Stefanutti Stocks

INTEGRATED REPORT '17

CONTENTS

COMPANY PROFILE

Stefanutti Stocks is one of South Africa's leading engineering and construction groups and has been listed on the JSE Main Board in the "Construction and Materials — Heavy Construction" sector since 2007.

Vision

if you can dream it,
we can construct it

Mission

excellence
in execution

The group offers highly diversified services across the full spectrum of engineering and construction disciplines. The focus areas of the group comprise concrete structures, marine construction, piling and geotechnical services, roads and earthworks, bulk pipelines, open-pit contract mining and surface mining related services, all forms of building works, including affordable housing, and mechanical and electrical installation and construction.

All group operations are registered with the CIDB as a Category 9 Contractor, which places no limitations on the project size for which the group can tender.

The group operates in South Africa, sub-Saharan Africa, including Botswana, Lesotho, Mozambique, Namibia, Nigeria, Swaziland, Zambia and the United Arab Emirates, in both the private and public sectors. Clients include governments, state-owned companies, local authorities, large industrial, mining corporations, financial institutions and property developers.

Stefanutti Stocks's headquarters is based in Kempton Park, Gauteng and it employs a global workforce of 10 412 with 8 017 employees throughout South Africa.

Values

We continue to create sustainable partnerships with all stakeholders through a values-driven culture. This is accomplished by setting and achieving measurable key objectives to support sustainable earnings growth and, at the same time, maintaining a sound financial position while implementing key non-financial objectives to support our growth strategy.

CAndour

Frank and respectful discussions with the objective of finding positive outcomes.

People relations

The value, which causes people to treat one another fairly and with respect, and to always be mindful of the human dignity of others.

Professionalism

The application of a competent, disciplined and meticulous approach to all aspects of business, resulting in performance of high quality and reliability.

Enthusiasm

A high level of positive energy and a determination to succeed.

Dynamism

Openness and flexibility of mind and an energetic, proactive solution-driven attitude.

Profile

Regional operations in Africa and United Arab Emirates

CIDB Category 9 Contractor

10 412 global workforce

8 017 employees across South Africa

The group offers highly diversified services

SCOPE AND BOUNDARY

This Stefanutti Stocks integrated report to stakeholders is for the financial year ended 28 February 2017. It aims to provide a balanced, understandable and complete view of the group by reporting on the material issues, risks and opportunities as well as environmental, social and governance responsibilities.

This integrated report was prepared in accordance with the requirements of the South African Companies Act, No. 71 of 2008, as amended (the Companies Act), the Listings Requirements of the JSE Limited (JSE), the principles of the King Report on Governance for South Africa, 2009 (King III), the International Integrated Reporting Council's International Framework, International Financial Reporting Standards (IFRS), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee as well as the company's Memorandum of Incorporation (MOI). For additional financial information and recent announcements please visit our website: **www.stefanuttistocks.com**.

The Stefanutti Stocks integrated report contains a summary extract of the annual financial statements. The integrated report, as well as the comprehensive annual financial statements and investor presentations for the year ended 28 February 2017, are available on the company's website.

Reporting on corporate responsibility issues is addressed in the operational review of each key business unit of the group.

There are no material changes to the content of this integrated report when compared to the 2016 integrated report.

This integrated report may contain forward-looking statements concerning the group's key business units' strategy, financial conditions, growth plans and expectations. Such views include assumptions, uncertainties and important factors that could materially influence the actual performance of the group.

No assurance can therefore be given that these will prove to be correct and no representation or warranty expressed or implied is given as to the accuracy or completeness of such views.

ASSURANCE AND COMPARABILITY

This integrated report has not been independently assured. The group, however, reviews all internal and external assurances already in place and coordinates this with its risk management procedures. The annual financial statements have been audited and the Independent Auditor's Report can be found in the comprehensive annual financial statements on the accompanying USB and the group's website.

APPROVAL OF THE INTEGRATED REPORT

It is the board's responsibility to ensure the integrity of this integrated report. The board has applied its mind to the integrated report and in its opinion this report addresses all the material issues and fairly represents the integrated performance of the group.

The board approved the release of the 2017 integrated report on 13 July 2017.

Kevin Eborall
Chairman

Willie Meyburgh
Chief Executive Officer

OUR BUSINESS MODEL

Our contracting business model comprises an ongoing cycle of the procurement of new work, the execution thereof and the management of resources utilised in the process. This occurs within a strategy of our service offerings to clients.

This is further set against a backdrop of the physical, political and social environments in which we operate. This model is underpinned by our strong CAPPED value system.

THE ENVIRONMENT

Key Components

Human

Social and relationship

Natural

Financial

Manufactured

Intellectual

Strategy

STRATEGIC INTERROGATION

- What products and service do we supply?
- In which regions do we operate?
- Who are our clients?
- What level of risk do we accept?

Procurement

KEY CONSIDERATIONS

- Reputation
- Technical expertise
- Track record
- Market knowledge

Execution

KEY INPUTS

- People
- Safety
- Quality
- Knowledge and experience
- Innovation
- Materials
- Services

Management

KEY FOCUS AREAS

- People
- Finance
- Compliance
- Risk

CAPPED Values

CAandour

Professionalism

People relations

Enthusiasm

Dynamism

THE ENVIRONMENT

STAKEHOLDER VALUE CREATED

	HUMAN CAPITAL	SOCIAL CAPITAL	NATURAL CAPITAL
INPUTS	› Board of directors › Executive committee › Social and Ethics Committee › 10 412 employees across the group › Founder's mentality › OHSE Forum and HR Forum	› Transformation Forum › Emerging contractor development as part of the Voluntary Rebuild Programme › Corporate social investment	› Environmental Forum › Various initiatives in respect of plant to reduce diesel and oil usage
OUTPUTS	› Recognised governance structures in terms of King III › Benefits including retirement benefits, funeral cover, children's educational cover and medical aid › Remuneration policy with long-term incentives for key staff › Various training and skills development initiatives	› B-BBEE initiatives › Dedicated mentorship and support of emerging contractors › Continued support of educational facilities by donating time, skills and materials	› Environmental Framework › Environmental initiatives
OUTCOMES	› Good corporate governance › Retention of key staff › Engaged and energised staff	› Black empowerment › Transformed construction industry and job creation › Economic growth for communities	› ISO 14001 certifications › Reducing environmental impact › Conservation of water

INPUTS

FINANCIAL CAPITAL

- R2,4 billion equity
- R675 million debt
- Gearing ratio of 27,7%
- Work in progress
- 1 314 918 shares purchased, which increased shareholders NAVPS

MANUFACTURED CAPITAL

- Owner-occupied properties revalued
- Capital expenditure of R272 million of which R186 million relates to maintaining capacity

INTELLECTUAL CAPITAL

- Multidisciplinary expertise
- Leading construction company operating throughout South Africa, sub-Saharan Africa and the UAE
- Monitoring of risks through utilisation of risk registers
- Internally developed operating ICT system
- Brand

OUTPUTS

FINANCIAL CAPITAL

- Cash on hand of R1,1 billion
- Cash generated by operations of R616 million
- Reduction in work in progress
- Net tangible asset value per share increased to 784,43 cents from 779,11 cents

MANUFACTURED CAPITAL

- Increased value of R101 million on land and buildings
- Improving and maintaining operating capacity

INTELLECTUAL CAPITAL

- Order book of R13,8 billion
- Combined assurance framework developed to effectively manage the business
- Operational efficiency

OUTCOMES

FINANCIAL CAPITAL

- Sound financial position
- Improved cash flow
- Increased shareholder value

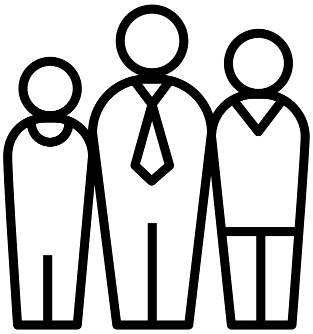
MANUFACTURED CAPITAL

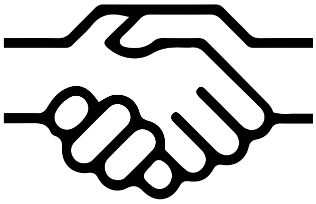
- Capital growth
- CIDB 9 rating

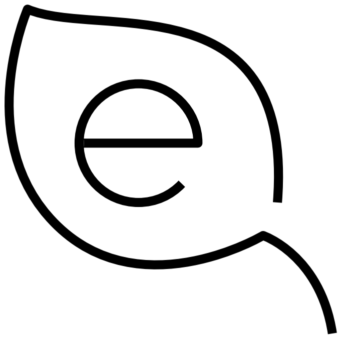
INTELLECTUAL CAPITAL

- Sustainable performance
- Investor confidence
- Stable and reliable systems and processes

SIX CAPITALS HIGHLIGHTS







HUMAN CAPITAL

10 412 global workforce

Increased group provident fund contribution to 9%

90,5% of employees deemed PDIs

R2,9bn paid to employees

SOCIAL CAPITAL

0,10 LTIFR maintained

2 VRP partners

R1,7m invested in SED initiatives

80 bursar beneficiaries

R3m invested in safety training

NATURAL CAPITAL

Environmental Forum established

Improved biodiversity management

No major reportable environmental incidents

ISO Transition Project initiated

FINANCIAL CAPITAL

- R9,1bn revenue
- Cash on hand increased to R1 158m
- Debt to equity ratio of 27,7%
- Capital expenditure of R272m

MANUFACTURED CAPITAL

- R14bn group order book
- 4 operating business units
- Enhanced geographic footprint
- Level 4 B-BBEE Contributor

INTELLECTUAL CAPITAL

- R18,7m invested in training
- CIDB Category 9 Contractor
- 7 231 course attendances
- 85 learnership beneficiaries

VALUE-ADDED STATEMENT

BASED ON TOTAL OPERATIONS

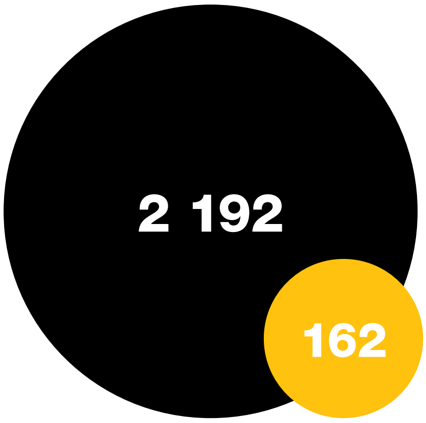
	2017 %	2017 R'000	2016 %	2016 R'000
CONTRACT REVENUE		**9 058 576**		9 669 473
Less: Costs of materials, services and subcontractors		**(6 065 221)**		(5 888 599)
Value added by operations	**97,2**	**2 993 355**	98,6	3 780 874
Investment income	**1,5**	**44 864**	0,9	34 049
Share of equity-accounted investees	**1,3**	**40 893**	0,5	19 040
Total value add	**100,0**	**3 079 112**	100,0	3 833 963
Distributed as follows:				
CORPORATE SOCIAL INVESTMENT				
Donations and other community investments	**0,1**	**1 663**	0,1	2 722
EMPLOYEES				
Short-term and post-employment benefit costs	**94,5**	**2 911 787**	85,8	3 292 470
Share-based payment and forfeitable share plan costs	**0,1**	**1 918**	0,1	2 029
PROVIDERS OF FINANCE				
Interest and finance charges	**2,8**	**85 597**	1,5	60 422
Operating lease rentals	**1,1**	**33 955**	0,6	22 536
GOVERNMENT				
Taxation	**1,4**	**43 554**	3,1	120 114
TOTAL VALUE DISTRIBUTED	**100,0**	**3 078 474**	91,3	3 500 293
REINVESTED IN THE GROUP	**—**	**638**	8,7	333 670
(Losses)/reserves attributable to ordinary shareholders	**—**	**(137 068)**	4,8	182 317
Depreciation	**—**	**137 706**	3,9	151 353
	100,0	**3 079 112**	100,0	3 833 963
VALUE-ADDED RATIOS				
Number of employees		**10 412**		10 476
Contract revenue per employee (rand)		**870**		923
Value created per employee (rand)		**296**		366

The group did not receive any financial assistance from government during the year.

FIVE-YEAR FINANCIAL REVIEW

		2017	2016	2015	2014	2013
PROFIT INFORMATION						
Contract revenue	R'million	**9 150**	9 669	10 568	9 151	8 982
Operating (loss)/profit	R'million	**(106)**	392	335	223	219
Operating (loss)/profit margin	%	**(1,2)**	4,0	3,2	2,4	2,4
(Loss)/profit	R'million	**(150)**	186	203	119	(162)
Net (loss)/profit margin	%	**(1,7)**	1,9	1,9	1,3	(1,8)
Headline earnings/(loss)	R'million	**19**	157	197	111	(168)
FINANCIAL POSITION						
Total assets	R'million	**6 567**	6 512	6 523	6 298	6 085
Total equity	R'million	**2 442**	2 609	2 399	2 195	1 996
Total liabilities	R'million	**4 125**	3 904	4 124	4 103	4 089
Cash from operations before working capital movements	R'million	**342**	470	308	565	367
ASSET MANAGEMENT						
Return on assets	%	**(2,3)**	4,0	4,0	2,5	(2,7)
Return on equity	%	**(5,4)**	7,3	8,8	5,7	(7,9)
Net asset turn	times	**1,4**	1,5	1,6	1,5	1,5
SHAREHOLDERS' RATIOS						
(Loss)/earnings per share	cents	**(79)**	104	115	68	(93)
Headline earnings/(loss) per share	cents	**11**	90	113	64	(96)
Dividend per share	cents	**—**	—	—	—	—
STOCK EXCHANGE STATISTICS						
Market capitalisation — close	R'million	**826**	649	940	1 824	1 691
Market value per share						
— At year-end	cents	**439**	345	500	970	899
— Lowest closing for the year	cents	**340**	298	482	848	720
— Highest closing for the year	cents	**490**	740	989	1 055	1 250
Weighted number of shares	'000	**174 750**	174 780	174 867	174 585	173 941
Total volume traded during the year		**29 850 220**	36 873 503	52 268 736	50 224 772	47 704 779
Rand value traded during the year	'000	**125 732**	178 176	415 062	47 393	48 729

GROUP OVERVIEW



■ CONTRACT REVENUE (RM)
■ OPERATING PROFIT (RM)

ROADS, PIPELINES AND MINING SERVICES

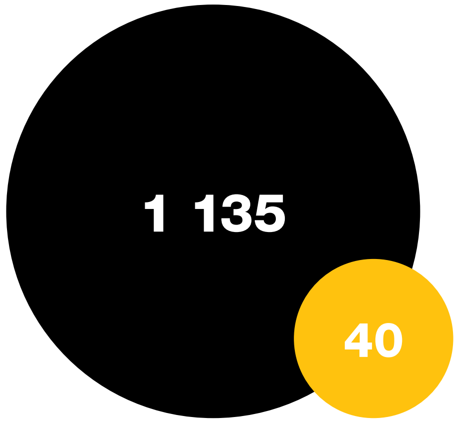
ORDER BOOK R5,0BN

KEY OPERATIONS

- Roads and Earthworks
- Mining Services
- Africa (Sub-Sahara)

BUSINESS UNIT CAPABILITIES

- Bulk earthworks
- Road construction and rehabilitation
- Crushing and screening
- Asphalt manufacture and paving
- Fibre optic infrastructure
- Mine infrastructure and development
- Agricultural land development
- General contracting (cross border)
- Large/small diameter welded steel and high density polyethylene pipelines
- Ductile pipelines
- Petrochemical and gas pipelines
- Pump, mechanical and electrical installations
- In situ mortar lining of pipelines
- Design and construction of tailing facilities
- Operations and management of tailing facilities
- Hydraulic mining
- Open pit contract mining
- Mine development and planning service
- Bulk materials handling
- Environmental infrastructure
- Commercial and industrial infrastructure



■ CONTRACT REVENUE (RM)
■ OPERATING PROFIT (RM)

MECHANICAL AND ELECTRICAL

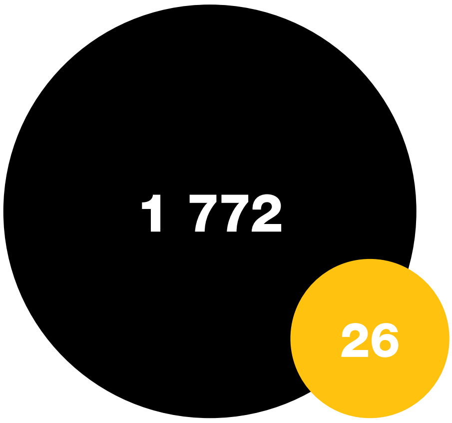
ORDER BOOK R780M

KEY OPERATIONS

- Mechanical (Industrial)
- Mechanical (Oil and Gas)
- Electrical and Instrumentation

BUSINESS UNIT CAPABILITIES

- Structural steel erection
- Mechanical equipment installation
- Pipe spool fabrication
- Installation of process piping systems
- Petrochemical maintenance work during planned shutdowns
- Water treatment plants
- Switchgear and motor control centre installation
- Control system installation
- Electrical field device installation
- Field instrumentation installation
- Commissioning assistance



■ CONTRACT REVENUE (RM)
■ OPERATING PROFIT (RM)

STRUCTURES

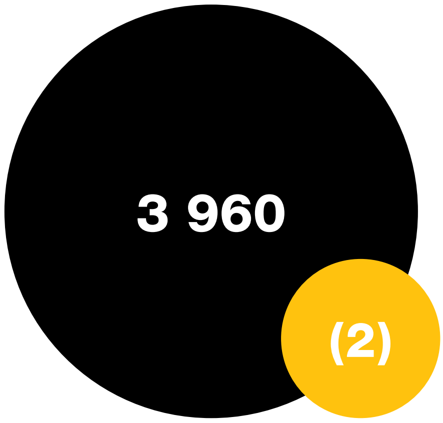
ORDER BOOK R2,3BN

KEY OPERATIONS

- Civils
- Coastal
- Geotechnical

BUSINESS UNIT CAPABILITIES

- Mine process plants and related infrastructure
- Bridges and transport infrastructure
- Reinforced concrete construction
- Petrochemical and related infrastructure
- Bulk materials handling infrastructure
- Heavy industrial plants and structures
- Geotechnical investigation and reports
- Geotechnical construction, piling and lateral support
- Rock anchoring and shotcreting
- Consolidation and other grouting
- Diaphragm walls
- Effluent and water treatment plants
- Structural rehabilitation: concrete repair and waterproofing
- Concrete dams
- Marine infrastructure, ports and harbours including jetties, docks, quay walls, breakwaters
- Precast concrete for marine structures
- Caisson floating and installation
- Slipways and boat ramps
- Control buoy gravity bases
- Shipyards
- Coal and gas fired power plants
- Balance of plant infrastructure for renewable energy projects
- Project-based concrete precasting, handling and erecting thereof
- Emergency concrete structure stabilisation and repair



■ CONTRACT REVENUE (RM)
■ OPERATING PROFIT (RM)

BUILDING

ORDER BOOK R5,7BN

KEY OPERATIONS

- Building
- Coastal
- Africa (SADC)

UAE

- Al-Tayer Stocks

BUSINESS UNIT CAPABILITIES

- Commercial buildings (including high rise)
- Industrial warehouses and distribution centres
- Shopping centres (new build and renovation)
- Hotels
- Township and residential developments
- Hostel conversion projects
- Mass housing
- Student accommodation
- Education facilities
- Project management and development
- Comprehensive housing solutions
- Property development facilitation
- Hospitals

UAE

- Interior fitout

STAKEHOLDER ENGAGEMENT

The group has a range of stakeholders which include employees and trade unions, shareholders, investors and financiers, clients, suppliers, joint operation and joint venture partners, local and national government structures, industry bodies, the media and the communities in which the group operates.

The group has a variety of operational capabilities in Africa and the UAE. There are currently four business units with their respective divisions and joint arrangements reporting to the EXCO and, via the CEO, to the Stefanutti Stocks board.

Stakeholder engagement occurs either at group level or at business unit/divisional level, with some being at all levels. The human resources and investor relations functions within the group, maintain regular contact with current and new stakeholders.

ENGAGEMENT BETWEEN THE GROUP AND STAKEHOLDERS

EMPLOYEES

Interaction takes place at EXCO meetings, business unit management meetings, divisional management meetings, various employee representative structures and union meetings. Internal newsletters and numerous other communication channels keep employees informed of all important company issues on an ongoing basis.

Led by the Group Human Resources Executive, the human resources department is primarily responsible for the group's policies, procedures and practices in employment, benefits, transformation, sustainability and related human resource matters. Toolbox talks are held regularly by site management to address any queries and questions and to convey new information to employees.

BUSINESS UNITS

Ongoing, formal and informal, two-way communication occurs between Stefanutti Stocks and its business units. Structured interactions include operating business board meetings, business reviews and committee meetings. The group's executive directors and senior management attend these meetings, except where business operations are not based in South Africa. Other forums such as management meetings facilitate opportunities for information sharing and relationship building.

SHAREHOLDERS, INVESTORS, FINANCIERS AND ANALYSTS

A number of processes enable communication with these stakeholders which include announcements released on the JSE's Stock Exchange News Service (SENS), the circulation of printed financial year-end and interim results and reports, as well as electronic copies, group presentations and business unit-specific site visits and meetings.

Ongoing presentations are made by the CEO and CFO on the company's performance and strategic progress to staff, the media, institutional investors and analysts. The group publishes and reports in at least one daily national English newspaper bi-annually, as required by the JSE Listings Requirements, in respect of its overall financial performance.

Information including presentations, corporate actions and financial results as well as information concerning its management, history, operations and various other matters of interest is available on the group's website.

TRADE UNIONS

As a group, Stefanutti Stocks adheres to the constitutional principle of freedom of association and recognises the right of employees to join and participate in a trade union of their choice. Formal and informal working relationships exist with the National Union of Mineworkers (NUM), National Union of Metal Workers of South Africa (NUMSA), Association of Mineworkers and Construction Union (AMCU), Building, Construction and Allied Workers Union (BCAWU), El Shadaai Workers Union of South Africa (ESWUSA), Metal and Electrical Workers Union of South Africa (MEWUSA) and the Chemical, Energy, Paper, Printing, Wood and Allied Workers Union (CEPPWAWU).

These trade unions engage freely in the group's business units where they are represented on matters of interest to their members. The company, via its business units, is a member in a number of industry associations, including the South African Forum of Civil Engineering Contractors (SAFCEC), Gauteng Master Builders Association (GMBA) and Steel and Engineering Industries Federation of South Africa (SEIFSA).

These industry bodies represent the interests of and negotiate on behalf of the group in the industry's bargaining councils, which include the Bargaining Council for the Civil Engineering Industry (BCCEI), Building Industry Bargaining Council (BIBC) and the Metal and Engineering Industries Bargaining Council (MEIBC).

INTERNAL AND EXTERNAL AUDITORS

The company's directors prepare annual financial statements in terms of the Companies Act and the JSE Listings Requirements and in conformity with IFRS, which accurately present its state of affairs and that of the group as at the financial year-end.

The external auditors perform an audit on the annual financial statements of the company, the group and its subsidiaries and determine whether the annual financial statements meet the requirements of IFRS, the Companies Act, and the JSE Listings Requirements. They report their opinion on these statements to shareholders.

The company's directors are responsible for maintaining adequate accounting records. They must ensure that a risk management process is in place to effectively protect the group's assets and prevent and detect fraud and other irregularities. Risk management and internal control standards are set by management, who implement systems aimed at reducing the risk of error or loss in a cost-effective manner, thus enabling the directors to meet these responsibilities.

Internal audit evaluates the group companies' internal control environment and reports these findings to ARCO.

COMMUNITIES

Wherever possible, the company seeks to recruit employees from the communities in which it executes contracts. As such, the proper management of SHE issues as well as compliance with all other applicable legislation and standards are of key interest to the group in safeguarding these communities.

The principal method of engagement is through structured and ad hoc community liaison meetings with affected communities. Contributions, such as corporate socio-economic development and enterprise development projects in the areas of education, health, skills development and donations are additional means and channels of interaction with communities.

THE JSE, GOVERNMENT AND REGULATORS

Stefanutti Stocks must comply with the JSE Listings Requirements, the Companies Act and apply King III. Compliance is managed largely through the company secretarial and finance functions and oversight by ARCO. Bridge Capital Advisors (Pty) Ltd, the company's sponsor, coordinates contact with the JSE.

ENGAGEMENT BETWEEN BUSINESS UNITS AND STAKEHOLDERS

CLIENTS AND SUPPLIERS

Daily liaison with clients is integral to the group's business units' operational activities. Well-developed customer retention strategies are in place with robust systems and procedures being monitored by each business unit to ensure efficient and timely project delivery and customer service.

Maintaining and enhancing relationships with dependable suppliers is of equal importance. Group-wide policies and procedures guide the business units to ensure that client- or supplier-related risks are properly understood, monitored, modified and managed in line with the group's risk policies.

STAKEHOLDER GROUP	COMMUNICATION CHANNEL
Shareholders, investors, financiers and analysts	Annual general meetings, annual and interim reports, announcements on SENS, analysts presentations, investor days, corporate advertising and the group website
The JSE, government, industry bodies and regulators	Scheduled meetings, letters, email updates, formal functions, personal visits, telephone calls and the group website
Business units, employees and trade unions	Ongoing internal newsletters, training sessions, performance reviews, staff meetings, union meetings and various employee representative structures, email announcements, the group website and group portal
Communities	Structured and ad hoc community liaison meetings and the group's website
Clients and suppliers	Scheduled project meetings, letters, email updates, formal functions, personal visits, telephone calls and the group's website

MATERIAL ISSUES

The group regularly reviews the material issues in terms of developing risks as well as legislative and regulatory requirements, and classifies these according to the material impact they have on key operations. In terms of sound business practice, feedback received from stakeholders and various channels of engagement within the group provides further insight into such issues. The group's material issues are summarised as follows:

MATERIAL ISSUES	STAKEHOLDERS IMPACTED	RESPONSE TO ISSUE
Governance and leadership: To ensure that there is adequate governance in place throughout the group	› Employees › Shareholders › Investors › Analysts › Trade unions › Clients	› The company has various board appointed committees, namely the ARCO, S&E and REMCO. › The group is committed to adhering to the recommendations and guidelines as set out in King III. › The codes of conduct and ethics are applied across the group. › The B-BBEE codes are being applied throughout the group's businesses. › A leadership pipeline has been identified to ensure proper succession exists.
Earnings growth: To ensure sustainable growth in earnings for the stakeholders of the group	› Shareholders › Investors › Analysts › Clients › Suppliers › Employees › Financiers	› The EXCO monitors and reviews operational performance against business plan objectives, budgets and financial targets. In the event of non-performance by a business unit, the EXCO and the board will take corrective action.
Human capital: To attract (with excellent benefits and opportunities), retain (by recognition, development and career prospects), develop and motivate employees to their full potential. To ensure adequate succession planning is in place	› Employees › Shareholders › Investors › Analysts › Clients › Communities › Trade unions	› The human resources function assesses capacity requirements, employment and development of skills, the B-BBEE scorecard, compensation and benefits as well as the culture of the group. A leadership pipeline has been identified to ensure succession exists. A share scheme was implemented to attract and retain employees. › Legislative compliance. › Risk assessments have been conducted and mitigation has been identified in all aspects of human capital.
Operational: Operational issues associated with the securing of tenders, assets, credit, fraud and reputation	› Employees › Shareholders › Investors › Analysts › Clients › Communities › Suppliers › Trade unions	› Vigilant controls and measures are applied within the group to monitor key performance areas. › All areas of the business are monitored by comprehensive ICT systems. › Ongoing training is provided. › Comprehensive tender completion approval process. › Fraud tip-off line is in place.
Health, safety and environment: To ensure that the group provides a healthy and safe environment for its employees and subcontractors, while considering the environmental impact of the group's operations	› Employees › Shareholders › Investors › Analysts › Clients › Communities › Trade unions	› A Group Health, Safety and Environment Framework is in place. › Ongoing health and safety training is provided. › Rehabilitation of the environment, where the group has projects, is undertaken to the best of the group's abilities. › The use of energy-saving products and fuel optimisation is applied and recycling of resources is performed where necessary.
Anti-competitive behaviour: To ensure ongoing monitoring of compliance with the Competition Act	› All	› Ongoing training and awareness programmes are provided to employees at regular intervals in respect of the Competition Act and ethical behaviour.

RISK MANAGEMENT

While the ARCO assists the board with monitoring the group's risk management, the governance of risk including the determination of risk appetite and tolerance levels and the approval of the risk strategy, policy and framework is the ultimate responsibility of the board of directors. Managing risk is an integral part of creating sustainable stakeholder value and protecting stakeholder interests.

The group acknowledges that an appropriate balance should be struck between entrepreneurial endeavour and prudent business practice. The group's philosophy is to be "risk aware" and to recognise potential opportunities flowing from selected risks.

As determined by the board's risk parameters, appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints to ensure that risk is minimised. The group risk register was reviewed and updated and the risk model and risk management process is aligned to the group's strategic plan.

The Group Risk Officer reports to the ARCO and establishes, updates and maintains the group-wide risk framework based on internationally recognised standards. This includes providing guidance, supporting and coordinating the identification and documentation of risk areas and implementing the risk management system. The Group Risk Officer presents a risk report at each ARCO meeting.

As recommended in King III, a combined assurance model has been adopted to ensure that all risks identified are subjected to the appropriate level of management control and assured both internally and externally as appropriate. The internal and external audit plan is examined by the ARCO to ensure that all recognised areas of risk are covered in the audit plan and no duplications occur.

Ongoing assessments are performed in respect of the group's exposure to corruption, both within South Africa as well as in the rest of Africa. The group recognises the significance of the matter and all operations are continually monitored in this regard. No incidences of corruption were identified during the period under review.

ACHIEVEMENTS FOR 2017

The focus for the 2017 financial year was:

- To ensure ongoing legal compliance
- Continued tax and financial risk monitoring in respect of cross-border operations
- Continued focus on close-out risks on major contracts
- Increased focus on exposures to cybercrime

GOALS AND STRATEGIES FOR 2018

The focus for the 2018 financial year will be:

- Data security
- Legal and compliance exposure in cross-border operations
- Ongoing refinement of financial disciplines
- Commercial and contracting exposures

Ongoing assessments and risk-based reviews on high-risk areas will continue.

The table below illustrates those risks that the group deems material to its operations and ongoing sustainability. Each of the board committees and the board itself, play a role in overseeing the risk mitigation processes.

