



STEFANUTTI STOCKS HOLDINGS LIMITED
("Stefanutti Stocks" or "the company" or "the group")
(Registration number: 1996/003767/06)
(Share code: SSK ISIN: ZAE000123766)

UNAUDITED CONDENSED CONSOLIDATED RESULTS

FOR THE 6 MONTHS ENDED 31 AUGUST 2022

- **Revenue R2,9 billion**
- **Cash at end of period R456 million**
- **Current order book R6,3 billion**

excellence in **execution**

COMMENTARY

Shareholders are referred to the webcast and presentation relating to the unaudited condensed consolidated results for the 6 months ended 31 August 2022 (the period) which is available on the company's website: www.stefstocks.com. A physical copy can also be obtained at the company's registered office.

The links are <https://stefanuttistocks.com/investors/audio-visual-interim-results-aug-2022/> and <https://stefanuttistocks.com/investors/presentation-interim-results-aug-2022/>

GROUP PROFILE

Stefanutti Stocks operates throughout South Africa and Southern 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.

RESTRUCTURING PLAN UPDATE

The group hereby provides shareholders with an update on the Restructuring Plan as reported in the Consolidated Annual Financial Statements of Stefanutti Stocks for the year ended 28 February 2022, issued on 27 June 2022 and the SENS announcements issued on 18 July 2022 and 25 October 2022.

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

- the sale of non-core assets;
- the sale of underutilised plant and equipment;
- the sale of identified operations;
- a favourable outcome from the processes relating to the contractual claims and compensation events on certain projects; and
- evaluation of an optimal business model going forward and associated capital structure analysis including the potential of raising new equity.

The group is currently in negotiations with the Lenders to extend the capital repayment profile of the loan, as well as its duration to February 2024 due to further delays, beyond the group's control, in resolving contractual claims and compensation events on certain projects, the slower than anticipated sale of identified operations and the non-implementation of the Materials Handling and Tailings Management sub-divisions transaction. The benefit of the extended restructuring period provides a greater degree of confidence in anticipated cash flows, which will ultimately result in a reduction of the previously stated residual loan balance of R420 million.

The loan bears interest at prime plus 5,4%, including arranging and facility fees, and is secured by special and general notarial bonds over movable assets, continuous covering mortgage bonds over immovable assets and various cessions. The 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 years ending February 2023 and 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.

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

- the current order book;
- imminent project awards;
- continuing operations executing the group's order book profitably;
- the availability of short- and mid-term projects;
- reaching a favourable outcome on contractual claims and compensation events on certain projects;
- a successful completion of current negotiations with the Lenders relating to the extension of the loan and capital repayments to February 2024;
- continued support from the Lenders; and
- successfully implementing the Restructuring Plan.

The funding provided by the Lenders has assisted with the group's liquidity, even though total liabilities continue to exceed total assets at 31 August 2022. 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 of the group's Consolidated Annual Financial Statements for the year ended 28 February 2022, continue to indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern in the short term.

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.

To date, 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; and
2. a subcontractor overarching preliminary and general cost claim of R194 million.

It is intended that the group will submit the remaining claims relating to construction costs, commissioning costs and interest and finance costs to the experts by December 2022. The experts will review all claims, draft agreements and narrow issues of difference for referral to the DAB for a decision as per the MOU.

The group envisages that the DAB will issue its binding decision during the second quarter of 2023, noting that either party has the right to appeal as set out above.

At this stage, the group's claims team is unable to quantify the value of the potential awards as the claims must follow due process. Therefore, these provisional claims have not been recognised in the financial statements.

OVERVIEW OF RESULTS

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.

Non-current Assets Held for Sale

The following items of property, plant and equipment are classified as non-current assets held for sale:

Property, plant and equipment	Segment	Aug 2022 R'000	Feb 2022 R'000
Land and buildings	Inland	30 743	31 293
Transport and motor vehicles	Inland	167	167
Plant and equipment	Inland, Coastal and Western Cape	72 313	74 790
		103 223	106 250

The fair value of an equity accounted investee of R7,2 million is also included within non-current assets held for sale.

Discontinued Operations and Disposal Groups

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

Shareholders are referred to the announcement released on 25 October 2022 advising that the company's wholly-owned subsidiaries, Stefanutti Stocks Mauritius Holdings Limited, Stefanutti Stocks International Holdings Proprietary Limited, Stefanutti Stocks Proprietary Limited ("SSPL") and SS – Construções (Moçambique) Limitada ("SS Mozambique"), entered into sale and purchase agreements and a loan agreement (relating to the disposal of quotas in SS Mozambique, disposal of shares in Stefanutti Stocks Construction Ltd and repayment of a trade receivable owing by SS Mozambique to SSPL). The implementation is subject to (amongst other things) the requisite approval of shareholders, which was obtained on 22 November 2022. A fair value adjustment of R28 million (Feb 2022: R62 million) was recognised for the period. The financial performance, reportable assets and reportable liabilities are presented within the Africa and Coastal Regions.

