Stefanutti Stocks

Integrated Annual Report '19

Contents

About this report

SCOPE AND BOUNDARY

The integrated annual report for 2019 includes the operations of Stefanutti Stocks Holdings Limited and its subsidiaries, joint operations and equity-accounted investees (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 2019, 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.

OUR BUSINESS UNITS

The Stefanutti Stocks Integrated Annual Report 2019 introduces a new icon system to represent its three business units.

These icons represent **CONSTRUCTION & MINING**, **BUILDING** and **MECHANICAL & ELECTRICAL** from left to right. These icons are utilised in either the black outlines or colour-coded, as appropriate.

The iconography family is informed by the basic principles of building blocks – with the specific silhouette for each icon broadly alluding to the particular focus of each business unit.

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), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, 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 2019 financial statements have been prepared under the supervision of the Chief Financial Officer (CFO), Antonio Cocciante, and have been audited by Mazars, the group's external auditors. The integrated annual report, as well as the comprehensive annual financial statements, sustainability report and investor presentations for the year ended 28 February 2019, 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 the company's stakeholders. For additional information visit the company's website: **www.stefanuttistocks.com**.

MATERIALITY

Materiality is determined taking account of the International <IR> Framework, King IV™ (copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved) 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 (as further described on page 4) 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 taking into account the recommendations of King IV. The board authorised the integrated annual report for release on 19 June 2019.

Kevin Eborall
Chairman of the board

Willie Meyburgh
Chief Executive Officer

19 June 2019

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

19 June 2019

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 2019, 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

19 June 2019

INDEPENDENT AUDITOR'S REPORT

The unmodified independent auditor's report, which include an emphasis of matter, can be found on page 8 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 (Eswatini), Tanzania, the United Arab Emirates and Zambia, 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 10 746 with 7 577 employees throughout South Africa.

We continue to create sustainable partnerships with all stakeholders through a values-driven culture.

VISION

if you can dream it, we can construct it

MISSION

excellence in execution

This is accomplished by setting and achieving measurable key objectives to support sustainable earnings growth and, at the same time, maintaining a sound financial position while implementing key non-financial objectives to support our growth strategy.

Regional operations in Africa and United Arab Emirates

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

Category 9
CIDB Contractor

7 577
employees in South Africa

10 746
global workforce

VALUES

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

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

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

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

PEOPLE RELATIONS
The value which results in people treating one another fairly and with respect and always being mindful of the human dignity of others.

DYNAMIC
Embracing openness and flexibility of mind and an energetic, proactive solution-driven attitude.

Business model

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. Arising from the various facets of the business model are numerous material issues that affect the successful implementation of this business model. These material issues are noted on page 8. The company's business model is underpinned by its robust CAPPED (**C**andour, **A**ccountability, **P**eople relations, **P**rofessionalism, **E**xcellence, **D**ynamic) value system.

INPUTS

Human capital

(Employees, human resource practices, trends)

10 746
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

(Relationships with and between employees, communities and other stakeholders)

- Transformation Committee
- Development of emerging contractors in the VRP

R1,3 million
invested in SED initiatives and HR Forum

Natural capital

(Any stock or flow of energy and material that produces goods and services)

- Environmental Forum
- Plant initiatives to continually reduce diesel and oil usage
- Improved biodiversity management

Financial capital

(Representative of natural, human, social or manufactured capital as shares, bonds or banknotes)

R1,7bn equity

R637m debt

36,5%
gearing ratio

Work in progress

Manufactured capital

(Material goods and infrastructure owned, leased or controlled by the group that contribute to production)

- Three operating business units
- **Level 2** B-BBEE Contributor

R109m
capital expenditure

R10,6bn
group order book 28 February 2019

Intellectual capital

(Value of a company's employee knowledge, skills, proprietary information that provide the company with a competitive advantage)

- 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
- CIDB **Category 9** Contractor

R20,8m
invested in training

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 and market knowledge enhancing reputation.

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

MANAGEMENT FOCUS
Effectively managing risk, ensure compliance and within budget.

FOUNDATIONAL VALUE SYSTEM

Candour, **A**ccountability, **P**eople relations, **P**rofessionalism, **E**xcellence, **D**ynamic

OUTPUTS

+ 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

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

+ Environmental framework
+ Environmental initiatives

R881m
cash on hand

R361m
cash generated from operations

+ Net tangible asset value per share **770,35 cents**

+ Improving and maintaining operating capacity

R10,6bn
group order book as at 28 February 2019

+ Combined assurance framework developed to effectively manage the business
+ Operational efficiency

OUTCOMES

R2,6bn
paid to employees

+ Good corporate governance
+ Retention of key staff
+ Engaged and energised staff
+ **6 872** of employees deemed PDIs

+ Black empowerment
+ Transformed construction industry and job creation
+ Economic growth for communities
+ **0,02 LTIFR** maintained
+ **RCR 0,36**
+ **86** bursar beneficiaries

+ No major reportable environmental incidents
+ **ISO 14001** certifications
+ Reduced environmental impact
+ Conservation of water

R9,9bn
revenue

R109m
capital expenditure

+ Total assets **R6,4 billion**
+ Reduction in interest-bearing debt

+ CIDB 9 rating
+ Enhanced geographical footprint

+ Sustainable performance
+ Investor confidence
+ Stable and reliable systems and processes
+ **41** apprenticeships
+ **110** learnership beneficiaries

STAKEHOLDERS IMPACTED

+ Employees
+ Communities
+ Clients
+ Suppliers
+ ED partners
+ VRP partners
+ Industry and government regulators
+ Trade unions
+ The JSE
+ Shareholders
+ Investors
+ Financiers
+ Analysts

Stakeholder engagement

EMPLOYEES

Interaction with the group's employees provides essential feedback throughout the business. Management implements formal and informal methods with which to meaningfully engage with staff.

Employee engagement also occurs as part of the employment cycle. Once recruited, the next engagement occurs at the monthly group induction sessions. These are structured to give new recruits a broad understanding of the group, its internal organisational structure and basic policies and procedures, and act as an introductory discussion when selecting pension fund and medical aid best suited to the employee.

One-on-one employee sessions are scheduled, whereby staff discuss matters such as personal development and training, performance, and career path progression. The outcomes of these engagements help guide the succession and training plans of the group.

Formal structures of employee engagement and communication 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.

When leaving the group's employ, employees are encouraged to attend an exit interview and, where necessary, further engagement opportunities are arranged to address issues raised.

The group has changed its approach towards health and safety to one which promotes greater personal involvement, acceptance and responsibility instead of its previous approach of compliance and hard-lined management control. Leadership engagement and visible felt leadership both demonstrate this effort. These initiatives provide two-way communication opportunities allowing employees to contribute to problem solving, while also creating a better understanding of highlighted concerns.

In 2019, the group conducted a follow-up employee engagement survey for all salaried 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 service provider conducted the survey and focus areas included safety, quality, transformation, productivity, communication, systems and company values among others. While there are certain matters to address, it is pleasing to note that most employees surveyed are engaged with the company, its procedures and values. The relevant suggestions and concerns raised are currently being discussed with employees, and action plans are being developed at business unit level.

COMMUNITIES

Local communities are the cornerstone in the successful execution of group projects, as the community provides services (by way of subcontractors) and skills (by way of employment) in delivering projects. In return the company provides employment which uplifts the community's socio-economic circumstances, while also uplifting skills by providing training and work experience.

Community involvement and the management of community expectations are becoming increasingly important, even more so in light of the increased community unrest and unlawful disruptive activities on the part of so-called local business forums.

Community engagement is therefore key in the run-up to, execution and demobilisation of a project to ensure a structured and open platform for communication exists. As a result, regular community forums are held between senior operational staff and leaders/representatives from the community to discuss project progress, resource requirements, and to address any concerns.

The recruitment and placement of community liaison officers from the local communities, has become standard practice. Their key roles include addressing the day-to-day communication with local community leaders, assisting with recruitment requirements and acting as the community spokespersons.

CLIENTS

Clients are among the most important sustainability aspects of the business and form one of the three pillars of the Stefanutti Stocks Way. Group culture focuses on developing and maintaining client relationships and providing a service and product that are executed and delivered beyond the client's expectations. The group adopts a solutions-driven, teamwork approach when interacting with clients and their professional teams, promoting a candid and professional relationship of inclusivity. Top and senior management develop and maintain client relationships by regular and personalised contact. This lays the foundation for a successful project and a satisfied client.

Clients benefit from the group's diversified service offering which plays a significant role in its future sustainability. Where available, multidisciplinary projects provide business units and their divisions with opportunities to deliver projects to clients, on time and in line with expectations — managed by one execution team with a single point of contact. This capability offers clients a seamless integration of various disciplines, a unified approach to health and safety and streamlined procurement and project commissioning and handover.

Trust is created by having a sound understanding of clients' needs and surpassing their expectations which greatly improves the prospects on obtaining repeat business. These relationships, in conjunction with assisting on complimentary feasibility pricing, allows for early interactions on potential projects and provides invaluable intelligence on market prospects and opportunities.

Measuring client satisfaction is a prerequisite and this is an aspect that will be focused on in the coming year by centralising survey results for better analysis. In addition, the group has embarked on a more robust and standardised approach to undertake these.

SUPPLIERS

The group's suppliers are an important stakeholder and as a result, the group continually strives to enhance relationships with existing suppliers as well as identify new suppliers. Stefanutti Stocks has initiated a drive to further strengthen its relationships with its suppliers and has embarked on regular formalised sessions to interact with selected suppliers. A Vendor Day programme occurs every four months and sessions are held at each of the main centres in Johannesburg, Pinetown, Cape Town and Swaziland (Eswatini). Key personnel from both the supplier and Stefanutti Stocks attend these sessions which are undertaken as informal networking sessions. The first session took place in November 2018 in Johannesburg and subsequent sessions in the other regions have also been held. The response from suppliers and staff has been very favourable and has laid the foundation for further successful interactions.

A planned and structured monthly plant supplier meeting schedule is set up and distributed at the beginning of each year, detailing the date and time allocated for each supplier meeting. Suppliers are ranked in terms of key performance criteria which forms part of meeting the objectives. The process results in the management teams of both the supplier and the group's plant departments being informed of focus areas for improvement to ensure progress is made on key performance objectives.

ENTERPRISE DEVELOPMENT (ED) PARTNERS

The group's ED strategy is to establish and maintain solid working relationships with capable black-owned companies (suppliers and contractors), to develop them in a measurable and meaningful way, and to guide their future sustainability, while simultaneously bolstering their ability to execute and deliver larger, challenging projects.

To this end, the individual business units implement the group's robust ED programme. Business unit management teams identify and select the most competent and relevant ED partner beneficiaries to synergise with group operations. Refer to page 23 of the sustainability report for more information on the group's ED approach and activities.

VRP PARTNERS

The aim of the Voluntary Rebuild Programme (VRP) is to develop black-owned emerging enterprises into meaningful competitors within the construction sector in a sustainable manner.

In 2017, two emerging enterprises were identified, namely Axsys Projects (Pty) Ltd (Axsys) and TN Molefe Construction (Pty) Ltd (TN Molefe). The development agreement with Axsys was finalised in May 2018. The negotiations with TN Molefe in becoming a VRP partner were not successful. The group is actively seeking a replacement emerging enterprise. The VRP is discussed in further detail on page 21 of the sustainability report, which is available on the company's website.

THE JOHANNESBURG STOCK EXCHANGE (JSE), INDUSTRY BODIES AND GOVERNMENT REGULATORS

The company secretarial and finance functions manages and monitors the group's application of, and compliance with, the JSE Listings Requirements, the Companies Act and King IV which is also overseen by the various board committees.

TRADE UNIONS

All employees have the right to join a trade union. Each trade union member 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 manage the collective agreements, resolve labour disputes, establish various benefit schemes and make proposals on labour policies and laws. Having a group with diverse operations, each business unit actively participates in industry-specific bargaining councils such as the metal engineering industry, civil engineering and building industry bargaining councils.

SHAREHOLDERS AND INVESTORS

Announcements released on the Stock Exchange News Service (SENS) of the JSE is the group's primary method of interaction with its various shareholders and investors informing them of the financial status of the group. Additional forms of communication are 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.

The executive directors also make presentations with regard to the group's performance and strategic progress to employees, the media, institutional investors and financial analysts.

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

Material issues

The material issues facing the group 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

While the governance of risk is ultimately the board's responsibility — including the determination of risk appetite and tolerance levels and the approval of the risk strategy, policy and framework — the ARCO assists the board in monitoring the group's risk management.

Protecting stakeholder interests and creating sustainable stakeholder value are essential to managing risk. Likewise, an appropriate balance needs to be struck between entrepreneurial endeavour and prudent business practice. It is the group's philosophy to be "risk aware" and to recognise potential opportunities flowing from certain risks.

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

At each ARCO meeting, the Group Risk Officer reports to the ARCO and presents a risk report. He adheres to internationally-recognised standards by establishing, updating and maintaining the group-wide risk framework. This includes providing guidance, supporting and coordinating the identification and recording of risk areas and properly applying the risk management system.

The group has adopted a combined assurance model, as recommended by King IV, to ensure that all identified risks are subjected to the appropriate level of management control. Risks are assured both internally and externally as appropriate. The ARCO examines the internal and external audit plan 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 51.

Regarding the group's exposure to corruption in South Africa as well as in the rest of Africa, regular assessments are conducted. The group is cognisant of the matter's significance and impact and to this end, all operations are continually monitored. During the reporting period, no incidences of corruption were identified.

FOCUS AREAS

The focus areas for the 2019 financial year were:

- Ongoing assessments and risk-based reviews on high-risk areas
- Continuous focus on review of major projects

The focus areas for the 2020 financial year will be:

- Continued review of high-risk areas
- Focused reviews of high-impact site operations
- Ongoing awareness and training in respect of legal compliance
- Regular assessment and management of developing risk areas

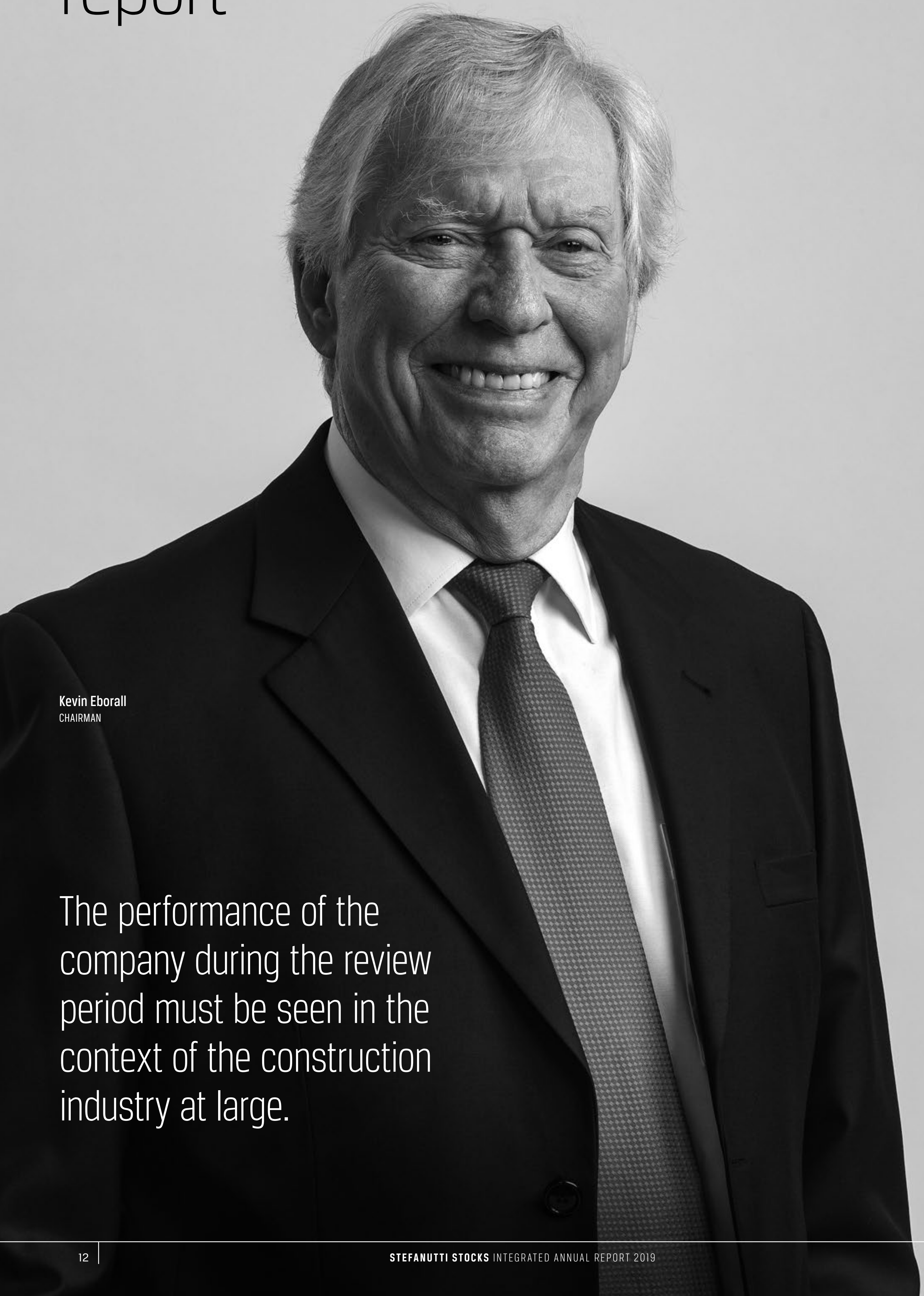
The risks that the group deems material to its operations and ongoing sustainability are set out in the table below. Overseeing the risk mitigation processes is the responsibility of the board committees and the board itself.

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
INDUSTRY COMPLIANCE	Not attaining B-BBEE rating	› 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 › Community unrest causing disruptions at site	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 expansion strategy	Human capital Financial capital Intellectual capital

Risk category	Risk	Mitigation strategy	Affected capital
LEGAL	Potential non-compliance with legal frameworks	› 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 › 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 › Environmental law › Ongoing environmental management systems are implemented by each business unit › 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
RESOURCES	Electricity supply	› Uninterrupted power supplies and generators have been installed at all major sites	Natural capital Financial capital Manufactured capital
	Resource utilisation	› Flexible resource arrangements › Proactive redeployment of resources	Human capital Financial 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
EMPLOYMENT EQUITY (EE)	EE targets	› Business units developed EE 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
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

Risk category	Risk	Mitigation strategy	Affected 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 regard to key sites	Intellectual capital Financial capital Social and relationship capital Human capital
INFORMATION PLATFORM AND SYSTEMS	ICT failure	› Business continuity plan developed and communication and training provided to 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

Chairman's report



Kevin Eborall
CHAIRMAN

The performance of the company during the review period must be seen in the context of the construction industry at large.

BUSINESS OVERVIEW

The 2019 financial year saw a further deterioration in the difficult trading conditions which have been in evidence in the past few years. Consequently, contract revenue fell below that achieved in the last financial year. Operating profits, while still in negative territory, improved when compared to the comparable results reported in the last financial year. A decline in the profitability of the South African operations was off-set by strong performances by the cross-border and United Arab Emirates operations. Difficulties in collecting long-overdue payments, a loss incurred by the liquidation of a client and the continued funding of a large public sector power project placed significant pressure on the cash reserves of the company.

The management team is addressing the liquidity pressures by developing a funding plan which may include, but is not limited to, a fresh issue of shares. Management has responded to weak and difficult trading conditions by continuing to place intense pressure on cash collection, including limiting salary increases, and actively pursuing its contractual rights on applicable projects. In addition, emphasis is placed on right-sizing the business to reduce costs and improve efficiencies. As a result, the group has managed to maintain a position of solvency.