RISK CATEGORY	RISK	MITIGATION STRATEGY
Economic	Significant change in pricing levels and pressure on margins	› Diversification and expansion of group offering › Identification of opportunities in addition to existing markets › New geographical territories › New markets › Alternative procurement approaches and methods
Commercial	Diverse number of contracting forms and solutions	› Specialised skills deployed for tenders › Funding expertise acquired
Legal	Potential non-compliance with legal frameworks	› Competition Law » Ongoing annual training and awareness programmes for all management on Competition Act requirements » Code of Business Ethics and Conduct » Risk management and legal compliance reviews » Reputation management programme › Health and Safety Law » Rigorous health and safety management systems in each business unit » Group forums to improve communication » Monitoring and reporting of all incidents, ensuring corrective action is taken » Legal register › Environmental Law » Ongoing environmental management systems are implemented by each business unit

RISK MANAGEMENT
CONTINUED

RISK CATEGORY	RISK	MITIGATION STRATEGY
Legal	Potential non-compliance with legal frameworks	› Other laws » Identification of Acts applicable to the group and key controls to ensure compliance » Financial management processes, procedures for VAT and income tax compliance » Risk management and compliance reviews
Industry compliance	Not attaining B-BBEE rating	› Stefanutti Stocks Employee Participation Plan › Structured initiatives to increase representation of previously disadvantaged individuals at various management levels › B-BBEE management initiatives are being implemented by business units › Monthly measurement tool implemented by business units › Procurement with qualifying B-BBEE suppliers and subcontractors
Industry volatility	Exposure to industrial action	› Ongoing liaison with site teams and forging strategic relationships with unions › Constant communication and feedback at sites
Human resources	Scarcity of resourcing for execution of projects	› Focused actions as part of the Africa expansion strategy of each business unit
Resources	Electricity supply	› Uninterruptible power supplies and generators have been installed at all major sites
Market	Loss of market share	› Client relationship marketing strategies › Quality, on-time and within client budget performance › Process of continuous improvements and cost control › Growing market share in selected business areas › Diversification of client base within the business units
Geographical	New geographical expansion	› Rigorous estimating and tendering process with restricted levels of authority › Due diligence to ensure understanding of economic, fiscal, social, political and market conditions › Comprehensive, ongoing market research › Focused practical policies and procedures in support of strategy › On-the-ground commitment to gain practical experience of the region › Assistance of advisory firms and consultants › Appropriately skilled management › Focused strategy on tendering for major projects
Pricing	Estimating	› Well-developed estimating systems › Experienced estimators › Regular reviews and updates of rates › Structured and stringent tender finalisation process › Complex, large, new types of projects subjected to particular focus
Contract selection	Contractual terms and conditions becoming more onerous	› Commercial skills capacity › Conforming to standard industry contracts › Deviations subject to professional advice inputs and senior management sign-offs › Avoidance and/or mitigation of high risk contracts e.g. fixed price contracts

RISK MANAGEMENT CONTINUED

RISK CATEGORY	RISK	MITIGATION STRATEGY
Execution	Poor project delivery	Project management controls covering all aspects of the project process are devised and implemented: › Contract award › Start-up management meetings › Monthly contract reviews › Financial performance reviews, controls and record keeping › Monthly forecasting › Site asset controls › Quality management plans › Health and safety plans › Environmental plans › Commercial plans › Certification and payment management › Subcontracting and supplier management › Purchase controls › Handover and completion certificate controls › Skills development, capacity building and human capital development › Executive and line management progress reviews with regards to key sites
Employment equity	Employment equity targets	› Business units developed employment equity plans in line with demographics › Focused recruitment
Competency	Staff competency	› "Know your staff" practices prior to assigning individuals to a team › On-the-job training and performance management for qualified quantity surveyors, engineers, junior safety officers, quality officers
Resources	Resource utilisation	› Flexible resource arrangements › Proactive redeployment of resources
Gearing	Financial gearing	› Appropriate financial gearing levels determined and reviewed regularly
Liquidity	Working capital	› Qualify payment terms in tender › Deviations from standard contractual terms to be approved at senior management levels › Continuous monitoring and management of working capital › Certification and debtors management › Continuous cash flow forecasting as well as close interval management of cash flows
Information platform and systems	ICT failure	› Business continuity plan developed, and communication and training provided to the relevant management › Service level agreements with ICT service providers › Contingency plan with respect to network connectivity
Alignment	Inability to form partnering/strategic alliances/joint arrangements	› Seek compatible operational cultures/approaches › Build strong interpersonal relationships at correct management levels › Ensure joint operation partners are the right match in terms of skills, quality and financial position
Succession	Inadequate key human resources capacity and capabilities	› Focused individual development plans › Structured skills training, mentoring and deployment › Remuneration and retention schemes

BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE
CONTINUED

BOARD OF DIRECTORS

KEVIN EBORALL
(72)

Independent Non-executive Chairman, Nominations Committee Chairman

Nat Dip Prod Eng (Industrial Engineering)
Appointed: July 2007

Kevin graduated as an industrial engineer in 1965. He has held senior management positions at Dorbyl, ICL and Fraser Alexander. Kevin has served on the boards of various private and public companies and continues to hold a number of directorships both in South Africa and Australia. Kevin provides consulting services to companies in the mining and industrial sectors. He is also the chairman of the Royal Academy of Dancing in South Africa.

WILLIE MEYBURGH
(63)

Chief Executive Officer

National Diploma Civil Engineering, BCom
Appointed: April 1996

Willie has over 36 years' experience in the construction industry with several large projects covering the full spectrum of construction activities. Prior to joining Stefanutti & Bressan Civils (Pty) Ltd as Managing Director in 1996, he held a number of executive management positions in leading construction companies in South Africa. Willie was appointed to his present position of CEO when the group listed in 2007.

ANTONIO COCCIANTE
(47)

Chief Financial Officer

BCom (Hons), CA(SA)
Appointed: June 2015

Antonio qualified as a chartered accountant in 1995 with audit firm Deloitte, where he worked for six years in the audit and corporate finance divisions. He previously held the position of CFO at EOH Holdings Ltd for a period of six years until 2005. Antonio's experience in the construction industry began in 2005, he joined Stefanutti Stocks in 2006 and held the position as Group Financial Controller prior to his appointment as CFO.

DERMOT QUINN
(65)

Non-executive Director, REMCO member, ARCO invitee

BScEcon, CA(SA)
Appointed: June 2015

Dermot qualified as a chartered accountant in 1984 and joined the group in 1992. He was appointed as CFO of Stefanutti & Bressan (Pty) Ltd in 2000 and, on the restructuring of the group in 2005, was appointed to the board in the same capacity. He retired from the group on 31 May 2015 and was appointed as Non-executive Director on 1 June 2015.

NOMHLE CANCA
(51)

Independent Non-executive Director, ARCO member, S&E Chairman

BA (Political Science), BA (Economics)
Appointed: July 2007

Nomhle has over 21 years' experience in the financial services industry, having started her career as a stockbroker in Atlanta (USA) and later registered with the New York Stock Exchange. She was the co-founder of Women Investment Portfolio Holding (Wiphold) and Women's Development Bank. She has held various directorships at private and state-owned companies.

HOWARD CRAIG
(57)

Independent Non-executive Director, ARCO member, S&E member

BSc Civil Engineering, GDE
Appointed: April 2015

Howard was Technical Director and Managing Director at Fraser Alexander Tailings from 1990 to 2000, held various senior positions at Sasol from 2000 to 2009 and was Chief Executive of Rand Refinery from 2009 to 2014. He currently promotes various infrastructural projects across Africa and serves on the boards of a number of private companies.

TINA EBOKA
(58)

Independent Non-executive Director, REMCO member

BSc Textile Engineering, BSc Industrial Engineering, Executive Certificate (Harvard Business School), MBA
Appointed: May 2013

Tina is the Group Managing Director of NTP Radioisotopes SOC, a subsidiary of NECSA. Tina has a career spanning banking, science and technology research, retail, and manufacturing industries in both the public and private sectors. Previous roles include Group Director at Standard Bank, VP: Organisational Development and Communications at the CSIR and a founding member of Technology for Women In Business, the Gauteng Innovation Hub and the Nepad IT initiative for schools. Tina is also a board member of Omnia Holdings.

ZANELE MATLALA
(53)

Independent Non-executive Director, ARCO Chairman

BCom, BCompt (Hons), CA(SA), Advanced Management Programme (Insead)
Appointed: February 2012

Zanele was appointed CEO of Merafe Resources Ltd on 1 June 2012, having served as its CFO from 1 October 2010. She has extensive financial services experience gained in various roles as Group Financial Director of Kagiso Trust Investments and CFO and Executive Manager: Private Sector Investments of the Development Bank of Southern Africa (DBSA). She has also held various positions at the Industrial Development Corporation, including heading the Wholesale Venture Capital Funds.

MAFIKA MKWANAZI
(63)

Independent Non-executive Director, REMCO member

BSc (Maths), BSc (Electrical Engineering)
Appointed: April 2015

Mafika is currently the Non-executive Chairman of Hulamin Ltd and sits on the board of the Mediterranean Shipping Company South Africa. He has previously held senior positions at South African Breweries Ltd, Bristol Myers Squibb (Pty) Ltd and BMW South Africa. He has served on the boards of various companies including Nedbank Ltd, Eskom, Transnet (where he was Non-executive Chairman from 2010 to 2014), Western Areas Ltd (Non-executive Chairman), the Industrial Development Corporation, Letseng Diamonds (Non-executive Chairmanship) and Executive Director Transnet (CEO from 2001 to 2003). He was formerly an independent non-executive director of Stefanutti Stocks from 2007 to 2013 and was also Lead Independent Director.

BRIDGMAN SITHOLE
(54)

Independent Non-executive Director, REMCO Chairman

Appointed: July 2007

Bridgman is currently Executive Chairman of Mowana Investments (Pty) Ltd (Mowana), a black empowerment investment holding company. Prior to joining Mowana in 2005, Bridgman was an Executive Director of Strategy and Business Development at Business Connexion. He has also held various senior positions within the ANC, provincial governments and ABSA Bank Ltd. Bridgman currently serves on the boards of numerous private companies.

JOSEPH FIZELLE
(46)

Independent Non-executive Director, Alternate to Bridgman Sithole, ARCO member

BCom, HDip PrAcc, CA (Ireland), Fellow of the Irish Institute of Chartered Accountants
Appointed: July 2007

Joseph is an Executive Director of Mowana, a black empowerment investment holding company. Prior to joining Mowana in 2004, Joseph was employed in corporate finance at JP Morgan and Standard Bank for a period of six years and before that at PricewaterhouseCoopers. Previously he was the Lead Independent Non-executive Director of Torre Industries Ltd and also serves on the boards of numerous private companies.

EXECUTIVE COMMITTEE

WILLIE MEYBURGH

(63)

Chief Executive Officer

National Diploma Civil Engineering, BCom

Appointed: April 1996

Willie has over 36 years' experience in the construction industry with several large projects covering the full spectrum of construction activities. Prior to joining Stefanutti & Bressan Civils (Pty) Ltd as Managing Director in 1996, he held a number of executive management positions in leading construction companies in South Africa. Willie was appointed to his present position of CEO when the group listed in 2007.

ANTONIO COCCIANTE

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Chief Financial Officer

BCom (Hons), CA(SA)

Appointed: June 2015

Antonio qualified as a chartered accountant in 1995 with audit firm Deloitte, where he worked for six years in the audit and corporate finance divisions. He previously held the position of CFO at EOH Holdings Ltd for a period of six years until 2005. Antonio's experience in the construction industry began in 2005, he joined Stefanutti Stocks in 2006 and held the position as Group Financial Controller prior to his appointment as CFO.

RUSSELL CRAWFORD

(53)

Managing Director Roads, Pipelines and Mining Services

National Higher Diploma Civil Engineering

Appointed: May 2016

Russell has over 25 years' experience in the Civil Engineering Construction industry. Starting as a trainee civil engineer with CMGM, which later became Group Five. Having gained concrete experience, he joined Stefanutti & Bressan Roads and Earthworks KZN in 1990 as a site agent. Russell managed S&B Civil Roads for four years. Russell was appointed Managing Director of the Roads, Pipelines and Mining Services Business Unit of Stefanutti Stocks and joined the EXCO in May 2016.

HOWARD JONES

(68)

Managing Director Building

BSc Civil Engineering, Pr Eng, Stanford Executive Programme, FCIOB

Appointed: June 2014

Howard has 40 years' experience in the construction industry in South Africa and was previously the CEO of Grinaker-LTA Construction and a member of the board of Aveng Ltd. He has expertise in commercial building projects. In 2007 he established a construction and project management consultancy. He was appointed Managing Director of the Building Business Unit of Stefanutti Stocks and joined the EXCO in June 2014.

WERNER JERLING

(51)

Managing Director Structures

B Eng (Civil), B Comm, MSc International Construction Management, Pr Eng, Pr CPM, FSAICE, FWISA

Appointed: November 2015

Werner has 25 years' experience in the civil engineering construction industry. He started his career with LTA Civil Engineering and was later appointed General Manager of Grinaker LTA Civil Engineering. He joined Stefanutti & Bressan in 2007 and was appointed Managing Director of the Stefanutti Stocks Civils Division shortly thereafter. Werner was appointed Managing Director of the Structures Business Unit and joined the EXCO in November 2015.

VINCE OLLEY

(54)

Managing Director Mechanical and Electrical

National Certificate Light Current, MSc (Change Management and Coaching)

Appointed: March 2012

Vince has 26 years' construction experience. Prior to joining the group, Vince spent 17 years with Aveng Grinaker-LTA. He was Managing Director of Aveng Grinaker-LTA M&E before being appointed as an Executive Director. Vince was appointed Managing Director of Mechanical and Electrical in March 2012 and joined the EXCO during that year.

MIKE SIKHAKHANE

(51)

Group Human Resources Executive

BSocSc (Hons), Programme for Management Development

Appointed: January 2014

Mike has 28 years' human resources experience accumulated in various blue chip manufacturing, services and retail companies. Prior to joining the group, Mike spent five and a half years with the PG Group as Group Human Resources Director after having spent 11 years in various divisions of Nampak as Divisional/Cluster Human Resources Director. Mike joined the EXCO when he was appointed as Group Human Resources Executive in January 2014.

MARK SNOW

(57)

Group Risk Officer

BCom (Hons), CA(SA)

Appointed: November 2012

Mark qualified as a chartered accountant in 1986 with Deloitte Haskins & Sells and was admitted as a partner in 1992. He has 30 years' experience in statutory auditing, risk management and controls, governance consulting and managing outsourced internal audit functions with an industry specialisation in construction and mining. Mark joined the EXCO when appointed as Group Risk Officer in November 2012.

CHAIRMAN'S REPORT

Kevin Eborall
Chairman

BUSINESS OVERVIEW

The 2017 financial year saw the group produce results that were indicative of difficult economic and market conditions. The group also brought to account certain one-off impairments and expenses. The executive team has responded to these challenges by right-sizing and consolidating certain business units and placing renewed efforts on eliminating loss-making contracts, cash management and operational controls. The efficacy of these measures can be seen in the headline earnings per share which, if certain one-off charges related to impairments and the Settlement Agreement (dealt with in detail in the Chief Financial Officer's Report) had not been taken into account, would have been 89,86 cents — a result very close to that achieved in 2016.

BUSINESS ENVIRONMENT

International markets have yet to demonstrate a sustainable growth in demand for mineral commodities, the most significant driver of the economic environment in which our industry operates. Political turbulence is in evidence across the globe, bringing with it uncertainty and muted investor confidence. Much of the same can be said of the local economy wherein policy uncertainty has resulted in discouragement of investment in infrastructure and major capital projects resulting in a contraction in the size of the available market. In addition the government's infrastructure development rollout plan has yet to yield substantial opportunities to the construction industry.

The company's existing footprint in selected sub-Saharan African countries and its experience in successfully executing cross-border projects, combined with its focused marketing approach and range of service offerings has put it in a strong position to take advantage of these opportunities.

Notwithstanding these factors the local and sub-Saharan African markets in which the group operates continue to yield a sufficient number of projects to sustain the company's order book.

CORPORATE GOVERNANCE

The efforts of the board to conform to the requirements and recommendations of King III, and to anticipate the protocols of King IV, are unremitting. Detailed information is provided in the Corporate Governance Report commencing on page 58 of this integrated report.

INDUSTRY-RELATED MATTERS

As indicated in a SENS announcement on 11 October 2016 the company has entered into a Settlement Agreement with the South African Government. One of the conditions contained in this agreement is that no civil claims for damages will be brought against the company by Government or any of its agents, other than the civil claim for damages initiated by the City of Cape Town, which the company is confident it can defend.

B-BBEE

The company continues to strive to improve its current status as a Level 4 Contributor. The group's transformation goals, plans and achievements are the subject of particular scrutiny by the Social and Ethics Committee, and are reviewed at all board meetings.

Details are contained in the transformation section of the sustainability report which can be found on the company's website.

CONCLUSION

In accordance with the Group's retirement policy as it applies to non-executive directors, my fellow board members, Bridgman Sithole, Joe Fizelle and Nomhle Canca will not offer themselves for re-election at the 2017 annual general meeting. They have served the board with distinction since the company was listed. Nomhle was a board member, chairman of the S&E committee as well as an ARCO member and her passion for social issues was inspiring. Being the REMCO chairman, Bridgman offered wise counsel to the board over the years. Joe, who has been the alternate director to Bridgman, has been a valued attendee at our ARCO meetings where his experience and sage advice has been much appreciated. I express my profound appreciation for their dedication and invaluable contributions to the group over the past 10 years and wish them well in their future endeavours.

I wish to thank my fellow board members for their continuous commitment to the affairs of the company and the wisdom of their counsel during a period which has been testing.

My appreciation also goes to our executive directors Willie Meyburgh and Antonio Cocciante. The energy and dedication which they have applied to the management of the company during a time of economic difficulty must be acknowledged, as indeed must the endeavours of the executive management team.

Kevin Eborall
Chairman

13 July 2017

PERFORMANCE REVIEW

Willie Meyburgh
Chief Executive Officer

This year was one of introspection for the group having been listed on the JSE for the last 10 years.

We reflected on the extent to which our original culture made us successful as a private company, and how much of that culture remains today. In other words: what made us great in the first place? What made us stand out against our competitors? With the growth of the business over the last decade, many new people joined the group and a new culture developed, which necessitated a relook at the "internal health" of the business. This resulted in a drive to rekindle a philosophy of the **"Founder's Mentality**" and to reinforce the guiding principles of the **"Stefanutti Stocks Way"**.

The "Founder's Mentality" is not about ownership, but rather the mindset with which we approach our business. The "Founder's Mentality" is a measure of the internal health of a company. It highlights the importance of keeping company energy levels up, staying focused and being innovative. The guiding principle of the "Stefanutti Stocks Way" is to have energised and engaged employees to ensure flawless execution, thereby enhancing client relationships. It is the company's employees which give life to this philosophy and guiding principle.

We have, therefore, revised our vision to "If you can dream it, we can construct it" and our mission to "Excellence in Execution". A comprehensive discussion can be found in our online sustainability report, where the above is further explained.

THE YEAR UNDER REVIEW

Challenging conditions persisted in the South African construction market during the year under review. The low growth rate of the domestic economy as well as depressed global markets led to increased competition for fewer available projects. Notwithstanding this, we have managed to grow the order book year-on-year. Most of this will be executed in the next financial year. The group's order book is currently R14 billion of which R4,4 billion arises from work beyond South Africa's borders.

Contract revenue from operations was R9,1 billion compared to R9,7 billion in the previous year. Operating profit decreased from R392 million in the previous year to an operating loss of R106 million in the current year. The key aspects contributing to the decrease in earnings together with a summary on the group's financial performance can be found in the Chief Financial Officer's report commencing on page 30 of this integrated report. However, if the one-off items referred to in the Chief Financial Officer's report are excluded, the operating profit for the year would have been R202 million.

The guiding principle of the "Stefanutti Stocks Way" is to have energised and engaged employees to ensure flawless execution, thereby enhancing client relationships. It is the company's employees which give life to this philosophy and guiding principle.

OPERATIONAL PERFORMANCE

A full report on the all the business units' operational performance and initiatives commences on page 34 of this report. What follows below is a summary of each business unit's performance.

ROADS, PIPELINES AND MINING SERVICES (RPM)

Although the operating profit of R162 million was less than the previous year (Feb 2016: R213 million), RPM was again the largest contributor towards the group's operating profit. The lower turnover of R2,2 billion (Feb 2016: R2,6 billion) was as a result of a reduced number of infrastructure projects coming to market and delays in the awarding of contracts during the year.

Locally, Mining Services and Roads and Earthworks continued to produce a good performance. Due to a severe shortage of work the Pipelines Division was incorporated into Roads and Earthworks.

Other than public sector work in Nigeria and Zambia, cross-border operations are consistently producing good results.

Slow and delayed payments from both the Nigerian and Zambian governments continue to negatively affect our working capital. Following the receipts of part payments, limited work has resumed in Nigeria on the road projects, previously stopped due to nonpayment. In Zambia work will commence once the outstanding payments are up to date. We are in discussions with the relevant Nigerian and Zambian government departments to resolve the outstanding payments.

RPM's order book at February 2017 was R5,0 billion (Feb 2016: R4,9 billion) of which 23% relates to public sector work in South Africa and 38% to work outside South Africa.

MECHANICAL AND ELECTRICAL (M&E)

The operating profit for this business unit reduced to R40 million (Feb 2016: R66 million). This was primarily due to a shortage of work in the traditional mining infrastructure environment impacting on the Mechanical Division. The rest of the business unit performed to expectation on the back of petrochemical projects. The majority of work from the local oil and gas market stems from plant upgrades, shut-downs and plant maintenance.

M&E's order book at year-end was R780 million (Feb 2016: R1,2 billion) of which 6% relates to public sector work in South Africa. We expect 11% of the current order book to originate from mining infrastructure work outside South Africa.

STRUCTURES

Due to persistently tough market conditions and restructuring costs, to align itself to market conditions, this business unit's turnover and operating profit reduced to R1,8 billion (Feb 2016: R2,1 billion) and R26 million (Feb 2016: R47 million) respectively.

Structures' turnover mainly comes from transport infrastructure (which includes marine works), water and sanitation and energy generation sectors. Apart from a few sizeable projects in the marine and transport sectors that have recently come to market, large projects remained limited which places continued pressure on margins. For the past few years we have been active in the water and sanitation market and there is a definite increase in the number of projects available in this sector.

At February 2017, Structures' order book was R2,3 billion (Feb 2016: R2,0 billion) of which 73% relates to public sector work in South Africa and 6% to work outside South Africa.

BUILDING

Building's contract revenue increased slightly to R4,0 billion (Feb 2016: R3,7 billion). However, competitive trading conditions combined with holding costs and contract losses resulted in a disappointing operating loss of R2 million (Feb 2016: R45 million profit excluding the profit on sale of investment property and fair value adjustment). The profit of the equity-accounted United Arab Emirates operation amounting to R41 million (Feb 2016: R19 million) is excluded from this operating loss. During the year the business was scaled down and certain divisions were combined in order to improve efficiency and reduce costs.

During the past year most of Building's turnover came from retail, warehouses and residential projects. Going forward, we expect an increase in revenue, which will come from the office and commercial, residential and tourism and leisure sectors.

The Mozambique and Housing Divisions continue to contribute positively towards the operating profit. Commercial matters on the completed loss-making projects in Namibia, Qatar and the Eastern Cape have been resolved and will have no further impact on the business unit's future profitability.

Building's order book at February 2017 was R4,7 billion (Feb 2016: R3,7 billion) excluding the United Arab Emirates of R1,0 billion (Feb 2016: R500 million). Of this, 28% relates to public sector work in South Africa and 33% to work outside South Africa.

PERFORMANCE REVIEW
CONTINUED

A talented and diverse workforce is key to delivering on long-term business sustainability. Improving knowledge, skills and experience of our employees is a vital part in achieving our strategic objectives.

INDUSTRY-RELATED MATTERS

SETTLEMENT AGREEMENT (VOLUNTARY REBUILD PROGRAMME)

Since 2013 we, together with six other listed construction companies, have engaged with the South African Government to jointly promote meaningful transformation within the construction industry, while settling potential civil claims and Construction Industry Development Board (CIDB) registration issues. An initiative named the Voluntary Rebuild Programme (VRP) was implemented with the aim to develop a number of black-owned emerging enterprises into meaningful competitors within the construction sector.

In October 2016, the South African Forum of Civil Engineering Contractors (SAFCEC) formally announced the signing of the VRP agreement between the South African Government and the listed construction companies. The agreement comprises three initiatives: a financial contribution by the seven companies to a transformation trust; an integrity commitment between the seven companies and government; and the option of either disposing of not less than 40% of the business to black-owned enterprises, or mentoring existing black construction companies such that their turnovers grows to at least 25% of the individual listed company's civil engineering and building South African turnover. This must take place over a seven year period.

We have elected the second option and have identified two existing black-owned construction companies. We will assist these companies with skills development, systems and resources to achieve a rating of CIDB Level 9 (civil engineering (CE) and/or building (GB) category).

A comprehensive discussion on this subject can be found in our online sustainability report, where the above topic is further explained.

CIVIL CLAIM

In terms of the Settlement Agreement entered into with the South African Government all matters have been settled and/or withdrawn, other than the civil claim received from the City of Cape Town (Green Point Stadium), which the company is confident it can defend.

SUSTAINABILITY MATTERS

HUMAN CAPITAL

Through various initiatives we continue to strive to be regarded as an employer of choice in the construction sector. The key pillars of success, namely a safe and healthy work environment, respect for human rights, a non-discriminatory environment, protection of human dignity and continued employee development remain a strong focus. We continuously review our remuneration policy to ensure that our employees are rewarded fairly and in line with market and legislative requirements.

We are currently rolling out a number of initiatives focused on employee engagement and performance enhancement. During the year significant progress has been made in the rollout of a performance management system for top, senior and middle management.

HEALTH AND SAFETY

Over the last three years we have implemented and maintained effective and efficient management systems within our occupational health and safety (OHS) programmes. Our OHS aim has been to increase awareness, while empowering our employees throughout all levels of the organisation to take ownership of their own OHS.

The key to a successful OHS programme in our operating context is engagement, representation and support. We have taken a firm stance against employees who have shown disregard for our health and safety requirements.

Our lost time injury frequency rate (LTIFR) at the end of February 2017 remained at 0,10 (Feb 2016: 0,10) and the recordable case rate (RCR) was 0,70 (Feb 2016: 0,59). Subsequent to year-end, we unfortunately recorded a fatality on 18 March 2017 and it is with sadness that we express our condolences to Mr Andile Dlomo's family, friends and colleagues.

SKILLS DEVELOPMENT

A talented and diverse workforce is key to delivering on long-term business sustainability. Improving knowledge, skills and experience of our employees is a vital part in achieving our strategic objectives. Just under R19 million was invested in skills training during the year despite tough economic conditions.

Our skills development goals for 2017 include, but are not limited to, coordination with business units to increase value and participation in existing programmes, implementing an e-learning platform, encouraging professional registration of employees and implementing the group mentorship programme.

ENVIRONMENTAL MANAGEMENT

Consideration for the natural environment is a key topic of conversation with our employees. Our internal orientation programme, that targets all employees, ensures that we impart the required information in order for them to understand our objectives and targets. As a result, our employees are able to make informed decisions about the importance of environmental stewardship. A comprehensive discussion on this subject can be found in our online sustainability report.

TRANSFORMATION

Stefanutti Stocks is actively engaged with the Construction Sector Charter Council, via industry bodies, to align the Construction Sector Charter Codes to the Revised Codes of Good Practice, gazetted by the Department of Trade and Industry on 11 October 2013.

The Revised Construction Codes are expected to be published in the third quarter of 2017. While awaiting the final gazette of the Revised Construction Codes the construction sector has to be measured in terms of the Generic Codes of Good Practice.

Measured against the Generic Codes of Good Practice, the group score declined from a Level 3 status to a Level 4. However, if the group is measured against the old Construction Codes the contributor status would have improved to a Level 2.

A full discussion of our sustainability progress and achievements are contained in our sustainability report available on our website.

RISK MANAGEMENT

During the 2017 financial year we continued to focus on legal compliance as well as monitoring tax and financial risk in respect of cross-border operations. We also paid particular attention to close-out risks on major contracts and increased our focus on our exposures to cybercrime.

For the year ahead, our risk management strategies will focus on enhancing our data security and reducing our legal and compliance exposure in cross-border operations. We will continue with the refinement of financial, commercial and contracting disciplines.

For a detailed discussion on risk management, refer to page 17 of this integrated report.

OUTLOOK AND STRATEGY

Notwithstanding the fact that the South African construction market continues to be extremely challenging, there remains potential growth in certain sectors of the market. These include mining surface infrastructure, marine, petrochemical tank farms, water and sanitation treatment plants and residential and mixed-use building projects, providing opportunities for all our business units, both locally and cross border.

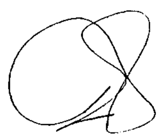
Our multidisciplinary and geographically diversified business structure continues to provide the group with a strong competitive advantage in the sub-Saharan African construction market. We will continue to seek opportunities in Southern Africa and, on a more selective basis, further afield in sub-Saharan Africa. Management constantly reviews and aligns each business unit and its respective divisions with the changes being experienced in their particular markets, to ensure their ongoing sustainability.

The group is adequately capitalised to execute on current market opportunities. I believe that a strong foundation has been laid for Stefanutti Stocks to produce a good performance going forward. A key focus remains to get the business in a position where it can resume dividend payments.

ACKNOWLEDGEMENTS

Bridgman Sithole, Joe Fizelle and Nomhle Canca will retire as non-executive directors at the upcoming annual general meeting. I would like to thank Bridgman, Joe and Nomhle for the support and insight over the last decade under challenging market conditions. The journey was made easier with walking the road with you. Your loyalty and resilience is appreciated having carried the group through the highs and lows which characterised the past few years. I wish you all success for the coming years.

In addition, I would also like to extend my appreciation to the board, management and staff for their continuous commitment and dedication. I also wish to express my gratitude to our customers, suppliers, service providers and shareholders for their ongoing support.



Willie Meyburgh
Chief Executive Officer

13 July 2017

We will continue to seek opportunities in Southern Africa and, on a more selective basis, further afield in sub-Saharan Africa.

CHIEF FINANCIAL OFFICER'S REPORT

Antonio Cocciante
Chief Financial Officer

OVERALL

The group's performance reflects the challenging trading environment and includes certain one-off charges taken to book during the year. Some businesses were further scaled down and restructured due to conditions experienced in their particular markets, and to ensure their ongoing sustainability.