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 R85 million, included in other current assets, is expected to be paid in due course. As previously disclosed, R92 million was received in November 2021 and R11 million was received in May 2022. 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.

Financial information relating to the discontinued operations and disposal groups can be found in the notes.

Continuing operations

Contract revenue from continuing operations decreased to R2,9 billion (restated Aug 2021: R3,2 billion) with an improved operating profit of R54 million (restated Aug 2021: R9 million).

Included within operating profit are costs associated with restructuring and abnormal legal fees of R28 million (Aug 2021: R58 million).

Excluding the restructuring costs and abnormal legal fees, the operating profit would have been R82 million (Aug 2021: R84 million adjusted for restructuring costs, abnormal legal fees as well as fair value adjustments).

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

The after tax profit for total operations is R9 million (Aug 2021: R188 million after tax loss).

Earnings and headline earnings per share for total operations is 5,53 cents profit per share (Aug 2021: 112,69 cents loss per share) and 25,02 cents loss per share (Aug 2021: 67,12 cents loss per share) respectively.

The group's order book is currently R6,3 billion of which R1,6 billion arises from work beyond South Africa's borders.

Included within other current assets is trade and other receivables of R1,9 billion (Feb 2022: R1,6 billion), contracts in progress of R814 million (Feb 2022: R738 million) and inventory of R53 million (Feb 2022: R52 million). The increase in trade and other receivables predominantly relates to outstanding amounts on two projects, which have subsequently been paid.

Other current liabilities consists of financial liabilities to the value of R1,2 billion (Feb 2022: R1,3 billion) as well as trade and other payables of R1,3 billion (Feb 2022: R1,5 billion). The reduction in trade and other payables corresponds to a reduction in trading activity for the period.

The increase in excess billings over work done relates to advances received on three recently awarded projects. The majority of these advances is expected to be utilised during the next financial year.

Provisions increased from R598 million to R700 million due to specific project requirements.

Total interest-bearing liabilities reduced from R1 451 million reported at February 2022 to R1 404 million. Interest paid on the loan amounted to R53 million for the period (Aug 2021: R50 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 R165 million (Feb 2022: consumed R253 million) improving the group's overall cash position to R456 million (Feb 2022: R409 million).

The weakened post-Covid 19 economy has been further exacerbated by the Russia and Ukraine conflict, resulting in increased interest and inflation rates, which drives increases in 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 that of its customers.

Review of operations

Opportunities exist for the group in:

- mine infrastructure;
- transport infrastructure;
- civil infrastructure;
- water and wastewater treatment plants;
- specialist concrete repairs;
- bulk earthworks, crushing and screening;
- pipelines and dams;
- geotechnical sector;
- land preparation and irrigation;
- materials handling and mine rehabilitation;
- tailings management and hydraulic re-mining;
- renewable energy;
- high-voltage step down power;
- clean fuels, tank-farms and plant upgrades;
- shutdowns and maintenance of plants;
- mechanical installations;
- electrical and instrumentation;
- oil and gas;
- industrial, commercial, residential, retail, leisure and warehouse projects;
- data centres;
- framework agreements; and
- design and build solutions.

In furtherance to the internal restructuring initiatives as previously disclosed, from 1 March 2022 the Mechanical Electrical Piping ("MEP") business forms part of the Inland Region.

Inland Region

Inland's contract revenue from operations is R1,0 billion (restated Aug 2021: R1,2 billion) with an operating profit of R37 million (restated Aug 2021: R6 million, however, excluding fair value adjustments relating to a property and plant and equipment held for sale the operating profit would have been R23 million).

The Civils and Roads & Earthworks disciplines are profitable and performing to expectation.

The results of the Materials Handling and Tailings Management disciplines were negatively impacted by the sale process and the group is refocusing these operations and rebuilding their order book.

With respect to a contract mining project termination, the matter is proceeding to arbitration. This arbitration will only be completed in the next financial year. 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 is expected to be completed by February 2023. The group is confident that the termination was lawful and therefore no provision has been made.

Inland's order book at August 2022 was R3,2 billion (restated Aug 2021: R1,9 billion).

Coastal Region

The Coastal Region's contract revenue from operations is R650 million (Aug 2021: R491 million) with an operating profit of R1 million (Aug 2021: R2 million operating loss). These results were negatively impacted by the devastating floods.

