assets	9, 12	**—**	(127 478)
Operating profit/(loss) before investment income		**100 689**	(106 605)
Investment income	5	**28 459**	19 010
Share of (losses)/profits of equity-accounted investees	10	**(1 468)**	8 958
Operating profit/(loss) before finance costs		**127 680**	(78 637)
Finance costs	5	**(128 849)**	(112 882)
Loss before taxation		**(1 169)**	(191 519)
Taxation	6	**(36 330)**	(79 913)
Loss for the year		**(37 499)**	(271 432)
Profit/(loss) after tax for the year from discontinued operations	7	**52 086**	(143 776)
Profit/(loss) for the year		**14 587**	(415 208)
Other comprehensive income		**9 068**	(27 379)
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss)) — Continuing operations		**41 487**	(34 292)
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss)) — Discontinued operations	7	**43 738**	8 002
Revaluation of land and buildings (may not be reclassified to profit/(loss)) — Continuing operations	9, 7, 13	**—**	(676)
Impairment losses recognised on re-valued assets (may not be reclassified to profit/(loss)) — Continuing operations	9, 7, 13	**—**	(413)
Reclassification of foreign currency translation reserve on deregistration of foreign subsidiary — Continuing operations		**(5 215)**	—
Reclassification of foreign currency translation reserve on disposal of foreign operation — Discontinued operations (Al Tayer Stocks LLC)	7	**(70 942)**	—
Total comprehensive income		**23 655**	(442 587)

* 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	2023 R'000	Restated* 2022 R'000
Profit/(loss) attributable to:			
Equity holders of the company		**14 587**	(415 208)
Continuing operations		**(37 499)**	(271 432)
Discontinued operations		**52 086**	(143 776)
		14 587	(415 208)
Total comprehensive income attributable to:			
Equity holders of the company		**23 655**	(442 587)
Continuing operations		**(1 227)**	(306 813)
Discontinued operations		**24 882**	(135 774)
		23 655	(442 587)
Earnings and diluted earnings per share (cents)			
Continuing operations	8	**(22,42)**	(162,30)
Discontinued operations	7	**31,14**	(85,97)
Total operations	8	**8,72**	(248,27)

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

Consolidated Statement of Financial Position

as at 28 February

	Note	2023 R'000	2022 R'000
Assets			
Non-current assets		**1 038 097**	983 198
Property, plant and equipment	9	**458 313**	466 337
Equity-accounted investees	10	**32 107**	27 405
Goodwill	12	**272 376**	272 376
Other receivables	16	**58 269**	—
Deferred tax assets	13	**217 032**	217 080
Current assets		**3 174 774**	2 912 826
Inventories	14	**51 077**	51 579
Contracts in progress	15	**530 496**	738 384
Trade and other receivables	16	**1 930 016**	1 621 822
Taxation		**84 785**	72 818
Bank balances	17	**578 400**	428 223
Non-current assets held for sale and disposal groups	7	**937 558**	700 938
Total assets		**5 150 429**	4 596 962
Equity and liabilities			
Capital and reserves		**(66 364)**	(90 019)
Share capital and premium	18	**1 007 718**	1 007 718
Other reserves		**135 123**	126 819
Accumulated loss		**(1 209 205)**	(1 224 556)
Non-current liabilities		**261 920**	133 639
Financial liabilities	20	**131 451**	133 639
Excess billings over work done	15	**130 469**	—
Current liabilities		**4 315 855**	4 375 114
Financial liabilities	20	**1 204 309**	1 298 485
Trade and other payables	21	**1 274 463**	1 457 071
Excess billings over work done	15	**1 081 639**	909 550
Provisions	22	**648 883**	598 216
Taxation		**88 723**	92 896
Bank balances	17	**17 838**	18 896
Liabilities directly associated with disposal groups	7	**639 018**	178 228
Total equity and liabilities		**5 150 429**	4 596 962

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	Total equity R'000
Balance at 28 February 2021	1 007 718	27 490	21 128	764	104 816	(809 348)	352 568
Total comprehensive income	—	(34 292)	(1 089)	—	8 002	(415 208)	(442 587)
Loss for the year	—	—	—	—	—	(415 208)	(415 208)
Other comprehensive income	—	(34 292)	(1 089)	—	8 002	—	(27 379)
Balance at 28 February 2022	1 007 718	(6 802)	20 039	764	112 818	(1 224 556)	(90 019)
Realisation of legal reserve on deregistration of subsidiary	—	—	—	(764)	—	764	—
Total comprehensive income	—	36 272	—	—	(27 204)	14 587	23 655
Profit for the year	—	—	—	—	—	14 587	14 587
Other comprehensive income	—	36 272	—	—	(27 204)	—	9 068
Balance at 28 February 2023	**1 007 718**	**29 470**	**20 039**	**—**	**85 614**	**(1 209 205)**	**(66 364)**
	Note 18	Note 18	Note 18	Note 18	Note 18		

Consolidated Statement of Cash Flows

for the year ended 28 February

	Note	2023 R'000	2022 R'000
Cash flows from operating activities		**332 773**	(403 527)
Cash generated from/(consumed by) operations	23.1	**512 252**	(253 074)
Investment income	5, 7	**15 804**	19 380
Finance costs	5, 7	**(136 255)**	(115 920)
Dividends received	10	**505**	896
Taxation paid	23.2	**(59 533)**	(54 809)
Cash flows from investing activities		**32 999**	156 312
Proceeds received — property, plant and equipment	7, 9	**56 364**	175 988
Expenditure for expansion — property, plant and equipment	9	**(4 779)**	(1 201)
Expenditure for maintaining — property, plant and equipment	7, 9	**(33 384)**	(17 187)
Advances to equity-accounted investees		**(3 843)**	(1 288)
Proceeds on disposal of Al Tayer Stocks LLC		**18 641**	—
Cash flows from financing activities	23.3	**(112 696)**	(174 150)
Repayment of long-term financing		**(98 442)**	(163 905)
Repayment of short-term financing		**(14 254)**	(10 245)
Net increase/(decrease) in cash for the year		**253 076**	(421 365)
Cash at the beginning of the year — continuing operations		**409 327**	755 638
Cash at the beginning of the year — discontinued operations	7	**24 499**	91 628
Less: Cash at the end of the year — discontinued operations	7	**(156 264)**	(24 499)
Effect of exchange rate changes on cash and cash equivalents		**29 924**	7 925
Cash and cash equivalents at the end of the year — continuing operations	17	**560 562**	409 327

Notes to the consolidated annual financial statements

for the year ended 28 February

1. Critical accounting estimates, judgements and assumptions

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

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 going concern considerations, 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 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, discontinued operations and disposal groups (note 7)

A number of non-core assets, underutilised plant and equipment and identified operations earmarked for sale have been reclassified in terms of IFRS 5: Non-current Assets Held for Sale and Discontinued 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

Current market conditions resulted in the delay of these disposals. The group remains committed to the sale processes as envisaged in the Restructuring Plan.

Notes to the consolidated annual financial statements

for the year ended 28 February continued

1. Critical accounting estimates, judgements and assumptions continued

Valuations

Non-current assets held for sale and disposal groups are measured at the lower of their carrying amounts or 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.

Disposal groups are currently measured at their fair value less costs to sell, being the price the group expects to receive based on the signed Sale and Purchase Agreement entered into. Refer to note 7.2 and the directors report on page 7.

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, discontinued operations and disposal groups, 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 the revalued assets do 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

For detail on the estimated useful lives assigned to the categories of Property, Plant and Equipment (owned and instalment sales), refer to accounting policy 4.

1. Critical accounting estimates, judgements and assumptions continued

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.

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 the following 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. For incorporated arrangements, where a partnership is administered through a separate vehicle, management assesses whether the contractual arrangement provides the parties to the joint arrangement with rights to the assets, and obligations for the liabilities, relating to the arrangement, and not the separate vehicle. In such instances, the investment is recognised as a joint operation. 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.

Notes to the consolidated annual financial statements

for the year ended 28 February continued

1. Critical accounting estimates, judgements and assumptions continued

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 29 February 2024 tax year, the utilisation of an accumulated assessed loss will be limited to the higher of R1 million or 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, underutilised plant and equipment and a favourable outcome on contractual claims and compensation events on certain projects.

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 29 February 2024) (2022: 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% (27% for tax year ending 28 February 2024) (2022: 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 29 February 2024, has resulted in a net reduction to the deferred tax asset of R11 million (note 6).

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.

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.

Notes to the consolidated annual financial statements

for the year ended 28 February continued

1. Critical accounting estimates, judgements and assumptions continued

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 for the 12 months ended 28 February 2023, issued on 25 May 2023.

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 identified operations;
- a favourable outcome from the processes relating to the contractual claims and compensation events on certain projects; and
- evaluation of the capital structure including the potential of raising new equity.

The group, on 28 February 2023, reached agreement with the Lenders to extend the current capital repayment profile of the loan as well as its duration to 29 February 2024.

With respect to the final award of R90,9 million with regards to the Mechanical project termination, a capital repayment of R51 million has been made towards the loan, subsequent to year end.

The loan bears interest at prime plus 3,9%, 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 loan does not contain any financial covenants but rather imposes certain information and general undertakings.

The Lenders continue to provide guarantee support for current and future projects being undertaken by the group.

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 2024 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 year 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 a favourable outcome on contractual claims and compensation events on certain projects;
- 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 as at 28 February 2023 the group's current liabilities exceed its current assets by R1 141 million (Feb 2022: R1 462 million) and the group's total liabilities exceed its total assets by R66 million (Feb 2022: R90 million). The group had an accumulated loss of R1 209 million (Feb 2022: R1 225 million). The group believes it remains commercially solvent based on the cash flow projections included in the Restructuring Plan. However, the matters as noted, above including uncertainties surrounding the contingent liabilities as stated in note 26, continue to indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern, and as a consequence could impact on the group's ability to realise its assets and discharge its liabilities in the ordinary course of business.

3. Revenue from contracts with customers

3.1 Contract revenue

	2023 R'000	Restated 2022 R'000
Within South Africa	**3 905 855**	4 113 516
Outside South Africa	**2 073 700**	1 854 968
Total contract revenue	**5 979 555**	5 968 484

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	Total R'000
2023					
Geographical					
Within South Africa	**1 842 237**	**1 361 599**	**702 019**	**—**	**3 905 855**
Outside South Africa	**492 002**	**6 093**	**—**	**1 575 605**	**2 073 700**
	2 334 239	**1 367 692**	**702 019**	**1 575 605**	**5 979 555**
Sector					
Private	**1 978 121**	**796 354**	**360 004**	**862 137**	**3 996 616**
Public	**356 118**	**571 338**	**342 015**	**713 468**	**1 982 939**
	2 334 239	**1 367 692**	**702 019**	**1 575 605**	**5 979 555**
2022 (restated)					
Geographical					
Within South Africa	2 057 845	989 741	1 065 930	—	4 113 516
Outside South Africa	236 532	23 090	—	1 595 346	1 854 968
	2 294 377	1 012 831	1 065 930	1 595 346	5 968 484
Sector					
Private	1 583 131	700 980	985 827	773 660	4 043 598
Public	711 246	311 851	80 103	821 686	1 924 886
	2 294 377	1 012 831	1 065 930	1 595 346	5 968 484

^ A specific contract, which is executed in Zimbabwe, is included within the Inland Region for reporting purposes, as the required specialised skills and expertise to execute the contract is derived from the Inland Region.

The information has been restated for the changes in the organisational structure of the Mechanical Electrical Piping (MEP) business now disclosed under the Inland region as explained in the Directors report. Refer to page 7.

There was no revenue recognised at a point in time in the current year (Feb 2022: R11 million 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	Total R'000
2023					
Civils, earthworks and other	**2 250 717**	**775 112**	**192 547**	**1 155 129**	**4 373 505**
Bulk earthworks and geotechnical services	**326 048**	**380 692**	**—**	**—**	**706 740**
Dam, water and sanitation	**62 477**	**295 477**	**184 319**	**281 423**	**823 696**
Industrial process plants	**33 373**	**12 071**	**—**	**—**	**45 444**
Marine infrastructure	**—**	**54 157**	**—**	**—**	**54 157**
Mines	**1 087 592**	**—**	**—**	**821**	**1 088 413**
Oil and gas	**439 386**	**—**	**—**	**—**	**439 386**
Pipelines	**3 650**	**—**	**—**	**—**	**3 650**
Power stations and transmission infrastructure	**117 972**	**—**	**—**	**13 946**	**131 918**
Rail infrastructure	**—**	**—**	**—**	**662 669**	**662 669**
Roads and bridges	**180 219**	**32 715**	**8 228**	**196 270**	**417 432**
Building — Residential	**65 910**	**75 000**	**—**	**—**	**140 910**
Low cost housing	**39 291**	**—**	**—**	**—**	**39 291**
Medium and high-end housing	**26 619**	**75 000**	**—**	**—**	**101 619**
Building — Non-residential	**17 612**	**517 580**	**509 472**	**420 476**	**1 465 140**
Airports	**—**	**—**	**—**	**896**	**896**
Factories and warehouses	**—**	**23 376**	**—**	**54 847**	**78 223**
Hospitals and medical centres	**—**	**—**	**149 468**	**—**	**149 468**
Office and commercial space	**—**	**3 042**	**123 352**	**306 577**	**432 971**
Power stations and transmission Infrastructure	**17 612**	**—**	**110 214**	**—**	**127 826**
Shopping and retail space	**—**	**491 020**	**4 282**	**58 156**	**553 458**
Sporting facilities	**—**	**—**	**122 156**	**—**	**122 156**
Tourism and leisure facilities	**—**	**142**	**—**	**—**	**142**
	2 334 239	**1 367 692**	**702 019**	**1 575 605**	**5 979 555**

Notes to the consolidated annual financial statements

for the year ended 28 February continued

3. Revenue from contracts with customers continued

	Inland Region R'000	Coastal Region R'000	Western Cape Region R'000	Africa Region R'000	Total R'000
2022 (restated)					
Civils, earthworks and other	2 023 209	531 017	10 822	1 314 845	3 879 893
Airports	—	—	—	13 830	13 830
Bulk earthworks and geotechnical services	261 149	121 525	—	2 064	384 738
Dam, water and sanitation	185 973	348 675	10 152	369 750	914 550
Industrial process plants	93 929	25 889	—	—	119 818
Marine infrastructure	—	33 540	—	—	33 540
Mines	782 309	—	—	—	782 309
Oil and gas	255 131	1 388	—	—	256 519
Pipelines	9 103	—	—	—	9 103
Power stations and transmission infrastructure	280 220	—	—	—	280 220
Rail infrastructure	15 768	—	—	738 690	754 458
Roads and bridges	139 627	—	670	190 511	330 808
Building — Residential	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
Building — Non-residential	82 934	457 493	1 055 108	264 549	1 860 084
Factories and warehouses	—	68 560	592 938	67	661 565
Hospitals and medical centres	—	1 826	69 281	—	71 107
Office and commercial space	—	400	182 414	264 482	447 296
Power stations and transmission infrastructure	82 440	—	94 654	—	177 094
Shopping and retail space	—	294 971	115 821	—	410 792
Tourism and leisure facilities	494	91 736	—	—	92 230
	2 294 377	1 012 831	1 065 930	1 595 346	5 968 484

The information has been restated for the changes in the organisational structure of the Mechanical Electrical Piping (MEP) business now disclosed under the Inland region as explained in the Directors report. Refer to page 7.

