UNAUDITED CONDENSED CONSOLIDATED RESULTS

for the 6 months ended 31 August 2020

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

- **Revenue R1,7 billion**
- **Cash at end of year R756 million**
- **Current order book R7,4 billion**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

R'000	% Increase/ (Decrease)	Unaudited 6 months ended 31 August 2020	Restated 6 months ended 31 August 2019	Restated 12 months ended 29 February 2020
Continuing operations				
Contract revenue	(43)	**1 662 230**	2 910 718	5 316 203
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	94	**(44 952)**	(802 393)	(689 150)
Depreciation and amortisation		**(33 216)**	(36 161)	(74 173)
Impairment of assets/goodwill		**(22 982)**	(26 371)	(52 995)
Operating loss before investment income	88	**(101 150)**	(864 925)	(816 318)
Investment income		**18 627**	13 264	24 965
Share of profits of equity-accounted investees		**6 966**	15 787	47 486
Operating loss before finance costs		**(75 557)**	(835 874)	(743 867)
Finance costs		**(56 943)**	(40 588)	(79 648)
Loss before taxation		**(132 500)**	(876 462)	(823 515)
Taxation		**(36 658)**	(32 775)	(4 290)
Loss for the period from continuing operations		**(169 158)**	(909 237)	(827 805)
Loss after tax for the period from discontinued operations		**(80 123)**	(131 540)	(244 243)
Loss for the period		**(249 281)**	(1 040 777)	(1 072 048)
Other comprehensive income		**(23 615)**	43 254	51 962
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss))		**2 431**	43 254	51 962
Impairment losses on revalued assets		**(26 046)**	–	–
Total comprehensive income		**(272 896)**	(997 523)	(1 020 086)
Loss attributable to:				
Equity holders of the company		**(245 951)**	(1 040 833)	(1 070 943)
Loss for the period from continuing operations		**(165 828)**	(909 293)	(826 700)
Loss for the period from discontinued operations		**(80 123)**	(131 540)	(244 243)
Non-controlling interest		**(3 330)**	56	(1 105)
Loss for the period from continuing operations		**(3 330)**	56	(1 105)
Loss for the period from discontinued operations		**–**	–	–
		(249 281)	(1 040 777)	(1 072 048)
Total comprehensive income attributable to:				
Equity holders of the company		**(271 028)**	(995 185)	(1 016 040)
Loss for the period from continuing operations		**(169 725)**	(884 835)	(785 631)
Loss for the period from discontinued operations		**(101 303)**	(110 350)	(230 409)
Non-controlling interest		**(1 868)**	(2 338)	(4 046)
Loss for the period from continuing operations		**(1 868)**	(2 338)	(4 046)
Loss for the period from discontinued operations		**–**	–	–
		(272 896)	(997 523)	(1 020 086)
Earnings per share (cents)				
Continuing operations	82%	**(99.15)**	(543.69)	(494.31)
Discontinued operations	39%	**(47.91)**	(78.66)	(146.04)
Total operations	76%	**(147.06)**	(622.35)	(640.35)
Diluted earnings per share (cents)				
Continuing operations	82%	**(99.15)**	(543.69)	(494.31)
Discontinued operations	39%	**(47.91)**	(78.66)	(146.04)
Total operations	76%	**(147.06)**	(622.35)	(640.35)

Treasury shares were not included in the calculation of diluted earnings per share or diluted headline earnings per share as their effect is anti-dilutive.

DISAGGREGATION OF CONTRACT REVENUE

Contract revenue can be further disaggregated as follows:	Unaudited 6 months ended 31 August 2020	Restated 6 months ended 31 August 2019	Restated 12 months ended 29 February 2020
Geographical			
Within South Africa	**1 049 151**	2 280 212	4 132 845
Construction & Mining	**722 186**	1 266 756	2 512 156
Building	**326 965**	1 013 456	1 620 689
Outside South Africa	**613 079**	630 506	1 183 358
Construction & Mining	**594 932**	538 658	1 070 063
Building	**18 147**	17 527	30 941
M&E	**–**	74 321	82 354
Total	**1 662 230**	2 910 718	5 316 203
Sector			
Private	**876 489**	1 672 382	2 934 384
Construction & Mining	**590 370**	729 858	1 491 992
Building	**286 119**	868 203	1 360 038
M&E	**–**	74 321	82 354
Public	**785 741**	1 238 336	2 381 819
Construction & Mining	**726 748**	1 075 556	2 090 227
Building	**58 993**	162 780	291 592
Total	**1 662 230**	2 910 718	5 316 203