Coastal's order book at August 2022 was R1,5 billion (Aug 2021: R1,0 billion).

Western Cape Region

Western Cape's contract revenue is R306 million (Aug 2021: R677 million) with an operating profit of R15 million (Aug 2021: R22 million). The building discipline is profitable and meeting expectation.

Western Cape's order book at August 2022 was R845 million (Aug 2021: R555 million).

Africa Region

The Africa Region's contract revenue is R875 million (Aug 2021: R744 million) with an operating profit of R60 million (restated Aug 2021: R42 million). The Eswatini and Zambia operations reported good results with Botswana performing as expected.

Africa's order book at August 2022 was R1,0 billion (Aug 2021: R1,7 billion).

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 August 2022 was 0,00 (Feb 2022: 0,03) and the Recordable Case Rate (RCR) was 0,25 (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 (Aug 2021: Nil).

Subsequent events

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

Appreciation

We express our appreciation to the board, the management team and all of our employees for their continuous commitment and dedication in this demanding environment. We also express our gratitude to our Lenders, service providers, customers, suppliers and shareholders for their ongoing support.

On behalf of the board

Zanele Matlala

Chairman

Russell Crawford

Chief Executive Officer

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited 6 months ended 31 August 2022 R'000	Restated* 6 months ended 31 August 2021 R'000	Restated* 12 months ended 28 February 2022 R'000
	% Increase/ (Decrease)			
Continuing operations				
Contract revenue	(9)	2 870 570	3 154 809	5 968 484
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	29	73 926	57 233	102 055
Depreciation		(19 897)	(30 850)	(54 275)
Fair value adjustments [^]		–	(17 453)	(26 907)
Impairment of assets		–	–	(127 478)
Operating profit/(loss) before investment income	505	54 029	8 930	(106 605)
Investment income		4 895	10 060	19 010
Share of (losses)/profits of equity-accounted investees		(1 246)	(2 263)	8 958
Operating profit/(loss) before finance costs		57 678	16 727	(78 637)
Finance costs		(59 979)	(58 294)	(112 882)
Loss before taxation		(2 301)	(41 567)	(191 519)
Taxation	45	(31 202)	(56 342)	(79 913)
Loss for the period		(33 503)	(97 909)	(271 432)
Profit/(loss) after tax for the period from discontinued operations		42 752	(90 566)	(143 776)
Profit/(loss) for the period		9 249	(188 475)	(415 208)
Other comprehensive income		1 322	501	(27 379)
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss)) – Continuing operations		38 466	16 017	(34 292)
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss)) – Discontinued operations		33 798	(15 437)	8 002
Revaluation of land and buildings (may not be reclassified to profit/(loss)) – Continuing operations		–	–	(676)
Impairment losses recognised on re-valued assets (may not be reclassified to profit/(loss)) – Continuing operations		–	(79)	(413)
Reclassification of foreign currency translation reserve – AI Tayer Stocks LLC		(70 942)	–	–
Total comprehensive income		10 571	(187 974)	(442 587)
Profit/(loss) attributable to:				
Equity holders of the company		9 249	(188 475)	(415 208)
Loss for the period from continuing operations		(33 503)	(97 909)	(271 432)
Profit/(loss) for the period from discontinued operations		42 752	(90 566)	(143 776)
		9 249	(188 475)	(415 208)
Total comprehensive income attributable to:				
Equity holders of the company		10 571	(187 974)	(442 587)
Profit/(loss) for the period from continuing operations		4 963	(81 971)	(306 813)
Profit/(loss) for the period from discontinued operations		5 608	(106 003)	(135 774)
		10 571	(187 974)	(442 587)
Earnings and diluted earnings per share (cents)				
Continuing operations	66	(20,03)	(58,54)	(162,30)
Discontinued operations	147	25,56	(54,15)	(85,97)
Total operations	105	5,53	(112,69)	(248,27)

* The information has been restated for the changes between continuing and discontinued operations as explained in the Commentary.

[^] The fair value adjustments relate to the write-down of the carrying amount of the non-current assets held for sale to their fair value less costs to sell as required by IFRS 5.