FINANCIAL PERFORMANCE

Contract revenue from operations of R9,1 billion decreased by R611 million compared to the previous year (Feb 2016: R9,7 billion). An operating loss of R106 million was incurred compared to an operating profit of R392 million in the previous year.

The key elements contributing to this decrease in earnings can be summarised as follows:

› The recording of a one-off present value charge of R139 million relating to the Settlement Agreement concluded with the South African Government, as disclosed in the SENS announcement released on 11 October 2016;
› The group tests goodwill for impairment at each reporting period or when there is an indication of impairment. Consequent to the tests done at 28 February 2017 relating to the goodwill attributable to the acquisition of Cycad Pipelines (Pty) Ltd, an impairment of R155 million was brought to account; and
› In accordance with group policy, land and buildings are independently valued every five years. Based on these latest valuations certain properties have decreased in value, resulting in an impairment charge of R15 million. This has been recognised in the statement of profit and loss. However, the same valuation process has indicated that certain properties have increased in value. This has resulted in the recognition of R105 million (net of tax effects) in the statement of changes in equity.

If these one-off items were not taken into account, the adjusted operating profit of R202 million would represent an operating profit margin of 2,2%. This is lower than the group's internal benchmark of between 3% and 4%, and is predominantly due to the poor performance of the Building business. In addition, the group's results have been adversely impacted by a foreign exchange loss of approximately R81 million. This is due to the strengthening of the rand during this reporting period, coupled to the weakening of currencies in certain of the African regions in which the group operates.

Investment income for the year of R45 million has increased by R11 million when compared to the R34 million reported in the comparative period. This is due to the improved cash position of the group. The interest charge for the year has increased to R86 million (Feb 2016: R60 million) primarily due to the additional interest payable on the final instalment of the Competition Commission penalty, which amounts to R38 million for the year (Feb 2016: R18 million).

After taking these factors into account, earnings per share is reported as a loss of 79,3 cents (Feb 2016: earnings per share 104,31 cents). If, however, the impairment charges relating to assets is not taken into account headline earnings per share would be reported as a profit of 10,94 cents (Feb 2016: 89,62 cents). Further, had the one-off Settlement Agreement charge not been taken into account, the adjusted headline earnings per share would be 89,86 cents, which is similar to that reported in the previous year of 89,62 cents.

FINANCIAL POSITION

Capital expenditure for the year amounted to R272 million (Feb 2016: R157 million) of which R156 million relates to the Mining Services operation. Of the total capital expenditure, R186 million (Feb 2016: R82 million) was incurred in maintaining capacity.

CHIEF FINANCIAL OFFICER'S REPORT
CONTINUED

RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2017

	2017	2016	% change year-on-year
Contract revenue (Rbn)	**9,1**	9,7	↓ 6
Operating (loss)/profit (Rm)	**(106)**	392	↓ 127
Adjusted * operating profit (Rm)	**202**	392	↓ 48
Adjusted * profit after tax (Rm)	**152**	185	↓ 18
HEPS (cents)	**10,94**	89,62	↓ 88
Adjusted * HEPS (cents)	**89,86**	89,62	—
Cash on hand (Rm)	**1 158**	851	↑ 36
Net tangible asset value (R per share)	**7,84**	7,79	
Interest-bearing debt to equity ratio (%)	**27,7**	24,5	
Total year-end order book (Rbn)	**13,8**	12,3	

* Excluding one-off costs associated with the Settlement Agreement, impairment of goodwill and land and buildings.

The group's order book is currently R14 billion of which R4,4 billion arises from work beyond South Africa's borders.

The amount of uncertified work included under contracts in progress and reflected within current assets, has reduced to R415 million from R624 million reported at the end of February 2016. However, trade receivables have increased by 16% while debtors days deteriorated from 59 days to 74 days. This is as a result of overdue amounts, which are not subject to dispute, from certain local and cross-border government institutions. We continue to engage with these organisations in order to resolve these outstanding payment issues.

Total interest-bearing debt has increased to R675 million (Feb 2016: R636 million). This includes the full recognition of a liability of R108 million relating to the Settlement Agreement and the last instalment due to the Competition Commission of R137 million. The debt:equity ratio has increased from 24,5% to 27,7%, but still remains below the group's internal benchmark of 35%.

The graphs on page 32 illustrate the movement in cash balances over the year against the comparative year.

The group continues to experience delayed payments from clients on contracts. However, the increase in excess billings over work done to R1,2 billion (Feb 2016: R740 million) resulted in cash generated from operations increasing to R616 million (Feb 2016: R30 million).

This includes an inflow from working capital of R274 million (Feb 2016: R440 million consumed by working capital). The balance of the proceeds from the sale of the investment property and Zener Steward LLC in the prior year, resulted in an inflow of R87 million (Feb 2016: R75 million). As previously mentioned, the strengthening of the rand during the year had a negative effect on the translation of the foreign cash earnings. The group's overall cash position has increased by R307 million to R1,158 billion (Feb 2016: R851 million).

OPERATIONS

Owing to a reduction in the number of infrastructure projects available, and delays in the awarding of contracts during the year, RPM's contract revenue reduced to R2,2 billion (Feb 2016: R2,6 billion), with a reduction in operating profit to R162 million (Feb 2016: R213 million). The operating profit margin decreased from 8,1% to 7,4%.

While the Mechanical Division was negatively affected by the shortage of work in its traditional mining infrastructure environment, the remainder of the M&E Business Unit performed to expectation on the back of petrochemical projects. Contract revenue declined to R1,1 billion (Feb 2016: R1,2 billion). Operating profit reduced to R40 million (Feb 2016: R66 million) with a reduction in operating profit margin to 3,6% (Feb 2016: 5,4%).

CHIEF FINANCIAL OFFICER'S REPORT
CONTINUED

CASH MOVEMENTS (RM)

28 FEBRUARY 2017		29 FEBRUARY 2016
851	**Opening cash balance**	815
342	Cash generated from operations	470
274	Working capital changes	(440)
35	Net investment and dividend income	16
(102)	Taxation paid	(133)
(84)	Investing activities	(126)
87	Proceeds from assets held for sale	119
(165)	Financing activities	55
(80)	Exchange rate effects and other	75
1 158	**Closing balance**	851

Due to the continued decline in infrastructure projects emanating from both the government and private sectors, Structures ended the year with a reduction in both contract revenue and operating profit to R1,8 billion (Feb 2016: R2,1 billion) and R26 million (Feb 2016: R47 million) respectively. An operating profit margin of 1,5% compared to the 2,2% for the comparative year, bears testament to the decline in the infrastructure market serviced by this business unit. During the year, the business unit was scaled down further and restructured in alignment with prevailing market conditions.

The Building Business Unit's contract revenue increased to R4,0 billion (Feb 2016: R3,7 billion). However, the completion and finalisation of loss-making projects together with certain unrecovered holding costs contributed to an operating loss of R2 million (Feb 2016: R45 million profit excluding the profit on sale of investment property and fair value adjustment). During the year the business was scaled down and certain divisions amalgamated in order to improve efficiency and reduce costs. The profit of the equity accounted United Arab Emirates operation, amounting to R41 million (Feb 2016: R19 million), is excluded from the group's operating loss.

DIVIDEND

The group did not declare a dividend for the current financial year.

SUBSEQUENT EVENTS

There were no other material reportable events which occurred between year-end and the date of this report.

SHARES

REPURCHASE

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

PERFORMANCE

During this reporting period 29,9 million (previous year 36,9 million) shares were traded on the JSE's trading platform. The highest closing price recorded was R4,90 per share (Feb 2016: R7,40 per share) while the lowest closing share price was R3,40 per share (Feb 2016: R2,98 per share).

APPRECIATION

I would like to express my gratitude to the finance teams and other service departments, for their continued dedication and commitment to the group.

Antonio Cocciante
Chief Financial Officer

13 July 2017

OPERATIONAL FOOTPRINT

Registered offices

Established operation

Projects undertaken

OPERATIONAL REVIEW
Roads, Pipelines and Mining Services (RPM)

MANAGING DIRECTOR: RUSSELL CRAWFORD

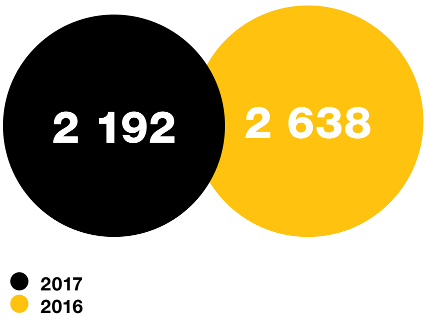
STRATEGIC FOCUS

- Simplify systems to improve efficiencies
- Continue with efforts to find innovative procurement and project funding methods
- Assist TN Molefe Construction with skills development, systems and resources to achieve VRP goals
- Improve safety culture and performance
- Drive the "Founder's Mentality" philosophy and the Stefanutti Stocks Way guiding principles

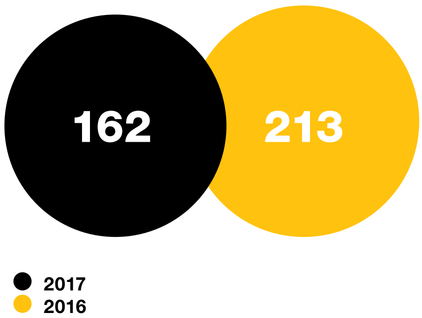
LEGEND	ORDER BOOK (RM)
2017	R5 000
2016	R4 900

	OPERATING MARGIN	LTIFR
2017	7,4%	0,07
2016	8,1%	0,04

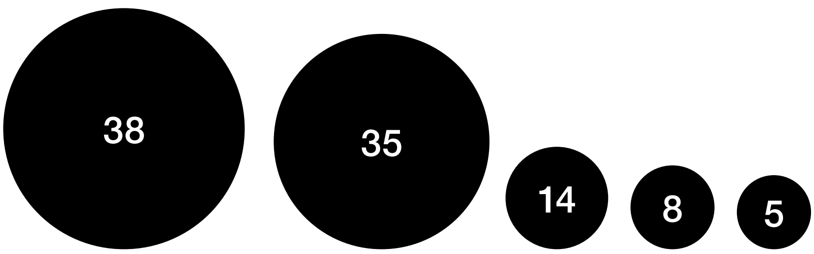
CONTRACT REVENUE (RM)



OPERATING PROFIT (RM)



TURNOVER BY SECTOR (%)



38 Mining and mining infrastructure
35 Transport infrastructure
14 Bulk earthworks and industrials
8 Energy generation
5 Water and sanitation

OPERATIONAL REVIEW
ROADS, PIPELINES AND MINING SERVICES (RPM) CONTINUED

PERFORMANCE AND PROJECT UPDATE

RPM performed commendably during the year under review despite challenging conditions with fewer available infrastructure projects and delays in the awarding of contracts. Contract turnover reduced to R2,2 billion year-on-year (Feb 2016: R2,6 billion). Operating profit for the year under review was lower at R162 million (Feb 2016: R213 million). RPM's operating profit margin reduced to 7,4% compared to the previous year (Feb 2016: 8,1%).

RPM's cross-border activities comprise a general contracting approach, which enables the business unit to take advantage of the limited but variable characteristics of market opportunities in sub-Saharan Africa.

Roads and Earthworks, including Zambia and Swaziland, delivered good results. These divisions are receiving a steady flow of tender enquiries. However, operating margins remain under pressure as a result of the competitive trading environment.

Due to the improvement in commodity prices, prospects for the Mining Services Division improved during the year. Recently awarded contracts have bolstered the Mining Division's medium-term order book, and some promising contracts are anticipated in the short term.

Pipelines produced a disappointing set of results because of a lack of sizeable projects, as well as losses incurred on legacy projects. As a result of a shortage of available projects and inconsistency in the processes applied to the award of tenders, the Pipelines Division is being incorporated into the Roads and Earthworks Division.

The Zambian Division performed well and in line with expectation. This is an example of the strategy to secure privately funded cross-border projects, which has lead to improved working capital management and the ability to earn hard currency. This has been achieved, notwithstanding that work on the Zambian public sector road projects has been stopped as a result of long outstanding payments. These amounts are not subject to dispute. Ongoing discussions are held with the Zambian Roads Development Agency to resolve outstanding payments prior to the recommencement of these contracts.

Cash collections in Nigeria remain challenging due to fiscal monetary constraints. Payments are being received and we remain in continuous discussions with the relevant states to resolve the outstanding debt. Limited work has resumed on the road projects that had previously been stopped due to nonpayment.

At year-end, RPM's order book was R5,0 billion (Feb 2016: R4,9 billion), of which R2,3 billion (Feb 2016: R1,9 billion) will be executed during the 2018 financial year.

NOTABLE PROJECTS

Mining Services' Opencast Mining department continues to perform well with encouraging signs of an improvement in the market. There are a number of significant prospects including two mega projects. The successful **Kangala Colliery** has ramped up production with a further possible increase in the near term. Although the Foskor contract was completed, we were requested to return to the project on a one-year contract, with the option to renew for a further two years. The newly awarded **Thutsi Colliery project**, near Ermelo, was started during the year and is progressing well.

Materials Handling operates in coal projects in the Mpumalanga coalfields. Despite pressure on margins and increasing safety regulations and procedures, the division has performed well. It has renewed some of its long-term contracts and is looking at new markets for expansion.

The performance of the restructured Tailings Division has improved despite difficult market conditions. It continues to benefit from long-term contracts and deploys innovative methods to secure new work and grow margins.

The Botswana Division is competing in a difficult market with a limited number of projects coming to market. The **Sir Seretse Khama International Airport (SSKIA) project** was completed during the year. The new **Kasane Airport project** for the upgrade of the existing facility as a domestic terminal is progressing well and scheduled for completion in 2017. The success of these projects has bolstered our capabilities and reputation in the aviation sector.

Swaziland's 400-seater **International Convention Centre (ICC)** project is progressing well. The country's Ministry of Economic Planning and Development awarded the contract in 2015. The project consists of the construction of a 40 000m^2 single building, housing a 1 800 seat theatre, as well as an exhibition centre, conferencing chambers, a restaurant and a multi-purpose hall. The structure is largely complete, including its 60 000m^2 roof. The project is on schedule and due for completion in 2018, well in advance of the African Union Summit planned for 2020.

Swaziland's ongoing **Biotechnology project** received another boost during the year from the Ministry of Information, Communication and Technology, with the award of a Bio Service Centre, being a R65 million project due for completion in mid-2017.

TOP TEN PROJECTS BASED ON VALUE EXCL. VAT

PROJECT NAME	DURATION	PROJECT VALUE	LOCATION
Kusile Power Station — earthworks	106 months	R813 million	Mpumalanga
Universal Coal – contract mining	106 months	R779 million	Mpumalanga
Foskor — contract mining	12 months	R483 million	Limpopo
Ufuma — road	55 months	R374 million	Nigeria
Liqhobong Diamond Mine — mine infrastructure	29 months	R345 million	Lesotho
Airport to Arcades — road	28 months	R333 million	Zambia
Sikhupe — road and building	24 months	R323 million	Swaziland
South 32 — mine infrastructure	84 months	R207 million	Mpumalanga
Mafube — mine infrastructure	16 months	R294 million	Mpumalanga
Kalabo — road	24 months	ZMW 959 million	Zambia

Another noteworthy project award was the **Nhlangano Waste Water Treatment Works**, a R170 million contract due for completion early 2018.

The Zambian Division's good performance came from privately funded projects. The division was awarded the prestigious **Freedom Park project** in Kitwe, which includes a 140-bed hotel and two office blocks with associated roads and infrastructure. This 18-month, R600 million project is due for completion during 2018. A **110km road in Western Zambia**, was awarded to the division in a joint operation with an international construction company. This R1,4 billion contract commenced in late 2016 and is scheduled for completion in late 2018 and will link Zambia with Angola.

SUSTAINABILITY MATTERS

SKILLS DEVELOPMENT AND TRAINING

We understand the importance of having people who can meet our own performance expectations as well as those demanded by today's competitive market. To this end, we believe in providing for the needs of our business by addressing the needs of our individual employees through a continuous cycle of crucial skills development and training.

Eleven candidates are due to complete our Foreman Development Learnership NQF4 programme in October 2017. This initiative has been highly successful, with a pass rate of more than 80%. New groups of candidates will be registered and entered into the programme as required.

Our cadet safety officer programme has been consistently successful. This is a flagship project, and our 100% pass rate has been maintained. The third and fourth intakes of cadets commenced their theoretical studies in December 2016, and are due to complete the course in July 2017. The programme will be concluded once the cadets have completed their practical training in 2019. The latest intake consists of 22 employees from designated groups, of which four are female.

To date, more than 800 operators have been successfully trained on the equipment simulators (SIMSET) at our training and mobile centres. The simulators have become an invaluable resource and learning methodology to enhance operator skill levels for employees in the Mining and Roads and Earthworks operations. The centre is ISO 9001:2008 and the Mining, Engineering and Related Services SETA accredited.

The internal training of apprenticeships has begun to bear fruit. Six apprentices successfully qualified as earthmoving equipment mechanics and auto electricians. The Tailings Operations/Slimes Reclamation learning programme has been successful. We are currently training 23 apprentices at our training centre, 12 of whom are from designated groups.

We are training six mining engineer interns in conjunction with the Mining Qualifications Authority (MQA). They are expected to complete their internship in October 2017. We also have a full mentorship programme, which is run to facilitate the MQA process.

There was an additional intake of five mining interns in May 2017. Of the 11 engineering bursaries which have been awarded, 10 are from designated groups. An additional 15 related bursaries have been awarded, of which seven are allocated to individuals from designated groups.

INITIATIVES

In terms of the Occupational Health and Safety (OHS) Act and the Mining Health and Safety Act, we are aligned to the group's OHS management systems, as well as relevant statutory requirements. Although the group aims for zero harm, the lost-time injury frequency rate (LTIFR) and the total recordable injury frequency rate (TRIFR) benchmark is set at 0,1 and 0,7 respectively. RPM outperformed both of these benchmarks (0,07 LTIFR and 0,62 RCR) in the year under review. This was due to successful improvement strategies such as greater visible engagement, monitoring of feedback information and a reduction of repeat incidents through lessons learned.

ISO 14001, the environmental management standard, has been implemented in all of our South African divisions. In this regard, our Plant Department is investing in a hydraulic oil-recycling scheme, which aims to lower the wear on equipment by feeding cleaner oil, while reducing the amount of waste oil generated by reusing oil. The waste oil will be transported from various sites around Gauteng, Mpumalanga, Limpopo and North West. The kidney filtration process will be used to filter the used oil, and the cleaner oil will be redistributed across the participating sites. It is anticipated that when fully operational, this initiative will not only save the environment, but also reduce the cost of purchasing oil drastically.

To reduce our environmental impact, various ISO 14001 related reduction initiatives are currently underway. Although these initiatives are centrally driven, the challenge lies in the management of individual projects and their circumstances. It is therefore important to individually assess each project's impact, set reduction targets based on what is achievable for each site, and consolidate these into a concerted effort across the business unit. This year, our aim is to reduce our greenhouse gas emissions, waste disposal and water usage on sites. An important waste disposal and water initiative is the installation of efficient wash bays, which are fitted with special water and oil separating mechanisms. Both the water and the separated oil are recycled.

AWARDS AND ACCREDITATIONS

Roads, Earthworks and Pipelines accreditations:

- ISO 9001:2008 certified September 2016
- ISO 14001:2014 certified
- OHSAS 18001 certified 2015-2018

Mining Services accreditations:

- ISO 9001:2008 certified
- ISO 14001:2004 certified
- OHSAS 18001 certified 2016 – 2019

Swaziland accreditations:

- ISO 9001:2008 certified
- ISO 14001:2004 certified
- OHSAS 18001 certified 2016 – 2019

Zambia accreditations:

- ISO 9001:2008 certified March 2017

Botswana accreditations:

- ISO 9001:2008 certified November 2016

Training Department accreditation:

- ISO 9001 certified

STRATEGIC OUTLOOK

Most of RPM's forecast turnover for the new financial year has already been secured. We are, however, mindful of the slow growth of the South African economy, which continues to place pressure on operating profit margins. Government has committed to spend on various infrastructural projects, which could stimulate the economy. With the improvement in mineral prices, we have experienced an increase in the number of tenders stemming from the mining industry. We are cautiously optimistic that this market will continue to grow. Our one-stop-shop collaboration concept for open-pit mining projects continues to offer opportunities, albeit taking longer to secure.

With more than 35% of profitable work consistently coming from outside South Africa, our focus will remain on opportunities particularly in Zambia, Swaziland and Botswana. Fiscal and political challenges will be mitigated by careful selection of projects payable in hard currencies. We will continue to identify opportunities to facilitate project funding.

Excellence in execution is a driving factor in all our projects, and through constant innovation, we will continue to grow and enhance the presence and capabilities of the business unit.

CASE STUDY

SILVER LAKE COAL OPEN PIT CONTRACT MINING PROJECT

Mining Services is pleased to announce that the surface right for the Leliefontein Reserve has now been secured. As a result, the site establishment process for Leliefontein commenced in April 2017, the mining equipment was procured, recruitment completed and mining commenced. The first coal was produced at the Leliefontein Project, as expected, on 9 May 2017.

OVERVIEW

In the three years leading up to the finalisation of a contract mining agreement between Silver Lake Mining (a junior miner client) and Stefanutti Stocks, the group's Mining Services Contract Mining Division worked closely with the client to establish the feasibility of mining two coal mine reserves that form part of the Silver Lake Mine Reserve, about 10km outside Ermelo, in South Africa's province of Mpumlanga.

During this period, all the necessary government approvals were obtained, and Silver Lake secured coal sales agreements with, among others Vesquin, a B-BBEE entity owned by Vitol. The Silver Lake project makes provision for mining two separate mine reserves, about 12km apart, namely Uitgevallen and Leliefontein, each with its own unique raw coal quality profile.

Various mine designs were explored, and the design that was ultimately chosen allowed for both reserves, to be mined simultaneously. In order to produce the required coal product qualities under the coal sales agreement. Unfortunately, a delay in securing the surface rights of the Leliefontein reserve meant that simultaneous mining was not possible. To accommodate this unexpected turn of events, the planning and management teams reconfigured the Uitgevallen Mine schedule to produce the required coal product with the right qualities, allowing mining of the Uitgevallen reserve only, while the client secured the Leliefontein surface right.

Following the signature of the commercial agreement, the site's establishment and mobilisation at Uitgevallen began in June 2016. The phase included: constructing offices and workshops, recruiting, training and appointing all staff and operators, procuring mining equipment, transporting the equipment, constructing haul roads and laydown areas and preparing waste rock dumping facilities and run of mine (ROM) stockpile area.

PROJECT OPERATIONS

Mining at Uitgevallen commenced in August 2016, with most of the management team appointed from the division's Kangala and Foskor projects. Assisted by representatives from the Msukaligwa community, most operators and support staff were sourced from the local Ermelo Municipal Area, accounting for 85% of the project's total staff complement. Bolstered by a number of highly experienced individuals, the new team has integrated well in a relatively short space of time.

To further enhance the team's performance, a process was implemented whereby everyone takes responsibility for his/her tools and machinery, uses them effectively and makes a positive contribution to the project. Every individual on site has an equally important task to perform, which builds a positive attitude on the project.

The mining operations at Uitgevallen include mine planning and scheduling, drilling, blasting, loading, and hauling. The first coal was ready for processing by mid-October 2016. The production quantities at Uitgevallen were doubled, while the Leliefontein surface rights were being secured.

The Silver Lake project has an estimated lifespan of eight years over which time, approximately 5,7 million ROM tons of coal, and 28,5 million bank cubic metres (bcm) of waste material will be moved. A fleet of 40-ton ADTs for coal removal, 87-ton excavators and 60-ton rigid dump trucks for waste removal are being used on site. As the mining faces are advanced, the overburden material that is mined out goes back into the void created, where mining operations have been completed.

Material is stockpiled upfront, rehabilitation is done as operations progress, and at the end of the contract's lifespan, the reserves are restored to the original ground level.

CONCLUSION

The contract is a landmark for the division, assisting the client by internally funding the project's initial costs. The client benefits by selling its mined coal to generate cash flow and service the funding. An agreement has been reached between the division and Silver Lake regarding risk mitigation measures, as well as the coal off-taker in the contract to cover the division's exposure. Working closely with the client, controls and management systems have been implemented to manage certificates and cash flow. These actions, combined with effective communication and cooperation, resulted in a better than expected performance, reducing the negative cash flow period.

To date, the project has performed according to plan. Over the past three years, the division has developed a strong relationship with the mine's owners, which is beneficial to the sustainability of the eight-year project. Under the auspices of the RPM Business Unit, the Mining Services Division has fully designed, planned, scheduled, constructed, operated and even funded the contract.

In a display of team building, the site's staff put together a successful soccer team, which is performing well against local competition. The contract's production manager donated a number of Blesbok (antelope) to the site, which he relocated from his smallholding. The animals are accommodated on a portion of land allocated by the owners and have adapted well to the mining environment since being adopted by the team as site mascots.

The mine's owners have entrusted the execution of this model project to the team at Stefanutti Stocks and the group is thankful for their contribution towards making it a success.


HD465
Stefanutti Stocks
KOMATSU
MDR 65014
KOMATSU
14
Stefanutti Stocks
MDR 65014
JUMP START PLUG

OPERATIONAL REVIEW
Mechanical and Electrical (M&E)

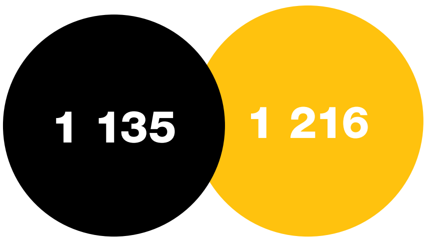
MANAGING DIRECTOR: VINCE OLLEY

STRATEGIC FOCUS

- Increase our client base in the oil and gas sector
- Include tank building in service offering
- Further develop international and local partnerships to increase our skills offering and capacity
- Develop a pipeline of cross-border work in all divisions
- Improve our safety culture and performance
- Drive the "Founder's Mentality" philosophy and the Stefanutti Stocks Way guiding principles

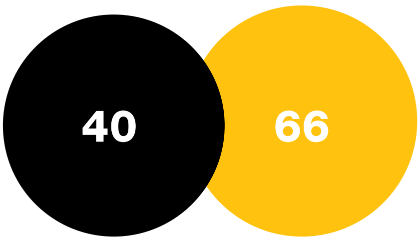
LEGEND	ORDER BOOK (RM)	OPERATING MARGIN	LTIFR
2017	R780	3,6%	0,08
2016	R1 200	5,4%	0,13

CONTRACT REVENUE (RM)



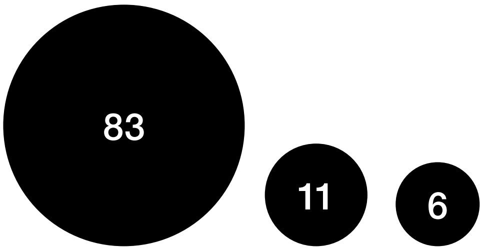
- 2017
- 2016

OPERATING PROFIT (RM)



- 2017
- 2016

TURNOVER BY SECTOR (%)



83 Oil and gas
11 Mining infrastructure
6 Energy generation


B78

OPERATIONAL REVIEW
MECHANICAL AND ELECTRICAL (M&E) CONTINUED

PERFORMANCE AND PROJECT UPDATE

While the Mechanical Division was negatively affected by the shortage of work in the traditional mining infrastructure environment, the Oil and Gas and Electrical and Instrumentation Divisions performed to expectation on the back of petrochemical projects. Contract revenue declined to R1,1 billion (Feb 2016: R1,2 billion). Operating profit reduced to R40 million (Feb 2016: R66 million) with a reduction in operating profit margin to 3,6% (Feb 2016: 5,4%).

The South African mining environment is showing signs of recovery. Despite reduced spending, the Sasol environment still offers specific opportunities. We have secured sufficient work to sustain our Mechanical and Electrical and Instrumentation Divisions for the coming financial year, while our Oil and Gas division expects reduced turnover for the same period. Mechanical's order book increased, with recently awarded contracts at Sishen and our first cross-border contract award in Kenya, a major step towards delivering on our 2018 strategy.

The business environment both within South Africa and cross border remains challenging. Contracts are fiercely competed for, putting pressure on margins, and we continue to experience delays in the awarding of contracts. We note some improvement in the number of tenders emanating from the mining sector. The oil and gas market remains constrained due to the low crude oil price and reduced spend by our clients. There has, however, been an interest in tank farm development and we have positioned ourselves to compete for the work, which is now coming to market.

Celik Engineering (Pty) Ltd, an empowered mechanical business, and KLB Mkhize (Pty) Ltd, an empowered electrical and instrumentation business, had a slow year but have improved prospects for the 2018 financial year.

Celik Engineering (Pty) Ltd has relocated into a much improved fabrication facility and KLB Mkhize (Pty) Ltd are expecting to benefit from Sasol's maintenance projects.

Although M&E's reduced order book is a concern, opportunities remain in the petrochemical sector with the planned construction of fuel storage tanks. In addition, cross-border work in the mining surface infrastructure environment could generate work for all the divisions in this business unit. At year-end, our order book was R780 million (Feb 2016: R1,2 billion).

NOTABLE PROJECTS

We are currently constructing the largest oxygen train plant in the world — the **17th Oxygen Train Project** in Secunda for French company Air Liquide. The cold box is 64m high, weighing 422 tonnes. There is approximately 1 500 tonnes of structural steel to be erected and 1 745 tonnes of mechanical equipment to be installed. The heaviest lift is the main air compressor, weighing 250 tonnes. The piping fabrication and erection is around 60 000 diameter inches. The size of the project, its complexities and the type of materials with which we work requires specialist construction skills.

Because aluminium welders are scarce in South Africa, significant training was undertaken to upskill artisans to perform to project specifications. The heavy lifts on the project were all successfully completed and the team is working diligently to progress the critical "cold section" of the plant. We aim to complete the project on schedule so that the client can deliver in line with its contractual commitment to Sasol. This project is discussed in more detail on page 44.

The Oil and Gas Division's **Tar Separator Project** in Secunda incorporates all of our construction disciplines. This project was undertaken in a live petrochemical plant wherein operating permits had to be obtained for almost every activity. The project scope was extended to include other brownfields work. This significantly increased scope and placed time constraints on the project team. The plan was revised with a fixed end date of June 2016. The assembly and implementation of an integrated management team consisting of the client's project team and our operational and site teams was a model that proved to be successful. The plant was handed over earlier than planned, a significant achievement considering the increased workload and daily design changes required to integrate the new equipment into the existing plant.