Notes to the consolidated annual financial statements

for the year ended 28 February continued

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	Total R'000
2023					
Shorter than 12 months	**1 946 353**	**1 362 687**	**591 853**	**578 801**	**4 479 694**
Longer than 12 months	**1 159 750**	**783 151**	**28 730**	**358**	**1 971 989**
	3 106 103	**2 145 838**	**620 583**	**579 159**	**6 451 683**
2022 (restated)					
Shorter than 12 months	1 580 389	964 096	368 943	1 038 823	3 952 251
Longer than 12 months	705 942	120 738	289 397	54 866	1 170 943
	2 286 331	1 084 834	658 340	1 093 689	5 123 194

^ A specific contract, which is executed in Zimbabwe, is included within the Inland Region for reporting purposes, as the required specialised skills and expertise to execute the contract is derived from the Inland Region.

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 Ivanplats Headgear Construction, Sishen Koketso Project and Assmang Iron Ore.

3.4 Contract balances

	2023 R'000	2022 R'000
Contract revenue		
Contract in progress (note 15)	**530 496**	738 384
Excess billings over work done (note 15)	**1 212 108**	909 550
Contract receivables (note 16)	**1 298 244**	951 159

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 decrease in contracts in progress relates to an improved 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 R0,7 million (Feb 2022: R0,8 million) (note 15).

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.

Contract receivables are generally on terms of 60 days and interest is charged as per agreements with individual clients. The value of contract receivables increased mainly due to an increase in activity on a cross-border project. The balance of expected credit losses provided for on contract receivables amounted to R148 million (Feb 2022: R188 million) (note 16).

Notes to the consolidated annual financial statements

for the year ended 28 February continued

4. Other income and EBITDA

4.1 Other income

	2023 R'000	Restated 2022 R'000
Net profit on disposal of property, plant and equipment (note 9)	**15 246**	11 578
Net profit on foreign exchange rate movements	**8 173**	—
Net gain on disposal of non-current assets held for sale (note 7)	**4 575**	3 322
Other income	**2 911**	1 198
Project management fee and rental income from short-term leases	**12 849**	7 501
	43 754	23 599

4.2 EBITDA

	2023 R'000	Restated 2022 R'000
Included in these expenses are:		
Auditors remuneration	**13 856**	15 186
— Audit services	**13 294**	13 792
— Non-audit services	**562**	1 394
Employee costs	**1 439 554**	1 341 113
— Short-term employee benefit costs	**1 338 489**	1 248 026
— Post-employment benefit costs	**90 868**	82 784
— Retrenchment cost	**10 197**	10 303
Expenses relating to leases	**39 908**	53 452
— Short-term lease (leases less than 12 months)	**39 676**	52 833
— Low value assets (assets with a new cost of R250 000 and less)	**232**	619
Settlement liability — City of Cape Town	**—**	27 552
Restructuring costs and abnormal legal fees	**55 885**	114 608
Withholding taxes written-off	**2 191**	21 969

Notes to the consolidated annual financial statements

for the year ended 28 February continued

5. Investment income and finance costs

5.1 Investment income

	2023 R'000	Restated 2022 R'000
Investment income from financial instruments held at amortised cost:		
— Bank accounts	**15 265**	13 198
— Trade and other receivables	**213**	5 801
— Other	**12 936**	—
Other interest — South African Revenue Services	**45**	11
	28 459	19 010

Other investment income of R13 million relates to the arbitration award with regard to the Mechanical project termination, which was received subsequent to year-end.

5.2 Finance costs

	2023 R'000	Restated 2022 R'000
Finance costs from financial instruments held at amortised cost:		
— Bank overdrafts and bonds	**3 147**	2 227
— Financing agreements (insurance, etc.) (note 20)	**377**	497
— Joint operations	**—**	112
— Lease liabilities (note 20)	**3 875**	3 941
— Settlement liability — City of Cape Town (note 20)	**509**	—
— Funding loan (note 20)	**114 833**	97 209
— Trade payables	**97**	30
— Voluntary Rebuild Programme (deemed interest) (note 20)	**6 003**	8 456
Other interest — South African Revenue Services	**8**	410
	128 849	112 882

6. Taxation

6.1 Taxation

	2023			Restated 2022		
	Local R'000	**Foreign R'000**	**Total R'000**	Local R'000	Foreign R'000	Total R'000
Current tax	**558**	**33 472**	**34 030**	9 350	53 755	63 105
— Current year	**543**	**50 230**	**50 773**	332	38 319	38 651
— Under/(over) provision previous year	**15**	**(16 758)**	**(16 743)**	9 018	15 436	24 454
Deferred tax (note 13)	**12 444**	**(10 144)**	**2 300**	24 261	(7 453)	16 808
— Current year	**17 091**	**(10 160)**	**6 931**	23 168	3 405	26 573
— (Over)/under provision previous year	**(4 647)**	**16**	**(4 631)**	1 093	(10 858)	(9 765)
Taxation	**13 002**	**23 328**	**36 330**	33 611	46 302	79 913

Notes to the consolidated annual financial statements
for the year ended 28 February continued

6. Taxation continued

6.2 Reconciliation of tax charge

	2023 R'000	Restated 2022 R'000
Tax at 28% on loss before taxation	**(327)**	(53 625)
Adjusted for:		
Tax relating to discontinued operations	—	(2 315)
Disallowable expenditure:		
— Goodwill impaired	—	29 711
— Settlement liability — City of Cape Town	—	7 715
— Deemed interest — Voluntary Rebuild Programme	**1 681**	2 368
— Professional and legal fees	**1 122**	2 365
— Impairment of equity-accounted investees (note 7)	**210**	—
— Penalties and fines	**2 771**	5 919
— Other (listing costs, withholding taxes, donations, etc.)	**2 178**	1 801
— Net losses from equity-accounted investees (note 10)	**503**	—
Exempt income:		
— Unrealised foreign exchange transactions	**(1 784)**	(118)
— Other (net share of profits of equity-accounted investees, etc.)	—	(1 352)
Other:		
Change in tax rate	**10 582**	461
Deferred tax asset not raised on losses	**34 765**	71 176
Foreign tax rate differential	**(762)**	(1 512)
Learnership allowances	**(496)**	—
Capital gain tax differential	**9 823**	3 278
(Over)/underprovision previous year (note 6.1)	**(21 374)**	14 689
Tax losses utilised	**(2 562)**	(648)
Effective tax	**36 330**	79 913

In relation to the change in tax rate, tax was recognised at 27% on deferred tax assets and liabilities that will reverse in the reporting period that the revised tax rate becomes effective, which is 29 February 2024.

Notes to the consolidated annual financial statements

for the year ended 28 February continued

7. Non-current assets held for sale and discontinued operations

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

	2023 R'000	2022 R'000
Non-current assets held for sale and disposal groups		
Disposal groups (note 7.2)	**887 416**	587 488
Property, plant and equipment (note 7.3)	**43 597**	106 250
Equity-accounted investee	**6 545**	7 200
	937 558	700 938

The movement in the equity-accounted investee is due to a fair value adjustment of R0,65 million recognised in the current period. The equity-accounted investee is based in Namibia, and relates to a property development company.

	2023 R'000	2022 R'000
Liabilities directly associated with disposal groups		
Disposal groups (note 7.2)	**639 018**	178 228

7.2 Discontinued operations and disposal groups

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

On 22 November 2022 shareholders approved the disposal of SS — Construções (Moçambique) Limitada (SS Mozambique) by the company's wholly-owned subsidiaries, Stefanutti Stocks Mauritius Holdings Limited and Stefanutti Stocks International Holdings Proprietary Limited. The completion of the transaction is subject to the fulfilment and/or waiver of certain conditions precedent, of which one remains outstanding at year-end. Subsequently, and in terms of the agreements, the parties to the transaction have agreed to extend the date to fulfill and/or waive the last outstanding condition precedent to 31 December 2023.

The East Coast Procurement division, which deals with the group's import and export of goods and services, previously envisaged to form part of the SS Mozambique transaction has been retained and therefore, reclassified as part of continuing operations. The comparative period has been restated in the Statement of Profit or Loss and Other Comprehensive Income to reflect this reclassification.

On 18 July 2022 shareholders were advised that the disposal of Al Tayer Stocks LLC became unconditional. The transaction is being implemented subject to the terms of the agreement and the final purchase consideration of approximately R83 million, included in other current assets (note 16), is expected to be paid in due course. As previously disclosed, R92 million was received in November 2021, R11 million in May 2022, R8 million in October 2022 and R16 million in April 2023. The realisation of a foreign exchange gain of R71 million included within reserves, has been reclassified to profit or loss on disposal. Al Tayer Stocks LLC is included within discontinued operations as it represents a geographical area in which the group operated.

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

Notes to the consolidated annual financial statements

for the year ended 28 February continued

7. Non-current assets held for sale and discontinued operations continued

Statement of financial position

	2023 R'000	2022 R'000		
	Foreign operations	Local operations	Foreign operations	Total
Non-current assets	**367 468**	2	445 883	445 885
Property, plant and equipment	**336 375**	2	277 658	277 660
Equity-accounted investee — Al Tayer Stocks LLC	**—**	—	168 225	168 225
Deferred tax assets	**31 093**	—	—	—
Current assets	**593 669**	2 081	201 362	203 443
Inventories	**120 743**	37	97 856	97 893
Contracts in progress	**100 167**	—	17 713	17 713
Trade and other receivables	**189 361**	550	50 179	50 729
Taxation	**3 843**	—	1 172	1 172
Bank balances	**179 555**	1 494	34 442	35 936
	961 137	2 083	647 245	649 328
Less: Fair value adjustment — Disposal group	**(73 721)**	—	(61 840)	(61 840)
Total assets	**887 416**	2 083	585 405	587 488
Non-current liabilities	**240**	—	—	—
Financial liabilities	**195**	—	—	—
Deferred tax liabilities	**45**	—	—	—
Current liabilities	**638 778**	4 340	173 888	178 228
Financial liabilities	**438**	—	461	461
Trade and other payables	**144 836**	4 198	114 473	118 671
Excess billings over work done	**468 717**	—	35 604	35 604
Provisions	**1 496**	142	11 913	12 055
Bank balances	**23 291**	—	11 437	11 437
Total liabilities	**639 018**	4 340	173 888	178 228

The movement of the Equity-accounted investee Al Tayer Stocks LLC can be reconciled as follows:

	2023 R'000	2022 R'000
Equity-accounted investee — Al Tayer Stocks LLC	**—**	168 225
Opening balance	**168 225**	267 689
Foreign exchange movement	**20 539**	(23 863)
Fair value adjustment	**—**	(75 601)
Disposal	**(188 764)**	—

7. Non-current assets held for sale and discontinued operations continued

Statement of profit or loss and other comprehensive income

	2023 R'000	Restated 2022 R'000		
	Disposal groups	Discontinued operations	Disposal groups	Total
Contract revenue	**347 835**	74 748	271 861	346 609
Other income	**87 957**	24 692	12 352	37 044
Operating expenses	**(406 290)**	(92 182)	(269 911)	(362 093)
Net expected credit loss	**(73)**	—	(222)	(222)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**29 429**	7 258	14 080	21 338
Depreciation	—	(10 058)	—	(10 058)
Fair value adjustments^	**161**	(517)	(137 437)	(137 954)
Operating profit/(loss) before investment income	**29 590**	(3 317)	(123 357)	(126 674)
Investment income	**349**	154	558	712
Operating profit/(loss) before finance costs	**29 939**	(3 163)	(122 799)	(125 962)
Finance costs	**(5 580)**	(2 772)	(217)	(2 989)
Profit/(loss) before taxation	**24 359**	(5 935)	(123 016)	(128 951)
Taxation	**27 727**	—	(14 825)	(14 825)
Profit/(loss) for the year	**52 086**	(5 935)	(137 841)	(143 776)
Other comprehensive income	**(27 204)**	—	8 002	8 002
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss))	**43 738**	—	8 002	8 002
Reclassification of foreign currency translation reserve on disposal of foreign operation — Al Tayer Stocks LLC	**(70 942)**	—	—	—
Total comprehensive income	**24 882**	(5 935)	(129 839)	(135 774)
Profit/(loss) attributable to equity holders of the company	**52 086**	(5 935)	(137 841)	(143 776)
Total comprehensive income attributable to equity holders of the company	**24 882**	(5 935)	(129 839)	(135 774)
Earnings and diluted earnings per share (cents)	**31,14**			(85,97)
Headline and diluted headline earnings per share (cents)	**(10,93)**			(14,19)
The profit is arrived at after taking into account the following:				
Employee benefits	**(129 574)**			(258 101)
Foreign exchange	**87 459**			12 313
Net profit/(loss) on disposal of plant and equipment	**57**			(1)
Net gain on disposal of non-current assets held for sale	—			24 692

^ The fair value adjustments relate to the write-down of the carrying amount of the disposal groups to their fair value less costs to sell as required by IFRS 5.