STATEMENT OF FINANCIAL POSITION

R'000	Unaudited 31 August 2020	Audited 29 February 2020
ASSETS		
Non-current assets	**1 168 763**	2 606 385
Property, plant and equipment	**488 041**	1 591 318
Equity-accounted investees	**29 526**	342 361
Goodwill and intangible assets	**404 591**	405 930
Deferred tax assets	**246 605**	266 776
Current assets	**3 341 073**	4 038 663
Other current assets	**2 481 975**	3 186 154
Taxation	**85 307**	79 620
Bank balances	**773 791**	772 889
Non-current assets held for sale and disposal groups	**1 734 712**	–
Total assets	**6 244 548**	6 645 048
EQUITY AND LIABILITIES		
Capital and reserves	**438 770**	711 666
Share capital and premium	**1 007 718**	1 007 718
Other reserves	**146 444**	228 435
Reserves of disposal groups held for sale	**56 914**	–
Accumulated loss	**(752 200)**	(506 249)
Equity holders of the company	**458 876**	729 904
Non-controlling interest	**(20 106)**	(18 238)
Non-current liabilities	**480 740**	896 398
Financial liabilities	**222 275**	479 627
Excess billings over work done	**171 010**	294 823
Provisions	**87 455**	121 948
Current liabilities	**4 512 094**	5 036 984
Financial liabilities*	**2 565 936**	2 985 721
Excess billings over work done	**1 108 561**	1 053 733
Provisions	**728 652**	885 103
Taxation	**90 760**	80 051
Bank overdraft	**18 185**	32 376
Liabilities directly associated with discontinued operations**	**812 944**	–
Total equity and liabilities	**6 244 548**	6 645 048
* including interest-bearing liabilities of	**1 243 835**	998 135
** including interest-bearing liabilities of	**140 446**	–
Commentary to the statement of financial position		
Total number of net shares in issue	**167 243 684**	167 243 684
Net asset value per share (cents)	**274.38**	436.43
Net tangible asset value per share (cents)	**32.46**	193.71

STATEMENT OF CASH FLOWS

R'000	Unaudited 6 months ended 31 August 2020	Unaudited 6 months ended 31 August 2019	Audited 12 months ended 29 February 2020
Cash consumed by operations	**(178 617)**	(503 049)	(751 406)
Interest received	**20 541**	16 042	29 740
Finance costs	**(35 174)**	(36 747)	(65 952)
Dividends received	**569**	12 188	29 952
Taxation paid	**(32 741)**	(26 722)	(60 309)
Cash flows from operating activities	**(225 422)**	(538 288)	(817 975)
Net proceeds received	**24 431**	79 130	102 422
Expenditure for expansion	**(4 746)**	(8 185)	(28 367)
Net cash inflow due to business combinations	**–**	–	46 330
Cash flows from investing activities	**19 685**	70 945	120 385
Movements on long- and short-term financing	**366 303**	(52 158)	531 218
Cash flows from financing activities	**366 303**	(52 158)	531 218
Net increase/(decrease) in cash for the period	**160 566**	(519 501)	(166 372)
Effect of exchange rate changes on cash and cash equivalents	**6 504**	35 057	26 114
Cash and cash equivalents at beginning of year	**740 513**	880 771	880 771
Cash at the end of the period – Discontinued operations	**(151 977)**	–	–
Cash and cash equivalents at the end of the period	**755 606**	396 327	740 513

