INTEGRATED ANNUAL REPORT ’18

Stefanutti Stocks

excellence in execution

CONTENTS

ABOUT THIS REPORT

SCOPE AND BOUNDARY

The integrated annual report for 2018 includes the operations of Stefanutti Stocks Holdings Limited and its subsidiaries (the company, the group, or Stefanutti Stocks).

The information in this report covers the financial and non-financial performance of the company for the year ended 28 February 2018, and where it is relevant to include information post year-end, this has been incorporated and noted.

Stefanutti Stocks endeavours to achieve a high standard in all disclosures in this report and to provide meaningful, accurate, complete, transparent and balanced information to stakeholders. The board and board committees were actively involved in the disclosures made in this report.

This 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 IV Report on Corporate Governance™ (copyright and trade marks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved) for South Africa 2016, 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).

The Stefanutti Stocks integrated annual report contains a summary extract of the annual financial statements. The 2018 financial statements have been prepared under the supervision of the Chief Financial Officer, Antonio Cocciante, and have been audited and assured by Mazars, the group's external auditors. The integrated annual report, as well as the comprehensive annual financial statements and investor presentations for the year ended 28 February 2018, are available on the company's website.

The requirement for sustainability assurance is considered annually and is at this stage not deemed necessary. This report contains the most material issues of concern to all our stakeholders. For additional information visit our website: **www.stefanuttistocks.com**.

MATERIALITY

Materiality is determined with consideration of the International <IR> Framework, King IV and internal policies. The group defines material issues as those matters having the potential to affect the business' strategy, business model, sustainability or one or more of the capitals over the short, medium and long term taking into account the likelihood and consequence of the matters.

FORWARD-LOOKING STATEMENTS

The statements made within the integrated annual report may contain forward-looking information including statements regarding the company's intent, belief or current expectations with respect to Stefanutti Stocks's businesses and operations, market conditions, results of operation and financial condition, capital adequacy, specific provisions and risk management practices.

Investors/shareholders are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements are based on Stefanutti Stocks's current expectations and involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such forward-looking statements. These statements are based on a number of assumptions that are subject to change. The integrated annual report includes only matters up to the date of this report and the period reported on. Stefanutti Stocks disclaims any duty to update the information herein.

BOARD RESPONSIBILITY STATEMENT

The board of directors acknowledges its responsibility to ensure the integrity of the integrated annual report. The board has accordingly applied its mind, collectively and individually, to the integrated annual report and, in its opinion, the integrated annual report addresses all material issues, and fairly presents the integrated performance of the organisation and its impacts. The integrated annual report has been prepared with consideration of the recommendations of King IV. The board authorised the integrated annual report for release on 20 June 2018.

Kevin Eborall
Chairman of the board duly authorised by the board

Willie Meyburgh
Chief Executive Officer duly authorised by the board

20 June 2018

PREPARATION OF FINANCIAL STATEMENTS

The financial statements, available on the group's website **www.stefanuttistocks.com** and the accompanying USB storage device, 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

20 June 2018

CERTIFICATE BY THE COMPANY SECRETARY

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

William Somerville
Company Secretary

20 June 2018

INDEPENDENT AUDITOR'S REPORT

The unmodified independent auditor's report can be found on page 9 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.

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.

The group offers highly diversified services across a wide 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 Construction Industry Development Board (CIDB) as a Category 9 Contractor, which places no limitations on the project size for which the group can tender. Furthermore, the group is also ISO 9001, ISO 14001 and OHSAS 18001 certified.

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

Stefanutti Stocks's headquarters is based in Kempton Park, Gauteng and it employs a global workforce of 10 485 with 7 022 employees throughout South Africa.

VALUES

Candour

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

Accountability

Taking personal responsibility for one's actions and the resultant 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.

Excellence

A passionate mind-set that puts quality at the forefront of all business activity.

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

10 485 global workforce

7 022 employees across South Africa

The group offers highly diversified services

VISION

**if you can dream it,
we can construct it**

MISSION

**excellence
in execution**

— 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. At the same time, maintaining a sound financial position and implementing key non-financial objectives to support our growth strategy.

Key: Shaded countries on the map indicate our operational footprint.

OUR BUSINESS MODEL

FOUNDATIONAL VALUE SYSTEM

HUMAN CAPITAL

INPUTS

- **10 485** employees across the group
- Board of directors
- Executive Committee
- Social and Ethics Committee
- Founder's Mentality
- OHSE Forum and HR Forum

SOCIAL AND RELATIONSHIP CAPITAL

- Transformation Committee
- Development of emerging contractors
- **R2,5m** invested in SED initiatives

NATURAL CAPITAL

- Environmental Forum
- Plant initiatives to reduce diesel and oil usage
- Improved biodiversity management
- ISO Transition Project

BUSINESS ACTIVITIES

STRATEGY
Delivering products and services to clients in various regions within acceptable levels of risk.

PROCUREMENT
An established track record based on technical expertise, market knowledge and ethical practices.

OUTPUTS

Human capital:
- Recognised governance structures in terms of King IV
- 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

Social and relationship capital:
- B-BBEE initiatives
- Dedicated mentorship and support of emerging contractors
- Continued support of educational facilities by donating time, skills and materials

Natural capital:
- Environmental Framework
- Environmental initiatives

OUTCOMES

Human capital:
- **R2,6bn** paid to employees
- Good corporate governance
- Retention of key staff
- Engaged and energised staff
- **91,1%** of employees deemed PDIs

Social and relationship capital:
- Black empowerment
- Transformed construction industry and job creation
- Economic growth for communities
- **0,11 LTIFR** maintained
- RCR **0,54**
- **89** bursar beneficiaries

Natural capital:
- No major reportable environmental incidents
- **ISO 14001** certifications
- Reduced environmental impact
- Conservation of water

STAKEHOLDERS IMPACTED

Stefanutti Stocks's contracting business model illustrates its system of transforming inputs, through its business activities, into outputs and outcomes to create stakeholder value over time. The group's operational process comprises an ongoing cycle of procuring new work, executing it with excellence, and managing the required resources within the process. To deliver on its strategy, the company implements its service offerings to clients, and operates within the physical, political and social environments. The company's business model is underpinned by its robust CAPPED value system.

CANDOUR, ACCOUNTABILITY, PEOPLE RELATIONS, PROFESSIONALISM, EXCELLENCE, DYNAMISM

FINANCIAL CAPITAL

- **R1,9bn** equity
- **R783m** debt
- Gearing ratio of **41,6%**
- Work in progress

MANUFACTURED CAPITAL

- Revalued owner-occupied properties
- **R500m** capital expenditure
- **R369m** to increase capacity
- **R14,1bn** group order book
- Three operating business units
- **Level 4** B-BBEE Contributor

INTELLECTUAL CAPITAL

- Multidisciplinary expertise
- Leading company operating across South Africa, sub-Saharan Africa and the UAE
- Risk monitoring through risk registers
- Internally-developed operating ICT system
- Brand
- **R27,3m** invested in training
- CIDB Category 9 Contractor

EXECUTION INPUTS

Innovative projects executed with the right people, knowledge and expertise using quality services and materials keeping safety first.

MANAGEMENT FOCUS

Our people effectively manage risk, ensure compliance and perform within budget.

- Cash on hand of **R916m**
- Cash generated by operations of **R322m**
- Net tangible asset value per share increased to **840,22 cents** from **784,43 cents**

- Improving and maintaining operating capacity and efficiency

- Order book of **R14,1bn**
- Combined assurance framework developed to effectively manage the business
- Operational efficiency

- **R10,5bn** revenue
- **R500m** capital expenditure
- Sound financial position
- Increased shareholder value

- Capital growth
- **CIDB 9** rating
- Enhanced geographical footprint

- Sustainable performance
- Investor confidence
- Stable and reliable systems and processes
- **6 895** course attendances
- **118** learnership beneficiaries

EMPLOYEES, COMMUNITIES, CLIENTS, SUPPLIERS, ED PARTNERS, VRP PARTNERS, INDUSTRY AND GOVERNMENT REGULATORS, TRADE UNIONS, THE JSE, SHAREHOLDERS, INVESTORS, FINANCIERS AND ANALYSTS

STAKEHOLDER ENGAGEMENT

EMPLOYEES

The group's employee engagements and communications ensure meaningful interaction with all employees across the group, and management uses both formal and informal structures of engagement.

Formal structures include functional forums, consisting of business unit representatives and subject matter experts with the knowledge and experience to align the group's internal functions with its business strategy, and standard policies and procedures. The group has similar forums on a smaller scale within each business unit and division.

Employee engagement also occurs as part of the employment cycle. After the recruitment phase, the first form of engagement takes place during employees' monthly group induction sessions. These are structured to provide new employees with an overview of the group, its internal organisational structure and standard policies and procedures, and act as an introductory session when selecting pension fund and medical aid options.

In addition, one-on-one employee engagements are scheduled, whereby individual sessions with employees address issues such as personal development and training, performance, and career progression. The outcomes of these sessions also serves to inform the group's succession and training plans.

Employees leaving the group's employ are encouraged to complete an exit interview and, where necessary, further engagements are arranged to address highlighted concerns.

Regarding health and safety, the group has made a concerted effort to modify its culture from one of compliance and hard-lined management control to one which encourages greater personal involvement, acceptance and responsibility. This is achieved through the introduction of leadership engagement (LE) and visible felt leadership (VFL). Both initiatives aim for two-way communication, creating an opportunity for employees to participate in problem solving, while also creating a better understanding of current issues.

In 2018, the group conducted an employee engagement survey on a sample of employees to determine their levels of engagement in respect of key strategic issues affecting the group. The survey also provided feedback from employees on possible areas for improvement. An external group conducted the survey and focus areas included safety, quality, transformation, productivity, communication and systems, among others.

While there are certain issues to address, it is commendable that most employees surveyed are engaged with the company, its procedures and its values. The relevant suggestions and concerns raised have been discussed with employees, and action plans are being developed at business unit level.

COMMUNITIES

Regular community forums are scheduled whereby representatives from senior operational management meet with community leaders to discuss project progress, resource requirements, and to address any of their concerns.

It has become increasingly prevalent, particularly in rural areas, for project tender documentation to specify and outline the requirement for community involvement. In most instances, a Community Liaison Officer (CLO) must be appointed from the local community to assist with the day-to-day coordination of these requirements, and to act as community spokesperson.

Where possible, local communities have the opportunity to participate in certain group projects as subcontractors and suppliers. Local community representatives are engaged during the day-to-day operational management of such projects, and participate in subcontractor and supplier meetings, as well as toolbox talks and planning sessions.

The Department of Labour is the primary source to access records of local community members, to identify individuals with the requisite skills and experience, in order for them to be employed on one of the group's projects. The CLO and local community leaders play an essential role in recruitment, and ensure that the group can demonstrate fairness and objectivity during the process.

CLIENTS

The group strives to build and develop client relationships through a steady process of engagement. For further detail refer to page 44 of the sustainability report.

Occupational health, safety and the environment (OHSE) is a major focus of clients. This is addressed as follows:

› Tracking clients' OHSE statistics to meet their tender qualification standards.
› Attending clarification meetings on projects to discuss clients' OHSE specifications.
› Participating in all client OHSE forums in order to be engaged with clients' requirements.
› Setting up internal OHSE committees of large clients to align with the group's processes.
› Ensuring that OHSE is a standing agenda item at all client interventions, and all meetings commence with a safety moment or incident recall.
› Frequently presenting its management framework to client representatives.
› Tracking and evaluating identified clients' sustainability reports annually to ensure an understanding of clients' focus areas.
› Attending client feedback meetings and formal enquiries in terms of OHSE and quality aspects to ensure the development and continual improvement of client relationships.

SUPPLIERS

Suppliers are engaged through regular meetings where notable issues are tabled and discussed. Where specific subjects are discussed, key invitees and optional attendees are engaged. The process results in management teams of both the supplier and the group being informed of focus areas to ensure progress on key performance objectives.

ENTERPRISE DEVELOPMENT (ED) PARTNERS

The group's ED strategy is to foster strong working relationships with competent black-owned companies, to develop them in a measurable and meaningful way, and to support their sustainability, while at the same time increasing their capacity to execute larger, more complex projects.

To this end, the group's robust ED programme is implemented and managed by the individual business units. Business unit management teams are tasked with identifying and selecting the most appropriate ED partner beneficiaries to synergise with group operations. For more information on the group's ED approach and activities, see page 22 of the sustainability report.

VRP PARTNERS

The key objective of the Voluntary Rebuild Programme (VRP) is to transform the South African construction industry by developing selected black-owned emerging enterprises into meaningful and sustainable members of the industry. In 2017, Stefanutti Stocks identified two emerging enterprises, namely Axsys Projects (Pty) Ltd and TN Molefe Construction (Pty) Ltd. Whilst discussions with Axsys Projects (Pty) Ltd have been concluded, the group is in the final stages of negotiations with TN Molefe Construction (Pty) Ltd. The VRP is discussed in further detail in the sustainability report.

THE JSE, INDUSTRY BODIES AND GOVERNMENT REGULATORS

The group's application of, and compliance with, the Johannesburg Stock Exchange's (JSE) Listings Requirements, the Companies Act and King IV is managed largely through the company secretarial and finance functions, and is overseen by the various board committees.

TRADE UNIONS

Every employee has the right to join a trade union. Every member of a trade union has the right to participate in its lawful activities and elect office bearers or trade union representatives. Collective bargaining takes place within the construction industry and negotiations are dealt with at a national bargaining council level. Bargaining councils deal with collective agreements, solve labour disputes, establish various benefit schemes and make proposals on labour policies and laws. Due to the group's diverse operating businesses, each business unit operates in industry-specific bargaining councils such as the metal engineering industry, civil engineering and building industry bargaining councils.

SHAREHOLDERS AND INVESTORS

Stefanutti Stocks informs its various shareholders and investors of the financial status of the group via its announcements released on the Stock Exchange News Service (SENS) of the JSE, and via 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.

Presentations are made by the executive directors to staff, the media, institutional investors and analysts with regards to the group's performance and strategic progress.

Company 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.

MATERIAL ISSUES

The group's material issues are continuously assessed in terms of emerging and developing risks as well as legislative and regulatory requirements. The group categorises these issues in accordance with the material effects they may have on strategic operations. Stakeholder engagement, through various formal and informal channels, also helps guide and define the group's material 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	› Analysts › Clients › Employees › Investors › Shareholders › Trade unions	› The company has board-appointed committees, namely the ARCO, S&E, REMCO and NOMCO. › The group is committed to adhering to the principles as set out in King IV. › The codes of conduct and ethics are applied throughout the group. The B-BBEE codes are applied across the South African 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	› Analysts › Clients › Employees › Financiers › Investors › Shareholders › Suppliers	› The EXCO tracks operational performance against business plan objectives, budgets and financial targets. Corrective action is taken in the event of non-performance by any business unit.
HUMAN CAPITAL: To attract (with appropriate 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	› Analysts › Clients › Communities › Employees › Investors › Shareholders › Trade unions	› The human resources function assesses capacity requirements, employment and development of skills, the B-BBEE scorecard, compensation and benefits and the group's corporate culture. A leadership pipeline has been identified to ensure succession exists. A share scheme to attract and retain employees has been implemented. › Legislative compliance. › Human capital risk assessments have been conducted and mitigation has been identified.
OPERATIONAL: Operational issues associated with the securing of tenders, assets, credit, fraud and reputation	› Analysts › Clients › Communities › Employees › Investors › Shareholders › Suppliers › Trade unions	› Key performance areas are closely monitored by way of controls and measures that are applied. › Comprehensive ICT systems oversee all areas of the business. › Training is provided on an ongoing basis. › Comprehensive tender completion approval process. › Fraud tip-off line is available.
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	› Analysts › Clients › Communities › Employees › Investors › Shareholders › Trade unions	› A Group Health, Safety and Environment Framework has been implemented. › Health and safety training is continuously provided. › On-site rehabilitation of the environment is undertaken to the best of the group's abilities. › The use of energy-saving products and fuel optimisation is applied. Recycling of resources is undertaken where possible.
ANTI-COMPETITIVE BEHAVIOUR: To ensure ongoing monitoring of compliance with the Competition Act	› All	› Regular training sessions and awareness programmes are provided to employees in respect of the Competition Act and ethical behaviour.

RISK MANAGEMENT

The ARCO assists the board in monitoring the group's risk management, while the board is ultimately responsible for the governance of risk including the determination of risk appetite and tolerance levels and the approval of the risk strategy, policy and framework.

Managing risk necessitates the creation of sustainable stakeholder value and the protection of stakeholder interests. The appropriate balance needs to 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.

In line with the board's risk parameters, the necessary infrastructure, controls, systems and ethical behaviour are utilised and managed within predefined procedures and restrictions to ensure that risk is minimised. The group risk register was updated during the year under review to align the risk model and risk management process with the group's strategic plan.

The Group Risk Officer reports to the ARCO and presents a risk report at each ARCO meeting. He establishes, updates and maintains the group-wide risk framework, which adheres to internationally-recognised standards. This includes providing guidance, supporting and coordinating the identification and recording of risk areas and properly applying the risk management system.

A combined assurance model, as recommended by King IV, has been adopted to ensure that all identified risks are subjected to the appropriate level of management control. They are 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. Details of the combined assurance model are set out on page 49 of this integrated report.

Regular assessments are undertaken in respect of the group's exposure to corruption, both within South Africa's borders and in the rest of Africa. The group understands the significance and impact of the matter and all operations are continually monitored in this regard. No incidences of corruption were identified during the reporting period.

FOCUS AREAS

The focus areas for the 2018 financial year were:

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

The focus areas for the 2019 financial year will be:

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

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	Affected capital
ECONOMIC	Significant change in pricing levels and pressure on margins	› Diversification and expansion of group offering › Identification of opportunities in new markets › New geographical territories › Alternative procurement approaches and methods	Financial Capital Human Capital Intellectual Capital Manufactured Capital
COMMERCIAL	Diverse number of contracting forms and solutions	› Specialised skills deployed for tenders › Funding expertise acquired	Financial Capital Human Capital Intellectual Capital
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 › 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	Financial Capital Human Capital Social and Relationship Capital Natural Capital Intellectual Capital Manufactured Capital

Risk category	Risk	Mitigation strategy	Affected capital
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 initiatives are being implemented by business units › Monthly measurement tool implemented by business units › Procurement with qualifying B-BBEE suppliers and subcontractors	Intellectual Capital Human Capital Financial Capital
INDUSTRY VOLATILITY	Exposure to industrial action	› Ongoing liaison with site teams and forging strategic relationships with unions › Constant communication and feedback at sites	Intellectual Capital Human Capital Financial Capital
HUMAN RESOURCES	Scarcity of resourcing for execution of projects	› Focused actions as part of the Africa expansion strategy	Human Capital Financial Capital Intellectual Capital
RESOURCES	Electricity supply	› Uninterrupted power supplies and generators have been installed at all major sites	Natural Capital Financial Capital Manufactured Capital
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	Financial Capital Social and Relationship Capital Intellectual Capital Human Capital
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	Intellectual Capital Human Capital Manufactured Capital Financial Capital
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	Intellectual Capital Human Capital Financial Capital Manufactured Capital
CONTRACT SELECTION	Contractual terms and conditions becoming 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	Intellectual Capital Financial Capital
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	Intellectual Capital Financial Capital Social and Relationship Capital Human Capital

Risk category	Risk	Mitigation strategy	Affected capital
EMPLOYMENT EQUITY	Employment equity targets	› Business units developed employment equity plans in line with demographics › Focused recruitment	Social and Relationship Capital Human Capital Intellectual Capital
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	Human Capital Intellectual Capital Financial Capital
RESOURCES	Resource utilisation	› Flexible resource arrangements › Proactive redeployment of resources	Human Capital Financial Capital
GEARING	Financial gearing	› Appropriate financial gearing levels determined and reviewed regularly	Financial Capital
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	Financial Capital
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	Intellectual Capital Human Capital Financial Capital Social and Relationship Capital
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	Social and Relationship Capital Intellectual Capital Financial Capital Human Capital
SUCCESSION	Inadequate key human resources capacity and capabilities	› Focused individual development plans › Structured skills training, mentoring and deployment › Remuneration and retention schemes	Human Capital Intellectual Capital Financial Capital Social and Relationship Capital

BUSINESS OVERVIEW

The 2018 financial year saw a continuation, if not a deterioration, in the difficult trading conditions which have characterised the past few years. However, the group was able to achieve an increase in revenue and adjusted operating profit.

An increase in revenue from mining contracts and from work executed in sub-Saharan Africa, served to offset the effects of shortage of work and pressure on margins in the other sectors in which the company operates. The executive team has responded to these challenges by right-sizing and consolidating certain business units, and continuing to place strenuous efforts on eliminating loss-making contracts, cash management and operational controls. The efficacy of these measures can be seen in the operating profit which, if the recognition of an impairment charge predominantly relating to the goodwill that arose from the acquisition of Stocks Limited in 2008 had not been taken into account, would have exceeded that achieved in 2017 by some 7%. For further details, refer to the Chief Financial Officer's report, commencing on page 20.

CHAIRMAN'S REPORT

— **Kevin Eborall**
Chairman

BUSINESS ENVIRONMENT

International markets have begun to demonstrate an encouraging growth in demand for mineral commodities, which is a significant driver of the economic environment in which our industry operates. This is accompanied by an increase in business confidence in many countries across the globe. While much is expected of the so-called New Dawn in the local economy, continuing policy uncertainty and social unrest still serve as discouraging factors which limit investment in infrastructure and major capital projects. In addition, the government's infrastructure development rollout plan has yet to yield substantial opportunities to the construction industry.

Notwithstanding these factors, the prospects in certain of the local and sub-Saharan African markets in which the group operates are showing signs of improvement, and are likely to yield sufficient projects to sustain the company's order book.

CORPORATE GOVERNANCE

The efforts of the board to apply to the requirements and recommendations of King IV are unremitting. In this regard, during the financial year a multi-disciplinary work team analysed the 16 principles and the numerous recommended practices of King IV. The outcome of their work was presented to the Audit, Governance and Risk Committee and the board. In addition, a presentation on King IV was made to the board to inform the directors of the principles and recommended practices. Detailed information on the group's application of King IV is provided in the Corporate Governance Report commencing on page 42 of this integrated report.

B-BBEE

The company continues to strive to improve its current status as a Level 4 Contributor and intends to achieve a Level 2 status during the course of the year. The group's transformation goals, plans and achievements are the subject of scrutiny by the Social and Ethics Committee, and are reviewed regularly at board meetings.