CONDENSED STATEMENT OF FINANCIAL POSITION

	Unaudited 31 August 2022 R'000	Audited 28 February 2022 R'000
ASSETS		
Non-current assets	968 264	983 198
Property, plant and equipment	450 035	466 337
Equity-accounted investees	27 722	27 405
Goodwill	272 376	272 376
Deferred tax assets	218 131	217 080
Current assets	3 367 379	2 912 826
Other current assets	2 807 983	2 411 785
Taxation	85 683	72 818
Bank balances	473 713	428 223
Non-current assets held for sale and disposal groups	598 366	700 938
Total assets	4 934 009	4 596 962
EQUITY AND LIABILITIES		
Capital and reserves	(79 448)	(90 019)
Share capital and premium	1 007 718	1 007 718
Other reserves	127 377	126 819
Accumulated loss	(1 214 543)	(1 224 556)
Non-current liabilities	362 769	133 639
Other financial liabilities	150 526	133 639
Excess billings over work done	212 243	—
Current liabilities	4 392 662	4 375 114
Other current liabilities*	2 493 328	2 755 556
Excess billings over work done	1 090 531	909 550
Provisions	700 158	598 216
Taxation	91 368	92 896
Bank balances	17 277	18 896
Liabilities directly associated with disposal groups**	258 026	178 228
Total equity and liabilities	4 934 009	4 596 962
* including interest-bearing liabilities of	1 236 173	1 298 485
** including interest-bearing liabilities of	270	461

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Share capital and premium R'000	Foreign currency translation reserve R'000	Revaluation surplus reserve R'000	Legal reserve R'000	Reserve of disposal group held for sale R'000	Accumulated loss R'000	Total equity R'000
Balance at 28 February 2021 audited	1 007 718	27 490	21 128	764	104 816	(809 348)	352 568
Total comprehensive income	–	16 017	(79)	–	(15 437)	(188 475)	(187 974)
Loss	–	–	–	–	–	(188 475)	(188 475)
Other comprehensive income	–	16 017	(79)	–	(15 437)	–	501
Balance at 31 August 2021	1 007 718	43 507	21 049	764	89 379	(997 823)	164 594
Total comprehensive income	–	(50 309)	(1 010)	–	23 439	(226 733)	(254 613)
Loss	–	–	–	–	–	(226 733)	(226 733)
Other comprehensive income	–	(50 309)	(1 010)	–	23 439	–	(27 880)
Balance at 28 February 2022 audited	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	–	38 466	–	–	(37 144)	9 249	10 571
Profit	–	–	–	–	–	9 249	9 249
Other comprehensive income	–	38 466	–	–	(37 144)	–	1 322
Balance at 31 August 2022 unaudited	1 007 718	31 664	20 039	–	75 674	(1 214 543)	(79 448)

CONDENSED STATEMENT OF CASH FLOWS

	Unaudited 6 months ended 31 August 2022 R'000	Unaudited 6 months ended 31 August 2021 R'000	Audited 12 months ended 28 February 2022 R'000
Cash generated from/(consumed by) operations	164 665	(141 055)	(253 074)
Investment income	4 689	9 781	19 380
Finance costs	(61 185)	(56 251)	(115 920)
Dividends received	505	896	896
Taxation paid	(50 450)	(26 720)	(54 809)
Cash flows from operating activities	58 224	(213 349)	(403 527)
Proceeds received	23 221	38 909	175 988
Expenditure for expansion	–	(788)	(1 201)
Expenditure for maintaining	(15 610)	(6 605)	(18 475)
Proceeds on disposal of AI Tayer Stocks LLC	10 947	–	–
Cash flows from investing activities	18 558	31 516	156 312
Repayment of long-term financing	(47 561)	(74 035)	(163 905)
Repayment of short-term financing	(8 738)	(5 470)	(10 245)
Cash flows from financing activities	(56 299)	(79 505)	(174 150)
Net increase/(decrease) in cash for the period	20 483	(261 338)	(421 365)
Cash at the beginning of the year	409 327	755 638	755 638
Cash at the beginning of the year – discontinued operations	24 499	91 628	91 628
Less: Cash at the end of the period – discontinued operations	(8 895)	(54 939)	(24 499)
Effect of exchange rate changes on cash and cash equivalents	11 022	(228)	7 925
Cash and cash equivalents at the end of the period	456 436	530 761	409 327

NOTES

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated results for the period ended 31 August 2022 ("results and/or reporting period") have been prepared in accordance with framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements issued by the Financial Reporting Standards Council. The report contains the information required by International Accounting Standard IAS 34: Interim Financial Reporting and is in compliance with the Listings Requirements of the JSE Limited and the requirements of the South African Companies Act 71 of 2008. The accounting policies as well as the methods of computation used in the preparation of the results for the period ended 31 August 2022 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 28 February 2022.

The results are presented in Rand, which is Stefanutti Stocks' functional currency.

The company's directors are responsible for the preparation and fair presentation of the results which have been compiled under the supervision of the Chief Financial Officer, Y du Plessis, CA(SA).