The performance of the company during the review period must be seen in the context of the construction industry at large. A combination of subdued investor confidence, financial crises at many of the state-owned enterprises and government departments, policy uncertainty and increases in various forms of taxation has created a very difficult trading environment, not seen for many decades.

Of particular concern to the construction industry has been a sharp and widespread increase in the unlawful and often violent activities of local community groups, which have brought many construction sites to a halt.

Indeed, the well-publicised collapse of a number of long-established major construction companies reflects a stark picture of the conditions prevalent in the industry.

Notwithstanding all these difficulties there is reason to believe that a climate of greater stability and economic growth will follow the 2019 General Election.

CORPORATE GOVERNANCE

Since the release of the 2018 integrated annual report, a multidisciplinary team comprising finance, risk, human resources, information technology and the company secretarial function again evaluated the company's application of King IV. Progress was made on those aspects which are applicable. Further consideration will be given to King IV in the year ahead.

B-BBEE

In order to maintain its Level 2 Contributor status 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.

DIRECTORS' DEVELOPMENT AND TRAINING

It is the company's policy 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 the 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 this has not been deemed necessary. However, mentorship guidance is available and can be provided as and when necessary.

BOARD CHANGES AND COMMENTS

Mafika Mkwanazi retired at the company's annual general meeting held on 8 August 2018 and did not offer himself for re-election. The board expresses its appreciation to Mafika for his valued contributions and guidance over the years and wishes him all the best for the future.

In terms of the reviewed condensed consolidated results for the 12 months ended February 2019, released on SENS on 30 May 2019, shareholders were informed that:

- Kevin Eborall will retire as board chairman and a director with effect from 12 August 2019;
- Zanele Matlala, currently chairman of the Audit, Governance and Risk Committee, will be appointed as board Chairman on 12 August 2019 and at the same time step down as chairman of this committee;
- Willie Meyburgh will retire from Stefanutti Stocks as CEO on 12 August 2019; and
- Russell Crawford, currently CEO Designate, will be appointed as CEO and director of the company with effect from 12 August 2019.

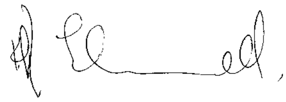
Zanele Matlala
CHAIRMAN DESIGNATE

In October 2018 Willie Meyburgh was presented with an Industry Lifetime Achievement Award by the South African Forum of Civil Engineering Contractors (SAFCEC). This prestigious award has only been made on one previous occasion and is made in recognition of significant contributions to the construction industry over many years. The board feels that this award is fully justified and conveys its congratulations to Willie.

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 year of intense difficulty must be acknowledged, as indeed must the endeavours of the executive management team.



Kevin Eborall
Chairman of the board

19 June 2019

Performance review

Willie Meyburgh
CHIEF EXECUTIVE OFFICER

CONTRACT REVENUE

R9,9bn

GROUP ORDER BOOK AT APRIL 2019

R13,4bn

A number of notable private sector investments, especially in the industrial sector, bolstered the group's overall performance and order book.

Russell Crawford
CEO DESIGNATE

THE YEAR UNDER REVIEW

The South African construction sector has been severely impacted by the operating environment for several years. This has been largely due to the country's low economic growth, as well as policy uncertainty. The run-up to the 2019 National General Elections saw a reduction in the number of public and private tender opportunities and awards. These factors led to a reduction in contract revenue of R500 million to R9,9 billion for the current financial year.

Consistent with experiences reported by other construction companies, the group has been negatively affected by disruptive and unlawful activities by certain communities and informal business forums in certain areas of South Africa.

In addition, certain major events had an adverse impact on the group's liquidity position. These include persistent delayed payments by the governments of Nigeria and Zambia and difficulties in converting work in progress into cash. During the second half of the financial year, the liquidation of a contract mining client and the funding of the monthly management costs on a large public sector contract for the national energy provider, has placed an additional burden on the liquidity of the group. With respect to the funding of the monthly management costs, the group is actively pursuing its contractual rights in terms of the dispute resolution process as set out in the contract. The group is also pursuing a number of additional contractual claims and compensation events on the same project.

Management has developed a funding plan aimed at dealing with the liquidity pressures facing the group. The details thereof are contained in the Chief Financial Officer's report, commencing on page 18.

In terms of IAS 37: Provisions, Contingent Liabilities and Contingent Assets, during the current financial year, the group had to provide R263 million for these potential unrecoverable monthly management costs to complete the aforementioned project. This resulted in the group reporting an operating loss of R158 million. This excludes results from the United Arab Emirates operation, which contributed R66 million towards the share of profits of equity-accounted investees.

Excluding the IAS 37 provision, the group's operating profit is R105 million. Approximately 32% of contract revenue was generated from cross-border operations. Traditionally these markets have been more profitable than the local market with more available opportunities.

There were a number of notable private sector investments especially in the industrial sector, which bolstered the group's overall performance and the order book. Furthermore, in the local market, opportunities are becoming available as a result of improving commodity prices and increased activity in the mining sector.

The group's order book at April 2019 had improved to R13,4 billion from the R10,6 billion reported at February 2019. Of this, 35% arises from cross-border work.

Further details of the group's financial performance are discussed in the Chief Financial Officer's report, commencing on page 18.

OPERATIONAL PERFORMANCE

Below is a summary of each business unit's results. For more information on the operational performance, project updates and initiatives of the group's business units, please refer to the operational reviews commencing on page 24 of this integrated annual report.

Construction & Mining (C&M)

C&M's contract revenue increased to R5,3 billion (restated Feb 2018: R5,0 billion) but with a reduction in operating profit to R112 million (restated Feb 2018: R166 million) and an operating profit margin of 2,1% (restated Feb 2018: 3,3%). These results were materially impacted by the liquidation of a South African mining client to which the Mining Services Division had exposure, as well as the significant underperformance of a project in the Roads & Earthworks Division.

The Zambia and Swaziland Divisions delivered good results.

Albeit at reduced levels, tender enquiries and awards received from the mining sector continue to support C&M's order book. As a result of muted investor confidence in the economy, the country continues to experience reduced infrastructure spend in both the public and private sectors.

This situation, when combined with a policy of increased fragmentation of civil contracts, has caused the civils operations to under-perform. Going forward, order book and operating profit margins expected to remain under pressure.

The long outstanding amounts due from the governments of Zambia and Nigeria continue to be a source of frustration. The outstanding amounts are not in dispute and periodic payments are being received. In both Nigeria and Zambia, work will only recommence on affected contracts once all outstanding amounts have been collected.

C&M's order book at February 2019 was R6,5 billion (Feb 2018: R9,0 billion).

Building

In a challenging trading environment, the Building Business Unit's contract revenue reduced to R3,4 billion (restated Feb 2018: R4,4 billion) and as a result of the provision raised in terms of IAS 37, explained above, the operating loss increased to R251 million (restated Feb 2018: operating loss R4 million). If the IAS 37 provision is excluded, the operating profit would be R12 million. The profit of the equity-accounted United Arab Emirates operation is excluded from this result.

The Mozambique and Coastal Divisions continue to deliver good results.

Delayed payments from developers working for the government in the social housing sector continue to further impact this business unit's cash resources.

Building's order book at February 2019 was R2,7 billion (Feb 2018: R3,3 billion) excluding the United Arab Emirates order book of R808 million (Feb 2018: R1,0 billion).

Mechanical & Electrical (M&E)

M&E's turnover increased to R1,2 billion (restated Feb 2018: R1,0 billion). The previously reported claim against the Oil & Gas Division, by an international client, has been settled at a cost of R38 million. This has resulted in this business unit declaring an operating loss of R19 million (restated Feb 2018: operating profit R13 million).

In a challenging local trading environment, the Mechanical Division performed well, bolstered by cross-border projects.

The ongoing shortage of work in the traditional petrochemical and platinum related surface mining infrastructure markets is negatively affecting M&E's financial performance and order book, which led to the right-sizing of the business.

The arbitration matter relating to the cancellation of a petrochemical contract scheduled for the first quarter of 2019 has been postponed, due to a fundamental change in the client's defence. At this stage the financial impact thereof cannot be quantified.

M&E's order book at February 2019 was R537 million (Feb 2018: R790 million).

INDUSTRY-RELATED MATTERS

Community unrest

Community unrest, including unlawful disruptive activities confronting the construction industry, has escalated during the past year, disrupting numerous projects. The failure of service delivery, widespread unemployment and unrealistic expectations on the part of many communities continue to result in impractical demands for employment and the appointment of subcontractors. The situation is being managed carefully in collaboration with the group's clients and community leaders. In addition talks between industry bodies and relevant government ministries are taking place to try and address this critical issue.

Voluntary Rebuild Programme update

The aim of the Voluntary Rebuild Programme (VRP) is to develop black-owned emerging enterprises into meaningful competitors within the construction sector in a sustainable manner.

In 2017 two emerging enterprises were identified, namely Axsys Projects (Pty) Ltd (Axsys) and TN Molefe Construction (Pty) Ltd (TN Molefe). The development agreement with Axsys was finalised in May 2018. The negotiations with TN Molefe in becoming a VRP partner were not successful. The group is actively seeking a replacement emerging enterprise. The VRP is discussed in further detail on page 21 of the sustainability report which is available on the company's website.

Civil claim

With respect to the civil claim received from the City of Cape Town (Green Point Stadium), a trial date has been set for the first quarter of 2020. The group remains confident it can defend this claim.

SUSTAINABILITY MATTERS

The various sustainability-related sections that follow below are summaries and are dealt with in further detail in the group's sustainability report available on the website.

Human capital

In the difficult circumstances confronting the group it is imperative to attract and retain a highly skilled, motivated and energised workforce. The group cultivates an environment of entrepreneurial spirit, with a strong Founder's Mentality at its base. Energised and engaged employees are expected to take responsibility, accountability and ownership of their respective roles.

The medium- and long-term plan includes ongoing focus on the Stefanutti Stocks Way, which embraces the Founders' Mentality and employee engagement programmes. Ongoing performance management ensures that the company has the right people in the right places.

Health and safety

It is pleasing to report that the group's health and safety performance for 2019 was considerably better than that of 2018. The main drivers for the improved performance have been the combined efforts of the various management teams and employees who have worked together to achieve the group's goals and targets.

The group's benchmarks for lost-time injury frequency rate (LTIFR) and recordable case rate (RCR) are 0,1 and 0,5 respectively. The group's LTIFR at February 2019 was 0,02 (Feb 2018: 0,11) and the RCR was 0,36 (Feb 2018: 0,54).

Skills development

Stefanutti Stocks develops its employees by way of extensive training and skills development initiatives. Employee development is a primary focus area of the employee retention strategy as it recognises that the success of business operations is dependent on developing and retaining a skilled and driven workforce.

During the year, R20,8 million was invested in skills development and training, despite challenging operating conditions.

Environmental management

The group's environmental framework is founded on six pillars, namely: carbon emissions, energy, materials, waste, water and credible information. These are measured and reported on from a project level to each business unit and thereafter to group. All initiatives are developed to avoid, reduce, recycle and re-use, wherever possible or practical.

The environmental policy along with its accompanying objectives and targets is reviewed annually and is communicated throughout the group. The Stefanutti Stocks Way and the Founder's Mentality principles guide the Stefanutti Stocks environmental framework which strives to achieve zero harm, employee empowerment and efficient management systems.

Transformation

The group's current scorecard is the first based on the Revised Construction Codes of Good Practice that was promulgated on 1 December 2017. The Stefanutti Stocks contributor status improved from a Level 4 to a Level 2, and is expected to improve in the next financial year.

Stefanutti Stocks remains represented on the technical team that advises the Construction Sector Charter Council on the implementation of the revised Construction Sector Codes and continues to play an active role in the council.

RISK MANAGEMENT

Stefanutti Stocks defines appropriate risk management as protecting stakeholder interests while at the same time creating sustainable stakeholder value. This means striking an appropriate balance between entrepreneurial endeavour and prudent business practice. However, client behaviour over the past few years has been characterised by a more commercially aggressive and litigious approach, in many of the markets in which the group operates. This has resulted in legacy projects which have fallen short of the risk management criteria which the group currently adopts.

As a consequence of this, the group's risk assessment practices are continuously reviewed in light of changing market conditions and associated commercial and legal frameworks in the territories in which it operates.

The focus areas for 2020 will be to continue to review these high-risk areas; to review high-impact site operations; to remain aware and provide training in respect of legal compliance as well as to assess and manage developing risk areas.

CHANGES TO THE BOARD OF DIRECTORS

With respect to the anticipated changes to the board, please refer to the Chairman's report on page 12 of this integrated annual report.

I would like to make use of this opportunity to thank Kevin Eborall for his solid guidance and support during the years as Chairman and director of the board and wish him well in his future ventures. At the same time I welcome Zanele Matlala and Russell Crawford into their respective roles and trust they will lead the group towards a prosperous future.

OUTLOOK AND STRATEGY

Confidence in the South African economy remains at an historic low. A continuing contraction in construction activity will result in turnover and operating profit margins of the group remaining under pressure in the short to medium term.

In the short to medium term there are some opportunities in the local market which include surface mining related services in iron-ore, platinum, mineral sands and the coal sectors and selected open-pit mining contracts, predominantly in coal. Further opportunities exist in petrochemical tank farms, clean fuels, smaller oil and gas projects, pipelines, water and sanitation treatment plants as well as warehouses and some design and construct opportunities in the building sector.

Cross-border opportunities exist in road and bridge construction, bulk pipelines, water and sanitation treatment plants and mixed-use building projects. In the longer term opportunities exist with the planned rollout of the liquefied natural gas plant in northern Mozambique and the Lesotho Highlands Water Project.

The United Arab Emirates continues to offer opportunities in the construction and fit-out markets.

The group will maintain its focus on converting debtors and work in progress into cash and to resolve the outstanding contractual claims and compensation events on a large project with the national energy provider.

ACKNOWLEDGEMENTS

My sincere thanks are due to the board, the group's management teams and our valued employees for their steadfast determination, their hard work and their passion. It has been a privilege to lead Stefanutti Stocks through some interesting and challenging times over the last 12 years.

Lastly, I would like to thank the group's shareholders, investors and financiers, business partners, suppliers, clients and other stakeholders for their ongoing support of the group.

Willie Meyburgh
Chief Executive Officer

19 June 2019

Chief financial officer's report

Antonio Cocciante
CHIEF FINANCIAL OFFICER

The group's contract revenue from operations was R9,9 billion, despite a highly challenging trading environment.

RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2019

	2019	Restated 2018
Contract revenue (Rbn)	**9,9**	10,4
Operating loss (Rm)	**(158)**	(506)
Adjusted operating profit (Rm)	**105 ***	161 **
Adjusted profit after tax (Rm)	**78 ***	120 **
HEPS (cents)	**(70,12)**	67,51
Adjusted HEPS (cents)	**42,79 ***	67,51 **
Cash on hand (Rm)	**881**	916
Net tangible asset value (R per share)	**7,70**	7,87
Interest-bearing debt to equity ratio (%)	**36,5**	43,7
Total year-end order book (Rbn)	**10,6**	14,1

* Excluding the IAS 37 provision as described below.

** Excluding the impairment of goodwill and intangible assets.

OVERALL

The group's performance continues to reflect the impact of operating within an extremely difficult trading environment.

The group has adopted International Financial Reporting Standards (IFRS) 9: Financial Instruments, IFRS 15: Revenue from Contracts with Customers and IFRS 16: Leases effective 1 March 2018. As a consequence of the adoption of these IFRS standards, the prior year's comparative results have been restated.

FINANCIAL PERFORMANCE

Contract revenue from operations reduced to R9,9 billion compared to the previous year (restated Feb 2018: R10,4 billion).

The group is pursuing a number of contractual claims and compensation events on a large public sector power project in South Africa. In terms of IAS 37: Provisions, Contingent Liabilities and Contingent Assets, during the current financial year, the group provided R263 million for potential unrecoverable preliminary and general costs to complete the project, whilst in this regard actively pursuing its contractual rights in terms of the dispute resolution process as set out in the contract. Including the above provision for costs, the group reported an operating loss of R158,0 million (restated Feb 2018: operating loss of R506,0 million). This excludes results from the United Arab Emirates operation, which contributed R66 million (Feb 2018: R48 million) towards the share of profits of equity-accounted investees. Excluding the IAS 37 provision, the group's operating profit is R105 million which compares to the prior year's operating profit of R161 million excluding the impairment charges.

The increase in the prior year's capital expenditure, with the current year's capitalisation of plant and equipment in terms of IFRS 16, has resulted in an increase in depreciation to R211 million (Feb 2018: R176 million) and finance costs to R101 million (Feb 2018: R83 million).

Earnings and headline earnings per share are reported as a loss of 65,99 cents (restated Feb 2018: loss of 317,77 cents) and a loss of 70,12 cents (restated Feb 2018: profit of 67,51 cents) respectively. Headline earnings per share in the prior year was impacted by the reversal of impairment charges relating to assets.

FINANCIAL POSITION

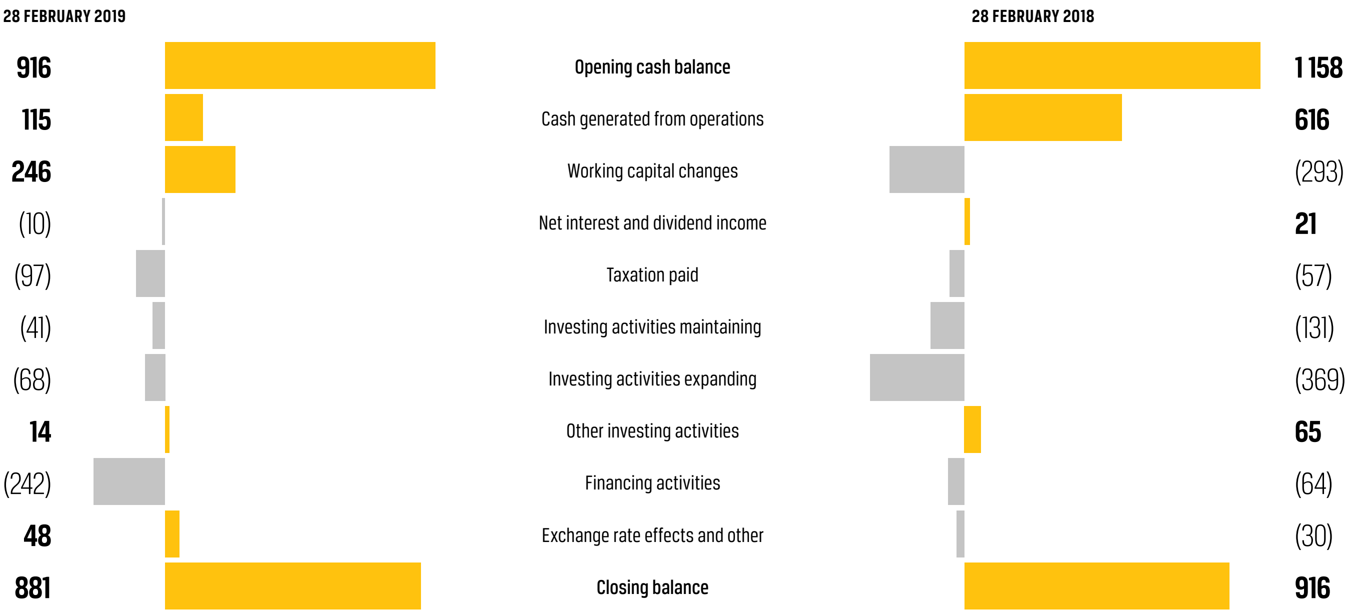
Capital expenditure for the period amounted to R109 million (Feb 2018: R500 million), of which R68 million was for expanding operations (Feb 2018: R369 million). Of the R68 million, R50 million was for a development in Maputo for own use accommodation rather than renting expensive accommodation from the open market for our expatriate staff. In terms of IFRS 16, an additional R70 million (Feb 2018: Nil) worth of plant and equipment has been capitalised. These items are not owned by the group but are rented from suppliers, with limited liability.