The Electrical and Instrumentation Division won the opportunity to be part of the **Volatile Organic Compounds project (VOC)** in Secunda. We were awarded the contract as the preferred electrical and instrumentation subcontractor commencing in April 2015. The scope of work was to install all electrical and instrumentation equipment in the control rooms and the associated field devices, which control the operation of the process. The project consisted of three different plant areas. The first unit was completed in December 2016, the second unit in February 2017 and the third, and most challenging unit, completed in April 2017. A total of 108km of cable was installed on the VOC project, while 1 683 instrumentation-related items and signals were connected to the control system.

We are currently working on the **Electrical and Instrumentation Maintenance project** on the Sasol Secunda site. The contract consists of three sections and includes electrical and instrumentation works on most of the Sasol 2 and 3 process plants. The electrical contract consists of work on the Sasol 2 plant and we are involved in maintenance and new

TOP TEN PROJECTS BASED ON VALUE EXCL. VAT

PROJECT NAME	DURATION	PROJECT VALUE	LOCATION
Tar Separators East — petrochemical	24 months	R380 million	Mpumalanga
CTFE Filter Press — petrochemical	28 months	R330 million	Mpumalanga
Plant Maintenance — petrochemical	12 months	R316 million	Mpumalanga
E&I Plant Maintenance — petrochemical	12 months	R300 million	Mpumalanga
Oxygen Train 17 — petrochemical	16 months	R240 million	Mpumalanga
VOC Plant — petrochemical	18 months	R143 million	Mpumalanga
CTFE Filter Press — petrochemical	20 months	R103 million	Mpumalanga
EXXARO — mine infrastructure	13 months	R100 million	Limpopo
Kusile Structures — energy	18 months	R92 million	Mpumalanga
Sishen Tanks SMPP — mine infrastructure	10 months	R85 million	Northern Cape

installations of both low and extremely high voltages up to 33kv. A significant portion of our work deals with emergency situations relating to plant breakdown and loss of production, which requires our availability on a 24/7 basis. We perform much of our work in hazardous areas, which requires specialist skills.

We also serviced the **Sasol 2 and Sasol 3** sites with their instrumentation in the plant and control rooms. Approximately 180 of our employees service Sasol on this contract and we balance our manpower complement to the client's monthly work requirements.

SUSTAINABILITY MATTERS

SKILLS DEVELOPMENT AND TRAINING

It is our policy to identify high potential candidates within our own workforce and offer them further development opportunities.

As in previous years, we continued to follow a practical approach to our training programme, whereby our formal skills development efforts were focused on our accredited apprenticeship programmes. We concentrated on training candidates in our core trades of welding, electrical, instrumentation and mechanicals. Our three-phase apprenticeships usually take three years to complete. The phases cover training in both theoretical and practical work experience, and offer candidates a recognised trade qualification. After completing their theoretical training, the apprentices are assigned to one of our M&E operations to gain practical experience.

This year, we have 16 apprentices progressing with training, 12 of whom are from designated groups and three are female. Two outstanding apprenticeships, Motlalepula Seage, a female diesel mechanic apprentice and Amon Phiri, an electrical apprentice, are discussed in more detail in our online sustainability report.

Our special mentoring programme upskills candidates by allowing them to complete a formal, structured two-year rotational programme between relevant departments.

Our bursar programme focuses on upskilling our employees, who show potential to advance their careers. We had two bursars during the year under review and have subsequently identified a further six for the coming year, four of whom are from designated groups.

INITIATIVES

We continue to bolster our multidisciplinary mechanical, electrical and instrumentation capabilities.

Our strategy to participate in the large tank farm projects progressed during the year. We have aligned ourselves with an international tank building company and together we have submitted our first tender to Vopak for the Heidelberg tank farm. We have also aligned with a local company to enable us to participate on smaller tank farm opportunities.

This year we introduced Celik Engineering (Pty) Ltd and KLB Mkhize (Pty) Ltd, our two empowered B-BBEE companies, to the local market. Both companies stand to benefit from being developed further, and receive valuable support and growth opportunities within M&E. During the year under review, Celik Engineering (Pty) Ltd successfully completed a structural steel fabrication project and has recently relocated into suitable premises to further its capacity. Our ongoing enterprise development initiatives include supporting suppliers to ensure they provide suitable quality products and services.

Our focused approach on cross-border work has made good progress during the year under review. We now possess a comprehensive list of genuine opportunities and we have introduced ourselves to the clients and engineering companies that manage these projects. Pursuing this strategy has resulted in us securing the Kwale project in Kenya, and we are currently bidding for projects in Ghana.

AWARDS AND ACCREDITATIONS

The Mechanical Division received awards for the following achievements:

- The Bafokeng Rasimone Platinum Mine Merensky project was completed with zero harm over a duration of 15 months
- Sishen projects were completed LTI-free

The Electrical and Instrumentation Division received awards for the following achievements:

- Maintenance contract in Secunda achieved 1 500 000 incident-free hours
- FTWEP WP 05 & WP07 projects in Sasolburg completed without injury
- C3 Expansion project at Secunda completed without injury
- GG10 Exxaro project completed LTI-free. Certificate of achievement to PC1 and GG10 Projects for achieving 180 LTI-free days

The Oil and Gas Division received awards for the following achievements:

- Sasol T17 ASU project achieved 500 000 LTI-free hours
- Natref FCC project achieved 214 recordable case-free days
- Employees at IMT and CTF East projects in Secunda were awarded Certificates for Outstanding Safety Performance

All M&E divisions retained ISO 9001 certification during their recertification and surveillance audits. The accreditation agencies, TUV and Dekra conducted successful audits on the divisional quality management systems.

All M&E divisions retained OHSAS 18001 certification. The M&E Health and Safety Management System recertification audit was successfully conducted by Dekra.

STRATEGIC OUTLOOK

The Mechanical Division, will continue to focus on mining and related work within South Africa. There are signs of some improvement in this sector. The cross-border work that has been identified is also becoming a reality. The operational teams have been strengthened with experienced resources to be able to execute the Kwale project in Kenya. The division cooperates closely with other businesses within the group on multidisciplinary projects, both locally and cross border.

In our Oil and Gas Division, our focus will remain on the oil and gas sector within South Africa and specifically on the tank farm projects, which have started to come to market. We will look at opportunities in Mozambique as and when these materialise.

Our Electrical and Instrumentation Division will remain focused on oil and gas, mining and industrial projects within South Africa and cross border.

Both Celik Engineering (Pty) Ltd and KLB Mkhize (Pty) Ltd are now integrated and fully operational. The two companies have the appropriate certifications, operational processes and quality systems to allow them to operate in the petrochemical and energy sectors. We intend to broaden our focus and client base through these entities.

We are confident in our market-focused approach and our ability to capitalise on future prospects despite the prevailing challenging business conditions.

CASE STUDY
CONSTRUCTING THE WORLD'S LARGEST AIR SEPARATION UNIT FOR AIR LIQUIDE

The Oil and Gas Division's contract, Air Liquide's new Air Separation Unit (ASU) Train 17 to supply Sasol in Secunda, is the largest of its kind in the world. The complete and fully operational facility will have a total capacity of 5 000 tons of oxygen per day (tpd), which is equal to 5 800tpd at sea level.

The construction of this incredible industrial gas production facility reached mechanical completion in July 2017 and is set to be commissioned between August and October 2017. Air Liquide's contract to supply oxygen and nitrogen to Sasol commences 1 December 2017.

A world first, the project marks a significant milestone in the history of industrial gas production. Therefore, a project of this scale demands that benchmark efficiencies are provided. In the construction of the ASU, absolute reliability, strict safety and a number of state-of-the-art technologies had to be implemented.

The Oil and Gas Division's scope of work for the construction of the ASU train 17 included:

- **The installation of 1 500 tons of structural steel;**
- **The installation of 1 750 tons of mechanical equipment;**
- **The installation of 116 000 diameter inches of pipe fabrication;**
- **The erection of 240 tons of supports;**
- **Scaffolding;**
- **Insulation;**
- **Painting;**
- **Non-destructive testing (NDT); and**
- **Chemical cleaning.**

The project has a number of unusual aspects, including the sheer size of the piping, with the largest diameter measuring 2,85m. The process lines will have to transfer pure oxygen and are therefore a potential explosive or a fire risk. To ensure that all grease, oil, dirt and grit is removed, the pipes and systems are chemically cleaned.

Large quantities of stainless steel piping are installed in the 60m-high cold box, which houses some very large equipment. To facilitate the piping installation, the cold box required scaffolding throughout its construction, in order for the Oil and Gas team to access what was a very confined workspace.

Due to its unprecedented size, the ASU design posed a number of challenges with regard to transport, constructability and construction sequencing. This meant striking the right balance between the pre-fabrication of piping and components, as well as access for maintenance and operability.

The ASU boasts the world's largest air compressor and electric motor. Rigging these and other major pieces of equipment required highly skilled capabilities, as did the challenging installation of the distillation columns. Perfect weather conditions were also essential for the challenging rigging activities and on occasion, the lifts were delayed due to safety considerations.

Working at a height of 30m, one of the biggest challenges was to align and weld 'K01' and 'K02' (two stainless steel columns each measuring 6m in diameter) on top of one another. The team then had to align and place another column, weighing 160 tons, on top of the 30m-high column. The columns were held in place by a 750-ton crane, finally standing 66m high once aligned, welded and assembled by the team.

The 60m-high argon box was delivered in two separate pieces, which were then lifted, aligned and attached to one another. Its casings were delivered complete, fully loaded with equipment and piping. Standing 30m high, the lower part of the box weighs about 240 tons, while the upper part weighs around 306 tons. All the equipment installed had to align perfectly for the ASU process to function as designed.

The very large aluminium heat exchangers required approximately 5 000 diameter inches of specialist, on-site aluminium welding. The sheer volume of welding required for the scheduled construction meant that several of the team's core welding personnel needed skills upgrades. In addition, Air Liquide recruited and mobilised another four expatriate welders to assist.

The project marks the third ASU constructed by the division's management team in Secunda. In the past 10 years, the team has built ASU trains 15 and 16, each with a capacity of 3 500tpd. The competency and experience gained during the construction of the ASUs is proving to be a great asset, which bodes well for future projects.

The team achieved a very good safety performance on the project — by the end of April 2017, over 1 000 000 man-hours had been worked without any lost-time incidents.

OPERATIONAL REVIEW
Structures

MANAGING DIRECTOR: WERNER JERLING

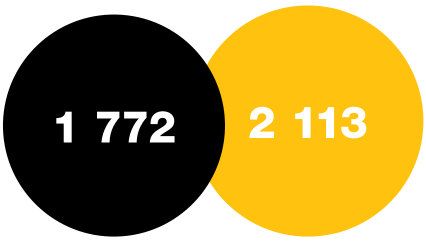
STRATEGIC FOCUS

- Expand offering on effluent, water and waste water treatment plants
- Continue to focus on mining infrastructure, process plants, various power generating facilities and marine construction
- Expand offering on the construction of concrete structures by using slipform hydraulic lifting, incremental bridge launch techniques and a hybrid of precast and insitu concrete construction methods
- Assist Axsys Projects with skills development, systems and resources to achieve VRP goals
- Improve safety culture and performance
- Drive the "Founder's Mentality" philosophy and the Stefanutti Stocks Way guiding principles

LEGEND	ORDER BOOK (RM)
2017	R2 300
2016	R2 000

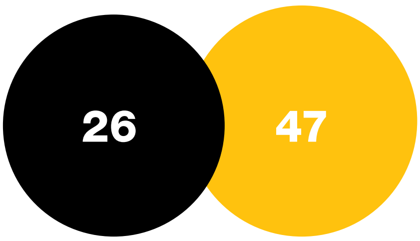
	OPERATING MARGIN	LTIFR
2017	1,5%	0,07
2016	2,2%	0,21

CONTRACT REVENUE (RM)



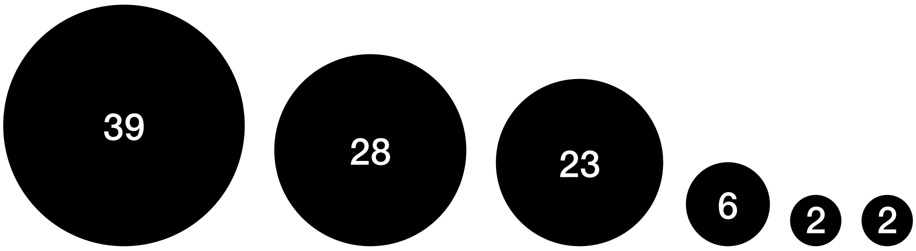
2017
2016

OPERATING PROFIT (RM)



2017
2016

TURNOVER BY SECTOR (%)



39 Transport infrastructure
28 Energy generation
23 Water and sanitation
6 Bulk earthworks and geotechnical
2 Mining infrastructure
2 Industrial plants, oil and gas

OPERATIONAL REVIEW
STRUCTURES CONTINUED

PERFORMANCE AND PROJECT UPDATE

Structures' performance was hampered by a diminished supply of government and private sector infrastructure projects. Contract revenue for the year was lower at R1,8 billion (Feb 2016: R2,1 billion) while operating profit reduced to R26 million (Feb 2016: R47 million). Structures' operating profit margin of 1,5% compared to the 2,2% for the previous year, is indicative of the decline in the projects available in the infrastructure market. In order to align the business unit to these market conditions, it was further scaled down and restructured during the year under review.

Our improved cash generation for the year under review was pleasing. This was achieved through contract performance as well as the resolution of claims, the recovery of outstanding payments and the management of work in progress.

The completion of the restructuring process saw the formation of our new Coastal Division created by combining Civils KZN and Marine Divisions. The Coastal Division completed and resolved problematic contracts and secured new projects in the water and infrastructure markets. Cross-border Marine projects have been secured during the year and the division has a satisfactory order book. However, the environment in which we operate continues to be competitive, with profit margins and our order book remaining under pressure.

At year-end, Structures' order book was R2,3 billion (Feb 2016: R2,0 billion).

NOTABLE PROJECTS

For SANRAL, our Coastal Division is constructing a 97m span arch bridge over the **Olifants River**, upgrading the approach roads and the rehabilitation of the existing bridge. The arch spanning the river requires expertise in construction, considering that seasonal river flooding must be accommodated. The rehabilitation work on the existing bridge includes the repair of spalled concrete, strengthening the arch in the transverse direction and applying a protective coating to the arch. Working under traffic conditions on this busy road is challenging. The completion of this prestigious project will have a positive impact on the area by enhancing safety and reducing traffic congestion.

The **Majuba Coal Silos project** addresses the Coal Silo 20 at the Majuba Power Station in Mpumalanga, which collapsed in late 2014. Investigations by an Eskom engineering team found damage to the silo's lift shaft and conveyor piers as well as damage to two more adjacent silos. We were awarded the engineering, procurement and construction (EPC) project in consortium with an engineering construction company. The civils scope of the project included the reinstatement of a silo, as well as the strengthening of two damaged silos using slipform construction techniques. The scope also included all supporting systems including the lift shaft, transfer houses, conveyor gantries and two new piers comprising 65m-high rectangular hollow concrete columns.. The structural, mechanical and electrical and instrumentation was designed, fabricated and erected by the engineering construction company.

This project was unique in that it was a multidisciplinary full EPC design and construct project in which the different role players all worked as one team. This made the interface between the consortium parties critical to the project's overall success. The fast-tracked project was completed on time with no disabling injuries on the project.

The **Alufer Mining Marine Works project** commenced in the Republic of Guinea in January 2017. This includes the construction of a 1,5km-long revetment (causeway), a mooring facility for trans-shipment barges, as well as blasting and mining of approximately 1 200 000 tonnes of armour rock required for the revetment. The Coastal Division was selected by Guinea-based Alufer Mining Limited to undertake the marine civil works for its Bel Air mining quarry and the construction of a bauxite export facility, on the west coast of Guinea.

Because Guinea's coastline is very shallow, the revetment is being constructed 1,4km out to sea. The mooring facility at the end of the revetment includes a precast block wall, made up of 184 reinforced concrete blocks, each weighing 22 tonnes. Once completed, a conveyor structure will be built on top of the causeway, upon which the bauxite will be conveyed to moored barges, which in turn will shuttle their loads out to waiting ships.

Our Civils Division and strategic enterprise development partner Axsys Projects are designing and building the **Sedimentation Tanks for the Zuikerbosch Water Treatment Plant**. It forms part of the first phase of Rand Water's new 600-megalitres/day System 5 Water Treatment Plant at Zuikerbosch, near Vereeniging. The completion of the project will have a positive impact by increasing Rand Water's total water supply capacity.

The project consists of the construction of the flocculation plant comprising three spiral flocculators, sedimentation and carbonation plants, as well as the sludge pump station. Our project team value-engineered the design and is constructing the majority of the spiral flocculators using our jointly patented precision precast elements. This will save time and produce excellent concrete quality. The sedimentation tank spans over 30 000m^2 and the construction of the walls using, high production formwork and precast elements, is yielding excellent results.

Once completed, the flocculation, sedimentation and carbonation plants will mix raw water with chemicals

TOP TEN PROJECTS BASED ON VALUE EXCL. VAT

PROJECT NAME	DURATION	PROJECT VALUE	LOCATION
Maydon Wharf (74%) — marine	34 months	R681 million	KwaZulu-Natal
Kusile power station completion works (25%) — civil works	48 months	R361 million	Mpumalanga
Lower Tugela — water and sanitation	28 months	R336 million	KwaZulu-Natal
Alufer mining — marine	14 months	R324 million	Guinea
Nooitgedaght — water and sanitation	20 months	R279 million	Eastern Cape
Wellington — water and sanitation	25 months	R203 million	Western Cape
Water purification plant — Zuikerbosch (80%)	38 months	R159 million	Gauteng
Windfarm Towers — energy	15 months	R147 million	Eastern Cape
Olifants River — bridge	30 months	R139 million	Western Cape
Malmesbury — bridges	34 months	R136 million	Western Cape

to achieve coagulation and pipe protection. This will enable flocculent formation, settling and sludge removal and finally the water will be dosed with carbon dioxide for pH correction.

SUSTAINABILITY MATTERS

SKILLS DEVELOPMENT AND TRAINING

We are actively committed to improving the skills of our people. Therefore, training and development remains a critical factor to provide highly skilled site teams, led by competent and experienced site managers. During the year under review, 1 829 people received training through 3 488 interventions which included training for employees as well as for enterprise development partners.

To meet the demands of the challenging and physical nature of the construction industry, maintaining high safety standards is crucial. To this end, a total of 1 171 Structures employees received safety-related training during the year.

Our training centre's key training programmes include the Site Leadership Development Programme (SLDP), Solid Foundations and Concrete and Confined Spaces programmes. The centre trains employees from Structures, Building and RPM. We also provide an online training programme, with various courses suited to our operations, available across our sites.

The SLDP is an internally run, three-year programme for graduates. It follows a process of coaching and mentoring sessions, strategic alliance sessions and individual and group coaching. This year, 75 people enrolled and attended the SLDP modules — these included our employees and enterprise development partner delegates. Of the total attendees, 47 were from designated groups and 17 were females.

During the year, 23 staff members embarked on a structured knowledge mentorship programme. The objective of the programme is to cultivate the individual growth and learning of key employees, while also giving them access to organisational knowledge and to facilitate the development of new skills. Of the 23 mentees 17 are from designated groups. Our Structures bursary programme continued this year, investing in 33 full time and part time bursar students, with 25 beneficiaries from designated groups.

A further 27 of our employees received employment equity (EE) and diversity-related training to maintain and further enhance the quality and professionalism of our workforce. Our senior managers also present to the South African Forum of Civil Engineering Contractors Diamond Academy training programme for emerging contractors.

INITIATIVES

During the year under review, we embarked on a number of new initiatives, and maintained our commitment to ongoing initiatives from previous years. We converted and launched selected internal training programmes on an e-learning platform. This will facilitate the implementation of further training programmes with improved pre-assessments and make face-to-face training more effective.

In an important development, our SLDP training facility was expanded during the year to include employees from RPM, in addition to those from Building. We also embarked on a drive to maximise the professional registration levels with the Engineering Council of South Africa and South African Council for Project and Construction Management Professions (SACPCMP) within the ranks of our civil engineers.

We are currently embedding performance management across our entire business unit, developing a Senior Management Competence Framework and reviewing our succession planning process.

The optimisation of our plant and equipment asset base has been initiated to better serve the operational requirements of divisions and the business unit as a whole.

Registration of safety personnel with the SACPCMP has been actively managed and 34 safety practitioners have been registered to date. Good progress has been made in the development and implementation of our management information system as well as our internal information portal.

We consolidated our divisional EE and training forums into the statutory Employment Equity and Training Consultative Forum at business unit level. Divisions will remain accountable regarding the achievement of their targets and objectives. Our strategic enterprise development partner programme continued, as did our enterprise development programme. Productivity improvement and operational excellence focus was intensified. Transformation and EE showed good progress. We achieved, and in some aspects improved upon, our numerical targets for year two of our EE plan.

AWARDS AND ACCREDITATIONS

The Civils Division received accolades for the following achievements:

› Kusile Civil Works Joint Operation Project: Completion Works Portion — 2 000 000 LTI-free hours
› Commendation in International Projects — Senqu River Bridge — Main Contractor: Stefanutti Stocks Civils trading as Stefanutti Stocks Lesotho
› Highly Commended: Construction World — Senqu River Bridge Project — Main Contractor Stefanutti Stocks Civils trading as Stefanutti Stocks Lesotho
› SAFCEC Presidential Award for Participation and Contribution
› Concrete repair and high access team — achieved five years of operation LTI-free

The Coastal Division received accolades for the following achievements:

› Reconstruction and Deepening of Maydon Wharf Berths 1 – 4, 13&14 Project (Durban) — 2 000 000 LTI-free hours
› Winner: Railway and Harbour Engineering Award — Reconstruction and Deepening of Maydon Wharf Berths 1 – 4, 13 — Main contractor: Stefanutti Stocks Axsys Joint Operation

The Geotechnical Division received accolades for the following achievements:

› Zero LTI for the year in Geotechnical as well as in the Plant and Formwork yards
› Fourth place: FEM Award of Excellence

All Structures divisions retained OHSAS 18001:2007 accreditations; recertification audit successfully conducted.

All Structures divisions retained ISO 14001:2004 accreditations; recertification audit successfully conducted.

All Structures divisions retained ISO 9001:2008 accreditations; recertification audit successfully conducted.

STRATEGIC OUTLOOK

The business environment and market in which the Structures Business Unit operates is challenging, and will remain so for the foreseeable future.

We expect a mild improvement in the mining construction sector which we will actively pursue. In addition, our inroads into the effluent, water and waste water treatment market will be focused and further developed to support delivery of critical infrastructure. Our niche offerings in the marine, slipforming, incremental bridge launching and concrete repair and rehabilitation environments offer exciting opportunities.

Preconstruction planning, budgeting and engineering support as well as our ability to contract under alternative and new construction execution models will present opportunities to engage closer with, and bring value to, our clients in South Africa and in sub-Saharan Africa.

Investment in our staff towards an improved health and safety and operational excellence culture will drive a personal ownership attitude in the business.

In support of the VRP commitments, Axsys Projects will be supported with skills development, systems and access to resources from within the Structures Business Unit to achieve the goals set in this programme.

In the year ahead, we will concentrate on further developing the market for design and construct, lump-sum turnkey projects, EPC and negotiated contracts. This will enable us to offer our clients full wrap contracting solutions, reducing their risk and ours in project engineering and execution.

CASE STUDY
RECONSTRUCTION AND DEEPENING OF MAYDON WHARF BERTHS 1 – 4, 13 AND 14

The reconstruction of Maydon Wharf consists of demolishing the existing quay structure, removing old timber piles, installing a new steel combination wall with concrete cope beam as well as back-of-quay layer works.

OVERVIEW

In April 2014 the Stefanutti Stocks Axsys Joint Venture (SSA JV) was awarded the contract for the rehabilitation of berths 1 – 4, 13 and 14 (i.e. six out of a total of 15 berths) at Maydon Wharf, which is the Port of Durban's largest break bulk, edible oils and dry bulk handling precinct.

The Maydon Wharf was originally constructed to serve the needs of the mining boom on the Witwatersrand goldfields. The original berths were built of timber, with berths 1 – 4, 13 and 14 rebuilt during the 1950s, using steel sheet piles.

PROJECT DESCRIPTION

Included in the scope of works is the deepening of the seabed by 4m to achieve a draught of 14,5m CD, with the placement of scour rock adjacent to the quay wall, to prevent washout by the propellers of the vessels. Once completed, the six berths will be able to handle bigger vessels with draughts of up to 13m.

Safety is of utmost importance when dealing with timeworn structures that have been in use since the mid-1900s. The movement of the existing quay wall is constantly monitored to prevent collapse or failure during pile driving, timber pile extraction and excavations taking place near the old berths.

Two integral elements of the project are the anchor piling work and concrete cope beam construction.

ANCHOR PILES

In a first for South Africa, the Muller Verpress Pile (MV Pile or HP) provided the anchor piling solution on the project. MV piling has been used extensively in Germany, the Netherlands and the United States to anchor large combination-wall systems (both grouted and un-grouted) as an alternative to the traditional "dead man" anchor solution.

A fail-proof innovative technique was necessary to install the MV anchor piles. The HP piling rig makes use of an IHC 70 hydraulic piling hammer to drive the piles at an incline angle. The barge is equipped with hydraulic spud legs to take up the weight of the rig, and prevent it from being affected by the waves of passing vessels and swell in the harbour. The rig is positioned on a hydraulic sliding table to allow adjustment for tidal water level variations. The platform is large enough to allow the rig to track between three pile positions per barge setup.

The specialised anchor piling barge is capable of driving the 33m long HP piles, while grout is simultaneously pumped at 1 000kPa from a colloidal mixing plant on land as the pile is being driven.

The grout acts as lubricant during driving and, once set, it bonds to the steel pile and the surrounding substrate. This increases the frictional resistance of the anchor, and protects it from corrosion.

A selection of piles is tested under tension loading of 450 tons on each berth. The execution of the HP piling can be measured through the results of the test piles, which have passed the stringent testing and specification requirements as per the contract.

BERTH COPE BEAM

To construct the concrete cope beam, the part of the structure ships moor on to, the team had to overcome the complexities of creating a shutter rigid enough to withstand the concrete loads during the pour, while still having the flexibility to seal against the irregular HZM steel combination wall in the tidal zone. The formwork and seal must prevent any seawater from contaminating the concrete.

The specification called for cope beam structures to be cast in the dry using a dewatered shuttering system. Every pour required the design and construction of a new, unique seal to overcome water and tidal challenges. Divers were needed to tighten and align the shutter at its base, and the concrete pour had to be perfectly timed to coincide with the low tide and progress ahead of the rising tide.

Striking the shutter was only possible once the concrete had achieved a minimum strength of 35MPa, as the concrete element formed a cantilever and had to support its own weight. Once the initial concrete was cast and the shutter stripped, a second above-tidal-level cast was performed to bring the quay up to its final level.

DREDGING AND FINISHES

The contract required deepening of the berths, which was undertaken by conventional dredging methods in conjunction with long reach excavators on excavator barges. The Stefanutti Stocks split hopper barge transported excavated material to the designated spoil area out to sea. Scour protection was placed following the completion of the dredging and excavation to final level.

On completion of the berth cope beam, back of quay backfilling was done and drainage installed. The area was surfaced and the berths furnished with Shibata Fender Team fenders, 110-ton double head bollards, stainless-steel mooring rings and access ladders.

CONCLUSION

As South Africa's principal commercial port, the Maydon Wharf infrastructure upgrade will result in much needed increased capacity to facilitate the country's economic functioning and growth, while alleviating the congestion in the port. Upon completion, the port will offer berthing of an international standard, accommodating large trading vessels to support the economy of South Africa.

Stefanutti Stocks owns the necessary specialised equipment, and has the manpower and expertise required to execute this unique marine piling method for the first time in South Africa.

OPERATIONAL REVIEW
Building

MANAGING DIRECTOR: HOWARD JONES

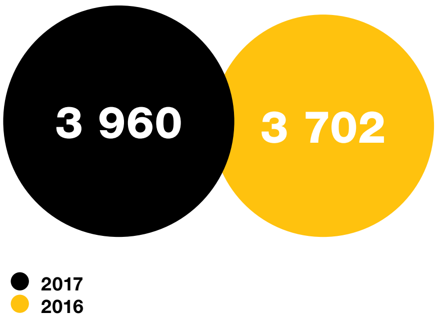
STRATEGIC FOCUS

- Ensure all contracts achieve tendered profitability and completion dates
- Continue to develop innovative construction solutions to enhance competitive advantage
- Provide the necessary training and mentoring to ensure that EE targets are met
- Improve our safety culture and performance
- Drive the "Founder's Mentality" philosophy and the Stefanutti Stocks Way guiding principles

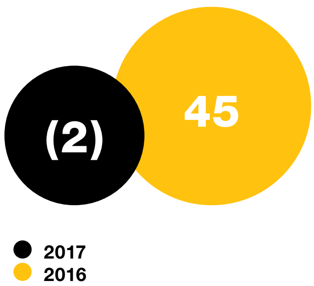
LEGEND	ORDER BOOK (RM)
2017	R5 700
2016	R4 200

	OPERATING MARGIN	LTIFR
2017	(0,0%)	0,11
2016	1,2%	0,05

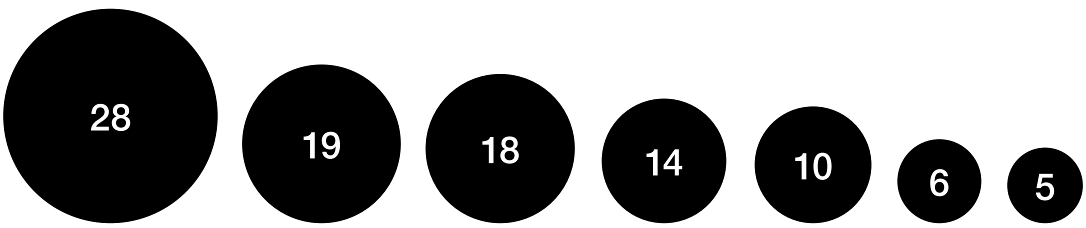
CONTRACT REVENUE (RM)



OPERATING PROFIT (RM)



TURNOVER BY SECTOR (%)



28 Factories and warehouses
19 Shopping and retail
18 Residential
14 Energy generation
10 Office and commercial
6 Tourism and leisure
5 Education

OPERATIONAL REVIEW
BUILDING CONTINUED

PERFORMANCE AND PROJECT UPDATE

For the year under review, the Building Business Unit's contract revenue improved to R4,0 billion (Feb 2016: R3,7 billion). Completing and finalising loss-making projects, together with certain unrecovered holding costs, contributed to an operating loss of R2 million (Feb 2016: R45 million profit excluding the profit on sale of investment property and fair value adjustment). The profit of the equity-accounted United Arab Emirates operation amounting to R41 million (Feb 2016: R19 million) is excluded from the operating loss. The business was scaled down during the year and certain divisions were combined to improve efficiencies and reduce costs.

