



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

UNAUDITED CONDENSED CONSOLIDATED RESULTS

FOR THE 6 MONTHS ENDED 31 AUGUST 2023

- **Revenue R3,3 billion**
- **Cash at end of period R687 million**
- **Current order book R6,5 billion**

excellence in **execution**

COMMENTARY

Shareholders are referred to the webcast and presentation relating to the unaudited condensed consolidated results for the 6 months ended 31 August 2023 (the period) which is available on the company's website: www.stefstocks.com. A physical copy can also be obtained at the company's registered office.

The links are <https://stefanuttistocks.com/investors/audio-visual-interim-results-aug-2023/> and <https://stefanuttistocks.com/investors/presentation-interim-results-aug-2023/>

GROUP PROFILE

Stefanutti Stocks is a multidisciplinary construction group that delivers projects, of any scale, to diverse sectors in the built environment. The group's geographic footprint spans South Africa and Sub-Saharan African countries where its mission is to deliver exceptional engineering solutions that will enrich people's lives.

Stefanutti Stocks' broad spectrum of expertise covers traditional and niche construction, including:

- Building (specialising in the Industrial and Commercial sectors including one-stop design and build of cold room facilities and the complete data centre offering encompassing Civil Structural Architectural (CSA), Mechanical Electrical Piping (MEP), 3D modelling, etc.).
- Civils (including the Structural Rehabilitation and Water sectors).
- Geotechnical (including lateral support and piling).
- Roads, Earthworks and Mining infrastructure.
- Renewable Energy infrastructure (including both civil and electrical balance of plant projects).
- Electrical & Instrumentation (including the design and build of electrical step-down facilities).
- Mechanical (including industry-leading, turnkey dirty water clarification solutions (S&P High-Rate Clarifier (S&P HRC)).
- Oil & Gas (including in-house pipe-spool fabrication and bulk tank construction).
- Mining Services (including materials handling and tailings management).

RESTRUCTURING PLAN UPDATE

The group hereby provides shareholders with an update on the Restructuring Plan as reported in the Consolidated Annual Financial Statements of Stefanutti Stocks for the year ended 28 February 2023, issued on 28 June 2023 and the SENS announcements issued on 31 July 2023, 12 September 2023 and 4 October 2023.

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

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

The group is currently in negotiations with the Lenders to extend the capital repayment profile of the loan, as well as its duration to June 2025 due to further delays, beyond the group's control, in resolving a number of contractual claims and compensation events on the Kusile power project and a delay with respect to the disposal of SS–Construções (Moçambique) Limitada and Stefanutti Stocks Construction Limited (collectively SS Mozambique).

With respect to the Mechanical project termination arbitration award and the disposal of Al Tayer Stocks LLC, a total of R106 million and R59 million respectively has been received from March 2023 to date. Capital repayments of R51 million and R43 million were made in May 2023 and October 2023 respectively, reducing the loan to R1 066 million. The final purchase consideration relating to the disposal of Al Tayer Stocks LLC of approximately R29 million, included in other current assets, is expected to be received in due course.

The loan bears interest at prime plus 3,6%, including arranging and facility fees, and is secured by special and general notarial bonds over movable assets, continuous covering mortgage bonds over immovable assets and various cessions. The loan does not contain any financial covenants but rather imposes certain information and general undertakings.

The Lenders continue to provide guarantee support for current and future projects being undertaken by the group.

The Restructuring Plan is anticipated to be implemented over the period up to June 2025 and, to the extent required, shareholder approval will be sought for certain aspects of the Restructuring Plan. The group will continue to update shareholders on the progress of the various aspects of the Restructuring Plan.

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

- the current order book;
- imminent project awards;
- continuing operations executing the group's order book profitably;
- the availability of short, medium and long-term projects;
- reaching a favourable outcome on contractual claims and compensation events on the Kusile power project;
- continued support from the Lenders and a successful completion of current negotiations with the Lenders relating to the extension of the loan and capital repayments to June 2025; and
- successfully implementing the Restructuring Plan.