7. Non-current assets held for sale and discontinued operations continued

Net cash flows from discontinued operations

	2023 R'000	Restated 2022 R'000
Net cash movement from operating activities	**121 240**	(24 223)
Net cash movement from investing activities	**(4 392)**	(45 763)
Net cash movement from financing activities	**(586)**	19 328
Effects of exchange rate changes on cash and cash equivalents	**16 997**	(8 648)
Net movement in cash	**133 259**	(59 306)

Headline earnings reconciliation

	2023 R'000	Restated 2022 R'000
Profit/(loss) after taxation attributable to equity holders of the company	**52 086**	(143 776)
Adjusted for:		
Net (profit)/loss on disposal of plant and equipment	**(57)**	1
Net gain on disposal of non-current assets held for sale	**—**	(24 692)
Fair value adjustments	**(161)**	137 954
Loss on disposal — Al Tayer Stocks LLC	**766**	—
Realisation of foreign currency translation reserve on sale — Al Tayer Stocks LLC	**(70 942)**	—
Tax effect	**18**	6 774
Headline earnings	**(18 290)**	(23 739)
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)	**(10,93)**	(14,19)

7. Non-current assets held for sale and discontinued operations continued

Disaggregated contract revenue

	Discontinued operations	Disposal groups		
	Inland Region R'000	Coastal Region R'000	Africa Region R'000	Total R'000
2023				
Geographical				
Outside South Africa	—	**4 264**	**343 571**	**347 835**
Sector				
Private	—	**4 264**	**343 571**	**347 835**
2022 (restated)				
Geographical				
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

	2023			Restated 2022			
	Disposal groups			Discontinued operations	Disposal groups		
	Coastal Region R'000	**Africa Region R'000**	**Total R'000**	Inland Region R'000	Coastal Region R'000	Africa Region R'000	Total R'000
Civils, earthworks and other	**4 264**	—	**4 264**	74 748	16 379	—	91 127
Marine infrastructure	**4 264**	—	**4 264**	—	16 379	—	16 379
Mines	—	—	—	74 748	—	—	74 748
Building — Residential	—	—	—	—	—	10 514	10 514
Medium and high-end housing	—	—	—	—	—	10 514	10 514
Building — Non-residential	—	**343 571**	**343 571**	—	—	244 968	244 968
Education institutions	—	**832**	**832**	—	—	—	—
Factories and warehouses	—	—	—	—	—	5 030	5 030
Mines	—	—	—	—	—	14 745	14 745
Office and commercial space	—	**212 662**	**212 662**	—	—	225 022	225 022
Shopping and retail space	—	**62 056**	**62 056**	—	—	—	—
Sporting facilities	—	—	—	—	—	171	171
Tourism and leisure facilities	—	**68 021**	**68 021**	—	—	—	—
	4 264	**343 571**	**347 835**	74 748	16 379	255 482	346 609

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
2023						
Contract revenue	—	—	**4 264**	**343 571**	—	**347 835**
Net expected credit loss on financial assets	—	—	—	**(73)**	—	**(73)**
Reportable segment operating profit/(loss)	—	—	**2 346**	**(42 931)**	**70 175**	**29 590**
Investment income	—	—	—	**349**	—	**349**
Finance cost	—	—	—	**(5 580)**	—	**(5 580)**
Taxation	—	—	—	**27 727**	—	**27 727**
Reportable segment profit/(loss)	—	—	**2 346**	**(20 435)**	**70 175**	**52 086**
Reportable segment assets	—	—	—	**887 416**	—	**887 416**
Reportable segment liabilities	—	—	—	**639 018**	—	**639 018**
2022 (restated)						
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)/profit	(3 317)	1	(1 094)	(46 661)	(75 603)	(126 674)
Investment income	154	—	—	558	—	712
Finance cost	(2 772)	—	—	(217)	—	(2 989)
Taxation	—	—	350	(15 175)	—	(14 825)
Reportable segment loss	(5 935)	—	(744)	(61 496)	(75 601)	(143 776)
Reportable segment assets	—	—	—	419 263	168 225	587 488
Reportable segment liabilities	—	—	—	178 228	—	178 228

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 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	**2023 R'000**	2022 R'000
Land and buildings	Inland Region	**743**	31 293
Transport and motor vehicles	Inland and Coastal Region	**—**	167
Plant and equipment	Inland, Coastal and Western Cape Region	**42 854**	74 790
		43 597	106 250
Opening balance		**106 250**	187 908
Transfer (to)/from property, plant and equipment (note 9)		**(8 452)**	71 708
Disposal of property, plant and equipment		**(40 512)**	(125 415)
Impairment recognised against revaluation reserve		**—**	(531)
Fair value adjustments recognised in profit or loss — continuing operations		**(13 689)**	(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	**2023**	2022	**2023**	Restated 2022
EPS — Basic and diluted	**8,72**	(248,27)	**(22,42)**	(162,30)
HEPS — Basic and diluted	**(38,73)**	(97,07)	**(27,80)**	(82,88)
Net asset value and diluted net asset value per ordinary share	**(39,68)**	(53,83)		
Net tangible asset value and diluted net tangible asset value per ordinary share	**(202,54)**	(216,69)		

	2023 R'000	Restated 2022 R'000
Profit/(loss)/asset values attributable to:		
EPS — Basic and diluted — Total operations	**14 587**	(415 208)
HEPS — Basic and diluted — Total operations	**(64 777)**	(162 350)
EPS — Basic and diluted — Continuing operations	**(37 499)**	(271 432)
HEPS — Basic and diluted — Continuing operations	**(46 487)**	(138 611)
EPS — Basic and diluted — Discontinued operations	**52 086**	(143 776)
HEPS — Basic and diluted — Discontinued operations	**(18 290)**	(23 739)
Net asset value	**(66 364)**	(90 019)
Net tangible asset value	**(338 740)**	(362 395)

Notes to the consolidated annual financial statements

for the year ended 28 February continued

8. Earnings, headline earnings and net asset value per share continued

	Weighted average shares		As at February	
	HEPS and EPS 2023	HEPS and EPS 2022	**NAV 2023**	NAV 2022
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 trust	**(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 2023 R'000	**Net amount 2023 R'000**	Gross amount 2022 R'000	Net amount 2022 R'000
Profit/(loss) after taxation attributable to equity holders of the company		**14 587**		(415 208)
Adjusted for:				
Net profit on disposal of plant and equipment (note 4, 7)	**(15 303)**	**(11 029)**	(11 577)	(8 324)
Net gain on disposal of non-current assets held for sale (note 4, 7)	**(4 575)**	**(3 294)**	(28 014)	(20 170)
Fair value adjustments (note 7)	**14 183**	**10 350**	164 096	157 505
Loss on disposal — Al Tayer Stocks LLC		**766**		—
Realisation of foreign currency translation reserve on sale — Al Tayer Stocks LLC		**(70 942)**		—
Realisation of foreign currency translation reserve on deregistration of subsidiary		**(5 215)**		—
Reversal of gain previously recognised on sale of subsidiary		—		507
Impairment of goodwill (note 12)		—		106 111
Impairment of equity-accounted investees		—		342
Impairment of property, plant and equipment (note 9)		—	21 367	16 887
		(64 777)		(162 350)

Notes to the consolidated annual financial statements

for the year ended 28 February continued

8. Earnings, headline earnings and net asset value per share continued

Continuing operations

	Gross amount 2023 R'000	Net amount 2023 R'000	Gross amount 2022 R'000	Net amount 2022 R'000
Loss after taxation attributable to equity holders of the company		**(37 499)**		(271 432)
Adjusted for:				
Net profit on disposal of plant and equipment (note 4)	**(15 246)**	**(10 990)**	(11 578)	(8 323)
Net gain on disposal of non-current assets held for sale (note 4)	**(4 575)**	**(3 294)**	(3 322)	(2 393)
Fair value adjustments (note 7)	**14 344**	**10 511**	26 142	19 690
Realisation of foreign currency translation reserve on deregistration of subsidiary		**(5 215)**		—
Reversal of gain previously recognised on sale of subsidiary		**—**		507
Impairment of goodwill (note 12)		**—**		106 111
Impairment of equity-accounted investees		**—**		342
Impairment of property, plant and equipment (note 9)	**—**	**—**	21 367	16 887
		(46 487)		(138 611)

9. Property, plant and equipment

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

	2023 R'000	2022 R'000
9.1 Owned assets	**409 647**	414 956
9.2 Right-of-use assets	**48 666**	51 381
Instalment sales	**—**	4 440
Other	**48 666**	46 941
Total	**458 313**	466 337

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.

9.1 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
2023					
Cost/valuation	**197 220**	**65 998**	**729 244**	**28 726**	**1 021 188**
Accumulated depreciation	**(3 723)**	**(53 657)**	**(530 295)**	**(23 866)**	**(611 541)**
Carrying value at year-end	**193 497**	**12 341**	**198 949**	**4 860**	**409 647**
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

Notes to the consolidated annual financial statements

for the year ended 28 February continued

9. Property, plant and equipment continued

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
2023					
Carrying value at the beginning of the year	**186 857**	**9 001**	**214 969**	**4 129**	**414 956**
Additions	**9 270**	**4 640**	**16 242**	**2 909**	**33 061**
Disposals	**—**	**(2 081)**	**(16 885)**	**(111)**	**(19 077)**
Depreciation	**(3 723)**	**(1 586)**	**(27 695)**	**(2 091)**	**(35 095)**
Foreign exchange movement	**1 093**	**312**	**2 359**	**22**	**3 786**
Transfer from right-of-use assets	**—**	**1 003**	**2 559**	**—**	**3 562**
Transfer from disposal groups	**—**	**—**	**—**	**2**	**2**
Transfer from non-current assets held for sale (note 7)	**—**	**1 052**	**7 400**	**—**	**8 452**
Carrying value at year-end	**193 497**	**12 341**	**198 949**	**4 860**	**409 647**
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	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

Had land and buildings been carried at cost, the carrying value of land and buildings (including those held for sale) would have been R224 million (February 2022: R244 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
2023					
Cost — Other	**62 998**	**170**	**1 679**	**352**	**65 199**
Accumulated depreciation — Other	**(14 469)**	**(50)**	**(1 679)**	**(335)**	**(16 533)**
Carrying value at year-end	**48 529**	**120**	**—**	**17**	**48 666**
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)	—	(5 726)
Other	(15 524)	—	—	(264)	(15 788)
Carrying value at year-end	46 853	1 696	2 744	88	51 381

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
2023					
Carrying value at the beginning of the year	**46 853**	**1 696**	**2 744**	**88**	**51 381**
Instalment sales	**—**	**1 696**	**2 744**	**—**	**4 440**
Other	**46 853**	**—**	**—**	**88**	**46 941**
Additions	**7 122**	**170**	**—**	**—**	**7 292**
Other	**7 122**	**170**	**—**	**—**	**7 292**
Depreciation	**(5 446)**	**(743)**	**(185)**	**(71)**	**(6 445)**
Instalment sales	**—**	**(693)**	**(185)**	**—**	**(878)**
Other	**(5 446)**	**(50)**	**—**	**(71)**	**(5 567)**
Transfer to owned assets	**—**	**(1 003)**	**(2 559)**	**—**	**(3 562)**
Instalment sales	**—**	**(1 003)**	**(2 559)**	**—**	**(3 562)**
Carrying value at year-end	**48 529**	**120**	**—**	**17**	**48 666**

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
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

10. Equity-accounted investees

The below information relates to two equity-accounted investees which are accounted for as associates: a Public-Private Partnership based in Botswana and a local property development company.

	Percentage held					
Investment in associate companies	**2023**	2022	Year-end	Country of incorporation	Nature of business	Number of shares owned
Bongwe Investments Proprietary Limited	**34**	34	April	Botswana	Concession	1 055 ordinary shares of no par value
Masingita Towers Proprietary Limited	**20**	20	February	South Africa	Property development	200 ordinary shares of no par value

The group has interests in two individually immaterial associates.

Investments in Bongwe Investments Proprietary Limited arose through the group's decision to enter into Public Private Partnerships in Botswana.

The group continues to provide funding to Masingita Towers Proprietary Limited for its proportionate share of the mortgage repayments.

Associates are accounted for using the equity method. Investor interest was determined by capital contributions and long-term loans that are not expected to be settled in the foreseeable future.

The information used to account for interest in associates is coterminous with the group's year-end.

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10. Equity-accounted investees continued

The following table analyses, in aggregate, the carrying amount and share of profit and other comprehensive income of these associates:

	2023 R'000	2022 R'000
Carrying amount	**32 107**	27 405
Group's share of (loss)/profit after taxation	**(1 468)**	8 958
Other comprehensive income — foreign currency translation reserve	**4 275**	(870)
Group's share of total comprehensive income	**2 807**	8 088
Dividends received	**505**	896

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 2023**	Group's % interest 2022
Name of joint operations				
Johannes Ranala Stefstocks — Gabonewe Housing Estate Development Phase 1	Building	Gauteng	**59**	59
Stefanutti Masibone — Mapulaneng Hospital Phase 3C	Building	Gauteng	**70**	70
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
Zuikerbosch Consortium — Zuikerbosch Sedimentation	Civils	Gauteng	**56**	56
SS4P — Majuba Track in Slab	Civils	KwaZulu-Natal	**70**	70
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
SS Bisk Investments — Storm Damage Repairs	Marine	KwaZulu-Natal	**80**	—
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
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

	2023 R'000	2022 R'000
Cost	**1 206 313**	1 173 490
Accumulated impairment	**(933 937)**	(933 937)
Transfer from non-current assets held for sale	**—**	32 823
Carrying value at year-end	**272 376**	272 376
Reconciliation of the carrying value of goodwill		
Carrying value at the beginning of the year	**272 376**	345 664
Impairment	**—**	(106 111)
Transfer from non-current assets held for sale	**—**	32 823
Carrying value at year-end	**272 376**	272 376

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)	
	2023 R'000	2022 R'000	**2023 %**	2022 %	**2023 %**	2022 %	**2023 %**	2022 %
Cash-generating units								
Stefanutti Stocks Coastal	**50 704**	50 704	**2**	2	**10**	7	**16,0**	14,3
Stefanutti Stocks Building (Stocks Building Africa (Pty) Ltd)	**211 209**	211 209	**2**	2	**7**	7	**16,0**	14,3
Stefanutti Stocks Mining Services	**10 463**	10 463	**2**	2	**12**	14	**16,0**	14,3
	272 376	272 376						

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 is based on its value in use and is determined to be higher than the carrying amount.

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 0,53 to 0,55. The WACC is similar for all CGUs as they have similar characteristics and operate within a similar market. 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 9,44% to 10,11% 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 2024 to 2027. 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. The AARG for Stefanutti Stocks Mining Services slightly decreased from 14% to 12% due to still being negatively impacted by the failed sale transaction. The increase in the Stefanutti Stocks Coastal and Building CGUs is due to an improved outlook in the construction market.