Market conditions in South Africa as well as Southern Africa generally remain competitive. We are pleased to note the successful completion and handover of the Cecilia Makiwane Hospital in Mdantsane, East London. This project has been a financial drain over the past five years.

The Housing, KZN and Western Cape Divisions performed well and are both well structured and positioned to continue to deliver performances in line with expectations. The award of the design and construct warehouse at Mercedes Benz in East London was well timed, after completing the Cecilia Makiwane Hospital.

The Housing and Inland Divisions have been combined into a single division to streamline operations. This new division is called Building Division and will have the capacity to meet the needs of expected market opportunities.

Operating profit was negatively affected by costs incurred in closing out two of our projects in Namibia and by a lower than anticipated out of court settlement relating to the Watercrest Shopping Centre in KwaZulu-Natal. The loss-making projects in Namibia, Qatar and the Eastern Cape were completed by year-end and therefore will have no further impact on Building's results.

With the exception of our Namibia division, we begin the new financial year with a good level of work in all our areas of operation. The Namibian market is particularly flat, which resulted in a number of our competitors withdrawing from the country. Accordingly we have downsized our operations.

Building's order book at February 2017 was R4,7 billion (Feb 2016: R3,7 billion) excluding the United Arab Emirates of R1,0 billion (Feb 2016: R500 million).

NOTABLE PROJECTS

The Building Division completed the 35 000m² new **BMW Assembly Plant project** in Rosslyn. The project was a design, supply and build contract and covers a total area of 25 600m² which utilised all our recently developed construction techniques. The client, BMW International, referred to it as their "most successful assembly plant project in the world to date". Work commenced in March 2016 and was completed in February 2017. The construction of a new production plant comprised a concrete structure with a structural steel roof and sheeting, as well as a new 22 300m² production plant with offices, change rooms, a conveyor bridge structure, external works and relocation of existing services.

Also in Gauteng, the R250 million **Masingita Towers project**, comprising 200 luxury apartments in Sandton, commenced during the year. The contract is currently progressing well and is on schedule. The R600 million **Houghton Hotel project**, comprising 90 apartments, 60 hotel rooms and conference facilities also commenced during the year and is due for completion in July 2018.

The KZN Division completed and handed over the **Mr Price Distribution Centre project** in Hammarsdale, ahead of schedule in June 2016. The contract comprised a 55 000m² warehouse, some 70 000m² of surfaced roadways and parking areas as well as 15 sundry buildings. A number of innovative construction techniques such as precast concrete solutions were used to ensure that the challenging programme dates were realised, completing the project in record time.

In KZN, outstanding work has been produced at the **Sumitomo Tyre Company project** in Ladysmith. This unique, multidisciplinary building contract was to extend the existing tyre manufacturing plant, and develop an entirely new one for Sumitomo Rubber South Africa (Pty) Ltd. The original R160 million contract was won on a competitive tender and since then, four additional phases have been negotiated. Phase 1 was completed in February 2016 and included the construction of 11 individual buildings. Phase 2 and 3 were completed and handed over ahead of schedule during 2016 and good progress is now being made on Phase 4. Top grade office space, warehousing, ablutions and industrial process buildings were constructed on the site, each requiring different skills and finishes. To date, over R500 million worth of work has been completed on this project.

The completed R850 million **Cecilia Makiwane Hospital project** in Mdantsane, East London was handed over to the Department of Health in February 2017. This challenging project took over five years to complete. The total area of the hospital is 50 000m² including 530 beds, three patient wards and 10 clinic wards. For more information, refer to the case study on page 56 of this integrated report.

The Building Division has contributed towards addressing the South African housing backlog through its Social Housing projects. This relates directly to a socio-economic issue of growing importance in the country, and we are therefore further motivated to help improve the situation. Over a two-year period concluding at the end of this financial year, we will have delivered a total of 3 528 social housing units with a total value of almost R1,0 billion.

TOP TEN PROJECTS BASED ON VALUE EXCL. VAT

PROJECT NAME	DURATION	PROJECT VALUE	LOCATION
SSBR Kusile Buildings JV (50%)	95 months	R5 300 million	Mpumalanga
Park Square (Nedbank) (80%)	21 months	R560 million	KwaZulu-Natal
The Houghton Hotel	24 months	R550 million	Gauteng
Shoprite — Cilmor Cape Town warehouse	19 months	R418 million	Western Cape
Masingita Towers — Sandton	21 months	R320 million	Gauteng
BMW Rosslyn plant	15 months	R320 million	Gauteng
Project Southern Cross JV (75%) warehouse	17 months	R305 million	KwaZulu-Natal
Flamwood Social Housing	36 months	R289 million	North West
870 Social Housing Units, Devland	22 months	R250 million	Gauteng
Woolworths Cape Town warehouse	9,5 months	R212 million	Western Cape

The Western Cape Division completed the 100 000m^2 Shoprite Checkers Logistics and Distribution Facility project in Cape Town. A number of recently developed innovative techniques were applied on the project, enabling the site team to deliver this impressive project on time. Work has since commenced on the R250 million refrigeration facility on the same site.

SUSTAINABILITY MATTERS

SKILLS DEVELOPMENT AND TRAINING

We believe that advancing the skills of our employees from designated groups plays a key role in achieving the group's greater transformation goals. As in previous years, we continued to invest in the development of our employees. In line with our strategic objectives of increasing quality and productivity, while driving the principles of a safe working environment, the training focus was largely on improving technical skills as well as health and safety training.

A concerted effort was made to align our annual Workplace Skills Plan for 2016 with our Employment Equity and Succession Plans, and this has had a positive impact on our training statistics. The aim is to maintain our sustainable leadership pipeline, and we have enrolled employees in a number of programmes. Pivotal training, which can be defined as training that results in formal qualifications for employees at tertiary institutions, further demonstrates our commitment towards creating a sustainable pool of talent.

During the year under review, 261 employees received pivotal training, of which 245 were from designated groups and 48 were female. The various courses to which we provided access, comprised the bulk of our pivotal training for the year. These are classified as follows: building and civil engineering construction related degrees/diplomas; commercial and quantity surveying degrees/diplomas; safety health environment and quality (SHEQ) diplomas; financial degrees/diplomas; management/leadership training; and supervisory learnerships. Our Site Leadership training comprised 13 modules and was attended by five site engineers that joined the business unit in 2016 of which 60% were from designated groups.

We have also embarked on a partnership with the Structures Business Unit in setting up a Group Construction Training Centre. The training centre is in the process of being accredited by the Construction Education and Training Authority and once completely functional, will run a number of accredited training courses, as well as in-house skills programmes.

INITIATIVES

Following on from our progress in previous reports, we maintained our focus during the year on preferential procurement, which has evolved from merely value-added suppliers, to empowering suppliers. To unlock this potential, we hold workshops to build awareness among our suppliers, educating them on how to comply with our requirements.

Our enterprise development strategy rests on four pillars, namely: structured financial assistance; provision of guaranteed business; a bouquet of support services; and targeted upskilling. Support such as mentoring and the intervention of external experts are included in these pillars. We believe that all of these pillars are essential in order to assist emerging businesses in growing into sustainable entities.

In the South African property industry, the Green Building Council South Africa awards a variable-based star rating for buildings that are designed, built and operated in an environmentally sustainable way. As part of our focus, improvement and service delivery on green building prospects, we have employed an accredited green building professional. This service offering is included at prequalifications during the tender stage. The requirements and specifications for green buildings are better understood and incorporated during tender stage.

AWARDS AND ACCREDITATIONS

We participated in the Master Builders Association's (MBA) annual regional and national health and safety competitions and achieved the following:

Regional Health and Safety Competition

› First place: Cilmor Shoprite Distribution Centre — Category I (Sites with a value above R500 million)
› Second place: Project Sunrise Phase 2 — Category E (Sites with a value of between R25 million – R75 million)
› Second place: Airport Industria Yard — Category A (Plant and storage)
› Second place: Airport Office Park — Category E (Sites with a value of between R25 million – R75 million)
› Second place: KC Extension — Category F (Sites with a value of between R75 million – R150 million)
› Third place: Pick n Pay Distribution Centre — Category F (Sites with a value of between R75 million – R150 million)
› Highly Commended: Mr Price Distribution Centre — Category G (Sites with a value of between R150 million — R300 million)

Regional Quality Competition

› Winner: Mr Price Distribution Centre — Industrial/Civil (Above R50 million)
› Winner: Project Sunrise Phases 1 and 2 Commercial/Industrial Alterations, Additions and Renovations (Above R20 million)
› Winner: Bluff Shopping Centre — Retail Buildings (Under R50 million)

5-STAR GRADING

All projects participate in star grading audits by the MBA as part of our performance improvement framework. The majority of our projects have achieved five star grading and those with a lesser star grading have corrective plans to ensure they reach this objective.

All our divisions have successfully maintained their ISO 9001, ISO 14001 and OHSAS 18001 certification. Our KZN Division have undergone the transition to the 2015 standard and have been certified accordingly.

STRATEGIC OUTLOOK

It is anticipated that Building's market in South Africa and the neighbouring states will remain depressed for the next few years. In the private sector, the oversupply of office and retail space in the major shopping zones will continue to postpone new development in these sectors. Political uncertainty in South Africa and abroad has further exacerbated the lack of new building opportunities, with many developers adopting a wait-and-see attitude.

With an ever-increasing population and the migration of people to the metropolitan areas through urbanisation, the real opportunity for our industry is the development of new mega cities in and around the existing major metropolitan areas of the country. There is a significant shortage of affordable housing in South Africa, with an accompanying lack of rental stock. It seems likely that government will be compelled to direct funds towards the construction of mega urban developments to meet increasing needs. To this end, we have restructured the Building Business Unit in anticipation of this potential market shift.

Cross-border operations continue to offer better returns and our focus will remain to grow in countries where we already have a strong footprint. With the current fiscal problems being experienced in Mozambique, the focus is to work closely with the private sector where projects are denominated in hard currency.

The United Arab Emirates offers opportunities on the back on the 2020 World Expo with ongoing upgrade and refurbishment projects that suits our product offering.

We are pleased to enter the coming year with a good level of work in all our operations other than the Namibian Division. Consequently, our focus will be on excellence in execution, and the profitable and timeous delivery of all projects.

CASE STUDY CECILIA MAKIWANE HOSPITAL

Modern healthcare for the Mdantsane community

SAFETY HIGHLIGHTS

During the project, more than 3 200 000 man-hours were worked, achieving a LTIFR of zero. The project also placed well in national and regional safety competitions:

- **First place for 2012, 2013 and 2014 in the Regional Master Builders Safety competition**
- **First place in the Master Builders National competition for 2012 in the greater than R500 million category.**

The new Cecilia Makiwane Hospital (CMH) was constructed in a joint venture partnership — led by the Eastern Cape Division of Stefanutti Stocks's Building Business Unit, with Simunye Developers and Sakhekhaya Contracting performing the supporting role on the project.

The state-of-the-art healthcare facility is located in Mdantsane, the second largest township in South Africa after Soweto, and will replace the original hospital that was built in the 1960s. The new hospital offers many modern features to position it as a service provider of choice, and significantly improves the quality of public healthcare accessible by communities in the region.

It was imperative to maintain patient comfort during the construction phase, while not disrupting the existing hospital's operations. This required careful planning and scheduling to ensure that noise and other construction-related disturbances were kept to an absolute minimum.

On 28 March 2017, the completed healthcare facility was handed over to Coega Development Corporation (Pty) Ltd (CDC), which acted as the implementing agent on behalf of the Department of Health. The hospital combines patient comfort and wellbeing with modern design and ward-specific colour schemes, to complement the high standards of healthcare on offer.

To create opportunities for established, as well as small and medium enterprise subcontractors, a multi-phased approach to the construction of the hospital was adopted. In this way, more than 100 subcontractors participated on the project, with a peak daily attendance of over 1 500 workers.

CONSTRUCTION HIGHLIGHTS

During the six-year contract, the following was constructed:

- **The 530-bed, 50 000m² main hospital building**
- **Three general patient ward blocks**
- **Nine clinical ward blocks**
- **Two administration blocks**
- **One maternity wing**
- **A new substation**
- **Upgrades to parts of the existing facility**
- **The parking area and external roads**

SOCIO-ECONOMIC HIGHLIGHTS

- **The creation of 3 200 jobs**
- **Exceeding the SMME participation target by over 10%**
- **Opportunities created for 32 SMMEs**
- **Surpassing the local enterprise participation target set by CDC to promote and stimulate local businesses and economy**
- **Surpassing the internships target set by CDC**
- **The participation of 15 interns, in the Stefanutti Stocks cadet foreman training programme**
- **Surpassing the requirement to train 270 general workers**
- **Many employees developed into semi-skilled and skilled workers**


CMH

CORPORATE GOVERNANCE REPORT

ETHICAL LEADERSHIP AND GOOD CORPORATE GOVERNANCE

The group's board and management are committed to and are responsible for applying the principles of good corporate governance. The company subscribes to these principles to ensure that the group is being managed within acceptable risk parameters, in order to create sustainable growth and value for the benefit of all its stakeholders.

The ARCO monitors corporate governance within Stefanutti Stocks, while the S&E Committee oversees the monitoring of and reporting on sustainability and ethical behaviour within the group. The board appreciates that strategy, risk, performance and sustainability are inseparable.

The group complies with the Companies Act and endorses the principles of the South African Code of Corporate Practices and Conduct as recommended in King III and continues to refine the process of implementing these recommendations. The group also adheres to and supports the ongoing disclosure on corporate governance, including those contained in the JSE Listings Requirements.

The board is of the opinion that for the year under review, the group has applied the 27 principles of King III as discussed in this report. Information in respect of the application of all King III principles can be found on the company's website.

As regards King IV, the company will be required to apply and explain the principles in the integrated report for the financial year ended 28 February 2018. Given the existing level of compliance with King III, the board is of the view that the company will comfortably be able to meet all material requirements of King IV.

The comprehensive board charter, which is reviewed annually, details the board's responsibilities and terms of reference. It has been developed to enable the directors to maintain effective control over strategic, financial and compliance matters of the group. The board is accountable to shareholders and it directs the group to achieve profitability by exercising good judgment, strong leadership as well as acting with integrity at all times.

THE BOARD OF DIRECTORS

COMPOSITION AND SKILLS OF THE BOARD

As at year-end, the board comprised 10 directors. Eight of these directors are non-executive directors of which seven are independent non-executive directors (excluding alternate directors). There are two executive directors and the board is chaired by an independent non-executive chairman.

The board composition is reviewed annually and any shortfalls in terms of skills and experience are identified and addressed accordingly.

Each board member offers a wide range of relevant knowledge, expertise, commercial and technical experience and business acumen that allows them to exercise independent judgment in board deliberations and decision-making. A brief curriculum vitae for each board member is set out on page 22 of this integrated report.

The company supports the principles and aims of gender diversity at board level. With this in mind and having regard to changes to the JSE Listings Requirements which became effective on 9 November 2015, the board has a Board Gender Diversity Policy and has incorporated it as part of the company's Board Charter. The board has set a voluntary target that at least 30% of the board should comprise women. The policy and the target will be reviewed and reported on annually. As at financial year-end, the board comprised 30% female directors.

The Chairman provides leadership and guidance to the board and encourages proper deliberation on all matters requiring the board's attention, while obtaining input from other directors. The board is chaired by Independent Non-executive Director, Mr Kevin Eborall, who has been with the group since 2007 as a non-executive director. Annually, the board considers and, if appropriate, approves, his re-election as board Chairman. The board was satisfied with Mr Eborall's contributions and performance as Chairman and approved his chairmanship of the board for another year. The practice of appointing the Chairman on an annual basis is standard practice in accordance with the recommendations of King III.

The CEO and other executive directors are responsible for implementing strategy and decisions in respect of operational issues. Non-executive directors contribute their independent and objective knowledge and experience to board deliberations. All non-executive directors are sufficiently qualified to contribute their necessary skills and expertise.

All non-executive directors have unrestricted access to the group's management and have access to the external auditors when necessary. All directors are entitled to seek independent professional advice on any matters pertaining to the group where they deem this to be necessary, at the group's expense.

The directors of the company as at year-end were:

KR Eborall	(Independent Non-executive Chairman)
W Meyburgh	(CEO)
AV Cocciante	(CFO)
NJM Canca	(Independent Non-executive Director)
HJ Craig	(Independent Non-executive Director)
T Eboka	(Independent Non-executive Director)
ZJ Matlala	(Independent Non-executive Director)
ME Mkwanazi	(Independent Non-executive Director)
LB Sithole	(Independent Non-executive Director — Alternate JWLM Fizelle)
DG Quinn	(Non-executive Director)

INDEPENDENCE OF BOARD MEMBERS

The independent non-executive directors exercise significant influence at meetings. Competency in respect of the group's affairs carries as much weight as independence.

The independence of the directors is assessed annually and was confirmed by REMCO based on the independence requirements of King III. Three independent non-executive directors, namely Kevin Eborall, Nomhle Canca and Bridgman Sithole, have been on the board for more than nine years. As such,they were subject to a particularly rigorous review by the board, of not only their performance as directors, but also the factors that may impair their independence.

The responsibilities of the Chairman and CEO, and likewise the responsibilities of executive and non-executive directors, are strictly separated to ensure that no director can exercise unrestricted powers of decision-making.

ROTATION AND TENURE

The REMCO continuously assesses the need for new appointments to the board, and directors are appointed through a formal process. In terms of the company's MOI, and the retirement roster, which the REMCO and board reviews, one-third of the board (other than the executive directors) is subject to retirement and re-election by rotation annually.

The appointment of directors appointed since the previous annual general meeting are confirmed at the subsequent annual general meeting (AGM). The directors being nominated for re-election can be found in the notice of AGM commencing on page 82 of this integrated report.

INDUCTION AND DEVELOPMENT TRAINING

Upon appointment, all new directors undergo a group-specific induction programme, which has been approved by the REMCO. This is done with the express intent of developing directors' full appreciation and understanding of the complexities of the group's businesses. The company secretary coordinates this programme.

In line with the recommendations of King III, ongoing training for directors continues to be addressed and enhanced. Development training programmes were made available to directors on request with regard to their duties, responsibilities, powers and potential liabilities. Other methods of board development are provided in the form of site visits and presentations on specific technical topics.

There is no formal board mentorship programme in place, as it is not deemed necessary at this stage and mentorship is provided to those directors when guidance is required.

BOARD CHARTER

The detailed board charter codifies the board's composition, appointment, authorities, responsibilities and processes and sets out the fiduciary duties and roles of each director of the company. The board effected further minor amendments to the charter during its annual review.

The board's responsibilities, in addition to the responsibilities set out in the Companies Act, and King III outlined in the charter, include:

› Monitoring key risk areas, performance indicators and management;
› Reviewing the performance of the CEO;
› Reviewing the group's financial results and procedures, policies and codes of conduct;
› Implementing the group's plans and strategies;
› Assessing the company secretary with regards to qualification, competence, experience and independence;
› Approving financial and non-financial objectives, including economic, social and environmental performance; and
› Ensuring ethical behaviour and compliance with laws and regulations.

BOARD PROCESSES

COMPANY SECRETARY

The company secretary provides company secretarial services, oversees corporate governance processes at holding company level, and attends all board and committee meetings as secretary.

The board and the individual directors have access to the company secretary who guides them on how they should discharge their duties and responsibilities in the best interests of the company.

During the year under review, the company secretary continued to assist the board and its committees, as required, in preparing annual plans, agendas, minutes, and terms of reference.

Mr William Somerville, aged 60 holds an FCIS, ACMA and a Diploma in Corporate Law and was appointed in May 2009 as company secretary. He is a qualified chartered secretary with extensive experience in the company secretarial and corporate governance arenas. In line with the JSE Listings Requirements the board undertook the annual performance appraisal of the company secretary via a detailed questionnaire circulated to all board members. The board was satisfied with the quality of assistance received as well as the knowledge, competence and experience of the incumbent.

The company secretary is not a director or employee of the company or any of its subsidiaries and accordingly maintains an arm's length relationship with the board and its directors.

REGULATORY AND LEGISLATIVE COMPLIANCE

The group's compliance with legislative and regulatory requirements including, the JSE Listings Requirements, the Companies Act and other applicable legislation as well as the application of the King III recommendations is monitored by the ARCO and remains a standing agenda item for all committee meetings. There were no significant instances of non-compliance with regulatory requirements to report on during the reporting period.

The group has one remaining matter arising out of the Competition Commission Fast Track Settlement Process in 2013.

The matter relates to a civil damages claim initiated by the City of Cape Town in respect of the Green Point Stadium, following the findings and the imposition of administrative penalties by the competition authorities. Stefanutti Stocks having paid a penalty under these findings has now been cited as one of the defendants.

The matter is ongoing but Stefanutti Stocks remains confident that on the facts available it will be able to successfully defend the above matter and, has accordingly not made any provision.

BOARD AND COMMITTEE EFFECTIVENESS

The board periodically conducts an evaluation of its effectiveness, reviewing its mix of skills, the efficiency of the sub-committees and related corporate governance matters.

During the financial year, an external review of the effectiveness of the board and its committees was conducted. The review indicated that the board and its committees were effective. Areas for improvement have subsequently been addressed.

SUCCESSION PLANNING

The REMCO annually reviews the formal succession plan for the Chairman, CEO, board of directors and senior management. The findings and recommendations of the committee are reported to the board for its consideration and further action.

In addition, the committee regularly reviews the group's succession plans and gives guidance to the board.

The Board Chairman, Kevin Eborall, is 72 years of age. In terms of the company's Board Charter, the retirement age for directors is 70 years unless recommended to the contrary by the REMCO and accepted by the board. Both the REMCO and board reviewed his position and resolved that he remain as a director.

DELEGATION OF AUTHORITY — BOARD COMMITTEES

FUNCTION OF THE BOARD COMMITTEES

The board is ultimately responsible for the performance and affairs of the group and realises that the use of delegated authority to board committees in no way absolves it and its directors of the obligation to carry out their duties and responsibilities.

The board has created various committees to assist it with its duties and responsibilities and to effectively fulfil its decision-making process. These committees supply the board with relevant and timely information. All company-related information, records and documentation are made accessible to all committee members.

CORPORATE GOVERNANCE REPORT
CONTINUED

GOVERNANCE STRUCTURE

While retaining overall accountability, the board has delegated to the CEO the authority to run the day-to-day affairs of the group. The EXCO aids the CEO in this task.

The EXCO comprised the CEO, Willie Meyburgh and CFO, Antonio Cocciante, as well as senior management: Werner Jerling, Russell Crawford, Howard Jones, Vince Olley, Mark Snow and Mike Sikhakhane.

The EXCO meets monthly to assist the CEO in the management of group operations and finances and reports directly to the CEO, who in turn reports to the board.

The following committees have been formally constituted by the board:

- ARCO
- REMCO
- S&E

Formalised terms of reference set out the purpose, membership, duties and reporting procedures of the various board committees, which are reviewed annually and updated where necessary. Each committee acts within the scope of these terms of reference, which have been adopted and approved by the board. The board evaluates each committee with regard to its performance and effectiveness on an annual basis.

ARCO

For information pertaining to the ARCO, refer to the Audit, Governance and Risk Committee report commencing on page 72 of this integrated report.

REMCO

The Remuneration Committee and Nominations Committee have the same members and invitees with Bridgman Sithole as chairman of the Remuneration Committee and Kevin Eborall as chairman of the Nominations Committee (NOMCO). NOMCO's responsibilities include the directors' training and induction programme, reviewing director independence, recommending directors retiring by rotation at the AGM, executive and board succession planning, assessing the board's skills needs and making recommendations to the board on proposed candidates for appointment to the board.

For information pertaining to the REMCO, refer to the remuneration report commencing on page 67 of this integrated report.

S&E

With effect from 28 February 2017, Tina Eboka, an independent non-executive director stepped down as a member.

For information pertaining to the S&E, refer to the Social and Ethics Committee report commencing on page 64 of this integrated report.

MERGERS, ACQUISITIONS AND DISPOSALS COMMITTEE

An ad hoc committee under the ARCO has been established, which is chaired by the board chairman with at least one ARCO member as a member of the committee. This committee meets as and when required.

SUBSIDIARIES

Subsidiary oversight is handled through a process of delegated authority, which is in place between the holding and operating companies to ensure adherence to the group's overall subscription to the principles of ethical leadership and good corporate governance.

BOARD MEETINGS

The board met four times during the year. In addition, a board strategy session was held. This session is where the board meets with management annually to agree on the group's strategy. The directors attend a visit to selected project sites each year, in addition to ad hoc site visits on the part of individual directors.

Additional meetings are convened when required. All necessary information, including a detailed board pack, is provided to directors in advance to enable them to discharge their responsibilities.

The board agenda and meeting structure focuses on strategy, performance monitoring, governance and related matters. Management ensures that board members are provided with all relevant information and facts to enable them to make objective and informed decisions. The company's memorandum of incorporation provides for decisions to be taken between board meetings by way of written resolution, where necessary.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

BOARD MEMBER	BOARD	ARCO	REMCO	S&E
Chairman	**KR Eborall**	**ZJ Matlala**	**LB Sithole**	**NJM Canca**
Number of meetings	4	4	3	3
KR Eborall	4/4	4/4 ^	3/3	n/a
W Meyburgh (CEO)	4/4	4/4 ^	3/3 ^	3/3 ^
AV Cocciante (CFO)	4/4	4/4 ^	3/3 ^	3/3 ^
NJM Canca	4/4	4/4	n/a	3/3
HJ Craig	4/4	4/4	n/a	3/3
T Eboka	3/4	n/a	2/3	2/3
ZJ Matlala	3/4	4/4	n/a	n/a
ME Mkwanazi	4/4	n/a	3/3	n/a
LB Sithole	3/4	n/a	3/3	n/a
DG Quinn	4/4	4/4 ^	3/3	n/a
JWLM Fizelle (alternate to LB Sithole)	1/1 +	4/4	n/a	n/a

n/a Not applicable.

^ By invitation.

\+ Attended one meeting on behalf of LB Sithole.

Non-executive directors meet without the presence of management as and when deemed necessary, but usually at least twice a year.

The charters of the board committees are reviewed annually as standard practice. Committee chairpersons provide the board with verbal reports on committee activities and the minutes of committee meetings are made available to the board. There is transparency and full disclosure from these committees to the board.

In addition, the chairpersons of the committees or a nominated committee member attends the company's annual general meeting to answer any questions from stakeholders pertaining to the relevant matters handled by their respective committees.

All committees have met their key responsibilities during the year under review.

ACCOUNTABILITY AND INTERNAL CONTROL

The group's systems of internal control fall within the ambit of the board's responsibility and it is assisted by the ARCO. While the risk management and implemented internal controls standards and systems cannot provide absolute guarantees and protection against material loss, they endeavour to minimise the risk of error or loss and provide reasonable comfort that issues will be promptly determined and managed.

The importance of risk management and internal control systems is clearly communicated to all group employees. This open communication ensures that they understand their roles and obligations unequivocally. These systems of internal control provide satisfactory assurance of the integrity and reliability of the annual financial statements, to safeguard and maintain accountability of the group's assets and to detect and minimise significant fraud, potential liability, loss, material misstatement and other irregularities while complying with relevant reporting standards, legislation and regulations.

Intrinsic shortcomings of the effectiveness of any system of internal control remain present, including the risk of human error and the circumvention or overriding of controls. The system therefore aims to manage rather than to eradicate opportunity and failure risk.

Line management provides regular assurance to executive management that the systems of internal control, in entities for which they have responsibility, are satisfactory for their operations and are performing efficiently. Internal Audit reports directly to the ARCO ensuring the function remains independent.

There were no material amendments to the internal audit function nor were there any changes to the role, duties and reporting line of the Group Internal Audit Manager during the year under review. The Internal Audit Charter has also remained unchanged for the year under review.

The implementation and appraisal of these internal controls are applied throughout the group by executive management, line management, quality and safety assurance reviews and internal audit. Internal Audit followed a risk-based internal audit plan conducting various process reviews during the year under review.

No issues have come to the attention of the board to demonstrate that there has been any failure in the key systems of internal control for the 2017 financial period. Non-compliance with group procedures, although not material, were discussed with management and the existing controls were reinforced with the relevant staff. Management has applied new controls and enhancements to existing controls, where necessary.

INFORMATION COMMUNICATION AND TECHNOLOGY ("ICT") MANAGEMENT

The day-to-day activities of the ICT Department are managed by the General Manager ICT Services and the Group Risk Officer, who heads the ICT Steering Committee and reports into EXCO. The ICT Steering Committee meets on a monthly basis to discuss ICT governance issues and ensures that the group ICT policies guide the business units' ICT principles and are aligned to the overall group strategy.

CORPORATE GOVERNANCE REPORT
CONTINUED

The ARCO assists the board in carrying out its oversight responsibilities. The board recognises the importance of aligning the group's ICT management with the group's performance, risk management and sustainability objectives. ICT management is guided by the results of the annual ICT audit, as well as the ongoing assessment of risks the group faces in the ICT arena. The strategies, policies and procedures are continually being enhanced to address these risks.

A balance is struck between maintaining existing systems and replacing legacy systems with new cloud-based equivalents. This shift has resulted in a change from a capital cost model to a service-based operational expense model. This progression allows the ICT function to reduce capital spend on equipment, as well as being able to leverage new technologies for storage, back up and disaster recovery.

The increased maturity in the ICT infrastructure has allowed the ICT Department to focus on business applications. Availability and service levels are being measured for each business application to ensure that an efficient business process system is established. The objective is to achieve mobility, without relinquishing speed or functionality, which is required for the group to realise its goal of efficient processing at all sites.

To ensure an affordable ICT system across the group, a pay-for-use model is being built to allow the business to optimise the cost per employee.

During the 2017 financial year, the following strategic projects were delivered:

› Outsourcing the disaster recovery installation to a cloud vendor
› Migrating the remainder of the group to Office 365 licensing
› Driving down mobile phone and telephony costs

The following strategic projects are currently planned for the 2018 financial year:

› Migrating the legacy intranet to the group portal
› Automating the ICT administration processes to speed up service delivery to business
› Developing user induction and training to reduce helpdesk calls
› Ongoing movement to the cloud
› Redeveloping the group systems from Windows based to web based

ETHICAL PERFORMANCE

CODE OF ETHICS AND CONDUCT

The standards of integrity, ethics and professional behaviour that the group adheres to are contained in its Code of Business Conduct and Ethics, for dealing with its stakeholders including suppliers, customers, business partners, government and society at large. This code forms an important part of the group's employment policies and procedures and is continually reviewed to ensure that it meets operational requirements.