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

BOARD CHANGES

Due to the resignation of a non-executive director and also the retirement of certain other non-executive directors during 2017, a number of changes have been made to the board.

Ms Tina Eboka, who joined the board in 2013, resigned on 31 July 2017.

Ms Nohmle Canca and Mr Bridgeman Sithole, both of whom joined the board at the time of listing in 2007, retired by rotation as directors at the AGM held on 1 September 2017, and did not offer themselves for re-election. At the same time Mr Joseph Fizelle, alternate director to Bridgeman Sithole also retired.

I express my gratitude to all of these former directors, particularly those who have served on the board since the time of listing, for their contributions to the company during their terms of office and wish each of them well in their future endeavours.

Mr John Poluta joined the board on 1 September 2017 as an independent alternate non-executive director. On 13 April 2018, Ms Bharti Harie and Ms Busisiwe Silwanyana joined the board as independent non-executive directors.

I take this opportunity to welcome them and look forward with confidence to the positive contribution which I am sure they will make to the affairs of the board.

— International markets have begun to demonstrate an encouraging growth in demand for mineral commodities, which is a significant driver of the economic environment in which our industry operates.

DIRECTORS' DEVELOPMENT AND TRAINING

It is our policy as a group that all newly-appointed directors undergo an approved, group-specific induction programme. In this programme, coordinated by the company secretary, directors are able to fully appreciate and understand the complexities of our group businesses. Furthermore, ongoing training for directors continues to be addressed and enhanced.

Development training programmes are provided to directors as required and structured around their duties, responsibilities, powers and potential liabilities. In addition, site visits and presentations on specific technical topics supplement the development of directors. There is currently no formal board mentorship programme within the group, as it has not been deemed necessary. However, mentorship guidance is available and can be provided as and when necessary.

CONCLUSION

I would like to thank my fellow directors for their contribution to the activities and responsibilities of the board, and particularly the diligence and commitment which they have demonstrated.

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

20 June 2018

PERFORMANCE REVIEW

THE YEAR UNDER REVIEW

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

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

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

In line with previous years, about 30% of our work stemmed from beyond South Africa's borders. For the first time, however, 56% of operating profit was generated from cross-border work. Currently, the group's order book is R14,3 billion, of which R4,9 billion originates from work outside of South Africa.

For the year under review, contract revenue from operations improved by R1,3 billion to R10,4 billion, compared with R9,1 billion in 2017, with an operating loss of R451 million for the year (2017: loss of R106 million) due to an impairment charge predominantly relating to the goodwill arising from the Stocks Limited acquisition. Had this impairment not been taken into account, the operating profit would have been R216 million, an improvement over the R202 million adjusted operating profit reported in 2017. There has been a slight improvement in the headline earnings per share relative to the previous year.

Details of the group's financial performance, including those pertaining to the impairment charge, are contained in the Chief Financial Officer's report, which commences on page 20.

OPERATIONAL PERFORMANCE

To align with our strategic intent of achieving greater synergy, optimising available resources and reducing costs, we combined the Roads, Pipelines and Mining Services Business Unit with the Structures Business Unit. Effective 1 January 2018, we established a new business unit to be known as Construction & Mining.

— **Willie Meyburgh**
Chief Executive Officer

— Approximately 30% of our work originated from beyond South African borders and for the first time, this work generated 56% of operating profit.

CONSTRUCTION & MINING (C&M)

The newly-formed C&M Business Unit delivered contract revenue of R5,0 billion for the year under review (Feb 2017: R4,0 billion), with operating profit of R175 million (Feb 2017: R188 million), achieved at an operating profit margin of 3,5% (Feb 2017: 4,7%).

The Roads & Earthworks and Swaziland Divisions delivered good results, although the performance of the former Structures Business Unit fell short of expectations and led to a reduction in operating profit for C&M when compared to the previous year. Bolstered by increased levels of tender activity, the Mining Services Division produced good results for the year, while also securing a strong order book. We are selective in the projects we pursue due to such factors as capital expenditure requirements, onerous tender requirements and payment risks.

The recovery of the long outstanding amounts from the governments of Zambia and Nigeria, which are not in dispute, continue to put pressure on our working capital. Intermittent payments are being received, as our discussions with government authorities continue in both these countries. In this regard, work in Zambia on affected road contracts will resume once the outstanding amounts have been received, while in Nigeria, selective work has resumed on certain road projects. We are experiencing an increase in the number of tender enquiries and awards received from the mining sector, although the infrastructure work secured from the public sector has been limited. The decline in public spend in South Africa, affected available work in the infrastructure market and increased competition, which put operating profit under pressure.

In an active open pit mining market, a number of contracts were awarded during the year, contributing towards an improvement in C&M's longer-term order book.

BUILDING

Contract revenue for the Building Business Unit increased by 10% to R4,4 billion during the year (Feb 2017: R4,0 billion) with a return to profitability of R41 million (Feb 2017: loss of R2 million), at an operating profit margin of 1,0%. The profit of the equity-accounted United Arab Emirates operation is excluded from this operating profit.

The United Arab Emirates operation has again performed well, contributing R48 million towards the share of profits of equity-accounted investees. This trend is expected to continue.

In a competitive environment, the Coastal Division contributed positively towards operating profit, with the Mozambique Division continuing to perform particularly well. Unexpected losses in the former Housing Division during the year, as well as long-overdue debt and delayed payments from clients, exerted substantial pressure on this business unit's working capital.

The prevailing negative outlook in the public and private building sector has led to reduced availability of work in the local building market, and as a result, a significant portion of the goodwill relating to the Stocks Limited acquisition was impaired. In addition, we are assessing the viability of certain divisions of this business unit with a view to further consolidate and reduce costs.

Due to the financial constraints experienced by state-owned enterprises, the business unit is attending to significant contractual claims and compensation events that relate to a large public sector contract.

MECHANICAL & ELECTRICAL (M&E)

For the year under review, M&E's turnover and operating profit reduced to R1,0 billion (Feb 2017: R1,1 billion) and R13 million (Feb 2017: R40 million) respectively, which offset the positive returns made on operations outside South Africa and the Mechanical Division's awards of surface mining-related service contracts during the last quarter.

The performance of the Oil & Gas and Electrical & Instrumentation Divisions was negatively impacted by the cancellation of a significant contract in the petrochemical market. The decision to terminate the contract has been challenged and is the subject of an arbitration hearing. The financial impact cannot be quantified at this stage.

We are seeing a gradual improvement for both the Mechanical and Electrical & Instrumentation Divisions regarding cross-border and local work in the surface mining-related environment. Overall, this business unit's financial performance is expected to improve in the forthcoming year.

For more information on the operational performance, project updates and initiatives of our business units, please refer to the operational reviews that begin on page 24 of this integrated annual report.

INDUSTRY-RELATED MATTERS

COMMUNITY UNREST

An increasingly important challenge confronting the construction industry in South Africa is community unrest, which has disrupted a number of our projects during the year. The failure of service delivery, widespread unemployment and unrealistic expectations on the part of many communities, have resulted in impractical demands for employment and the appointment of sub-contractors in some of the areas where we execute projects. We are managing the situation carefully in collaboration with our clients and community leaders.

SETTLEMENT AGREEMENT (VOLUNTARY REBUILD PROGRAMME)

As previously reported, an agreement between the South African Government and each of the listed construction companies led to the implementation of an initiative named the Voluntary Rebuild Programme (VRP). The aim of the VRP is to develop black-owned emerging enterprises into meaningful competitors within the construction sector.

In terms of the VRP agreement, the construction companies' transformation commitment refers to either mentoring existing black construction companies to the extent that their combined revenues grow to no less than 25% of the individual listed company's South African civil engineering and building turnover; or disposing of at least 40% of the business to enterprises that are themselves at least 51% black-owned. This must be achieved by the year 2024. We have opted for the former of the two options in order to help achieve our transformation objectives and live our values as a group.

To this end, the Competition Commission Tribunal approved the merger application for our two VRP partners in February 2018. We have concluded our agreement with Axsys Projects Pty (Ltd) and are in the final stages of negotiations with TN Molefe Construction Pty (Ltd). For more information on our role in the VRP, please refer to our sustainability report, which is available on the group's website.

CIVIL CLAIM

The legal process relating to the civil claim received from the City of Cape Town, with regards to Green Point Stadium is ongoing and we are confident that we can defend it.

SUSTAINABILITY MATTERS

As reported in the previous year, the philosophy driving our corporate culture is the "Founder's Mentality". This seeks to create simplicity, alignment and synergy of the efforts of all of our people, by establishing a common understanding of and commitment to our culture. In tandem with this, the "Stefanutti Stocks Way" refers to our guiding principles that encourage the development of energised and engaged employees to ensure flawless execution and client satisfaction on all our contracts and projects, which is the ultimate aim and purpose of the group's sustainable business activities. We have made good progress in implementing this process throughout our entire business, which has been well received by our colleagues.

The various sustainability-related sections that follow below are dealt with in further detail in our group sustainability report, which is available on our website.

HUMAN CAPITAL

As a recognised employer of choice, our objective is to attract and retain a highly skilled, motivated and energised workforce to meet the challenges and seize the opportunities within the construction industry.

Our human capital focus is on the well-being of our employees, as well as on training, recognition and reward in order to live the values of the Stefanutti Stocks Way. We continue to monitor our remuneration policy, ensuring that our employees are fairly rewarded in terms of market and legislative requirements, and actively pursue the achievement of our key pillars of success, which are a safe and healthy work environment, respect for human rights, a non-discriminatory environment, protection of human dignity and continued employee development.

To ensure that our employees are engaged and energised, the focus areas for 2019 and beyond include but are not limited to: an ongoing focus on the Founder's Mentality and employee engagement programmes; continued implementation of performance management; developing our people; improving the Stefanutti Stocks Academy for high quality skills development programmes; and promoting a transformed and diverse organisation.

HEALTH AND SAFETY

Operating successfully in the physically demanding construction industry requires strict control over matters of occupational health and safety (OHS). To maintain a safe working environment, we have several OHS programmes and initiatives that help to focus our efforts. We actively engage our employees to determine their levels of OHS awareness, while empowering them by establishing and communicating their responsibility and accountability in this regard. Furthermore, our OHS systems have been further developed to improve behaviour safety analysis, incident investigation and the accuracy of statistics to improve our safety performance.

Our current key health and safety focus areas include: driving a safety culture; effective implementation of standardised systems throughout the group; and effective and proactive incident investigation.

We strive for Zero Harm. Our benchmarks for lost time injury frequency rate (LTIFR) and recordable case rate (RCR) are 0,1 and 0,5 respectively. Through the processes mentioned above, management and staff remain committed to enhance our health and safety policies and procedures, to improve our safety performance. At February 2018, the group's LTIFR was 0,11 (Feb 2017: 0,10) and the RCR was 0,54 (Feb 2017: 0,70).

SKILLS DEVELOPMENT

We remain committed to empowering and retaining our talented and diverse employees through a system of ongoing training and development. Our current skills development objectives include, but are not limited to: reviewing and developing existing programmes; setting new targets to align with the revised B-BBEE scorecard; collaboration between all business units; further implementing the e-learning platform; encouraging the professional registration of employees; registering in-house programmes for continued professional development (CPD); developing in-house programmes for new occupational qualifications; and implementing the group mentorship programme.

ENVIRONMENTAL MANAGEMENT

We are sensitive to the potential impact of our operations on the environment and accordingly, seek ways in which we can lessen that impact. The group's environmental management framework is based on the six pillars comprising carbon emissions, energy, materials, waste, water and reliable information.

To align with the Stefanutti Stocks Way and the Founder's Mentality principles, the aim of our environmental management framework is to achieve our goals of Zero Harm, employee empowerment and efficient management systems. Our environmental framework and policy is reviewed annually by the Social and Ethics Committee, with updates being communicated to the board and throughout the group.

TRANSFORMATION

Stefanutti Stocks is represented in an advisory role on the technical team of the revised Construction Sector Codes and plays an active role in the Construction Sector Charter Council.

In October 2017, our Broad-Based Black Economic Empowerment (B-BBEE) verification process was completed, with the group achieving a Level 4 Contributor status. This was the last scorecard based on the former Generic Codes of Good Practice.

On 1 December 2017, the Revised Construction Sector Codes were promulgated and came into force with immediate effect. A significant amount of time was allocated to address the areas that negatively impacted our scores. Intervention strategies were developed to improve our score card. Subsequent to the verification process conducted in May 2018, we are confident that the group will achieve a Level 2 Contributor status, measured against the Revised Construction Sector Codes.

We remain committed to the principles and implementation of B-BBEE within the group and support the B-BBEE Act and the Codes of Good Practice for B-BBEE in South Africa as an effective means to address the economic and social inequalities that exist in the country.

RISK MANAGEMENT

For the year under review, our risk management focus was on site administration, information technology and legal compliance. This was successfully achieved and all planned audit projects were delivered according to expectations. Our risk management methodology for the group is discussed in detail in this integrated annual report, commencing on page 9.

For the coming year, our audit and risk focus will remain on the exposure the group faces with regards to site administration and legal compliance, as well as on financial disciplines, and financial controls of our cross-border operations. In order to achieve the above, we will be increasing the required number of site and administration audits.

We will also ensure that our compliance with the Competition Act continues to receive adequate attention, with online training provided to all new employees and non-executive directors. All existing designated staff will receive annual online refresher courses. In addition, our compliance to the Protection of Personal Information (POPI) Act will also receive attention during the coming year.

CHANGES TO THE BOARD OF DIRECTORS

As mentioned in our Chairman's report, there were a number of changes to the board during the year. Ms Tina Eboka resigned as an independent non-executive director, effective 31 July 2017. After serving on the board since their appointment in July 2007, Ms Nomhle Canca and Mr Bridgman Sithole and his alternate Mr Joseph Fizelle, retired at the AGM on 1 September 2017. We wish our former colleagues well in their future endeavours.

Also effective 1 September 2017, Mr John Poluta was appointed as an alternate director to Mr Mafika Mkwanazi and as a member of the company's Audit, Governance and Risk Committee. Ms Bharti Harie and Ms Busisiwe Silwanyana were appointed to the board as independent non-executive directors subsequent to year-end, with effect from 13 April 2018. We welcome our new appointees and look forward to their positive contributions to the group.

OUTLOOK AND STRATEGY

To maintain a sustainable enterprise, the financial stability of the group and a carefully considered expansion plan form the basis of our strategy. With this in mind, we remain focused on eliminating loss-making projects and delayed payments that prevent us from realising our full potential. We will continue to nurture and reinforce the Founder's Mentality and the values which comprise the Stefanutti Stocks Way.

We are heartened by the new political administration in the country and are cautiously optimistic that levels of business confidence within certain sectors of the economy will improve. However, construction activities and operating profit margins will likely remain under pressure in the short to medium term.

We look forward to an administration that will invest significantly into much needed social development and infrastructure.

The group's order book remains steady at approximately R14 billion. In the short term, we anticipate potential pockets of growth in the local market, including surface mining related services, selected open-pit mining contracts, petrochemical tank farms, water and sanitation treatment plants, as well as residential developments, warehouses and design and construct opportunities in the building sector.

In terms of our cross-border opportunities, we anticipate increased activity in the areas of road and bridge construction, marine and mixed-use building projects.

It remains our firm belief that our multi-disciplinary and geographically-diversified business structure will ensure that the group remains a strong competitor in the markets and the countries in which we operate. We will continue our pursuit of opportunities in Southern Africa as well as beyond in sub-Saharan Africa, on a selective basis. To meet the challenges of the construction industry, our management constantly reviews and aligns each business unit and its respective divisions to ensure their ongoing sustainability.

ACKNOWLEDGEMENTS

I express my sincere thanks to the board, management and staff for their continuous commitment and dedication in what has been an extended period of difficult trading conditions. I also express my gratitude to our shareholders, customers, suppliers and service providers for their ongoing support.

Willie Meyburgh
Chief Executive Officer

20 June 2018

VALUE-ADDED STATEMENT

BASED ON TOTAL OPERATIONS	**2018 %**	**2018 R'000**	2017 %	2017 R'000
CONTRACT REVENUE		**10 415 481**		9 058 576
Less: Costs of materials, services and subcontractors		**(7 891 897)**		(6 065 221)
Value added by operations	**96,5**	**2 523 584**	97,2	2 993 355
Investment income	**1,9**	**49 113**	1,5	44 864
Share of equity-accounted investees	**1,6**	**41 388**	1,3	40 893
Total value add	**100,0**	**2 614 085**	100,0	3 079 112
Distributed as follows:				
CORPORATE SOCIAL INVESTMENT				
Donations and other community investments	**0,1**	**2 455**	0,1	1 663
EMPLOYEES				
Short-term and post-employment benefit costs	**89,7**	**2 639 606**	94,5	2 911 787
Forfeitable share plan costs	**0,1**	**2 744**	0,1	1 918
PROVIDERS OF FINANCE				
Interest and finance charges	**2,8**	**82 842**	2,8	85 597
Operating lease rentals	**5,1**	**149 417**	1,1	33 955
GOVERNMENT				
Taxation	**2,2**	**64 606**	1,4	43 554
TOTAL VALUE DISTRIBUTED	**100,0**	**2 941 670**	100,0	3 078 474
REINVESTED IN THE GROUP	**—**	**(327 585)**	—	638
Reserves available to ordinary shareholders	**—**	**(503 599)**	—	(137 068)
Depreciation	**—**	**176 014**	—	137 706
	100,0	**2 614 085**	100,0	3 079 112
Value-added ratios				
Number of employees		10 485		10 412
Contract revenue per employee (rand)		993		870
Value created per employee (rand)		249		296

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

FIVE-YEAR FINANCIAL REVIEW

		2018	2017	2016	2015	2014
PROFIT INFORMATION						
Contract revenue	R'million	**10 415**	9 058	9 669	10 568	9 151
Operating (loss)/profit	R'million	**(451)**	(106)	392	335	223
Operating (loss)/profit margin	%	**(4,3)**	(1,2)	4,0	3,2	2,4
(Loss)/profit	R'million	**(508)**	(150)	186	203	119
Net (loss)/profit margin	%	**(4,9)**	(1,7)	1,9	1,9	1,3
Headline earnings	R'million	**154**	19	157	197	111
FINANCIAL POSITION						
Total assets	R'million	**6 417**	6 567	6 512	6 523	6 298
Total equity	R'million	**1 881**	2 442	2 609	2 399	2 195
Total liabilities	R'million	**4 537**	4 125	3 904	4 124	4 103
Cash from operations before working capital movements	R'million	**615**	342	470	308	565
ASSET MANAGEMENT						
Return on assets	%	**(7,9)**	(2,3)	4,0	4,0	2,5
Return on equity	%	**(23,3)**	(5,4)	7,3	8,8	5,7
Net asset turn	times	**1,6**	1,4	1,5	1,6	1,5
SHAREHOLDERS' RATIOS						
(Loss)/earnings per share	cents	**(295)**	(79)	104	115	68
Headline earnings per share	cents	**90**	11	90	113	64
Dividend per share	cents	**—**	—	—	—	—
STOCK EXCHANGE STATISTICS						
Market capitalisation — close	R'million	**342**	826	649	940	1 824
Market value per share						
— At year-end	cents	**182**	439	345	500	970
— Lowest closing for the year	cents	**182**	340	298	482	848
— Highest closing for the year	cents	**460**	490	740	989	1 055
Weighted number of shares	'000	**170 749**	172 750	174 780	174 867	174 585
Total volume traded during the year		**27 445 523**	29 850 220	36 873 503	52 268 736	50 224 772
Rand value traded during the year	'000	**81 974**	125 732	178 176	415 062	47 393

CHIEF FINANCIAL OFFICER'S REPORT

— **Antonio Cocciante**
Chief Financial Officer

— Contract revenue from operations increased by R1,3 billion year-on-year

OVERALL

The group's performance reflects the impact of operating within a demanding trading environment, which includes an impairment of assets.

FINANCIAL PERFORMANCE

Contract revenue from operations of R10,4 billion increased by R1,3 billion compared to the previous year (Feb 2017: R9,1 billion). The group tests goodwill for impairment at each reporting period or when there is an indicator of impairment. At 28 February 2018 goodwill and intangible assets of R667 million had been impaired, predominantly relating to the write-off of a significant portion of the goodwill that arose from the Stocks Limited acquisition. Consequently, the operating loss increased from R106 million in the previous year to R451 million in the current year. Should this impairment charge be excluded, the operating profit is R216 million, which is an improvement over the R202 million adjusted operating profit reported in the previous year.

The United Arab Emirates operation has contributed R48 million towards the share of profits of equity accounted investees, which in total has remained consistent at R41 million as a result of losses incurred by other equity-accounted investees, namely Celik Engineering (Pty) Ltd and KLB Mkhize (Pty) Ltd.

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

RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2018

	2018	2017	% change year-on-year
Contract revenue (Rbn)	**10,4**	9,1	⬆ 15
Operating loss (Rm)	**(451)**	(106)	⬇ 324
Adjusted operating profit (Rm)	**216****	202*	⬆ 7
Adjusted profit after tax (Rm)	**159****	152*	⬆ 5
HEPS (cents)	**90,35**	10,94	⬆ 726
Adjusted HEPS (cents)	**90,35****	89,86*	
Cash on hand (Rm)	**916**	1 158	
Net tangible asset value (R per share)	**8,40**	7,84	
Interest-bearing debt to equity ratio (%)	**41,6**	27,6	
Total year-end order book (Rbn)	**14,1**	13,8	

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

** Excluding the impairment of goodwill and intangible assets.

FINANCIAL POSITION

Capital expenditure for the year amounted to R500 million (Feb 2017: R272 million), of which R369 million (Feb 2017: R87 million) was incurred in expanding capacity. Of the total capital expenditure, R400 million relates to requirements from the Construction & Mining Business Unit on the back of contracts awarded during the year. The increased capital expenditure resulted in an increase in depreciation to R176 million (Feb 2017: R138 million).

The amount of uncertified work included under contracts in progress and reflected within current assets, has increased to R465 million from R415 million reported at the end of February 2017 in line with the increase in trading activities. However, trade receivables have increased by 22,6% while debtors days deteriorated from 74 days to 79 days. This is as a result of overdue amounts, which are not subject to dispute, from certain local and cross-border government institutions. These governments continue to slowly service their debts and we continue to engage with these organisations in order to resolve these outstanding payment issues.