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for the year ended 28 February continued

12. Goodwill continued

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	
WACC	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
15%	6 221	41 232	4 260	29 143	2 020	12 999
17%	(30 952)	(6 019)	(22 541)	(4 820)	(9 692)	(1 873)

13. Deferred tax assets

	2023 R'000	2022 R'000
Includes:		
Property, plant and equipment	**(67 760)**	(74 728)
Provisions	**211 125**	195 110
Leases	**14 720**	14 308
Retentions	**(9 616)**	(442)
Expected credit loss (ECL)	**13 561**	19 780
Future allowances	**(139 778)**	(64 720)
Excess billings over work done	**247 000**	182 262
Work-in-progress	**(100 501)**	(129 367)
Prepaid expenses	**(2 093)**	(2 221)
Assessed losses	**50 374**	77 098
	217 032	217 080
Carrying value at the beginning of the year	**217 080**	231 872
Temporary differences — continuing operations (note 6)	**(2 300)**	(16 808)
Realisation of revaluation reserve (note 9)	**—**	2 602
Transfer to non-current assets held for sale	**—**	(872)
Foreign exchange	**2 252**	286
Carrying value at year-end	**217 032**	217 080

Notes to the consolidated annual financial statements

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13. Deferred tax assets continued

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

Country	Tax rate %	**2023 R'000**	2022 R'000	Expiry date
Eswatini	27,5	**419**	1 273	None
Ghana	25	**—**	4 560	Utilise within 3 years
Guinea	25	**—**	3 148	Utilise within 3 years
Kenya	30	**—**	2 407	Utilise within 10 years
Lesotho	25	**28**	—	None
Malawi	30	**2 157**	—	Utilise within 6 years
Mauritius	15	**465**	180	Utilise within 5 years
Namibia	32	**—**	1 366	None
South Africa	28*	**120 893**	244 864	None — effective from the 29 February 2024 tax year, the utilisation of an accumulated assessed loss will be limited to higher of R1 million or 80% of the taxable income in the year of assessment, with the remaining assessed loss balance to be utilised in subsequent years of assessment.
Tanzania	30	**—**	133	None

* For South African entities, tax was recognised at 27% on deferred tax assets and liabilities that will realise in the year that the tax rate becomes effective, which is 29 February 2024.

Recoverability of deferred tax assets

Management assesses the extent to which it is probable that taxable profit will be available against which deductible temporary differences can be utilised. All companies with deferred tax asset balances are currently trading and are 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 (Malawi 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

	2023 R'000	2022 R'000
Consumables	**3 280**	5 258
Operational inventory	**34 914**	33 438
Development property	**12 883**	12 883
	51 077	51 579
Inventory expensed	**27 070**	26 944
Inventories written off	**47**	3 955

The development property relates to various properties in South Africa which are held and will be realised when the properties are sold. None of the development property is pledged as security (2022: Rnil).

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

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

	2023 R'000	2022 R'000
Gross carrying value at beginning of the year	**739 134**	611 339
Revenue recognised from performance obligations satisfied in previous periods	**(386 017)**	(417 649)
Realisation of work in progress as contract costs	**(130 375)**	(94 385)
Contracts in progress recognised	**312 080**	636 669
Foreign exchange	**(3 605)**	2 535
Transfer from disposal group	**—**	625
	531 217	739 134
Expected credit loss (ECL) (note 27)	**(721)**	(750)
Carrying value at year-end	**530 496**	738 384
Current	**530 496**	738 384

Lifetime ECL allowance

	2023 R'000	2022 R'000
Opening balance	**(750)**	(581)
Changes due to credit risk movement	**29**	(169)
Closing balance	**(721)**	(750)

15. Contract balances continued

15.2 Excess billings over work done

	2023 R'000	2022 R'000
Gross carrying value at beginning of the year	**909 550**	1 252 277
Revenue recognised during the year	**(722 635)**	(842 411)
Excess billings over work done recognised	**1 020 674**	480 533
Foreign exchange	**4 519**	19 151
Carrying value at year-end	**1 212 108**	909 550
Non-current	**130 469**	—
Current	**1 081 639**	909 550

16. Trade and other receivables

	2023			2022		
	Gross R'000	**ECL R'000**	**Net R'000**	Gross R'000	ECL R'000	Net R'000
Contract receivables	**1 445 920**	**(147 676)**	**1 298 244**	1 139 198	(188 039)	951 159
Retention debtors	**263 487**	**(296)**	**263 191**	266 562	(213)	266 349
Amounts due by joint operations	**167 430**	**(978)**	**166 452**	207 639	(1 206)	206 433
Other receivables	**55 862**	**(28)**	**55 834**	76 870	(2 054)	74 816
Financial asset held at fair value through profit or loss — Al Tayer Stocks LLC	**83 245**	**—**	**83 245**	—	—	—
Prepayments*	**86 821**	**—**	**86 821**	103 106	—	103 106
Value added taxation*	**34 498**	**—**	**34 498**	19 959	—	19 959
	2 137 263	**(148 978)**	**1 988 285**	1 813 334	(191 512)	1 621 822
Non-current			**58 269**			—
Current			**1 930 016**			1 621 822

* Non-financial assets.

Included in non-current receivables is a contract receivable of R34 million which is not expected to be recovered within 12 months and a restricted cash balance of R24 million, disclosed within other receivables.

Stefanutti Stocks (Proprietary) Limited has ceded and pledged, in securitatem debiti, its rights, title and interests in and to a ring-fenced Nedbank Limited call account with a balance of R24 million as at 28 February 2023, to Nedbank as security for its obligations in terms of the Nedbank facility provided to Stefanutti Stocks (Proprietary) Limited. The Nedbank facility includes both overdraft and guarantee facilities.

The financial asset held at fair value through profit or loss relates to the contingent consideration receivable from the sale of Al Tayer Stocks LLC. A fair value adjustment of R0,1 million was recognised in the current period.

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

16. Trade and other receivables continued

Below table is the reconciliation of the expected credit losses:

	Lifetime ECL allowance		12-month ECL allowance		Total	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000	**2023 R'000**	2022 R'000
Opening balance	**(189 458)**	(325 302)	**(2 054)**	(2 044)	**(191 512)**	(327 346)
Changes due to credit risk movement — continuing operations	**(23 167)**	(20 131)	**—**	(10)	**(23 167)**	(20 141)
Amounts written off	**409**	103 325	**2 026**	—	**2 435**	103 325
Unused amounts reversed	**82 180**	66 970	**—**	—	**82 180**	66 970
Foreign currency translation	**(18 914)**	(14 320)	**—**	—	**(18 914)**	(14 320)
Carrying value at year end	**(148 950)**	(189 458)	**(28)**	(2 054)	**(148 978)**	(191 512)
Individual expected credit loss	**(110 226)**	(166 811)	**—**	—	**(110 226)**	(166 811)
Collective expected credit loss	**(38 724)**	(22 647)	**(28)**	(2 054)	**(38 752)**	(24 701)

None of the amounts written-off are subject to enforcement activity.

17. Bank balances

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

	2023 R'000	2022 R'000
Cash at banks and on hand	**578 400**	428 223
Less: Bank overdrafts	**(17 838)**	(18 896)
	560 562	409 327

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	**79 850**	91 384
Other restrictions (cash held as collateral and security for contract guarantees or requiring external party approval)	**4 127**	18 966
	83 977	110 350

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

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.

For further information on currency risk related to bank balances, refer to note 27.

18. Share capital and premium

	2023 R'000	2022 R'000
Authorised		
400 000 000 ordinary shares of 0,00025 cents each (2022: 400 000 000 ordinary shares of 0,00025 cents each)	**1**	1
Issued		
188 080 746 ordinary shares of 0,00025 cents each (2022: 188 080 746 ordinary shares of 0,00025 cents each)	*****	*

* Less than R1 000.

	Number of shares	
	2023	2022
Details of treasury shares in issue		
Treasury shares held by:	**20 837 062**	20 837 062
Stefanutti Stocks Investments Proprietary Limited	**14 407 132**	14 407 132
Stefanutti & Bressan Share Incentive Trust	**6 429 930**	6 429 930
Closing balance	**20 837 062**	20 837 062

	2023 R'000	2022 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.

	2023	2022
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.

The rules of the FSP scheme were revised and approval was obtained from shareholders on 26 April 2023.

FSP costs

No expense was recognised during the current year (2022: Nil).

20. Financial liabilities

20.1 Non-current and current financial liabilities

	2023		2022	
	Non-current R'000	**Current R'000**	Non-current R'000	Current R'000
Unsecured borrowings	**2 038**	**3 803**	3 045	7 725
Secured borrowings	**1 472**	**1 160 657**	1 533	1 231 270
Bonds and other	**1 472**	**76**	1 533	4 837
Funding loan (note 20.3)	—	**1 160 581**	—	1 160 581
Funding loan 2 (note 20.3)	—	—	—	65 852
Lease liabilities (note 20.2)	**49 047**	**5 472**	48 044	4 999
Borrowings	**52 557**	**1 169 932**	52 622	1 243 994
Settlement — City of Cape Town	**8 684**	**9 377**	18 061	9 491
Voluntary Rebuild Programme	**70 210**	**25 000**	62 956	45 000
Financial liabilities	**131 451**	**1 204 309**	133 639	1 298 485

The group, on 28 February 2023, reached agreement with the Lenders to extend the current capital repayment profile of the loan as well as its duration to 29 February 2024. The loan bears interest at prime plus 3,9%, 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 (note 20.3). The loan does not contain any financial covenants but rather imposes certain information and general undertakings.

Regarding the Voluntary Rebuild Programme, renegotiated terms were agreed to in July 2022 which extend the repayment terms of certain payments, with the last instalment payable in July 2029. The liability was remeasured at an implied interest rate of 7,5%.

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

20.2 Lease liabilities

a) Lease liabilities can be categorised as follows:

	2023		2022	
	Non-current R'000	**Current R'000**	Non-current R'000	Current R'000
Instalment sale agreements	—	—	172	1 767
Leases	**49 047**	**5 472**	47 872	3 232
	49 047	**5 472**	48 044	4 999

20. Financial liabilities continued

b) Undiscounted cash flows

	2023 R'000	2022 R'000
Less than one year	**8 712**	8 577
Instalment sale agreements	—	1 883
Leases	**8 712**	6 694
Between two and five years	**61 374**	63 612
Instalment sale agreements	—	174
Leases	**61 374**	63 438

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

	2023 R'000	2022 R'000
Operating activities — finance costs	**3 935**	6 384
Instalment sale agreements	**50**	2 667
Leases	**3 885**	3 717
Financing activities — capital repayment	**6 402**	52 017
Instalment sale agreements (note 23.3)	**1 939**	47 561
Leases (note 23.3)	**4 463**	4 456
Total cash outflows	**10 337**	58 401

For detail on the carrying amounts of the underlying assets of finance leases, including the depreciation charge, refer to note 9.2. For detail on the expenses recognised relating to short-term and low value leases, refer to note 4.2. For detail relating to the interest expense on lease liabilities, refer to note 5.2.

20.3 Security

Security provided against borrowings

	Property, plant and equipment, transport and motor vehicles			
	2023 R'000	2022 R'000	Holding company	Subsidiary companies
Secured bank loans (first mortgage bonds)	**94 121**	119 288	Sureytships and cross guarantees	Cross guarantees
Lease liabilities (note 9.2)	**48 666**	51 381		
Instalment sales	—	4 440		
Other	**48 666**	46 941		
	142 787	170 669		

20. Financial liabilities continued

Security provided against funding loan

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 funding loan is as follows:

	2023		2022	
	Capital value R'000	**Additional value R'000**	Capital value R'000	Additional value R'000
Funding loan 1				
Continuous Covering Mortgage Bond				
Land and Building held by Stefanutti Stocks Proprietary Limited with a value of R110 million (Feb 2022: R21 million)	**159 892**	**31 978**	14 892	2 978
Land and Buildings held by Stefanutti Stocks Botswana Proprietary Limited with a value of BWP28 million (Feb 2022: BWP27 million)	**BWP21 million**	**BWP4 million**	BWP21 million	BWP4 million
Special Notorial Bond				
Plant and equipment held in Stefanutti Stocks Proprietary Limited with a value of R61 million (Feb 2022: R171 million)	**2 000 000**	**400 000**	2 000 000	400 000
General Notorial Bond				
Stefanutti Stocks Holding Limited	**1 000 000**	**200 000**	1 000 000	200 000
K2011136847 (South Africa) Proprietary Limited	**1 000 000**	**200 000**	1 000 000	200 000
Stefanutti Stocks International Holdings Limited	**1 000 000**	**200 000**	1 000 000	200 000
Stefanutti Stocks Proprietary Limited	**1 000 000**	**200 000**	1 000 000	200 000
Funding loan 2				
Continuous Covering Mortgage Bond				
Property held by Stefanutti Stocks Proprietary Limited with a value of R119 million in Feb 2022	**—**	**—**	145 000	29 000

21. Trade and other payables

	2023 R'000	2022 R'000
Trade payables	**439 893**	447 557
Amounts due to joint operations	**141 624**	188 560
Retention creditors and subcontractors	**208 275**	223 532
Accrued expenses*	**378 897**	510 940
Value added tax and withholding taxes*	**105 750**	86 458
Unclaimed dividends*	**24**	24
	1 274 463	1 457 071

* 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
Warranty provisions	22 071	14 176	(22 071)	14 176
Contract-related provisions	540 599	627 507	(540 599)	627 507
Severance provisions	35 546	—	(35 546)	—
Corporate social investment projects	—	7 200	—	7 200
	598 216	648 883	(598 216)	648 883

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.

Corporate social investment provisions relate to a commitment included in the settlement agreement between the group and the City of Cape Town. This commitment requires contributions to corporate social investment projects in the Cape Town district. The timing of the projects is uncertain as it depends on the outcome of environmental assessments and confirmation to proceed from the City of Cape Town.