The funding provided by the Lenders has assisted with the group's liquidity, even though total liabilities continue to exceed total assets at 31 August 2023. The group believes it remains commercially solvent based on the cash flow projections included in the Restructuring Plan and the continued support of the Lenders. However, the matters as noted above including uncertainties surrounding the contingent liabilities as stated in note 26 of the group's Consolidated Annual Financial Statements for the year ended 28 February 2023, continue to indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern, and as a consequence could impact on the group's ability to realise its assets and discharge its liabilities in the ordinary course of business.

KUSILE POWER PROJECT UPDATE

As previously highlighted to shareholders in numerous announcements and updates since late 2018, the group continues to pursue a number of contractual claims and compensation events on the Kusile power project.

Since August 2021, the group has secured payment of a combined total of R116 million for measured work and after the Dispute Adjudication Board (DAB) rulings.

Stefanutti Stocks and Eskom (the parties) have entered into an "Interim Arrangement for the Purposes of Agreeing or Determining the Contractor's Claims and Facilitating the Dispute Resolution Process" in February 2020, for all delay events up to the end of December 2019. This process involves the appointment of independent experts (the experts) to evaluate the causes, duration and quantification of delays.

Further to the above, the parties and the DAB have signed a memorandum of understanding (MOU) as set out below:

- The DAB will issue decisions confirming entitlements, which entitlements the experts have agreed to, which will then be binding on the parties;
- The DAB will rely on the experts for the narrowing of the issues and information to be considered in its assessments;
- The DAB will continue to make interim decisions on the narrowed issues and information, in a progressive manner which will be binding on the parties;
- The DAB will issue such interim decisions relating to delay and quantum; and
- At the end of the process the DAB will issue a final binding decision in terms of the contract with respect to duration and quantification, at which point either party may issue a notice of dissatisfaction and refer the dispute to arbitration.

As noted in the SENS announcement dated 12 September 2023, the following consolidated and updated claims were submitted to the experts:

1. a quantum claim of R1 344 million;
2. a finance cost claim of R270 million; and
3. interest to be calculated in terms of the DAB's ruling.

Therefore, the total of all consolidated and updated claims submitted, excluding interest, amounts to R1 614 million. In terms of the process as outlined above the experts will review all claims, draft agreements and narrow issues of difference for referral to the DAB for a decision.

The group envisages that the DAB will issue its binding decision during the first half of 2024.

At this stage the claims must follow due process, therefore, the group's claims team cannot express a view on the value of any potential award nor the exact timing thereof. As the outcome of this process remains uncertain, these consolidated and updated claims have not been recognised in the financial statements.

OVERVIEW OF RESULTS

Certain underutilised plant and equipment and SS Mozambique have been earmarked for sale and accordingly been reclassified in terms of *IFRS 5: Non-current Assets Held for Sale and Discontinued Operations*. Due to current market conditions, the disposal of these assets is taking longer than anticipated. The group remains committed to the sale processes as envisaged in the Restructuring Plan.

Non-current Assets Held for Sale

The following items are classified as non-current assets held for sale:

Property, plant and equipment	Segment	Aug 2023 R'000	Feb 2023 R'000
Land and buildings	Inland	–	743
Plant and equipment	Inland, Coastal and Western Cape	33 049	42 854
		33 049	43 597

The equity-accounted investee of R6,5 million, previously included as part of non-current assets held for sale, has been disposed of during the period.

Discontinued Operations and Disposal Groups

On 22 November 2022 shareholders approved the disposal of SS Mozambique by the company's wholly-owned subsidiaries, Stefanutti Stocks Mauritius Holdings Limited and Stefanutti Stocks International Holdings Proprietary Limited. The completion of the transaction is subject to the fulfilment or waiver of certain conditions precedent, of which one remains outstanding.

A reversal of a fair value adjustment of R28 million was recognised during the period (Aug 2022: R28 million fair value adjustment). The financial performance, reportable assets and reportable liabilities are presented within the Africa Region. Financial information relating to the discontinued operations and disposal groups can be found in note 5.

Continuing operations

Contract revenue and operating profit from continuing operations improved to R3,3 billion (Aug 2022: R2,9 billion) and R69 million (Aug 2022: R54 million) respectively.

Earnings before interest, tax, depreciation and amortisation (EBITDA) improved from R74 million to R97 million due to improved operating performance and a reduction in restructuring costs. Also included in EBITDA is a net expected credit loss (ECL) provision of R4 million (Aug 2022: R14 million reversal; Feb 2023: R61 million reversal). The reversals in the prior periods related to debtors that were previously provided for and subsequently recovered.