SEGMENT INFORMATION 31 August 2020 (unaudited)	Construction & Mining	Building	M&E	Reconciling segments*	Total
Contract revenue	1 317 118	345 112	–	–	1 662 230
Intersegment contract revenue	–	4 714	–	–	4 714
Reportable segment profit/(loss) – Continuing operations	46 703	(116 767)	(1 559)	(97 535)	(169 158)
Reportable segment profit/(loss) – Discontinued operations	(42 899)	6 967	(44 191)	–	(80 123)
Reportable segment assets	3 578 686	1 610 863	428 000	626 999	6 244 548
Reportale segment liabilities	2 871 033	1 172 153	131 259	1 631 333	5 805 778
31 August 2019 (restated)					
Contract revenue	1 805 414	1 030 983	74 321	–	2 910 718
Intersegment contract revenue	16 252	12 661	–	–	28 913
Reportable segment profit/(loss) – Continuing operations	(389 152)	(489 932)	2 867	(33 020)	(909 237)
Reportable segment profit/(loss) – Discontinued operations	(86 831)	2 076	(46 785)	–	(131 540)
Reportable segment assets	3 380 851	1 776 170	548 183	514 063	6 219 267
Reportable segment liabilities	2 744 060	1 944 480	353 874	442 624	5 485 038
29 February 2020 (restated)					
Contract revenue	3 582 219	1 651 630	82 354	–	5 316 203
Intersegment contract revenue	66 475	35 644	–	–	102 119
Reportable segment profit/(loss) – Continuing operations	(317 097)	(407 100)	35 715	(139 323)	(827 805)
Reportable segment profit/(loss) – Discontinued operations	(152 002)	(13 510)	(78 731)	–	(244 243)
Reportable segment assets	4 045 827	1 586 122	477 766	535 333	6 645 048
Reportable segment liabilities	3 333 139	1 286 916	171 147	1 142 180	5 933 382

**Reconciling segments comprise segments that are primarily centralised in nature i.e. the group's headquarters*

STATEMENT OF CHANGES IN EQUITY

R'000	Share capital and premium	Foreign currency translation reserve	Revaluation surplus reserve	Legal reserve	Reserves of disposal groups held for sale	Accumulated loss	Attributable to equity holders of the company	Non-controlling interest	Total equity
Balance at 28 February 2019 audited	1 007 718	59 829	118 961	–	–	559 436	1 745 944	(14 192)	1 731 752
Realisation of revaluation reserve	–	–	(3 956)	–	–	3 956	–	–	–
Total comprehensive income	–	45 648	–	–	–	(1 040 833)	(995 185)	(2 338)	(997 523)
Loss	–	–	–	–	–	(1 040 833)	(1 040 833)	56	(1 040 777)
Other comprehensive income	–	45 648	–	–	–	–	45 648	(2 394)	43 254
Balance at 31 August 2019	1 007 718	105 477	115 005	–	–	(477 441)	750 759	(16 530)	734 229
Realisation of revaluation reserve	–	–	(2 066)	–	–	2 066	–	–	–
Total comprehensive income	–	9 255	–	–	–	(30 110)	(20 855)	(1 708)	(22 563)
Loss	–	–	–	–	–	(30 110)	(30 110)	(1 161)	(31 271)
Other comprehensive income	–	9 255	–	–	–	–	9 255	(547)	8 708
Transfer to Legal Reserve	–	–	–	764	–	(764)	–	–	–
Balance at 29 February 2020 audited	1 007 718	114 732	112 939	764	–	(506 249)	729 904	(18 238)	711 666
Discontinued operations	–	(5 606)	(56 839)	–	62 445	–	–	–	–
Total comprehensive income	–	6 500	(26 046)	–	(5 531)	(245 951)	(271 028)	(1 868)	(272 896)
Loss	–	–	–	–	–	(245 951)	(245 951)	(3 330)	(249 281)
Other comprehensive income	–	6 500	(26 046)	–	(5 531)	–	(25 077)	1 462	(23 615)
Balance at 31 August 2020 unaudited	1 007 718	115 626	30 054	764	56 914	(752 200)	458 876	(20 106)	438 770