23. Notes to the statement of cash flows

23.1 Cash generated from/(consumed by) operating activities

	2023 R'000	2022 R'000
Net loss before taxation from continuing operations	**(1 169)**	(191 519)
Net profit/(loss) before taxation from discontinued operations (note 7)	**24 359**	(128 951)
Adjusted for:		
Net (profit)/loss on foreign exchange (note 4)	**(8 173)**	170
Net profit on disposals of property, plant and equipment (note 4)	**(15 246)**	(11 578)
Net gain not previously recognised on disposal of non-current assets held for sale (note 4)	**(4 575)**	(3 322)
Investment income (note 5)	**(28 459)**	(19 010)
Finance costs (note 5)	**128 849**	112 882
Depreciation (note 9)	**41 540**	54 275
Share of loss/(profit) of equity-accounted investees (note 10)	**1 468**	(8 958)
Loss on remeasurement of financial asset held at fair value through profit or loss	**149**	—
Impairment of goodwill (note 12)	**—**	106 111
Impairment of equity-accounted investee	**—**	342
Impairment of property, plant and equipment (note 9)	**—**	21 367
Movement in provisions (note 7, 22)	**40 108**	7 802
Fair value adjustments (note 7.3)	**13 689**	26 907
Fair value adjustments — equity-accounted investees (note 7.1)	**655**	(765)
Net expected credit loss on contracts in progress and trade and other receivables (note 15, 16)	**(61 477)**	(149 985)
Reversal of gain previously recognised on disposal of subsidiary	**—**	507
Discontinued operations (note 7)	**(81 607)**	113 507
Gain not previously recognised on disposal of non-current assets held for sale	**—**	(24 692)
Depreciation (note 9)	**—**	10 058
Fair value adjustments	**(161)**	137 954
Loss on disposal of Al Tayer Stocks LLC	**766**	—
Realisation of foreign currency translation reserve on sale of Al Tayer Stocks LLC	**(70 942)**	—
Net profit on foreign exchange	**(16 517)**	(12 313)
Net expected credit loss on contracts in progress and trade and other receivables	**73**	222
Net (profit)/loss on disposals of property, plant and equipment	**(57)**	1
Investment income	**(349)**	(712)
Finance costs	**5 580**	2 989
Other non-cash items	**12 470**	58 046
Short-term insurance and other (note 23.3)	**10 279**	8 525
Settlement liability — City of Cape Town (note 23.3)	**—**	27 552
Withholding taxes written off (note 4)	**2 191**	21 969
	62 581	(12 172)

23. Notes to the statement of cash flows continued

	2023 R'000	2022 R'000
Movements in working capital		
Change in inventories	**(22 346)**	661
Change in contracts in progress	**138 399**	(138 279)
Change in trade and other receivables	**(360 761)**	199 333
Change in trade and other payables	**(64 357)**	89 731
Change in excess billings over work done	**735 671**	(360 531)
Effect of foreign exchange rate changes on working capital	**23 065**	(31 817)
Cash generated from/(consumed by) operations	**512 252**	(253 074)

23.2 Reconciliation of taxation paid during the year

	2023 R'000	2022 R'000
Charge against profit — continuing operations (note 6)	**34 030**	63 105
Charge against profit — discontinued operations	**157**	(4)
Effect of foreign exchange rate changes	**4 344**	(873)
Non-cash movements (withholding taxes written off) (note 4)	**2 191**	21 969
Transfer to non-current assets held for sale	**—**	769
Movement in taxation balance	**18 811**	(30 157)
Payments made	**59 533**	54 809

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23. Notes to the statement of cash flows continued

23.3 Reconciliation of cashflow movements relating to financing activities

	Opening balance R'000	Cash outflow R'000	Non-cashflow movements Additions R'000	Non-cashflow movements Interest R'000	Non-cashflow movements Transfer (to)/from non-current assets held for sale R'000	Closing balance R'000
2023						
Unsecured borrowings	**10 770**	**(15 194)**	**10 279**	**(14)**	**—**	**5 841**
Secured borrowings	**1 232 803**	**(70 674)**	**—**	**—**	**—**	**1 162 129**
Leases (instalment sale agreements)	**1 939**	**(1 939)**	**—**	**—**	**—**	**—**
Leases (other)	**51 104**	**(4 463)**	**7 878**	**—**	**—**	**54 519**
Total borrowings	**1 296 616**	**(92 270)**	**18 157**	**(14)**	**—**	**1 222 489**
Settlement — City of Cape Town	**27 552**	**(9 491)**	**—**	**—**	**—**	**18 061**
Voluntary Rebuild Programme	**107 956**	**(10 935)**	**—**	**(1 811)**	**—**	**95 210**
	1 432 124	**(112 696)**	**18 157**	**(1 825)**	**—**	**1 335 760**
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

24. Segment information

In furtherance of the internal restructuring initiative as previously disclosed, from 1 March 2022 the Mechanical Electrical Piping (MEP) business forms part of the Inland Region. In addition, certain African countries previously included within MEP are now reported as part of the Africa Region. 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 discipline (operating segment) derives revenue:

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

24. Segment information continued

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 2022: R272 million) is included within reportable segment assets for other segments.

	Inland^ R'000	Coastal R'000	Western Cape R'000	Africa R'000	Other segments and eliminations R'000	Total R'000
2023						
Contract revenue (note 3)	**2 334 239**	**1 367 692**	**702 019**	**1 575 605**	**—**	**5 979 555**
Intersegment contract revenue	**2 556**	**6 192**	**27 417**	**14 347**	**—**	**50 512**
Net profit on disposal of property, plant and equipment (note 4)	**12 198**	**1 949**	**242**	**857**	**—**	**15 246**
Net profit on foreign exchange rate movements (note 4)	**(888)**	**5 027**	**—**	**(2 212)**	**6 246**	**8 173**
Project management fee and rental income from short-term leases (note 4)	**9 187**	**114**	**—**	**3 548**	**—**	**12 849**
Net expected credit loss on financial assets (note 15, 16)	**37 548**	**634**	**(38)**	**23 340**	**(7)**	**61 477**
Auditors remuneration (note 4)	**(4 863)**	**(1 673)**	**(1 373)**	**(2 420)**	**(3 527)**	**(13 856)**
Employee costs (note 4)	**(781 186)**	**(253 525)**	**(107 184)**	**(231 945)**	**(65 714)**	**(1 439 554)**
Expenses relating to leases (note 4)	**(338)**	**(33 003)**	**(45)**	**(6 522)**	**—**	**(39 908)**
Restructuring costs and abnormal legal fees (note 4)	**—**	**—**	**—**	**—**	**(55 885)***	**(55 885)**
Withholding taxes written off (note 4)	**(1 231)**	**(418)**	**—**	**(531)**	**(11)**	**(2 191)**
Depreciation (note 9)	**(21 132)**	**(11 035)**	**(1 831)**	**(7 463)**	**(79)**	**(41 540)**
Impairment of assets and fair value adjustments (note 7, 9, 12)	**(11 844)**	**(2 500)**	**—**	**—**	**—**	**(14 344)**
Reportable segment operating profit/(loss)	**83 889**	**4 772**	**29 930**	**74 297**	**(92 199)**	**100 689**
Investment income (note 5)	**22 994**	**2 403**	**988**	**1 132**	**942**	**28 459**
Share of (losses)/profits of equity-accounted investees (note 10)	**(3 011)**	**—**	**—**	**—**	**1 543**	**(1 468)**
Finance cost (note 5)	**(854)**	**(3 819)**	**(48)**	**(1 000)**	**(123 128)**	**(128 849)**
Taxation (note 6)	**(1 319)**	**(1 823)**	**(8 946)**	**(15 005)**	**(9 237)**	**(36 330)**
Reportable segment profit/(loss)	**102 171**	**1 535**	**21 924**	**57 562**	**(220 691)**	**(37 499)**
Equity-accounted investees (note 10)	**2 570**	**—**	**—**	**—**	**29 537**	**32 107**
Reportable segment assets	**1 792 476**	**490 026**	**218 233**	**2 173 678**	**476 016**	**5 150 429**
Reportable segment liabilities	**1 390 142**	**407 725**	**269 032**	**1 710 971**	**1 438 923**	**5 216 793**

* Restructuring costs relate to abnormal consultancy and associated legal fees that are only incurred at a head office in relation to the Restructuring Plan. These do not include the normal consultancy and legal fees which are part of the operations and are reported within the affected segments.

^ A specific contract, which is executed in Zimbabwe, is included within the Inland Region for reporting purposes, as the required specialised skills and expertise to execute the contract is derived from the Inland Region.

24. Segment information continued

	Inland R'000	Coastal R'000	Western Cape R'000	Africa R'000	Other segments and eliminations R'000	Total R'000
2022 (restated)						
Contract revenue (note 3)	2 294 377	1 012 831	1 065 930	1 595 346	—	5 968 484
Intersegment contract revenue	9 362	716	2 343	3 105	—	15 526
Net profit on disposal of property, plant and equipment (note 4)	11 110	85	—	383	—	11 578
Project management fee and rental income from short-term leases (note 4)	1 115	—	—	6 331	55	7 501
Net expected credit loss on financial assets (note 15, 16)	115 930	3 145	(7)	30 917	—	149 985
Auditors remuneration (note 4)	(4 465)	(2 673)	(620)	(1 923)	(5 505)	(15 186)
Employee costs (note 4)	(680 049)	(225 624)	(95 207)	(303 308)	(36 925)	(1 341 113)
Expenses relating to leases (note 4)	(33 710)	(12 682)	—	(7 060)	—	(53 452)
Settlement liability — City of Cape Town (note 4)	—	—	—	—	(27 552)	(27 552)
Restructuring costs and abnormal legal fees (note 4)	—	—	—	—	(114 608)*	(114 608)
Withholding taxes written off (note 4)	(160)	—	—	—	(21 809)	(21 969)
Depreciation (note 7, 9)	(31 961)	(13 067)	(1 239)	(7 839)	(169)	(54 275)
Impairment of assets and fair value adjustments (note 7, 9, 12)	(46 894)	—	(750)	(630)	(106 111)	(154 385)
Reportable segment operating profit/(loss)	14 906	3 439	54 058	87 691	(266 699)	(106 605)
Investment income (note 5)	12 417	1 616	2 945	1 285	747	19 010
Share of (losses)/profits of equity-accounted investees (note 10)	(14 247)	—	—	—	23 205	8 958
Finance cost (note 5)	(904)	(4 027)	(68)	(205)	(107 678)	(112 882)
Taxation (note 6)	(40 466)	(6 779)	2 823	(32 632)	(2 859)	(79 913)
Reportable segment profit/(loss)	(28 297)	(6 101)	59 757	56 495	(353 286)	(271 432)
Equity-accounted investees (note 10)	1 738	—	—	—	25 667	27 405
Reportable segment assets	1 709 214	485 063	149 490	1 703 701	549 494	4 596 962
Reportable segment liabilities	1 092 939	393 540	266 495	1 326 868	1 607 139	4 686 981

* Restructuring costs relate to abnormal consultancy and associated legal fees that are only incurred at a head office in relation to the Restructuring Plan. These do not include the normal consultancy and legal fees which are part of the operations and are reported within the affected segments.

Geographical areas

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

	2023						Restated 2022				
	Local	**Foreign — Africa**					Local	Foreign — Africa			
	R'000	**Botswana R'000**	**Eswatini R'000**	**Zimbabwe 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	**3 905 855**	**425 846**	**776 833**	**454 167**	**399 694**	**17 160**	4 113 516	455 966	732 076	627 334	39 592
Non-current assets (excluding deferred tax)	**663 984**	**54 019**	**67 149**	**33 711**	**2 202**	**—**	638 982	53 226	71 119	2 791	—

* Other includes Malawi and Namibia (2022: Lesotho, Namibia and Zimbabwe).

24. Segment information continued

Major customers

Revenue generated from a single customer of the group amounted to approximately R454 million (restated Feb 2022: R524 million), of which the largest portion of this revenue was earned in the Inland Region (restated Feb 2022: 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.

Nature of relationships			
Subsidiaries	**Equity-accounted investees (note 10)**	**Joint operations (note 11)**	**Other**
Stefanutti Stocks Proprietary Limited Trading company for operations based in South Africa, as well as some foreign operations, including Botswana and Zimbabwe **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			
		Note 16 2023: R166 million receivable 2022: R206 million receivable **Note 21** 2023: R142 million payable 2022: R189 million payable	
Provision of guarantees (note 26)			
A full list of subsidiaries and joint operations 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 Director, 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.

25. Related parties continued

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.

	2023			2022		
	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	—	**983**	**983**	—	959	959
HJ Craig	**627**	—	**627**	639	—	639
B Harie	**692**	—	**692**	568	—	568
JM Poluta (resigned 13 March 2023)	**467**	—	**467**	494	—	494
DG Quinn (retired 6 August 2021)	—	—	—	567	—	567
B Silwanyana	**566**	—	**566**	584	—	584

Details of remuneration for executive directors, are as follows:

	Basic salary R'000	Other benefits (travel allowances) R'000	Short-term incentives — relating to prior years R'000	Short-term incentives 2023 R'000	Post-employ-ment benefits R'000	Total R'000
2023						
Executive directors						
RW Crawford — CEO	**4 647**	**120**	—	**2 691**	**702**	**8 160**
Y du Plessis — CFO	**2 556**	**89**	—	**1 735**	**590**	**4 970**
Prescribed officers*						
S White	**2 980**	**56**	**4 000**	—	**583**	**7 619**
DR du Plessis	**3 440**	**131**	**2 000**	—	**528**	**6 099**
E Wisse	**3 068**	**125**	**1 900**	—	**415**	**5 508**
M Donato	**2 937**	**58**	**2 400**	—	**451**	**5 846**
Key management personnel**	**25 683**	**749**	**12 262**	**4 426**	**4 198**	**47 318**

* Prescribed officers consist of executive officers and certain Executive Committee members who are not executive directors of the group.
** Key management personnel are defined as executive directors of the company and other members of the Executive Committee.

Notes to the consolidated annual financial statements

for the year ended 28 February continued

25. Related parties continued

	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-employ-ment benefits R'000	Total R'000
2022								
Executive directors								
RW Crawford — CEO	3 798	234	—	—	1 200	2 714	361	8 307
Y du Plessis — CFO (appointed 1 June 2021)^#	1 006	58	563	—	—	1 163	153	2 943
AV Cocciante — CFO (resigned 31 May 2021)#	786	—	—	—	720	—	77	1 583
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
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.

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

^ 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.

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.

Notes to the consolidated annual financial statements

for the year ended 28 February continued

25. Related parties continued

Directors' and prescribed officers' shareholding

	2023				2022			
	Direct beneficial %	**Indirect beneficial %**	**Total %**	**Share-holding**	Direct beneficial %	Indirect beneficial %	Total %	Share-holding
Percentage of fully-paid shares held								
Directors								
JM Poluta (resigned 13 March 2023)	—	**0,77**	**0,77**	**1 450 612**	—	0,08	0,08	150 612
RW Crawford (CEO)	—	**0,36**	**0,36**	**690 278**	—	0,36	0,36	690 278
Prescribed officers								
DR du Plessis	**0,01**	—	**0,01**	**14 864**	0,01	—	0,01	14 864
S White	**0,41**	—	**0,41**	**772 537**	—	—	—	1 845
HF Schwegmann (resigned 28 February 2022)	—	—	—	—	0,04	4,47	4,51	8 488 284
E Wisse	**0,02**	—	**0,02**	**30 350**	—	—	—	—
M Donato	**0,36**	—	**0,36**	**685 268**	—	—	—	—

Post year-end share transactions

There were no other transactions relating to shareholding with related parties between the year-end date and the approval date of these annual financial statements.