The amount of uncertified work included under contracts in progress and reflected within current assets, has increased to R506 million from R409 million reported at the end of February 2018, due to an increasing trend by some clients, both in the public and private sectors, to delay the certification of work and payments. However, trade receivables have decreased by 16,7% while debtors days improved from 77 days to 68 days. Despite this improvement, there are still overdue amounts by the governments of Nigeria and Zambia, which are not subject to dispute. These governments continue to slowly service their debts and we continue to engage with the relevant departments in order to resolve the outstanding payment issues.

Due to the liquidation of a contract miner, a further increase in delayed certification of work and payments from certain clients and the temporary funding of the large public sector power project in South Africa, the group is experiencing short-term liquidity pressures. As a consequence thereof, material uncertainty may exist that may cast doubt on the group's ability to continue as a going concern in the short term.

In order to address this short-term liquidity pressure, the group is exploring raising the required funding through a combination of specific ring-fenced project financing, a number of alternative funding solutions and, only if required, a possible fresh issue of shares (the 'Funding Plan'). The first part of the Funding Plan, being the specific ring-fenced project financing has been secured. The remaining aspects of the Funding Plan are being pursued. Shareholders will be advised accordingly. Based on the successful implementation of the remainder of the Funding Plan and the current assessment of the group's financial budget for the ensuing year, the directors consider it appropriate that the group's consolidated results be prepared on the going-concern basis.

ABRIDGED CASH FLOWS (Rm)



Total interest-bearing debt has decreased to R637 million (Feb 2018: R783 million). Total interest-bearing debt includes a liability of R100 million relating to the Voluntary Rebuild Programme Settlement Agreement (VRP) concluded with the South African government in October 2016, and an IFRS 16 'assumed rental liability of R61 million. The remaining VRP liability will be settled in nine equal instalments of R15 million per annum. The debt/equity ratio has reduced from 43,7% to 36,5%, exceeding the group's internal benchmark of 35%. Should the IFRS 16 liability be excluded, the debt/equity ratio would be 33,0%. The group is committed to reduce the debt/equity ratio to be in line with its internal benchmark.

Cash generated from operations increased to R361 million (Feb 2018: R322 million). Notwithstanding a reduction in working capital of R246 million (Feb 2018: an increase of R293 million), the group's overall cash decreased to R881 million (Feb 2018: R916 million).

OPERATIONS

Construction & Mining's contract revenue increased to R5,3 billion (restated Feb 2018: R5,0 billion) but with a reduction in operating profit to R112 million (restated Feb 2018: R166 million) with an operating profit margin of 2,1% (restated Feb 2018: 3,3%). These results were materially impacted by the liquidation of a South African contract miner to which the Mining Services Division had exposure, and the significant underperformance of a project in the Roads & Earthworks Division.

In a challenging trading environment, the Building Business Unit's contract revenue reduced to R3,4 billion (restated Feb 2018: R4,4 billion) and as a result of the provision raised in terms of IAS 37, explained above, the operating loss increased to R251 million (restated Feb 2018: operating loss R4 million). If the IAS 37 provision is excluded, the operating profit would be R12 million. The profit of the equity-accounted United Arab Emirates operation is excluded from this result.

Mechanical & Electrical's turnover increased to R1,2 billion (restated Feb 2018: R1,0 billion). The previously reported claim against the Oil & Gas Division, by an international client, has been settled at a cost of R38 million. This has resulted in this business unit declaring an operating loss of R19 million (restated Feb 2018: operating profit R13 million).

The arbitration matter relating to the cancellation of a petrochemical contract scheduled for the first quarter of 2019 has been postponed, due to a fundamental change in the client's defence. At this stage the financial impact thereof cannot be quantified.

DIVIDEND

The group did not declare a dividend for the current financial year (2018: Nil).

SUBSEQUENT EVENTS

Other than as noted in this report and elsewhere in the integrated report, there were no further material reportable events which occurred between year-end and the date of this report.

SHARES

Repurchase

Prior to the short-term liquidity pressure, the company, through a subsidiary, repurchased 2 241 520 shares at an average price of R2,52 per share. This repurchase is in terms of a resolution passed at the company's Annual General Meeting in 2018. These shares will not be cancelled and are accounted for as treasury shares.

Performance

During this reporting period 69,7 million (previous year 27,4 million) shares were traded on the JSE's trading platform. The highest closing price recorded was R4,20 per share (Feb 2018: R4,60 per share) while the lowest closing share price was R1,40 per share (Feb 2018: R1,82 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

19 June 2019

Five-year financial review

		2019	2018 Restated	2017	2016	2015
PROFIT INFORMATION						
Contract revenue	R'million	**9 875**	10 364	9 058	9 669	10 568
Operating (loss)/profit	R'million	**(158)**	(506)	(106)	392	335
Operating (loss)/profit margin	%	**(1,6)**	(4,9)	(1,2)	4,0	3,2
(Loss)/profit	R'million	**(111)**	(547)	(150)	186	203
Net (loss)/profit margin	%	**(1,1)**	(5,3)	(1,7)	1,9	1,9
Headline earnings	R'million	**(118)**	115	19	157	197
FINANCIAL POSITION						
Total assets	R'million	**6 448**	6 345	6 567	6 512	6 523
Total equity	R'million	**1 732**	1 790	2 442	2 609	2 399
Total liabilities	R'million	**4 716**	4 555	4 125	3 904	4 124
Cash from operations before working capital movements	R'million	**114**	560	342	470	308
ASSET MANAGEMENT						
Return on assets	%	**(1,7)**	(8,5)	(2,3)	4,0	4,0
Return on equity	%	**(6,3)**	(26,0)	(5,4)	7,3	8,8
Net asset turn	times	**1,5**	1,6	1,4	1,5	1,6
SHAREHOLDERS' RATIOS						
(Loss)/earnings per share	cents	**(66)**	(318)	(79)	104	115
Headline earnings per share	cents	**(70)**	68	11	90	113
Dividend per share	cents	**–**	–	–	–	–
STOCK EXCHANGE STATISTICS						
Market capitalisation – close	R'million	**489**	342	826	649	940
Market value per share						
– At year-end	cents	**260**	182	439	345	500
– Lowest closing for the year	cents	**140**	182	340	298	482
– Highest closing for the year	cents	**420**	460	490	740	989
Weighted number of shares		**167 836**	170 749	172 750	174 780	174 867
Total volume traded during the year		**69 714 276**	27 445 523	29 850 220	36 873 503	52 268 736
Rand value traded during the year	'000	**167 822**	81 974	125 732	178 176	415 062

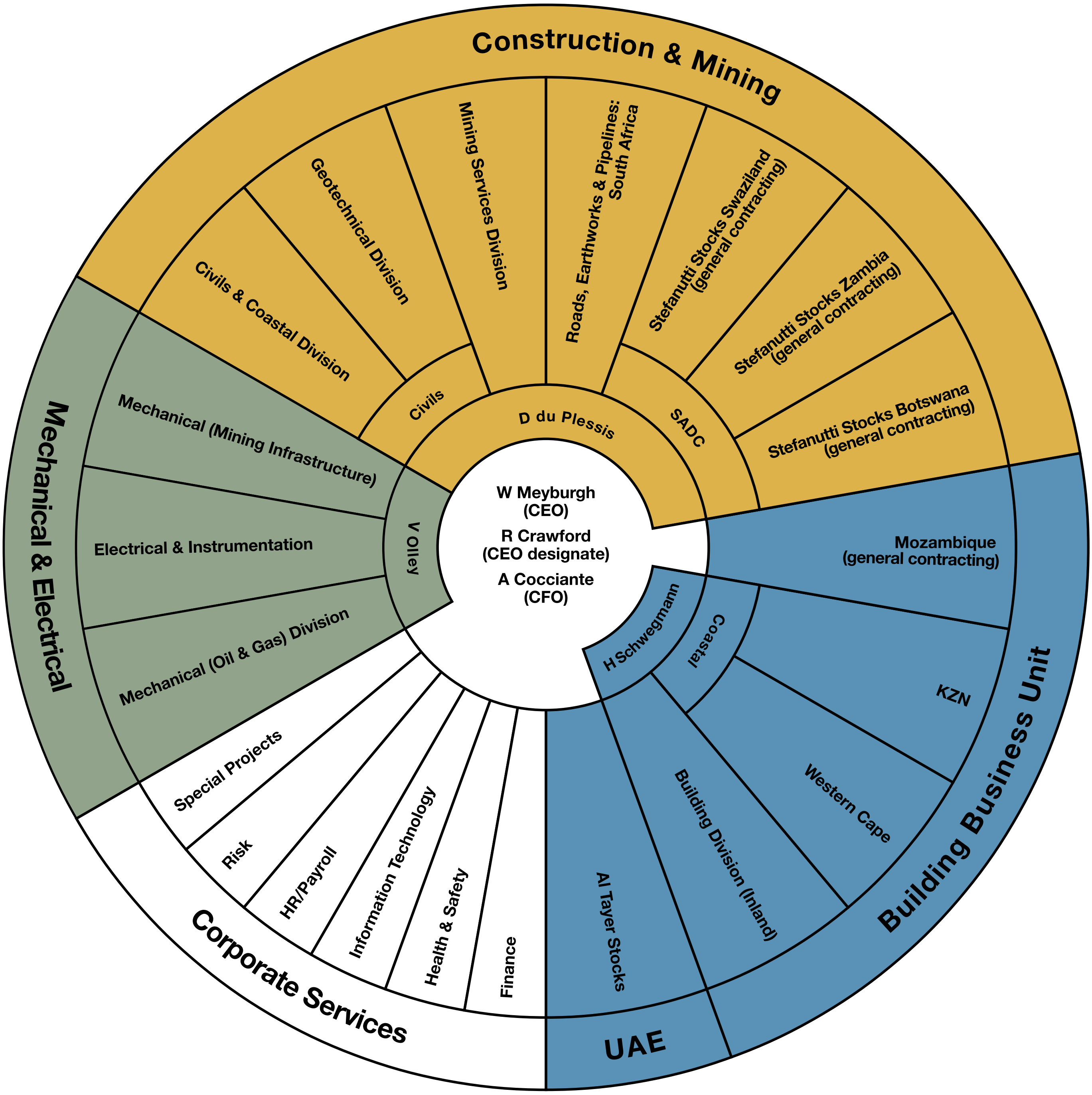

CONSTRUCTION
& MINING


BUILDING


MECHANICAL
& ELECTRICAL

Group structure

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



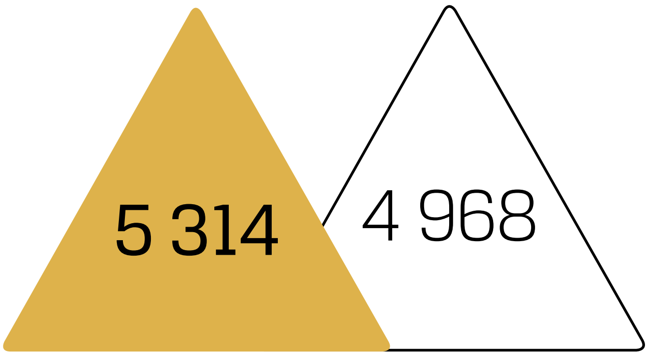
Operational reviews

CONSTRUCTION & MINING

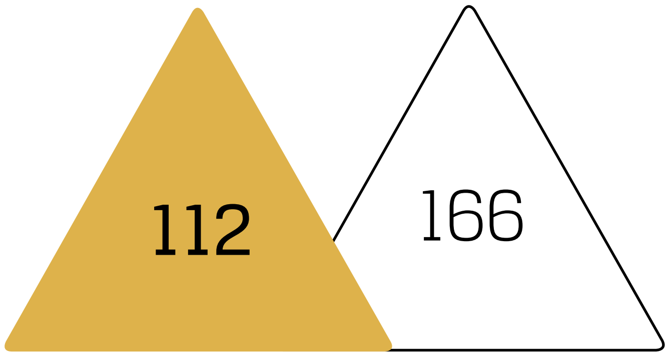
MANAGING DIRECTOR: DEREK DU PLESSIS

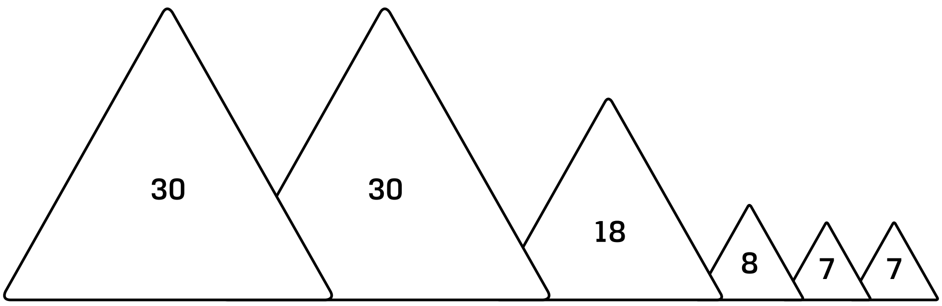
	ORDER BOOK	OPERATING MARGIN	LTIFR
2019	R6,5bn	2,1%	0,00
2018	R9,0bn	3,3%	0,15

CONTRACT REVENUE (RM)
2019 2018



OPERATING PROFIT (RM)
2019 2018





TURNOVER BY SECTOR (%)

30	Transport infrastructure
30	Surface mining related services
18	Bulk earthworks and industrial
8	Energy generation
7	Water, sanitation and pipelines
7	Industrial plants and oils

IMPROVE
employment equity performance

STRATEGIC FOCUS

FULL systems integration, Buildsmart/CCS

FOCUS on cash

DEVELOP
closer alliances and improve relations with communities — less reliance on employer

EXCELLENCE
in Execution — reduce substandard and rework

IMPROVE
tendering strategy and hit rate — more focused and detailed, early engagement

CONTINUE
to streamline overhead structures

EMPLOY
best in class, strip out non-performers

CAPABILITIES

Roads & Earthworks

- Bulk earthworks
- Road construction, maintenance and rehabilitation
- Crushing and screening
- Asphalt manufacture and paving
- Agricultural land preparation and infrastructural development
- Water infrastructure
- Rail construction and infrastructure
- Large diameter welded steel pipe installation
- In situ concrete lining of pipelines
- HDPE and ductile cast-iron pipelines installation
- Mechanical and electrical installations for pump stations

Mining Services

- Bulk materials handling
- Design, construction, operations and maintenance of tailing storage facilities
- Hydraulic mining
- Mine surface infrastructure, buildings, water treatment plants, pipelines and SMEIP (structural, mechanical, electrical, instrumentation and piping)
- Open-pit contract mining

Civils

- Caisson floating and installation
- Civils works, bridges and transport infrastructure
- Concrete rehabilitation
- Desalination infrastructure
- Marine and shipyard infrastructure
- Precast concrete including marine structures
- Reinforced concrete construction
- Specialist civil mine infrastructure

Geotechnical

- Geotechnical construction, piling and lateral support
- Geotechnical design and construction to the marine and civil engineering industry
- Grouting
- Rock anchors and shotcrete

Other

- Airports infrastructure
- Balance of plant infrastructure for renewable energy projects
- Dam construction
- General contracting (cross-border)
- Selected project design and construction

PERFORMANCE AND OUTLOOK

Construction & Mining's (C&M) contract revenue increased to R5,3 billion (restated Feb 2018: R5,0 billion) but with a reduction in operating profit to R112 million (restated Feb 2018: R166 million) with an operating profit margin of 2,1% (restated Feb 2018: 3,3%). These results were materially impacted by the liquidation of a South African mining client to which the business unit had exposure, and the significant underperformance of a project in the Roads & Earthworks Division.

The restructuring which took place in 2018 is progressing well and remains an ongoing process. Key capabilities have been retained and bolstered to ensure that C&M is equipped to respond to the demands of the market.

Within a low-growth economic environment, the market for infrastructural projects in South Africa has again had little to offer companies operating in this sector. This problem is compounded by the fragmentation of available public sector projects into smaller parcels. In addition, the rise in community disruptions on construction sites across South Africa is of concern and has negatively affected the results of the business unit. The unlawful actions of local communities seeking participation in contracts have often become violent, posing a threat to employees and property.

To mitigate challenging local conditions, C&M has continued to make good progress in diversifying its activities by targeting cross-border contracts. Approximately 27% of the business unit's turnover and more than 80% of the resulting profits stemmed from cross-border work for the year under review. C&M will continue with this strategy.

C&M has benefited from an increase in activity in the local mining industry particularly in the coal sector where it is engaged on a number of mining projects.

Although profitable, the Roads & Earthworks Division did not perform to expectations. The division operates in a highly competitive local market, where low operating profit margins have become the norm. Notwithstanding this, the division is well positioned to benefit from opportunities in the water, sanitation, pipeline and mining infrastructure sectors in both South Africa and Botswana.

Despite the loss incurred due to the liquidation of the aforementioned local mining client, Mining Services produced a good result and has secured a satisfactory long-term order book. Further opportunities are expected to materialise in the coal mining sector.

The civils operations have not performed to expectations, with order book and operating profit margins expected to remain under pressure. Despite a shortage of available projects, this division is also positioned to benefit from opportunities in the water, sanitation and mining infrastructure sectors, in both South Africa and Botswana. This division is experiencing growth in concrete repair and rehabilitation as a number of industrial and mining clients shift their focus from capital to maintenance expenditure.

The Geotechnical Division delivered positive results with improved operating profit margins for the year under review. The division will look to grow its cross-border market share, as few operators remain active with both the equipment and experience to compete.

The Swaziland (Eswatini) Division's performance was in line with forecasts and has secured an acceptable order book. The pleasing performance of this division is expected to continue.

The Zambia Division performed better than expected. The division has secured a satisfactory order book. Although payments from the public sector have been slow, the situation has recently improved. New private sector investments are creating opportunities for construction, such as hotels and mining surface infrastructure.

The performance of the Botswana Division was disappointing due to the lack of suitable work and holding costs. Subsequent to year-end, this division has secured a quality order book, which extends over the next two years.

The long outstanding amount due from the government of Nigeria continues to be a source of concern. The outstanding amount is not in dispute and periodic payments have been received. Work will only recommence once all outstanding amounts have been collected.

In summary, C&M is well positioned to benefit from specific and identified opportunities in both South Africa and cross-border. Its broad mix of capabilities and skills has enabled the business unit to develop a more diversified order book and an ability to respond effectively to improved economic and political conditions in Southern Africa.

C&M's order book at February 2019 was R6,5 billion (Feb 2018: R9,0 billion).

NOTABLE PROJECTS

The **Hammarsdale Interchange Project** was awarded to the Roads & Earthworks Division by the South African National Roads Agency Limited (SANRAL). The site of the new bridge is located on the N3 highway between Pietermaritzburg and Durban in KwaZulu-Natal. Construction has taken place under heavy traffic conditions as the road carries approximately 100 000 vehicles per day. Due to disruptions by the local community, the project experienced delays of almost eight months. The project is now progressing well and is expected to be completed by the end of 2019.