The depreciation charge increased to R28 million (Aug 2022: R20 million) due to the capital expenditure incurred in the prior year.

Investment income increased to R17 million (Aug 2022: R5 million) due to improved cash balances for the period.

The tax charge is impacted by the profitability of the cross-border operations at their varying tax rates. Furthermore, the group has not provided for a deferred tax asset on the losses pertaining to the South African trading entity. The tax rate used for the South African entities is 27%.

The after-tax loss for total operations is R2 million (Aug 2022: R9 million after-tax profit).

Earnings and headline earnings per share for total operations is a loss of 1,21 cents (Aug 2022: 5,53 cents earnings per share) and 22,41 cents per share (Aug 2022: 25,02 cents loss per share) respectively.

The group's order book is currently R6,5 billion of which R1,2 billion arises from work beyond South Africa's borders.

Trade and other receivables within non-current assets consists of restricted cash of R26 million (Feb 2023: R24 million) held as security for long-term guarantees and trade receivables of R9 million which are not expected to be recovered within 12 months (Feb 2023 trade receivables of R34 million, which have now been provided for). Other current assets consist of trade and other receivables of R1,8 billion (Feb 2023: R1,9 billion), contracts in progress of R598 million (Feb 2023: R530 million) and inventory of R48 million (Feb 2023: R51 million). The increase in contracts in progress relates to an increase in trading activity.

Other current liabilities consist of financial liabilities, which have reduced by R36 million to R1,2 billion, as well as an increase in trade and other payables to R1,4 billion (Feb 2023: R1,3 billion) in line with an increase in trading activity.

Total excess billings over work done reduced to R1,1 billion (Feb 2023: R1,2 billion) due to the unwinding of advance payments received on certain contracts.

Provisions increased from R649 million to R747 million in line with the increase in trading activity.

Total interest-bearing liabilities reduced from R1 354 million reported at February 2023 to R1 302 million. Due to the increase in the prime lending rate during the period, interest on the loan increased to R69 million (Aug 2022: R53 million).

The increase in trade and other payables, provisions and contracts in progress together with the reduction in trade and other receivables and excess billings over work done contributed towards movements in working capital of R14 million (Feb 2023: R450 million), and cash generated from operations of R185 million (Feb 2023: R512 million). The group's overall cash position improved to R687 million (Feb 2023: R561 million).

The effect of the weakening Rand on the translation of certain foreign operations resulted in R11 million profit (Feb 2023: R41 million profit) being recognised in other comprehensive income.

Review of operations

Inland Region

Inland's contract revenue and operating profit increased to R1,5 billion (Aug 2022: R1,0 billion) and R74 million (Aug 2022: R37 million) respectively. Inland's order book at August 2023 was R3,0 billion (Aug 2022: R3,2 billion).

All disciplines are performing to expectation with the exception of the Mechanical discipline, impacted by the termination of a significant contract. This also negatively impacted the order book at the end of August 2023.

With respect to a contract mining project termination, a settlement agreement was signed on 27 June 2023. In terms thereof, the group will receive R20 million and R10 million by the end of February 2024 and April 2024 respectively.

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

Coastal Region

The Coastal Region's contract revenue from operations is R544 million (Aug 2022: R650 million) with an operating profit of R0,3 million (Aug 2022: R1 million). These results were negatively impacted by late contract awards and delayed commencement of projects, deferring revenue to the next reporting period.

Coastal's order book at August 2023 was R2,1 billion (Aug 2022: R1,5 billion).

Western Cape Region

Western Cape's contract revenue is R508 million (Aug 2022: R306 million) with an operating profit of R15 million (Aug 2022: R15 million). Disciplines are performing to expectation.

Western Cape's order book at August 2023 was R1,0 billion (Aug 2022: R845 million).

Africa Region

The Africa Region's contract revenue is R817 million (Aug 2022: R875 million) with a reduced operating profit of R29 million (Aug 2022: R60 million), due to the majority of work executed being of a building nature. All operations performed to expectation. Africa's order book at August 2023 was R653 million (Aug 2022: R1,0 billion).