26. Guarantees, contingent liabilities and contingent assets

	2023 R'000	2022 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	**5 128 508**	3 861 990
Guarantees through certain banks for facilities to the value of R2,35 billion (Feb 2022: R2,35 billion) and other obligations	**2 680 581**	2 680 581
Suretyships		
Suretyships through certain banks for facilities to the value of R440 million (Feb 2022: R560 million)	**353 450**	553 450

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

No provision for an expected credit loss has been made against the guarantees disclosed above as there are sufficient strategies in place to mitigate the risk of outflow.

Notes to the consolidated annual financial statements

for the year ended 28 February continued

26. Guarantees, contingent liabilities and contingent assets continued

Contingent liabilities and contingent assets

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 a contract mining project termination, the matter is proceeding to arbitration. This arbitration is expected to commence in October 2023. The group is confident that the termination was lawful and therefore no provision has been made.

With respect to the mechanical project termination, the arbitration process has been completed and a final award has been made subsequent to year-end. In terms of the award, Stefanutti Stocks was awarded R90,9 million. In addition, legal fees have also been awarded and are subject to taxing in accordance with the High Court tariff. As soon as this process has been completed, shareholders will be advised accordingly.

Further to the announcement dated 30 November 2022, with respect to the arbitration relating to a contractual claim on the construction of the Kalabo-Sikongo-Angola border gate road in the Western Province of Zambia, shareholders are advised that the client applied to set the Arbitral Tribunal award aside, citing "contrary to public policy" and "matters beyond the scope of the arbitration." The hearing was heard on the 24 February 2023 and the Judge reserved judgment for 90 days.

Eskom — Kusile power project

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.

Since August 2021, the group has secured payment of a combined total of R110 million for measured work and the Dispute Adjudication Board (DAB) rulings. Substantial variations are still being agreed with Eskom. The outcome thereof will determine whether further certification will be secured for measured works or whether the variations will be referred to the DAB.

Stefanutti Stocks and Eskom (the parties) have entered into an "Interim Arrangement for the Purposes of Agreeing or Determining the Contractor's Claims and Facilitating the Dispute Resolution Process" in February 2020, for all delay events up to the end of December 2019. This process involves the appointment of independent experts (the experts) to evaluate the causes, duration and quantification of delays.

Further to the above, the parties and the DAB have signed a memorandum of understanding (MOU) as set out below:

- The DAB will issue decisions confirming entitlements, which entitlements the experts have agreed to, which will then be binding on the parties;
- The DAB will rely on the experts for the narrowing of the issues and information to be considered in its assessments;
- 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 duration and quantification; and
- At the end of the process the DAB will issue a final binding decision in terms of the contract with respect to duration and quantification, at which point either party may issue a notice of dissatisfaction and refer the dispute to arbitration.

The group has submitted the following provisional claims to the experts after taking into account all payments received to date on the project:

1. an overarching preliminary and general cost claim of R337 million;
2. a subcontractor overarching preliminary and general cost claim of R194 million;
3. a construction cost claim of R438 million; and
4. a finance cost claim of R171 million.

Therefore, the total of all provisional claims submitted to the experts is R1,140 billion. In terms of the process as outlined above the experts will review all claims, draft agreements and narrow issues of difference for referral to the DAB for a decision. The ongoing process will address the final phase of the delay analysis in the coming months. Once this is concluded, the group will submit its final consolidated claims, which will include the commissioning and interest costs soon thereafter.

The group envisages that the DAB will issue its binding decision before the end of the February 2024 financial year, at which point either party may issue a notice of dissatisfaction and refer the dispute to arbitration.

At this stage, the group's claims team is unable to quantify the value of the potential awards nor the exact timing thereof, as the claims must follow due process. Therefore, these provisional claims have not been recognised in the financial statements as the outcome of the process remains uncertain.

Notes to the consolidated annual financial statements

for the year ended 28 February continued

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 R1 million; 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.

Measurement of fair value — non-current assets held for sale and disposal groups

Disposal groups

Disposal groups are currently measured at their fair value less costs to sell, being the price the group expects to receive based on the signed Sale and Purchase Agreement entered into. Refer to note 7.2 and the directors report on page 7.

Non-current assets

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.

Plant and equipment and transport and motor vehicles have been categorised as a Level 3 fair value based on significant unobservable 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.

Notes to the consolidated annual financial statements

for the year ended 28 February continued

27. Risk management, accounting classifications and fair value continued

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.

	2023 R'000	2022 R'000
Financial assets, loans and receivables at amortised cost		
Trade and other receivables (note 16)	**1 783 721**	1 498 757
Bank Balance (note 17)	**578 400**	428 223
Financial assets held at fair value through profit or loss (note 16)	**83 245**	—
Financial liabilities at amortised cost		
Bank balance (note 17)	**17 838**	18 896
Financial liabilities (note 20)	**1 335 760**	1 432 124
Trade and other payables (note 21)	**789 792**	859 649

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 28 February 2023, reached agreement with the Lenders to extend the current capital repayment profile of the loan as well as its duration to 29 February 2024. 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.

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:

	2023 R'000	2022 R'000
Net debt	**1 353 598**	1 451 020
Interest-bearing liabilities (note 20)	**1 335 760**	1 432 124
Bank overdrafts (note 17)	**17 838**	18 896
Total equity attributable to equity holders of the company	**(66 364)**	(90 019)
Gearing ratio (%)	**(2 039,7)**	(1 611,9)

27. Risk management, accounting classifications and fair value continued

The movement is mostly attributable to a increase in equity as a result of a profit made to the value of R15 million (restated 2022: R415 million loss) and a reduction in debt from R1,451 million to R1,354 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:

	2023 R'000	2022 R'000
Contract in progress (note 15)	**531 217**	739 134
Contract receivables (note 16)	**1 445 920**	1 139 198
Retention debtors (note 16)	**263 487**	266 562
Amounts due by joint operations (note 16)	**167 430**	207 639
Other receivables (note 16)	**55 862**	76 870
Financial asset held at fair value through profit or loss (note 16)	**83 245**	—
Bank balances (note 17)	**578 400**	428 223
Total	**3 125 561**	2 857 626

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.

These receivables comprise of a widespread customer base, primarily in South Africa but also in the rest of Africa, mainly Botswana, Eswatini, Zimbabwe 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 contract receivables and contract assets (which includes contracts in progress and retention debtors), by calculating the lifetime ECLs for these receivables. The general approach is applied to determine the expected credit loss on amounts due by joint operations and 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. Expected credit losses are calculated on both a collective and individual basis. Collective expected credit losses are calculated 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.

27. Risk management, accounting classifications and fair value continued

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 to collective expected credit losses ranged from 0,1% for the lowest risk category to 17,1% for the highest risk category (2022: 0,003% – 5,5%). The default rates applied in the provision rate matrix have been increased, considering the weakened post-Covid 19 economy, further exacerbated by the Russia and Ukraine conflict, which caused a rise in energy prices, resulting in increased inflation and therefore interest rates, further increasing raw material and fuel costs. These increases, together with continuous power supply disruptions and disruptive floods in KwaZulu-Natal in April 2022, continued to put pressure on the group's operations and of its customers. 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. The individual expected credit loss relates to specific clients who are showing signs of default such as delayed payments and liquidity pressures for which specific provisions have been raised.

Contracts in progress (note 15)

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
2023					
Within South Africa	**28 542**	**56 189**	**134 889**	**122 377**	**341 997**
Outside South Africa	**86 501**	**12 171**	**61 097**	**29 451**	**189 220**
Botswana	**49 463**	**4 972**	**32 909**	**12 135**	**99 479**
Eswatini	**37 038**	**5 361**	**28 188**	**1 520**	**72 107**
Zambia	**—**	**1 838**	**—**	**15 796**	**17 634**
Gross total of Contracts in progress	**115 043**	**68 360**	**195 986**	**151 828**	**531 217**
Within South Africa					
Average expected credit loss rate (%)	**0,6**	**0,3**	**—**	**0,1**	**0,1**
Expected credit loss	**162**	**175**	**6**	**130**	**473**
Outside South Africa					
Average expected credit loss rate (%)	**0,1**	**0,4**	**0,1**	**0,2**	**0,1**
Expected credit loss	**64**	**45**	**83**	**56**	**248**
Average expected credit loss rate (%)	**0,2**	**0,3**	**—**	**0,1**	**0,1**
Total expected credit loss	**226**	**220**	**89**	**186**	**721**
Carrying amount	**114 817**	**68 140**	**195 897**	**151 642**	**530 496**

Notes to the consolidated annual financial statements

for the year ended 28 February continued

27. Risk management, accounting classifications and fair value continued

	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 of Contracts in progress	170 762	413 447	77 500	77 425	739 134
Within South Africa					
Average expected credit loss rate (%)	0,1	0,1	—	0,1	0,1
Expected credit loss	74	313	3	68	458
Outside South Africa					
Average expected credit loss rate (%)	0,2	0,1	0,1	0,1	0,1
Expected credit loss	122	114	33	23	292
Average expected credit loss rate (%)	0,1	0,1	—	0,1	0,1
Total expected credit loss	196	427	36	91	750
Carrying amount	170 566	413 020	77 464	77 334	738 384

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 — Collateral/credit insurance available in case of default — 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	— 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 — 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 — The value of work certified after year-end in relation to the closing balances at period end

The change in the expected credit loss from prior year is mainly driven by the reduction in balances of 28%.

27. Risk management, accounting classifications and fair value continued

Contract receivables (note 16)

Contract receivables represent invoiced amounts due from contract customers. The average credit period for contract 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.

The summarised risk categories for contract receivables on which a collective expected credit loss is calculated 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
2023							
Within South Africa	**560 154**	**11 393**	**4 687**	**26**	**—**	**36 009**	**612 269**
Public	**102 087**	**1 362**	**4 479**	**—**	**—**	**458**	**108 386**
Private	**458 067**	**10 031**	**208**	**26**	**—**	**35 551**	**503 883**
Outside South Africa	**250 977**	**144 580**	**36 182**	**6 368**	**1 315**	**284 003**	**723 425**
Public	**106 952**	**19 563**	**21 223**	**6 150**	**—**	**283 111**	**436 999**
Botswana	**28 737**	**—**	**—**	**—**	**—**	**122**	**28 859**
Eswatini	**78 215**	**19 563**	**21 223**	**6 150**	**—**	**135 917**	**261 068**
Zambia	**—**	**—**	**—**	**—**	**—**	**147 072**	**147 072**
Private	**144 025**	**125 017**	**14 959**	**218**	**1 315**	**892**	**286 426**
Botswana	**842**	**6 897**	**266**	**218**	**1 149**	**624**	**9 996**
Eswatini	**15 713**	**12 452**	**5 636**	**—**	**—**	**100**	**33 901**
Namibia	**11 915**	**—**	**—**	**—**	**—**	**168**	**12 083**
Zambia	**27 018**	**34 388**	**9 057**	**—**	**166**	**—**	**70 629**
Zimbabwe	**88 537**	**71 280**	**—**	**—**	**—**	**—**	**159 817**
Gross total of contract receivables	**811 131**	**155 973**	**40 869**	**6 394**	**1 315**	**320 012**	**1 335 694**
Within South Africa							
Average expected credit loss rate (%)	**0,1**	**6,4**	**1,0**	**11,5**	**—**	**17,1**	**1,2**
Collective expected credit loss	**566**	**733**	**47**	**3**	**—**	**6 172**	**7 521**
Outside South Africa							
Average expected credit loss rate (%)	**0,1**	**2,9**	**2,6**	**2,7**	**2,5**	**8,5**	**4,1**
Collective expected credit loss	**302**	**4 224**	**932**	**173**	**33**	**24 265**	**29 929**
Average expected credit loss rate (%)	**0,1**	**3,2**	**2,4**	**2,8**	**2,5**	**9,5**	**2,8**
Total of collective expected credit loss	**868**	**4 957**	**979**	**176**	**33**	**30 437**	**37 450**
Carrying amount	**810 263**	**151 016**	**39 890**	**6 218**	**1 282**	**289 575**	**1 298 244**

The average expected credit loss rate is calculated on a total basis and is affected by the composition of balances in each of the time bands that fall into different risk grades, causing it too look higher in lower time bands than higher time bands.

The change in the collective expected credit loss from prior year is mainly driven by the increase in contract receivable balances of 37%.

The higher ECL rates for debtors within South Africa is mainly due to a specific customer in the private sector, for whom an increased rate has been applied due to the debt being long outstanding.

27. Risk management, accounting classifications and fair value continued

The higher ECL rate in the 60-90day time-band is driven by the foreign balances in Zambia and Zimbabwe, which attract a higher ECL rate.

The increase in the expected credit loss for receivables in the over 1 year time band, is due to an increase in the public sector balances within Zambia which attract a higher ECL rate.

	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	36 772	949	—	—	92 726	546 073
Public	141 572	17 724	259	—	—	10 898	170 453
Private	274 054	19 048	690	—	—	81 828	375 620
Outside South Africa	93 550	36 977	21 264	—	10 551	263 972	426 314
Public	66 457	22 874	21 170	—	8 597	231 189	350 287
Botswana	9 605	—	—	—	—	—	9 605
Eswatini	56 852	14 843	21 170	—	6 078	150 741	249 684
Zambia	—	8 031	—	—	2 519	80 448	90 998
Private	27 093	14 103	94	—	1 954	32 783	76 027
Botswana	15 823	209	—	—	—	—	16 032
Eswatini	11 270	—	—	—	1 602	378	13 250
Namibia	—	—	—	—	—	185	185
Lesotho	—	—	—	—	352	—	352
Zambia	—	13 894	94	—	—	32 220	46 208
Gross total of contract receivables	509 176	73 749	22 213	—	10 551	356 698	972 387
Within South Africa							
Average expected credit loss rate (%)	—	1,9	2,4	—	—	3,7	0,8
Collective expected credit loss	141	688	23	—	—	3 455	4 307
Outside South Africa							
Average expected credit loss rate (%)	—	3,2	2,2	—	5,4	5,5	4,0
Collective expected credit loss	46	1 178	477	—	570	14 650	16 921
Average expected credit loss rate (%)	—	2,5	2,3	—	5,4	5,1	2,2
Total of collective expected credit loss	187	1 866	500	—	570	18 105	21 228
Carrying amount	508 989	71 883	21 713	—	9 981	338 593	951 159

The average expected credit loss rate is calculated on a total basis and is affected by the composition of balances in each of the time bands that fall into different risk grades, causing it too look higher in lower time bands than higher time bands.