The **Mareesburg Tailings Storage Facility** was awarded by Anglo American South Africa Limited to Roads & Earthworks. The contract comprises the construction of a 77ha tailings dam including 11ha of lining.

In its sixth year of operation, Mining Services' **Universal Coal Kangala** open-pit mine contract continues to perform well.

Mining Services commenced with the contract for the **Black Royalty Minerals Chilwavhusiku Colliery** at the end of 2017. Operations were ramped up in 2018 and the colliery is performing well.

TOP PROJECTS BASED ON VALUE EXCLUDING VAT

Project name	Duration	Project value	Location
ICC/FISH (40%)	48 months	R3,0 billion	Swaziland (Eswatini)
KEATON MINING, VANGATFONTEIN	60 months	R2,2 billion	Mpumalanga, RSA
UNIVERSAL COAL KANGALA	96 months	R1,8 billion	Mpumalanga, RSA
KUSILE CIVIL WORKS (50%) RE-ACCESS WORKS	75 months	R1,4 billion	Mpumalanga, RSA
BANK OF BOTSWANA	41 months	R1,0 billion	Botswana
BLACK ROYALTY MINERALS CHILWAVHUSIKU	48 months	R881 million	Mpumalanga, RSA
SOUTH32 MATERIAL HANDLING	60 months	R680 million	Mpumalanga, RSA
KITWE GARDEN COURT HOTEL	24 months	USD40 million	Zambia
MAREESBURG TAILINGS STORAGE FACILITY	22 months	R450 million	Mpumalanga, RSA
UFUMA ROAD, NIGERIA (60%)	60 months	R410 million	Nigeria
REA VAYA BRT STATIONS SECTION 8 & 15 (60%)	41 months	R343 million	Gauteng, RSA
ZUIKERBOSCH SEDIMENTATION (80%)	52 months	R324 million	Gauteng, RSA
HAMMARSDALE INTERCHANGE PROJECT	36 months	R290 million	KwaZulu-Natal, RSA

An open-pit mining contract for **Keaton Mining** was awarded to Mining Services. This five-year project commenced in late 2018.

The **Olifants River Bridge** project, which forms part of the N7 Highway Cape-Namibia upgrade for SANRAL, was constructed by the Civils Division. The reinforced concrete arch bridge spanning over 100m has, due to its complexity and outstanding quality of work produced, been nominated for a Fulton Award.

The **Maydon Wharf Berths 1 – 4, 13 & 14** project was concluded during the year. This notable project by Civils showcased the group's technical expertise and won the highly regarded South African Institution of Civil Engineering's (SAICE) Railway & Harbour Engineering Award.

The **Strandfontein Desalination** project was executed by the Civils Division, having been awarded due to the severe water shortages experienced in the recent drought affecting the Western Cape. In recognition, this important project won the SAICE's regional Technical Excellence Award.

Civils has been appointed to execute a contract for the 140MW **Nxuba Wind Farm** in the Eastern Cape. The division is using an innovative precasting method to produce reinforced concrete towers for the mounting of electrical turbines which are supplied by a Spanish company. The precast technique used is a first in South Africa and necessitated the building of a new factory near the site.

The **Vopak Island View** project in Durban was secured by the Geotechnical Division. Being a congested brownfield site, a number of challenges needed to be addressed to ensure the quality of its execution and safe completion.

Civils is constructing the **Point Promenade** for Durban Point Development Company (Pty) Ltd — a joint venture between eThekwini Municipality and UEM Sunrise, a Malaysian parastatal organisation.

The promenade is being constructed on reclaimed land on the beachfront. Its lower level will house public amenities, a water sports club and public parking. The upper level will be a continuation of the existing public walkway. After completion, the walkway will be 700m long. The project commenced in the middle of January 2018 and will be completed in September 2019.

Geotechnical installed the continuous flight auger piles. While installing the piles the obstructions encountered at varying depths included rock-filled gabions, concrete, sleepers, masonry structures and boulders of various sizes. These challenges were overcome in a short turnaround time with the use of alternative piling methods.

An elevated pre-stressed concrete slab will feature a high-end concrete topping which will form the walkway. The design of the slab is such that the curved edge blends with the ocean setting, creating an iconic structure.

Zambia completed the **Kitwe Garden Court Hotel**, conference centre and office block for Makhuba Property Developers and the Zambian National Pension Scheme Authority (NAPSA) in September 2018. The hotel complex boasts 130 rooms with modern design and a customisable conference centre. The project included a four-storey office block which is also located in the Freedom Park precinct.

SUSTAINABILITY MATTERS

Skills development and training

To maintain high standards of quality and to uphold its commitments to employees, C&M spent a total of R15,6 million on various skills development initiatives during the year, of which 87% was spent on employees from designated groups.

With a total head count of 5 573, C&M trained a total of 2 177 employees (5 068 interventions), of whom 1 960 were from designated groups and 275 were females. As safety is a major contributor to our success, a total of 1 103 (1 658 interventions) employees received safety training, of whom 1 015 were from designated groups and 120 were female.

The Stefanutti Stocks Academy is ISO 9001:2008 certified and accredited with the Mining Qualifications Authority (MQA), Construction Education and Training Authority (CETA) and the Manufacturing, Engineering and Related Services Sector Education and Training Authority (MERSETA). During the year, the academy continued with the internal training of employees, with the focus on operator, tailings operations and construction skills training.

For the year under review, 68 operators were trained at the academy, of which 100% were from designated groups and 21% were female. In addition, 208 employees (609 interventions) received training on various construction skills courses, with 208 from designated groups, of which 18 were female. A further 37 employees received tailings operations training, of whom 35 were from designated groups and one was female.

The academy also provides apprenticeship trade test preparation training, which is accredited by MERSETA. Of the 22 apprentices registered, seven qualified during the year, with five being from designated groups.

C&M spent a further R2,9 million on 44 bursary students, of whom 32 were from designated groups and 26 were female. In addition, 22 were full-time technical students, with 20 being from designated groups and 14 were female. There were no full-time students studying non-technical subjects. The remaining 22 were employees awarded part time bursaries, with 12 from designated groups and 12 were female.

Of the four interns that were selected for the internship programme in 2017, three were offered and accepted permanent positions at the Mining Services Division and have now completed the programme. A further five interns have been selected and will begin the programme during 2019. Four of the interns are Mining Engineering Graduates with the other being a Metallurgy Engineer.

In its fourth year since inception, the Knowledge Transfer Programme focuses on sharing the knowledge of experienced individuals to ensure that employees are suitably equipped and supported to drive the success of C&M. During the year under review, 15 employees completed the programme, of whom 10 were from designated groups and four were female. Further, a new group of 15 employees enrolled in the programme during the year and are expected to complete the programme in 2019, of whom 10 are from designated groups and one is female.

C&M is continuing with the focus on foreman and safety learnerships. During the year 20 employees completed the NQF 3 Construction Health and Safety Learnership, all from designated groups and three females. There are currently 22 employees enrolled in the same learnership, all from designated groups and 15 females. A further 42 employees are enrolled in the NQF 4 Supervision of Construction Processes, of whom 31 are from designated groups. There are also four employees enrolled in the NQF 5 Management in Civil Engineering, of whom none are from designated groups.

Initiatives

Various safety, health and environment (SHE) initiatives and programmes were implemented in the year under review, based on a rigorous, proactive safety management drive. One of these was a safety campaign — a behaviour-change programme that was implemented on various sites with positive results and will continue in the year ahead. Successfully implemented safety awareness campaigns included hand and finger injuries, road safety, heat stress, and HIV/Aids. In addition, the "Silly Season" campaign helped to reduce incidents around the festive period.

With its focus on proactive health and safety management, C&M can report 21 000 000 lost-time injury free hours and a LTIFR of 0,00. While the ultimate objective is zero harm, the LTIFR benchmark was set at 0,10 and bettered during the year. C&M's RCR is 0,38 — better than the benchmark of 0,50 set for the year.

Three company-specific health and safety programmes (S1, S2 and S3) have been developed, each with a specific focus area and target population. The S1 SHE induction programme was implemented and includes the Founder's Mentality and the Stefanutti Stocks Way — an induction that is compulsory for all employees. Still in the design phase, the S2 training programme for middle to top management includes Hazard Identification and Risk Assessment, Incident Investigation, Occupational Health and Safety Act, as well as Construction Regulations, Mine Health and Safety Act and Legal Liability.

The Leadership Engagement (LE) and Visible Felt Leadership (VFL) campaign has been successful. During Leadership Engagement Month, directors conducted as many engagements as possible, with positive feedback received from employees on site. Observations were captured and analysed on the internal S@S SHE system. Trends were then identified, and interventions were implemented where necessary.

The Safety Cadet Programme was successful once again and the latest intake of cadets have been placed on various sites to gain practical experience. All of the previous year's intake of cadets are operating as junior safety officers on various sites.

During the year, C&M was certified on the OHSAS 18001:2007 Safety Management System.

After reducing the environmental impact from operations, a drive was initiated to reduce waste across C&M's projects and offices. Waste avoidance measures are identified, with greener, more recyclable alternatives sent to landfills.

C&M has a substantially-reduced fresh water footprint and currently uses 37% recycled water, primarily for dust suppression. To further reduce water consumption, C&M is piloting waterless toilets, as traditional chemical toilets generate a significant amount of liquid hazardous waste.

Specific training interventions were implemented to ensure that employees, supervisors and management are well-versed in environmental requirements and standards. An internal environmental management training module was rolled out for SHE officers, while a secondary module was designed specifically for operational supervisors and site management. Furthermore, a weekly awareness programme has been successfully implemented to communicate environmental topics to all employees.

AWARDS, ACCREDITATIONS AND ACHIEVEMENTS

Awards

The Kingdom of Eswatini Quality Awards:

› Certificate of Recognition — First Runner Up: Eswatini Service of the Year — Large Enterprise; For Successful Quality Management Strategies and Activities; Construction Swaziland (Eswatini)

Accreditations

Roads & Earthworks:

› ISO 9001:2015
› ISO 14001:2015 certified under business unit
› OHSAS 18001:2007 certified under business unit

Mining Services:

› ISO 9001:2015 certified
› ISO 14001:2015 certified under business unit
› OHSAS 18001:2007 certified under business unit

Civils:

› ISO 9001:2015
› ISO 14001:2015 certified under business unit
› OHSAS 18001:2007 certified under business unit

Geotechnical:

› ISO 9001:2015
› ISO 14001:2015 certified under business unit
› OHSAS 18001:2007 certified under business unit

Training department:

› Will be certified in July 2019 under the business unit on the ISO 9001:2015 Standard
› ISO 9001:2008

Swaziland:

› ISO 9001:2015
› ISO 14001:2015 certified under business unit
› OHSAS 18001:2007 certified under business unit

Zambia:

› ISO 9001:2015
› ISO 14001:2015 certified under business unit
› OHSAS 18001:2007 certified under business unit

Botswana:

› ISO 9001:2015
› ISO 14001:2015 certified under business unit
› OHSAS 18001:2007 certified under business unit

Achievements

BUSINESS UNIT LEVEL

› C&M BU — 21 000 000 LTI-free hours

DIVISIONAL LEVEL

› Mining Services — 1 000 000 LTI-free hours
› Nigeria Division — 1 600 000 LTI-free hours
› Botswana Division — 1 500 000 LTI-free hours
› Swaziland Division — 5 600 000 LTI-free hours
› Coastal Division — 3 000 000 LTI-free hours
› Civil Division — 4 300 000 LTI-free hours
› Roads, Earthworks and Pipelines — 6 000 000 LTI-free hours

SITE LEVEL

› Mafube — 1 000 000 LTI-free hours
› Mareesburg — 1 700 000 LTI-free hours

Operational reviews

BUILDING

MANAGING DIRECTOR: HOWARD SCHWEGMANN

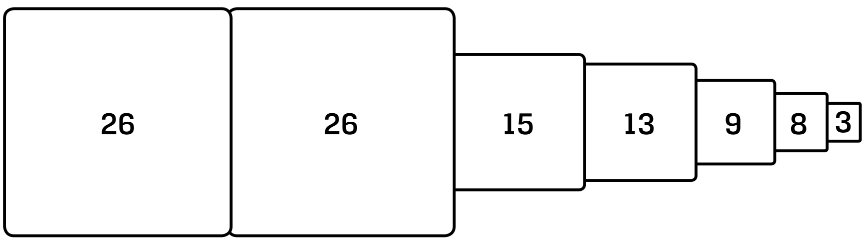
	ORDER BOOK	OPERATING MARGIN	LTIFR
2019	R3,5bn	–%	0,04
2018	R4,3bn	–%	0,10

CONTRACT REVENUE (RM)

2019	2018
3 353	4 373

OPERATING LOSS (RM)

2019	2018
(251)	(4)



TURNOVER BY SECTOR (%)

26	Factories and warehouses
26	Office and commercial
15	Residential
13	Energy generation
9	Tourism and leisure
8	Shopping and retail
3	Education

Select the correct team for the correct project

STRATEGIC FOCUS

ENSURE
all programme targets are achieved

LEADERSHIP
engagements and site visits by leadership team

ENSURE
all contracts remain cash positive

SEEK
alternative procurement opportunities

TARGET
international clients

CAREFUL
client/consultant selection

BE
on the front foot throughout the contract

CAPABILITIES

- Affordable housing
- Airport buildings
- Commercial buildings
- Education facilities
- Hospitals and medical facilities
- Hotels and convention centres
- Industrial warehouses, factories and distribution centres
- Interior fit-out
- Residential developments
- Selected project design and construction
- Shopping centres – new builds and upgrades
- Student accommodation
- Turnkey and alternate procurement

PERFORMANCE AND OUTLOOK

The building market in Southern Africa remained under significant strain due to a shortage of sizeable projects, resulting in the Building Business Unit's contract revenue reducing to R3,4 billion (restated Feb 2018: R4,4 billion). As a result of the provision raised in terms of IAS 37 as explained further on in this section, the operating loss is reported as R251 million (restated Feb 2018: operating loss R4 million). The profit of the equity-accounted United Arab Emirates operation is excluded from this result.

A provision has been made in terms of IAS 37: Provisions, Contingent Liabilities and Contingent Assets, for potential unrecoverable preliminary and general costs to complete a large public sector project in South Africa. The group is actively pursuing its contractual rights in terms of the dispute resolution process, as set out in the contract. In addition, the group is pursuing further contractual claims and compensation events on this same project.

The increasing incidence of work disruption by local communities and labour on a number of projects continues to negatively impact on the business unit's financial results.

The divisions within the Building Business Unit experienced mixed results. The Coastal and cross-border operations performed well. However, the Inland business operations have been negatively affected by a shortage of available work, resulting in losses due to unrecovered holding costs. Delayed payments from the government in the social housing sector continue to further impact this business unit's cash resources.

The Coastal Division has secured a satisfactory order book. There are opportunities in the industrial and commercial buildings, and transport infrastructure markets, particularly in the Western Cape.

The Mozambique Division once again delivered good results. While the short-term order book is satisfactory, low economic activity in the country gives rise to concern in the longer term. The much-anticipated liquefied natural gas infrastructure project in Northern Mozambique could offer relief.

The equity-accounted Al Tayer Stocks business in the United Arab Emirates delivered another good result. The operation has secured a quality order book for the forthcoming year.

Building's order book at February 2019 was R2,7 billion (Feb 2018: R3,3 billion) excluding the United Arab Emirates order book of R808 million (Feb 2018: R1,0 billion).

NOTABLE PROJECTS

The **Mercedes-Benz South Africa (MBSA) Body Shop** in East London commenced in July 2018 and is progressing very well, with final completion targeted for mid-November 2019. The building work comprises production space of 46 000m² as well as an office block measuring 2 000m². The business unit's capabilities in Building Information Modelling (BIM) helped to secure this project, which features innovative precast solutions thereby reducing programme time and lowering build costs.

The **Nedbank Office Block** at Park Square in Umhlanga Rocks was successfully handed over to the client and tenants. The building's office and retail area covers approximately 40 000m² and also boasts 45 000m² of parking space. To align with Nedbank's corporate emphasis on environmental matters, the building was constructed with environmental impact in mind by making the most efficient use of building materials, resources and energy.

In Cape Town, the fourth phase of the **Shoprite Cilmore Warehouse** project is on schedule and due for completion in July 2019. Having completed the construction of the refrigeration building in the prior year, the Western Cape Division has developed an excellent working relationship with the client and consultants on this prestigious development. All four phases have now been successfully executed for Shoprite, which saw the construction of about 150 000m² of warehouse space.

The **Junction Mall Shopping Centre** has been completed, with the client and tenants taking occupation within the centre's 24 500m² lettable area. The mall opened its doors to the public on 12 April 2019 in order to service the Phillipi Township in Cape Town. During its construction, the local community saw significant involvement and benefit as a large portion of sub-contractor work was undertaken by local residents.

In Gauteng, work is progressing on the **Devland and Carnival City Social Housing** projects for a black-owned property developer and asset manager. The project in Devland, Soweto comprises social housing units sized from bachelor to two-bedroom apartments, which are being constructed as three-storey walk-ups. The Carnival Gardens development, located near Carnival City in Boksburg, consists of one- and two-bedroom walk-up housing units.

Global beverage giant AB InBev awarded the new **Cervejas De Mocambique Greenfields Brewery** to SS Construcões, Mozambique. The greenfields brewery in Maputo includes more than 20 individual buildings and mechanical facilities, with the largest building being the pack hall and brewhouse, covering an area of 24 000m².

SS Construcões has recently completed its first fit-out project for the **Barclays Corporate Office** in Maputo. The contract consisted of the complete interior fit-out of 4 000m² in office space, spanning four floors.

The below projects relate to the interior fit-out business in the United Arab Emirates.

The **Meydan** multipurpose apartments and commercial development is programmed for completion June 2019. The building is a traditional concrete frame with post tensioned slabs and has a gross floor area of 34 250m². This includes 7 500m² of basement parking, 1 250m² of retail space, and 25 500m² of residential area over four floors. The envelope is an aluminium and glass curtain walling and laminam tile facade.

The **Atlantis** refurbishment project consists of reverting each of the 1 532 guest rooms, corridors and suites back to a basic shell. The bathrooms are re-waterproofed and tiled and all sanitaryware replaced. The bedrooms have new and refurbished joinery, new lighting and carpets, and a complete redecoration. This is all undertaken while the hotel continues to trade. While the original programme was to complete a floor every 55 days, this was achieved on a 35-day cycle. The project is due for completion in October 2019, five months ahead of programme.

The showroom for **Ferrari and Maserati** cars is due for completion in June 2019. The new 7 270m² facility consists of two basement floors, two car display floors and a top floor for offices. The front elevation of the external facade is a bespoke cladding system designed to mimic the front grille of a Maserati.

The office for the **Department of Finance** in Abu Dhabi is due for completion in June 2019. The office fit-out consists of eight floors, spanning 13 120m², of glazed and gypsum partitions, ceilings, joinery works, floor and wall finishes and all mechanical, electrical and plumbing works inclusive of security systems.

SUSTAINABILITY MATTERS

Skills development and training

The training and development of employees was a key focus area and aligns with the strategies in transformation, employment equity and succession planning. Total direct spend for the year was R3,3 million. Of those employees who received development training, 74% were from designated groups and employees who received management training, 79% were from designated groups.

The focus of Building's training spend during the year was again on specialised skills training, with categories including job-specific computer training; tertiary training towards further qualifications; safety, health environment and quality training; and leadership assessments.

The business unit is mentoring and developing its future generation of leaders and front-line managers to create a successful and sustainable human resource base.

A total of 34 full-time bursaries have been awarded. Of the recipients, 86% are from designated groups, with 21% of those being female. In addition, four part-time bursaries were awarded to existing employees, with 100% being from designated groups and 90% being female.