Commentary to the statement of profit or loss and other comprehensive income

Headline earnings reconciliation	% Increase	Continuing operations 31 Aug 2020	Continuing operations 31 Aug 2019	Continuing operations 29 Febr 2020	Total operations 31 Aug 2020	Total operations 31 Aug 2019	Total operations 29 Febr 2020
Loss after taxation attributable to equity holders of the company		(165 828)	(909 293)	(826 700)	(245 951)	(1 040 833)	(1 070 943)
Adjusted for:							
Profit on disposal of plant and equipment		(3 317)	(927)	(7 947)	(10 781)	(2 667)	(11 946)
Tax effect		928	269	2 878	3 020	756	3 998
Bargain purchase gain		–	–	(15 169)	–	–	(15 169)
Net loss on sale of subsidiaries		1 387	–	–	1 387	–	–
Loss on re-measurement to fair value less costs to sell		–	–	–	12 953	–	–
Impairment of assets/goodwill		22 982	26 371	52 995	24 603	26 371	52 995
Headline earnings		(143 848)	(883 580)	(793 943)	(214 769)	(1 016 373)	(1 041 065)
Number of weighted average shares in issue		167 243 684	167 243 684	167 243 684	167 243 684	167 243 684	167 243 684
Number of diluted weighted average shares in issue		188 080 746	188 080 746	188 080 746	188 080 746	188 080 746	188 080 746
Headline earnings per share (cents)	84%	(86.01)	(528.32)	(474.72)	(128.42)	(607.72)	(622.48)
Diluted headline earnings per share (cents)	84%	(86.01)	(528.32)	(474.72)	(128.42)	(607.72)	(622.48)

Shareholders are referred to the webcast and presentation relating to the unaudited condensed consolidated results for the 6 months ended 31 August 2020 which is available on the company's website: www.stefstocks.com. The links are https://stefanuttistocks.com/investors/audio-visual-presentations/results-aug-2020/ and https://stefanuttistocks.com/investors/presentations/interim-results-aug-2020/

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated results for the period ended 31 August 2020 (results for the period) have been prepared in accordance with framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements issued by the Financial Reporting Standards Council. The report contains the information required by International Accounting Standard IAS 34: Interim Financial Reporting and is in compliance with the Listings Requirements of the JSE Limited and the requirements of the South African Companies Act 71 of 2008. The accounting policies as well as the methods of computation used in the preparation of the results for the period ended 31 August 2020 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 29 February 2020.

There is no significant difference between the carrying amounts of financial assets and liabilities and their fair values. The fair value measurement for land and buildings are categorised as a level 3, based on the valuation method of income capitalisation using unobservable inputs i.e. market capitalisation rates and income/expenditure ratio. The results are presented in Rand, which is Stefanutti Stocks' functional currency.

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

COVID-19

Stefanutti Stocks' priority continues to be the health and safety of its employees. The management of the group remains committed to supporting the initiatives that the governments have implemented in the various countries in which the group operates. Importantly, Stefanutti Stocks continues to adhere to the required protocols and maintains a close working relationship with clients and key stakeholders to mitigate the extensive impact of COVID-19 and reduce the long-term effects on its business.

The reporting period was negatively affected by COVID-19, which details are available in note 28 of the Consolidated Annual Financial Statements for the year ended 29 February 2020, which was issued on 18 August 2020.

GROUP PROFILE

Stefanutti Stocks is a construction company operating throughout South Africa, sub-Saharan Africa and the United Arab Emirates with multi-disciplinary expertise including 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.

RESTRUCTURING PLAN UPDATE

The group hereby provides shareholders with an update on the Restructuring Plan as reported in the Consolidated Annual Financial Statements of Stefanutti Stocks for the year ended 29 February 2020 issued on 18 August 2020 and subsequent disposal of properties announcement issued on 21 October 2020.

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

- the sale of non-core assets;
- the sale of underutilised plant and equipment;
- the sale of certain divisions/subsidiaries;
- internal restructuring initiatives required to restore optimal operational and financial performance;
- the securing of additional short-term funding of R430 million, of which R270 million relates to the negative effects of the national lockdown
- a favourable outcome from the processes relating to the contractual claims and compensation events on the Kusile power project;
- the restructuring of the short-term funding received to date from the Lenders into a term loan; and
- evaluation of an optimum business model going forward and associated capital structure analysis including the potential of raising new equity.

The purpose of the Restructuring Plan is to put in place an optimal capital structure and access to liquidity to position the group for long-term growth in this uncertain environment.