All employees are required to subscribe to the code, which requires everyone to act with openness, honesty and integrity in all dealings with stakeholders and to interact with each other by upholding the basic human rights of fairness, dignity, privacy and respect to create and protect a credible and well-reputed group of businesses.

The group does not engage in nor does it accept or condone any unfair business practices in the conduct of its business — a zero tolerance approach has been adopted. A whistleblowing process is in place and is administered by Tip-offs Anonymous, which guarantees the anonymity of the complainant. Reports are provided to both the Group Risk Officer and Group Internal Audit Manager and summary reports are provided to the ARCO.

The online competition law training is now embedded and is in its fifth cycle in conformity with a formal Competition Law Compliance Policy, which has been developed and rolled out to all staff. The policy is freely available to all staff on the group portal and all new employees are inducted to its existence and importance. Designated staff members were locally identified and completed the training while the remaining 9% have been included in the next cycle.

In line with group policy, no contributions were made to any political parties during the year under review.

No significant fines were paid during the year in respect of non-compliance with laws or regulations and no grievances were received through the group's formal reporting process in respect of impacts on general society at large.

SHARE DEALINGS AND DISCLOSURE OF INTERESTS

All directors require clearance before trading in the company's securities. Such clearance must be obtained from the CEO or, in his absence, from the Chairman.

The Chairman obtains clearance from the CEO or the designated director prior to trading in the company's securities. Directors are required to inform their portfolio/investment managers not to trade in the securities of the company, unless they have specific written instructions to do so.

Directors cannot trade in their shares during closed periods. Directors are further prohibited from dealing in the company's shares at any time when they are in possession of unpublished price-sensitive information in relation to those securities, or otherwise where clearance to deal has not been confirmed.

The required notification and disclosure by directors to the company of their interests is a standard agenda item at each board meeting. There have been no material changes to the directors' interests post 28 February 2017 to date. Information regarding directors' interests is set out in the annual financial statements.

STAKEHOLDER COMMUNICATIONS

Corporate actions and reports on performance, including its half- and full-year financial results, are published by the group in print and electronic media as specified by the JSE Listings Requirements. Stakeholders, including shareholders, are advised of such newly published information via SENS, where required in terms of the JSE Listings Requirements.

The CEO, CFO together with the EXCO members present the group's performance and strategy to analysts, institutional investors and the media in South Africa at least twice a year. All non-executive directors are invited and encouraged to attend the group's financial and business-specific presentations. Such presentations, corporate actions and reports on performance, as well as any other information deemed relevant, are also published on the company's website. The group also keeps in regular contact with the media by circulating relevant information.

For further information on stakeholder communications, refer to stakeholder engagement commencing on page 14 of this integrated report.

ANNUAL GENERAL MEETING

The annual general meeting will be held on 1 September 2017 at 12:00. Information relating to the annual general meeting is contained in the notice of annual general meeting commencing on page 82 of this integrated report. The chairpersons of all the board committees as well as the external auditors will be in attendance and available at the annual general meeting to answer any questions.

CORPORATE GOVERNANCE REPORT
CONTINUED

SUMMARY OF ADHERENCE TO KING III

PRINCIPLE	APPLIED	COMMENT
The board should act as the focal point for and custodian of corporate governance.	✓	Refer to the corporate governance report on page 58.
The board should appreciate that strategy, risk, performance and sustainability are inseparable.	✓	These matters are considered by the board at regular intervals.
The board should provide effective leadership on an ethical foundation.	✓	Refer to the corporate governance report on page 58.
The board should ensure that the company is and is seen to be a responsible citizen.	✓	Refer to the corporate governance report on page 58.
The board should ensure that the company's ethics are managed effectively.	✓	Refer to the corporate governance report on page 58 and 62.
The board should ensure that the company has an effective and independent audit committee.	✓	Refer to the Audit, Governance and Risk Committee report on page 72.
The board should be responsible for the governance of risk.	✓	Refer to risk management on page 17.
The board should be responsible for IT governance.	✓	Refer to the corporate governance report on page 61.
The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	✓	Refer to the corporate governance report on page 59.
The board should ensure that there is an effective risk-based internal audit.	✓	Refer to the corporate governance report on page 61 as well as the Audit, Governance and Risk Committee report on page 73.
The board should appreciate that stakeholders' perceptions affect the company's reputation.	✓	Refer to stakeholder engagement on pages 14 and 15.
The board should ensure the integrity of the company's integrated report.	✓	Refer to scope and boundary on page 4.
The board should report on the effectiveness of the company's system of internal controls.	✓	Refer to the corporate governance report on page 61 as well as the Audit, Governance and Risk Committee report on page 72.
The board and its directors should act in the best interests of the company.	✓	Refer to the corporate governance report on pages 58, 59 and 62.
The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is in financial distress as defined in the Act.	N/A	Refer to the annual financial statements.
The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board.	✓	The chairman is an independent non-executive director. The CEO is not fulfilling this role.
The board should appoint the CEO and establish a framework for the delegation of authority.	✓	Refer to the corporate governance report on page 59.
The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	✓	Refer to the corporate governance report on page 58.
Directors should be appointed through a formal process.	✓	A formal process is in place via the REMCO. Refer to the corporate governance report on page 58 and the Remuneration Report on page 67.
The induction of and ongoing training and development of directors should be conducted through formal processes.	✓	Refer to the corporate governance report on page 59.
The board should be assisted by a competent, suitably qualified and experienced company secretary.	✓	Refer to the corporate governance report on page 59.
The evaluation of the board, its committees and individual directors should be performed every year.	✓	During the financial year, an external review of the effectiveness of the board and its committees was conducted. Refer to the corporate governance report on page 59.
The board should delegate certain functions to well-structured committees, but without abdicating its own responsibilities.	✓	Refer to the corporate governance report on page 59.
A governance framework should be agreed between the group and its subsidiary boards.	✓	A delegated authority framework is in place. Refer to the corporate governance report on page 60.
Companies should remunerate directors and executives fairly and responsibly.	✓	Refer to the remuneration report on page 67.
Companies should disclose the remuneration of each individual director and certain senior executives.	✓	Refer to the annual financial statements.
Shareholders should approve the company's remuneration policy.	✓	Refer to the remuneration report on page 67 and notice of annual general meeting on page 83.

The following are principles the group is currently not compliant with:

PRINCIPLE	APPLIED	COMMENT
The audit committee should recommend to the board to engage an external assurance provider on material sustainability issues.	X	External assurance on integrated report and sustainability report not yet considered necessary.
The CAE should have a standing invitation to attend executive committee meetings.	X	The CAE is represented at EXCO by the Chief Risk Officer.

SOCIAL AND ETHICS COMMITTEE REPORT

INTRODUCTION

The S&E Committee was established in 2012 in terms of the requirements of section 72(4) of the Companies Act, read with Regulation 43 of the Companies Regulations, 2011, and oversees the transformation and sustainability of Stefanutti Stocks.

TERMS OF REFERENCE

The Companies Act and King III have guided the detailed terms of reference that have been approved by the board. Minor updates were made to the committee's formal terms of reference after the annual review process. The committee confirms that it has executed its duties during the past financial year in accordance with these terms of reference.

COMPOSITION

The committee is chaired by Independent Non-executive Director Nomhle Canca and further comprises Independent Non-executive Directors Tina Eboka (who stepped down from the committee on 1 March 2017) and Howard Craig, as well as the Human Resources Executive, Mike Sikhakhane. The CEO, CFO and Group Risk Officer attend the committee meetings by invitation.

During the financial year, an external review of the effectiveness of the board and its committees was conducted. The review indicated that the committee functioned well. Areas for improvement have subsequently been addressed.

Abridged biographies of the members are published on page 22. Ms Canca and Mr Craig are also members of the ARCO, which improves communication and ensures a greater connection between these committees.

MEETINGS

The committee met three times during the year under review. Attendance at these meetings is contained in the table set out in the corporate governance report on page 61.

STATUTORY AND OTHER DUTIES

In the execution of its duties, the committee:

- Considers and approves the group's corporate social investment programme and proposed beneficiaries;
- Monitors the group's activities, having regard to any relevant legislation, other legal requirements or any industry or sectorial codes of best practice with regard to:
  - Social and economic development
  - Good corporate governance
  - The environment, health and public safety
  - Consumer relationships
  - Labour and employment
- Monitors the group's B-BBEE targets and progress on ownership, preferential procurement, enterprise development, employment equity and skills development and training;
- Promotes the principles of transformation on an enterprise-wide basis across all facets of the group's activities and reviews policies, plans and processes in this regard;
- Reviews integrated reporting to stakeholders on aspects of transformation; and
- Reviews and monitors sustainability.

The committee ensures that appropriate policies and programmes are in place to contribute to social and economic development, ethical behaviour of staff towards fellow employees and other stakeholders, fair labour practices, environmental responsibility and good customer relations.

The committee assists ARCO by reviewing all non-financial information contained in the integrated report and it provides further oversight on all matters concerning ethics, which are reported on through the internal audit process.

This integrated report includes an abridged sustainability report with highlights for the year. The full sustainability report can be found on the group's website.

On behalf of the S&E Committee

Nomhle Canca
Chairman

13 July 2017

SUSTAINABILITY HIGHLIGHTS

HUMAN CAPITAL

At the end of the year the group had a total staff complement of 10 412 (2016: 10 476) employees.

Details of South African employees excluding temporary employment service employees are illustrated in the table on page 66.

Employee numbers fluctuate due to specific project requirements, however, avoidable employee turnover for the years was 9,6% calculated on total headcount.

TRANSFORMATION

The group's scorecard declined from a Level 3 Contributor status to a Level 4, as a result of being measured on the Generic Codes as opposed to the Construction Sector Codes. The scorecard elements for 2017 are categorised as per the table on page 66.

SKILLS DEVELOPMENT AND TRAINING

The group invested R18,7 million (2016: R22,0 million) in skills training despite tough economic conditions to ensure meaningful employee development. This value excludes the salaries of employees while on training.

The skills development objectives are as follows:

- Continued review and development of existing programmes;
- Setting new targets and goals in line with the revised B-BBEE scorecard;
- Collaborating with business units to increase value and participation of existing programmes;
- Developing and implementing an e-learning platform;
- Encouraging professional registration of employees;
- Registering in-house programmes for continued professional development;
- Developing in-house programmes for the new occupational qualifications;
- Implementing the group mentorship programme.

HEALTH AND SAFETY

Over the last three years the group has implemented and maintained effective and efficient management systems within the occupational health and safety programmes. The aim has been to increase awareness, while empowering employees throughout all levels of the organisation to take ownership.

The lost-time injury frequency rate remained at 0,10 (2016:0,10).

The recordable case rate, which consists of medical treatment cases, restricted work cases, lost-time injuries and fatal incidents increased to 0,70 (2016:0,59).

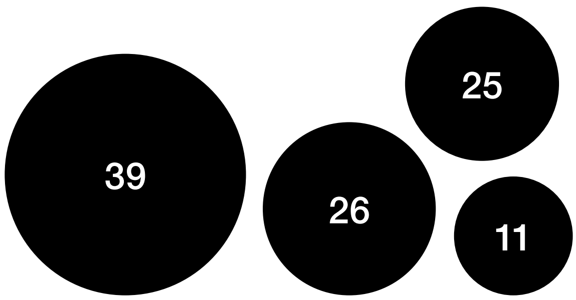
ENVIRONMENTAL

Water, Earth and Air have been key topics of conversation among our employees. The shortage of water experienced in all regions in which we operate, has kept our focus firmly on the environmental impact of our operations.

The EXCO has established an Environmental Forum that deals with environmental matters and guides compliance, performance and responsibility. The forum members have defined objectives to ensure that there are measurable criteria which the group can monitor.

Our business units meticulously maintain their ISO 14001 certifications.

WATER USE PERCENTAGE PER SOURCE (%)



39 Municipal 26 Surface 25 Ground 11 Recycled

QUALITY

The objective for all business units is to be ISO certified (ISO 9001, ISO 14001 and OHSAS 18001/ISO 45001) by the beginning of the 2020 financial year based on an aligned, standardised document repository.

A full sustainability report can be found online on the group's website.

SUSTAINABILITY HIGHLIGHTS
CONTINUED

TOTAL STAFF COMPLEMENT

	2017	2016
RSA employees	**8 017**	7 983
Cross-border employees	**2 395**	2 493

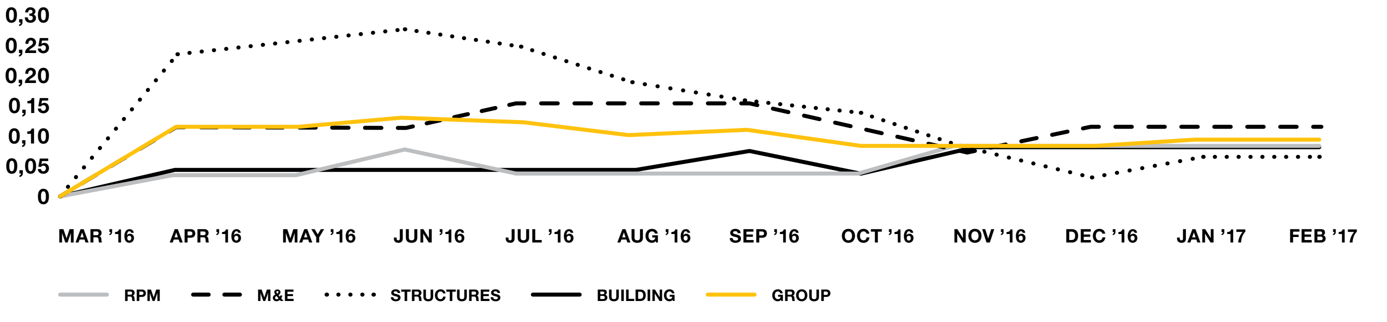
TRANSFORMATION

ELEMENTS	TARGET	2017 ELEMENT POINTS OBTAINED
Ownership	25	18,65
Management and control	19	6,12
Skills development	25	11,86
Enterprise and supplier development	44	38,41
Socio-economic development	5	5,00
TOTAL	**118**	**80,04**

TRAINING SPEND

	Female R'000	Male R'000	Total R'000	Black female R'000	Black male R'000	Total R'000	Black spend %
Bursaries	1 020	1 524	2 544	609	1 080	1 689	66,4
Learnerships	351	1 812	2 163	351	1 279	1 630	75,4
Apprenticeships	140	1 319	1 459	140	787	927	63,5
Skills programmes	603	7 440	8 043	572	6 884	7 456	92,7
Other	717	3 736	4 453	396	2 010	2 406	54,1
Total spend	2 831	15 831	18 662	2 068	12 040	14 108	75,6
No. of course attendances	779	6 452	7 231	545	5 094	5 639	78,0

LTIFR PER BUSINESS UNIT 12-MONTH ROLLING



REMUNERATION REPORT

INTRODUCTION

The remuneration report sets out the information applicable to the group's remuneration strategy and remuneration policy. The Remuneration Committee (REMCO/the committee) assists the board in determining remuneration policies for the group and has set the remuneration policy for financial year-end 2017 (FYE 2017). The matters raised at the annual general meeting in September 2016 have been taken into account in this process.

The board has approved the information provided by the committee in this report and accepted its recommendations.

The overall principle of the Stefanutti Stocks remuneration policy is to align the long-term strategic interests of the company and its senior executives with those of its shareholders. The purpose of the policy is to continually motivate employees at all levels in combination with optimal retention and recruitment practices.

The group has taken an approach to remuneration which will ensure that employees are incentivised to achieve an appropriate balance between the short- and long-term strategic objectives of the company.

The key issues that are addressed in this remuneration report, which are in accordance with the remuneration guidelines of King III, are as follows:

› REMCO;
› Remuneration philosophy and policy; and
› Implementation.

REMCO

The committee is responsible for the development and oversight of the group's remuneration philosophy and policy. The composition, mandate, role and responsibilities of the committee are set out in written terms of reference, which have been approved by the board.

COMPOSITION

At year-end the REMCO consisted of:

LB Sithole (Chairman)	— independent non-executive director
T Eboka	— independent non-executive director
KR Eborall	— independent non-executive director
ME Mkwanazi	— independent non-executive director
DG Quinn	— non-executive director

As per King III, the majority of members, are independent non-executive members. In addition, the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Human Resources Executive attend meetings by invitation. The company secretary attends all meetings as the secretary of the committee.

The board has satisfied itself that the members are suitably skilled, independent and qualified to fulfil their duties. Abridged biographies of the members are published on page 22.

The committee has access to independent advisors to ensure that it receives expert advice on remuneration matters, both in general and on industry-specific terms. The CEO, CFO and the Human Resources Executive also make recommendations to the committee. However, they are excluded from deliberations in respect of their own remuneration.

ROLE AND RESPONSIBILITIES

The written terms of reference of the committee are reviewed annually. During the year under review all remuneration policies were reviewed by the committee to ensure that the policies remained appropriate and aligned, with the principles of King III and the Companies Act.

The REMCO's role and responsibilities include:

› Ensuring that an adequate succession plan is in place for all senior management positions;
› Recommending to the board the annual total fixed package (TFP), comprising basic salary plus post-employment and other benefits as well as, short- and long-term incentives, paid to the executive directors;
› Reviewing and approving the annual TFP short- and long-term incentives paid to the EXCO members;
› Reviewing short- and long-term incentive pay structures for qualifying staff;
› Reviewing and approving the annual TFP increases for company and operational directors and monthly paid employees;
› Reviewing and approving the executive directors service contracts;
› Recommending of the Board Gender Diversity policy to the board; and
› Ensuring the policy of equal pay for equal work is applied into the workplace.

The chairman of the committee reports to the board on the committee's recommendations and decisions.

The Nominations Committee's role and responsibilities include:

› Reviewing the induction and training policy and processes for new board members;
› Ensuring the committee comprises at least two independent non-executive directors, with the appropriate skills and experience;
› Assessing the composition of the board and any deficiencies in this regard;
› Identifying and recommending nominees to the board (prior to a nomination, appropriate background checks and due diligence processes are performed on any proposed new director);
› Reviewing directors' independence annually and establishing those directors standing for re-election at the annual general meeting;
› Identifying and recommending non-executive directors with greater than nine years' service to the board for the appropriate review and approval;
› Reviewing and approving the role of the chairman and recommending to the board, the extension of the chairman's contract for a further year (greater than age threshold of 70 years); and
› Ensuring that an adequate succession plan is in place for all non-executive directors.

Responsibility for senior management appointments and remuneration has been assigned to the CEO. The CEO provides feedback to the committee and the board in this regard.

The committee continues to evaluate the company's remuneration practices, and is currently reviewing the short-term incentivisation parameters for executive directors made under the executive directors' incentive scheme (EDIS), to ensure executive directors' remain motivated as well as aligned to shareholder interests.

Retirement age for non-executive directors is 70 years.

The committee confirms that it has executed its duties in accordance with its terms of reference.

MEETINGS

The committee met three times during the year. The following key remuneration decisions were taken during the year:

› Review and approval of the company's remuneration policy, and submission thereof to shareholders for a non-binding advisory vote at the annual general meeting (AGM);
› Revision of the EDIS and recommendation for approval by the board;
› Review and recommendation to the board of the short-term incentive payments made to executive directors in terms of key performance areas (KPA) achievement;
› Review and approval of the succession plans and principles for the executive directors and the EXCO;
› Recommendation to the board of the long-term incentive payments were made to the executive directors relating to FYE 2016 (under the former EDIS metrics);
› Approval of the short-term incentives payments for company, operational and all other directors, made under the directors short-term incentive scheme (DPSIS);
› No long-term incentive payments were made to company, operational directors and all other directors under the forfeitable share scheme (FSP);
› Review and approval of the executive directors' performance measured against the KPAs;

REMUNERATION REPORT
CONTINUED

- Approval of the following TFP increases, effective 1 March 2017:
  - General salaried staff — 6,5%
  - Company and operational directors — 6,0%
  - EXCO (including CEO and CFO) — 6,0%
- Review and recommendation to the board of the non-executive directors fees for submission to shareholders at the next AGM;
- Recommendation to the board to approve certain projects to be undertaken by Mr DG Quinn, at an approved hourly rate. The projects and hourly rate are reviewed and preapproved on an annual basis;
- The following non-executive directors are retiring at the September 2017 AGM — Mr LB Sithole, Ms NJM Canca and Mr ME Mkwanazi. Mr ME Mkwanazi has offered himself for re-election;
- The recommendation to the board that Mr DG Quinn remain as a member of the Pension Fund Advisory Body at the approved non-executive director hourly rate. The position to be reviewed on an annual basis;
- Review and approval of the role and function of the Board Chairman;
- Review and approval of the succession plan for the Board Chairman; and
- Recommendation that Mr KR Eborall remain as chairman for a further year, noting his age of 72 years.

Attendance at committee meetings is shown in the table set out on page 61 of the corporate governance report.

REMUNERATION PHILOSOPHY AND POLICY

The company's philosophy is to employ dynamic and competent individuals who subscribe to the group's culture and values. Stefanutti Stocks strives to provide a working environment, which encourages the development and personal growth of employees within the framework of company objectives.

External advisors are utilised to assist in various benchmarking processes, which ensure that new and existing employees are rewarded by remuneration packages that are both competitive and attractive.

The key principles of the remuneration policy are as follows:

- Paying a market competitive TFP which includes a base salary, retirement fund contributions and certain other benefits;
- Paying a total remuneration which is targeted to be within the upper quartile of relevant industry benchmarks, but in light of prevailing market conditions, is currently paying at the median of this benchmark;
- Paying an appropriate mix between TFP and short- and long-term incentives;
- Paying an appropriate annual short-term incentive designed to achieve group objectives in the short and medium term;
- Making appropriate long-term incentive awards to executives and all other directors in terms of the FSP, which was approved at a general meeting in August 2009;
- The long-term share incentive participation is designed to align the executive directors' performance with shareholder expectations and ensure sustainable future company performance; and
- The committee considers these factors within an overall remuneration policy which is designed to meet the company's needs by attracting, retaining, motivating and ensuring the behaviour of the group's employees are aligned with the overall group strategy over the short, medium and long term.

When evaluating executives' performance, REMCO also considers internal and external factors that may have contributed to thresholds not being met.

IMPLEMENTATION

GUARANTEED REMUNERATION

When structuring guaranteed packages, the group applies a TFP approach. The policy is to currently pay, at the median on average, when compared to similar positions throughout the industry. However, not all employees will be paid in accordance with this guideline as other factors, such as individual performance, special requirements and supply and demand, are also taken into account.

The benchmark information used for project or operational appointments comes from within the industry in which the company operates, and, also where relevant, the general South African market.

Benefits such as pension, medical aid and car allowance are included in the TFP. It is obligatory that all permanent salaried employees of Stefanutti Stocks belong to the Stefanutti Stocks Pension Fund. Membership of a funeral policy plan, which is independent of the pension scheme, is also mandatory for all South African group employees.

The Stefanutti Stocks Pension Fund is a defined contribution fund and provides retirement funding plans and risk cover benefits for it members.

It is also compulsory for all new salaried employees to join the group's prescribed medical aid, unless the employee can prove that he/she is a dependant on another medical aid.

Hourly-paid employees' remuneration, bonuses and other benefits are determined at industry bargaining council level. The company offers these employees membership to the Stefanutti Stocks Provident Fund, which provides retirement funding and risk cover services. Membership of an approved funeral policy insurance plan is also compulsory for limited duration contract (LDC) employees.

VARIABLE REMUNERATION

Within the group, executive, company and divisional directors and most salaried employees qualify for annual short-term performance incentives based on the relevant company, business unit, divisional or specific contract performances.

SHORT-TERM INCENTIVES (STI)

EXECUTIVE DIRECTORS INCENTIVE SCHEME (EDIS)

Main board executive directors' variable remuneration falls under the EDIS.

The STI plan is designed to align the short-term interests of the executives with group strategy and the interests of the shareholders, using both financial performance measures and personal objectives under individual KPAs.

For both FYE 2016 and FYE 2017, the two financial performance measures are:

1. Operating profit (OP); and
2. Return on equity (ROE)

However, two changes to the STI under EDIS have been approved for reported results FYE 2017.

The first change is that the board has recognised the increasing importance being placed upon the KPAs of the executives. Consequently, the weighting attributed to KPAs under the STI has increased from 20% to 30%, with a corresponding reduction in the financial performances measurables from 80% to 70%.

This amendment is in line with the changing global view on executive remuneration, whereby it is believed that remuneration strategies need to incorporate wider goals that relate to environmental, social and economic objectives at the expense of more than just purely financial measures.

The weighting applicable to the (30%) KPAs for the executives is as follows:

CEO	
Operations	25%
Sustainability and compliance	35%
Stakeholders relationships	25%
Financial	15%
CFO	
Governance	45%
Stakeholders relationships	40%
Financial	15%

CALCULATION OF EXECUTIVES' STIs

R'000	TFP	Financial performance scorecard 108,75%	Financial weighing 80%	Personal weighting 20%	Final STI	% of TFP	Max STI % of TFP
W Meyburgh (CEO)	4 848	5 272	4 218	702	4 920	101,5	250
A Cocciante (CFO)	3 024	3 289	2 631	478	3 109	102,8	250

The financial and personal performance awards earned under STIs are cash-based annual awards.

The second change is that the maximum STI payable to executive directors for reported results FYE 2017 increases from 250% (FYE 2016) to 300% of TFP, with a minimum of nil.

FINANCIAL PERFORMANCE MEASURES

Financial performance measures account for 70% (FYE 2016: 80%) of possible short-term incentives payable to executive directors.

OPERATING PROFIT MARGIN (OP)

- An annual expected operating profit margin is established at the commencement of each financial year, with maximum and minimum thresholds applied thereafter on a sliding scale. The expected OP is internally reviewed on an annual basis, and based on relevant industry and peer comparatives.
- This OP is based on normalised OP excluding all extraordinary and non-trading items, and was set at 3,0% for FYE 2017 (FYE 2016: 3,0%).
  - On achievement of the targeted OP of 3,0%, an award of 100% (multiplied by 70%) of the TFP is made;
  - If the OP achieved is below a minimum threshold of 1,0%, no award of the financial portion of the STI is made; and
  - If the OP achieved is at or above a maximum stretch threshold of 5,0%, a maximum of 200% (multiplied by 70%) of the TFP is made;
  - A linear sliding scale apportionment is applied between threshold and stretch targets.

The OP awards earned by the CEO and CFO, based upon the FYE 2016 reported results and a normalised operating margin of 3,9%, amounted to 145% of their TFPs.

RETURN ON EQUITY (ROE)

- An annual targeted ROE is also established at the commencement of each financial year, targeted to meet the company's weighted average cost of capital (WACC), also with maximum and minimum thresholds and again applied on a sliding scale between these.
  - On achievement of the targeted ROE meeting WACC, the full amount calculated under the OP metric remains unchanged.
  - If this ROE/WACC metric falls below the minimum threshold of WACC minus 6%, a factor of 75% is applied to the amount calculated under the OP metric.
  - If this ROE/WACC metric is at or above the upper threshold of WACC plus 6%, a factor of 150% (FYE 2016: 125%) is applied to the amount calculated under the OP metric.

The impact of the company's ROE not achieving the company's WACC for the FYE2016 reported results produced a dilutory factor of 75% of the OP award to the CEO and CFO.

The net STI for the executive directors for FYE 2016 was 108,75% (145% x 75%).

PERSONAL PERFORMANCE MEASURES

Personal performance measures account for 30% (FYE 2016: 20%) of possible short-term incentives payable to executive directors.

At the commencement of each year, personal objectives are set out under KPAs, by the board, for executive directors. These KPA objectives were applied to the executives for FYE 2016, and achievement under these for the CEO and CFO were 66,7% and 72,7% respectively.

DIRECTORS' PROFIT SHARE INCENTIVE SCHEME (DPSIS)

For qualifying company and operational directors, other than executive directors, variable remuneration falls under the DPSIS. Short-term incentives payable to all directors are earned under this scheme and are based on a predetermined percentage of financial year-end audited profit before tax (PBT). This predetermined PBT percentage metric is regularly reviewed by the board, in light of industry and peer comparatives:

- Each division generates a profit share pool (Pool) based upon the above predetermined metric. This amount is initially provided for based upon the annual budgets and thereafter provided for on a monthly basis as required, until fully provided for by each division at financial year-end;
- The amount generated under the Pool is used to pay the relevant business unit and operational directors, based on:
  - A TFP weighting for each director; and
  - A subjective adjustment after input from the relevant business unit's managing director and executive directors; and
- This scheme targets a maximum award of 200% of TFP, with a minimum of nil where no profits are generated.

LONG-TERM INCENTIVES (LTI)

LTIs are applicable to those directors who contribute to the company's long-term objectives, and whose services should be retained to that end. These LTIs are designed to align the interests of both the executive and other directors, with those of the shareholders.

STEFANUTTI STOCKS SHARE OPTION SCHEME

The company has ceased using its share option scheme, and no options have been issued since February 2009. Outstanding awards in terms of the scheme will lapse in 2017.

FORFEITABLE SHARE PLAN (FSP)

The FSP was introduced in 2009 to replace the Stefanutti Stocks Share Option Scheme, and was approved by shareholders at a general meeting held on 25 August 2009. The committee considers annual allocations of forfeitable shares and in terms of the FSP company shares are purchased in the market, at the ruling price and are therefore non-dilutory to shareholders.

The maximum number of shares issued under the FSP, for any one year, to which a company and operational director is entitled, will not exceed 1% of the current issued share capital. The aggregate number of shares granted under the FSP (and outstanding options under the Stefanutti Stocks Share Option Scheme) at any one time, will not exceed 10% of the current issued share capital. Shares issued under the FSP vest with the relevant company and operational director, on the anniversary of the third year after the award date, provided the director still remains employed within the group.