Total interest-bearing debt has increased to R783 million (Feb 2017: R675 million) primarily due to the increased capital expenditure. Total interest-bearing debt includes a liability of R108 million relating to the Settlement Agreement which will be settled in 10 equal instalments of R15 million per annum. The debt/equity ratio has increased from 27,6% to 41,6%, exceeding the group's internal benchmark of 35%. Should the impairment charge of R667 million be excluded from equity, the debt/equity ratio would be 30,7%. The group is committed to reduce the debt/equity ratio to be in line with its internal benchmark.

OPERATIONS

Contract revenue of the newly combined Construction & Mining Business Unit is R5,0 billion (Feb 2017: R4,0 billion) with an operating profit of R175 million (Feb 2017: R188 million) at an operating profit margin of 3,5% (Feb 2017: 4,7%).

The Building Business Unit's contract revenue increased to R4,4 billion (Feb 2017: R4,0 billion) with an improvement in operating profit to R41 million (Feb 2017: loss of R2 million) at an operating profit margin of 1,0%. The profit of the equity accounted United Arab Emirates operation is excluded from the operating profit.

Due to the financial constraints experienced by state-owned enterprises, this business unit is attending to significant contractual claims and compensation events that relate to a large public sector contract.

The performance of the Mechanical & Electrical Business Unit was negatively impacted by the cancellation of a significant contract in the petrochemical market, with turnover and operating profit reducing to R1,0 billion (Feb 2017: R1,1 billion) and R13 million (Feb 2017: R40 million) respectively.

The decision to terminate the contract has been challenged and is the subject of an arbitration hearing. The financial impact cannot be quantified at this stage.

CASH MOVEMENTS (RM)

28 FEBRUARY 2018		28 FEBRUARY 2017
1 158	**Opening cash balance**	851
615	Cash generated from operations	342
(293)	Working capital changes	274
21	Net interest and dividend income	35
(57)	Taxation paid	(102)
(75)	Investing activities	3
(423)	Financing activities	(165)
(30)	Exchange rate effects and other	(80)
916	**Closing balance**	1 158

DIVIDEND

The group did not declare a dividend for the current financial year (Feb 2017: Nil).

SHARES

REPURCHASE

During the year, the company, through a subsidiary, repurchased 2 756 365 of its own shares at an average price of R3,03 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 27,4 million (previous year 29,9 million) shares were traded on the JSE's trading platform. The highest closing price recorded was R4,60 per share (Feb 2017: R4,90 per share) while the lowest closing share price was R1,82 per share (Feb 2017: R3,40 per share).

APPRECIATION

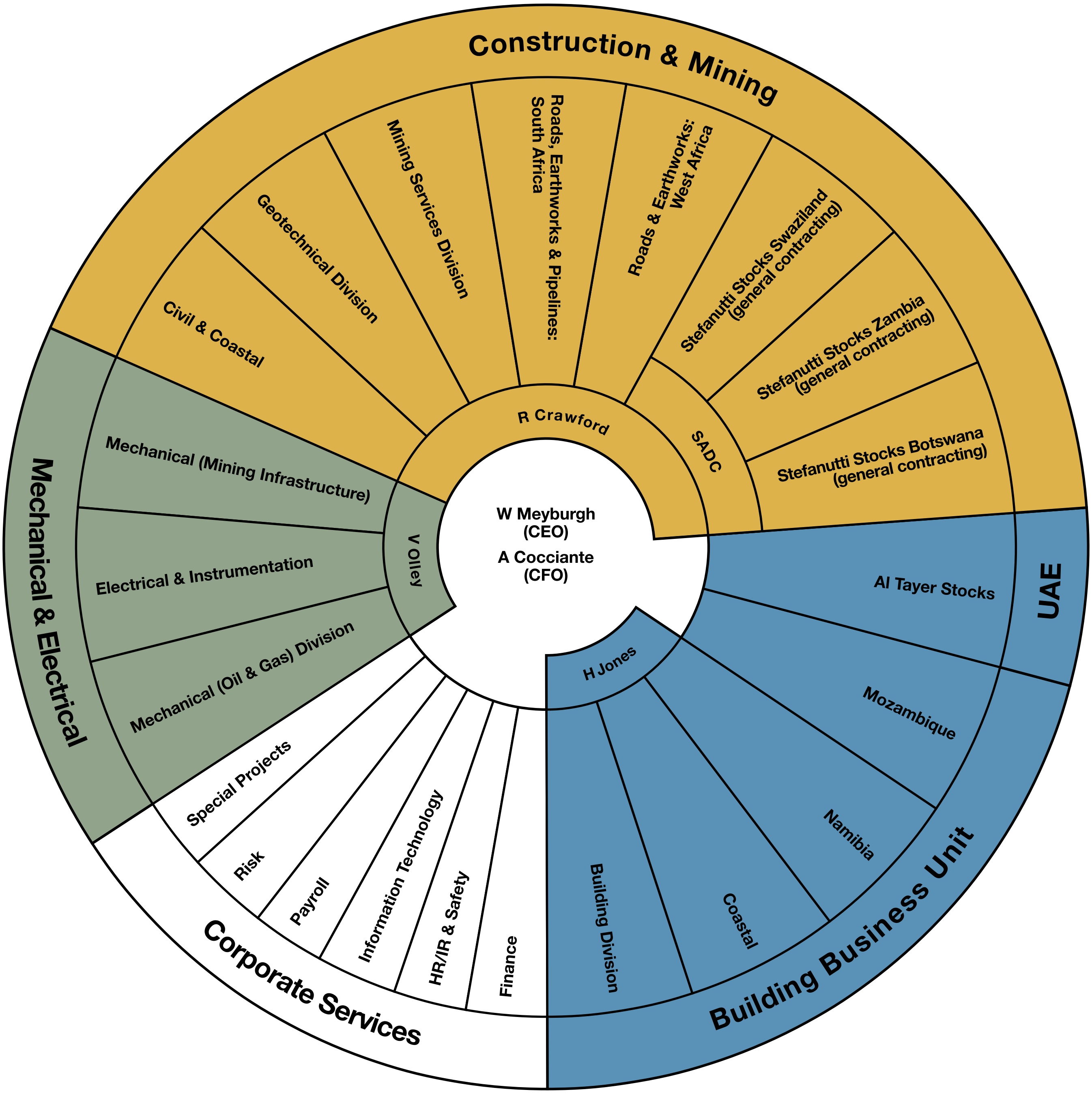
I would like to express my gratitude to the finance teams and other service departments, for their continued dedication and commitment to the group.

Antonio Cocciante
Chief Financial Officer

20 June 2018

GROUP STRUCTURE

Our group operates throughout sub-Saharan Africa and in the United Arab Emirates through our three business units: Construction & Mining, Building, and Mechanical & Electrical.



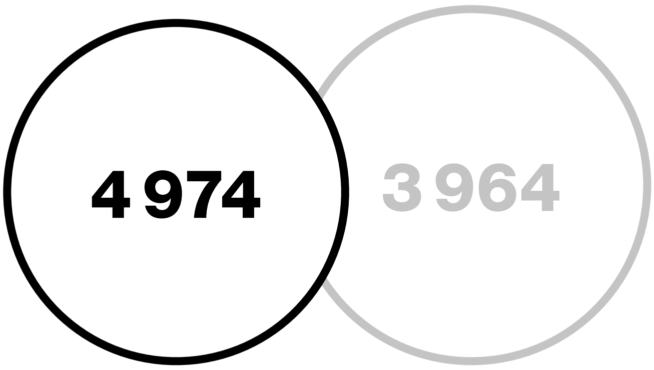
OPERATIONAL REVIEW — CONSTRUCTION & MINING

MANAGING DIRECTOR: RUSSELL CRAWFORD

LEGEND	ORDER BOOK	OPERATING MARGIN	LTIFR
2018	R9 000m	3,5%	0,15
2017	R7 300m	4,7%	0,07

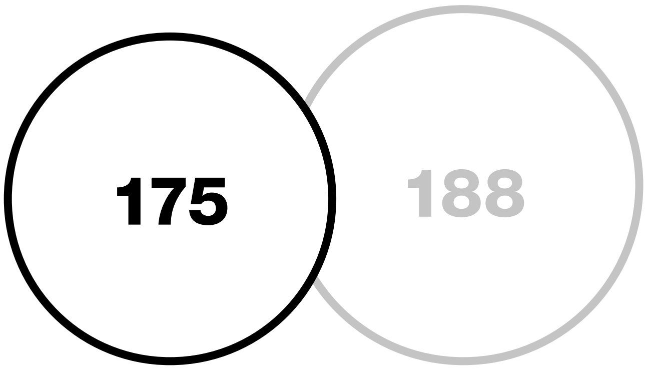
CONTRACT REVENUE (RM)

● 2018 ● 2017

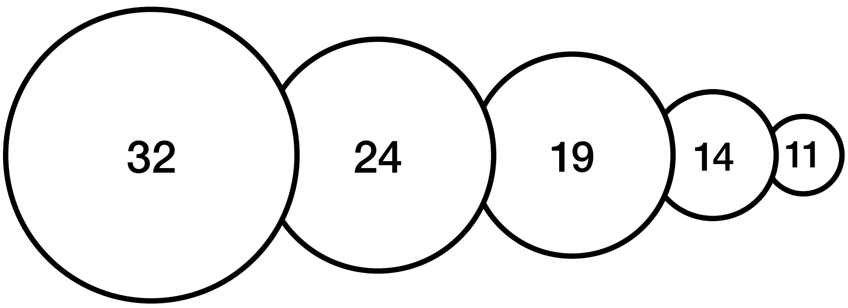


OPERATING PROFIT (RM)

● 2018 ● 2017

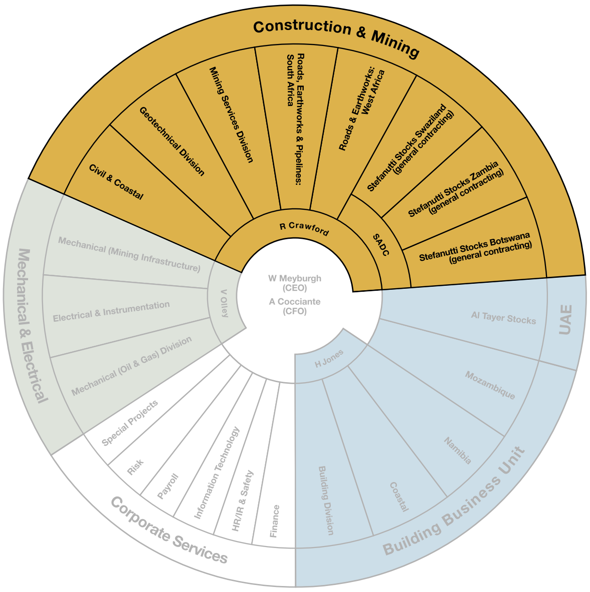


TURNOVER BY SECTOR (%)



32 Transport infrastructure
24 Surface mining related services
19 Bulk earthworks and industrial
14 Water and sanitation
11 Energy generation

BUSINESS UNIT DIVISIONS



STRATEGIC FOCUS

No new loss-making projects.

Leadership engagement.

Cash:

› Cash/turnover of more than **10%**

› Debtor days to be kept below **45**

Secure one funded project.

New territories — business compliance prior to execution.

CAPABILITIES

- Bulk earthworks
- Road construction and rehabilitation
- Crushing and screening
- Asphalt manufacture and paving
- Fibre-optic infrastructure
- Mine infrastructure and development
- Civils works, bridges and transport infrastructure
- Airports
- Agricultural land development
- Dam construction/concrete dams
- General contracting
- Large/smaller-diameter welded steel pipe
- High-density polyethylene pipelines
- Ductile pipelines
- Petrochemical and gas pipelines
- Pump, mechanical and electrical installations
- In situ concrete lining of pipelines
- Concrete works
- 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
- Structural rehabilitation
- Geotechnical construction, piling and lateral support
- Rock anchoring and shotcreting
- Reinforced concrete construction
- Marine infrastructure, ports and harbours including jetties, docks, quay walls, slipways and boat ramps
- Shipyards
- Control buoy gravity bases
- Precast concrete for marine structures
- Emergency concrete structure stabilisation and repair
- Caisson floating and installation
- Balance of plant infrastructure for renewable energy projects

PERFORMANCE AND OUTLOOK

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

Contract revenue of the combined business unit is R5,0 billion (Feb 2017: R4,0 billion) with an operating profit of R175 million (Feb 2017: R188 million) at an operating profit margin of 3,5% (Feb 2017: 4,7%).

The Mining Services, Roads & Earthworks and Swaziland Divisions delivered good results. The former Structures Business Unit continued to underperform resulting in the reduction in operating profit of C&M compared to the previous year.

It was pleasing to note an increase in activity within the surface mining related infrastructure sector, owing to improved commodity prices during the year. This assisted the business in successfully securing and executing its order book.

With the continued slowdown in public infrastructure spend, the current market is dominated by smaller projects. This, combined with erratic tender evaluation procedures, resulted in increased competition and pressure on operating profit margins.

In restructuring the business to form C&M, it was important to retain critical skills to ensure the sustainability of the business in the current market and to capitalise on potential growth. This includes the ability to operate as a general contractor in other African countries.

The Roads & Earthworks Division has already secured most of its forecast turnover for the year ahead. This was achieved in a very competitive market with low operating profit margins. The focus will remain on executing these projects with excellence to achieve and improve our tendered margins.

Positively, support from the Taiwanese Government, Kuwait Fund, African Development Bank and other funders have provided our Swaziland Division with a steady order book.

Forecast revenues for Swaziland for the next two years will largely be secured by the International Convention Centre and Five-star Hotel projects in Manzini, which are underpinned by a number of smaller contracts.

There is a buoyant private sector market in Zambia, with a number of projects having been priced and awarded. This includes the York Park project for Improvon and Actis; the Ndola Breweries upgrade; Kitwe Freedom Park project; and the Kalabo Road project in Western Zambia, which is funded by the Arab Bank for Economic Development in Africa (BADEA).

The Kitwe Hotel and Office Park for the National Pension Scheme Authority (NAPSA) is progressing well and is on track for completion in August 2018. The Airport Junction project for Eris Property Group, an extension to the existing shopping centre which we originally built, is due for completion in November 2018.

Overdue payments due from the government of Zambia on the Bottom Road project forming part of the Link 8000 road contract, for the Zambian Road Development Agency (RDA), continues to be problematic. Discussions with the government authorities are ongoing and periodic payments are being received. This outstanding amount is not in dispute and work will commence once all outstanding amounts have been received.

Improved power generation in Zambia, as a result of higher water levels on Lake Kariba, and the Mamba Power Station coming on stream, should support the forecast growth in the mining and agriculture sectors.

In a sluggish construction sector in Botswana, the Kasane Airport project produced satisfactory results and the Airport Junction project in Gaborone is progressing well. With the recent regime change, the growth forecast for 2018 is anticipated to exceed 4,1%. This expected growth should be supported by rising commodity prices, specifically diamonds, and will manifest in a more vibrant infrastructure rollout programme.

With an increase in tender activity for open pit mining contracts, Mining Services returned good results for the year whilst securing a strong long-term order book. However, the Tailings and Material Handling departments' order book has been low throughout the year. Management is selective in the projects pursued.

Based on the increase in the oil price, it is expected that Nigeria should emerge from its recession. This will provide government with sufficient funds to settle outstanding payments on the road projects, which amounts are not in dispute. With periodic payments being received limited work has resumed on these projects, which had previously been stopped due to non-payment.

In an extremely competitive market the former Structures BU continued to underperform and for the first time in its history produced an operating loss for the year. A combination of minor losses on a few projects in all of the divisions resulted in this poor performance. A consequence of less public infrastructure spend, combined with growing project fragmentation, resulted in increased competition with smaller construction companies. This placed pressure on this operation's order book and operating profit margins.

The shortage of private and public infrastructure spend especially in the roads and high rise building markets has restricted the Geotechnical Division to perform to its potential.

Despite the above, there is an increase in the number of tender enquiries received from the surface mining related sector. Over the past number of years this BU has established itself as one of the leading water and sanitation treatment plant contractors. The government's renewed focus to resolve the water crises will provide opportunities for this business in this niche market.

While the repair and rehabilitation of existing infrastructure continues to provide work opportunities, this operation will continue to actively pursue cross-border work in countries where the group is present.

With the increase in surface mining related infrastructure combined with our geographical spread in sub-Saharan Africa, this BU is well positioned to seize opportunities that present themselves.

Construction & Mining's order book at February 2018 was R9,0 billion (Feb 2017: R7,3 billion).

NOTABLE PROJECTS

The Roads & Earthworks Division was awarded the construction of the Mareesberg **Tailings Storage Facility** for Anglo American Platinum Corporation Limited. The 1,4 km long earth dam is 150m high and comprises 450 000m^3 of earth fill lined with a high-density polyethylene liner 2000µm thick in the dam basin. This project is the first of its kind in South Africa which complies with the new specifications of the Department of Water and Sanitation.

Swaziland's 400-seater **International Convention Centre** (ICC), funded by the Taiwanese government, is progressing well. At the time of publication, the superstructure was largely complete with only the internal fit out remaining. Completion is anticipated in early 2019.

Adjacent to the ICC the group is constructing a **Five-star high-end resort facility**. The foundation piling, excavation and basement construction is complete. Work on the superstructure has commenced and completion is anticipated in early 2020.

The **Kitwe Hotel and Office Park Project** for the National Pension Scheme Authority (NAPSA) in Zambia is progressing well, and on track for completion in August 2018. The project includes a 140-bed hotel and two office blocks with associated roads and infrastructure.

In December 2017, the **Kasane Airport Project** in Northern Botswana was successfully completed, winning first prize as the Most Outstanding Project (Project Management and Construction) in the prestigious South African Institution of Civil Engineering (SAICE) 2017 Awards. Another project in Botswana, The **Airport Junction Mall**, originally constructed by Stefanutti Stocks, is now being extended for Eris Property Group and due for completion in November 2018.

The **Kangala** open pit mine project in Mpumalanga is performing well and there is a strong possibility that the scope of the project will expand to the adjacent reserve. **Foskor** continues to be a key client of the division with future project extensions expected during the coming year.

Despite widespread rainfall, the recently awarded 48-month open pit mining contract for **Black Royalty Minerals (Pty) Ltd** in Mpumalanga is progressing well.

The Materials Handling department is making good progress in diversifying its offering out of coal and was recently awarded a three-year contract at Khumani in the Northern Cape for **Assmang**.

Notable projects completed by the Civils division during the year include the completion of the 60m high Selati Tailings Decant Tower for **Foskor**, the completion of the N17 pedestrian bridges for **SANRAL**, the completion of the Senque River Bridge in Lesotho, as well as the completion of the Concentrated Solar Power projects in the Northern Cape for **Licia Star** (engineering, procurement and construction contractor).

In February 2018, the Coastal Division in joint venture with the group's Voluntary Rebuild Programme (VRP) partner, Axsys Projects, completed the final two berths (3 and 4), on the upgrade of **Maydon Wharf Berths** 1 to 4, 13 and 14 in Durban. This prestigious four-year project showcased the first installation of Müller Verpress (MV) piles on a berth upgrade in South Africa. The project has been completed ahead of schedule, an achievement in the **Transnet** portfolio.

In the Republic of Guinea, the Bel-Air Mining Port and Causeway Project for **Alufer Mining Limited** is currently under construction. Due to unforeseen geotechnical conditions, the 1,4 km causeway into the Atlantic Ocean had to be value-engineered into a new deck-on-pile alternative, from the original precast block berth. Piling is currently underway and being completed with a minor impact on the overall project programme.

As part of the N7 (Cape-Namibia) upgrade for **SANRAL** over the Olifants River Bridge in the Western Cape, the Coastal Division is currently constructing a new bridge adjacent to the existing structure. The 97m span reinforced concrete arch bridge is progressing well and the quality being produced on the project reflects the group's mission of "Excellence in Execution".

Coastal is constructing the multi-billion rand Strategic Catalytic Projects for **Ethekwini Municipality** in Durban. The project comprises the first phase of upgrades to the Durban Point Promenade, and forms part of a strategic project for the economic development of the city. This work involves the 700m extension of the existing promenade from uShaka Marine World to the northern breakwater of the Port of Durban. The new structure will provide world-class facilities, and is the first phase of the point development master plan, which should unlock further developments including hotel, retail, residential and office space.

The bridge for **Namibia Roads Department**, located between Swakopmund and Walvis Bay, required 76 oscillator piles, 1 050mm in diameter, to be drilled to a depth of 40m.

Geotechnical was awarded the **Lakeside Towers Development Project** in Centurion. This complex design-and-construct project in dolomitic ground conditions presented execution challenges due to unknown cavities and sinkholes in the area. With careful co-ordination of various activities, the project was successfully completed.

SUSTAINABILITY MATTERS

SKILLS DEVELOPMENT AND TRAINING

With our employees being one of our greatest assets, they must be adequately trained to perform to our high standards of quality. Skills development is a significant contributor to the success of our employment equity initiatives. A total of R21,2 million was spent on training and skills development interventions. Of our training spend, 77% benefited employees from designated groups.

The headcount of the newly formed Construction & Mining Business Unit is 5 233 employees. During the year under review, C&M trained a total 1 993 employees, of whom 1 838 were from designated groups and 187 were female. A total 1 071 employees received safety training, of whom 979 were from designated groups, with 94 being female.

Our Mining Qualifications Authority (MQA) accredited training centre was consolidated into the newly established Stefanutti Stocks Academy. With its various in-house training programmes, the academy is now accredited with three Sector Education and Training Authorities (SETAs), namely the MQA, the Construction Education and Training Authority (CETA), as well the Manufacturing, Engineering and Related Services Sector Education and Training Authority (MERSETA). The Stefanutti Stocks Academy incorporates training for construction skills, operators, safety, and is responsible for a number of staff development programmes.

During the year, a number of employees enrolled in the Site Leadership Development Programme (SLDP). The SLDP is an in-house programme that upskills construction graduates to industry standards.

We have developed a mentoring programme for graduates of the SLDP, which aims to provide mentees with guidance, encouragement, and exposure to senior management. The programme helps to develop future leaders in construction, and improves motivation and communication for a more effective workplace.

Our in-house Solid Foundations programme is a CETA-registered introductory skills programme for hourly-paid employees in the construction sector. It includes the unit standards of personal protective equipment, environmental, hand tools and safety awareness. This successful programme is in its sixth year, with over 2 000 individuals having been trained since inception.