With respect to the arbitration award relating to the Kalabo-Sikongo-Angola border gate road in the Western Province of Zambia, as announced on SENS on 4 October 2023, shareholders are advised that the award was subsequently registered with the Court. The client has however submitted:

1. an order for the stay of further proceedings pending the determination of the client's application for leave to appeal;
2. an affidavit in support of summons for an order to set aside the registration of the award; and
3. leave to appeal against the judgement.

Stefanutti Stocks and its joint venture partner successfully filed a summons opposing the stay of further proceedings and have commenced discussions with the client with respect to a settlement. The settlement discussions are done on a without prejudice basis and all legal rights are reserved. Due to the uncertainty relating to the timing and quantum of receipts, the award has not been recognised in the financial statements.

Safety

Management and staff remain committed to the group's health and safety policies and procedures, and together strive to constantly improve the group's safety performance. The group's Lost Time Injury Frequency Rate (LTIFR) at August 2023 was 0,08 (Feb 2023: 0,05) and the Recordable Case Rate (RCR) was 0,37 (Feb 2023: 0,44).

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 70,49%.

Industry related matters

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

Dividend declaration

Notice is hereby given that no dividend will be declared (Aug 2022: Nil).

Subsequent events

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

Capital commitments

Capital commitments relate to expenditure for plant and equipment which has been authorised and/or contracted for but not yet recognised in the financial statements. Capital commitments which have been authorised and contracted for amount to R30 million. Capital commitments which have been authorised but not yet contracted for amount to R59 million. Capital commitments will be funded through instalment sale agreements, with repayment terms ranging from 36 – 60 months.

Appreciation

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

On behalf of the board

Zanele Matlala
Chairman

Russell Crawford
Chief Executive Officer

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	% Increase/ (decrease)	Unaudited 6 months ended 31 August 2023 R'000	Unaudited 6 months ended 31 August 2022 R'000	Audited 12 months ended 28 February 2023 R'000
Continuing operations				
Contract revenue	16	3 335 007	2 870 570	5 979 555
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	31	97 105	73 926	156 573
Depreciation		(27 917)	(19 897)	(41 540)
Fair value adjustments [^]		(437)	–	(14 344)
Operating profit before investment income	27	68 751	54 029	100 689
Investment income		17 068	4 895	28 459
Share of losses of equity-accounted investees		(328)	(1 246)	(1 468)
Operating profit before finance costs		85 491	57 678	127 680
Finance costs		(78 660)	(59 979)	(128 849)
Profit/(loss) before taxation		6 831	(2 301)	(1 169)
Taxation		(12 553)	(31 202)	(36 330)
Loss for the period		(5 722)	(33 503)	(37 499)
Profit after tax for the period from discontinued operations		3 701	42 752	52 086
(Loss)/profit for the period		(2 021)	9 249	14 587
Other comprehensive income		13 160	1 322	9 068
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss)) – Continuing operations		11 059	38 466	41 487
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss)) – Discontinued operations		1 846	33 798	43 738
Reclassification of foreign currency translation reserve on deregistration of foreign operation – Continuing operations		255	–	(5 215)
Reclassification of foreign currency translation reserve on disposal of foreign operation- Discontinued operations (Al Tayer Stocks LLC)		–	(70 942)	(70 942)
Total comprehensive income		11 139	10 571	23 655
(Loss)/profit attributable to equity holders of the company				
Continuing operations		(5 722)	(33 503)	(37 499)
Discontinued operations		3 701	42 752	52 086
		(2 021)	9 249	14 587
Total comprehensive income attributable to equity holders of the company				
Continuing operations		5 592	4 963	(1 227)
Discontinued operations		5 547	5 608	24 882
		11 139	10 571	23 655
Earnings and diluted earnings per share (cents)				
Continuing operations	83	(3,42)	(20,03)	(22,42)
Discontinued operations	(91)	2,21	25,56	31,14
Total operations	(122)	(1,21)	5,53	8,72