Notes to the consolidated annual financial statements

for the year ended 28 February continued

27. Risk management, accounting classifications and fair value continued

The summarised risk categories for contract receivables on which an individual expected credit loss is calculated are as follows:

	2023		2022			
	Over 1 year R'000	**Total R'000**	60 to 90 days R'000	Over 180 days to less than 1 year R'000	Over 1 year R'000	Total R'000
Within South Africa	**35 273**	**35 273**	16 440	482	55 507	72 429
Private	**35 273**	**35 273**	16 440	482	55 507	72 429
Outside South Africa	**74 953**	**74 953**	—	—	94 382	94 382
Public	**73 578**	**73 578**	—	—	93 068	93 068
Eswatini	**—**	**—**	—	—	10 664	10 664
Zambia	**73 578**	**73 578**	—	—	82 404	82 404
Private	**1 375**	**1 375**	—	—	1 314	1 314
Namibia	**493**	**493**	—	—	1 314	1 314
Zambia	**882**	**882**	—	—	—	—
Gross total of contract receivables	**110 226**	**110 226**	16 440	482	149 889	166 811
Average expected credit loss rate (%)	**100,0**	**100,0**	100,0	100,0	100,0	100,0
Expected credit loss	**110 226**	**110 226**	16 440	482	149 889	166 811
Carrying amount	**—**	**—**	—	—	—	—

The individual expected credit loss reduced from R167 million to R110 million mainly due to debtors that were previously provided for and subsequently recovered.

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, Zambia and Zimbabwe 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 — Zimbabwe – Dealing with reputable private clients – No history of bad debts – Significant advance payments received – Contract denominated in USD as well as payments received	— 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, Zambia and Zimbabwe debtors in particular due to materiality include: — Zambia – 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 – Payments received subsequent to year-end – Assessing governments source of income that supports ability to repay (e.g.: The International Monetary Fund negotiations, new legislation affecting National Pension Scheme, bonds and government bills issuable) – Expected outcome on pending contractual claim — Eswatini – Payments received subsequent to year-end – Assessing governments source of income that supports ability to repay (e.g.: The Southern African Customs Union (SACU)) – Target of foreign funded projects with the same client (government departments) – Formal funding mechanisms in place for these projects — Zimbabwe – Contractual rights for suspension available – Payments received subsequent to year-end – Potential future work with same client

27. Risk management, accounting classifications and fair value continued

Retention debtors (note 16)

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:

	2023			2022		
	Public R'000	**Private R'000**	**Total R'000**	Public R'000	Private R'000	Total R'000
Within South Africa	**81 729**	**61 991**	**143 720**	45 773	86 567	132 340
Outside South Africa	**92 480**	**27 287**	**119 767**	91 703	42 519	134 222
Botswana	**11 963**	**4 964**	**16 927**	—	26 818	26 818
Eswatini	**60 300**	**393**	**60 693**	72 807	3 462	76 269
Malawi	**—**	**53**	**53**	—	—	—
Zambia	**20 217**	**21 877**	**42 094**	18 896	12 239	31 135
Gross total of Retention debtors	**174 209**	**89 278**	**263 487**	137 476	129 086	266 562
Within South Africa						
Average expected credit loss rate (%)	**—**	**0,2**	**0,1**	—	0,1	0,1
Expected credit loss	**7**	**135**	**142**	4	63	67
Outside South Africa						
Average expected credit loss rate (%)	**0,1**	**0,1**	**0,1**	0,1	—	0,1
Expected credit loss	**125**	**29**	**154**	130	16	146
Average expected credit loss rate (%)	**—**	**0,2**	**0,1**	0,1	0,1	0,1
Total expected credit loss	**132**	**164**	**296**	134	79	213
Carrying amount	**174 077**	**89 114**	**263 191**	137 342	129 007	266 349

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 — Consideration of reasons for delay in payments- whether they are indicative of liquidity/solvency issues — Collateral/credit insurance available in case of default — Contractual provisions for alternative recovery in case of non-payment — Ageing of retention debtors (majority of retention debtors are 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 — 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 — Progress of contract and probability of disputes regarding valued work and other contractual conditions at end of contract

The change in the expected credit loss from prior year is mainly driven by retention debtors in the private sector, for whom an increased rate has been applied due to the long outstanding (over 1 year) trade receivables due from similar customers.

27. Risk management, accounting classifications and fair value continued

Amounts due by joint operations (note 16)

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.

Amounts due by joint operations have no specific repayment terms.

Amounts within the 60 to 90 day time-band are outstanding for more than 30 days and relate to receivables for which credit risk has increased significantly since initial recognition but that are not credit impaired. Amounts older than 90 days are considered to be in default and therefore credit-impaired.

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
2023									
Within South Africa	**16 111**	**3 770**	**—**	**—**	**—**	**375**	**20 256**	**19 373**	**883**
Public	**—**	**—**	**—**	**—**	**—**	**375**	**375**	**375**	**—**
Private	**16 111**	**3 770**	**—**	**—**	**—**	**—**	**19 881**	**18 998**	**883**
Outside South Africa	**99**	**4 842**	**6 671**	**—**	**7 981**	**127 581**	**147 174**	**55 917**	**91 257**
Private	**99**	**4 842**	**6 671**	**—**	**7 981**	**127 581**	**147 174**	**55 917**	**91 257**
Botswana	**—**	**—**	**—**	**—**	**—**	**7 872**	**7 872**	**—**	**7 872**
Eswatini	**—**	**4 842**	**5 667**	**—**	**7 146**	**93 840**	**111 495**	**28 110**	**83 385**
Zambia	**99**	**—**	**1 004**	**—**	**835**	**25 869**	**27 807**	**27 807**	**—**
Gross total of amounts due by joint operations	**16 210**	**8 612**	**6 671**	**—**	**7 981**	**127 956**	**167 430**	**75 290**	**92 140**
Within South Africa									
Average expected credit loss rate (%)	**0,2**	**3,4**	**—**	**—**	**—**	**0,3**	**0,8**		
Expected credit loss	**39**	**130**	**—**	**—**	**—**	**1**	**170**		
Outside South Africa									
Average expected credit loss rate (%)	**1,0**	**—**	**0,3**	**—**	**0,2**	**0,6**	**0,5**		
Expected credit loss	**1**	**—**	**17**	**—**	**18**	**772**	**808**		
Average expected credit loss rate (%)	**0,2**	**1,5**	**0,3**	**—**	**0,2**	**0,6**	**0,6**		
Total expected credit loss	**40**	**130**	**17**	**—**	**18**	**773**	**978**		
Carrying amount	**16 170**	**8 482**	**6 654**	**—**	**7 963**	**127 183**	**166 452**		

Included in the Over 1 year time band, are balances due by joint operations of R111 million (Feb 2022: R126 million) for which the group has a corresponding amount payable to the same joint operation which would reduce the loss in the event of default. Therefore, the calculated expected credit loss on these receivables was low.

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for the year ended 28 February continued

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	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
Public	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 of amounts due by joint operations	25 890	374	550	6 439	2 108	172 278	207 639	35 062	172 577
Within South Africa									
Average expected credit loss rate (%)	0,1	1,0	1,2	1,7	4,2	2,0	1,3		
Expected credit loss	12	1	5	7	41	701	767		
Outside South Africa									
Average expected credit loss rate (%)	0,1	1,4	1,5	—	2,1	0,3	0,3		
Expected credit loss	3	4	2	1	24	405	439		
Average expected credit loss rate (%)	0,1	1,3	1,3	0,1	3,1	0,6	0,6		
Total 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		

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 — 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 — Collateral/credit insurance available in case of default	— 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 — 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 — Payments received subsequent to year-end for long outstanding receivables under Eswatini — Expected outcome on pending contractual claim for a receivable under Zambia

The change in the expected credit loss from prior year is mainly driven by the reduction in balances of 19%. The increased rate under the 60 to 90 days time band is mainly due to receivables in the private sector, for whom an increased rate has been applied due to the long outstanding (over 1 year) trade receivables due from similar customers.

Other receivables (note 16)

Other receivables consist mostly of deposits (mainly house rental deposits), interest accrued, sundry debtors and short-term loans repayable within one year. 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:

	2023 R'000	2022 R'000
Within South Africa	**44 695**	71 647
Outside South Africa	**11 167**	5 223
Eswatini	**2 692**	3 066
Zambia	**6 590**	1 116
Other (Botswana, Guinea, Kenya, Namibia)	**1 885**	1 041
Gross total of other receivables	**55 862**	76 870
Within South Africa		
Average expected credit loss rate (%)	**—**	2,9
Expected credit loss	**21**	2 046
Outside South Africa		
Average expected credit loss rate (%)	**0,1**	0,2
Expected credit loss	**7**	8
Average expected credit loss rate (%)	**0,1**	2,7
Total expected credit loss	**28**	2 054
Carrying amount	**55 834**	74 816

There was no significant increase in credit risk of other receivables, therefore the group provided for a 12-month ECL.

The change in the expected credit loss from prior year is mainly due to a specific receivable of R2 million which was fully provided for and has been written off in the current period.

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
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

Collateral

Exposure to credit risk is mitigated by the request for collateral. Collateral is in the form of payment guarantees, builders lien or credit insurance. There was no collateral received for any of the receivables in the current year (Feb 2022: Nil).

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 301 million (Feb 2022: R1 393 million) which include mainly banking, guarantee and asset-based facilities.

As on 28 February 2023 the facilities used from the above credit lines are as follows:

	2023			2022		
	Limit R'000	**Utilisation R'000**	**Available R'000**	Limit R'000	Utilisation R'000	Available R'000
Facility A	**1 270 503**	**1 270 005**	**498**	1 350 127	1 342 783	7 344
Facility B	**30 188**	**22 700**	**7 488**	42 468	19 387	23 081
	1 300 691	**1 292 705**	**7 986**	1 392 595	1 362 170	30 425

Notes to the consolidated annual financial statements

for the year ended 28 February continued

27. Risk management, accounting classifications and fair value continued

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
2023						
Financial assets						
Trade and other receivables	**1 866 966**	**1 866 966**	—	**1 832 453**	**34 513**	—
	1 866 966	**1 866 966**	—	**1 832 453**	**34 513**	—
Financial liabilities						
Financial liabilities — Funding loans*	**1 160 581**	**1 250 363**	—	**1 250 363**	—	—
Financial liabilities — Other	**120 660**	**139 288**	—	**39 728**	**77 638**	**21 922**
Financial liabilities — Leases	**54 519**	**70 086**	—	**8 712**	**35 554**	**25 820**
Trade and other payables	**789 792**	**789 792**	—	**789 792**	—	—
Bank balances	**17 838**	**17 838**	—	**17 838**	—	—
	2 143 390	**2 267 367**	—	**2 106 433**	**113 192**	**47 742**

* The group, on 28 February 2023, reached agreement with the Lenders to extend the current capital repayment profile of the loan as well as its duration to 29 February 2024.

	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						
Financial liabilities — Funding loans	1 226 433	1 336 060	—	1 336 060	—	—
Financial liabilities — Other	152 648	164 076	—	72 871	89 766	1 439
Financial liabilities — Leases	53 043	72 189	—	8 577	29 223	34 389
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

27. Risk management, accounting classifications and fair value continued

Market risk

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

Currency risk

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

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

	2023					2022			
	BWP R'000	**ZMW R'000**	**USD 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	**19 328**	**30 186**	**30 161**	**2 791**	**82 466**	45 063	25 459	(15 282)	55 240
Monetary assets	**87 180**	**272 677**	**249 333**	**11 468**	**620 658**	96 124	298 327	16 228	410 679
Trade receivables	**38 839**	**147 426**	**159 817**	**—**	**346 082**	25 632	127 783	—	153 415
Other receivables	**28 853**	**80 350**	**55 227**	**6 131**	**170 561**	38 516	75 857	12 280	126 653
Bank balances	**19 488**	**44 901**	**34 289**	**5 337**	**104 015**	31 976	94 687	3 948	130 611
Monetary liabilities	**67 256**	**99 286**	**63 005**	**3 495**	**233 042**	56 320	143 712	4 674	204 706
Trade payables	**7 713**	**22 585**	**8 713**	**26**	**39 037**	7 357	75 848	1 580	84 785
Other payables	**59 543**	**76 701**	**54 292**	**3 469**	**194 005**	48 963	67 864	3 094	119 921

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) and Malawian Kwacha (MWK).

	Average rate		Closing rate	
	2023	2022	**2023**	2022
The following exchange rates have been applied				
BWP	**1,3553**	1,3192	**1,3823**	1,3283
USD	**16,9004**	15,2545	**18,3998**	15,4010
ZMW	**0,8989**	0,8424	**0,9292**	0,8685

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)	
	2023 %	2022 %	**2023 R'000**	2022 R'000
BPW	**3**	8	**580/(580)**	3 799/(3 799)
USD	**11**	8	**3 318/(3 318)**	—
ZMW	**7**	2	**2 113/(2 113)**	580/(580)

Interest rate risk

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

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

	Currency	Nominal interest rate		Year of maturity	Carrying value	
		2023 %	2022 %		**2023 R'000**	2022 R'000
Unsecured borrowings	ZAR	**3,00 – 7,00**	3,00 – 8,55	2024 – 2025	**5 841**	10 770
Secured borrowings	ZAR	**—**	6,25 – 8,00	—	**—**	4 738
Secured borrowings	SZL	**9,00**	9,00	2035	**1 548**	1 632
Funding loans	ZAR	**14,65**	13,15	2024	**1 160 581**	1 226 433
Lease liabilities (instalment sale agreements)	ZAR	**—**	5,65	—	**—**	1 939
Lease liabilities (other)	ZAR	**9,00 – 10,75**	5,00 – 9,50	2024 – 2030	**54 519**	51 104
Settlement Agreement — City of Cape Town	ZAR	**7,96**	7,96	2025	**18 061**	27 552
Voluntary Rebuild Programme	ZAR	**7,50**	7,50	2029	**95 210**	107 956
					1 335 760	1 432 124

Sensitivity analysis

A change of 325 basis points (Feb 2022: 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 before tax by R50 million (Feb 2022: R22 million).