During the year under review, C&M spent R1,6 million on bursaries. There were 50 bursar students, 42 of whom were from designated groups, and 29 were female. 12 employees were on full-time technical bursaries, with 10 from designated groups, one of whom was female. A further six employees were on other full-time bursaries, five of whom were from designated groups, with four being female. A total eight employees were on part-time technical bursaries, all of whom were from designated groups, two of whom being female.

A second intake of four mining interns were selected for our internship programme in partnership with the MQA. The interns are mining engineering graduates who joined the Mining Services Division in 2017, and are exposed to materials handling, tailings and contract mining. As part of the programme, interns are required to complete a National Certificate, which contributes to gaining their Blasting Certificate of Competency. The interns keep records of all site activities and assignments in a logbook, which facilitates professional registration with the Engineering Council of South Africa (ECSA).

14 of our candidate professionals were successfully registered with ECSA during the year, nine of whom came from designated groups, and four were female.

C&M provided two apprenticeships during the year, and both were males from designated groups. 35 employees received training in our Tailings Operations/Slimes Reclamation learning programme, with 29 coming from designated groups.

TOP PROJECTS BASED ON VALUE EXCLUDING VAT

Project name	Duration	Project value	Location
KANGALA — UNIVERSAL COAL	96 months	R2,12 billion	Mpumalanga, RSA
THUTSI — SILVER LAKE	66 months	R1,79 billion	Mpumalanga, RSA
KASANE AIRPORT	24 months	BWP392 million	Botswana
KITWE FREEDOM PARK HOTEL	18 months	USD32 million	Zambia
FIVE-STAR HOTEL	24 months	R1,8 billion	Swaziland
EXXARO GG6 STOCKYARDS (80%)	24 months	R150 million	Limpopo, RSA
MAYDON WHARF BERTHS 1 TO 4, 13 & 14 (74%)	48 months	R697 million	KwaZulu-Natal, RSA
LOWER THUKELA WTW	36 months	R348 million	KwaZulu-Natal, RSA
BEL-AIR MINING CAUSEWAY	18 months	R331 million	Guinea
AMANSEA — NDUKWENU — AWA — UFUMA ROAD	79 months	NGN8,67 billion	Nigeria

Three delegates were selected for the 2018 Construction Management Programme (CMP). This programme is jointly held by the universities of Cape Town, Witwatersrand and Stellenbosch. The CMP is a middle management programme aimed at engineers and other construction practitioners with the potential for senior management positions. This four-week intensive course is hosted by the Department of Civil Engineering at the University of Stellenbosch.

A service level agreement (SLA) was signed with Universal Coal involving skills development and training within the local community. A total of 50 community members comprising 18 females and 32 males received articulated dump truck (ADT) and excavator training. The Academy is ISO 9001:2008 certified and fully accredited to conduct training. We obtained an extension to the scope of training to include concrete, formwork and reinforcing and this was conducted in-house for the first time in 2017.

INITIATIVES

All businesses within the group are aligned to the group's Occupational Health and Safety (OHS) management systems, as well as the relevant statutory requirements, in terms of the OHS Act and Mining Health and Safety Act. Rigorous adherence to these high standards resulted in the business unit achieving 3 000 000 Lost Time Injury Frequency Rate (LTIFR) free hours in our Roads & Earthworks Division, 2 000 000 LTIFR-free hours in our Swaziland Division, 1 000 000 LTIFR-free hours in our Mining Services Division, and 1 000 000 LTIFR-free hours in our Civils Division.

While the group aims for zero harm, the LTIFR benchmark is set at 0,1 and the Recordable Case Rate (RCR) benchmark is set at 0,5.

A number of key safety programmes were identified, developed and conducted by the training centre during the year under review. Going forward, all site-based employees will undergo a portion of the newly-introduced programmes, while all new employees will undergo the Stefanutti Stocks Way and Founder's Mentality Induction Programmes.

Improvement initiatives included a strong focus on proactive safety management such as visible felt leadership and leadership engagement. This involves management engaging with employees to emphasise the relationship between production, health and safety as well as employee behaviour and attitude towards health and safety on site. A successful industrial theatre production was also introduced to promote safe work practices and general awareness based on near-hit trends.

Mining Services began an enterprise development initiative during the year with local Phalaborwa-based company, Vexovax. This was very well received by both the client and the community. Two graders were donated to Vexovax, and the group will rent back the graders for use on our project. The intention is to grow them into a larger B-BBEE entity to benefit both parties on the Foskor projects.

Roads & Earthworks embarked on a pilot project at Mafube Mine, a 50/50 joint operation between Anglo American Coal and Exxaro, incorporating a behavioural psychometric assessment for new staff. Site employees and contractors also completed an assessment to identify possible on-site risk factors. After the successful completion of the assessment, Mafube Mine was able to devise an action plan to manage and control the risk-tolerant profiles on site.

To preserve resources and energy and reduce costs, environmentally-efficient wash bays have been introduced on sites with large workshops. The wash bays have a mechanism to separate dirty water, oil and silt. The oil is recycled and the dirty water is filtered for reuse in the cleaning of plant and equipment. To reduce our dependence on non-renewable energy sources, solar panels were installed on certain BU-occupied buildings.

AWARDS AND ACCREDITATIONS

Roads & Earthworks accreditations:

› ISO 9001:2008 certified
› ISO 14001:2004 certified
› OHSAS 18001:2007 certified

Mining Services accreditations:

› ISO 9001:2008 certified
› ISO 14001:2004 certified
› OHSAS 18001:2007 certified

Swaziland accreditations:

› ISO 9001:2008 certified
› ISO 14001:2004 certified
› OHSAS 18001:2007 certified

Zambia accreditations:

› ISO 9001:2008 certified
› OHSAS 18001:2007 certified

Botswana accreditations:

› ISO 9001:2008 certified
› OHSAS 18001:2007 certified

Coastal accreditations:

› ISO 9001:2008 certified
› ISO 14001:2004 certified
› OHSAS 18001:2007 certified

Civils accreditations:

› ISO 9001:2008 certified
› ISO 14001:2004 certified
› OHSAS 18001:2007 certified

Geotechnical accreditations:

› ISO 9001:2008 certified
› ISO 14001:2004 certified
› OHSAS 18001:2007 certified

Training department accreditations:

› ISO 9001:2008 certified

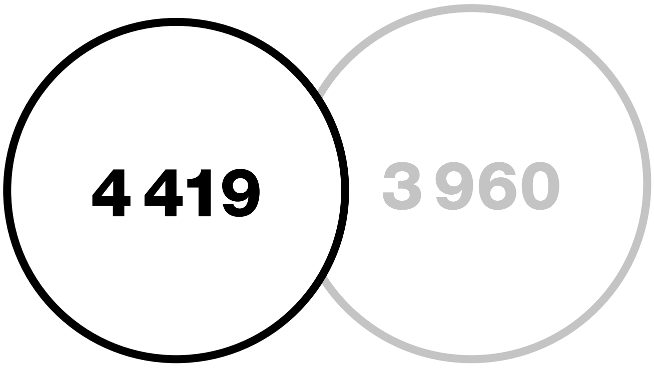
OPERATIONAL REVIEW — BUILDING

MANAGING DIRECTOR: HOWARD JONES

LEGEND	ORDER BOOK	OPERATING MARGIN	LTIFR
2018	R4 300m	1,0%	0,10
2017	R5 700m	—	0,11

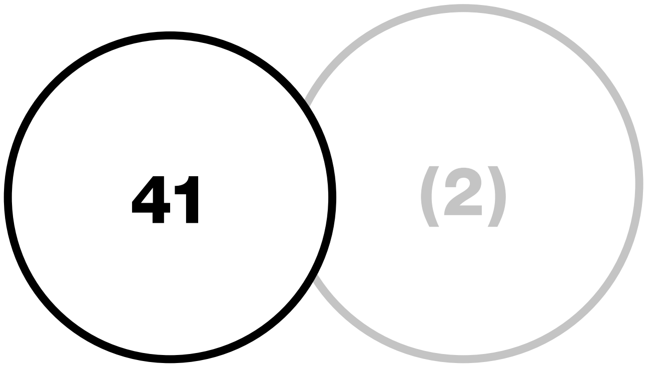
CONTRACT REVENUE (RM)

● 2018 ● 2017

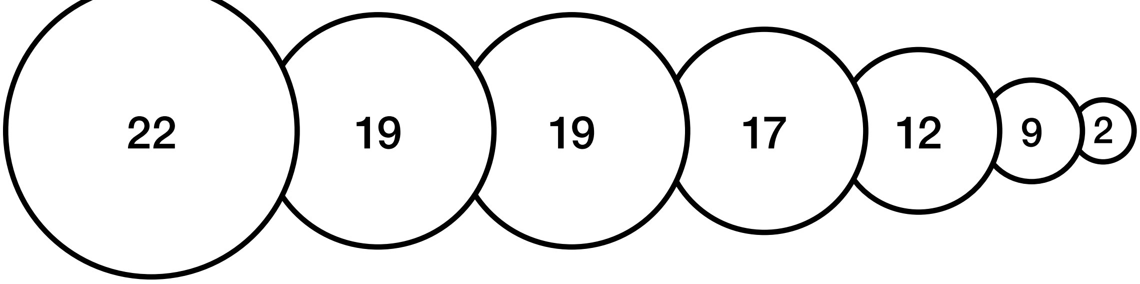


OPERATING PROFIT (RM)

● 2018 ● 2017

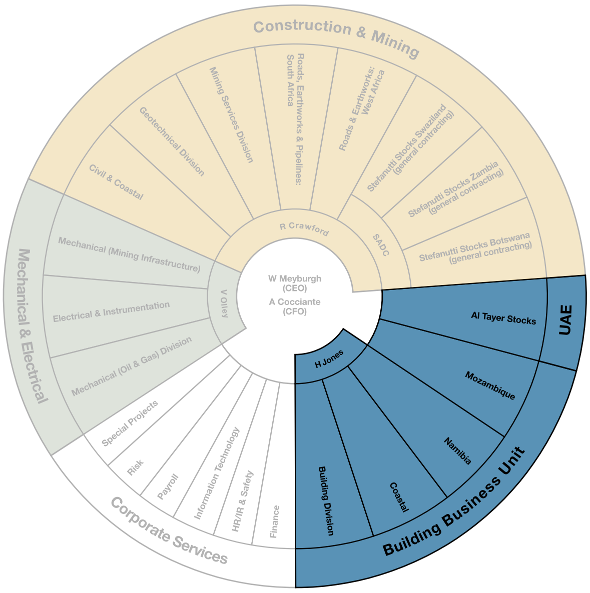


TURNOVER BY SECTOR (%)



22	Factories and warehouses
19	Residential
19	Energy generation
17	Shopping and retail
12	Tourism and leisure
9	Office and commercial
2	Education

BUSINESS UNIT DIVISIONS



STRATEGIC FOCUS

An increased emphasis on ensuring that all programme targets are achieved.

Early detection of problems to eliminate loss-making contracts.

Ensure that all contracts remain cash positive.

Continue to develop innovative solutions to maintain competitive advantage.

Negotiation of further work with existing clients.

Provide the necessary mentoring and training to ensure that Employment Equity goals are met.

CAPABILITIES

- › Commercial buildings (including high-rise)
- › Industrial warehouses and distribution centres
- › Shopping centres (new build and upgrade)
- › Hospitals and medical facilities
- › Hotels
- › Township and residential developments
- › Mass housing
- › Student accommodation
- › Education facilities
- › Project development facilitation
- › Comprehensive housing solutions
- › Interior fit out

PERFORMANCE AND OUTLOOK

The Building Business Unit's contract revenue increased to R4,4 billion (Feb 2017: R4,0 billion) with an improvement in operating profit to R41 million (Feb 2017: loss of R2 million) at an operating profit margin of 1,0%. The profit of the equity accounted United Arab Emirates operation is excluded from this operating profit.

In this challenging environment, the Inland and Housing Division produced results which were less than anticipated. Due to unexpected losses on two social housing projects, senior management changes were made to this non-performing operation. In addition, delayed payments from the developers, who are contracted to the Department of Human Settlements, has put significant pressure on the division's cash resources. The viability of this operation is being assessed.

With the ongoing decline of the local building market, combined with the negative outlook in the public and private building sector, R617 million of the goodwill relating to the Stocks Limited acquisition has been impaired.

In the year under review, fierce competition within the construction market was characterised by an increase in the number of contractors pursuing fewer opportunities. In addition, contract awards are being delayed and, in some cases, the start dates of awarded contracts are being extended.

As previously indicated, the challenging conditions within the general construction business environment continued during the year. The state of the world economy, combined with policy uncertainty in South Africa, has created a cautious attitude among private developers. This, coupled with the widely publicised state capture allegations against state owned enterprises, particularly Eskom, complicated our business dealings with these enterprises. As a consequence, this business unit is attending to significant contractual claims and compensation events on a large project.

Despite the above, our Coastal operations, the Mozambique Division and the equity accounted United Arab Emirates operation produced good results.

It is anticipated that the building market in South Africa, and the wider SADC region, will remain depressed in the short term. The widespread oversupply of office space and shopping centres in city centres reduces the potential for new developments.

However, recent political developments in South Africa and Zimbabwe have been favourably received both locally and abroad. This will likely lead to greater investor confidence among local and international developers and possibly translate to an increased investment in the sector over the medium term.

Over the past three years, the business unit has successfully delivered over 3 000 accommodation units. In the State of the Nation Address by Minister of Economic Development Ebrahim Patel in February 2018, it was mentioned that over 100 000 new houses; 100 to 150 new schools; an increase in the number of tertiary student accommodation beds by over 10 000; and 20 health facilities including a new hospital, will be constructed over the next three years. The experience and capability built up by our company over the years will position this business to capitalise on these opportunities, providing payment processes with the developers and Department of Human Settlements can be streamlined.

With a strong order book in the United Arab Emirates, particularly in the fit out market, we could see a continuation of positive returns stemming from this region. In addition, as cross-border opportunities offer better margins, an objective for the coming year is to further develop this business unit's operations outside South Africa.

Building's order book at February 2018 was R3,3 billion (Feb 2017: R4,7 billion) excluding the United Arab Emirates order book of R1,0 billion (Feb 2017: R1,0 billion).

NOTABLE PROJECTS

The **Houghton Hotel Project**, valued at R547 million, is the final portion of the residential development on the south side of the Houghton Golf Course. With a total floor area of almost 70 000m², the project boasts 19 luxury penthouses, varying in size between 120m² and 1 000m². Each penthouse features its own roof-top garden and swimming pool. There are also 92 apartments that vary in size between 45m² and 280m². The project is on schedule and due for final completion by the end of 2018.

The **Masingita Towers Development Project**, adjacent to the Morningside Clinic in Sandton, comprises a R318 million upmarket residential building, with 174 luxurious apartments and 19 penthouses. The building is divided into two distinct and separate towers, of which one is 13-storeys and the other 16-storeys high. The total floor area spans 50 000m², and the project is on schedule and due for completion in August 2018.

Our KwaZulu-Natal Division made good progress on all ongoing contracts during the year. **The Sumitomo Tyre Factory** in Ladysmith is a multidisciplinary building project involving the extension of the existing facility, with the addition of a new tyre manufacturing plant. The project is divided into four phases and includes the construction of 22 separate structures of various sizes. The project is scheduled for completion in August 2018.

Very good progress has been made on the **Logistics Building for Mercedes-Benz South Africa** (MBSA) in East London. The project comprises a 24 000m² warehouse, a new entrance gate structure to service the entire MBSA facility and a number of smaller structures. Due to our very good performance on the contract, we have been awarded two additional projects on the site.

Our Western Cape Division completed the construction of the refrigeration building that forms part of the **Shoprite Cilmor Cape Town Warehouse Project**. This R250 million facility was negotiated with **Shoprite** after our performance on the 100 000m² distribution centre on the same site.

SUSTAINABILITY MATTERS

SKILLS DEVELOPMENT AND TRAINING

As in previous years, the importance of training and developing our employees was once again a key area of focus. This approach aligns with our transformation goals, employment equity and succession planning strategies.

Total direct training spend on all employees amounted to R3,8 million, of which 85% was spent on developing employees from designated groups. Of our total direct training spend at management level, 76% was spent on employees from designated groups.

The focus of our training spend was on special skills training. The categories included supervisory and managerial development; leadership assessments; tertiary training towards further qualifications; specialised technical training; and commercial and corporate governance training.

Of our total training spend among all employees for the year under review, 48,2% was spent on special skills; 15,1% on safety, health and environmental training; 6,4% on computer training; and the remaining 30,3% on other training and educational programmes.

For our total training spend among management levels for the year, 75,6% was spent on special skills; 11,7% on safety health and environmental training; 8,0% on computer training; and the remainder on soft skills and other educational programmes.

Maintaining the future sustainability and capacity of our leadership pipeline is a key focus area. By developing our young talent, we can increase our participation in the construction industry, particularly among females.

TOP PROJECTS BASED ON VALUE EXCLUDING VAT

Project name	Duration	Project value	Location
KUSILE PACKAGE 16	118 months	R5,5 billion	Mpumalanga, RSA
PARK SQUARE (NEDBANK)	21 months	R560 million	KwaZulu-Natal, RSA
THE HOUGHTON HOTEL	24 months	R547 million	Gauteng, RSA
SHOPRITE — CILMOR CAPE TOWN WAREHOUSE	19 months	R498 million	Western Cape, RSA
PROJECT SOUTHERN CROSS (SUMITOMO)	17 months	R344 million	KwaZulu-Natal, RSA
BMW — NEW BODY SHOP ROSSLYN	17 months	R318 million	Gauteng, RSA
MASINGITA TOWERS SANDTON	21 months	R307 million	Gauteng, RSA
FLAMWOOD SOCIAL HOUSING	28 months	R318 million	North West, RSA
WESTGATE HOUSING PROJECT	36 months	R285 million	KwaZulu-Natal, RSA
WOOLWORTHS WAREHOUSE	10 months	R210 million	Cape Town, RSA
BAIA MALL	18 months	USD55 million	Mozambique
MATOLA MALL	14 months	USD25 million	Mozambique

Of the 19 full-time bursaries awarded, 100% benefited employees from designated groups, of whom 37% were female. Of our 18 part-time bursaries awarded, 83% benefited employees from designated groups, of whom 44% were female.

We also offered 12 experimental learning experience opportunities, with 83% benefiting employees from designated groups, of whom 25% were female. 22 learnerships were granted, with 100% benefiting employees from designated groups, of whom 23% were female.

93% of our 30 mentorships were offered to employees from designated groups, of which 30% were female.

INITIATIVES

We have introduced a mentorship scheme that closely aligns with the requirements of our B-BBEE scorecard. The overall aim of the mentorship scheme is to provide coaching to employees taking part in supervisory or leadership training programmes, to assist them in applying their newly-acquired skills in the workplace.

An objective of the scheme is to fast-track the integration of young talent into the business unit and, on a group level, improve the retention rate among high potential employees.

All mentees will be closely monitored and provided with interventions where necessary in order to identify candidates with further promotional potential and improve the retention rate.

In terms of our recordable health and safety rates, we can report an improvement in the Lost Time Injury Frequency Rate (LTIFR), reducing from 0,15 to 0,10 year-on-year, despite a significant increase in the number of man-hours worked.

Another positive achievement is the reduction in the number of medical injuries by 68%. In addition, our Recordable Case Rate (RCR) improved by 75%, and first aid cases decreased by 47% year-on-year.

AWARDS AND ACCREDITATIONS

The Building Business Unit achieved a number of health, safety and quality awards during the year under review. These awards include:

5-star rating Master Builder Association:

› Plumblink
› Masingita Towers
› Joshco Turfontein Development
› Houghton Hotel
› Pholelo Special Needs School

Regional Master Builder Association:

› First place: Park Square (sites with a value of between R300 million and R500 million)
› First place: SSBRJV (Kusile) (sites with a value under R500 million)
› Second place: Southern Cross (sites with a value of between R150 million and R300 million)
› Third place: Masingita Towers (sites with a value under R500 million)
› Best housekeeping: Park Square
› Highly commended: Pholelo Special Needs School

National Master Builders Association:

› First place: SSBRJV (Kusile) (sites with a value under R500 million)

Building Excellence:

› First place: Malda Pack Warehouse (sites with a value under R50 million)
› Highly commended: Bata Warehouse (sites with a value under R20 million)
› Highly commended: Southern Cross (sites with a value under R50 million)

Department of Human Settlements — KwaZulu Natal Province:

› Westgate Grange Development — Govan Mbeki Award (Best Social Housing Project KwaZulu-Natal Province)

Department of Human Settlements — Northwest Province:

› Flamwood Development — Govan Bheki Award (Best Social Housing Project Northwest Province)

The KwaZulu-Natal and Western Cape Divisions successfully transitioned to the new ISO 9001:2015, ISO 14001:2015 standards, while the Building Division in Gauteng is scheduled for its transition audit in July 2018.

All divisions maintained their OHSAS 18001:2007 certifications.