In addition, 13 experiential learning opportunities were offered, with 92% of recipients being from designated groups and 46% being female. A total of 17 learnerships were entered into during the year under review, with 100% of recipients being from designated groups and 18% being female. Of the 11 mentorships, nine were employees from designated groups and three were female.

Initiatives

To embrace the advancements in construction technology Building continues to grow its BIM capabilities. It is a powerful tool to improve the management of large and complex projects. The business unit has partnered with an international consultancy to train its teams in BIM applications.

From a health and safety perspective, the focus was to decrease Building's LTIFR. Through a combination of interventions that included leadership engagements at executive level and a behavioural change programme at lower levels, a LTIFR of 0,04 was achieved, an improvement from the previous year.

TOP PROJECTS BASED ON VALUE EXCLUDING VAT

Project name	Duration	Project value	Location
MBSA BODY SHOP (56%)	17 months	R708 million	Eastern Cape, RSA
NEDBANK OFFICE BLOCK — PARK SQUARE (80%)	24 months	R613 million	KwaZulu-Natal, RSA
AB INBEV — CDM GREENFIELDS BREWERY	9 months	R580 million	Mozambique
THE HOUGHTON HOTEL	30 months	R531 million	Gauteng, RSA
NELLMAPIUS SOCIAL HOUSING	64 months	R320 million	Gauteng, RSA
MASINGITA TOWERS SANDTON	21 months	R319 million	Gauteng, RSA
HIRT & CARTER PRINT PARK	21 months	R306 million	KwaZulu-Natal, RSA
MBSA J-SITE (58%)	19 months	R272 million	Eastern Cape, RSA
DEVLAND AND CARNIVAL CITY SOCIAL HOUSING	44 months	R262 million	Gauteng, RSA
THE JUNCTION MALL SHOPPING CENTRE	17 months	R253 million	Western Cape, RSA
SOMMERSHIELD FIT-OUT	6 months	R172 million	Mozambique

AWARDS, ACCREDITATIONS AND ACHIEVEMENTS

Awards

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

The National Master Builder Association made the following awards:

- First place: Durban Christian Centre (sites with a value between R75 million and R150 million)
- Second place: Kusile SSBRJV (contracts R500 million plus)
- Vice President's Shield (Health and Safety): Durban Christian Centre; Building KZN

The Regional Master Builder Association made the following awards:

SAFETY AWARDS

- Overall winning company: Stefanutti Stocks Building KZN (second year in a row)
- First place: Durban Christian Centre (sites with a value between R100 million and R250 million)
- First place: Kusile building project (sites with a value of >R750 million)
- Presidential Award: Park Square
- Highly Commended: Hirt & Carter; Triumph and Uniprint Park (sites with a value between R250 million and R400 million)
- Highly Commended: Park Square (sites with a value between R400 million and R750 million)
- Certificate of Recognition: Recognition of Participation as Marketing Partner; Building KZN
- Excellence in Construction: Southern Cross; Commercial/Industrial Alterations, Additions and Renovations (above R25 million); Building KZN & Ladysmith Construction JV
- Excellence in Construction Winner (Health and Safety): TSAM — Quantum Extensions; TSAM — Quantum Extensions
- Special awards: second place for Rewards Programme
- Award of Merit: Howard Schwegmann

Accreditations

Stefanutti Stocks Building accreditations:

- ISO 9001:2015
- ISO 14001:2004
- BS OHSAS 18001:2007

Stefanutti Stocks Building KZN accreditations:

- ISO 9001:2015
- ISO 14001:2015
- ISO 45001:2018

Stefanutti Stocks Building Western Cape accreditations:

- ISO 9001:2015
- ISO 14001:2015
- BS OHSAS 18001:2007

Al Tayer Stocks accreditations:

- ISO 9001:2015
- ISO 14001:2015
- ISO 45001:2018

A 5-Star Master Builder Association rating was awarded to the following projects:

- DCC (Durban Christian Centre)
- MBSA (Mercedes-Benz South Africa) Body Shop
- MBSA (Mercedes-Benz South Africa) Building 34
- Park Square
- Junction Mall
- Pegas Nonwovens Textile Production
- Klein D'Aria Private Estate
- Shoprite Cilmor Phase 3
- Paardevlei Lifestyle Estate
- CTIA Business Lounge
- Two Oceans Commercial Cold Store
- Western Cape Plant Yard

Achievements

BUSINESS UNIT LEVEL

- Building BU — 2 900 000 LTI-free hours

DIVISIONAL LEVEL

- Building Division — 5 200 000 LTI-free hours
- Namibia — 1 300 000 LTI-free hours
- Building KZN — 3 000 000 LTI-free hours
- Building Western Cape — 2 200 000 LTI-free hours

SITE LEVEL

- Masingita Towers — 2 700 000 LTI-free hours
- Houghton Hotel — 3 000 000 LTI-free hours
- SSBR Kusile JV — 1 400 000 LTI-free hours
- Park Square — 2 200 000 LTI-free hours
- Nellmapius Ext. 22 — 1 300 000 LTI-free hours
- Nellmapius Walk Ups — 1 100 000 LTI-free hours
- Flamwood Social Development — 1 200 000 LTI-free hours
- Matola Mall Main Contract — 1 400 000 LTI-free hours

The Building Business Unit also partnered with the Green Building Council South Africa.


MALDA PACK
MALDA PACK
MAERSK

Operational reviews

MECHANICAL & ELECTRICAL

MANAGING DIRECTOR: VINCE OLLEY

	ORDER BOOK	OPERATING MARGIN	LTIFR
2019	R537m	–%	0,05
2018	R790m	1,3%	0,06

CONTRACT REVENUE (RM)

2019	2018
1 209	1 023

OPERATING (LOSS)/PROFIT (RM)

2019	2018
(19)	13

59 41

TURNOVER BY SECTOR (%)

59 Mining infrastructure
41 Industrial plants and oils

Stay close to clients and understand their needs

STRATEGIC FOCUS

EFFECTIVE
leadership, senior management frequently engaging with front-line personnel

EMBED
the Stefanutti Stocks Way into culture

CONTINUED
emphasis on ensuring all programme targets are achieved

EARLY
detection of problems to allow management intervention and correction

ENSURE
that projects remain cash positive

PROVIDE
mentoring and training to personnel

CAPABILITIES

- Control system installation
- Design and build high rate water clarifier plants®
- Field instrumentation installation
- Material handling systems installation
- Mechanical equipment installation
- Structural steel fabrication and erection
- Switchgear and motor control centre installation
- Petrochemical and gas pipelines installation
- Petrochemical shutdown maintenance work
- Pipe spool fabrication
- Tank and tank farm construction
- Commissioning support and assistance
- Process piping systems installation
- Scaffolding, painting and insulation

PERFORMANCE AND OUTLOOK

The ongoing shortage of work in the traditional petrochemical and platinum-related surface mining infrastructure markets is negatively affecting the financial performance and order book of the Mechanical & Electrical Business Unit (M&E). During the year under review the divisions within M&E experienced mixed results notwithstanding an overall increase in turnover to R1,2 billion (restated Feb 2018: R1,0 billion). The previously reported claim against the Oil & Gas Division, by an international client, has been settled, the inclusion of which has resulted in this business unit declaring an operating loss of R19 million (restated Feb 2018: operating profit R13 million).

In South Africa, M&E secured projects in the coal and iron ore mining sectors. The business unit also executed work in the pulp and paper industry, with the potential to secure further projects. Oil and Gas projects were also undertaken.

During the year, the Electrical & Instrumentation Division (E&I) was incorporated into the Mechanical Division to optimise operating efficiencies. E&I was successful in obtaining work from beyond the traditional oil and gas sector — specifically in the local mining and pulp and paper sectors. The Mechanical Division performed well and achieved order book growth in both local and cross-border markets. This division successfully completed a project in Kenya and is nearing the completion of two projects in Ghana.

The financial performance of Oil & Gas was negatively impacted as a result of the settlement of the aforementioned claim by an international client.

The Oil & Gas Division concluded a number of major shutdown projects in Secunda. Subsequent to year-end, the division in joint venture with a specialist international company, secured a project for the fabrication and installation of fuel storage tanks for Transnet.

The arbitration relating to the cancellation of a petrochemical contract, scheduled for the first quarter of 2019, has been postponed due to a fundamental change in the client's defence. At this stage the financial impact thereof cannot be quantified.

M&E's empowerment partnership with Celik Engineering (Pty) Ltd (Celik) secured its first significant fabrication project during the year in the mining sector. KLB Mkhize (Pty) Ltd (KLB), an electrical and instrumentation empowerment partner, has secured maintenance work for a major local client in the oil and gas industry.

M&E's order book at February 2019 was R537 million (Feb 2018: R790 million).

NOTABLE PROJECTS

The **Ahafo Mill Expansion** project in Ghana, awarded in joint venture with M&E's local partner Wayoe Engineering and Construction Limited is progressing according to schedule and should be completed in July 2019. Components of this project include the supply and erection of three large carbon in leach tanks that are used in mineral extraction processes.

The **Subika Underground** project, also in joint venture with Wayoe Engineering and Construction Limited, provides the necessary increase in ore feed for the Ahafo Mill Expansion project. Underground production commenced in December 2018 and the surface installation was completed in February 2019. The successful completion of this project adds underground installation capabilities to M&E's service offering and provides a solid foundation to secure future work in West Africa.

The **Kumba Iron Ore** media separation project, at Sishen, was successfully completed and commissioned in September 2018. The project comprised a full, multidisciplinary offering including civil works, 550 tonnes of structural steel, 460 tonnes of mechanical equipment and 3 500m of piping supply, as well as the installation of all electrical and instrumentation works. The plant was constructed in a modular format and required detailed interface planning between different disciplines — all while working in a live operating plant environment. The Mechanical Division was the lead partner of the consortium team and successfully delivered a highly challenging project.

The **Exxaro GG2** project at Grootegeluk, in the Limpopo province, was awarded to the Mechanical Division and Celik consortium in April 2018. The project forms part of Exxaro's Grootegeluk 6 coal mine expansion project. This brownfield project includes work undertaken during two shutdowns, involving the removal and replacement of old equipment and materials, the supply and erection of new equipment that included 1 100 tonnes of steel and plate work and approximately 3 500m of piping. The project is scheduled for completion during 2019.

The **Amandelbult Chrome Recovery** project in the North West province was secured by Celik in 2018. The project will be completed in June 2019. The participation of Celik, as an emerging black-owned enterprise was an important aspect in securing the project. Celik was responsible for the fabrication of 590 tonnes of structural steel, 180 tonnes of plate work and the installation of 16 000m of high-density polyethylene and carbon steel piping.

In the **Sasol Secunda September 2018 shutdown**, the Oil & Gas Division successfully executed and completed four important projects. The work consisted of the fabrication and installation of a 78-inch stainless steel header, the associated pipework and several utility lines and also the replacement of baffle plates in two tanks. The success of this project was formally acknowledged by the client.

The **Nitro Treatment Plant** project at Sasol Nitro Secunda was awarded to M&E in April 2018. The scope of work on the contract involved various structural, mechanical, piping, electrical and instrumentation installations. The project included the fabrication and installation of 180 tonnes of structural steel, 162 tonnes of mechanical equipment, 7 300 diameter inches of welding in the fabrication workshop and 5 600 diameter inches of welding in the field. In addition, 16 000m of control cables and 3 000m² of piping insulation were installed. The contract was completed in April 2019.

SUSTAINABILITY MATTERS

Skills development and training

The training of artisans and the development of employees remains a top priority at M&E. During the year under review, 19 apprentices progressed through the various stages of their training, with nine successfully completing their trade test. The remaining trainees comprise two females and four males from designated groups, and four white males, one of whom is disabled.

During the year under review, 10 M&E employees were offered part-time bursaries. Two Human Resource Practitioners completed their qualifications.

Initiatives

The drive to broaden M&E's participation in the market for tank farm projects continued with the recent award of a contract with Transnet. Management capacity in this area has been bolstered and further tank farm tenders have been submitted.

During the year under review, the focus was maintained on marketing M&E's proprietary high rate clarifiers to the mining industry. To this end, several installations were successfully completed during the year.

In line with its strategy, M&E secured several cross-border projects. The cross-border competence which has been developed as a result of these projects will lay a sound foundation for further work of this nature.

M&E's empowered business partners Celik and KLB's B-BBEE credentials are expected to deliver further growth opportunities.

AWARDS, ACCREDITATIONS AND ACHIEVEMENTS

Awards

The Mechanical Division received awards for the following:

- The Kumba Iron Ore media separation project team was presented with a trophy from the client for the contractor with the best safety performance
- The Exxaro Grootegeluk 6 Expansion project was awarded a trophy for outstanding SHE performance

Accreditations

- OHSAS 18001:2007
- ISO 9001:2015

Achievements

BUSINESS UNIT LEVEL

- M&E — 2 800 000 LTI-free hours
- M&E achieved a LTIFR of 0,05 and a total RCR of 0,10

DIVISIONAL LEVEL

- The Mechanical Division has maintained its LTIFR of 0,00

The E&I Division received awards for the following achievements:

- The Sasolburg maintenance team received a recognition for SHE excellence from Sasol
- The Sasol shutdown projects were completed LTI-free
- The division maintained its LTIFR of 0,00
- The Sasol shutdown projects were completed by the Oil & Gas Division with no lost time injury

TOP PROJECTS BASED ON VALUE EXCLUDING VAT

Project name	Duration	Project value	Location
OXYGEN TRAIN 17	24 months	R573 million	Mpumalanga, RSA
EXXARO GG2	20 months	R255 million	Limpopo, RSA
EXXARO BRADFORD BREAKERS	20 months	R190 million	Limpopo, RSA
AMANDELBULT CHROME RECOVERY	12 months	R120 million	Limpopo, RSA
SASOL SHUTDOWN CONTRACTS	3 months	R100 million	Mpumalanga, RSA
NITRO TREATMENT PLANT	11 months	R95 million	Mpumalanga, RSA
AHAFO MILL REPLACEMENT	22 months	R300 million	Ghana
CTFE (E&I)	18 months	R90 million	Mpumalanga, RSA
AHAFO SUBIKA	18 months	R60 million	Ghana

Board of directors and Executive Committee

ZANELE MATLALA

RUSSELL CRAWFORD

MIKE SIKHAKHANE

JOHN POLUTA

MARK SNOW

BHARTI HARIE

ANTONIO COCCIANTE

HOWARD CRAIG	DERMOT QUINN	DEREK DU PLESSIS	KEVIN EBORALL	HOWARD SCHWEGMANN	WILLIE MEYBURGH	BUSISIWE SILWANYANA	VINCE OLLEY

Board of directors and Executive Committee

KEVIN EBORALL (74)

INDEPENDENT NON-EXECUTIVE CHAIRMAN

Qualifications: Nat Dip Prod Eng (Industrial Engineering)

Appointed: July 2007

Length of service: 12 years

Stefanutti Stocks board committee memberships: Chairman, NOMCO 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.

ZANELE MATLALA (55)

INDEPENDENT NON-EXECUTIVE

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

Appointed: February 2012

Length of service: seven years

Stefanutti Stocks board committee memberships: ARCO Chairman

External board committee memberships: Executive director Merafe Resources Limited (CEO), RAC Limited, Dipula Income Fund, Royal Bafokeng Platinum Limited

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.

DERMOT QUINN (67)

INDEPENDENT NON-EXECUTIVE

Qualifications: BScEcon, CA(SA)

Appointed: June 2015

Length of service: four 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 (59)

INDEPENDENT NON-EXECUTIVE

Qualifications: BSc (Civil Engineering), GDE

Appointed: April 2015

Length of service: four years

Stefanutti Stocks board committee memberships: S&E member, REMCO Chairman

External board committee memberships: Chairman ARCO and Governance Committee of PPP Holdings (Mauritius), Chairman Ruimsig Country Club Governing Board

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 and industrial projects across Africa.

JOHN POLUTA (47)

INDEPENDENT NON-EXECUTIVE

Qualifications: BCom, BAcc, CA(SA)

Appointed: July 2017

Length of service: one year and 11 months

Stefanutti Stocks board committee memberships: ARCO 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 (48)

INDEPENDENT NON-EXECUTIVE

Qualifications: BA, LLM

Appointed: April 2018

Length of service: one year and two months

Stefanutti Stocks board committee memberships: ARCO member, REMCO 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 as head of the Corporate Funding and International Finance departments.

BUSISIWE SILWANYANA (46)

INDEPENDENT NON-EXECUTIVE

Qualifications: BCom (Hons), CA(SA), MBA

Appointed: April 2018

Length of service: one year and two months

Stefanutti Stocks board committee memberships: S&E Chairman, ARCO member

External board committee memberships: YeboYethu (RF) Limited

Skills and experience:
Executive Director of Hugiano Health Group (Pty) Ltd. Spent 15 years in banking across both Corporate and Investment Banking and Business Banking divisions. Initially spent time at ABSA Corporate & Investment Banking. Subsequently joined Standard Bank Group's Corporate & Investment Banking, spending about 10 years across the Johannesburg and United Kingdom offices with responsibilities in Structured Finance, serving as an executive. Over a four-year tenure at Standard Bank Group's Business Banking, held a number of senior positions, was an executive heading the Leading business, the Mid-corporate, Medium-enterprises and Franchising segments. Then joined Royal Philips NV Africa in Johannesburg, spent three years heading Philips Capital business covering Africa. Previously served as a member of the SAICA Education Committee and as director on the board of SAICA's Thuthuka Education Upliftment Bursary Fund.

WILLIE MEYBURGH (65)

CHIEF EXECUTIVE OFFICER

Qualifications: National Diploma Civil Engineering, BCom

Appointed: April 1996

Length of service on the board: 12 years

Stefanutti Stocks board committee memberships: attends meetings 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.

RUSSELL CRAWFORD (55)

CHIEF EXECUTIVE OFFICER (DESIGNATE)

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.

ANTONIO COCCIANTE (49)

CHIEF FINANCIAL OFFICER

Qualifications: BCom (Hons), CA(SA)

Appointed: June 2015

Length of service on the board: three years and nine months

Stefanutti Stocks board committee memberships: attends meetings 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).

VINCE OLLEY (56)

MANAGING DIRECTOR MECHANICAL & ELECTRICAL

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

Appointed: March 2012

Skills and experience:
28 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 (53)

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 30 years' human resources experience. Five and a half 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 (59)

GROUP RISK OFFICER

Qualifications: BCom (Hons), CA(SA)

Appointed: November 2012

Stefanutti Stocks board committee memberships: Attends meetings 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.

HOWARD SCHWEGMANN (57)

MANAGING DIRECTOR BUILDING BUSINESS UNIT

Qualification: National Higher Diploma Construction Management

Appointed: June 2018

Skills and experience:
Qualified in 1984 and has been in the construction industry for 37 years: 21 years with Group Five, three years with JT Ross and 13 years with Stefanutti Stocks. Managing Director of the Coastal Building Division for the last eight years and appointed as the Building Business Unit Managing Director in June 2018.

DEREK DU PLESSIS (61)

MANAGING DIRECTOR CONSTRUCTION & MINING

Qualification: BCom Bus Admin

Appointed: September 2018

Skills and experience:
Over 38 years' experience in the civil engineering construction industry. Joined the group in 2003 as General Manager in Swaziland (Eswatini). Appointed as director in Eswatini 2006. Appointed Managing Director of the Eswatini group in 2009. Appointed as SADC Managing Director in January 2004 and as the Construction & Mining Managing Director on 1 September 2018 and joined the EXCO on the same date.