Notes to the consolidated annual financial statements

for the year ended 28 February continued

28. Subsequent events

Management considers the impact of increased load shedding on the groups operations and that of its customers and suppliers. The group includes in its assessment the risk of a total blackout and the resulting impact on water supply and security.

The group's projects currently have planned back-up or off-grid generation facilities which ensure that construction work is not significantly affected during periods of load shedding. However, this has resulted in increased operational costs, of which some are built into the contract. The operations have also experienced disruptions in the supply chain, which delays delivery of materials.

Through improved planning processes and continued availability of off-grid power supply, the group believes that the risks associated with load shedding on the business are manageable, although the potential financial effects of a total blackout cannot be reliably estimated as at date of this report.

Following the final award of R90,9 million with regards to the Mechanical project termination, a capital repayment of R51 million has been made towards the loan subsequent to year end.

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

29. Availability of Stefanutti Stocks Holdings Limited separate annual financial statements

The Stefanutti Stocks Holdings Limited separate annual financial statements have been prepared and signed on 19 June 2023, 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.

Notes to the consolidated annual financial statements

for the year ended 28 February continued

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 as at 28 February 2023 the group's current liabilities exceed its current assets by R1 141 million (Feb 2022: R1 462 million) and the group's total liabilities exceed its total assets by R66 million (Feb 2022: R90 million). The group had an accumulated loss of R1 209 million (Feb 2022: R1 225 million). The group believes it remains commercially solvent based on the cash flow projections included in the Restructuring Plan. However, uncertainties surrounding the contingent liabilities as stated in note 26, continue to indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern, and as a consequence could impact on the group's ability to realise its assets and discharge its liabilities in the ordinary course of business.

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, except where otherwise indicated.

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 other comprehensive income.
- 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
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
Provisions	**AP 8**
Taxation	**AP 9**

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

Recognition
Stage of completion based on surveys of work performed — Measured work performed
Transfer of control
Over time as the construction works progress and enhances the asset which is controlled by the customer
Measurement
Transaction price

Revenue type

Roads, earthworks and pipelines	Mining services	Civil works	Geotechnical services	General contracting	Mechanical Electrical Oil and Gas
— Bulk earthworks — Road construction, maintenance and rehabilitations — Crushing and screening — Agricultural land preparation and infrastructural development — Large diameter welded steel pipe installation	— Bulk materials handling — Design, construction, operations and maintenance of tailing storage facilities	— Caisson floating and installations — Civils works, bridges and transport infrastructure — Concrete rehabilitation — Marine and shipyard infrastructure	— Geotechnical construction piling and lateral support — Rock anchors and shotcrete	— Dam construction — Balance of plant infrastructure for renewable energy projects	— Control system installation — Design and build high rate water clarifier plants — Field instrumentation installation — Pipe spool fabrication — Petrochemical shutdown maintenance work
Duration of contract					
— Longer than 12 months — Shorter than 12 months	— Longer than 12 months	— Longer than 12 months — Shorter than 12 months	— Shorter than 12 months	— Longer than 12 months — Shorter than 12 months	— Shorter than 12 months

Accounting policies

for the year ended 28 February continued

1. Construction contracts continued

<table>
<tr><th colspan="2">Recognition</th></tr>
<tr><td colspan="2">Stage of completion based on surveys of work performed
— Measured work performed</td></tr>
<tr><th colspan="2">Transfer of control</th></tr>
<tr><td>Non-residential
Over time as the construction works progress and enhances the asset which is controlled by the customer</td><td>Residential
Over time if the group is not the developer and does not have the ownership of the development
Transfer of control at end of period upon issue of completion certificate or registration if the group is the developer and owns the development</td></tr>
<tr><th colspan="2">Measurement</th></tr>
<tr><td colspan="2">Transaction price</td></tr>
<tr><th colspan="2">Revenue type</th></tr>
<tr><td>Non-residential
— Airport buildings
— Commercial buildings
— Education facilities
— Hospitals and medical facilities
— Industrial warehouses, factories and distribution centres</td><td>Residential
— Affordable housing
— Residential developments</td></tr>
<tr><th colspan="2">Duration of contract</th></tr>
<tr><td>— Longer than 12 months
— Shorter than 12 months</td><td>— Longer than 12 months
— Shorter than 12 months</td></tr>
</table>

Stefanutti Stocks operates throughout South Africa and sub-Saharan Africa with multi-disciplinary expertise including concrete structures, specialist concrete repairs, piling, geotechnical services, roads and earthworks, renewable energy, bulk pipelines, materials handling, tailings management, all forms of building works, mechanical, electrical and piping.

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.

Accounting policies

for the year ended 28 February continued

1. Construction contracts continued

Costs	Variable consideration	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.

Accounting policies

for the year ended 28 February continued

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 expected credit loss allowances.
	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 (customer consumes benefit as services are provided)	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 two 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. Other short term benefits are recognised as an expense in the period in which they are incurred.

Accounting policies

for the year ended 28 February continued

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.

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 determines that it has control of a subsidiary when it is exposed to or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

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.

Accounting policies
for the year ended 28 February continued

3. Group and company accounting continued

Equity-accounted investees and joint operations

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

4. Operating assets and related liabilities

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.		

4. Operating assets and related liabilities continued

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 Plant and equipment Transport and motor vehicles Furniture, fittings, office and computer equipment	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.

Useful lives

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 three to ten years for land and buildings.

Goodwill

Initial measurement and recognition	Subsequent measurement	Amortisation method and period	Impairment
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 and related liabilities 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.
Financial assets held at fair value through profit or loss	Financial assets held at fair value through profit or loss that do not meet the business model or SPPI (solely payments of principal and interest) test as per IFRS 9.	At fair value plus direct transaction costs.	Gains and losses are recognised in profit or 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 (which includes contracts in progress and retention debtors). The group applies a matrix in measuring the collective expected credit loss, based on general economic conditions and an assessment of both current and future conditions. The group also raises an individual expected credit loss for specific clients who are showing signs of default. The group assesses an increase in credit risk as significant when the contractual payments are more than 30 days past due and in default when they are more than 90 days past due. 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 amounts due by joint operations and 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.

5. Financial instruments continued

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.

Derecognition

Financial assets are derecognised when the group`s contractual rights to the cash flows expire or are transferred to another party.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

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 depreciation 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

8. Provisions

A provision is recognised when there is a present legal or constructive obligation as a result of a past event for which it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

9. Taxation

Current tax

Current tax comprises the expected tax payable or recoverable from taxation authorities on the taxable income or assessed loss for the year using enacted or substantively enacted tax rates at the reporting period and includes any adjustments to tax payable in respect of prior years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received for that reporting period.

Current tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax assets against current tax liabilities and the group has the intention to settle a net amount, or to recognise the asset and liability simultaneously.

Deferred tax

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised for all deductible temporary differences, including those arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, to the extent that it is probable that future taxable income will be generated against which any available tax losses and deductible temporary differences can be utilised. Future taxable profits are generated from future trading activities and the reversal of relevant taxable temporary differences.

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

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 1 First-time Adoption of International Financial Reporting Standards —** Amendments for subsidiary as a first-time adopter. There were no subsidiaries that were first-time adopters.

— **IFRS 3 Business Combinations —** Reference to the conceptual framework – There were no business combinations in the current year.

— **IFRS 9 Financial instruments — Fees in the '10 per cent' test for derecognition of financial liabilities —** The amendment clarifies the fees to be applied in the application of the '10 per cent' test when assessing whether to derecognise a financial liability. Amendment was appropriately applied in the current year.

— **IAS 16 Property, Plant and Equipment — Proceeds before intended use —** It prohibits the deduction of proceeds from selling items produced while asset in use from the cost of the asset. There is no impact as no such proceeds arise.

— **IAS 37 Provisions, Contingent Liabilities and Contingent Assets —** Amendment for onerous contracts for the costs of fulfilling a contract. This principle is already applied.

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 2023 or later periods.

	Accounting standard/interpretation	Type	Effective date	Impact on the financial statements
IAS 1: Presentation of Financial Statements	Disclosure of accounting policies	Amendment	1 January 2023	No expected impact as standard is appropriately 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.
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.
Practice Statement 2 Making Materiality Judgements	Disclosure of accounting policies	Amendment	1 January 2023	No expected change as standard is currently appropriately applied.
IAS 1: Presentation of Financial Statements	Classification of liabilities as current or non-current	Amendment	1 January 2024	No expected impact as standard is appropriately applied.
IAS 1: Presentation of Financial Statements	Classification of long-term debt affected by covenants	Amendment	1 January 2024	No expected impact as standard is appropriately applied.
IAS 7: Statement of Cashflows and IFRS 7 Financial Instruments Disclosure	Supplier Financing Arrangements	Amendment	1 January 2024	The amendment will be assessed where such arrangements exist at the effective date.
IFRS 16: Leases	Subsequent measurement for sale and leaseback	Amendment	1 January 2024	No expected impact as no such transactions exist. Changes to be assessed as and when such transaction takes place.
IAS 12: Deferred Tax	Phase II International Tax Reform	Amendment	Exposure draft still being assessed	No expected impact as the group falls below the revenue threshold for application of the Pillar Two model rules.

Shareholders' analysis

Analysis of ordinary shareholders as at 24 February 2023

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Shareholder spread				
1 — 1 000	6 158	77,31	981 389	0,52
1 001 — 10 000	1 220	15,32	4 253 759	2,26
10 001 — 100 000	446	5,60	15 125 495	8,04
100 001 — 1 000 000	107	1,34	37 421 874	19,90
Over 1 000 000	34	0,43	130 298 229	69,28
Total	7 965	100,00	188 080 746	100,00
Distribution of shareholders				
Close corporations	15	0,19	1 161 601	0,62
Collective investment schemes	6	0,07	28 305 531	15,05
Custodians	7	0,09	247 292	0,13
Foundations and charitable funds	3	0,04	5 977	0,00
Hedge funds	3	0,04	17 988 256	9,56
Investment partnerships	7	0,09	103 817	0,06
Private companies	41	0,51	2 131 580	1,13
Retail shareholders	7 817	98,14	94 594 240	50,29
Retirement benefit funds	2	0,03	716 235	0,38
Scrip lending	1	0,01	990 335	0,53
Share schemes	2	0,03	6 479 930	3,45
Stockbrokers and nominees	6	0,07	1 028 870	0,55
Treasury	2	0,03	14 407 132	7,66
Trusts	52	0,65	19 919 945	10,59
Unclaimed scrip	1	0,01	5	0,00
Total	7 965	100,00	188 080 746	100,00
Shareholder type				
Non-public shareholders	35	0,44	57 088 157	30,35
Directors and associates of the company and subsidiaries	25	0,30	32 566 075	17,31
Prescribed officers	6	0,08	3 685 020	1,96
Own holdings	2	0,03	14 407 132	7,66
Share trusts	2	0,03	6 429 930	3,42
Public shareholders	7 930	99,56	130 992 589	69,65
Total	7 965	100,00	188 080 746	100,00

Shareholders' analysis

Analysis of ordinary shareholders as at 24 February 2023 continued

	Number of shares	% of issued capital
Beneficial shareholders with a holding greater than 3% of the issued shares		
Steyn Capital	15 725 550	8,36
Merryl Janne Schwegmann	15 256 686	8,11
Stefanutti Stocks Investments (Pty) Ltd	14 407 132	7,66
Ninety One	9 351 628	4,97
The Windsor Drive Property Trust	8 272 983	4,40
PSG	7 230 979	3,84
AG Capital	7 056 088	3,75
Russell Hampson Family Trust	6 650 000	3,54
Stefanutti & Bressan Share Incentive Trust	6 429 930	3,42
Total	90 380 976	48,05

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

"DAB"
Dispute Adjudication Board

"EBITDA"
Earnings before interest, taxation, depreciation and amortisation

"ECL"
Expected credit loss

"EPS"
Earnings per share

"FYE"
Financial year-end

"HEPS"
Headline earnings per share

"HR"
Human resources

"ICT"
Information communication technology

"IFRS"
International Financial Reporting Standards

"IPPF"
International Professional Practice Framework

"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

"MAFR"
Mandatory audit firm rotation

"MEP"
Mechanical Electrical Piping

"MOI"
Memorandum of Incorporation

"MOU"
Memorandum of understanding

"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 2023

"the next year"
The financial year ending 29 February 2024

"the previous year"
The financial year ended 28 February 2022

"WACC"
Weighted average cost of capital

Corporate information

Company information

Stefanutti Stocks Holdings Limited

Share code: SSK ISIN: ZAE000123766
JSE Sector: Construction Year-end: 28 February

Registration number
1996/003767/06

Country of incorporation
South Africa

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

Postal address
PO Box 12394, Aston Manor, 1630

Telephone number
+27 11 571 4300

Directors

As at 19 June 2023: ZJ Matlala* (Chairman); HJ Craig*; B Harie*; BP Silwanyana*; RW Crawford (CEO); Y du Plessis (CFO)

* Independent non-executive directors.

Company secretary

WR Somerville

Bryanston Gate, Block 4, 1st Floor, Homestead Avenue, Bryanston 2191

Auditors

Mazars

Mazars House, 54 Glenhove Road, Melrose Estate, 2196
PO Box 6697, Johannesburg, 2000

Telephone number
+27 11 547 4000

Attorneys

Webber Wentzel

90 Rivonia Road, Sandton, Johannesburg, 2196
PO Box 61771, Marshalltown, 2107

Telephone number
+27 11 530 5000

Transfer secretaries

Computershare Investor Services (Pty) Ltd

Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
PO Box 9000, Saxonwold, 2132

Telephone number
+27 11 370 5000

Sponsor

Bridge Capital Advisors (Pty) Ltd

10 Eastwood Road, Dunkeld, 2196
PO Box 651010, Benmore, 2010

Telephone number
+27 11 268 6231

Bankers

African Banking Corporation Zimbabwe

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

First National Bank Zambia Limited

Moza Banco SA

Nedbank Limited

Nedbank Eswatini Limited

Nedbank Mocambique SA

Standard Bank Mocambique Limited

Stanbic Bank Botswana Limited

Stanbic Bank Zimbabwe Limited

Stanbic Bank Zambia Limited

Standard Bank Eswatini

United Bank for Africa Mozambique SA

United Bank for Africa Zambia Limited

www.stefanuttistocks.com

Head Office
9 Palala Street
Chloorkop Kempton Park
Johannesburg
1619

Telephone
+27 11 571 4300

stefanuttistocks.com