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 31 August 2023 R'000	Audited 28 February 2023 R'000
ASSETS		
Non-current assets	1 012 832	1 038 097
Property, plant and equipment	456 204	458 313
Equity-accounted investees	34 029	32 107
Goodwill	272 376	272 376
Trade and other receivables	35 106	58 269
Deferred tax assets	215 117	217 032
Current assets	3 266 404	3 174 774
Other current assets	2 479 046	2 511 589
Taxation	91 536	84 785
Bank balances	695 822	578 400
Non-current assets held for sale and disposal groups	1 107 079	937 558
Total assets	5 386 315	5 150 429
EQUITY AND LIABILITIES		
Capital and reserves	(55 225)	(66 364)
Share capital and premium	1 007 718	1 007 718
Other reserves	148 283	135 123
Accumulated loss	(1 211 226)	(1 209 205)
Non-current liabilities	272 234	261 920
Financial liabilities	125 114	131 451
Excess billings over work done	147 120	130 469
Current liabilities	4 348 961	4 315 855
Other current liabilities*	2 544 085	2 478 772
Excess billings over work done	969 032	1 081 639
Provisions	747 168	648 883
Taxation	79 821	88 723
Bank balances	8 855	17 838
Liabilities directly associated with disposal groups**	820 345	639 018
Total equity and liabilities	5 386 315	5 150 429
* including interest-bearing liabilities of	1 167 868	1 204 309
** including interest-bearing liabilities of	43 620	23 924

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital and premium R'000	Foreign currency translation reserve R'000	Revaluation surplus reserve R'000	Legal reserve R'000	Reserves of disposal groups held for sale R'000	Accumulated loss R'000	Total equity R'000
Balance at 28 February 2022 audited	1 007 718	(6 802)	20 039	764	112 818	(1 224 556)	(90 019)
Realisation of legal reserve on deregistration of subsidiary	–	–	–	(764)	–	764	–
Total comprehensive income	–	38 466	–	–	(37 144)	9 249	10 571
Profit for the period	–	–	–	–	–	9 249	9 249
Other comprehensive income	–	38 466	–	–	(37 144)	–	1 322
Balance at 31 August 2022	1 007 718	31 664	20 039	–	75 674	(1 214 543)	(79 448)
Total comprehensive income	–	(2 194)	–	–	9 940	5 338	13 084
Profit for the period	–	–	–	–	–	5 338	5 338
Other comprehensive income	–	(2 194)	–	–	9 940	–	7 746
Balance at 28 February 2023 audited	1 007 718	29 470	20 039	–	85 614	(1 209 205)	(66 364)
Total comprehensive income	–	11 314	–	–	1 846	(2 021)	11 139
Loss for the period	–	–	–	–	–	(2 021)	(2 021)
Other comprehensive income	–	11 314	–	–	1 846	–	13 160
Balance at 31 August 2023 unaudited	1 007 718	40 784	20 039	–	87 460	(1 211 226)	(55 225)

Reserves

Foreign currency translation reserve comprises the translation effect of foreign subsidiaries, equity-accounted investees and joint operations to the reporting currency.

Revaluation surplus reserve comprises the revaluation of land and buildings.

Reserves of disposal groups comprises foreign currency translation and revaluation surplus reserves that relate to the disposal groups.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months ended 31 August 2023 R'000	Unaudited 6 months ended 31 August 2022 R'000	Audited 12 months ended 28 February 2023 R'000
Cash generated from operations	184 540	164 665	512 252
Investment income	16 273	4 689	15 804
Finance costs	(80 339)	(61 185)	(136 255)
Dividends received	–	505	505
Taxation paid	(27 034)	(50 450)	(59 533)
Cash flows from operating activities	93 440	58 224	332 773
Proceeds received – property, plant and equipment	24 606	23 221	56 364
Expenditure for expansion – property	–	–	(4 779)
Expenditure for maintaining – plant and equipment	(11 485)	(13 503)	(33 384)
Advances to associates	(1 587)	(2 107)	(3 843)
Proceeds on disposal of equity-accounted investee	3 107	–	–
Proceeds on disposal of Al Tayer Stocks LLC	16 227	10 947	18 641
Cash flows from investing activities	30 868	18 558	32 999
Repayment of long-term financing	(63 657)	(47 561)	(98 442)
Repayment of short-term financing	(4 552)	(8 738)	(14 254)
Cash flows from financing activities	(68 209)	(56 299)	(112 696)
Net increase in cash for the period	56 099	20 483	253 076
Cash at the beginning of the period	560 562	409 327	409 327
Cash at the beginning of the period – discontinued operations	156 264	24 499	24 499
Less: Cash at the end of the period – discontinued operations	(85 752)	(8 895)	(156 264)
Effect of exchange rate changes on cash and cash equivalents	(206)	11 022	29 924
Cash and cash equivalents at the end of the period	686 967	456 436	560 562

NOTES

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated results for the 6 months ended 31 August 2023 (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 2023 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 28 February 2023.