Corporate governance report

CHIEF EXECUTIVE OFFICER

BOARD OF DIRECTORS AS AT 19 JUNE 2019

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

Annual meetings: 4

The board's duties are summarised below and in the board charter, as set out on page 46

EXECUTIVE COMMITTEE

Members:
W Meyburgh, R Crawford, A Cocciante, M Snow, M Sikhakhane, D du Plessis, H Schwegmann, 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:
HJ Craig (Chairman), KR Eborall, B Harie, 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 to stakeholders in the integrated annual report

NOMCO

Members:
KR Eborall (Chairman), HJ Craig, B Harie, 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, CFO and non-executive directors

AUDIT, GOVERNANCE AND RISK COMMITTEE

Members:
Z Matlala (Chairman), B Harie, JM Poluta, BP Silwanyana

Annual meetings:
4

Regular invitees:
DG Quinn, board Chairman, CEO, CFO, Group Risk Officer, Group Financial Manager, 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:
BP Silwanyana (Chairman), HJ Craig, W Meyburgh, M Sikhakhane

Annual meetings:
3

Regular invitees:
CFO, Group Risk Officer, Group Financial Manager

Duties:

- Monitoring and ensuring the company's compliance with section 72 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

Notes

1. ME Mkwanazi retired at the AGM on 8 August 2018.
2. HJ Craig was appointed as chairman of REMCO on 8 August 2018 and stepped down as a member of ARCO on the same date.
3. B Harie and BP Silwanyana were appointed as members of ARCO on 8 August 2018.
4. B Harie was appointed as a member of REMCO on 27 June 2018.
5. BP Silwanyana was appointed as a member on 11 May 2018 and as chairman of the S&E Committee on 8 August 2018.

It is the responsibility of the Stefanutti Stocks board of directors and executive management to ensure that the group applies and adheres to the principles of good corporate governance.

While the board is ultimately responsible for the group's performance, delegating authority to its board committees is essential. The board is cognisant that delegating authority does not absolve it or its directors in any way from the duty to execute their obligations and responsibilities towards the group.

APPLICATION OF KING IV

The four governance outcomes set out by the King IV Report on Corporate Governance for South Africa, 2016 (King IV) are as follows: 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.

A multidisciplinary team comprising finance, risk, human resources, information technology and company secretarial again evaluated the company's application of King IV and further progress was made on aspects being satisfactorily applied. This will continuously be assessed and reviewed.

LEADERSHIP

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

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

The board's responsibilities and terms of reference are detailed in the formally-adopted board charter and are reviewed annually. The purpose of the charter is 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 judgement, 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. In line with King IV, performance evaluations of the board and committees are conducted every two years and as an extension to the formal evaluations, the Chairman has individual discussions with each board member.

All necessary information, including a detailed board pack, is provided to directors timeously, to ensure that board members can make objective and informed decisions and discharge their responsibilities. When required, the company's MOI allows for decisions to be taken between board meetings by way of written resolution.

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

The group holds an annual strategy session, in which all board members participate. 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

At each board meeting, the required notification and disclosure by directors to the company of their interests is a standard agenda item. Post 28 February 2019 to date, there have been no material changes to the directors' interests. 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 business ethics and conduct

The standards of integrity, ethics and professional behaviour to which the group must adhere, are articulated in its code of business ethics and conduct. These are underpinned by the group's values as disclosed on page 3. The management, implementation and execution of codes of conduct and ethics policies is delegated and managed via ARCO.

The manner in which stakeholders must be treated and managed is described in the code. The group's stakeholders include customers, business partners, suppliers, government and communities.

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

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

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

A summary of the code of business ethics and conduct is displayed on the group's intranet and the group's website.

Supplier contracts

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

Share dealings

Directors must obtain clearance from the CEO or, in his absence, from the Chairman before they may trade in the company's securities. Before the Chairman may trade in the company's securities, clearance is required from the CEO or the designated director.

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

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 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 ethically.

The committee has instituted appropriate policies and programmes to contribute to social and economic development, ethical behaviour of staff towards fellow employees and other stakeholders, fair labour practices, environmental responsibility and good customer relations. The ultimate responsibility in these matters remains with the board, regardless of any delegated authority.

Refer to page 53 for more information on the S&E Committee.

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 structure focus on strategy, performance monitoring, governance and related matters. To assist board members in making objective and informed decisions, management ensures that they are provided with all relevant information and facts. Key policies and financial budgets that support the group's strategy are approved and monitored against agreed performance measures and targets, at each meeting.

The board debates and approves the strategy prepared by management at its annual board strategy session. This covers focus areas such as 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 and these are categorised according to the material effects they may have on strategic operations. To help guide and define the group's material issues, stakeholder engagement takes place through various formal and informal channels.

Separate reports throughout this report provide detailed information on the company's risks, strategy, business model, performance and sustainability.

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 integrity of the integrated annual report and all other significant reports issued by the group is safeguarded by the board. During the approval process of the integrated annual report, the board assesses and confirms management's grounds for establishing materiality, which supports the base of deciding material information to be disclosed .

The group's direction and approach with regard to reporting is set by ARCO and includes the entire integrated annual report and annual financial statements. The S&E Committee manages and overlooks the reporting of non-financial matters. REMCO oversees the remuneration and implementation reports. All of these committees ensure that reporting framework requirements are met which follows relevant legal and statutory requirements as well as the six capitals model consisting of human capital, social and relationship capital, natural capital, financial capital, manufactured capital and intellectual capital. Further information on the capitals can be found on page 4.

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

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

The CEO, CFO and the EXCO members participate bi-annually in a roadshow where the group's performance and strategy are presented and discussed with 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. Interaction with the media also takes place on an ad hoc basis.

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, which has been aligned to King IV, codifies the board's composition, appointment, tenure, rotation, authorities, responsibilities and processes. It defines and clarifies the fiduciary duties and roles of the directors.

Besides the responsibilities set out in the Companies Act and King IV, the board's additional duties as detailed in the charter are:

- 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 regard 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 available to 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. Members of the board have access to the external auditors when necessary, which 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 for the year.

PROFESSIONAL ADVICE

The board charter provides that all directors may seek independent professional and legal advice on any matters relating to the group, at the group's expense and 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 financial year-end, the board comprised eight directors (2018: eight directors). Bharti Harie and Busisiwe Silwanyana were appointed as independent non-executive directors on 13 April 2018. Mafika Mkwanazi retired at the AGM on 8 August 2018. John Poluta was appointed as an alternate director to Busisiwe Silwanyana with effect from 8 August 2018.

Six directors are non-executive directors of which five 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. Dermot Quinn (former CFO) was a non-executive director until 28 February 2019, and became an independent non-executive director on 1 March 2019 having served a cooling-off period of three financial years.

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 adequate capacity. During the review process, any shortfalls in skills and experience are identified and addressed. In this regard, Bharti Harie and Busisiwe Silwanyana were appointed as independent non-executive directors to strengthen the board's skills and diversity. 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's board diversity policy 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.

The individual board members offer a wide range of relevant knowledge, expertise, commercial and technical experience and business acumen that allows each of them to exercise independent judgement in board deliberations and decision-making. Refer to page 42 for a brief curriculum vitae for each of the directors.

BOARD CHAIRMAN

The board has been chaired by Independent Non-executive Director, Kevin Eborall, who has been with the group since 2007 as a non-executive director. His report as Chairman is set out on page 12.

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 the Chairman does not attend the S&E meetings, the Chairman 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 the performance of the board Chairman.

INDEPENDENCE

The directors' independence is assessed annually taking into consideration the JSE Listings Requirements, the Companies Act as well as King IV. Their independence was confirmed by REMCO in terms of the King IV independence requirements, which considers 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.

The board 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.

All members are required to declare any conflict of interest at the beginning of each board or committee meeting.

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

One-third of the board (other than the executive directors) is subject to retirement and re-election by rotation annually in terms of the company's MOI, and the retirement roster, which the REMCO and board reviews.

Mafika Mkwanazi retired by rotation at the company's AGM held on 8 August 2018 and did not offer himself for re-election. Howard Craig, Dermot Quinn and Kevin Eborall were re-elected at the 2018 AGM, while the appointments of Bharti Harie and Busisiwe Silwanyana were confirmed.

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 retires at the 2019 AGM and has not offered himself for re-election. Zanele Matlala retires by rotation and has offered herself for re-election.

Willie Meyburgh retires at the 2019 AGM and Russell Crawford will be appointed as CEO of the group on the same date.

MEETING ATTENDANCE

Board member	Board	ARCO	REMCO	S&E
Chairman	KR Eborall	ZJ Matlala	HJ Craig	BP Silwanyana
Number of meetings	5	4	3	3
KR Eborall	5/5	4/4^	3/3	n/a
W Meyburgh (CEO)	5/5	4/4^	3/3^	1/3
AV Cocciante (CFO)	5/5	4/4^	3/3^	3/3^
HJ Craig	4/5	3/3*	1/1	3/3
ZJ Matlala	5/5	4/4	n/a	n/a
ME Mkwanazi (Retired 8 August 2018)	4/4	3/3	2/2	n/a
JM Poluta (Alternate to B Silwanyana)	4/5†	4/4	n/a	n/a
DG Quinn	5/5	4/4^	3/3	n/a
B Harie (Appointed 13 April 2018)	4/4	2/2	1/1	n/a
BP Silwanyana (Appointed 13 April 2018)	4/4	2/2	n/a	2/2

n/a Not applicable. ^ By invitation. † Permanent invitee. * Not part of committee since 29 October 2018.

SUCCESSION PLANNING

REMCO is responsible for reviewing 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. REMCO also regularly reviews and gives guidance to the board on the succession plans of the group.

Plans are in place for emergency cover situations.

NEW APPOINTMENTS

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

When appointing a new board member, a formal panel interview is undertaken with 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 AGM are confirmed at the coming annual general meeting. In addition, the board appointed Bharti Harie and Busisiwe Silwanyana as independent non-executive directors on 13 April 2018. Their appointments were confirmed at the AGM held on 8 August 2018.

Non-executive directors do not have service contracts but rather letters of appointment that 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

Group-specific induction programmes are presented to all newly appointed directors, which has been approved by the REMCO. This programme assists new directors to fully appreciate and comprehend the complexities of the group's businesses and be able to make informed contributions to board deliberations as soon as possible. This programme is coordinated by the company secretary.

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

As it is not deemed necessary at this stage, there is no formal board mentorship programme within the group, 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 of directors is ultimately responsible for the performance and affairs of the group and is conscious of the fact that any delegation of its duties is not an abdication of the board members' responsibilities.

The board has constituted various committees to assist it with meeting its duties and responsibilities and to effectively establish its decision-making process. The committees provide accurate, relevant and timely information to the board. All company-related information, records and documentation are available to all committee members.

The following committees have been formally constituted by the board:

- ARCO
- REMCO
- NOMCO
- S&E

The detailed terms of reference have been formulated and guided by the Companies Act and King IV which have in turn 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. All three committees' terms of reference have been aligned to King IV.

The purpose, membership, duties and reporting procedures for each board committee and the extent of their decision-making powers, delegated authorities and tenure are defined in the formalised terms of reference. The committees do not have a fixed tenure and remain established for so long as the relevant legislation applies.

Each committee acts within the boundaries 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 every second 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.

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

Verbal reports on committee activities are provided to the board by committee chairpersons and the minutes of committee meetings are made available to the board. There is transparency and full disclosure from the committees to the board. The chairpersons of the committees or a nominated committee member also attend the company's AGM to respond to questions posed by stakeholders pertaining to the relevant matters handled by their respective committees. Minutes are taken of all meetings and the auditors have access to the minutes. Shareholders also have access to the AGM minutes. Issues are discussed openly and with candour.

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 unfettered 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.

In June 2019, an internal self evaluation effectiveness review was conducted in respect of the board, ARCO, REMCO and the S&E Committee. The outcome of the review indicated that the board and committees are operating effectively, with only minor areas for improvement.

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 delegated authority to run the business of the group and oversees the management of operations and finances of the group. The formal delegation of authority is provided by the board and is reviewed annually.

The CEO reports back to the board, at board meetings, in respect of the adequacy of key management functions. The CEO is not a member of REMCO, NOMCO or ARCO but attends as a permanent invitee. The CEO is a member of the S&E.

With the assistance of the EXCO, the CEO, devises the company's strategy and vision, which is recommended to and ultimately approved by the board together with the group's annual business plans and budgets which ensures the group's long-term sustainability and profitability.

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

William Somerville, aged 62 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 responsibilities include the following:

- Ensures corporate governance processes at holding company level, regular company secretariat services are adhered to and attends all board and committee meetings as secretary.
- Assists the board and its committees, as required, in preparing annual plans, agendas, minutes, and terms of reference and he 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.
- Reports to the board Chairman on governance matters and to the CFO on general company secretarial matters. 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 board has primary responsibility for the appointment and removal of the company secretary, as 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.

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. 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.

There is no independent external assurance of the risk management function.

For more information on risk management, refer to page 9 of this integrated annual report.

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

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 assists the board in carrying out its oversight responsibilities. 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 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.

External service 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 various organisations on a needs basis. 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. Crucial laws and their 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.

An extensive remuneration report detailing remuneration information in three parts, including the remuneration policy and implementation thereof is set out on page 58 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 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 reviews 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.

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.

Non-compliance with group procedures, although not material, were discussed with management and the existing controls were reinforced with the relevant staff. Management has applied new controls and enhancements to existing controls, where necessary.

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 financial period.

Please refer to the ARCO report on page 55 of this integrated annual report.

INTERNAL AUDIT

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

The internal audit charter remained unchanged and there were no material amendments to the Internal Audit function's role, duties and reporting line of the Group Internal Audit Manager.

Please refer to the ARCO report on page 55 of this integrated annual report.

ASSURANCE

This integrated annual report as well as any non-financial information has not been independently assured, however, the group's consolidated and separate financial statements are externally assured. The group reviews all internal and external assurances already in place and coordinates this with its risk management procedures and has implemented a combined assurance model as depicted in the diagram on page 52.

Combined assurance model

First line of defence

The first line of defence covers overall management oversight including strategic implementation, performance measurement, risk management, and other control and governance processes. This is mainly executed by the board, EXCO and the numerous business unit managers.

Second line of defence

The group's second line of defence is supplied 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

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 provides the third line of defence. The Audit Committee is predominantly responsible and is supported by internal audit, external audit, as well as certain specialised areas of assurance such as ISO auditors for quality, environment as well as health and safety audits.

The board assesses the output of the group's combined assurance with objectivity and professional scepticism, and by applying an enquiring mind, to form their own opinion on the integrity of information and reports, and the degree to which an effective control environment has been achieved.

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 wide range of stakeholders, including its 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.

Kindly refer to page 6 of this integrated annual report for further information pertaining to stakeholder engagement.

COMBINED ASSURANCE MODEL

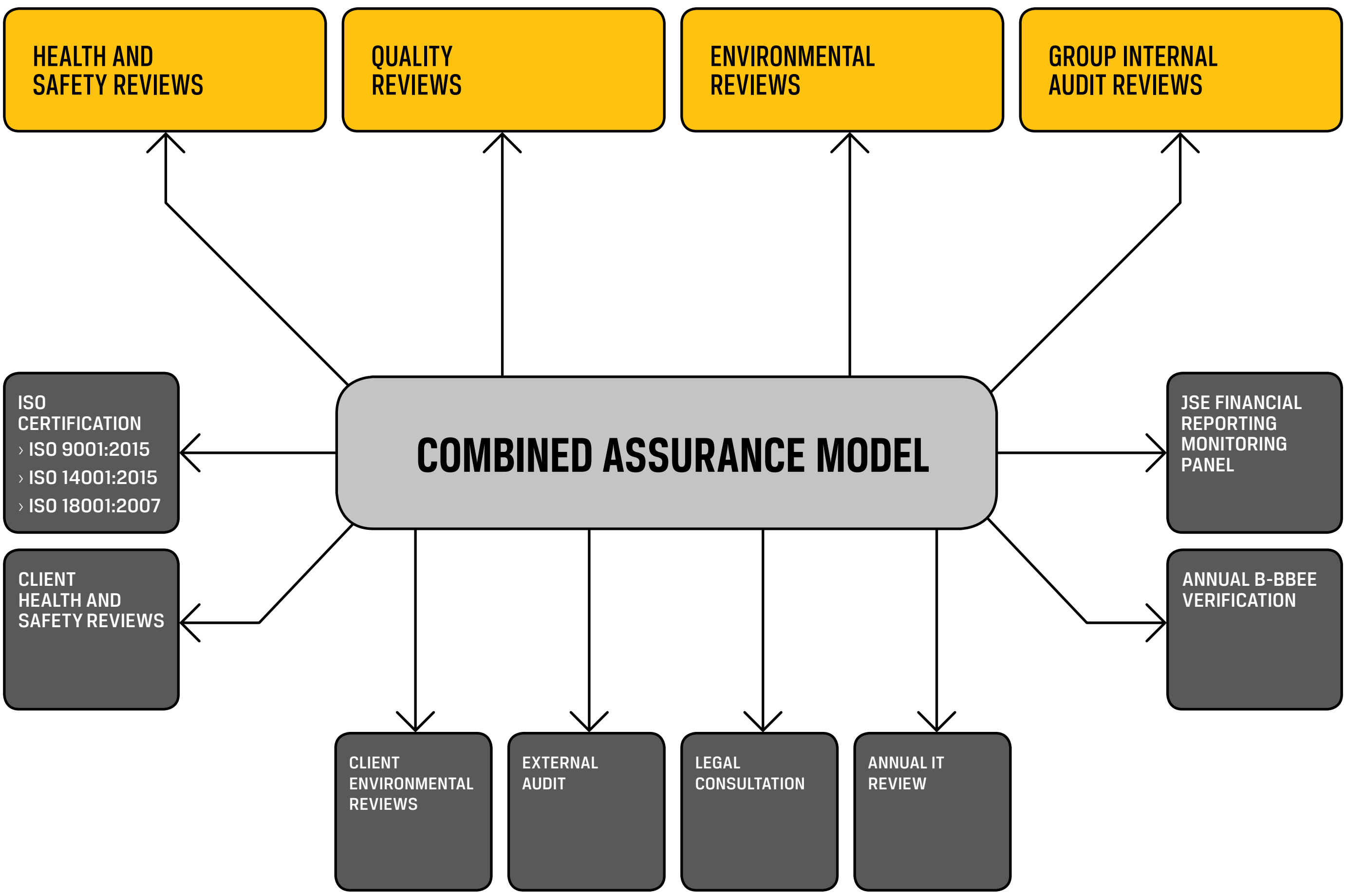
1ST LINE OF DEFENCE
- Board
- EXCO
- Executive management

2ND LINE OF DEFENCE
- Line management
- Quality and safety reviews

3RD LINE OF DEFENCE
- External accreditation
- Internal audit
- External audit

ASSURANCE PROVIDERS

Internal assurance provider   External assurance provider



Social and ethics committee report

INTRODUCTION

The S&E Committee (the 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, Busisiwe Silwanyana and further comprises the CEO, Willie Meyburgh, Independent Non-executive Director, Howard Craig and the Human Resources Executive, Mike Sikhakhane. The CFO, Group Risk Officer and Group Financial Manager 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 42. Ms Silwanyana 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 48.