GOING CONCERN

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

- the current order book;
- imminent project awards;
- continuing operations executing the group's order book profitably;
- the availability of short- and mid-term projects;
- reaching a favourable outcome on contractual claims and compensation events on certain projects;
- a successful completion of current negotiations with the Lenders relating to the extension of the loan and capital repayments to February 2024;
- continued support from the Lenders; and
- successfully implementing the Restructuring Plan.

The funding provided by the Lenders has assisted with the group's liquidity, even though total liabilities continue to exceed total assets at 31 August 2022. 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 of the group's Consolidated Annual Financial Statements for the year ended 28 February 2022, continue to indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern in the short term.

CONDENSED SEGMENT INFORMATION

	Inland R'000	Coastal R'000	Western Cape R'000	Africa R'000	Reconciling segments [^] R'000	Total R'000
31 August 2022 (unaudited)						
Contract revenue	1 039 753	650 074	305 850	874 893	–	2 870 570
Intersegment contract revenue	2 556	–	27 417	3 640	–	33 613
Reportable segment profit/(loss) – Continuing operations	15 975	3 477	10 170	48 995	(112 120) ^{^^}	(33 503)
Reportable segment profit/(loss) – Discontinued operations	–	2 348	–	(29 771)	70 175	42 752
Reportable segment assets	1 847 575	532 743	175 581	1 910 575	467 535	4 934 009
Reportable segment liabilities	1 358 824	446 557	234 339	1 474 951	1 498 786	5 013 457
31 August 2021 (restated)*						–
Contract revenue	1 242 654	491 034	677 025	744 096	–	3 154 809
Intersegment contract revenue	2 414	1 183	–	–	–	3 597
Reportable segment profit/(loss) – Continuing operations	(33 529)	(433)	34 961	23 740	(122 648) ^{^^}	(97 909)
Reportable segment profit/(loss) – Discontinued operations	(10 295)	(829)	–	(8 236)	(71 206)	(90 566)
Reportable segment assets	2 000 025	448 681	159 104	1 776 046	661 645	5 045 501
Reportable segment liabilities	1 247 875	451 331	267 079	1 375 943	1 538 679	4 880 907
28 February 2022 (restated)*						–
Contract revenue	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
Reportable segment profit/(loss) – Continuing operations	(28 297)	(6 101)	59 757	56 494	(353 285) ^{^^}	(271 432)
Reportable segment profit/(loss) – Discontinued operations	(5 935)	(744)	–	(61 496)	(75 601)	(143 776)
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

* The information has been restated for the changes between continuing and discontinued operations and the changes in the organisational structure of the MEP business now disclosed under Inland as explained in the Commentary.

[^] Other segments comprise segments that are primarily centralised in nature i.e. the group's headquarters, as well as the discontinued operation AI Tayer Stocks LLC.

^{^^} Included in reportable segment operating loss are restructuring costs and abnormal legal fees of R28 million (Aug 2021: R58 million, Feb 2022: R115 million).

HEADLINE EARNINGS RECONCILIATION

	Continuing operations			Discontinued operations			Total operations		
	31 Aug 2022 R'000	31 Aug 2021* R'000	28 Feb 2022* R'000	31 Aug 2022 R'000	31 Aug 2021* R'000	28 Feb 2022* R'000	31 Aug 2022 R'000	31 Aug 2021 R'000	28 Feb 2022 R'000
(Loss)/profit after taxation attributable to equity holders of the company	(33 503)	(97 909)	(271 432)	42 752	(90 566)	(143 776)	9 249	(188 475)	(415 208)
Adjusted for:									
(Profit)/loss on disposal of plant and equipment	(8 026)	(5 528)	(11 578)	55	(336)	1	(7 971)	(5 864)	(11 577)
Gain on disposal of non-current assets held for sale	(4 336)	(2 084)	(3 322)	–	(6 654)	(24 692)	(4 336)	(8 738)	(28 014)
Fair value adjustments	–	17 453	26 142	27 910	73 797	137 954	27 910	91 250	164 096
Loss on disposal of Al Tayer Stocks LLC	–	–	–	766	–	–	766	–	–
Reclassification of foreign currency translation reserve – Al Tayer Stocks LLC	–	–	–	(70 942)	–	–	(70 942)	–	–
Reversal of gain previously recognised on disposal of subsidiary	–	–	507	–	–	–	–	–	507
Impairment of:									
Goodwill	–	–	106 111	–	–	–	–	–	106 111
Equity-accounted investees	–	342	342	–	–	–	–	342	342
Property, plant and equipment	–	–	21 367	–	–	–	–	–	21 367
Net tax effect	3 492	(1 899)	(6 748)	(18)	1 127	6 774	3 474	(772)	26
Headline earnings	(42 373)	(89 625)	(138 611)	523	(22 632)	(23 739)	(41 850)	(112 257)	(162 350)

* The information has been restated for the changes between continuing and discontinued operations as explained in the Commentary.