Forfeitable shares previously awarded are forfeited in instances of dismissal for misconduct, poor performance, dishonesty or resignation (fault termination). In instances of death, ill health or disability, retrenchment, retirement or where the

REMUNERATION REPORT
CONTINUED

LTI PERFORMANCE MEASURES FOR FYE 2017

	METRIC	WEIGHTING	PERFORMANCE CRITERIA — TARGET	VESTING
1.	HEPS growth (%HEPS)	25%	Growth in (HEPS) equals CPI plus 1%.	100% of TFP vests upon achievement of target, whereas 50% vests upon achievement of threshold (CPI plus 0%) and 200% vests upon achievement of stretch target (CPI plus 2%).
2.	Total shareholder return (TSR)	25%	A total shareholder return placement in position number three or four out of the specified peer group.	100% of TFP vests upon achievement of target, whereas 20% to 80% vests (proportionately) upon achievement between positions number seven to five. 200% vests on achievement of positions one or two, i.e. stretch target.
3.	Return on capital employed (ROCE)	20%	A return on capital employed equals WACC plus 2%.	100% of TFP vests upon achievement of target, with 50% vesting upon achievement of threshold (WACC plus 0%) and 200% vesting upon achievement of stretch target (WACC plus 4 %).
4.	Free cash flow (FCF)	30%	A 20% year-on-year improvement in FCF.	100% of TFP vests upon achievement of target. 80% vests upon achievement of threshold set at 10% year-on-year improvement, while 200% vests upon a 30% year-on-year improvement, i.e. stretch target.

employer company ceases to be a subsidiary of the company (no fault termination), a proportional vesting of forfeitable shares previously awarded takes place based on the number of months served since award date.

EXECUTIVE DIRECTORS

The long-term incentive award of forfeitable shares is generally granted on an annual basis in order to mitigate unanticipated outcomes arising out of cyclical factors and share price volatility.

LONG-TERM INCENTIVE (LTI)

In addition to the changes proposed under the EDIS in respect of STI, the company has also implemented the following changes to the LTI plan under the EDIS, commencing FYE 2017.

Previously (FYE 2016) the amounts earned under the LTI portion of EDIS were a product of the amounts earned by executives under the STI, multiplied by an approved factor. However, in order for the EDIS to be more robust and align long-term executive performance with long-term shareholders returns, the long-term portion of the EDIS has been de-linked from STI for FYE 2017.

The revised LTI has been formulated to reward sustainable financial performance measured by using four metrics, the applicable targets of which are set by the board, at the commencement of each financial year:

METRIC

1. HEPS growth (% HEPS)
2. TSR
3. ROCE
4. FCF

The maximum allocation limit upon achievement of each stretch target for all LTI measurables mentioned above is 200% of TFP, while measurables falling below threshold result in no award being generated for that measurable.

Payment for achievement of LTIs is made by way of forfeitable shares, which vest on the third anniversary of the award, but only to the extent that the annual performance measures above have been met over a three-year performance period. The performance measures are averaged over the three-year period to determine final measure and award. Cliff vesting occurs at the end of the three-year period.

The forfeitable shares to be awarded to executives on vesting are acquired in the market, or from shares held in the treasury account, or from the share trust account.

The committee has the authority to cash settle LTI awards in exceptional circumstances.

For FYE 2016, the long-term incentive award of forfeitable shares was based upon the previous EDIS scheme, being the lesser of:

- The average of the short-term awards made over the previous three years, multiplied by an approved benchmark factor (CEO – 1,08, CFO – 0,85); or
- 100% of the annual TFP

The LTI awards earned by the CEO and CFO based upon the FYE 2016 reported results amounted to 75,5% and 85,0% of their TFPs respectively.

COMPANY AND OPERATIONAL DIRECTORS

The committee, determines the value of forfeitable shares to be awarded to the directors taking into account the financial performance of the group. This will be a percentage of audited financial year-end profit after tax. No awards were made this year.

The tables showing the breakdown of the annual remuneration of directors for the years ended 28 February 2017 and 29 February 2016 are set out in note 23 to the annual financial statements.

KEY MAN ATTRACTION AND RETENTION SCHEME

The committee approved the implementation of a Key Man Attraction and Retention Scheme in 2012. The primary purpose of this scheme is to enable the company to compete for new, and retain existing, key employees on an equal footing with its competitors. This remuneration is outside of the standard TFP, short- and long-term incentive plans.

This scheme recognises that there are occasions when additional incentives, in the form of forfeitable shares or retention bonuses, may need to be provided, such as:

- In making an employment offer to an individual when it is necessary to offer compensation for relinquishing an existing long-term incentive; or

› To prevent the solicitation of key members of staff by third-party organisations. The potential recruitment cost of replacement is considered in such cases.

NON-EXECUTIVE DIRECTORS' FEES

Recommendations are made to the committee by the executive directors and Human Resources Executive, for onward review by the board and submission to shareholders.

Non-executive directors are compensated based on attendance fees, which are dependent upon the size and complexity of the group. Their remuneration is compared to the company's industry peer group on an annual basis, and also take into account industry practices and independent fee surveys provided to the committee by external service providers.

No distinction is made between fees payable to independent non-executive directors and other non-executive directors. The fees of the Chairman and if applicable, the Lead Independent Director take their expanded roles into account.

Non-executive directors qualify for reimbursement of expenses incurred in performing their duties for and on behalf of the company. Should the board require a non-executive director to undertake a specific project on behalf of the company, this will be authorised beforehand and executed at a pre-approved hourly rate, which will not exceed the rate as approved annually by shareholders.

Non-executive directors do not have service contracts. Instead, letters of appointment serve to confirm their terms of engagement, and include matters such as fees, term of office, expected time commitment, share dealing and board performance assessment. The Chairman has a letter of appointment, which is specific to his responsibilities and functions.

All non-executive directors are appointed for a term of three years and are obliged to retire at the end of that period. They may offer themselves for re-election at the AGM.

Upon recommendation from the Nominations Committee, the board will, on an annual basis, consider the continued services of any non-executive director who has reached or exceeded the maximum period of service of nine years with the company. It will further consider the continued services of any non-executive director who has exceeded the age of 70 years.

The fees paid to non-executive directors for the financial year ending 28 February 2017 and 29 February 2016 are reflected in note 23 of the annual financial statements.

Non-executive directors are not required to be shareholders and they do not qualify to participate in any incentive scheme that is operated by the group.

At the AGM of shareholders scheduled for 1 September 2017, the remuneration policy contained in this report will be put to shareholders for a non-binding vote. Shareholders will also be asked to pass a special resolution, to take effect from 2 September 2017, approving the proposed changes in non-executive director's fees. Details of these fees are also set out in the Notice of Annual General Meeting commencing on page 82.

DIRECTORS' SERVICE CONTRACTS

Executive directors are employed on standard contracts of employment within the group. These contracts are not fixed-term contracts and do not provide for termination payment. Normal retirement age is set at 65 years.

DIRECTORS' SHAREHOLDING

The aggregate beneficial holdings at 28 February 2017 and 29 February 2016, held by the directors of the company in the issued shares of the company are detailed in note 23 to the annual financial statements.

DIRECTORS' TRADING IN COMPANY SECURITIES

As standard group policy, directors are required to obtain clearance prior to trading in the company's securities. Such clearance must be obtained from the Chairman or the CEO. The Chairman consults the CEO or a designated director prior to his trading in the company's securities. Directors are required to inform their portfolio/investment managers not to trade in the securities of the company unless they have specific written instructions from that director to do so. Directors may not trade in their shares during closed periods.

Directors are further prohibited from dealing in the company's shares at any time when they are in possession of unpublished price-sensitive information in relation to the company, or where clearance to trade is not given.

INTEREST OF DIRECTORS IN CONTRACTS

Directors are required to notify the company of their interests in contracts and this is a standard agenda item at each board meeting. There have been no material changes post 28 February 2017 to date.

Information regarding related-party transactions is set out in note 23 to the annual financial statements.

PRESCRIBED OFFICERS

Directors and prescribed officers as defined in terms of the Companies Act, have been assessed and identified as executive and company directors.

On behalf of the REMCO

LB Sithole
Chairman

13 July 2017

AUDIT, GOVERNANCE AND RISK COMMITTEE REPORT

This report is provided by the ARCO (the committee) appointed in respect of the 2017 financial year of Stefanutti Stocks Holdings Limited, which incorporates the requirements of section 94(7)(f) of the Companies Act, the King III principles and other regulatory requirements imposed upon it.

THE ARCO

The committee, in addition to having specific statutory responsibilities to the shareholders in terms of the Companies Act, assists the board by advising and submitting recommendations on the group's financial reporting, internal financial controls, external and internal audit functions and statutory as well as regulatory compliance.

TERMS OF REFERENCE

The Companies Act and King III have guided the detailed terms of reference that have been approved by the board. Minor updates were made to the committee's formal terms of reference after the annual review process. The committee confirms that it has executed its duties during the past financial year in accordance with these terms of reference. The implementation of King IV will commence in the coming year.

EXECUTION OF DUTIES

During the year the committee:

- Monitored compliance with the code of conduct and the ethical conduct of the company in liaison with the S&E Committee;
- Evaluated the independence and effectiveness of the external auditors as well as their performance and recommended their reappointment;
- Reviewed the draft audited financial statements and integrated report, the preliminary announcement and interim statements;
- Reviewed, together with the external auditors, the conformity of the audited financial statements and related schedules with IFRS and the company's accounting policies;
- Reviewed the external audit plan and fees payable to the external auditors;
- Reviewed the external audit findings and reports;
- Approved any non-audit services performed by the external auditors and the policy in this regard;
- Reviewed internal audit policies, plans, reports and findings;
- Monitored compliance with applicable laws and regulations;
- Oversaw the process of sustainability reporting and considered the findings and recommendations of the S&E Committee;
- Assessed key risk areas facing the group and recommended risk mitigation measures;
- Assessed its own effectiveness as a committee, which was performed this year through an external review;
- Advised and updated the board on issues ranging from accounting standards to published financial information; and
- Evaluated the finance function and expertise and experience of the CFO.

During the financial year, an external review of the effectiveness of the board and its committees was conducted. The review indicated that the committee was highly rated with only minor areas for improvement. These areas have subsequently been addressed.

COMPOSITION

The board nominated the members of the committee in respect of the 2017 financial year and shareholders appointed its members at the AGM held on 2 September 2016. Shareholders will be requested to approve the appointment of the committee members for the 2018 financial year at the annual general meeting that is scheduled for 1 September 2017.

Zanele Matlala, an independent non-executive director, chairs the committee, which comprises three additional independent non-executive directors, namely Nomhle Canca, Howard Craig and Joseph Fizelle (alternate to Independent Non-executive Director Bridgman Sithole).

The Board Chairman, CEO, CFO, Group Risk Officer, external and internal auditors attend all committee meetings by invitation. Former CFO, Dermot Quinn, a non-executive director, is a permanent invitee of the committee. The company secretary acts as secretary to the committee.

The board has satisfied itself that the members are suitably skilled, independent and qualified to fulfil their duties. Abridged biographies of the members are published on page 22.

MEETINGS

The committee held four meetings during the year. Attendance at these meetings is shown in the table set out on page 61 of the corporate governance report of the integrated report.

INTERNAL FINANCIAL CONTROLS

During the year under review, the committee:

- Reviewed the effectiveness of the group's system of internal financial controls including receiving assurance from management, internal audit and external audit;
- Reviewed issues raised by the external auditors in their reports; and
- Reviewed policies and procedures for preventing and detecting fraud.

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

REGULATORY COMPLIANCE

Compliance with laws and regulations is a standing agenda item and is addressed accordingly by the committee at each meeting. The corporate governance report contains a more detailed discussion on regulatory compliance commencing on page 59 of this integrated report.

The integrity of financial information is a critical element for a well-functioning capital market. In line with international best practice the JSE introduced a process whereby it proactively monitors financial statements for compliance with IFRS and in February 2017 the JSE issued a report on their process. This report was considered by ARCO during the review of the consolidated annual financial statements. In addition, the group annual financial statements, for the financial year ended February 2016 were selected for review. This review resulted in three matters being raised, which were satisfactorily resolved with the JSE, without any adjustments required.

OVERSIGHT OF RISK MANAGEMENT

The committee plays a pivotal role in the process of risk management. The Group Risk Officer as well as the Internal Audit Manager report directly to the committee. All risk identification, measurement and management is addressed through these channels.

A risk management framework, risk policy and risk register were presented to and considered by the committee during the year. The committee has satisfied itself that the following areas have been appropriately addressed:

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

Refer to pages 17 to 19 of this integrated report for additional information relating to risk management.

INDEPENDENCE OF THE EXTERNAL AUDITORS

The external auditors' independence and effectiveness is evaluated annually by the committee, which also considers whether any non-audit services rendered by such auditors materially impair their independence. A non-audit services policy is in place, which the committee reviews on an annual basis. Although the external auditors performed certain non-audit services during the year under review, their fees were deemed immaterial.

Based on enquiries made and assurances received, the committee is satisfied with the external auditors' independence. The committee has recommended to the board and to the shareholders, the reappointment of Mazars as the independent registered audit firm and Susan Truter as the individual registered auditor, respectively. Shaun Vorster, the previous individual registered auditor, rotated off the audit at the end of the February 2016 financial year, and was replaced by Susan Truter.

INTERNAL AUDIT

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

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

The internal audit function is guided by appropriate policies and procedures that are aligned to the International Professional Practice Framework (IPPF) as prescribed by the Institute of Internal Auditors. The amended IPPF includes the core principles within the mandatory section, which already incorporates the definition of internal auditing, code of ethics and standards for an internal audit function. The core principles, taken as a whole, articulate internal audit effectiveness, namely, the internal audit function must:

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

A survey, including a self-assessment, with key stakeholders will be conducted by the Internal Audit Manager, during the forthcoming financial period, whereupon the results will be communicated to the committee. Any shortcomings identified will be addressed in order to ensure internal audit effectiveness.

In addition, the internal audit function monitors and assesses the group's corporate governance with regard to the various delegation of authority frameworks implemented throughout the group. The various levels of management in the group are delegated the responsibility for the design, implementation and evaluation of the risk management plans and to ensure their sustainability in all areas of the business.

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

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

As is required, the findings are discussed with management who either agreed to reinforce the existing control or implement new processes and controls to reduce the risk identified to an acceptable level, comparing the benefits derived with the cost of the control.

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

CFO

The annual evaluation of the finance function of the CFO was performed, as required in terms of the JSE Listings Requirements, and the committee is satisfied that the CFO, Antonio Cocciante, has the appropriate expertise and experience to meet the responsibilities as CFO. The committee has also satisfied itself that the resources within the finance function are able to provide the required support to the CFO. The committee assessed the comments received from the external auditors when making its evaluation. Based on the processes and assurances obtained, the committee has satisfied itself and is of the opinion that the accounting practices are effective.

ANNUAL FINANCIAL STATEMENTS AND INTEGRATED REPORT

Following the review by the committee of the annual financial statements of Stefanutti Stocks Holdings Limited for the year ended 28 February 2017, the committee is of the view that in all material respects they comply with the relevant provisions of the Companies Act and IFRS, and fairly present the consolidated and separate financial position which are available on the company's website at that date and the results of operations and cash flows for the year then ended.

The committee has also satisfied itself of the integrity of the remainder of the integrated report. Having achieved its objectives, the committee has recommended the integrated report for the year ended 28 February 2017 for approval to the Stefanutti Stocks board. The board has approved the report, which will be open for presentation at the forthcoming annual general meeting.

On behalf of the ARCO

Zanele Matlala
Chairperson

13 July 2017

SHAREHOLDERS' DIARY

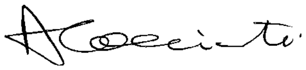
Financial year-end	28 February 2017
Reporting period	1 March 2016 – 28 February 2017
Reporting period of previous report	1 March 2015 – 29 February 2016
Announcement of annual results	18 May 2017
Integrated report posted	31 July 2017
Annual general meeting	1 September 2017
Announcement of interim results	November 2017

STAKEHOLDER FEEDBACK

The company welcomes written comments and feedback from its stakeholders on this integrated report and on other general matters and these should be addressed to: annual.report@stefstocks.co.za

PREPARATION OF FINANCIAL STATEMENTS

The financial statements, available on the group's website www.stefanuttistocks.com and the accompanying USB, as well as the extract from the financial statements contained in this integrated report, have been prepared under the supervision of the CFO, AV Cocciante, CA(SA). The extract of financial statements has been audited in compliance with the applicable requirements of the Companies Act.

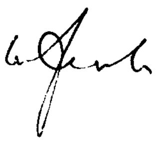


Antonio Cocciante
Chief Financial Officer

13 July 2017

CERTIFICATE BY THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I certify that, to the best of my knowledge and belief, Stefanutti Stocks Holdings Limited has, in respect of the financial year ended 28 February 2017, lodged with the Companies and Intellectual Property Commission all returns and notices required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.



William Somerville
Company Secretary

13 July 2017

INDEPENDENT AUDITOR'S REPORT

The unmodified independent auditor's report can be found on page 7 of the annual financial statements on the inserted USB as well as on Stefanutti Stocks's website **www.stefanuttistocks.com**. S Truter is the individual responsible for the audit.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY

CONTINUING OPERATIONS	2017 R'000	2016 R'000
REVENUE	**9 149 604**	9 737 386
Contract revenue	**9 058 576**	9 669 473
Operating and administration expenses	**(8 945 360)**	(9 246 559)
Other income	**95 830**	128 324
EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION (EBITDA)	**209 046**	551 238
Depreciation and amortisation	**(145 882)**	(159 273)
Impairment of assets	**(169 560)**	—
OPERATING (LOSS)/PROFIT BEFORE INVESTMENT INCOME	**(106 396)**	391 965
Investment income	**44 864**	34 049
Share of profits of equity-accounted investees	**40 893**	19 040
OPERATING (LOSS)/PROFIT BEFORE FINANCE COSTS	**(20 639)**	445 054
Finance costs	**(85 597)**	(60 422)
(LOSS)/PROFIT BEFORE TAXATION	**(106 236)**	384 632
Taxation	**(43 554)**	(120 114)
(LOSS)/PROFIT FROM CONTINUING OPERATIONS	**(149 790)**	264 518
DISCONTINUED OPERATIONS		
Loss after tax	**—**	(78 637)
(LOSS)/PROFIT	**(149 790)**	185 881
OTHER COMPREHENSIVE INCOME	**(10 998)**	34 107
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss))	**(118 328)**	84 980
Reclassification adjustment from foreign currency translation reserve due to disposal of a foreign investment	**2 468**	(62 193)
Reclassification adjustment from foreign currency translation reserve due to disposal of the investment property	**—**	11 320
Revaluation of land and buildings (may not be reclassified to profit/(loss))	**104 862**	—
TOTAL COMPREHENSIVE (LOSS)/INCOME	**(160 788)**	219 988
(LOSS)/PROFIT ATTRIBUTABLE TO:		
Equity holders of the company	**(137 068)**	182 317
Continuing operations	**(137 068)**	260 954
Discontinued operations	**—**	(78 637)
Non-controlling interest — Continuing operations	**(12 722)**	3 564
	(149 790)	185 881
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:		
Equity holders of the company	**(157 099)**	214 582
Continuing operations	**(157 099)**	293 219
Discontinued operations	**—**	(78 637)
Non-controlling interest — Continuing operations	**(3 689)**	5 406
	(160 788)	219 988
BASIC (LOSS)/EARNINGS PER SHARE (CENTS)	**(79,34)**	104,31
DILUTED (LOSS)/EARNINGS PER SHARE (CENTS)	**(72,88)**	96,94

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY

	2017 R'000	2016 R'000
ASSETS		
NON-CURRENT ASSETS	**2 548 043**	2 565 762
Property, plant and equipment	**1 212 248**	1 099 712
Equity-accounted investees	**189 860**	189 458
Goodwill and intangible assets	**1 087 133**	1 248 529
Deferred tax assets	**58 802**	28 063
CURRENT ASSETS	**4 019 055**	3 946 516
Inventories	**145 087**	101 317
Contracts in progress	**414 525**	624 172
Trade and other receivables	**2 256 514**	2 151 738
Taxation	**44 496**	52 392
Bank balances	**1 158 433**	985 128
	4 019 055	3 914 747
Assets of discontinued operation and non-current assets held for sale	**—**	31 769
TOTAL ASSETS	**6 567 098**	6 512 278
EQUITY AND LIABILITIES		
CAPITAL AND RESERVES	**2 442 378**	2 608 532
Share capital and premium	**1 021 737**	1 027 103
Other reserves	**181 515**	203 395
Retained earnings	**1 235 000**	1 370 219
Equity holders of the company	**2 438 252**	2 600 717
Non-controlling interest	**4 126**	7 815
NON-CURRENT LIABILITIES	**370 912**	231 709
Other financial liabilities	**346 460**	174 629
Deferred tax liabilities	**24 452**	57 080
CURRENT LIABILITIES	**3 753 808**	3 672 037
Other financial liabilities	**328 794**	346 296
Trade and other payables	**1 750 748**	1 886 177
Excess billings over work done	**1 197 743**	740 216
Provisions	**420 400**	488 996
Taxation	**56 121**	46 666
Bank balances	**2**	134 188
	3 753 808	3 642 539
Liabilities directly associated with the discontinued operation	**—**	29 498
	6 567 098	6 512 278

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY

		OTHER RESERVES						
	Share capital and premium R'000	Share based payments reserve R'000	Foreign currency translation reserve R'000	Revaluation surplus reserve R'000	Retained earnings R'000	Capital and reserves attributable to equity holders of the company R'000	Non-controlling interest R'000	Total equity R'000
BALANCE AT 28 FEBRUARY 2015	1 031 909	28 145	125 804	27 608	1 183 459	2 396 925	2 409	2 399 334
Treasury shares acquired	(4 806)	—	—	—	—	(4 806)	—	(4 806)
Realisation of revaluation reserve	—	—	—	(4 443)	4 443	—	—	—
Tax rate change on revalued properties	—	—	—	(5 984)	—	(5 984)	—	(5 984)
Total comprehensive income	—	—	32 265	—	182 317	214 582	5 406	219 988
Profit	—	—	—	—	182 317	182 317	3 564	185 881
Other comprehensive income	—	—	32 265	—	—	32 265	1 842	34 107
BALANCE AT 29 FEBRUARY 2016	**1 027 103**	**28 145**	**158 069**	**17 181**	**1 370 219**	**2 600 717**	**7 815**	**2 608 532**
Treasury shares acquired	**(5 366)**	**—**	**—**	**—**	**—**	**(5 366)**	**—**	**(5 366)**
Realisation of revaluation reserve	**—**	**—**	**—**	**(1 849)**	**1 849**	**—**	**—**	**—**
Total comprehensive loss	**—**	**—**	**(124 893)**	**104 862**	**(137 068)**	**(157 099)**	**(3 689)**	**(160 788)**
Loss	**—**	**—**	**—**	**—**	**(137 068)**	**(137 068)**	**(12 722)**	**(149 790)**
Other comprehensive loss	**—**	**—**	**(124 893)**	**104 862**	**—**	**(20 031)**	**9 033**	**(10 998)**
BALANCE AT 28 FEBRUARY 2017	**1 021 737**	**28 145**	**33 176**	**120 194**	**1 235 000**	**2 438 252**	**4 126**	**2 442 378**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY

	2017 R'000	2016 R'000
CASH FLOWS FROM OPERATING ACTIVITIES	**548 811**	(87 456)
Cash receipts from customers	**9 044 828**	9 551 907
Cash paid to suppliers and employees	**(8 428 531)**	(9 521 897)
Cash generated from operations	**616 297**	30 010
Interest received	**44 862**	33 144
Finance costs	**(30 906)**	(42 555)
Dividends received	**21 138**	25 392
Taxation paid	**(102 580)**	(133 447)
CASH FLOWS FROM INVESTING ACTIVITIES	**2 851**	(6 635)
Expenditure to maintain operating capacity		
Property, plant and equipment acquired	**(55 829)**	(82 308)
Additions to non-current assets held for sale	**—**	(2 935)
Proceeds on disposals of property, plant and equipment	**41 296**	35 014
Proceeds on disposals of non-current assets held for sale	**87 334**	118 899
Acquisition of associates and joint operations — net of cash acquired	**5 240**	—
Advance of associate loan	**(20 628)**	(200)
Expenditure for expansion		
Property, plant and equipment acquired	**(54 562)**	(75 105)
CASH FLOWS FROM FINANCING ACTIVITIES	**(164 702)**	54 935
Acquisition of treasury shares	**(5 366)**	(4 806)
Proceeds from long- and short-term financing	**149 511**	205 681
Repayment of long- and short-term financing	**(308 847)**	(145 940)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**386 960**	(39 156)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**850 940**	815 235
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(79 535)**	74 893
CASH AT THE BEGINNING OF THE YEAR — DISCONTINUED OPERATION	**66**	34
CASH AT THE END OF THE YEAR — DISCONTINUED OPERATION	**—**	(66)
CASH AND CASH EQUIVALENTS AT YEAR-END	**1 158 431**	850 940

NOTES TO THE SUMMARY OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These consolidated financial statements are an extract from the full audited consolidated financial statements, which can be found on the website (www.stefanuttistocks.com).

2. HEADLINE EARNINGS PER SHARE (HEPS)

Cents per share	2017 Continuing operations	2017 Total operations	2016 Continuing operations	2016 Total operations
HEPS — Basic	**10,94**	**10,94**	138,16	89,62
HEPS — Diluted	**10,05**	**10,05**	128,39	83,28
HEPS — Adjusted	**89,86**	**89,86**	138,16	89,62

	2017	2016
WEIGHTED AVERAGE NUMBER OF SHARES USED FOR HEPS		
Basic	**172 750 427**	174 779 842
Diluted	**188 080 746**	188 080 746

	2017 Gross amount R'000	2017 Net amount R'000	2016 Gross amount R'000	2016 Net amount R'000
HEADLINE EARNINGS RECONCILIATION — CONTINUING OPERATIONS				
(Loss)/profit after taxation from continuing operations attributable to equity holders of the company		**(137 068)**		260 954
Adjusted for:				
Profit on disposal of plant and equipment	**(13 377)**	**(9 634)**	(7 198)	(5 178)
Impairment of land and buildings	**14 734**	**11 434**	—	—
Impairment of goodwill and intangible assets	**154 826**	**154 160**	—	—
Profit on disposal of investment property	**—**	**—**	(16 158)	(8 234)
Fair value adjustment on investment property	**—**	**—**	(6 066)	(6 066)
Headline earnings		**18 892**		241 476
Settlement agreement charge (Voluntary Rebuild Programme)	**138 764**	**136 338**	—	—
Adjusted headline earnings		**155 230**		241 476
HEADLINE EARNINGS RECONCILIATION — TOTAL OPERATIONS				
(Loss)/profit after taxation from total operations attributable to equity holders of the company		**(137 068)**		182 317
Adjusted for:				
Profit on disposal of plant and equipment	**(13 377)**	**(9 634)**	(6 416)	(4 615)
Impairment of land and buildings	**14 734**	**11 434**	—	—
Impairment of goodwill and intangible assets	**154 826**	**154 160**	—	—
Profit on disposal of investment property	**—**	**—**	(16 158)	(8 234)
Fair value adjustment on investment property	**—**	**—**	(6 066)	(6 066)
Net gain on disposal of foreign investment	**—**	**—**	(6 768)	(6 768)
Headline earnings		**18 892**		156 634
Settlement agreement charge (Voluntary Rebuild Programme)	**138 764**	**136 338**	—	—
Adjusted headline earnings		**155 230**		156 634

In adjusting HEPS, items which represent the result of activities which are non-core (e.g. The settlement agreement with government) to the key operating objectives of the Stefanutti Stocks group are removed and are thus separately disclosed to enhance clarity of reporting.

NOTES TO THE SUMMARY OF THE FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED 28 FEBRUARY

3. SEGMENT INFORMATION

	Roads, Pipelines and Mining Services R'000	Mechanical and Electrical R'000	Structures R'000	Building R'000	Other segments and eliminations R'000	Total R'000
2017						
Revenues from external customers	**2 237 430**	**1 141 227**	**1 792 400**	**3 973 955**	**4 589**	**9 149 601**
Contract revenue	**2 192 243**	**1 134 766**	**1 771 934**	**3 959 633**	**—**	**9 058 576**
Intersegment contract revenues	**86 172**	**33 872**	**91 112**	**—**	**—**	**211 156**
Depreciation, amortisation and impairment	**77 706**	**11 178**	**25 363**	**31 805**	**169 390**	**315 442**
Net interest revenue/(expense)	**(7 234)**	**6 251**	**9 958**	**2 812**	**(52 522)**	**(40 733)**
Share of (losses)/profits of equity-accounted investees	**—**	**(456)**	**(79)**	**40 442**	**986**	**40 893**
Reportable segment operating profit/(loss)	**161 620**	**40 330**	**26 450**	**(1 749)**	**(333 047)**	**106 396**
Reportable segment profit/(loss)	**99 421**	**34 357**	**31 225**	**55 263**	**(370 056)**	**(149 790)**
Reportable segment assets	**2 055 357**	**593 344**	**1 148 732**	**1 701 128**	**1 068 537**	**6 567 098**
Equity-accounted investees	**—**	**3 423**	**662**	**177 467**	**8 308**	**189 860**
Reportable segment liabilities	**1 443 643**	**310 859**	**668 269**	**1 240 859**	**461 090**	**4 124 720**
2016						
Revenues from external customers	2 675 996	1 218 152	2 130 464	3 711 295	1 479	9 737 386
Contract revenue	2 637 921	1 216 092	2 113 292	3 702 168	—	9 669 473
Intersegment contract revenues	31 059	42 571	100 862	31 902	—	206 394
Depreciation and amortisation	67 531	18 082	38 871	32 394	2 395	159 273
Net interest revenue/(expense)	614	1 561	6 846	(8 997)	(26 423)	(26 399)
Share of (losses)/profits of equity-accounted investees	—	—	(706)	19 746	—	19 040
Reportable segment operating profit/(loss)	212 588	66 061	47 267	66 746	(697)	391 965
Reportable segment profit/(loss) — continuing operations	145 867	49 594	34 421	60 321	(25 685)	264 518
Reportable segment profit/(loss) — total operations	145 867	19 830	34 421	11 448	(25 685)	185 881
Reportable segment assets	1 576 826	513 170	1 210 575	1 978 701	1 233 006	6 512 278
Equity-accounted investees	—	—	740	188 718	—	189 458
Reportable segment liabilities	1 042 685	284 062	791 039	1 393 541	392 419	3 903 746

NOTICE OF ANNUAL GENERAL MEETING

Stefanutti Stocks Holdings Limited
(Incorporated in the Republic of South Africa)
Registration number: 1996/003767/06
Share code: SSK ISIN: ZAE000123766
("Stefanutti Stocks" or "the company")

Notice is hereby given to the shareholders of the company that the annual general meeting of Stefanutti Stocks will be held at No. 9 Palala Street, Protec Park, corner Zuurfontein Avenue and Oranjerivier Drive, Kempton Park, on Friday, 1 September 2017 at 12:00, to (i) consider and, if deemed fit, to pass, with or without modification, the following ordinary and special resolutions, in the manner required by the Companies Act, as read with the JSE Limited ("JSE") Listings Requirements ("JSE Listings Requirements"); and (ii) deal with such other business as may lawfully be dealt with at the meeting.