There is no significant difference between the carrying amounts of financial assets and liabilities and their fair values. The fair value measurements for land and buildings are categorised as a level 3, based on the valuation method of income capitalisation or direct comparable sales using unobservable inputs such as market capitalisation rates and income/expenditure ratio. Plant and equipment included within non-current assets held for sale have been categorised as a level 3 fair value based on significant unobservable inputs to the valuation technique used. These assets are measured using the comparable sales method. This entails the use of quoted prices for identical or similar assets in the market.

The results are presented in Rand, which is Stefanutti Stocks' functional currency and are rounded off to the nearest thousand.

The company's directors are responsible for the preparation and fair presentation of the results which have been compiled under the supervision of the Chief Financial Officer, Y du Plessis, CA(SA). These results have not been audited or reviewed by the company's independent external auditor.

GOING CONCERN

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

- the current order book;
- imminent project awards;
- continuing operations executing the group's order book profitably;
- the availability of short, medium and long-term projects;
- reaching a favourable outcome on contractual claims and compensation events on the Kusile power project;
- continued support from the Lenders and a successful completion of current negotiations with the Lenders relating to the extension of the loan and capital repayments to June 2025; and
- successfully implementing the Restructuring Plan.

The funding provided by the Lenders has assisted with the group's liquidity, even though total liabilities continue to exceed total assets at 31 August 2023. The group believes it remains commercially solvent based on the cash flow projections included in the Restructuring Plan and the continued support of the Lenders. However, the matters as noted above including uncertainties surrounding the contingent liabilities as stated in note 26 of the group's Consolidated Annual Financial Statements for the year ended 28 February 2023, continue to indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern, and as a consequence could impact on the group's ability to realise its assets and discharge its liabilities in the ordinary course of business.

1. HEADLINE EARNINGS RECONCILIATION

	Continuing operations			Discontinued operations			Total operations		
	31 Aug 2023 R'000	31 Aug 2022 R'000	28 Feb 2023 R'000	31 Aug 2023 R'000	31 Aug 2022 R'000	28 Feb 2023 R'000	31 Aug 2023 R'000	31 Aug 2022 R'000	28 Feb 2023 R'000
(Loss)/profit after taxation attributable to equity holders of the company	(5 722)	(33 503)	(37 499)	3 701	42 752	52 086	(2 021)	9 249	14 587
Adjusted for:				–					
Net (profit)/loss on disposal of plant and equipment	(4 824)	(8 026)	(15 246)	–	55	(57)	(4 824)	(7 971)	(15 303)
Net gain on disposal of non-current assets held for sale	(5 977)	(4 336)	(4 575)	–	–	–	(5 977)	(4 336)	(4 575)
Fair value adjustments	437	–	14 344	(28 390)	27 910	(161)	(27 953)	27 910	14 183
Loss on disposal – Al Tayer Stocks LLC	–	–	–	–	766	766	–	766	766
Realisation of FCTR on disposal – Al Tayer Stocks LLC	–	–	–	–	(70 942)	(70 942)	–	(70 942)	(70 942)
Realisation of FCTR on deregistration of foreign operation	255	–	(5 215)	–	–	–	255	–	(5 215)
Net tax effect	3 038	3 492	1 704	–	(18)	18	3 038	3 474	1 722
Headline earnings	(12 793)	(42 373)	(46 487)	(24 689)	523	(18 290)	(37 482)	(41 850)	(64 777)