In accordance with the Restructuring Plan, the Lenders have provided the requisite funding and have converted the short-term funding agreement into a term loan on 1 July 2020, which loan terminates on 28 February 2022. In addition, the Lenders have agreed to provide continued guarantee support for current and future projects being undertaken by the group. Management has made considerable progress in reconfiguring the group's organisational structure to improve operational performance and decrease overhead costs, including the reduction of the group's overall headcount. This is an ongoing process which continues as the fluctuating aspects of the Restructuring Plan are being implemented.

The Restructuring Plan is anticipated to be implemented over the financial years ending February 2021 and February 2022 and, to the extent required, shareholder approval will be sought for this. Stefanutti Stocks will continue to update shareholders on the progress of the various aspects of the Restructuring Plan.

The funding provided by the Lenders has assisted in relieving the group's liquidity pressures even though current liabilities exceed current assets at 31 August 2020. In addition thereto, uncertainties surrounding the COVID-19 pandemic and contingent liabilities as noted in note 25 of the group's Consolidated Annual Financial Statements for the year ended 29 February 2020, continue to indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern in the short term. However, having converted the short-term funding agreement with the Lenders to a term loan on 1 July 2020 and on the basis of successfully implementing the Restructuring Plan, the directors consider it appropriate that the group's results for the period be prepared on the going-concern basis.

OVERVIEW OF RESULTS

As previously highlighted to shareholders in various announcements and updates since late 2018, the group continues to pursue a number of contractual claims and compensation events on the Kusile power project. Due to the complexity of the claims, the processes remain ongoing. No further details of the claims have been disclosed on the basis that it may prejudice the group's position in defending the claims brought against it and in pursuing those claims brought against Eskom by the group.

As a consequence of the implementation of the Restructuring Plan, a number of non-core assets, underutilised plant and equipment and identified operations earmarked for sale have been reclassified in terms of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

Non-current Assets Held for Sale

The following items of property, plant and equipment were reclassified as held for sale as the group is busy actively marketing these assets and are expected to dispose of these within a year:

Property, plant and equipment	Business unit	Non-current assets held for sale Aug 2020 R'000	Liabilities directly associated with assets held for sale Aug 2020 R'000
Land and building	Building	28 000	–
Transport and motor vehicle	Construction & Mining and Building	99	–
Plant and equipment	Construction & Mining and Building	55 467	529
		83 566	529

The carrying value of the investment relating to the equity-accounted United Arab Emirates Joint Venture of R298 million, has also been re-classified to non-current assets held for sale.

Discontinued operations

In line with the Restructuring Plan, the group has initiated a disposal program to sell certain operations which have accordingly been classified as discontinued operations. These disposals are expected to be concluded within the next 12 months. On 30 October 2020, the group ceased to market the Mechanical & Electrical operation, which is disclosed as a discontinued operation for the reporting period. The financial performance, reportable assets and reportable liabilities are presented within the Construction & Mining, Building as well as Mechanical & Electrical business units. Financial information relating to the discontinued operations is set out in the tables below:

Statement of profit or loss and other comprehensive income	Aug 2020 R'000	Aug 2019 R'000	Feb 2020 R'000
Discontinued operations			
Contract revenue	1 195 247	1 538 822	3 269 723
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	(6 128)	(38 654)	(71 845)
Depreciation and amortisation	(35 321)	(69 800)	(144 750)
Impairment of assets	(1 621)	–	–
Loss on re-measurement to fair value less costs to sell	(12 953)	–	–
Operating loss before investment income	(56 023)	(108 454)	(216 595)
Investment income	3 551	3 365	5 341
Share of losses of equity-accounted investees	(6 383)	(7 260)	(1 290)
Operating loss before finance costs	(58 855)	(112 349)	(212 544)
Finance costs	(11 814)	(17 956)	(46 419)
Loss before taxation	(70 669)	(130 305)	(258 963)
Taxation	(9 454)	(1 235)	14 720
Loss for the period from discontinued operations	(80 123)	(131 540)	(244 243)
Other comprehensive income	(21 180)	21 190	13 834
Exchange differences on translation of discontinued operations	(5 531)	21 190	13 834
Impairment losses on revalued assets	(15 649)	–	–
Total comprehensive income	(101 303)	(110 350)	(230 409)
Earnings per share	(47.91)	(78.66)	(146.04)
Headline earnings per share	(42.41)	(79.40)	(147.76)