IMPORTANT DATES

Record date to receive the Notice:
Friday, 21 July 2017

Last date to trade to be eligible to vote:
Tuesday, 22 August 2017

Record date to be eligible to vote:
Friday, 25 August 2017

Last date for lodging forms of proxy (by 12:00):
Wednesday, 30 August 2017

Accordingly, the date on which a person must be registered as a shareholder in the register of the company for purposes of being entitled to attend and vote at the meeting is Friday, 25 August 2017.

NB: Section 63(1) of the Companies Act — Identification of meeting participants.

Kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licences and passports.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements of the company and its subsidiaries (as approved by the board of directors of the company), including the directors' report, the report of the Audit, Governance and Risk Committee and the external auditors' report for the year ended 28 February 2017, have been distributed as required and will be presented to shareholders.

The comprehensive annual financial statements can be found on the inserted USB of this integrated report of which this notice forms part.

ORDINARY RESOLUTIONS

ORDINARY RESOLUTION 1: ADOPTION OF ANNUAL FINANCIAL STATEMENTS

"RESOLVED THAT the annual financial statements of the company for the year ended 28 February 2017, including the directors' report and the report of the Audit, Governance and Risk Committee, be and are hereby received and adopted."

Percentage of voting rights required to pass this resolution: 50% plus one vote.

RETIREMENT BY ROTATION

In terms of the Memorandum of Incorporation, one-third of the directors shall retire by rotation at the AGM. LB Sithole and NJM Canca, independent non-executive directors, have undertaken to retire at this AGM and not offer themselves for re-election.

ME Mkwanazi retires by rotation at this AGM and offers himself for re-election.

ORDINARY RESOLUTION 2: RE-ELECTION OF DIRECTOR

"RESOLVED THAT, ME Mkwanazi, who retires by rotation in terms of the Memorandum of Incorporation of the company and who is eligible and available for re-election, be re-elected as a director of the company."

A brief curriculum vitae in respect of ME Mkwanazi is included on page 22 of this integrated report of which this notice forms part.

Percentage of voting rights required to pass this resolution: 50% plus one vote.

ORDINARY RESOLUTION 3: APPOINTMENT OF AUDITORS

"RESOLVED THAT Mazars be and are hereby re-appointed as auditors of the company for the ensuing financial year with S Truter as the individual responsible for the audit and the directors be and are hereby authorised to fix the remuneration of the auditors."

Percentage of voting rights required to pass this resolution: 50% plus one vote.

ORDINARY RESOLUTION NUMBERS 4, 5, 6 AND 7: APPOINTMENT OF AUDIT, GOVERNANCE AND RISK COMMITTEE MEMBERS

Ordinary resolution numbers 4, 5, 6 and 7 are in respect of the appointment of members of the Audit, Governance and Risk Committee. The membership as proposed by the board of directors is: ZJ Matlala, HJ Craig, ME Mkwanazi and J Poluta (alternate to ME Mkwanazi) all of whom are independent non-executive directors. The chairman of the committee is ZJ Matlala.

ORDINARY RESOLUTION 4: APPOINTMENT OF AUDIT, GOVERNANCE AND RISK COMMITTEE MEMBER

"RESOLVED THAT ZJ Matlala be appointed as a member of the company's Audit, Governance and Risk Committee with effect from the end of this meeting in terms of section 94(2) of the Companies Act."

A brief curriculum vitae in respect of ZJ Matlala is included on page 22 of this integrated report of which this notice forms part.

Percentage of voting rights required to pass this resolution: 50% plus one vote.

ORDINARY RESOLUTION 5: APPOINTMENT OF AUDIT, GOVERNANCE AND RISK COMMITTEE MEMBER

"RESOLVED THAT HJ Craig be appointed as a member of the company's Audit, Governance and Risk Committee with effect from the end of this meeting in terms of section 94(2) of the Companies Act."

A brief curriculum vitae in respect of HJ Craig is included on page 22 of this integrated report of which this notice forms part.

Percentage of voting rights required to pass this resolution: 50% plus one vote.

ORDINARY RESOLUTION 6: APPOINTMENT OF AUDIT, GOVERNANCE AND RISK COMMITTEE MEMBER

"RESOLVED THAT ME Mkwanazi be appointed as a member of the company's Audit, Governance and Risk Committee with effect from the end of this meeting in terms of section 94(2) of the Companies Act."

A brief curriculum vitae in respect of ME Mkwanazi is included on page 22 of this integrated report of which this notice forms part.

Percentage of voting rights required to pass this resolution: 50% plus one vote.

NOTICE OF ANNUAL GENERAL MEETING
CONTINUED

ORDINARY RESOLUTION 7: APPOINTMENT OF AUDIT, GOVERNANCE AND RISK COMMITTEE MEMBER

"RESOLVED THAT J Poluta be appointed as a member of the company's Audit, Governance and Risk Committee with effect from the end of this meeting in terms of section 94(2) of the Companies Act."

John Poluta

John, aged 46, is an Executive Director of Mowana Investments, an empowered private equity investment company that he co-founded in 2005. Prior to starting Mowana Investments, John was employed as an investment analyst with two leading stock broking firms. His responsibilities included the writing and production of research reports including detailed financial analyses and valuations and the marketing of this research to financial institutions and pension funds globally.

John is a qualified chartered accountant and started his career at Deloitte in Johannesburg in 1995. John acts as alternate director to ME Mkwanazi.

Percentage of voting rights required to pass this resolution: 50% plus one vote.

ORDINARY RESOLUTION 8: COMPANY'S REMUNERATION POLICY

"To approve on a non-binding advisory basis, the company's remuneration policy (excluding the remuneration of the non-executive directors for the services as directors and members of board committees)."

The company's remuneration policy and related information appears on pages 67 to 71 of the integrated report.

REASON FOR THIS RESOLUTION

The reason for this resolution is to comply with the recommendations of King III regarding the key elements and guiding principles of the company's remuneration policy, that is, to communicate to shareholders, for the purposes of a non-binding advisory vote, how senior executives and directors of the company are remunerated.

EFFECT OF THIS RESOLUTION

The effect of this resolution is that the shareholders will have taken note of the key elements and guiding principles of the company's remuneration approach and policy and will have given an indication by way of a non-binding advisory resolution whether they have found the aforementioned appropriate.

Percentage of voting rights to pass this resolution: 50% plus one vote.

			Current fee per meeting R	Proposed fee per meeting * R
1.1	Board	Chairman ^	**880 200/annum**	922 300/annum
1.2	Board	Member	**46 700**	48 900
1.3	Audit, Governance and Risk Committee	Chairman	**87 100**	91 300
1.4	Audit, Governance and Risk Committee	Member #	**46 700**	48 900
1.5	Remuneration and Nominations Committee	Chairman	**46 700**	48 900
1.6	Remuneration and Nominations Committee	Member #	**26 700**	28 000
1.7	Social and Ethics Committee	Chairman	**39 200**	41 100
1.8	Social and Ethics Committee	Member #	**21 000**	22 000
1.9	Any other committee to be formed	Chairman	**34 800**	36 500
1.10	Any other committee to be formed	Member #	**18 700**	19 600
1.11	Extraordinary services		**1 800/hr**	1 900

^ The board chairman receives an all-in fee and not a per meeting fee.

The fees include permanent non-executive invitees.

* Proposed fee per meeting and the board chairman's all-in fee are exclusive of value-added tax.

The proposed fee payable from AGM for financial year ended 28 February 2017 to AGM for financial year ended 28 February 2019.

SPECIAL RESOLUTIONS

SPECIAL RESOLUTIONS 1.1 TO 1.11: NON-EXECUTIVE DIRECTORS' FEES

"RESOLVED THAT payment to the non-executive directors of the fees for services as directors with effect from the date of this annual general meeting until the date of the annual general meeting of the company for the year ended 28 February 2019, as noted in the table above, as well as any tax payable on such fees by the directors be authorised.

REASON FOR AND EFFECT OF SPECIAL RESOLUTIONS 1.1 TO 1.11

The reason for special resolutions 1.1 to 1.11 is to comply with the provisions of the Companies Act. The effect of the special resolutions is that, if approved by the shareholders at the annual general meeting, the fees payable to non-executive directors until the annual general meeting for the year ended 28 February 2019, will be as set out in the table. Executive directors are not remunerated for their services as directors, but are remunerated as employees of the company.

Attendance fees are only paid for physical attendance (rather than teleconference attendance) of board and committee meetings (other than special or urgent meetings).

The above rates have been proposed to ensure that the remuneration of non-executive directors remains competitive in order to enable the company to retain and attract persons of the calibre, appropriate capabilities, skills and experience required in order to make meaningful contributions to the company.

Percentage of voting rights required to pass this resolution: 75%.

SPECIAL RESOLUTION 2: FINANCIAL ASSISTANCE

"RESOLVED THAT to the extent required by the Companies Act, the board of directors of the company may, subject to compliance with the requirements of the company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other company or entity that is or becomes related or interrelated to the company or any of its subsidiaries, and/or to any member of such subsidiary or related or interrelated company or entity, for any purpose or in connection with any matter, including, but not limited to, the subscription for any option, or any securities issued or to be issued by the company or a related or interrelated company or entity, or for the purchase of any securities of the company or a related or interrelated company or entity, for such amounts and on such terms and conditions as the directors of the company may determine.

Such authority will endure until the annual general meeting of the company for the year ended 28 February 2019."

Percentage of voting rights required to pass this resolution: 75%.

NOTICE OF ANNUAL GENERAL MEETING
CONTINUED

REASON FOR AND EFFECT OF SPECIAL RESOLUTION 2

Notwithstanding the title of section 45 of the Companies Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or interrelated companies and other entities, including, inter alia, its subsidiaries, associates, joint ventures, partnerships, collaboration arrangements, etc. for any purpose.

Furthermore, section 44 of the Companies Act may also apply to the financial assistance so provided by a company to related or interrelated companies or other entities, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or interrelated company, or for the purchase of any securities of the company or a related or interrelated company.

Both sections 44 and 45 of the Companies Act provide, inter alia, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous 2 (two) years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board of directors must be satisfied that:

- immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

The company would like the ability to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Companies Act. Furthermore, it may be necessary or desirous for the company to provide financial assistance to related or interrelated companies and entities to acquire or subscribe for options or securities or purchase securities of the company or another company related or interrelated to it. Under the Companies Act, the company will, however, require the special resolution referred to above to be adopted. In the circumstances and in order to, inter alia, ensure that the company's subsidiaries and other related and interrelated companies and entities have access to financing and/or financial backing from the company (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolution 2.

SPECIAL RESOLUTION 3: GENERAL AUTHORITY TO REPURCHASE COMPANY SHARES

"RESOLVED THAT the company and/or its subsidiaries be and is hereby authorised, by way of general authority, to acquire ordinary shares issued by the company, in terms of the Companies Act, the Memorandum of Incorporation of the company and the JSE Listings Requirements being that:

(a) any such acquisition of ordinary shares shall be implemented on the open market of the JSE;

(b) this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing this special resolution;

(c) an announcement will be published on SENS as soon as the company has acquired ordinary shares constituting, on a cumulative basis, 3% (three percent) of the number of ordinary shares in issue prior to the acquisition, pursuant to which the aforesaid 3% (three percent) threshold is reached, containing full details of such repurchases;

(d) acquisitions in aggregate in any one financial year may not exceed 20% (twenty percent) of the company's ordinary issued share capital nor may acquisitions in aggregate, from the date of passing this special resolution, exceed 20% (twenty percent) of the company's ordinary issued share capital at the date of passing this special resolution;

(e) in determining the price at which ordinary shares issued by the company are acquired by it in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the volume weighted average price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of repurchase of such ordinary shares by the company;

(f) at any point in time, the company will appoint only one agent to effect any repurchase(s) on the company's behalf;

(g) the company or its subsidiary may not repurchase securities during a prohibited period unless it has in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period; and

(h) a resolution by the board of directors that it has authorised the repurchase, that the company and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the group."

Percentage of voting rights required to pass this resolution: 75%.

REASON FOR AND EFFECT OF SPECIAL RESOLUTION 3

The reason for special resolution 3 is to grant the company a general authority in terms of the Companies Act, the JSE Listings Requirements and the company's Memorandum of Incorporation for the acquisition by the company, or any of its subsidiaries, of shares issued by the company, or its holding company, which authority shall be valid until the earlier of the next annual general meeting of the company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that the general authority shall not extend beyond 15 (fifteen) months from the date of this annual general meeting. The passing of this special resolution will have the effect of authorising the company or any of its subsidiaries to acquire shares issued by the company or its holding company.

The board believes it to be in the interest of the company that shareholders grant a general authority to provide the board with optimum flexibility to repurchase shares as and when an opportunity that is in the best interest of the company arises.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors whose names appear under the board of directors on page 22 of this integrated report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all necessary information.

MATERIAL CHANGES

Other than the facts and developments reported on in this integrated report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

STATEMENT BY THE BOARD OF DIRECTORS OF THE COMPANY

Pursuant to, and in terms of, the JSE Listings Requirements, the board of directors of the company hereby state that:

- the intention of the directors of the company is to utilise the general authority to repurchase shares in the capital of the company if, at some future date, the cash resources of the company are in excess of its requirements or there are other good reasons for doing so. In this regard, the directors will take account of, inter alia, an appropriate capitalisation structure for the company, the long-term cash needs of the company, and the interests of the company; and
- in determining the method by which the company intends to repurchase its ordinary shares, the maximum number of ordinary shares to be repurchased and the date on which such repurchase will take place, the directors of the company will ensure that:
  - the company and its subsidiaries will, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the next 12 (twelve) months after the date of such repurchase;
  - the consolidated assets of the company and its subsidiaries fairly valued and recognised and measured in accordance with the accounting policies used in the latest audited financial statements will, after the repurchase, be in excess of the consolidated liabilities of the company and its subsidiaries for the next 12 (twelve) months after the date of such repurchase;
  - the issued share capital and reserves of the company and its subsidiaries will, after the repurchase, be adequate for the ordinary business purposes of the company and its subsidiaries for the next 12 (twelve) months after the date of such repurchase; and
  - the working capital available to the company and its subsidiaries will, after the repurchase, be sufficient for the ordinary business requirements of the company and its subsidiaries for the next 12 (twelve) months after the date of such repurchase.

SPECIAL RESOLUTION 4: AMENDMENT TO THE MEMORANDUM OF INCORPORATION

"RESOLVED THAT in accordance with section 16(1)(c) of the Companies Act, the company's amended Memorandum of Incorporation produced to the meeting and initialled by the chairman of the meeting for the purposes of identification be adopted as the company's Memorandum of Incorporation in substitution for, and to the exclusion of, the company's existing Memorandum of Incorporation, with effect from the date on which this special resolution has been adopted and filed in accordance with the requirements of section 16(9) of the Companies Act.

REASON AND EFFECT OF SPECIAL RESOLUTION 4

Pursuant to recent amendments to the JSE Listings Requirements and certain legislation applicable to the company, the company determined that it was in the best interests of the company, and in line with best governance practices, to perform a review of its Memorandum of Incorporation, among other things, to ensure that its Memorandum of Incorporation complies with the JSE Listings Requirements and to ensure that any restrictions contained in its Memorandum of Incorporation are consistent with those applicable in terms of the Companies Act and the JSE Listings Requirements.

The key changes in the amended Memorandum of Incorporation are:

- to provide flexibility to the company to the extent that the JSE Listings Requirements are amended and the provisions of the Memorandum of Incorporation no longer accord with the JSE Listings Requirements;
- to ensure that to the extent that the company ceases to be listed on the JSE or the JSE grants the company an exemption from compliance with any provision of the JSE Listings Requirements, the company will not be obliged in terms of its Memorandum of Incorporation to comply in such instance;
- to clarify that shareholder approval will be required for an issuance of securities by the company to the extent that shareholder approval is required in terms of the Companies Act or the JSE Listings Requirements;
- to clarify the instances where shares may not be issued on a pro rata basis and to make the time periods for a pre-emptive offer consistent with the JSE Listings Requirements;
- to bring the Memorandum of Incorporation in line with recent amendments made to the JSE Listings Requirements with regard to the treatment of fractional entitlements. Corporate actions that result in fractional entitlements will be rounded down to the nearest whole number, with the compensation for fractions being paid out in cash as calculated in terms of the JSE Listings Requirements;
- to bring the requirement for authorisation of a capitalisation issue in line with the Companies Act and the JSE Listings Requirements; and
- to amend the quorum requirements for board meetings to be a majority of directors, provided at least one shall be an executive director.

The company's existing Memorandum of Incorporation and the proposed amended Memorandum of Incorporation will lie open for inspection at the registered office of the company from 15 August 2017 to 1 September 2017, both days inclusive.

Percentage of voting rights required to pass this resolution: 75%

ANY MATTERS RAISED BY SHAREHOLDERS, WITH OR WITHOUT ADVANCE NOTICE TO THE COMPANY

To deal, at the annual general meeting, with any matters raised by shareholders, with or without advance notice to the company.

SUMMARY OF APPLICABLE RIGHTS ESTABLISHED IN SECTION 58 OF THE COMPANIES ACT

For purposes of this summary, the term "shareholder" shall have the meaning ascribed thereto in section 57(1) of the Companies Act.

1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy to participate in, speak and vote at a shareholders' meeting on behalf of the shareholder.

2. A proxy appointment must be in writing, dated and signed by the relevant shareholder.

3. Except to the extent that the Memorandum of Incorporation of a company provides otherwise:

   3.1 a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder; and

   3.2. a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company, before the proxy exercises any rights of the shareholder at a shareholders' meeting.

4. Irrespective of the form of instrument used to appoint a proxy:

   4.1 the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company; and

   4.2 should the instrument used to appoint a proxy be revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the relevant company.

NOTICE OF ANNUAL GENERAL MEETING
CONTINUED

5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the relevant shareholder as of the later of the date:

   5.1 stated in the revocation instrument, if any; or

   5.2 upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act.

6. Should the instrument appointing a proxy or proxies have been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company's Memorandum of Incorporation to be delivered by such company to the shareholder must be delivered by such company to:

   6.1 the shareholder; or

   6.2 the proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so.

7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the Memorandum of Incorporation of the relevant company or the instrument appointing the proxy provides otherwise.

8. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy:

   8.1 such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;

   8.2 the company must not require that the proxy appointment be made irrevocable; and

   8.3 the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.

VOTING AND PROXIES

A shareholder of the company entitled to attend and vote at the annual general meeting is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, vote and speak in his/her stead. On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only.

On a poll, every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by such shareholder.

Dematerialised shareholders who have elected own-name registration in the sub-register through a Central Securities Depository Participant (CSDP) and who are unable to attend but wish to vote at the annual general meeting, should complete and return the attached form of proxy and lodge it with the transfer secretaries of the company to be received, for administrative reasons only, by no later than 12:00 on Wednesday, 30 August 2017.

Shareholders who have dematerialised their shares through a CSDP or broker rather than through own-name registration and who wish to attend the annual general meeting must instruct their CSDP or broker to issue them with the necessary authority to attend.

If such shareholders are unable to attend, but wish to vote at the annual general meeting, they should timeously provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between that shareholder and his/her CSDP or broker.

Forms of proxy may also be obtained on request from the company's registered office. The completed forms of proxy must be deposited at, posted or faxed to the transfer secretaries at the address below, to be received, for administrative reasons only, at least 48 hours prior to the meeting. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the AGM.

Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting should the member subsequently decide to do so.

The practical applications of the aforementioned rights are discussed in the notes to the proxy form attached hereto.

By order of the board

William Somerville
Company Secretary

13 July 2017

Registered office
No. 9 Palala Street
Protec Park
Cnr Zuurfontein Avenue and Oranjerivier Drive
Kempton Park
1619
P.O. Box 12394, Aston Manor, 1630
Telephone: +27 11 571 4300

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank
Johannesburg
2196
P.O. Box 61051, Marshalltown, 2107
Telephone: +27 11 370 5000
Fax: +27 11 688 5238

FORM OF PROXY

Stefanutti Stocks Holdings Limited

(Incorporated in the Republic of South Africa) Registration number: 1996/003767/06 Share code: SSK ISIN: ZAE000123766 ("Stefanutti Stocks" or "the company")

For use at the annual general meeting of the company to be held at No 9 Palala Street, Protec Park, corner of Zuurfontein Avenue and Oranjerivier Drive, Kempton Park, on Friday, 1 September 2017 at 12:00 and at any adjournment thereof.

For use by the holders of the company's certificated ordinary shares and/or dematerialised ordinary shares held through a Central Securities Depository Participant (CSDP) or broker who have selected own-name registration (own-name dematerialised shareholders). Additional forms of proxy are available from the transfer secretaries of the company.

Not for the use by holders of the company's dematerialised ordinary shares who are not own-name dematerialised shareholders. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the annual general meeting and request that they be issued with the necessary letter of representation to do so, or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the annual general meeting in order for the CSDP or broker to vote thereat in accordance with their instructions. Terms used in this proxy form have the meanings given to them in the notice of annual general meeting to which this proxy form is attached.

I/We ______________________________ (full name in block letters)

of ______________________________ (address)

______________ (e-mail address) ______________ (telephone number) ______________ (cellphone number)

being a member(s) of Stefanutti Stocks and holding ______________ ordinary shares in the company,

hereby appoint ______________ of ______________

failing him/her ______________ of ______________

failing him/her the chairman of the annual general meeting, as my/our proxy to act for me/us and on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the special and ordinary resolutions and/or abstain from voting in respect of the Stefanutti Stocks ordinary shares registered in my/our name(s), in accordance with the following instructions:

	Number of votes		
	For	Against	Abstain
ORDINARY RESOLUTIONS			
1. To adopt the annual financial statements of the company for the year ended 28 February 2017, including the directors' report and the report of the Audit, Governance and Risk Committee			
2. To re-elect ME Mkwanazi as a director of the company			
3. To re-appoint the auditors			
4. To appoint ZJ Matlala as a member of the Audit, Governance and Risk Committee			
5. To appoint HJ Craig as a member of the Audit, Governance and Risk Committee			
6. To appoint ME Mkwanazi as a member of the Audit, Governance and Risk Committee			
7. To appoint J Poluta as a member of the Audit, Governance and Risk Committee			
8. To approve the company's remuneration policy			
SPECIAL RESOLUTIONS			
1. To approve non-executive directors' fees — Special Resolutions 1.1 to 1.11			
1.1 Board Chairman			
1.2 Board Member			
1.3 Audit, Governance and Risk Committee Chairman			
1.4 Audit, Governance and Risk Committee Member			
1.5 Remuneration and Nominations Committee Chairman			
1.6 Remuneration and Nominations Committee Member			
1.7 Social and Ethics Committee Chairman			
1.8 Social and Ethics Committee Member			
1.9 Any other committee to be formed — Chairman			
1.10 Any other committee to be formed — Member			
1.11 Extraordinary services			
2. To approve financial assistance			
3. General authority to repurchase company shares			
4. To approve amendments to the MOI			

* Please indicate by inserting the relevant number of votes in the appropriate spaces above how you wish your votes to be cast. Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at ______________ (place) on ______________ (date) 2017

Member's signature ______________ assisted by ______________ (if applicable)

NOTES TO THE FORM OF PROXY

1. This form of proxy is to be completed only by those members who are:

   (a) holding shares in a certificated form; or

   (b) recorded in the sub-register in electronic form in their own name.

2. Members who have dematerialised their shares, other than own-name dematerialised shareholders, and who wish to attend the annual general meeting must contact their CSDP or broker who will furnish them with the necessary letter of representation to attend the annual general meeting, or they must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the members and their CSDP or broker.

3. Each member is entitled to appoint one or more individuals as a proxy (who need not be a member(s) of the company) to participate in, speak, and vote in place of that member at the annual general meeting.

4. A member wishing to appoint a proxy must do so in writing by inserting the name of said proxy or the name of one alternative proxy of the member's choice on the form of proxy in the space provided, with or without deleting "the chairman of the annual general meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

5. A member's instructions to the proxy must be indicated on the form of proxy by the insertion of the relevant number of votes exercisable by that member in the appropriate box(es) provided. Failure to comply with the above will be deemed to authorise the chairman of the annual general meeting, if the chairman is the authorised proxy, to vote in favour of the ordinary and special resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit, in respect of all the member's votes exercisable thereat.

6. The proxy shall (unless this sentence is struck out and countersigned) have the authority to vote, as he/she deems fit, on any other resolution which may validly be proposed at the meeting, including in respect of any proposed amendment to the above resolutions. If the aforegoing sentence is struck out, the proxy shall be deemed to be instructed to vote against any such proposed additional resolution and/or proposed amendment to an existing resolution as proposed in the notice to which this form is attached.

7. A member or his/her proxy is not obliged to vote in respect of all the ordinary shares held by such member or represented by such proxy, but the total number of votes for or against the ordinary resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the member or his/her proxy is entitled.

8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the company's transfer office or waived by the chairman of the annual general meeting.

9. The chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a member wishes to vote.

10. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).

11. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.

12. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company's transfer secretaries.

13. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this form of proxy.

14. Any proxy appointment made in terms of this form of proxy remains valid until the end of the annual general meeting, unless revoked earlier.

15. Members are requested to lodge forms of proxy with the transfer secretaries at the address given below, for administrative reasons only, at least 48 hours prior to the annual general meeting (see address below), provided that the chairman of the annual general meeting may accept proxies that have been delivered after the expiry of the aforementioned period up and until the time of commencement of the annual general meeting.

    Computershare Investor Services Proprietary Limited

    Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196

    P.O. Box 61051, Marshalltown, 2107

    Telephone: +27 11 370 5000

    Fax: +27 11 688 5238

ABBREVIATIONS AND DEFINITIONS

"AGM"
Annual general meeting

"ARCO"
Audit, Governance and Risk Committee

"B-BBEE"
Broad-based black economic empowerment

"CEO"
Chief Executive Officer

"CFO"
Chief Financial Officer

"CIDB"
The Construction Industry Development Board

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

"Competition Act"
Competition Act, No. 89 of 1998, as amended

"DPSIS"
Directors' Profit Share Incentive Scheme

"Earnings yield"
HEPS as a percentage of market value per share

"EE"
Employment equity

"EPS"
Earnings per share

"EXCO"
Executive Committee

"FSP"
Forfeitable Share Plan

"HEPS"
Headline earnings per share

"ICT"
Information communication technology

"IFRS"
International Financial Reporting Standards

"ISO"
International Standards Organisation

"JSE"
JSE Limited

"JSE Listings Requirements"
Listings Requirements of the JSE Limited

"King III"
King Report on Corporate Governance for South Africa 2009

"LDC"
Limited duration contract

"LTI"
Long-term incentives

"LTIFR"
Lost-time injury frequency rate

"M&E"
Mechanical and Electrical

"MOI"
Memorandum of Incorporation

"NAVPS"
Net asset value per share

"Net asset turn"
Contract revenue divided by average total assets

"Net profit margin"
Profit after taxation as a percentage of contract revenue

"OHS"
Occupational health and safety

"OHSE"
Occupational health, safety and environment

"Operating profit"
Operating profit before investment income

"Operating profit margin"
Operating profit as a percentage of contract revenue

"PDI"
Previously disadvantaged individuals

"Return on assets"
Profit after taxation as a percentage of average total assets for the period

"RCR"
Recordable case rate

"REMCO"
Remuneration and Nominations Committee

"Return on equity"
Profit attributable to equity holders of Stefanutti Stocks as a percentage of average capital and reserves attributable to equity holders of Stefanutti Stocks

"RPM"
Roads, Pipelines and Mining Services

"SADC"
Southern African Development Community

"S&E Committee"
Social and Ethics Committee

"SED"
Socio-economic development

"SHE"
Safety, health and environment

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

"TFP"
Total fixed package

"the board"
The board of directors of Stefanutti Stocks

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

"the next year"
The financial year ending 28 February 2018

"the previous year"
The financial year ended 29 February 2016

"Total assets"
Total non-current and current assets

"Total remuneration"
Total fixed package plus short-term incentivisation

"UAE"
United Arab Emirates

"VAT"
Value-added tax

"VRP"
Voluntary Rebuild Programme

"WACC"
Weighted average cost of capital

CORPORATE INFORMATION

COMPANY INFORMATION

Stefanutti Stocks Holdings Limited
Share code: SSK ISIN: ZAE000123766
JSE Sector: Construction
Year end: 28 February

REGISTRATION NUMBER

1996/003767/06

COUNTRY OF INCORPORATION

South Africa

REGISTERED OFFICE

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

POSTAL ADDRESS

PO Box 12394, Aston Manor, 1630

TELEPHONE NUMBER

+27 11 571 4300

FACSIMILE

+27 11 976 3487

DIRECTORS

As at 13 July 2017: KR Eborall * (Chairman); NJM Canca *; ZJ Matlala *; T Eboka *; LB Sithole *; HJ Craig *; ME Mkwanazi *; JWLM Fizelle * (alternate to LB Sithole); DG Quinn; W Meyburgh (CEO); AV Cocciante (CFO)

* Independent Non-executive Directors

COMPANY SECRETARY

WR Somerville
20 Lurgan Road, Parkview, 2193
Telephone number: +27 11 326 0975

AUDITORS

Mazars
Mazars House, 54 Glenhove Road, Melrose Estate, 2196
PO Box 6697, Johannesburg, 2000
Telephone number: +27 11 547 4000

ATTORNEYS

Webber Wentzel
90 Rivonia Road, Sandton, Johannesburg, 2196
PO Box 61771, Marshalltown, 2107
Telephone number: +27 11 530 5000

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
PO Box 61051, Marshalltown, 2107
Telephone number: +27 11 370 5000

SPONSOR

Bridge Capital Advisors (Pty) Ltd
2nd Floor, 27 Fricker Road, Illovo Boulevard, Illovo, 2196
PO Box 651010, Benmore, 2010
Telephone number: +27 11 268 6231

BANKERS

Nedbank Limited
The Standard Bank of South Africa Limited
Absa Bank Limited
Bidvest Bank Limited
First National Bank, a division of FirstRand Bank Limited
Nedbank Swaziland
Standard Chartered Bank
Emirates NBD
First Gulf Bank
HSBC Middle East
Banco Unico
Banco Comercial e de Investimentos
Banco Internacional de Moçambique
Standard Bank Mozambique
United Bank for Africa

WEBSITE

www.stefanuttistocks.com

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