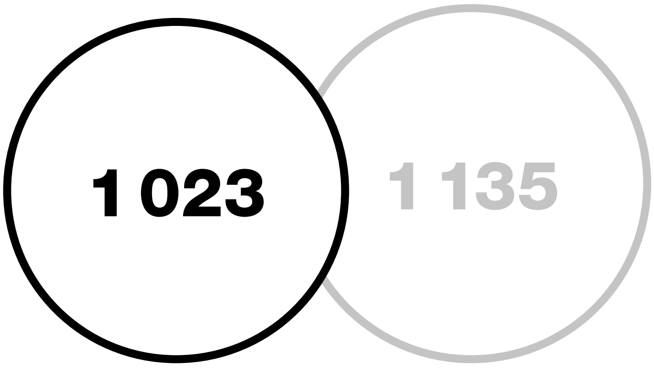
OPERATIONAL REVIEW — MECHANICAL & ELECTRICAL

MANAGING DIRECTOR: VINCE OLLEY

LEGEND	ORDER BOOK	OPERATING MARGIN	LTIFR
2018	R790m	1,3%	0,06
2017	R780m	3,6%	0,08

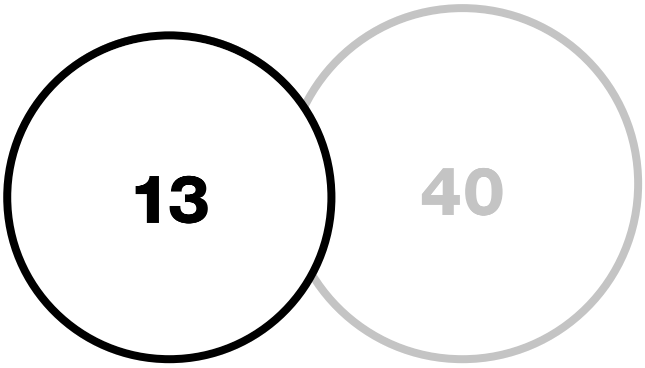
CONTRACT REVENUE (RM)

● 2018 ● 2017

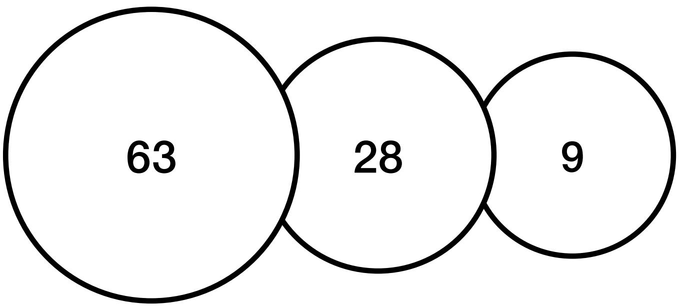


OPERATING PROFIT (RM)

● 2018 ● 2017

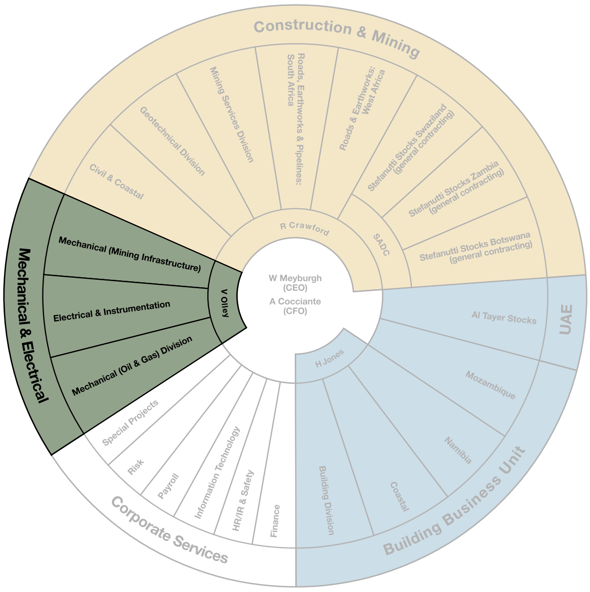


TURNOVER BY SECTOR (%)



63 Oil and gas
28 Surface mining related services
9 Energy generation

BUSINESS UNIT DIVISIONS



STRATEGIC FOCUS

An increased emphasis on ensuring that all programme targets are achieved.

Early detection of problems to eliminate loss-making contracts.

Ensure that all contracts remain cash positive.

Continue to develop innovative solutions to maintain competitive advantage.

Negotiation of further work with existing clients.

Provide the necessary mentoring and training to ensure that Employment Equity goals are met.

CAPABILITIES

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

PERFORMANCE AND OUTLOOK

Despite good returns from cross-border operations and recently awarded surface mining related contracts in the Mechanical Division, the Mechanical & Electrical Business Unit (M&E) did not perform in line with expectations. Turnover and operating profit reduced to R1,0 billion (Feb 2017: R1,1 billion) and R13 million (Feb 2017: R40 million) respectively.

Due to an improvement in commodity prices, surface mining infrastructure projects contributed to the Mechanical Division's positive turnaround from the prior year, when the division was negatively affected by a shortage of work.

The Electrical & Instrumentation Division, which operates in both the surface mining and the petrochemical sectors, did not perform to expectation. However, we expect an improvement in operating performance due to increased tendering activities in both the surface mining and petrochemical sectors.

M&E's empowerment partnership companies, Celik Engineering (Pty) Ltd and KLB Mkhize (Pty) Ltd, were also negatively affected by the same conditions in the operating environment and were unable to achieve their expected targets for the year. This resulted in a combined operating loss which impacted on these equity accounted investees.

Despite the competitive environment in the mining sector, an increase in tender activity will enable this business unit to remain focused on targeting surface mining related services both locally and cross-border.

M&E's Oil & Gas and Electrical & Instrumentation Divisions' performance was negatively impacted by the cancellation of a significant contract in the petrochemical market. This cancellation is being contractually challenged and at this stage the financial impact thereof cannot be quantified.

There are no significant new projects relating to the petrochemical market in which we operate. We expect this trend to continue in the short- to medium-term. However, the Oil & Gas Division continues to maintain its order book on the back of plant shut downs and general plant maintenance and upgrades. The planned tank farm development contracts progressed slower than expected during 2017. During the first quarter of 2018 there was an increase in tender activity in this sector.

There have been recent indications that the proposed Liquid Natural Gas project for Anadarko in northern Mozambique will be proceeding. This is an encouraging development that could offer long term opportunities for the Mechanical & Electrical business and the larger group. Overall this business unit's financial performance is expected to improve in the forthcoming year.

Mechanical & Electrical's order book at February 2018 was R790 million (Feb 2017: R780 million).

NOTABLE PROJECTS

In June 2017, the Mechanical Division was awarded the contract for Phase 2 of the **Kwale Mineral Sands Mine Construction** project in Kenya. We offered the client our early involvement in the constructability and planning of the project, seconding senior team members to work in the client's Australian offices. As a result, we were appointed as the lead contractor. This project was successfully completed in April 2018.

Being awarded this milestone project demonstrates our ability to successfully manage Civils Structural Mechanical Electrical Instrumentation Plating and Piping (CSMEIPP) projects in sub-Saharan Africa, which should bode well for securing and executing future projects.

In July 2017, we were awarded the **Ahafo Mill Expansion** project and the **Subika Fabrication** project in Ghana, in joint venture with a local partner, Wayoe Engineering and Construction, for the material feed from the adjacent Subika mine. The Ahafo Mill Expansion project includes the installation of 935 tonnes of structural steel, 800 tonnes of plate work, and 2 420 tonnes of mechanical items. The Subika Fabrication project includes the supply and installation of 380 tonnes of structural steel, 101 tonnes of plate work, 450 tonnes of mechanical items and 2 500m of piping. The contracts are scheduled for completion in October 2018.

To maintain our safety performance, we have rigorously implemented our safety, health, environmental and quality (SHEQ) programmes and standards on site. Our client, Newmont Mining, shares our stringent approach to safety, and we are working together to manage this important aspect of the project.

It is anticipated that this project will form the basis for establishing a permanent presence in Ghana for the Mechanical & Electrical business.

Kumba Resources Sishen Iron Ore Mine has over the past four years continued to provide repeat business for M&E as a result of consistent delivery of a quality service. This multidisciplinary project involves erecting an ultra-high density media separation (UHDMS) plant, and includes the use of CSMEIPP disciplines.

To meet the client's prerequisite of utilising local skills on the project we formed a consortium with local companies Ndungane Civils and Kameeldoring Electrical and Instrumentation.

The current project is progressing smoothly and is expected to be completed by September 2018.

SUSTAINABILITY MATTERS

SKILLS DEVELOPMENT AND TRAINING

We continue to identify high potential candidates from within our own workforce. Various performance and psychometric assessments have been conducted during the past year to identify potential candidates for development and promotion.

With the participation of supervisors, semi-skilled tradesmen have been identified to be fully trained as artisans. Of the existing 15 apprentices, one successfully completed his trade test in the year under review, with a further nine apprentices due to complete their trade tests during the course of the next year. Of the current apprentices, 11 are from designated groups, of whom three are female. Another intake will take place in June 2018.

An additional 10 candidates have been identified for mentoring, of which seven comprise candidates from designated groups.

Part-time bursaries have been offered to nine employees for qualifications ranging from human resources, safety, project management, as well as an executive MBA qualification.

In total, 11 candidates are professionally registered, with two completing their registrations as candidates.

INITIATIVES

Our drive to participate in multidisciplinary projects remains a key focus. We have, as a group, secured multidisciplinary work at the Venetia Diamond Mine and have bid on numerous other opportunities.

We continue to bid on tank farm projects with suitable partners and we expect that our investment into this market will result in an award early in 2018.

Celik Engineering (Pty) Ltd, an empowered mechanical engineering business, has settled into its fabrication facility and has delivered numerous structural steel contracts. In the year ahead, it will expand its fabrication capability to include the manufacture and installation of our proprietary High Rate Clarifier that we supply to the mining industry.

KLB Mkhize (Pty) Ltd, an empowered electrical and instrumentation business, is engaged in maintenance work at Sasolburg and Secunda for Sasol. The intention is to expand this offering into the energy generation market.

Higher commodity prices have increased demand for the upgrade of existing process plants both locally and cross-border. We intend to expand cross-border work particularly for clients with whom we have an existing relationship.

Commendations and awards from our clients affirm our safety, health and environmental performance. These recognitions result from leadership engagement, a committed management team, an established safety culture and a functional management system.

TOP PROJECTS BASED ON VALUE EXCLUDING VAT

Project name	Duration	Project value	Location
OXYGEN TRAIN 17 — OIL AND GAS	20 months	R575 million	Mpumalanga, RSA
KUSILE STEELWORK — ENERGY	28 months	R220 million	Mpumalanga, RSA
GHANA AHAFO/SUBIKA PROJECTS — MINING	14 months	R180 million	Ghana
E&I PLANT MAINTENANCE — OIL AND GAS	12 months	R110 million	Mpumalanga, RSA
KENYA KWALE PROJECT — MINING	9 months	R108 million	Kenya
SISHEN DMS — MINING	12 months	R60 million	Northern Cape, RSA
CTFE E&I — OIL AND GAS	12 months	R40 million	Mpumalanga, RSA

AWARDS AND ACCREDITATIONS

The Mechanical Division received awards for the following achievements:

- Safety Achievement Award issued to the Amandelbult UG2/Merensky project by Anglo American for achieving 80 000 Lost Time Injury (LTI) free hours
- The Sishen In-Pit Crusher project team received the Sishen Stay in Business Project's General Manager's Recognition of Achievement Certificate for completing the high-risk project LTI-free

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

- The Sasol Oxygen Train 17 ASU project achieved 2 000 000 LTI-free hours
- Unit 237 Shutdown Project was completed LTI free
- The division finished the year with a Lost Time Injury Frequency Rate (LTIFR) of 0,00
- The division's Recordable Case Rate (RCR) rate for all Sasol projects is 0,00

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

- 315 days worked LTI-free
- Secunda Sasol Synfuels Maintenance project achieved 2 092 202 LTI-free man-hours for 2017
- The division finished the year with a LTIFR of 0,00
- The division's RCR rate for all Sasol projects is 0,00

All Mechanical & Electrical Divisions retained OSHAS 18001 certification during the Dekra Certification GmbH surveillance audits.

The business unit revised its quality documentation in line with the ISO 2015 standard, successfully underwent a surveillance audit during 2017, and will be audited for compliance in 2018.

BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

KEVIN EBORALL (73)

Independent Non-executive Chairman

Qualifications: Nat Dip Prod Eng (Industrial Engineering)

Appointed: July 2007

Length of service: 11 years

Stefanutti Stocks Board Committee Memberships: Chairman, Nominations Committee Chairman

External Board Committee Memberships: Chairman of the Royal Academy of Dancing in South Africa

Skills and experience:
Graduated as industrial engineer. Senior management positions at Dorbyl, ICL and Fraser Alexander. Holds directorships in South Africa and Australia. Served on boards of various private and public companies.

DERMOT QUINN (66)

Non-executive

Qualifications: BScEcon, CA(SA)

Appointed: June 2015

Length of service: three years

Stefanutti Stocks Board Committee Memberships: REMCO member, ARCO invitee

External Board Committee Memberships: None

Skills and experience:
Qualified as chartered accountant (1984). Joined the Stefanutti Stocks group (1992 to 2004). Chief Financial Officer of Stefanutti Stocks (2005 to May 2015).

HOWARD CRAIG (58)

Independent Non-executive

Qualifications: BSc (Civil Engineering), GDE

Appointed: April 2015

Length of service: three years

Stefanutti Stocks Board Committee Memberships: ARCO member, S&E Chairman

External Board Committee Memberships: Chairman of Ekurhuleni Jewellery Beneficiation Project NPC, Chairman ARCO and Governance Committee of PPP Holdings (Mauritius)

Skills and experience:
Technical and Managing Director at Fraser Alexander Tailings (1990 to 2000). Held various senior positions at Sasol (2000 to 2009). Chief Executive of Rand Refinery (2009 to 2014). Serves on the boards of various private companies. Promotes various infrastructural projects across Africa.

ZANELE MATLALA (54)

Independent Non-executive

Qualifications: BCom, BCompt (Hons), CA(SA), Advanced Management Programme (Insead)

Appointed: February 2012

Length of service: six years

Stefanutti Stocks Board Committee Memberships: ARCO Chairman

External Board Committee Memberships: Executive director Merafe Resources Limited (CEO), RAC Limited, Dipula Income Fund, OMIGSA

Skills and experience:
CEO of Merafe Resources Limited (June 2012). CFO of Merafe Resources Limited (Oct 2010 to May 2012). Extensive financial services experience as CFO and Group Financial Director of Kagiso Trust Investments and Executive Manager: Private Sector Investments of the Development Bank of Southern Africa. Various positions at the Industrial Development Corporation, including heading the Wholesale Venture Capital Funds.

MAFIKA MKWANAZI (64)

Independent Non-executive

Qualifications: BSc (Maths), BSc (Electrical Engineering)

Appointed: April 2015

Length of service: three years

Stefanutti Stocks Board Committee Memberships: REMCO member

External Board Committee Memberships: Chairman of Hulamin Ltd and sits on the board of the Mediterranean Shipping Company South Africa.

Skills and experience:
Held senior positions at South African Breweries Limited, Bristol Myers Squibb (Pty) Ltd and BMW South Africa. Served on various boards including Nedbank Limited, Eskom, Transnet (Non-executive Chairman from 2010 to 2014, CEO from 2001 to 2003), Non-executive Chairman of Western Areas Limited, the Industrial Development Corporation and Letseng Diamonds. Formerly independent non-executive director of Stefanutti Stocks (2007 to 2013).

JOHN POLUTA (46)

Independent Non-executive

Qualifications: BCom, BAcc, CA(SA)
Appointed: July 2017

Length of service: 11 months

Stefanutti Stocks Board Committee Memberships: REMCO member

External Board Committee Memberships: Executive director Mowana Investments (Pty) Ltd

Skills and experience:
Executive director of Mowana Investments. Co-founder of Mowana Investments (2005). Investment analyst with two leading stock broking firms.

BHARTI HARIE (47)

Independent Non-executive

Qualifications: BA, LLM
Appointed: April 2018

Length of service: two months

Stefanutti Stocks Board Committee Memberships: ARCO member

External Board Committee Memberships: Director of the Mineworkers Investment Company Limited, Ascendis Health Limited, Bell Equipment Sales South Africa (Pty) Ltd and Lenmed Investments Limited.

Skills and experience:
Previously spent 14 years at the Industrial Development Corporation of South Africa where she headed the Corporate Funding and International Finance departments.

BUSISIWE SILWANYANA (45)

Independent Non-executive

Qualifications: BCom (Hons), CA(SA), MBA
Appointed: April 2018

Length of service: two months

Stefanutti Stocks Board Committee Memberships: ARCO member, S&E member

External Board Committee Memberships: None

Skills and experience:
Previously spent 14 years at Standard Bank, where she was an Executive in the Structured Finance division and held a number of senior positions including heading Mid-Corporate and Business Segment as well as Commercial & Business Banking Lending departments. Headed Philips Capital Africa for three years.

FROM LEFT:

— Zanele Matlala, Mafika Mkwanazi, Willie Meyburgh, Russell Crawford, Bharti Harie, Antonio Cocciante, Vince Olley, Howard Jones, Mike Sikhakhane, Kevin Eborall, Dermot Quinn, Busisiwe Silwanyana, Howard Craig, Mark Snow, John Poluta (absent)

WILLIE MEYBURGH (64)

Chief Executive Officer

Qualifications: National Diploma Civil Engineering, BCom

Appointed: April 1996

Length of service: 11 years

Stefanutti Stocks Board Committee Memberships: attends meeting of all other board committees by invitation.

Skills and experience:

Managing Director of Stefanutti & Bressan Civils (Pty) Ltd (1996 to 2006). Appointed CEO in 2007 when company listed on JSE. Held numerous executive management positions in leading construction companies in South Africa. Construction industry experience with several large and multidisciplinary projects covering the full spectrum of construction activities.

ANTONIO COCCIANTE (48)

Chief Financial Officer

Qualifications: BCom (Hons), CA(SA)

Appointed: June 2015

Length of service: two years

Stefanutti Stocks Board Committee Memberships: attends meeting of all other board committees by invitation.

Skills and experience:

Qualified as chartered account in 1995 with audit firm Deloitte. Specialised in audit and corporate finance divisions within Deloitte. CFO of EOH Holdings Limited (1999 to 2005). Group Financial Controller of the group (2006 to June 2015).

RUSSELL CRAWFORD (54)

Managing Director Construction & Mining

Qualifications: National Higher Diploma Civil Engineering

Appointed: May 2016

Skills and experience:

Over 30 years' experience in the Civil Engineering Construction industry. Joined the group in 1990 as a site agent. Appointed Managing Director of the Roads, Pipelines and Mining Services Business Unit of Stefanutti Stocks and joined the EXCO in May 2016. Appointed as Business Unit Managing Director for Construction & Mining in January 2018.

HOWARD JONES (68)

Managing Director Building

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

Appointed: June 2014

Skills and experience:

More than 40 years' experience in the construction industry in South Africa. Previously the CEO of Grinaker-LTA Construction and a member of the board of Aveng Ltd. Established a construction and project management consultancy in 2007. Appointed Managing Director of the Building Business Unit of Stefanutti Stocks and joined the EXCO in June 2014.

VINCE OLLEY (55)

Managing Director Mechanical & Electrical

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

Appointed: March 2012

Skills and experience:

27 years' experience in the construction industry in South Africa. Managing Director of Aveng Grinaker-LTA M&E before being appointed as Executive Director. Appointed Managing Director of Mechanical & Electrical in March 2012 and joined the EXCO during that year.

MIKE SIKHAKHANE (51)

Group Human Resources Executive

Qualifications: BSocSc (Hons), Programme for Management Development

Appointed: January 2014

Stefanutti Stocks Board Committee Memberships: S&E member and attends meeting of REMCO by invitation.

Skills and experience:

More than 28 years' human resources experience. 5,5 years with the PG Group as Group Human Resources Director. 11 years in various divisions of Nampak as Divisional/Cluster Human Resources Director. Appointed Group Human Resources Executive in January 2014 and joined the EXCO during that year.

MARK SNOW (58)

Group Risk Officer

Qualifications: BCom (Hons), CA(SA)

Appointed: November 2012

Stefanutti Stocks Board Committee Memberships: Attends meeting of ARCO and S&E committees by invitation.

Skills and experience:

Qualified as a chartered accountant in 1986 with Deloitte Haskins & Sells and was admitted as a partner in 1992. 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. Appointed Group Risk Officer in November 2012 and joined the EXCO during that year.

CORPORATE GOVERNANCE REPORT

The Stefanutti Stocks board of directors and executive management dutifully apply and are responsible for ensuring that the group adheres to the principles of good corporate governance.

While it is essential to delegate authority to its board committees, the board retains ultimate responsibility for the group's performance. The board understands that the use of delegated authority does not absolve it or its directors in any way of the duty to execute their obligations and responsibilities towards the group.

APPLICATION OF KING IV

The King IV Report on Corporate Governance for South Africa, 2016 (King IV) sets out four governance outcomes namely: ethical culture, good performance, effective control and legitimacy, all of which are endorsed and supported by the group. The discussion below explains how the group has adopted and applied these principles.

LEADERSHIP

Principle 1: ***The governing body should lead ethically and effectively.***

The board subscribes to good corporate governance principles to ensure that the group and its businesses operate within acceptable risk parameters, to create stakeholder value and to maintain sustainable growth. The board has a clear understanding that strategy, risk, performance and ultimate sustainability of the group are inseparable.

The formally adopted board charter details the board's responsibilities and terms of reference which are reviewed on an annual basis. The charter was developed to ensure that the directors maintain effective control over the strategic, financial and compliance matters of the group. The board, in turn, is accountable to shareholders. By exercising good judgment, strong leadership and acting with integrity, the group is better positioned to achieve profitability.

There is a Code of Business Ethics and Conduct which applies to all board members and employees. Annual performance evaluations of the board and committees are conducted and, as an extension to the formal evaluations, the chairman has individual discussions with each board member.

In order to ensure that board members make objective and informed decisions and discharge their responsibilities, all necessary information, including a detailed board pack, is provided to directors in advance of the various meetings. The company's memorandum of incorporation allows for decisions to be taken between board meetings by way of written resolution, where necessary.

The board agendas and meeting structures focus on strategy, performance monitoring, governance and related matters.

All board members participate in the group's strategy session, which is held annually. They help guide the development of the company's strategy by reviewing all key group policies which are approved either at a sub-committee or board level. Budgets are submitted to the board for approval, and performance against budget is monitored at each board meeting and the necessary remedial actions are taken.

CONFLICTS OF INTEREST

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 2018 to date. Information regarding directors' interests is set out in the annual financial statements.

ORGANISATIONAL ETHICS

Principle 2: ***The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.***

CODE OF ETHICS AND CONDUCT

The group's Code of Business Conduct and Ethics expresses the standards of integrity, ethics and professional behaviour to which the group must adhere. The management, implementation and execution of codes of conduct and ethics policies is delegated and managed via ARCO. The code describes how stakeholders must be treated and managed. The stakeholder groups include customers, business partners, suppliers, government and communities.

This code is continually reviewed to ensure that it meets operational requirements and forms a vital element of the group's employment policies and procedures, to which the entire group subscribes. All employees are required, in terms of the code, to act with openness, honesty and integrity in all dealings with stakeholders and to interact with each other by enforcing the basic human rights of fairness, dignity, privacy and respect to uphold and protect the good reputation of the company. A zero tolerance approach has been adopted by the group towards any unfair business practices in the conduct of its business.

Tip-offs Anonymous administers the group's whistleblowing facility, which guarantees the anonymity of the complainant. Unethical behaviour is also detected via internal and external audit. The Group Risk Officer and Group Internal Audit Manager review these reports and summarised reports are submitted to the ARCO for consideration.

No independent effectiveness assessment has been performed on the Tip-offs Anonymous service.

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

A summary of the Code of Business Conduct and Ethics is displayed on the group's intranet and the group's website.