	%	Continuing operations			Discontinued operations			Total operations		
		31 Aug 2022	31 Aug 2021*	28 Feb 2022*	31 Aug 2022	31 Aug 2021*	28 Feb 2022*	31 Aug 2022	31 Aug 2021	28 Feb 2022
Number of diluted weighted average shares in issue		167 243 684	167 243 684	167 243 684	167 243 684	167 243 684	167 243 684	167 243 684	167 243 684	167 243 684
Earnings and diluted earnings per share (cents)	66	(20,03)	(58,54)	(162,30)	25,56	(54,15)	(85,97)	5,53	(112,69)	(248,27)
Headline earnings and diluted headline earnings per share (cents)	53	(25,33)	(53,59)	(82,88)	0,31	(13,53)	(14,19)	(25,02)	(67,12)	(97,07)

NET ASSET VALUE

	Unaudited 31 August 2022 R'000	Audited 28 February 2022 R'000
Total number of net shares in issue	167 243 684	167 243 684
Net asset value per share (cents)	(47,50)	(53,83)
Net tangible asset value per share (cents)	(210,37)	(216,69)

DISCONTINUED OPERATIONS

a) STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited Aug 2022 R'000	*Restated Aug 2021 R'000	*Restated Feb 2022 R'000
Discontinued operations			
Contract revenue	133 038	237 478	346 609
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	53 086	(1 158)	21 338
Depreciation	–	(9 394)	(10 058)
Fair value adjustments [^]	(27 910)	(73 797)	(137 954)
Operating profit/(loss) before investment income	25 176	(84 349)	(126 674)
Investment income	13	463	712
Operating profit/(loss) before finance costs	25 189	(83 886)	(125 962)
Finance costs	(1 312)	(2 196)	(2 989)
Profit/(loss) before taxation	23 877	(86 082)	(128 951)
Taxation	18 875	(4 484)	(14 825)
Profit/(loss) before taxation	42 752	(90 566)	(143 776)
Other comprehensive income:	(37 144)	(15 437)	8 002
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss))	33 798	(15 437)	8 002
Reclassification of foreign currency translation reserve on disposal of foreign operation	(70 942)	–	–
Total comprehensive income	5 608	(106 003)	(135 774)
Loss attributable to:			
Equity holders of the company	42 752	(90 566)	(143 776)
Total comprehensive income attributable to:			
Equity holders of the company	5 608	(106 003)	(135 774)
Earnings per share	25,56	(54,15)	(85,97)
Headline earnings per share	0,31	(13,53)	(14,19)

* The information has been restated for the changes between continuing and discontinued operations as explained in the commentary.

[^] 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.

b) STATEMENT OF FINANCIAL POSITION

	Unaudited Aug 2022 R'000	Audited Feb 2022 R'000
Non-current assets	329 956	445 885
Property, plant and equipment	309 779	277 660
Equity-accounted Investee – AI Tayer Stocks LLC	–	168 225
Deferred tax assets	20 177	–
Current assets	254 122	203 443
Inventories	109 252	97 893
Contracts in progress	72 419	17 713
Trade and other receivables	42 565	50 729
Taxation	1 299	1 172
Bank balances	28 587	35 936
	584 078	649 328
Less: Fair value adjustment – Disposal group	(96 134)	(61 840)
Total assets	487 944	587 488
Current liabilities	258 026	178 228
Financial liabilities	270	461
Trade and other payables	116 473	118 671
Excess billings over work done	113 859	35 604
Provisions	7 732	12 055
Bank balances	19 692	11 437
Total liabilities	258 026	178 228

c) NET CASH FLOWS

	Unaudited Aug 2022 R'000	*Restated Aug 2021 R'000	*Restated Feb 2022 R'000
Net cash movement from operating activities	(13 846)	(27 104)	(24 223)
Net cash movement from investing activities	(3 001)	(9)	(45 763)
Net cash movement from financing activities	(283)	244	19 328
Effect of exchange rate changes on cash and cash equivalents	3 020	(3 195)	(8 648)
Net movement in cash	(14 110)	(30 064)	(59 306)

* The information has been restated for the changes between continuing and discontinued operations as explained in the commentary.