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, EE 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;
- Receives reports on a confidential basis from the whistle-blowing line;
- 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

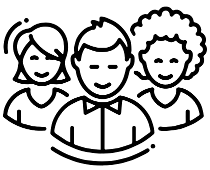
Busisiwe Silwanyana
Chairman

19 June 2019

FOCUS AREAS

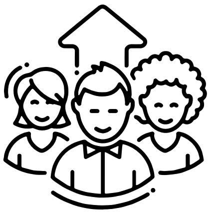
2019	2020
› Conducted meetings in terms of the committee's annual work plan › Reviewed and approved changes to various group policies, in particular CSI, EE, code of business ethics and conduct, social media and conduct › Established transformation workshop attended by executive management and board 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 › Monitored stakeholder engagement	› Approval of annual work plan for the committee › Review and monitor progress of group B-BBEE scorecard against Construction Sector Charter › Resetting of EE 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 › Review the company's status relative to King IV regarding the areas of responsibility of the S&E Committee › 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 was **10 746** employees, excluding temporary employment service employees. **7 577** employees were locally based, while **3 169** were based beyond South African borders. A further **1 140** temporary employment service employees were engaged locally.



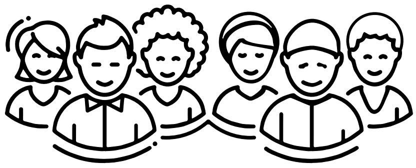
DEVELOPING OUR PEOPLE

The group invested **R20,8 million** (2018: R27,3 million) in skills development and training, despite challenging operating conditions.

The Stefanutti Stocks Academy offers internal training to employees which focuses on operator training, tailings operations and construction skills training, as well as other staff development initiatives as required by the business units.

The Stefanutti Stocks Academy is **ISO 9001:2008** certified and is accredited with the Mining Qualifications Authority (MQA), Construction Education and Training Authority (CETA) and the Manufacturing, Engineering and Related Services Sector Educations and Training Authority (MERSETA).

The group also supports other forms of training such as bursaries, apprenticeships and learnership programmes.



TRANSFORMED AND DIVERSE ORGANISATION

The group remains committed to the principles and implementation of 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.

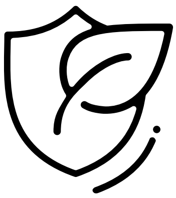
The group's current scorecard, dated July 2018, is the first scorecard based on the Construction Codes of Good Practice that was promulgated on 1 December 2017. Stefanutti Stocks's contributor status improved from a Level 4 to a **Level 2** and it is expected that this status will further improve with the next assessment.

ZERO HARM

HEALTH AND SAFETY

Management and staff remain committed to enhanced health and safety policies and procedures and together strive to constantly improve the group's safety performance.

The group's Lost-time Injury Frequency Rate (LTIFR) at February 2019 was **0,02** (Feb 2018: 0,11) and the Recordable Case Rate (RCR) was **0,36** (Feb 2018: 0,54).



ENVIRONMENT

The group's environmental framework is founded on six pillars, namely: carbon emissions, energy, materials, waste, water and credible information. These are measured and reported on from a project level to each business unit and thereafter to group. All group initiatives are developed to avoid, reduce, recycle and reuse, wherever possible or practical.

The drive and dedication of top management to ensure the implementation of an effective and tailored environmental management system continues to yield lean and cost-effective controls, which are in touch with how business is being carried out in the current economic conditions.

The **ISO 14001:2015** Management System certification was achieved by 75% of all business units and divisions with the remainder scheduled for certification in the next year.

Audit, governance and risk committee report

This report is provided by the ARCO (the committee), appointed in respect of the 2019 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 44 to 52 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 the company's solvency and liquidity and going concern status;
- 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 and noted the independence of the internal audit function;
- 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, the risk register and recommended risk mitigation measures;
- Considered the tax risk report and significant tax matters;
- Oversaw insurance arrangements;
- Considered reports on major contracts;
- Oversaw IT governance;
- Advised and updated the board on issues ranging from accounting standards to published financial information;
- Conducted a detailed review of IFRS 9: Financial Instruments, IFRS 15: Revenue from Contracts with Customers and IFRS 16: Leases and the impact of these accounting standards on the company;
- Nominated the external auditors and the designated audit partner for reappointment by shareholders at the annual general meeting, as required by the Companies Act and the JSE Listings Requirements;
- Evaluated the finance function and expertise and experience of the CFO;
- Reviewed the King IV gap analysis and the application of the 16 principles;
- Approved materiality for the group consolidated financial statements in terms of IFRS Practice Statement 2 – Making Materiality Judgements;
- Considered proposed changes to the JSE Listings Requirements, the Companies Act and King IV; 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 2019 financial year and shareholders appointed its members at the AGM, which was held on 8 August 2018. Shareholders will be requested to approve the appointment of the committee members for the 2020 financial year at the annual general meeting that is scheduled for 12 August 2019.

The committee is chaired by Zanele Matlala, an independent non-executive director, and comprises a further three independent non-executive directors, namely, Bharti Harie, Busisiwe Silwanyana and John Poluta (alternate to Independent Non-executive Director Busisiwe Silwanyana).

Meeting invitees include the board Chairman, CEO, CFO, Group Risk Officer, Group Financial Manager, external and internal auditors as well as Dermot Quinn, a non-executive director, who is a permanent invitee of the committee. Dermot Quinn became an independent non-executive director on 1 March 2019 having served a three financial year cooling off period. The company secretary acts as secretary to the committee.

The board has satisfied itself that the committee members are suitably skilled, have the correct expertise and experience, are independent and are qualified to fulfil their duties. Abridged biographies of the members are published on page 42.

Meetings

The committee held four meetings during the year. Attendance at these meetings is shown in the table set out on page 48 of the corporate governance report. During the year, the committee met in private with the external auditors.

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 50 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;
- ICT 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 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.

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 2020 financial year.

COMMITTEE FOCUS AREAS

The focus areas for the year under review:

- Solvency and liquidity
- Funding
- Debtors
- Material contracts
- Working capital
- King IV

The focus areas for the coming year:

- Solvency and liquidity
- Funding
- Debtors
- Material contracts
- Working capital

CFO

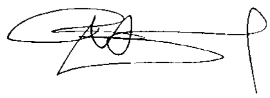
As required in terms of the JSE Listings Requirements, the annual evaluation of the finance function and the CFO was duly undertaken, and the committee is satisfied that the CFO, Antonio Cocciante, has the appropriate qualifications, expertise, skills and experience to meet the responsibilities as CFO. The committee has also satisfied itself that the 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.

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 2019, 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 2019, 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 2019 for approval to the Stefanutti Stocks board. The board has approved the report, which will be open for presentation at the forthcoming AGM.

On behalf of the ARCO



Zanele Matlala

Chairman

19 June 2019

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 2019 (FYE 2019).

Members from REMCO, together with the CFO, engaged directly with the group's major shareholders, including both those who voted for and those who voted against the remuneration policy at the 2018 Annual General Meeting (AGM).

Consistent with previous years, this was done towards the end of the calendar year, by way of telephonic communication and thereafter, one-on-one meetings where requested.

The matters raised by shareholders have been considered and appropriately addressed 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 compiled 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's 2018 AGM was held on 8 August 2018, and ordinary resolution No. 12, to approve the company's remuneration policy, was passed with a 74,07% majority:

Votes for:	87 595 014	74,08%
Votes against:	30 650 491	25,92%
Total shares voted:	118 245 505	100,00%
Votes abstained:	80 380	

Ordinary resolution No. 13, to approve the company's implementation report, was passed with an 80,94% majority.

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 both the macro and micro environments facing the company and its management.

A. COMPOSITION

At year-end the committee consisted of:

› **HJ Craig (Chairman) –** Independent non-executive director

› **KR Eborall –** Independent non-executive director

› **DG Quinn –** Non-executive director

› **B Harie –** Independent 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, with any proposed changes submitted to the board for approval. 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. There were no changes to the terms of reference for FYE 2019.

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, including 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 diversity policy, which covers both race and gender, to the board;

› Ensuring the principle of equal pay for equal work is applied in 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. The REMCO is chaired by an independent non-executive director (Howard Craig) whilst 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;
- Taking into account the board diversity policy (which deals with race and gender at board level) whenever the board's composition is renewed (at least annually) and also whenever a new appointment to the board is under consideration;
- 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 three 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 implementation report, and submission thereof to shareholders for a non-binding advisory vote at the 2018 AGM;
- The review of the executive directors' incentive scheme (EDIS), comprising:
  a. Short-term Incentives (STI)
     i. No short-term incentive payments were made to executive directors in terms of both financial performance and personal objectives for FYE 2019.
  b. Long-term Incentives (LTI)
     i. No long-term incentive awards were earned by the executive directors relating to FYE 2019;
- No changes were made to the EDIS;
- The review of the succession policies and plans for the executive directors and the EXCO;
- Noted that the LTI measure for total shareholder return (TSR) of the company for FYE 2019 achieved a top ranking of 1 out of 7 (FYE 2018: 6 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);
- No annual salary increases were granted, with effect from 1 March 2019. This included executive directors, company directors and all general salaried staff;
- The average annual increase for hourly paid employees, determined under the industry bargaining council in September 2018, was 7,5%;
- 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;
- 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 that Mr ME Mkwanazi had undertaken to retire at the 2018 AGM, and not offer himself for re-election;
- Noting that with the retirement of Mr Mkwanazi, it was recommended that his alternate, Mr JM Poluta, be appointed alternate director to Ms BP Silwanyana, and that;
- Mr HJ Craig be appointed chairman of REMCO;
- 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 until the conclusion of the 2019 AGM, noting his age of 74 years;
- The approval of 21st Century as external advisors to the committee and positive finding as to their independence.

Attendance at these meetings is shown in the table set out on page 48.

2. Areas of focus for FYE 2020

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 approval of the independent external advisors to the committee; and
- The continued interaction with major shareholders regarding the company's remuneration policy and principles.

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 the company's 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 the respective 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.

Base 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 dependent 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 and the board.

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

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 2019 (FYE 2018: 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 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.
  - A linear sliding scale apportionment is applied between threshold and stretch targets.
- 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 ROE meeting WACC, the full amount calculated under the OP metric above 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.
- The maximum STI payable to executive directors is limited to 250% of TFP (FYE 2018: 250% of TFP).

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.

Should the operating profit margin fall below the minimum threshold, currently 1%, no amounts are payable in terms of personal performance awards.

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)

There were no changes made to the metrics for the FYE 2019.

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. The maximum LTI payable to executive directors is therefore 200% of TFP.

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 consecutive 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.

iii. REMCO discretion

When evaluating executives' performance in terms of variable remuneration, REMCO also considers any 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.

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, any company shares required to meet the FSP, and approved by the board, 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, in any one year, to which an executive, a company or 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 executive, company or 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 for FYE 2019, based upon the reported FYE 2019 results.

The LTI measure for Total Shareholder Return of the company for FYE 2019 achieved a top ranking of 1 out of 7 (FYE 2018: 6 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 2019 and 28 February 2018 are set out in note 24 to the consolidated annual financial statements.

LTI PERFORMANCE MEASURES FOR FYE 2018

Metric	Weighting	Performance criteria – target	Vesting
1. 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. 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. 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. 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.

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 AGM.

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 2019 and 28 February 2018 are reflected in note 24 of the consolidated annual financial statements.

The proposed fee is payable from the AGM for financial year ended 28 February 2019 to the AGM for the financial year ended 28 February 2021 and is set out in the notice of AGM. No increase in fee has been proposed.

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 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. A longer notice period as may be appropriate under certain circumstances, may be agreed by the committee, in which case the notice period would be regularly reviewed and reduced as necessary.

The executive directors' contracts of employment do not include provisions entitling the individual to special termination benefits or balloon payments 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 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.

No provision is made for post vesting forfeiture of remuneration (i.e. claw-back).

6. Voting on remuneration

At the AGM of shareholders scheduled for 12 August 2019, 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 13 August 2019, approving any proposed changes in non-executive directors' fees. Details of these fees are also set out in the Notice of AGM commencing on page 74.

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.

No salary increases were granted with effect 1 March 2019.

The total employee and company contributions of Mr Meyburgh and Mr Cocciante, to the company pension fund, were R566 000 and R309 000 respectively.

b. Variable remuneration

STI

i. Financial performance

No STI payments were made to executive directors for FYE 2019 (FYE 2018: CEO R1 501 000 and CFO R1 019 000).

In previous years, the reported STI reflected the amounts actually paid to the executives earned in respect of that year, and also included a portion earned in respect of the previous financial year.

Financial performance measures account for 70% of possible STIs payable to executive directors.

OP

No amounts were earned by the CEO and CFO, under the OP metric awards, based upon the FYE 2019 reported results reflecting a normalised operating margin of -0,8%.

ROE

No amounts were earned by the CEO and CFO under the ROE metric, based upon a -6,3% ROE for FYE 2019.

ii. Personal performance

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

Achievement of personal performance objectives set for the CEO and CFO, were 45% (FYE 2018: 70%) and 50% (FYE 2018: 90%) respectively. However, no payments were made to the executive directors, as the OP metric (-0,8%) fell below the minimum threshold.

The total STI earned by the executive directors for FYE 2019 was RNil (FYE 2018 R2 519 945)

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.

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 2019, no forfeitable shares vested with the executive directors under the FSP (FYE 2018: Nil).

2. Changes to EDIS

No changes were made to EDIS.

3. Policy compliance

Remuneration paid for FYE 2019 is in compliance with the company's remuneration policy.

CALCULATION OF EXECUTIVES' STIs

	R'000 FYE Feb '19 TFP	Financial performance scorecard	R'000 Financial STI	Financial weighting %	Personal weighting %	R'000 FYE Feb '19 final STI	% of TFP	Max STI % of TFP
W Meyburgh (CEO)	5 775	Nil	Nil	70	45	Nil	0	250
AV Cocciante (CFO)	3 675	Nil	Nil	70	50	Nil	0	250

REMUNERATION DISCLOSURE OF EXECUTIVE DIRECTORS

R'000s	Basic salary	Other benefits	Post-employment benefits	Short-term incentives	Long-term incentives	**Total 2019**	Total 2018
W Meyburgh (CEO)	5 053	459	566	Nil	Nil	**6 078**	9 011
AV Cocciante (CFO)	3 366	38	309	Nil	Nil	**3 713**	5 828

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 2019 to date.

Information regarding related-party transactions is set out in note 24 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 beneficial holdings at 28 February 2019 and 28 February 2018, held by the directors of the company in the issued shares of the company are set out in note 24 of the consolidated annual financial statements.

4. Directors' trading in company securities

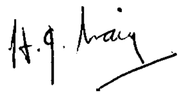
As standard group policy, directors are required to obtain clearance prior to trading in the company's securities. Such clearance must be obtained from the Chairman or the CEO. The Chairman consults the CEO or a designated director prior to his trading in the company's securities. Directors are required 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



Howard Craig
Chairman

19 June 2019

Shareholders' diary

Financial year-end	28 February 2019
Reporting period	1 March 2018 – 28 February 2019
Reporting period of previous report	1 March 2017 – 28 February 2018
Announcement of annual results	30 May 2019
Posting date of Shareholders' Information and Notice of the Annual General Meeting	28 June 2019
Annual general meeting	12 August 2019
Announcement of interim results	November 2019

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.com**

Consolidated statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 28 FEBRUARY

	2019 R'000	Restated 2018 R'000
REVENUE	**9 897 885**	10 389 559
Contract revenue	**9 875 023**	10 363 522
Other income	**59 527**	66 270
Operating and administration expenses	**(9 878 992)**	(10 084 225)
EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION (EBITDA)	**55 558**	345 567
Depreciation and amortisation	**(213 549)**	(184 435)
Impairment of assets	**–**	(667 114)
OPERATING LOSS BEFORE INVESTMENT INCOME	**(157 991)**	(505 982)
Investment income	**43 960**	49 113
Share of profits of equity-accounted investees	**68 075**	41 388
OPERATING LOSS BEFORE FINANCE COSTS	**(45 956)**	(415 481)
Finance costs	**(101 129)**	(82 842)
LOSS BEFORE TAXATION	**(147 085)**	(498 323)
Taxation	**35 764**	(48 710)
LOSS FOR THE YEAR	**(111 321)**	(547 033)
OTHER COMPREHENSIVE INCOME	**58 483**	(45 148)
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss))	**58 483**	(35 697)
Reclassification adjustment from foreign currency translation reserve due to disposal of a foreign investment	**–**	(9 451)
TOTAL COMPREHENSIVE INCOME	**(52 838)**	(592 181)
LOSS ATTRIBUTABLE TO:		
Equity holders of the company	**(110 761)**	(542 593)
Non-controlling interest	**(560)**	(4 440)
	(111 321)	(547 033)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Equity holders of the company	**(42 372)**	(584 329)
Non-controlling interest	**(10 466)**	(7 852)
	(52 838)	(592 181)
EARNINGS PER SHARE (CENTS)	**(65,99)**	(317,77)
DILUTED EARNINGS PER SHARE (CENTS)	**(65,99)**	(317,77)

Consolidated statement of financial position

AS AT 28 FEBRUARY

	2019 R'000	Restated 28 Feb 2018 R'000	Restated 1 Mar 2017 R'000
ASSETS			
NON-CURRENT ASSETS	**2 451 850**	2 287 678	2 563 278
Property, plant and equipment	**1 501 945**	1 483 727	1 212 248
Equity-accounted investees	**280 449**	209 181	189 860
Goodwill and intangible assets	**457 585**	460 506	1 087 133
Deferred tax assets	**211 871**	134 264	74 037
CURRENT ASSETS	**3 996 410**	4 057 226	3 960 020
Inventories	**187 924**	146 278	145 087
Contracts in progress	**506 568**	408 865	404 525
Trade and other receivables	**2 340 777**	2 549 243	2 207 479
Taxation	**38 755**	10 786	44 496
Bank balances	**922 386**	942 054	1 158 433
TOTAL ASSETS	**6 448 260**	6 344 904	6 523 298
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES	**1 731 752**	1 790 251	2 390 790
Share capital and premium	**1 007 718**	1 013 379	1 021 737
Other reserves	**178 790**	110 401	181 515
Retained earnings	**559 436**	670 197	1 183 412
Equity holders of the company	**1 745 944**	1 793 977	2 386 664
Non-controlling interest	**(14 192)**	(3 726)	4 126
NON-CURRENT LIABILITIES	**419 366**	480 320	366 388
Financial liabilities	**313 890**	478 659	346 460
Excess billings over work done	**25 000**	–	–
Provisions	**79 942**	–	–
Deferred tax liabilities	**534**	1 661	19 928
CURRENT LIABILITIES	**4 297 142**	4 074 333	3 766 120
Other current liabilities	**281 684**	293 445	328 794
Trade and other payables	**2 101 707**	1 892 675	1 750 748
Excess billings over work done	**1 145 970**	1 110 870	1 210 055
Provisions	**679 948**	657 470	420 400
Taxation	**46 218**	93 710	56 121
Bank balances	**41 615**	26 163	2
	6 448 260	6 344 904	6 523 298

Consolidated statement of changes in equity

FOR THE YEAR ENDED 28 FEBRUARY

	Share capital and premium R'000	Other reserves: Share-based payment reserve R'000	Other reserves: Foreign currency translation reserve R'000	Other reserves: Revaluation surplus reserve R'000	Retained earnings R'000	Capital and reserves attributable to equity holders of the company R'000	Non-controlling interest R'000	Total equity R'000
BALANCE AT 28 FEBRUARY 2017 AS PREVIOUSLY REPORTED	1 021 737	28 145	33 176	120 194	1 235 000	2 438 252	4 126	2 442 378
Change in accounting policy – IFRS 9	–	–	–	–	(32 723)	(32 723)	–	(32 723)
Change in accounting policy – IFRS 15	–	–	–	–	(18 865)	(18 865)	–	(18 865)
BALANCE AT 1 MARCH 2017 RESTATED	1 021 737	28 145	33 176	120 194	1 183 412	2 386 664	4 126	2 390 790
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)	–	(542 593)	(584 329)	(7 852)	(592 181)
Loss for the year	–	–	–	–	(542 593)	(542 593)	(4 440)	(547 033)
Other comprehensive income	–	–	(41 736)	–	–	(41 736)	(3 412)	(45 148)
BALANCE AT 28 FEBRUARY 2018 RESTATED	1 013 379	–	(8 560)	118 961	670 197	1 793 977	(3 726)	1 790 251
Treasury shares acquired	(5 661)	–	–	–	–	(5 661)	–	(5 661)
Total comprehensive income	–	–	68 389	–	(110 761)	(42 372)	(10 466)	(52 838)
Loss for the year	–	–	–	–	(110 761)	(110 761)	(560)	(111 321)
Other comprehensive income	–	–	68 389	–	–	68 389	(9 906)	58 483
BALANCE AT 28 FEBRUARY 2019	**1 007 718**	**–**	**59 829**	**118 961**	**559 436**	**1 745 944**	**(14 192)**	**1 731 752**

Consolidated statement of cash flows

FOR THE YEAR ENDED 28 FEBRUARY

	2019 R'000	2018 R'000
CASH FLOWS FROM OPERATING ACTIVITIES	**253 822**	286 690
Cash generated from operations	**360 553**	322 410
Interest received	**40 530**	48 379
Finance costs	**(92 820)**	(49 157)
Dividends received	**42 105**	21 805
Taxation paid	**(96 546)**	(56 747)
CASH FLOWS FROM INVESTING ACTIVITIES	**(76 790)**	(75 417)
Expenditure to maintain operating capacity		
Property, plant and equipment acquired	**(22 586)**	(29 407)
Proceeds on disposals of property, plant and equipment	**22 995**	51 494
Advance of associate loan	**(9 234)**	(11 706)
Expenditure for expansion		
Property, plant and equipment acquired	**(67 965)**	(101 326)
Acquisition of joint operation – net of cash received	**–**	15 528
CASH FLOWS FROM FINANCING ACTIVITIES	**(260 322)**	(423 400)
Treasury shares acquired	**(5 661)**	(8 358)
Proceeds from long- and short-term financing	**63 507**	59 386
Repayment of long- and short-term financing	**(318 168)**	(474 428)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(83 290)**	(212 127)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**915 891**	1 158 431
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**48 170**	(30 413)
CASH AND CASH EQUIVALENTS AT YEAR-END	**880 771**	915 891

Notes to the summary of the financial statements

FOR THE YEAR ENDED 28 FEBRUARY

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**) and on the inserted USB.