SUPPLIER CONTRACTS

All subcontractors are alerted, during the initial phases of any project, to the group's Code of Business Conduct and Ethics and they are required to confirm that they will abide by the company's ethical and business standards conveyed in the code.

SHARE DEALINGS

Before trading in the company's securities, all directors require clearance from the CEO or, in his absence, from the Chairman. Clearance from the CEO or the designated director is required before the Chairman is able to trade in the company's securities.

Directors are obliged to advise their portfolio or investment managers not to trade in the company's securities, unless specific written instructions to do so have been received. Directors are prohibited from trading in shares during closed periods. Directors also cannot deal in the company's shares at any time when they have unpublished price-sensitive information relating to those securities, or where clearance to deal has not been confirmed.

CHIEF EXECUTIVE OFFICER

BOARD OF DIRECTORS

MEMBERS: KR Eborall, ZJ Matlala, HJ Craig, ME Mkwanazi, B Harie, BP Silwanyana, JM Poluta, DG Quinn, W Meyburgh (CEO), AV Cocciante (CFO)

ANNUAL MEETINGS: 4

EXECUTIVE COMMITTEE

MEMBERS:
W Meyburgh, A Cocciante, M Snow, M Sikhakhane, R Crawford, H Jones, V Olley

ANNUAL MEETINGS:
11

REGULAR INVITEES:
N/A

DUTIES:
Assists the CEO with:

- Recommending policies and strategies and monitoring the implementation thereof
- Managing all executive management business
- Being responsible for all strategic matters not expressly reserved for the board, including operational matters such as the coordination, management and monitoring of resources
- Reviewing risks affecting the achievement of the group's objectives

REMUNERATION AND NOMINATIONS COMMITTEES

REMCO

MEMBERS:
ME Mkwanazi (Chairman), KR Eborall, DG Quinn

ANNUAL MEETINGS:
3

REGULAR INVITEES:
CEO, CFO, Human Resources Executive

DUTIES:

- Developing and overseeing the group's remuneration philosophy and policy
- Establishing principles of remuneration
- Determining the remuneration of executive directors and executives
- Considering, reviewing and approving the group's policy on executive remuneration and communicates this to stakeholders in the integrated annual report

NOMCO

MEMBERS:
KR Eborall (Chairman), ME Mkwanazi, DG Quinn

ANNUAL MEETINGS:
Ad hoc

REGULAR INVITEES:
CEO, CFO, Human Resources Executive

DUTIES:

- Assessing the composition of the board and any deficiencies
- Identifying and recommending nominees to the board
- Reviewing directors' independence annually
- Establishing directors standing for re-election
- Reviewing and approving the role of the chairman
- Ensuring adequate succession plans are in place for the CEO and non-executive directors

AUDIT, GOVERNANCE AND RISK COMMITTEE

MEMBERS:
Z Matlala (Chairman), HJ Craig, ME Mkwanazi, JM Poluta, B Harie, BP Silwanyana

ANNUAL MEETINGS:
4

REGULAR INVITEES:
DG Quinn, Board Chairman, CEO, CFO, Group Risk Officer, internal auditors, external auditors

DUTIES:

- Performing statutory responsibilities in terms of the Companies Act
- Advising and submitting recommendations on the group's financial reporting, internal financial controls, external and internal audit functions, statutory and regulatory compliance
- Monitoring adequacy of financial controls and reporting
- Reviewing audit plans and ensuring adherence by external and internal auditors
- Reviewing the independence of the external auditors
- Assessing the reliability and quality of the audit
- Ensuring financial reporting complies with IFRS and the Companies Act
- Nominating auditors for appointment at the AGM
- Monitoring the company's appetite for risk and concomitant controls required
- Monitoring the governance of information and technology

SOCIAL AND ETHICS COMMITTEE

MEMBERS:
HJ Craig (Chairman), W Meyburgh, M Sikhakhane, BP Silwanyana

ANNUAL MEETINGS:
3

REGULAR INVITEES:
CFO, Group Risk Officer

DUTIES:

- Monitoring and ensuring the company's compliance with section 72(8) of the Companies Act, read in conjunction with regulation 43
- Monitoring the group's activities in terms of relevant legislation, other legal requirements or any industry or sector codes of best practice concerning: social and economic development, good corporate governance, labour and employment, consumer relationships, the environment as well as health and safety

BUSINESS UNIT MANAGEMENT COMMITTEES

OPERATIONAL COMMITTEES

RESPONSIBLE CORPORATE CITIZENSHIP

Principle 3: ***The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.***

The S&E Committee is established in terms of the requirements of section 72(4) of the Companies Act, read with Regulation 43 of the Companies Regulations, 2011. The primary function of the committee is to ensure that the group operates sustainably and that it actively pursues transformation.

Appropriate policies and programmes have been instituted by the committee 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. Despite the delegated authority in these matters, ultimate responsibility remains with the board.

More information on the Social and Ethics Committee can be found on page 50.

STRATEGY AND PERFORMANCE

Principle 4: ***The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.***

The board meeting agendas and meeting structures focus 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. Key policies and financial budgets supporting the strategy of the group are also approved and monitored against agreed performance measures and targets at each meeting.

An annual board strategy session is held where the board debates and approves the strategy prepared by management. The session covers focus areas such as the company's risks, opportunities, transformation, health and safety, training and sustainable development and other significant matters connected to the triple context in which the organisation operates.

The group's material issues are continuously assessed in terms of developing risks as well as legislative and regulatory requirements, and the group categorises these issues in accordance with the material effects they may have on strategic operations. Stakeholder engagement, through various formal and informal channels, also helps guide and define the group's material issues.

Detailed information on the company's risks, strategy, business model, performance and sustainability is presented in separate reports throughout this report.

REPORTING

Principle 5: ***The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.***

The board ensures the integrity of the integrated annual report as well as any other significant reports issued. During the process of approving the integrated annual report the board assesses and approves management's grounds for establishing materiality, which forms the base of deciding what material information is to be disclosed in such reports.

The ARCO is responsible for setting the direction and approach of the group's reporting, which includes the entire integrated annual report and annual financial statements, while the S&E Committee deals with and oversees the reporting of non-financial aspects. These committees also ensure that reporting requirements are met by way of the reporting framework which follows the six capitals model, and relevant legal and statutory requirements.

Assurance of reports is performed by the internal audit function in conjunction with the external auditors who focus mainly on the financial aspects. There is limited external assurance on non-financial aspects.

The integrated annual report contains a summary extract of the annual financial statements. The integrated annual report, as well as the comprehensive annual financial statements, sustainability report and investor presentations are available on the company's website.

In South Africa, the CEO, CFO and the EXCO members participate in a roadshow, at least twice a year, where the group's performance and strategy are presented to analysts, institutional investors and the media. 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.

PRIMARY ROLE AND RESPONSIBILITIES OF THE BOARD

Principle 6: ***The governing body should serve as the focal point and custodian of corporate governance in the organisation.***

BOARD CHARTER

The detailed board charter codifies the board's composition, appointment, tenure, rotation, authorities, responsibilities and processes. It defines the directors' fiduciary duties and roles. The charter is currently being amended to align with King IV.

In addition to the responsibilities set out in the Companies Act, and King IV, the board's duties 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.

The group's management is at the disposal of all non-executive directors who have unfettered access, after notifying either the CFO or CEO of whom they wish to contact and the subject matter of the engagement. They also have access to the external auditors when necessary. This protocol is included in the board charter.

The board is satisfied that it has discharged all material matters set out in the company's board charter during the year under review.

PROFESSIONAL ADVICE

All directors may seek independent professional and legal advice on any matters relating to the group, at the group's expense. The board charter sets out the protocol to be followed in this regard.

COMPOSITION

Principle 7: ***The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.***

At year-end, the board comprised seven directors (2017: 10 directors). Tina Eboka resigned as a director of the company with effect from 31 July 2017. Nomhle Canca and Bridgman Sithole and his alternate Joseph Fizelle, retired by rotation at the company's annual general meeting held on 1 September 2017 and did not offer themselves for re-election. John Poluta was appointed as an alternate director to Mr Mafika Mkwanazi with effect from 1 September 2017.

Seven directors are non-executive directors of which six are independent non-executive directors (excluding alternate directors). The board chairman is an independent non-executive and there are two executive directors, namely the CEO and CFO.

The board composition is reviewed annually by REMCO and the board, and in the event of a resignation or retirement. The board continually monitors its size to ensure it has enough capacity. During the review process, any shortfalls in skills and experience are identified and addressed.

The size and composition of the board has been determined to ensure that the quorum for the board as well as the composition of various sub-committees, such as ARCO and REMCO are achieved. The current board size enables the forming of a quorum at each meeting consisting of a majority of members in office, provided that at least one is an executive.

The company has a board diversity policy, which supports the principles and aims of gender and race diversity at board level. This policy has been incorporated as part of the company's board charter. The board takes account of gender and race in the composition of the board including any new board appointments.

Each board member offers a wide range of relevant knowledge, expertise, commercial and technical experience and business acumen that allows them to exercise independent judgement in board deliberations and decision-making. Refer to page 40 for a brief curriculum vitae for each board member.

BOARD CHAIRMAN

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. The board considers and, if appropriate, approves, his re-election as board Chairman on an annual basis. The board was satisfied with Mr Eborall's contributions and performance as Chairman and approved his chairmanship of the board for another year. The roles of the Chairman and CEO are separate with the Chairman being independent. The Chairman is appointed on an annual basis and is responsible for the effective leadership of the board by fulfilling the role and functions in terms of King IV. The board has ensured that a proper succession plan for the position of Chairman is in place. The Chairman sets the ethical tone for the board and the group and provides overall leadership to the board without limiting the principle of collective responsibility for board decisions, while at the same time being aware of the individual duties of board members.

The board Chairman is a member of the REMCO, the chairman of the NOMCO and attends all meetings of ARCO as a permanent invitee. Although he does not attend the S&E meetings, he receives the relevant committee information for every meeting for information purposes. The performance of the board Chairman is reviewed annually and the board was satisfied with performance of Mr Kevin Eborall as board Chairman.

INDEPENDENCE

The independence of the directors is assessed annually and was confirmed by REMCO based on the independence requirements of King IV, considering inter alia that the director has not been employed by the company or the group of which it currently forms part in any executive capacity, or appointed as the designated auditor or partner in the group's external audit firm, or senior legal adviser for the preceding three financial years or has any material personal wealth interest in the group.

At the beginning of each board or committee meeting, all members are required to declare any conflict of interest in respect of a matter on the agenda.

The board rigorously reviews its independent non-executive directors who have been on the board for more than nine years looking at their performance as directors and factors that may influence or impact their independence.

The board considered the position of a Lead Independent Director (LID) and was of the view that the board charter and specifically the role of the board Chairman, caters for all the expected functions of a LID. Accordingly the board has not appointed a LID.

ROTATION AND RETIREMENT

In terms of the company's Memorandum of Incorporation, 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.

Nomhle Canca and Bridgman Sithole as well as his alternate Joseph Fizelle, retired by rotation at the company's annual general meeting held on 1 September 2017 and did not offer themselves for re-election.

Non-executive directors are required to retire at 70, unless resolved otherwise by the board, on the recommendation of the NOMCO. Executive directors retire at 65.

Kevin Eborall, Dermot Quinn and Howard Craig retire by rotation at the annual general meeting and have offered themselves for re-election. Mafika Mkawanazi will be retiring at the annual general meeting and has not offered himself for re-election.

SUCCESSION PLANNING

It is the REMCO's responsibility to review the formal succession plans for the Chairman, CEO, CFO, board of directors and senior management annually. The board receives REMCO's findings and recommendations for further consideration and action. In addition, the committee also regularly reviews and gives guidance to the board on the group's succession plans.

NEW APPOINTMENTS

The NOMCO continuously assesses the need for new appointments to the board, and directors are appointed through a formal process. Candidates are carefully screened and the appropriate background checks and due diligence processes are performed on any proposed new director before being shortlisted for nomination. NOMCO recommends candidates and the board formally approve them.

MEETING ATTENDANCE

Board member	Board	ARCO	REMCO	S&E
Chairman	KR Eborall	ZJ Matlala	ME Mkwanazi	HJ Craig
Number of meetings	4	4	5*	3
KR Eborall	4/4	4/4^	5/5	1/1^
W Meyburgh (CEO)	4/4	3/4^	5/5^	3/3†
AV Cocciante (CFO)	4/4	4/4^	5/5^	3/3^
NJM Canca (Retired 1 September 2017)	3/3	3/3	n/a	2/2
HJ Craig	3/4^	3/4	n/a	3/3
T Eboka (Resigned 31 July 2017)	2/3	n/a	1/3	n/a
ZJ Matlala	4/4	4/4	n/a	n/a
ME Mkwanazi	4/4	1/1	5/5	n/a
JM Poluta (Appointed 1 September 2017)	1/1^	1/1	1/1^	n/a
DG Quinn	4/4	4/4^	5/5	n/a
LB Sithole (Retired 1 September 2017)	2/3	n/a	3/3	n/a
JWLM Fizelle* (alternate to LB Sithole)	n/a	3/3	n/a	n/a

n/a Not applicable. ^ By invitation. † Two as an invitee and one as a member. * Includes two special meetings.

When appointing a new board member, a panel formally interviews the candidate checking and confirming that the candidate has adequate time and capacity available to fulfil the duties required of a member of the board.

Directors appointed subsequent to the last annual general meeting are confirmed at the coming annual general meeting. JM Poluta was appointed as a member of the ARCO on 1 September 2017 and acts as alternate director to ME Mkwanazi.

In addition, the board appointed Bharti Harie and Busisiwe Silwanyana as independent non-executive directors on 13 April 2018. Their appointments are subject to shareholder confirmation at the annual general meeting. The biographies of these two directors are set out on page 40.

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.

CONTINUOUS DEVELOPMENT AND TRAINING

All newly appointed directors undergo a group-specific induction programme, which the REMCO has approved. This programme helps the director to fully appreciate and understand the complexities of the group's businesses. The company secretary coordinates this programme.

Ongoing training for directors continues to be addressed and enhanced. Development training programmes are provided to directors when necessary and is structured around their duties, responsibilities, powers and potential liabilities. Site visits and presentations on specific technical topics supplement board development.

At this stage there is no formal board mentorship programme within the group, as it is not deemed necessary, however, mentorship guidance is provided when necessary.

Principle 8: ***The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.***

The board is ultimately responsible for the performance and affairs of the group and it is conscious of the fact that any delegation of its duties is not an abdication of the board members' responsibilities.

Various committees have been created by the board to assist it with meeting its duties and responsibilities and to effectively complete its decision-making process. The committees furnish the board with accurate, relevant and timely information. All company-related information, records and documentation are made accessible to all committee members.

The following committees have been formally constituted by the board:

- ARCO
- REMCO
- NOMCO
- S&E

The Companies Act and King IV have guided the detailed terms of reference which have been approved by the board. The ARCO and S&E have separate terms of reference while the REMCO and NOMCO have combined terms of reference.

The formalised terms of reference express the purpose, membership, duties and reporting procedures for each board committee and the extent of their decision-making powers, delegated authorities and tenure. The committees have no fixed tenure and remain established for so long as the relevant legislation applies.

Each committee acts within the scope of its terms of reference, which have been adopted and approved by the board. The terms of reference are reviewed annually and amended if required. Committee performance and effectiveness is evaluated each year by the board.

The composition of the committees is reviewed annually or as circumstances require, but adhere to three members as a minimum as prescribed in King IV. The board has satisfied itself that the members are suitably skilled, independent and qualified to fulfil their duties in the various committees.

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 the 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. Minutes are taken of all meetings and auditors have access to the minutes. Shareholders have access to the AGM minutes. Issues are discussed openly and with candour.

Any delegation to an individual governing member is recorded in the board minutes comprising responsibilities and mandates.

There are cross-memberships, so meetings are properly coordinated with an annual programme that is distributed at the beginning of the year. Duplication among committees is minimised as far as possible.

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.

Executive management are permanent invitees to all board and committee meetings, and senior management are involved as 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.

Principle 9: ***The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.***

The last assessment was done in late 2016 by an external firm and another evaluation will be considered again at the end of 2018.

All issues raised in the 2016 evaluation have been addressed.

No performance evaluation on the board was performed for 2018 as the board did not deem it necessary. The next evaluation will be performed in 2019.

Principle 10: ***The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.***

CEO

The CEO has the authority delegated by the board to run the business of the group, and must oversee the management of operations and finances of the group. The formal delegation of authority is reviewed annually by the board. The adequacy of key management functions is dealt by way of CEO report back at board meetings. The CEO is not a member of REMCO, NOMCO or ARCO but attends as a permanent invitee. He is a member of the S&E.

The CEO, with the assistance of the Executive Committee (EXCO) establishes the company's strategy and vision, which is recommended to and ultimately approved by the board in conjunction with group's annual business plans and budgets that ensures the group's long-term sustainability.

The board also conducts a performance review of the CEO and his functions. The board reviewed the delegated authority and was satisfied that it provides sufficient flexibility to management to run the business while at the same time reserving certain matters for the board.

COMPANY SECRETARY

Mr William Somerville, aged 61 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 provides oversight of corporate governance processes at holding company level, regular company secretariat services, and attends all board and committee meetings as secretary. 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.

The company secretary assists the board and its committees, as required, in preparing annual plans, agendas, minutes, and terms of reference.

The company secretary guides the board and the individual directors on how they should fulfil their obligations and responsibilities towards the company, in the best interests of the group.

The company secretary reports to the board chairman on governance matters and to the CFO on general company secretarial matters.

The board has primary responsibility for the removal of the company secretary, of which the process is detailed in the board charter.

Principle 11: ***The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.***

Managing risk is an integral part of creating sustainable stakeholder value and protecting stakeholder interests. Being "risk aware" allows the group to capitalise on prospective opportunities flowing from selected risks.

The governance of risk, including establishing the risk appetite and tolerance levels as well as the approval of the risk strategy, policy and framework, remains the board's ultimate responsibility. Risk appetite has been set and accounted for in the group risk register. The group risk register was reviewed and updated and the risk model and risk management process is aligned to the group's strategic plan.

While ARCO assists the board with monitoring the group's risk management by way of delegation, the day to day operational risk management is performed within each of the business units.

There is no independent assurance of the risk management function.

For more information on risk management, refer to page 9.

Principle 12: ***The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.***

The group's Information Communication and Technology (ICT) management is aligned with the group's performance, risk management and sustainability objectives. The group has an information architecture that enables and supports the achievement of strategic and operational objectives. ICT governance is a standard board meeting agenda item.

The approval of the policy that articulates and gives effect as to how the board directs the employment of technology and information is executed by ARCO, which also helps the board in carrying out its oversight responsibilities.

The ICT Department's day-to-day activities are managed by the General Manager ICT Services and the Group Risk Officer, who heads the ICT Steering Committee and reports to EXCO. The ICT Steering Committee meets monthly 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. The ICT Steering Committee is updated monthly on potential risks and opportunities pertaining to technology and communications and is managed through a detailed ICT sub-risk register which supports the group's risk register. Risks for sourcing technology are addressed when engaging with third parties. A comprehensive disaster recovery plan is also in place. Strategies are developed to take advantage of the opportunities or mitigate the risks. The areas identified are noted on the group's ICT projects register and monitored monthly. These strategies, policies and procedures are continuously enhanced to address these risks.

An annual ICT audit is conducted by an external service provider addressing different areas with each audit. ICT management and ICT risk assessment is guided by the results of this annual audit. Problem areas identified in prior years are followed up, addressed and re-assessed.

Service level agreements are in place with service providers and they are monitored against these agreements. Security of information is continuously monitored.

Complete integration of all ICT technologies is still not fully in place, but the group is working towards standardising processes and procedures within the businesses, which involves the implementation of a standard general ledger chart of accounts, consolidation reporting tool and continued simplification and standardisation of processes.

External services providers relate mainly to cloud services. The group only utilises the services of well-established service providers of good standing with excellent track records.

When assessing ICT requirements, a balance needs to be struck between keeping current systems and replacing old systems with new, cloud-based equivalents. The resultant shift is from a capital cost model to a service-based operational expense model. This benefit has allowed the ICT function to decrease the capital requirement for equipment, while benefiting from new technologies for back up, disaster recovery and storage.

Redundant hardware, where still usable, does not go to waste — it is donated to numerous organisations on a needs basis. That which amounts to hardware scrap is disposed of responsibly across the group by way of a green recycling process.

Ethical and responsible use of technology and information is addressed by the group's social media and ethics policy, which addresses the Protection of Personal Information Act, where applicable.

The group's information architecture ensures availability of information while protecting the confidentiality and integrity thereof. The leveraging of information to sustain and enhance the group's intellectual capital is an ongoing process.

Principle 13: ***The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.***

The ARCO monitors the group's compliance with legislative and regulatory requirements which includes the Companies Act, the JSE Listings Requirements, the King IV recommendations and other applicable legislation. Compliance remains a standing agenda item for all committee meetings. Crucial laws and their relative possible effects on the company have been tabled at the ARCO.

Included within the Code of Business Conduct and Ethics is a compliance policy, which is communicated to all new employees during company inductions. Access to the policy is readily available on the group-wide intranet.

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.

Principle 14: ***The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.***

The three-part remuneration report detailing the remuneration policy and implementation thereof is set out on page 55 of the integrated annual report.

Principle 15: ***The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.***

INTERNAL CONTROL

The board is responsible for the group's internal control systems and is assisted by the ARCO. While it is accepted that the risk management and implemented internal control standards and systems cannot provide complete assurance and protection against material loss, they do significantly reduce the risk of error or loss and provide satisfactory assurance that concerns are speedily determined and dealt with.

All group employees are made aware of the importance of risk management and internal control systems. This communication imparts a clear and unequivocal understanding of their roles and obligations.

The systems of internal control provide reasonable comfort and assurance of the integrity and reliability of the annual financial statements, they safeguard and maintain accountability of the group's assets and detect and minimise significant fraud, potential liability, loss, material misstatement and other irregularities while complying with applicable laws, regulations and reporting standards.

To ensure that all risks identified are subjected to the required level of management control and the necessary internal and external assurance, a combined assurance model has been adopted. The ARCO scrutinises the internal and external audit plan to ensure that all recognised risk areas are detailed in the audit plan and duplications are eliminated.

Executive management is given regular assurance by line management that the internal control systems, in entities for which they are responsible, are working satisfactorily and performing efficiently.