d) DISAGGREGATION OF REVENUE

Revenue can be further disaggregated as follows:	Unaudited 6 months ended 31 August 2022 R'000	Restated* 6 months ended 31 August 2021 R'000	Restated* 12 months ended 28 February 2022 R'000
Geographical			
Within South Africa	–	62 331	74 748
Inland	–	62 331	74 748
Outside South Africa	133 038	175 147	271 861
Coastal	4 510	12 280	16 379
Africa	128 528	162 867	255 482
Total	133 038	237 478	346 609
Sector			
Private	133 038	237 478	346 609
Inland	–	62 331	74 748
Coastal	4 510	12 280	16 379
Africa	128 528	162 867	255 482
Total	133 038	237 478	346 609

* The information has been restated for the changes between continuing and discontinued operations as explained in the commentary.

	Aug 2022	Aug 2021*			Feb 2022*		
Civils, earthworks and other	Coastal R'000	Inland R'000	Coastal R'000	Total R'000	Inland R'000	Coastal R'000	Total R'000
Marine Infrastructure	4 510	–	12 280	12 280	–	16 379	16 379
Mines	–	62 331	–	62 331	74 748	–	74 748
Total	4 510	62 331	12 280	74 611	74 748	16 379	91 127

	Aug 2022	Aug 2021*	Feb 2022*
Residential and non-residential	Africa R'000	Africa R'000	Africa R'000
Residential	250	–	10 514
Medium and high-end housing	250	–	10 514
Non-residential	128 278	162 867	244 968
Office and commercial space	91 094	155 669	225 022
Education institutions	15 002	–	–
Tourism and leisure facilities	14 678	–	–
Shopping and retail space	–	167	–
Sporting facilities	–	–	171
Factories and warehouses	7 504	1 080	5 030
Mines	–	5 951	14 745
Total	128 528	162 867	255 482

* The information has been restated for the changes between continuing and discontinued operations as explained in the commentary.

DISAGGREGATION OF REVENUE

	Unaudited 6 months ended 31 August 2022 R'000	Restated* 6 months ended 31 August 2021 R'000	Restated* 12 months ended 28 February 2022 R'000
Revenue from continuing operations can be further disaggregated as follows:			
Geographical			
Within South Africa	1 898 881	2 249 747	4 113 516
Inland	946 392	1 088 339	2 057 845
Coastal	646 639	484 383	989 741
Western Cape	305 850	677 025	1 065 930
Outside South Africa	971 689	905 062	1 854 968
Inland	93 361	154 315	236 532
Coastal	3 435	6 651	23 090
Africa	874 893	744 096	1 595 346
Total	2 870 570	3 154 809	5 968 484
Sector			
Private	1 764 430	2 149 639	4 043 598
Inland	766 053	852 932	1 583 131
Coastal	384 715	315 830	700 980
Western Cape	127 012	667 507	985 827
Africa	486 650	313 370	773 660
Public	1 106 140	1 005 170	1 924 886
Inland	273 700	389 722	711 246
Coastal	265 359	175 204	311 851
Western Cape	178 838	9 518	80 103
Africa	388 243	430 726	821 686
Total	2 870 570	3 154 809	5 968 484

* The information has been restated for the changes between continuing and discontinued operations and the changes in the organisational structure of the MEP business now disclosed under Inland as explained in the Commentary.

	Aug 2022				
	Inland R'000	Coastal R'000	Western Cape R'000	Africa R'000	Total R'000
Civils, earthworks and other					
Roads and bridges	86 858	1 098	8 228	143 416	239 600
Dam, water and sanitation	71 379	167 357	86 224	120 350	445 310
Pipelines	109 553	—	—	5 658	115 211
Bulk earthworks and geotechnical services	—	221 576	—	26 404	247 980
Power stations and transmission infrastructure	101 980	—	—	—	101 980
Marine infrastructure	5 364	7 030	—	—	12 394
Rail infrastructure	—	—	—	379 846	379 846
Mines	346 291	—	—	26 003	372 294
Industrial process plants	147 833	3 000	—	—	150 833
Oil and gas	78 960	—	—	—	78 960
Total	948 218	400 061	94 452	701 677	2 144 408
Residential and non-residential					
Residential	58 373	41 915	—	—	100 288
Low cost housing	43 041	—	—	—	43 041
Medium and high-end housing	15 332	41 915	—	—	57 247
Non-residential	33 162	208 098	211 398	173 216	625 874
Office and commercial space	—	—	23 882	133 282	157 164
Shopping and retail space	—	184 861	2 797	12 610	200 268
Hospitals and medical centres	—	—	84 385	—	84 385
Tourism and leisure facilities	—	142	—	—	142
Factories and warehouses	—	23 095	10 933	26 499	60 527
Airports	—	—	—	825	825
Power stations and transmission infrastructure	33 162	—	89 401	—	122 563
Total	91 535	250 013	211 398	173 216	726 162