GOING CONCERN STATEMENT

As a result of the well documented adverse market conditions facing the industry, the group has experienced a further increase in delayed payments from clients. This practice once again had a negative impact on trade and other receivables and payables. Cash generated from operations increased to R361 million (Feb 2018: R322 million). Notwithstanding a reduction in working capital of R246 million (Feb 2018: an increase of R293 million), the group's overall cash decreased to R881 million (Feb 2018: R916 million).

In terms of IAS 37: a provision of R263 million for potential unrecoverable preliminary and general costs to complete a contract has been raised.

Due to these matters, the group is experiencing temporary liquidity pressures and as a consequence material uncertainty may exist that may cast doubt on the group's ability to continue as a going concern in the short-term.

In order to address this short-term liquidity pressure, the group is exploring raising the required funding through a combination of specific ring-fenced project financing, a number of alternative funding solutions and, only if required, a possible fresh issue of shares (the 'Funding Plan'). The first part of the Funding Plan, being the specific ring-fenced project financing has been secured. The remaining aspects of the Funding Plan are being pursued. Shareholders will be advised accordingly. Based on the successful implementation of the remainder of the Funding Plan and the current assessment of the group's financial budget for the ensuing year, the directors consider it appropriate that the group's consolidated results be prepared on the going-concern basis.

1. BASIS OF PREPARATION

The accounting policies as well as the methods of computation used in the preparation of the results for the year ended 28 February 2019 are in terms of International Financial Reporting Standards and are consistent with those applied in the audited annual financial statements for the year ended 28 February 2018 except for the adoption of new standards. The group has adopted IFRS 9: Financial Instruments, IFRS 15: Revenue from Contracts with Customers and IFRS 16: Leases with effect from 1 March 2018.

The company's directors are responsible for the preparation and fair presentation of the extract of the annual financial consolidated results. These results have been compiled under the supervision of the Chief Financial Officer, AV Cocciante, CA(SA).

ADOPTION OF NEW ACCOUNTING STANDARDS

The impact of the new accounting standards on the group's financial statements are as follows:

IFRS 9: FINANCIAL INSTRUMENTS

IFRS 9 sets out requirements for recognition and measurement of financial assets and liabilities. This standard replaces IAS 39: Financial Instruments: Recognition and Measurement.

IFRS 9 is applied retrospectively to each prior reporting period resulting in the restatement of comparative reporting periods. While the classification and measurement remain unaffected, the impairment model adjustment did impact the group.

IFRS 9 replaces the 'incurred loss' model with an 'expected credit loss' (ECL) model, thereby requiring an impairment of the carrying amounts of financial assets. This new model applies to financial assets measured at amortised cost and contract assets. The ECL model recognises an impairment allowance on financial assets and is calculated considering possible future losses based on past experience as well as future economic factors. In terms of IFRS 9, the group applied the simplified approach and measured the impairment allowance on the lifetime of trade receivables and contract assets. Impairment allowances are deducted from the carrying amounts of the assets.

IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 establishes a single and comprehensive framework which sets out how and when revenue should be recognised. Revenue will now be recognised when control over the goods or services is transferred to the customer. It replaces IAS 18: Revenue, IAS 11: Construction Contracts and related interpretations.

The group has adopted IFRS 15 and applied it retrospectively to each prior reporting period presented, subject to practical expedients as defined in the Standard. This resulted in the restatement of comparative reporting periods.

A contract modification is a change in the scope or price of a contract and is recognised as an adjustment to revenue at the date of the contract modification. In estimating the value of the adjustment to revenue, a higher probability threshold in recognising revenue has to be applied. In applying these higher thresholds, certain revenue that was recognised previously had to be reversed.

In certain circumstances, the change from an output method to an input method, to measure progress of the transfer of control of goods and services constitutes a better reflection of transfer of control. This change in approach resulted in a difference in revenue recognised.

IFRS 16: LEASES

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17: Leases and related interpretations.

The group early adopted IFRS 16 to limit the number of restatements due to changes of accounting standards and to present a single lease accounting model which recognises assets and liabilities for all leases consistently in terms of measurement, presentation and disclosure, with effect from 1 March 2018. The modified retrospective approach was applied by recognising the cumulative effect at the date of initial application. This resulted in no restatement of comparative reporting periods, instead recognising the cumulative effect as an adjustment to the Statement of Financial Position as on 1 March 2018. The cumulative effect is the recognition of right-of-use assets to the value of R36 million as well as a corresponding lease liability.

Notes to the summary of the financial statements continued

FOR THE YEAR ENDED 28 FEBRUARY

1. BASIS OF PREPARATION CONTINUED

The following table summarises the impact of the adoption of IFRS 9, IFRS 15 and IFRS 16 on the results of the comparative reporting periods:

FEBRUARY 2017	Previously reported 28 Feb 2017 R'000	IFRS 9 R'000	IFRS 15 R'000	Restated 1 Mar 2017 R'000
NON-CURRENT ASSETS				
Deferred tax assets	58 802	15 235	–	74 037
CURRENT ASSETS				
Contracts in progress	414 525	–	(10 000)	404 525
Trade and other receivables	2 256 514	(49 035)	–	2 207 479
NON-CURRENT LIABILITIES				
Deferred tax liabilities	24 452	(1 077)	(3 447)	19 928
CURRENT LIABILITIES				
Excess billings over work done	1 197 743	–	12 312	1 210 055
RETAINED EARNINGS	1 235 000	(32 723)	(18 865)	1 183 412

FEBRUARY 2018	Previously reported 28 Feb 2018 R'000	Adjustments 2017 R'000	IFRS 9 R'000	IFRS 15 R'000	Restated 28 Feb 2018 R'000	IFRS 16 R'000	Restated 1 Mar 2018 R'000
NON-CURRENT ASSETS							
Property, plant and equipment	–	–	–	–	–	35 898	35 898
Deferred tax assets	98 610	19 759	1 347	14 548	134 264	–	134 264
CURRENT ASSETS							
Contracts in progress	465 067	(10 000)	–	(46 202)	408 865	–	408 865
Trade and other receivables	2 601 208	(49 035)	(2 930)	–	2 549 243	–	2 549 243
NON-CURRENT LIABILITIES							
Lease liabilities	–	–	–	–	–	35 898	35 898
CURRENT LIABILITIES							
Excess billings over work done	1 092 801	12 312	–	5 757	1 110 870	–	1 110 870
RETAINED EARNINGS	760 779	(51 588)	(1 583)	(37 411)	670 197	–	670 197

2. HEADLINE EARNINGS PER SHARE

Cents per share	**2019**	Restated 2018
HEPS – Basic	**(70,12)**	67,51
HEPS – Diluted	**(70,12)**	61,29

	2019	2018
WEIGHTED AVERAGE NUMBER OF SHARES USED		
Basic	**167 836 344**	170 748 789
Diluted	**188 080 746**	188 080 746

	2019 Gross amount R'000	**2019 Net amount R'000**	Restated 2018 Gross amount R'000	Restated 2018 Net amount R'000
HEADLINE EARNINGS RECONCILIATION				
Loss after taxation attributable to equity holders of the company		**(110 761)**		(542 593)
Adjusted for:				
Profit on disposal of plant and equipment	**(9 465)**	**(6 922)**	(12 942)	(9 243)
Impairment of goodwill and intangible assets		**–**	667 114	667 114
Headline earnings		**(117 683)**		115 278

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
2019					
Revenue from external customers	**5 336 737**	**3 352 578**	**1 208 570**	**–**	**9 897 885**
Contract revenue	**5 313 875**	**3 352 578**	**1 208 570**	**–**	**9 875 023**
Intersegment contract revenues	**16 560**	**15 864**	**84 273**	**–**	**116 697**
Depreciation, amortisation and impairment	**(172 263)**	**(21 880)**	**(16 420)**	**(2 986)**	**(213 549)**
Investment income	**22 435**	**17 548**	**2 981**	**996**	**43 960**
Finance cost	**(46 274)**	**(34 526)**	**(1 179)**	**(19 150)**	**(101 129)**
Share of profits/(losses) of equity-accounted investees	**1 536**	**67 506**	**(967)**	**–**	**68 075**
Reportable segment operating profit/(loss)	**112 029**	**(250 906)**	**(19 036)**	**(78)**	**(157 991)**
Taxation	**(43 260)**	**74 077**	**6 343**	**(1 396)**	**35 764**
Reportable segment profit/(loss)	**46 546**	**(127 357)**	**(11 064)**	**(19 446)**	**(111 321)**
Reportable segment assets	**3 482 984**	**1 915 686**	**542 666**	**506 924**	**6 448 260**
Equity-accounted investees	**5 033**	**279 686**	**(4 270)**	**–**	**280 449**
Reportable segment liabilities	**2 295 149**	**1 820 214**	**362 005**	**239 140**	**4 716 508**
2018 RESTATED					
Revenue from external customers	4 992 022	4 374 786	1 022 597	154	10 389 559
Contract revenue	4 967 962	4 372 963	1 022 597	–	10 363 522
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)	165 740	(4 417)	12 899	(680 204)	(505 982)
Taxation	(80 222)	(33 442)	(5 688)	70 642	(48 710)
Reportable segment profit/(loss)	76 239	1 294	9 675	(634 241)	(547 033)
Reportable segment assets	3 676 759	1 560 158	520 496	587 491	6 334 904
Equity-accounted investees	–	208 099	(3 303)	4 385	209 181
Reportable segment liabilities	2 635 404	1 330 342	295 844	293 063	4 554 653

GEOGRAPHICAL AREAS

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

	2019			2018 Restated		
	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	**7 559 370**	**2 315 653**	**–**	7 402 560	2 860 999	99 963
Non-current assets (excluding deferred tax)	**1 586 179**	**426 958**	**226 842**	1 552 870	355 198	245 346

Notes to the summary of the financial statements continued

FOR THE YEAR ENDED 28 FEBRUARY

4. DISAGGREGATED REVENUE INFORMATION

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

	Construction & Mining R'000	Building R'000	Mechanical & Electrical R'000	Total R'000
2019				
Within South Africa	**3 870 323**	**2 658 418**	**1 030 629**	**7 559 370**
Outside South Africa	**1 443 552**	**694 160**	**177 941**	**2 315 653**
	5 313 875	**3 352 578**	**1 208 570**	**9 875 023**
Private	**3 378 798**	**2 634 320**	**1 208 570**	**7 221 688**
Public	**1 935 077**	**718 258**	**–**	**2 653 335**
	5 313 875	**3 352 578**	**1 208 570**	**9 875 023**
2018				
Within South Africa	3 400 719	3 079 207	922 634	7 402 560
Outside South Africa	1 567 243	1 293 756	99 963	2 960 962
	4 967 962	4 372 963	1 022 597	10 363 522
Private	2 656 157	3 046 472	932 597	6 635 226
Public	2 311 805	1 326 491	90 000	3 728 296
	4 967 962	4 372 963	1 022 597	10 363 522

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 6 Mulalani Road, The Lecture Room, Ground Floor, Protec Park, corner Zuurfontein Avenue and Oranjerivier Drive, Kempton Park, on Monday, 12 August 2019 at 12:00, to (i) consider and, if deemed fit, to pass, with or without modification, the following ordinary and special resolutions, in the manner required by the Companies Act, as read with the JSE Limited (JSE) Listings Requirements (JSE Listings Requirements); and (ii) deal with such other business as may lawfully be dealt with at the meeting.

IMPORTANT DATES

Record date to receive the Notice:
Friday, 21 June 2019

Last date to trade to be eligible to vote:
Tuesday, 30 July 2019

Record date to be eligible to vote:
Friday, 2 August 2019

Last date for lodging forms of proxy (by 12:00):
Wednesday, 7 August 2019

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, 2 August 2019.

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 2019, 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 2019, 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.

KR Eborall independent non-executive director and board Chairman, has undertaken to retire at this AGM and not offer himself for re-election.

The following director retires at this AGM and offers herself for re-election: ZJ Matlala. The board has considered her performance, including her attendance at meetings of the board and its committees, and recommends and supports her re-election.

Ordinary resolution 2: Re-election of director

"RESOLVED THAT, ZJ Matlala, 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 ZJ Matlala is included on page 42 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: 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 (IRBA No: 506557) as the individual responsible for the audit and the directors be and are hereby authorised to fix the remuneration of the auditors."

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

Ordinary resolution numbers 4, 5, 6 and 7: Appointment of Audit, Governance and Risk Committee members

Ordinary resolution numbers 4, 5, 6 and 7 are in respect of the appointment of members of the Audit, Governance and Risk Committee. The membership as proposed by the board of directors is: DG Quinn, B Harie, BP Silwanyana and JM Poluta (alternate to BP Silwanyana) all of whom are independent non-executive directors. As at the date of this AGM notice the chairman of the committee was ZJ Matlala.

The board has appointed DG Quinn as chairman of ARCO with effect from 12 August 2019. He will take over from ZJ Matlala from that date.

Ordinary resolution 4: Appointment of Audit, Governance and Risk Committee member

"RESOLVED THAT DG Quinn 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 DG Quinn is included on page 42 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 5: 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 42 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: 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 42 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 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 42 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 8: Company's remuneration policy

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

The company's remuneration policy and related information appears on pages 58 to 62 of the integrated annual report.

Ordinary resolution 9: Company's remuneration implementation report

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

The company's remuneration implementation report appears on pages 63 to 64 of the integrated annual report.

Notes to ordinary resolution numbers 8 and 9

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:

TABLE TO SPECIAL RESOLUTIONS 1.1 TO 1.12

			Current fee per meeting R	Proposed fee per meeting R
1.1	Board	Chairman	959 200/annum	959 200/annum
1.2	Board	Member	50 900	50 900
1.3	Audit, Governance and Risk Committee	Chairman	95 000	95 000
1.4	Audit, Governance and Risk Committee	Member	50 900	50 900
1.5	Remuneration and Nominations Committee	Chairman	50 900	50 900
1.6	Remuneration and Nominations Committee	Member	29 100	29 100
1.7	Social and Ethics Committee	Chairman	42 700	42 700
1.8	Social and Ethics Committee	Member	22 900	22 900
1.9	Any other committee to be formed	Chairman	38 000	38 000
1.10	Any other committee to be formed	Member	20 400	20 400
1.11	Directors' hourly rate (note 4)		1 975	1 975
1.12	Specific project fees (note 5)		1 975	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 2019 to the AGM for the financial year ended 28 February 2021.
7. No increase in fees have been proposed in the table set above and the fees remain unchanged, as approved by shareholders at the AGM held on 8 August 2018.

- 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.

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 2021, as noted in the table on page 75, 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 2021, 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: 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 2

The reason for special resolution 2 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 pages 42 and 43 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 Wednesday, 7 August 2019.

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

19 June 2019

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 6 Mulalani Road, The Lecture Room, Ground Floor, Protec Park, corner of Zuurfontein Avenue and Oranjerivier Drive, Kempton Park, on Monday, 12 August 2019 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 2019, including the directors' report and the report of the Audit, Governance and Risk Committee			
2. To re-elect ZJ Matlala as a director of the company			
3. To re-appoint the auditors			
4. To appoint DG Quinn as a member of the Audit, Governance and Risk Committee			
5. To appoint B Harie as a member of the Audit, Governance and Risk Committee			
6. To appoint BP Silwanyana as a member of the Audit, Governance and Risk Committee			
7. To appoint JM Poluta as a member of the Audit, Governance and Risk Committee			
8. To approve the company's remuneration policy			
9. To approve the company's remuneration 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. 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) 2019

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

"BIM"
Building Information Modelling

"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

"LID"
Lead Independent Director

"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"
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 2019

"the next year"
The financial year ending 29 February 2020

"the previous year"
The financial year ended 28 February 2018

"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 19 June 2019: KR Eborall* (Chairman); ZJ Matlala*; HJ Craig*; B Harie*; BP Silwanyana*; JM Poluta* (alternate to BP Silwanyana); 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, 2196

PO Box 651010, Benmore, 2010

Telephone number: +27 11 268 6231

Bankers

Absa Bank Limited
Barclays Bank Moçambique
Bidvest Bank Limited
Diamond Bank Plc Nigeria
Ecobank
Emirates NBD
First Gulf Bank
First National Bank, a division of FirstRand Bank Limited
First National Bank Botswana
First National Bank Moçambique
First National Bank Zambia Limited
HSBC Middle East
Investec
Nedbank Limited
Nedbank Namibia
Nedbank (Swaziland) Limited
RMB Botswana
Société Générale de Banques en Guinée
Société Générale Moçambique
Stanbic Bank Botswana
Stanbic Bank Ghana
Stanbic Bank Kenya
Stanbic Bank Zambia Limited
Stanbic IBTC Bank Nigeria
Standard Bank Malawi
Standard Bank Moçambique
Standard Bank Swaziland
Standard Chartered Bank
Standard Lesotho Bank Limited
The Standard Bank of South Africa Limited
United Bank for Africa
Zenith Bank Plc Nigeria

Website

www.stefanuttistocks.com

WWW.STEFANUTTISTOCKS.COM