COMBINED ASSURANCE MODEL

1ST LINE OF DEFENCE	2ND LINE OF DEFENCE	3RD LINE OF DEFENCE
› Board › EXCO › Executive management	› Line management › Quality and safety reviews	› External accreditation › Internal audit › External audit

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.

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.

Noncompliance 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.

The Internal Audit function reports directly to the ARCO, thus ensuring its independence. A key focus area of the Internal Audit function relates to the assessment and testing of internal controls within the group. No significant break downs in the effectiveness of the group's control framework was reported during the 2018 financial period.

Please refer to the ARCO report on page 52 of this integrated annual report.

INTERNAL AUDIT

The ARCO reviewed and approved the internal audit plan. This plan ensures that all recognised areas of risk are covered in the audit plan and duplications are eliminated.

The Internal Audit Charter remained unchanged for the year under review and there were no material amendments to the Internal Audit function's role, duties and reporting line to the Group Internal Audit Manager.

Please refer to the ARCO report on page 52 of this integrated annual report.

ASSURANCE

The group's consolidated and separate financial statements are externally assured. This integrated annual report as well as any non-financial information 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 group has implemented a combined assurance model as depicted in the diagram above.

FIRST LINE OF DEFENCE

The group's first line of defence relates to overall management oversight including strategic implementation, performance measurement, risk management, and other control and governance processes. This is predominantly performed by the board, EXCO and the various business unit managers.

SECOND LINE OF DEFENCE

The second line of defence is provided by divisional management and comprises detailed risk assessments and management at a divisional and site level and comprises a formal, robust and effective operational management framework within which the company's policies and minimum standards are set. Legal compliance, health, safety and quality assurance are included in this line of defence.

THIRD LINE OF DEFENCE

The third line of defence is provided by independent and objective assurance of the overall adequacy and effectiveness of the risk, governance and internal controls within the company as established by the first and second lines of defence. This is predominantly the role of the audit committee, supported by internal audit, external audit, as well as certain specialised areas of assurance such as ISO auditors for quality as well as health and safety audits.

INTEGRITY STATEMENT

The board responsibility statement can be found on page 1.

Principle 16: ***In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.***

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.

Please refer to page 6 of this report for further information pertaining to stakeholder engagement.

SOCIAL AND ETHICS COMMITTEE REPORT

INTRODUCTION

The S&E Committee is established in terms of the requirements of section 72(4) of the Companies Act, read with Regulation 43 of the Companies Regulations, 2011. The primary function of the committee is to ensure that the group operates sustainably, and in particular, that it actively pursues transformation.

TERMS OF REFERENCE

The board-approved terms of reference are guided by the Companies Act and King IV principles. The annual review process resulted in minor amendments being made to these terms of reference. The committee confirms that it has executed its duties during the past financial year in accordance with its terms of reference.

COMPOSITION

The committee is chaired by Independent Non-executive Director, Howard Craig and further comprises the CEO, Willie Meyburgh and the Human Resources Executive, Mike Sikhakhane. The CFO and Group Risk Officer attend meetings as permanent invitees.

The committee composition complies with the Companies Act; however, it does not comply with the King IV recommendation of having a majority membership of independent non-executive directors as the company believes that the current composition is appropriate. The committee composition is considered on an annual basis. Abridged biographies of the members are published on page 40. Mr Craig is also a member of the ARCO, which improves communication and ensures cooperation between these committees.

MEETINGS

The committee met three times during the year under review. Attendance at these meetings is set out in the corporate governance report on page 46.

STATUTORY AND OTHER DUTIES

To ensure the execution of its duties and fulfilment of its responsibilities, the committee:

- Considers, approves and reviews 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 workplace 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.

Appropriate policies and programmes are in place to advance socio-economic development, ensure the ethical behaviour of employees towards fellow colleagues and other stakeholders, promote fair labour practices, take environmental responsibility and reinforce good customer relations.

The committee supports the ARCO by expediting reviews of all non-financial information disclosed in the integrated annual report and it provides additional assistance on all matters relating to ethics, which are reported on through the internal audit process.

The committee confirms that the group gives its social, ethics, transformation and sustainability responsibilities the necessary attention.

As some of the committee's responsibilities and deliberations overlap with other committees, detailed policy and performance information appears in other sections of the integrated and supplementary reports.

This integrated annual report includes some sustainability highlights. The execution of the S&E Committee responsibilities are discussed in greater detail in the group's sustainability report, which can be found on the group's website.

On behalf of the S&E Committee

Howard Craig
Chairman

20 June 2018

FOCUS AREAS

2018	2019
› Conducted meetings in terms of the committee's annual work plan › Reviewed and approved changes to various group policies, in particular CSI, EE, Code of Business Ethics and Conduct, Social Media and Conduct › Established transformation workshop attended by executive management and board directors › Monitored progress of group B-BBEE scorecard › Monitored labour relations and ongoing community relations adjacent to working sites › Engaged with business unit managing directors to monitor progress of transformation, safety and environmental strategies in individual business units	› Approval of annual work plan for the committee › Review and monitor progress of group B-BBEE scorecard against Revised Construction Sector Charter › Resetting of employment equity targets, based on restructuring of business units and growth prospects › Monitor non-EE appointments at senior level › Monitor community relations around project sites › Review environmental monitoring trends and setting of appropriate targets › Monitor adequate stakeholder engagement in terms of the stakeholder framework and policy › Continued focus on enterprise development › Engage with group safety forum on safety trends and improvement of strategies

SUSTAINABILITY HIGHLIGHTS

INVOLVED WITH OUR PEOPLE

The group's total staff complement for the year under review was 10 485 employees, excluding temporary employment service employees. 7 022 employees were locally based, while 3 463 were based outside of South Africa. A further 760 temporary employment service employees were engaged locally, while 465 were engaged outside of South Africa.

DEVELOPING OUR PEOPLE

The group invested R27,3 million (2017: R18,6 million) into skills development and training, despite challenging economic conditions. This value excludes employees' salaries while receiving training.

During the year under review, the group's two SETA-accredited training centres were consolidated into one new training centre, namely Stefanutti Stocks Academy. The academy's various in-house training programmes are accredited by three SETAs, namely: the Mining Qualifications Authority (MQA); the Construction Education and Training Authority (CETA); and the Manufacturing, Engineering and Related Services Sector Education and Training Authority (MERSETA).

The academy incorporates construction skills training, operator training, safety training, and assumes responsibility for numerous staff development programmes.

TRANSFORMED AND DIVERSE ORGANISATION

The group remains committed to the principles and implementation of Broad-Based Black Economic Empowerment (B-BBEE), while also supporting the B-BBEE Act and the Codes of Good Practice for B-BBEE in South Africa as an effective means to address the economic and social inequalities that exist in the country.

The Revised Construction Sector Codes were promulgated with immediate effect on 1 December 2017. The group's current scorecard, dated October 2017, will be its final scorecard based on the former Generic Codes of Good Practice. While Stefanutti Stocks is currently a Level 4 Contributor, it is anticipated that this status will improve to a Level 2 with the next assessment.

ZERO HARM

HEALTH AND SAFETY

The group achieved a number of its health and safety objectives following a major focus on the group's health and safety vision, mission and philosophy. The ultimate aim to achieve "Zero Harm" spurred a number of new initiatives, which had a positive impact on employees and operations.

The group's lost time injury frequency rate (LTIFR) at February 2018 was 0,11 (Feb 2017: 0,10) and the recordable case rate (RCR) was 0,54 (Feb 2017: 0,70).

The benchmark for the LTIFR is set at 0,1 and the RCR at 0,70.

ENVIRONMENT

The group's environmental framework is based on six pillars, namely: carbon emissions, energy, materials, waste, water and credible information. These are measured and reported on a monthly basis at project and management meetings. All initiatives that are developed aim to avoid, reduce, recycle and reuse, wherever possible or practical. During the year under review, the baseline carbon footprint information was revised.

All of the group's operations have an environmental management system in place, based on ISO 14001 as a pledge to continual improvement in performance.

AUDIT, GOVERNANCE AND RISK COMMITTEE REPORT

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

THE ARCO

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

TERMS OF REFERENCE

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

EXECUTION OF DUTIES

During the year the committee:

- Monitored compliance with the code of conduct and the ethical conduct of the company in liaison with the S&E Committee;
- Evaluated the independence and effectiveness of the external auditors as well as their performance and recommended their reappointment;
- Reviewed the draft audited financial statements and integrated report, the preliminary announcement and interim statements;
- Reviewed, together with the external auditors, the conformity of the audited financial statements and related schedules with IFRS and the company's accounting policies;
- Reviewed the external audit plan and fees payable to the external auditors;
- Reviewed the external audit findings and reports;
- Approved any non-audit services performed by the external auditors and the policy in this regard;
- Reviewed internal audit policies, plans, reports and findings;
- Monitored compliance with applicable laws and regulations;
- Oversaw the process of sustainability reporting and considered the findings and recommendations of the S&E Committee;
- Assessed key risk areas facing the group and recommended risk mitigation measures;
- Advised and updated the board on issues ranging from accounting standards to published financial information;
- Evaluated the finance function and expertise and experience of the CFO;
- Reviewed the King IV gap analysis and the application of the 16 principles; and
- Considered the JSE Proactive Monitoring Reports and the impact thereof on the annual financial statements.

COMPOSITION

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

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

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

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

MEETINGS

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

INTERNAL FINANCIAL CONTROLS

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

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

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

REGULATORY COMPLIANCE

Legislative and regulatory compliance remains a standing agenda item for each committee meeting. The corporate governance report contains a more detailed discussion on regulatory compliance commencing on page 42 of this integrated annual report.

OVERSIGHT OF RISK MANAGEMENT

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

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

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

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

INDEPENDENCE OF THE EXTERNAL AUDITORS

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

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

INTERNAL AUDIT

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

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

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

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

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

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

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

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

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

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

COMMITTEE FOCUS AREAS

The focus areas for the year under review:

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

The future focus areas for the coming year:

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

CFO

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

ANNUAL FINANCIAL STATEMENTS AND INTEGRATED ANNUAL REPORT

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

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

On behalf of the ARCO

Zanele Matlala
Chairperson

20 June 2018

REMUNERATION REPORT

INTRODUCTION

This remuneration report sets out the information applicable to the group's remuneration strategy and remuneration policy for the executive directors, members of the executive committee (EXCO) and non-executive directors. However, where relevant, it also deals with general remuneration matters. 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 2018 (FYE 2018).

The matters raised by shareholders at the 2017 Annual General Meeting (AGM) have been taken into account in the remuneration policy.

This report consists of four sections:

› **Section A:** a background statement to provide context to the remuneration policy;
› **Section B:** an overview of the main provisions of the remuneration policy;
› **Section C:** the implementation of the remuneration policy; and
› **Section D:** other.

SECTION A: BACKGROUND STATEMENT

The structure of this report has been changed to align with the recommended principles and practices of King IV.

The overall principle of the Stefanutti Stocks remuneration policy is:

› To ensure the behaviour of the group's employees are aligned to the overall group strategy in the short, medium and long term, within the group's risk framework;
› To align the strategic interests of the company and its senior executives, with those of its shareholders; and
› To reflect remuneration which is fair, responsible and transparent.

The purpose of the policy is to continually attract, retain, motivate and reward employees at all levels.

Stefanutti Stocks 2017 AGM was held on 1 September 2017, and ordinary resolution No. 8, to approve the company's remuneration policy, was passed with a 77,11% majority:

Votes for:	111 883 777	77,11%
Votes against:	33 216 537	22,89%
Total shares voted:	145 100 314	100,00%
Votes abstained:	13 529	

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

1. 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. The committee believes the remuneration policy has achieved the stated objectives of optimising strategic performance within the overall macro and micro environment facing the company and its management.

a. Composition

At year-end the committee consisted of:

› **ME Mkwanazi (Chairman)** — Independent non-executive director
› **KR Eborall** — Independent non-executive director
› **DG Quinn** — Non-executive director

The majority of the committee's members are independent non-executive directors. 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 committee has access to independent advisors to ensure that it receives expert advice on remuneration matters, both in general and on industry-specific matters. 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.

b. 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 for the business, and aligned with the principles of both King IV and the Companies Act.

The REMCO's role and responsibilities include:

› The chairman of the committee reports to the board on the committee's recommendations and decisions;
› Ensuring that an adequate succession plan is in place for all senior management positions;
› Recommending to the board the annual Total Fixed Package (TFP), short- and long-term incentives, and other benefits to be paid to the executive directors;
› Reviewing and approving the annual TFP, short- and long-term incentives paid to the EXCO members;
› Reviewing and approving short- and long-term incentive pay structures for other qualifying staff;
› Reviewing and approving the overall annual TFP increases for company and operational directors and monthly paid employees;
› Reviewing and approving the executive directors' service contracts;
› Reviewing and recommending the Board Gender Diversity policy to the board;
› Ensuring the policy of equal pay for equal work is applied into the workplace;
› Ensuring the remuneration of the executive directors and executive management is both fair and responsible, relative to overall employee remuneration in the group; and
› Approval of the independent external advisors to the committee.

c. Nominations committee

The company has a combined Remuneration and Nominations Committee (NOMCO). The REMCO is chaired by an independent non-executive director (Mafika Mkwanazi) and the NOMCO is chaired by the board chairman (Kevin Eborall).

The NOMCO's role and responsibilities include:

› Reviewing and approving the induction and training policy and processes for new board members;
› Ensuring the committee comprises at least two independent non-executive directors, and all committee members have the appropriate skills and experience;

- › Assessing the composition and competencies of the board and identifying any deficiencies in this regard;
- › Identifying and recommending nominees to the board. Prior to nomination, appropriate background checks and due diligence processes are performed on all proposed new directors;
- › Reviewing directors' independence annually, establishing those directors eligible for re-election at the AGM and assessing the performance and attendance of these directors in order to make a recommendation to shareholders on their re-election;
- › 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 — the chairman is above the age threshold of 70 years;
- › Considering the necessity to appoint a Lead Independent Director; 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 and benchmark the company's remuneration practices against relevant industry peers, external market conditions, availability of internal and external resources, risk factors and achievement of strategy.

The retirement age for non-executive directors is 70 years, unless otherwise approved by the board.

d. Meetings

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

- › The review and recommendation of the company's remuneration policy, and submission thereof to shareholders for a non-binding advisory vote at the 2017 AGM;
- › The revision of the executive directors' incentive scheme (EDIS) as follows:
  - a. Long-term Incentives (LTI)
    - i. HEPS growth (25% weighting) — replacing the percentage growth in HEPS targets of CPI plus an absolute percentage, with CPI plus a percentage of CPI.
    - ii. Total shareholder return (25% weighting) — amending the threshold target of 50% TFP being paid upon peer placement 5 to 7, with peer placement 5 to 6.
  - b. Short-term Incentives (STI)
    - i. The previous maximum STI payment of 3 times TFP reverting back to 2,5 times TFP and recommendation of the revised scheme for approval by the board;
- › The review and recommendation to the board of the short-term incentive payments made to executive directors in terms of both financial performance and personal objectives;
- › The review of the succession policies and plans for the executive directors and the EXCO;
- › No LTI awards were earned by the executive directors relating to FYE 2018;
- › Noted that the LTI measure for Total Shareholder Return of the company for FYE 2018 achieved a ranking of 6 out of 7 (FYE 2017: 3 out of 7) within the specified peer group.
- › The approval of the STI payments for company, operational and other directors, made under the directors short-term incentive scheme (DPSIS);
- › No LTI payments were made to company, operational and other directors under the Forfeitable Share Plan (FSP);
- › The approval of the following annual TFP increases, effective 1 March 2018:
  - » General salaried staff — between 7% and 8%
  - » Company and operational directors — between 5% and 6%
  - » EXCO (including CEO and CFO) — 5,0%
- › The review and recommendation to the board of the non-executive directors fees for submission to shareholders at the next AGM;
- › Noting that the group's internal Board Gender Diversity policy of 30% female board members, as at the date of this report had been met;
- › Due to resizing of the board from ten to nine directors, Mr ME Mkwanazi was appointed as chairman of REMCO, in place of Mr LB Sithole, and Mr HJ Craig appointed as chairman of the Social and Ethics committee in place of Ms NJM Canca;
- › The recommendation to the board to approve certain projects to be undertaken by Mr DG Quinn, at an approved hourly rate. The projects and applicable hourly rate are reviewed and pre-approved on an annual basis;
- › Noting the resignation of Ms T Eboka from the board with effect from 31 July 2017;
- › Noting that Mr LB Sithole, Mr JWLM Fizelle (alternate to Mr LB Sithole) and Ms NJM Canca, independent non-executive directors had undertaken to retire at the September 2017 AGM, and not offer themselves 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;
- › The review and approval of the role and function of the Board Chairman;
- › The review and approval of the succession plan for the Board Chairman; and
- › The recommendation that Mr KR Eborall remain as chairman for a further year, noting his age of 73 years.

Attendance at these meetings is shown in the table set out on page 46.

2. AREAS OF FOCUS FOR FYE 2019

The key areas of focus for the committee for the ensuing year will be:

- › The succession plans for the executive directors;
- › The remuneration, including short- and long-term incentives payable to the executive directors;
- › The approval of the annual work plan for the committee;
- › The consideration of the fees to be paid to non-executive directors;
- › The succession plans for the board members;
- › The finalisation of the Board Race Diversity policy for submission to the board;
- › The approval of the independent external advisors to the committee; and
- › The continued interaction with major shareholders regarding the company's remuneration principles and policy.

SECTION B: REMUNERATION POLICY OVERVIEW

1. STRATEGY AND PHILOSOPHY

The company's philosophy is to employ dynamic and competent individuals who subscribe to the group's culture and values. Compensation packages are designed to reward superior performance with superior rewards, whilst poor performance earns no additional rewards.

Stefanutti Stocks strives to provide a safe working environment, and one which encourages the development and personal growth of employees within the framework of company objectives.

The key components of the remuneration policy for the executive directors and members of EXCO are as follows:

- Paying a market competitive TFP which includes a base salary, medical insurance, retirement fund contributions and certain other market related benefits;
- Paying a Total Remuneration (TR) which is targeted to be within the upper quartile of relevant industry benchmarks. However, in light of prevailing market conditions, the company is currently paying at the median of this benchmark;
- Paying an appropriate mix between TFP and short- and long-term incentives;
- Paying an annual cash STI designed to achieve strategic performance goals in the short term;
- STIs incorporate established, threshold and stretch targets, under financial performance criteria, and also reward individuals for their personal contributions under key performance areas (KPAs);
- 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;
- External advisors are utilised to assist in benchmarking processes;
- 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 group adopts a prudent risk and reward philosophy, applied within the scope of the group's risk profile.

2. COMPONENTS OF REMUNERATION OF EXECUTIVE DIRECTORS AND EXCO

a. Guaranteed remuneration

When structuring guaranteed packages, the group applies a TFP approach.

Basic salary reflects the market value of the individual's skills, experience and performance, and is paid monthly in cash.

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 health risk cover benefits for its 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 health risk cover benefits. Membership of an approved funeral policy plan is also compulsory for limited duration contract (LDC) employees.

b. Variable remuneration

EXECUTIVE DIRECTORS INCENTIVE SCHEME (EDIS)

Executive directors' variable remuneration falls under the EDIS.

i. Short-term Incentive Plan (STI)

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

The intention is to motivate executives to drive performance and strive to exceed short-term goals.

Minimum threshold targets are required to be met before respective bonus awards are earned.

All targets are reviewed and set at the beginning of each financial year, with awards due under the scheme being reviewed and approved at financial year end, by the committee.

The financial and personal performance awards earned under the STI plan are cash-based annual awards.

The STI has been amended in that, the maximum STI payable to executive directors with effect from FYE 2018 reduces to 250% of TFP (FYE 2017: 300% of TFP), with a minimum of nil.

The two financial performance measures are:

1. Operating Profit (OP), and
2. Return on Equity (ROE)

The weighting applicable to the personal performance measures is as follows:

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

Financial Performance Measures

Financial performance measures account for 70% of possible STI 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. The expected OP is internally reviewed and set on an annual basis, and is based on relevant industry and peer comparatives;

- This OP is based upon normalised operating profit excluding all extraordinary and non-trading items, and was set at 3,0% for FYE 2018 (FYE 2017: 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.
  - If the OP achieved is at or above a maximum stretch target of 5,0%, a maximum of 200% (multiplied by 70%) of the TFP is made.
- 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 applied.
  - 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 diluting factor of 50% is applied to the amount calculated under the OP metric.
  - If this ROE/WACC metric is at or above the stretch target of WACC plus 6%, an escalating factor of 150% is applied to the amount calculated under the OP metric.
  - A linear sliding scale apportionment is applied between threshold and stretch targets.

Personal Performance Measures

Personal performance measures account for 30% of possible STIs payable to executive directors.

At the commencement of each financial year, personal objectives are set out under Key Performance Areas (KPAs) by the board, for executive directors.

ii. Long-term Incentive Plan (LTI)

The LTI plan is designed to align the interests of the executives with those of the shareholders using financial performance measures.

The overall intention is to:

- generate a long-term sustainable financial performance for the group;
- promote long-term commitment of the executives to the business; and
- provide a wealth creation mechanism for the executives and value creation for shareholders.

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

Metrics

1. HEPS growth (HEPS%)
2. Total shareholder return (TSR)
3. Return on capital invested (ROCI)
4. Free cash flow (FCF)

The maximum allocation for achievement of each stretch target above is 200% of TFP, multiplied by the relevant weighting factor, whilst measurables falling below threshold result in no award being generated for that measurable.

Payment for the 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:

(a) the annual performance measures above have been met over a three-year performance period, and

(b) the performance measures are averaged over the three-year period to determine the 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 REMCO has the authority to cash settle LTI awards in exceptional circumstances.

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

Stefanutti & Bressan 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 lapsed in 2017.

LTI PERFORMANCE MEASURES FOR FYE 2018

Metric	Weighting	Performance criteria — target	Vesting
1. HEPS Growth (HEPS%)	25%	Growth in (HEPS) equals CPI plus 20% of CPI.	100% of TFP vests upon achievement of target, whereas 50% vests upon achievement of threshold (CPI plus 10% of CPI) and 200% vests upon achievement of stretch target (CPI plus 40% of CPI).
2. Total Shareholder Return (TSR)	25%	A total shareholder return placement in ranking number three or four out of the specified peer group.	100% of TFP vests upon achievement of target, whereas 50% vests upon achievement of threshold, (between positions 5 or 6). 200% of TFP vests upon achievement of stretch target (between positions 1 or 2).
3. Return on Capital Invested (ROCI)	20%	Return on capital invested 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 free cash flow.	100% of TFP vests upon achievement of target. 80% vests upon achievement of threshold set at 10% year-on-year improvement, whilst 200% vests upon a 30% year-on-year improvement, i.e. stretch target.