Statement of cashflows	Aug 2020 R'000	Aug 2019 R'000	Feb 2020 R'000
Net cash outflow from operating activities	(17 316)	(300 948)	(336 232)
Net cash inflow from investing activities	5 141	16 063	41 836
Net cash inflow/(outflow) from financing activities	36 598	(109 817)	23 553
Net increase/(decrease) in cash	24 423	(394 702)	(270 843)

Statement of financial position	Local Operations Aug 2020 R'000	Foreign Operations Aug 2020 R'000	Total Aug 2020 R'000
Non-current assets	356 602	280 378	636 980
Property, plant and equipment	346 496	272 335	618 831
Equity-accounted investees	10 106	–	10 106
Deferred tax assets	–	8 043	8 043
Current assets	293 928	422 074	716 002
Inventories	3 007	102 930	105 937
Contracts in progress	62 787	17 476	80 263
Trade and other receivables	159 518	213 317	372 835
Taxation	–	4 990	4 990
Bank balances	68 616	83 361	151 977
	650 530	702 452	1 352 982
Non-current liabilities	28 814	648	29 462
Financial liabilities	28 814	648	29 462
Current liabilities	416 045	366 908	782 953
Financial liabilities	103 309	7 146	110 455
Trade and other payables	253 941	215 831	469 772
Excess billings over work done	21 730	132 441	154 171
Provisions	37 065	11 490	48 555
	444 859	367 556	812 415

Disaggregation of contract revenue

Contract revenue from discontinued operations can be further disaggregated as follows:	Aug 2020 R'000	Aug 2019 R'000	Feb 2020 R'000
Geographical			
Within South Africa	898 131	1 181 706	2 358 439
Construction & Mining	718 750	740 266	1 543 602
M&E	179 381	441 440	814 837
Outside South Africa	297 116	357 116	911 284
Construction & Mining	14 725	6 608	2 098
Building	282 391	350 508	909 186
Total	1 195 247	1 538 822	3 269 723
Sector			
Private	1 195 247	1 538 822	3 269 723
Construction & Mining	733 475	746 874	1 545 700
Building	282 391	350 508	909 186
M&E	179 381	441 440	814 837
Total	1 195 247	1 538 822	3 269 723

Continuing operations

The continued adverse market conditions, as well as the substantial impact of COVID-19, has reduced contract revenue from continuing operations to R1,7 billion (restated Aug 2019: R2,9 billion) with an operating loss of R101 million (restated Aug 2019: R865 million).

The United Arab Emirates operation contributed R6 million (Aug 2019: R15 million) towards the share of profits of equity-accounted investees.

This period's contribution has been negatively impacted by COVID-19.

The group has not provided for a deferred tax asset on the losses pertaining to the South African trading entity for the current period as the group is currently in a loss-making situation.

The after tax loss for the period for continuing operations is R169 million (restated Aug 2019: R909 million) and for discontinued operations is R80 million (restated Aug 2019: R132 million).

Earnings and headline earnings per share for total operations are reported as a loss of 147.06 cents (Aug 2019: 622.35 cents) and a loss of 128.42 cents (Aug 2019: 607.72 cents) respectively.

The group's order book for continuing operations and inclusive of M&E is currently R7,4 billion of which R3,1 billion arises from work beyond South Africa's borders.

Finance costs increased to R57 million (restated Aug 2019: R41 million) as a result of the extended funding made available from the Lenders.

The adverse market conditions facing the industry, the impact of COVID-19 and the well documented and ongoing delays in payments from clients contributed to negatively impacting on cash consumed by operations of R179 million (Aug 2019: R503 million). The group's total cash position has increased to R908 million (Feb 2020: R741 million). Should the discontinued operations be excluded, the cash position is R756 million (Feb 2020: R741 million).

As a consequence of the additional funding provided to the group, total interest-bearing liabilities have increased to R1 625 million (Feb 2020: R1 510 million).