DISAGGREGATION OF REVENUE (continued)

	Aug 2021*				
	Inland R'000	Coastal R'000	Western Cape R'000	Africa R'000	Total R'000
Civils, earthworks and other					
Roads and bridges	98 014	—	—	74 456	172 470
Dam, water and sanitation	110 139	169 578	—	198 090	477 807
Bulk earthworks and geotechnical services	247 664	24 260	—	9 023	280 947
Power stations and transmission infrastructure	151 889	—	—	—	151 889
Marine infrastructure	—	11 373	—	—	11 373
Rail infrastructure	12 260	—	—	241 009	253 269
Mines	312 092	—	—	—	312 092
Industrial process plants	69 175	17 115	—	—	86 290
Oil and gas	133 980	2 316	—	—	136 296
Total	1 135 213	224 642	—	522 578	1 882 433
Residential and non-residential					
Residential	100 562	3 233	—	13 637	117 432
Low cost housing	69 400	—	—	—	69 400
Medium and high-end housing	9 986	3 233	—	13 637	26 856
Apartment blocks and high-rise flats	21 176	—	—	—	21 176
Non-residential	6 879	263 159	677 025	207 881	1 154 944
Office and commercial space	—	400	120 641	198 575	319 616
Shopping and retail space	—	179 950	71 084	—	251 034
Hospitals and medical centres	—	1 173	9 518	—	10 691
Tourism and leisure facilities	—	80 292	—	—	80 292
Factories and warehouses	—	1 344	470 141	67	471 552
Airports	—	—	—	9 239	9 239
Power stations and transmission infrastructure	6 879	—	5 641	—	12 520
Total	107 441	266 392	677 025	221 518	1 272 376
	Feb 2022*				
	Inland R'000	Coastal R'000	Western Cape R'000	Africa R'000	Total R'000
Civils, earthworks and other					
Roads and bridges	139 627	—	670	190 511	330 808
Dam, water and sanitation	185 973	348 675	10 152	369 750	914 550
Pipelines	9 103	—	—	—	9 103
Bulk earthworks and geotechnical services	261 149	121 525	—	2 064	384 738
Power stations and transmission infrastructure	280 220	—	—	—	280 220
Airports	—	—	—	13 830	13 830
Marine infrastructure	—	33 540	—	—	33 540
Rail infrastructure	15 768	—	—	738 690	754 458
Mines	782 309	—	—	—	782 309
Industrial process plants	93 929	25 889	—	—	119 818
Oil and gas	255 131	1 388	—	—	256 519
Total	2 023 209	531 017	10 822	1 314 845	3 879 893
Residential and non-residential					
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
Non-residential	82 934	457 493	1 055 108	264 549	1 860 084
Office and commercial space	—	400	182 414	264 482	447 296
Shopping and retail space	—	294 971	115 821	—	410 792
Hospitals and medical centres	—	1 826	69 281	—	71 107
Tourism and leisure facilities	494	91 736	—	—	92 230
Factories and warehouses	—	68 560	592 938	67	661 565
Power stations and transmission infrastructure	82 440	—	94 654	—	177 094
Total	271 168	481 814	1 055 108	280 501	2 088 591

* The information has been restated for the changes between continuing and discontinued operations and the changes in the organisational structure of the MEP business now disclosed under Inland as explained in the Commentary.

MEASUREMENT OF FAIR VALUE

There is no significant difference between the carrying amounts of financial assets and liabilities and their fair values. The fair value measurements for land and buildings are categorised as a level 3, based on the valuation method of income capitalisation using unobservable inputs such as market capitalisation rates and income/expenditure ratio. Plant and equipment, and transport and motor vehicles included within non-current assets held for sale 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.

VALUATION TECHNIQUE AND UNOBSERVABLE INPUTS

Land and Buildings are either measured using the Income Capitalisation Method or the Direct Comparable Sales Method.

Valuation technique	Income Capitalisation Method
Significant unobservable inputs	Market capitalisation rate between 10,0% and 10,5% Income/Expenditure ratio between 8,48% and 27,2%
Interrelationship between key unobservable inputs and fair value measurement	Market capitalisation rate: <ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• 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

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Non-executive directors

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[#] Independent

Executive directors

RW Crawford (Chief Executive Officer)

Y du Plessis (Chief Financial Officer)

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This announcement together with the investor presentation is available on the company's website and physical copies can be obtained from the company's registered office.