Forfeitable Share Plan (FSP)

The FSP was introduced in 2009 to replace the Stefanutti & Bressan 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 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.

Executive directors' awards

The LTI award of forfeitable shares is calculated on an annual basis in order to mitigate unanticipated outcomes arising out of cyclical factors and share price volatility.

No LTI awards were earned by the CEO and CFO based upon the FYE2018 reported results.

The LTI measure for Total Shareholder Return of the company for FYE 2018 achieved a ranking of 6 out of 7 (FYE 2017: 3 out of 7) within the specified peer group.

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 during the year under review.

The tables showing the breakdown of the annual remuneration of directors for the years ended 28 February 2018 and 28 February 2017 are set out in note 23 to the consolidated annual financial statements.

3. 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 additional to 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.

4. 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 by way of attendance fees. The fees are set with reference to the company's industry peer group, companies of a similar size and complexity, and also take into account industry practices and independent fee surveys provided to the committee by external service providers.

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

Non-executive directors qualify for reimbursement of reasonable 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 subject to pre-authorisation and executed at a pre-approved total fee.

The non-executive director hourly fee to be approved at the AGM, is paid in respect of attendance at non-scheduled directors' meetings, but is capped at the respective fee for one meeting only.

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 next annual general meeting.

Upon recommendation from NOMCO, 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 normal retirement age of 70 years.

The fees paid to non-executive directors for the financial year ending 28 February 2018 and 28 February 2017 are reflected in note 23 of the consolidated 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.

5. 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.

Executive directors do not have fixed-term contracts of employment but are subject to notice periods of one month. The employment contracts include pay in lieu of notice, and outstanding leave pay provisions which may be invoked at the discretion of the committee.

The executive directors' contracts of employment do not include provisions entitling the individual to a specified payment on termination of employment or on a change of control.

Any STI and/or LTI entitlements awarded to an executive director under the EDIS scheme will be determined based on the relevant scheme rules. Employees terminating employment due to resignation or dismissal on grounds of misconduct, poor performance or dishonest or fraudulent conduct or due to absconding (fault termination), will forfeit all unvested STI and/or LTI awards. Employees terminating employment due to death, retirement, retrenchment, ill-health, disability or injury, will be classified as good leavers and a proportional vesting of the outstanding STI and/or LTI awards will vest on the date of termination of employment.

6. VOTING ON REMUNERATION

At the AGM of shareholders scheduled for 8 August 2018, the remuneration policy and the implementation report 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 9 August 2018, 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 69.

In the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the voting rights entitled to be exercised by shareholders at the AGM, then the committee will ensure that the following measures are taken:

› An engagement process to ascertain the reasons for the dissenting votes, and
› Appropriately addressing legitimate and credible objections and concerns raised which may require amending the remuneration policy or clarifying or adjusting remuneration governance and/or processes.

A summarised version of the remuneration policy can be viewed on www.stefanuttistocks.com.

SECTION C: REMUNERATION IMPLEMENTATION REPORT

1. COMPENSATION STRUCTURE

Executive remuneration comprises:

Guaranteed remuneration

› a TFP approach

Variable remuneration

› under the EDIS:
  » STI — one-year performance period
  » LTI — three-year average performance period

A. GUARANTEED REMUNERATION

Increases are effective from 1 March each year.

The TFP for the executive directors was approved by the board upon the recommendation from the committee. The CEO received an increase in TFP of 7% with effect from 1 March 2017.

As a result of good performance and a market related adjustment in terms of the benchmarking process, provided by independent external advisors, the CFO received an increase in TFP of 9% with effect from 1 March 2017.

The total employee and company contributions of Mr Meyburgh and Mr Cocciante, to the company pension fund, was R539 000 and R294 000 respectively.

B. VARIABLE REMUNERATION

STI

i. Financial performance

The STI reflected as being earned by the executives for FYE 2018 includes a portion earned for FYE 2017, and an accrual for the full amount in respect of FYE 2018.

In previous years, the reported STI reflected the amounts actually paid to the executives in that year, and related to a portion earned in that financial year, and a portion earned from the previous financial year.

Financial performance measures account for 70% of possible short-term incentives payable to executive directors.

OP

The OP awards earned by the CEO and CFO, based upon the FYE 2018 reported results and a normalised operating margin of 2,2%, amounted to 60% of their TFPs.

ROE

The impact of the company's ROE not meeting the company's WACC based upon the FYE 2018 reported results, produced a dilutory factor of 50% being applied to the above OP award earned by the CEO and CFO.

The total STI earned by the executive directors for FYE 2018 was R2 519 945 (FYE 2017 R3 557 000)

ii. Personal performance

Personal performance measures account for 30% of possible short-term incentives payable to executive directors.

Achievement of personal performance objectives sets for the CEO and CFO, were 70% (FYE 2017: 75%) and 90% (FYE 2017: 90%) respectively.

iii. Calculation of executives STIs

See the table below.

LTI

i. Structure

The LTI structure provides for annual awards under the FSP, which are subject to meeting financial performance targets measured over a three-year period.

CALCULATION OF EXECUTIVES' STIs

	R'000 FYE Feb '18 TFP	Financial performance scorecard	R'000 Financial STI	Financial weighting %	Personal weighting %	R'000 FYE Feb '18 final STI	% of TFP	Max STI % of TFP
W Meyburgh (CEO)	5 500	0,30	1 650	70	21,0	1 501	27,3	250
AV Cocciante (CFO)	3 500	0,30	1,050	70	27,0	1 019	29,1	250

REMUNERATION DISCLOSURE OF EXECUTIVE DIRECTORS

R'000s	Basic salary	Other benefits	Post-employment benefits	Short-term incentives*	Long-term incentives	**Total 2018**	Total 2017
W Meyburgh (CEO)	4 805	272	539	3 395	—	**9 011**	13 358
AV Cocciante (CFO)	3 206	46	294	2 282	—	**5 828**	8 686

* Includes STIs of R1 894 and R1 263, for the CEO and CFO respectively, in respect of FYE 2017 awards paid in FYE 2018. Awards in respect of FYE 2018 are unpaid, but have been accrued for.

ii. Performance criteria

The performance criteria are:

(i) HEPS %, 25% weighting
(ii) TSR, 25% weighting
(iii) ROCI, 20% weighting
(iv) FCF, 30% weighting

iii. Peer Group

The peer group for the TSR is:

› Aveng Limited
› Basil Read Holdings Limited
› Group 5 Limited
› Murray & Roberts Holdings Limited
› Raubex Group Limited
› Wilson Bayly Holmes Ovcon Limited

iv. Awards

For the three years ending February 2018, no forfeitable shares vested with the executive directors under the FSP (FYE 2017 – Nil).

2. CHANGES TO EDIS

The following changes were made to the EDIS:

(i) The maximum STI payment of 3 times TFP to executive directors was reduced to 2,5 times TFP.
(ii) Replacing the percentage growth in the HEPS targets under LTI measure, from CPI plus an absolute percentage, with CPI plus a percentage of CPI.
(iii) Amending the threshold target of 50% of TFP under LTI TSR measure, from peer placement 5 to 7 with peer placement 5 to 6.

SECTION D: OTHER

1. 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 2018 to date.

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

2. PRESCRIBED OFFICERS

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

3. DIRECTORS' SHAREHOLDING

The aggregate beneficial holdings at 28 February 2018 and 28 February 2017, held by the directors of the company in the issued shares of the company are set out in note 23 of the consolidated annual financial statements.

4. 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 securities during closed periods.

Directors are further prohibited from dealing in the company's securities 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.

Statement by the board regarding compliance with the remuneration policy

The board supports REMCO's position that the group's remuneration policy for the remuneration of executive directors and other senior executives has been considered and set taking proper account of remuneration and employment conditions throughout the group. Furthermore, the board believes that this policy, as detailed herein, drives group strategy and value creation for all stakeholders.

On behalf of the REMCO

ME Mkwanazi
Chairman

20 June 2018

SHAREHOLDERS' DIARY

Financial year-end	**28 February 2018**
Reporting period	**1 March 2017 – 28 February 2018**
Reporting period of previous report	**1 March 2016 – 28 February 2017**
Announcement of annual results	**17 May 2018**
Integrated report posted	**28 June 2018**
Annual general meeting	**8 August 2018**
Announcement of interim results	**November 2018**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY

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

NOTES TO THE SUMMARY OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The company's directors are responsible for the preparation and fair presentation of the extract, as well as ensuring that the information has been correctly extracted from the underlying annual financial statements.

2. HEADLINE EARNINGS PER SHARE (HEPS)

	Total operations	
Cents per share	**2018**	2017
HEPS — Basic	**90,35**	10,94
HEPS — Diluted	**82,02**	10,05
HEPS — Adjusted	**90,35**	89,86

	2018	2017
WEIGHTED AVERAGE NUMBER OF SHARES USED		
Basic	**170 748 789**	172 750 427
Diluted	**188 080 746**	188 080 746

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

In adjusting HEPS, items which represent the result of activities which are non-core (e.g. the impairment of goodwill and intangible assets) 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

	Construction & Mining R'000	Building R'000	Mechanical & Electrical R'000	Other segments and eliminations R'000	Total R'000
2018					
Revenues from external customers	**5 026 692**	**4 428 692**	**1 032 004**	**3 243**	**10 490 631**
Contract revenue	**4 973 719**	**4 419 165**	**1 022 597**	**—**	**10 415 481**
Intersegment contract revenues	**2 764**	**—**	**61 325**	**—**	**64 089**
Depreciation, amortisation and impairment	**142 137**	**21 013**	**12 809**	**675 590**	**851 549**
Investment income	**28 913**	**7 703**	**9 408**	**3 089**	**49 113**
Finance cost	**(37 531)**	**(16 824)**	**(217)**	**(28 270)**	**(82 842)**
Share of (losses)/profits of equity-accounted investees	**(662)**	**48 274**	**(6 726)**	**502**	**41 388**
Reportable segment operating profit/(loss)	**174 682**	**41 265**	**13 165**	**(680 204)**	**(451 092)**
Taxation	**(83 304)**	**(46 189)**	**(5 755)**	**70 642**	**(64 606)**
Reportable segment profit/(loss)	**82 098**	**34 229**	**9 875**	**(634 241)**	**(508 039)**
Reportable segment assets	**3 714 429**	**1 594 533**	**520 964**	**587 491**	**6 417 417**
Equity-accounted investees	**—**	**208 099**	**(3 303)**	**4 385**	**209 181**
Reportable segment liabilities	**2 617 335**	**1 330 342**	**295 844**	**293 063**	**4 536 584**
2017					
Revenues from external customers	4 029 830	3 973 955	1 141 227	4 592	9 149 604
Contract revenue	3 964 177	3 959 633	1 134 766	—	9 058 576
Intersegment contract revenues*	72 148	—	33 872	—	106 020
Depreciation, amortisation and impairment	103 069	31 805	11 178	169 390	315 442
Investment income	21 682	15 938	6 461	783	44 864
Finance cost	(18 956)	(13 126)	(210)	(53 305)	(85 597)
Share of (losses)/profits of equity-accounted investees	(79)	40 442	(456)	986	40 893
Reportable segment operating profit/(loss)	188 070	(1 749)	40 330	(333 047)	(106 396)
Taxation	(60 072)	13 758	(11 768)	14 528	(43 554)
Reportable segment profit/(loss)	130 646	55 263	34 357	(370 056)	(149 790)
Reportable segment assets	3 204 089	1 701 128	593 344	1 068 537	6 567 098
Equity-accounted investees	662	177 467	3 423	8 308	189 860
Reportable segment liabilities	2 111 912	1 240 859	310 859	461 090	4 124 720

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

GEOGRAPHICAL AREAS

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

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

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 Wednesday 8 August 2018 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, 22 June 2018

Last date to trade to be eligible to vote: Tuesday, 31 July 2018

Record date to be eligible to vote: Friday, 3 August 2018

Last date for lodging forms of proxy (by 12:00): Monday, 6 August 2018

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, 3 August 2018.

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 2018, have been distributed as required and will be presented to shareholders.

The consolidated annual financial statements can be found on the inserted USB storage device of this integrated annual 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 2018, 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. ME Mkwanazi, independent non-executive director, has undertaken to retire at this AGM and not offer himself for re-election.

The following directors retire at this AGM and offer themselves for re-election: HJ Craig, DG Quinn and KR Eborall. The board has considered their performance, including their attendance at meetings of the board and its committees, and recommends and supports the re-election of each of them.

ORDINARY RESOLUTION 2: RE-ELECTION OF DIRECTOR

"RESOLVED THAT, HJ Craig, 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 HJ Craig is included on page 40 of this integrated annual report of which this notice forms part.

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

ORDINARY RESOLUTION 3: RE-ELECTION OF DIRECTOR

"RESOLVED THAT, DG Quinn, 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 DG Quinn is included on page 40 of this integrated annual report of which this notice forms part.

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

ORDINARY RESOLUTION 4: RE-ELECTION OF DIRECTOR

"RESOLVED THAT, KR Eborall, 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 KR Eborall is included on page 40 of this integrated annual report of which this notice forms part.

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

Shareholders are advised that KR Eborall will be retiring from the board in May 2019.

ORDINARY RESOLUTION 5: CONFIRMATION OF APPOINTMENT OF DIRECTOR

"RESOLVED THAT the appointment of B Harie as a director of the company be confirmed and approved."

The board appointed B Harie as a director on 13 April 2018. Directors who are appointed as such retire at the first annual general meeting following their appointment, and their appointment is thus subject to the confirmation and approval of shareholders at the annual general meeting. The board recommends and supports the confirmation of her appointment.

A brief curriculum vitae in respect of B Harie is included on page 40 of this integrated annual report of which this notice forms part.

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

ORDINARY RESOLUTION 6: CONFIRMATION OF APPOINTMENT OF DIRECTOR

"RESOLVED THAT the appointment of BP Silwanyana as a director of the company be confirmed and approved."

The board appointed BP Silwanyana as a director on 13 April 2018. Directors who are appointed as such retire at the first annual general meeting following their appointment, and their appointment is thus subject to the confirmation and approval of shareholders at the annual general meeting. The board recommends and supports the confirmation of her appointment.

A brief curriculum vitae in respect of BP Silwanyana is included on page 40 of this integrated annual report of which this notice forms part.

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

ORDINARY RESOLUTION 7: 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 8, 9, 10 AND 11: APPOINTMENT OF AUDIT, GOVERNANCE AND RISK COMMITTEE MEMBERS

Ordinary resolution numbers 8, 9, 10 and 11 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, B Harie, BP Silwanyana and JM Poluta (alternate to BP Silwanyana) all of whom are independent non-executive directors. The chairman of the committee is ZJ Matlala.

ORDINARY RESOLUTION 8: 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 40 of this integrated annual report of which this notice forms part.

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

ORDINARY RESOLUTION 9: APPOINTMENT OF AUDIT, GOVERNANCE AND RISK COMMITTEE MEMBER

"RESOLVED THAT B Harie 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 B Harie is included on page 40 of this integrated annual report of which this notice forms part.

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

ORDINARY RESOLUTION 10: APPOINTMENT OF AUDIT, GOVERNANCE AND RISK COMMITTEE MEMBER

"RESOLVED THAT BP Silwanyana 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 BP Silwanyana is included on page 40 of this integrated annual report of which this notice forms part.

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

ORDINARY RESOLUTION 11: APPOINTMENT OF AUDIT, GOVERNANCE AND RISK COMMITTEE MEMBER

"RESOLVED THAT JM 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."

A brief curriculum vitae in respect of JM Poluta is included on page 40 of this integrated annual report of which this notice forms part.

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

ORDINARY RESOLUTION 12: 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 57 to 60 of the integrated annual report.

ORDINARY RESOLUTION 13: COMPANY'S IMPLEMENTATION REPORT

"To approve on a non-binding advisory basis, the company's implementation report".

The company's implementation report appears on pages 60 to 61 of the integrated annual report.

NOTES TO ORDINARY RESOLUTION NUMBERS 12 AND 13

Shareholders are reminded that in terms of King IV, should 25% or more of the votes cast be against one or both of these non-binding ordinary resolutions, the company undertakes to engage with shareholders:

› to ascertain the reasons for the dissenting votes, and
› where these concerns are legitimate and credible

undertake to review, clarify or amend the remuneration policy and/or processes as necessary.

			Current fee per meeting R	Proposed fee per meeting R
1.1	Board	Chairman	922 300/annum	959 200/annum
1.2	Board	Member	48 900	50 900
1.3	Audit, Governance and Risk Committee	Chairman	91 300	95 000
1.4	Audit, Governance and Risk Committee	Member	48 900	50 900
1.5	Remuneration and Nominations Committee	Chairman	48 900	50 900
1.6	Remuneration and Nominations Committee	Member	28 000	29 100
1.7	Social and Ethics Committee	Chairman	41 100	42 700
1.8	Social and Ethics Committee	Member	22 000	22 900
1.9	Any other committee to be formed	Chairman	36 500	38 000
1.10	Any other committee to be formed	Member	19 600	20 400
1.11	Directors' hourly rate (note 4)		1 900	1 975
1.12	Specific project fees (note 5)		1 900	1 975

Notes:

1. The board chairman receives an all-in fee and not a per meeting fee.
2. The fees include permanent non-executive invitees of committees.
3. Proposed fee per meeting and the board chairman's all-in fee are exclusive of value-added tax.
4. The non-executive director hourly fee to be approved at the AGM, is paid in respect of attendance at non-scheduled directors' meetings. However, where these special board or committee meetings are held, the total fee earned per director is capped at the fee for one meeting of the relevant committee.
5. Should the board require a non-executive director to undertake a specific project on behalf of the company, then prior to commencement, a total fee based upon scope, duration and expertise required is established, agreed and submitted to the board for approval. Thereafter this is monitored over the course of the specific project. The cumulative fees will be capped to a maximum of R350 000 per annum.
6. The proposed fee is payable from the AGM for financial year ended 28 February 2018 to the AGM for the financial year ended 28 February 2020.

SPECIAL RESOLUTIONS

SPECIAL RESOLUTIONS 1.1 TO 1.12: 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 2020, as noted in the table below, as well as any value added tax payable on such fees by the directors be authorised.

Reason for and effect of special resolutions 1.1 to 1.12

The reason for special resolutions 1.1 to 1.12 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 2020, 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 2020."

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

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 40 of this integrated annual 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 annual 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.

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.
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 Monday, 6 August 2018.

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

20 June 2018

Registered office
No. 9 Palala Street
Protec Park
Cnr Zuurfontein Avenue and Oranjerivier Drive
Kempton Park
1619
PO 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
PO 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 Wednesday, 8 August 2018 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 2018, including the directors' report and the report of the Audit, Governance and Risk Committee			
2. To re-elect HJ Craig as a director of the company			
3. To re-elect DG Quinn as a director of the company			
4. To re-elect KR Eborall as a director of the company			
5. To appoint B Harie as a director of the company			
6. To appoint BP Silwanyana as a director of the company			
7. To re-appoint the auditors			
8. To appoint ZJ Matlala as a member of the Audit, Governance and Risk Committee			
9. To appoint B Harie as a member of the Audit, Governance and Risk Committee			
10. To appoint BP Silwanyana as a member of the Audit, Governance and Risk Committee			
11. To appoint JM Poluta as a member of the Audit, Governance and Risk Committee			
12. To approve the company's remuneration policy			
13. To approve the company's implementation report			
SPECIAL RESOLUTIONS			
1. To approve non-executive directors' fees — Special Resolutions 1.1 to 1.12			
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 Directors' hourly rate			
1.12 Specific project fees			
2. To approve financial assistance			
3. General authority to repurchase company shares			

* 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) 2018

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

    PO 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

“BU”
Business unit

“C&M”
Construction & Mining

“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

“ED”
Enterprise development

“EDIS”
Executive Directors Incentive Scheme

“EE”
Employment equity

“EPS”
Earnings per share

“EXCO”
Executive Committee

“FSP”
Forfeitable Share Plan

“HEPS”
Headline earnings per share

“HR”
Human resources

“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 IV”
King IV Report on Corporate Governance for South Africa 2016

“LDC”
Limited duration contract

“LTI”
Long-term incentives

“LTIFR”
Lost-time injury frequency rate

“M&E”
Mechanical & 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/NOMCO”
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

“RSA”
Republic of South Africa

“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 2018

“the next year”
The financial year ending 28 February 2019

“the previous year”
The financial year ended 28 February 2017

“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

“VFL”
Visible Felt Leadership

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

* Independent Non-executive Directors

COMPANY SECRETARY

WR Somerville

20 Lurgan Road, Parkview, 2193

Telephone number: +27 11 326 0975

AUDITORS

Mazars

Mazars House, 54 Glenhove Road, Melrose Estate, 2196

PO Box 6697, Johannesburg, 2000

Telephone number: +27 11 547 4000

ATTORNEYS

Webber Wentzel

90 Rivonia Road, Sandton, Johannesburg, 2196

PO Box 61771, Marshalltown, 2107

Telephone number: +27 11 530 5000

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd

Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

PO Box 61051, Marshalltown, 2107

Telephone number: +27 11 370 5000

SPONSOR

Bridge Capital Advisors (Pty) Ltd

50 Smits Road, Dunkeld, Illovo, 2196

PO Box 651010, Benmore, 2010

Telephone number: +27 11 268 6231

BANKERS

Nedbank Limited

Nedbank (Swaziland) Limited

Nedbank Namibia

The Standard Bank of South Africa Limited

Absa Bank Limited

Barclays Bank Moçambique

Bidvest Bank Limited

First National Bank, a division of FirstRand Bank Limited

First National Bank Moçambique

First National Bank Zambia Limited

RMB Botswana

Standard Bank Swaziland

Standard Bank Malawi

Standard Bank Moçambique

Standard Lesotho Bank Limited

Standard Chartered Bank

Emirates NBD

First Gulf Bank

HSBC Middle East

Banco Unico

Banco Comercial e de Investimentos

Banco Internacional de Moçambique

United Bank for Africa

Ecobank

Société Générale de Banques en Guinée

Diamond Bank Plc Nigeria

Zenith Bank Plc Nigeria

Stanbic IBTC Bank Nigeria

Stanbic Bank Zambia Limited

Stanbic Bank Botswana

WEBSITE

www.stefanuttistocks.com

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