The effect of the weakening Rand on the translation of certain foreign operations resulted in R2 million profit (Aug 2019: R43 million profit) being recognised in other comprehensive income.

Review of operations

Construction & Mining

Construction & Mining's contract revenue from continuing operations decreased to R1,3 billion (restated Aug 2019: R1,8 billion) with an operating profit of R30 million (restated Aug 2019: operating loss of R348 million).

Opportunities exist for this business unit in port upgrades in Durban and Cape Town, water and wastewater treatment plants, mine infrastructure, transport infrastructure and in the energy sector.

The government's proposed National Development Plan (NDP) will offer potential opportunities to this business unit.

As previously reported, with respect to a contract mining project termination, the arbitration matter has commenced and remains ongoing. The group is confident that the termination was lawful and therefore no provision has been made.

Construction & Mining's total order book at August 2020 was R5,2 billion (Aug 2019: R7,5 billion).

Building

Due to the National Lockdown and the safety requirements of COVID-19, the Building business unit was unable to work for three months during the reporting period, resulting in contract revenue from continuing operations reducing to R345 million (restated Aug 2019: R1,0 billion). The operating loss decreased to R80 million (restated Aug 2019: R497 million). The profit of the equity-accounted United Arab Emirates operation is excluded from this result.

This business unit should also potentially benefit from the NDP, together with commercial, retail, industrial, warehouse and factory opportunities in the private sector, in Gauteng, KwaZulu-Natal and Western Cape.

The Mozambique division's order book is currently under pressure, impacted by the delay in the northern province gas fields expansion projects. The division is, however, pursuing opportunities in the office, residential, factory and surface mine infrastructure in the private sector.

Building's total order book at August 2020 was R2,0 billion (Aug 2019: R2,5 billion) excluding the United Arab Emirates order book of R276 million (Aug 2019: R974 million).

Mechanical & Electrical

Mechanical & Electrical's contract revenue from total operations decreased to R179 million (restated Aug 2019: R516 million) with an operating loss of R32 million (restated Aug 2019: R33 million). This business unit has been severely impacted by the effects of COVID-19.

Opportunities in the traditional petrochemical sector for the Oil & Gas division have substantially reduced due to the current global uncertainties negatively impacting on the oil price.

The arbitration matter relating to the cancellation of a petrochemical contract had to be postponed due to a fundamental change in the client's defence. At this stage the financial impact thereof cannot be quantified.

During the period, Stefanutti Stocks terminated a mechanical project. The client is disputing the termination, which has been referred to arbitration. The group is confident that the termination was lawful and therefore no provision has been made.

Mechanical & Electrical's total order book at August 2020 was R182 million (Aug 2019: R716 million).

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 August 2020 was maintained at 0,02 (Feb 2020: 0,02) and the Recordable Case Rate (RCR) was 0,29 (Feb 2020: 0,29).

Broad-Based Black Economic Empowerment (B-BBEE)

The group is a level 1 B-BBEE contributor measured in terms of the Construction Sector scorecard with a Black Economic Interest score of 81,3%.

Industry related matters

With respect to the civil claim received from the City of Cape Town (Green Point Stadium), the arbitration date has been set for September 2021. The group remains confident it can defend this claim.

The group continues to be negatively affected through disruptive and unlawful activities by certain communities and informal business forums in certain areas of South Africa.

Dividend declaration

Notice is hereby given that no dividend will be declared (Aug 2019: Nil).

Subsequent events

On 30 October 2020, the group ceased to market the Mechanical & Electrical operation, which was classified as discontinued on 31 August 2020. Other than the matters noted herein, there were no other material reportable events which occurred between the reporting date and the date of this announcement.

Appreciation

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

On behalf of the board

Zanele Matlala
Chairman

Russell Crawford
Chief Executive Officer

Published on 26 November 2020

Directors

Non-executive directors

ZJ Matlala[#] (Chairman), B Harie[#], B Silwanyana[#], J Poluta (alternate to B Silwanyana), DG Quinn[#], HJ Craig[#]
[#] Independent

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RW Crawford (Chief Executive Officer), AV Cocciante (Chief Financial Officer)

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Auditors

Mazars
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This announcement together with the investor presentation is available on the company's website.

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