FCTR – foreign currency translation reserve

	%	Continuing operations			Discontinued operations			Total operations		
		31 Aug 2023	31 Aug 2022	28 Feb 2023	31 Aug 2023	31 Aug 2022	28 Feb 2023	31 Aug 2023	31 Aug 2022	28 Feb 2023
Number of diluted and weighted average shares in issue		167 243 684	167 243 684	167 243 684	167 243 684	167 243 684	167 243 684	167 243 684	167 243 684	167 243 684
Earnings and diluted earnings per share (cents)	83	(3,42)	(20,03)	(22,42)	2,21	25,56	31,14	(1,21)	5,53	8,72
Headline earnings and diluted headline earnings per share (cents)	70	(7,65)	(25,33)	(27,80)	(14,76)	0,31	(10,93)	(22,41)	(25,02)	(38,73)

2. NET ASSET VALUE

	Unaudited 31 August 2023 R'000	Audited 28 February 2023 R'000
Total number of net shares in issue	167 243 684	167 243 684
Net asset value per share (cents)	(33,02)	(39,68)
Net tangible asset value per share (cents)	(195,88)	(202,54)

3. CONDENSED CONSOLIDATED SEGMENT INFORMATION

	Inland** R'000	Coastal R'000	Western Cape R'000	Africa R'000	Reconciling segments^ R'000	Total R'000
31 August 2023 (unaudited)						
Contract revenue	1 466 291	543 872	507 653	817 191	–	3 335 007
Intersegment contract revenue	–	21 405	1 727	6 094	–	29 226
Reportable segment profit/(loss)						
– Continuing operations	86 615	(3 326)	11 036	19 014	(119 061)**	(5 722)
Reportable segment profit/(loss)						
– Discontinued operations	–	–	–	3 701	–	3 701
Reportable segment assets	1 737 794	588 724	202 954	2 355 530	501 313*	5 386 315
Reportable segment liabilities	1 512 885	478 945	221 177	1 839 287	1 389 246*	5 441 540
31 August 2022 (unaudited)						
Contract revenue	1 039 753	650 074	305 850	874 893	–	2 870 570
Intersegment contract revenue	2 556	–	27 417	3 640	–	33 613
Reportable segment profit/(loss)						
– Continuing operations	15 975	3 477	10 170	48 995	(112 120)**	(33 503)
Reportable segment profit/(loss)						
– Discontinued operations	–	2 348	–	(29 771)	70 175	42 752
Reportable segment assets	1 847 575	532 743	175 581	1 910 575	467 535*	4 934 009
Reportable segment liabilities	1 358 824	446 557	234 339	1 474 951	1 498 786*	5 013 457
28 February 2023 (audited)						
Contract revenue	2 334 239	1 367 692	702 019	1 575 605	–	5 979 555
Intersegment contract revenue	2 556	6 192	27 417	14 347	–	50 512
Reportable segment profit/(loss)						
– Continuing operations	102 171	1 535	21 924	57 562	(220 691)**	(37 499)
Reportable segment profit/(loss)						
– Discontinued operations	–	2 346	–	(20 436)	70 176	52 086
Reportable segment assets	1 792 476	490 026	218 233	2 173 678	476 016*	5 150 429
Reportable segment liabilities	1 390 142	407 725	269 032	1 710 971	1 438 923*	5 216 793

^ Reconciling segments comprise segments that are primarily centralised in nature i.e. the group's headquarters (Feb 2023 and Aug 2022 included the discontinued operation AI Tayer Stocks LLC)

^^ Included in reportable segment operating loss are restructuring costs and abnormal legal fees of R12 million (Aug 2022: R28 million; Feb 2023: R56 million).

* Included in assets is goodwill of R272 million (Aug 2022: R272 million; Feb 2023: R272 million) and the receivable from AI Tayer Stocks LLC of R72 million (Aug 2022: R85 million; Feb 2023: R83 million). Included in liabilities is the funding loan of R1,1 billion (Aug 2022: R1,2 billion; Feb 2023: R1,2 billion).

** A specific contract, which is executed in Zimbabwe, is included within the Inland Region for reporting purposes, as the required specialised skills and expertise to execute the contract are derived from the Inland Region.

4. DISAGGREGATION OF REVENUE

CONTINUING OPERATIONS

	Unaudited 6 months ended 31 August 2023 R'000	Unaudited 6 months ended 31 August 2022 R'000	Audited 12 months ended 28 February 2023 R'000
Contract revenue from continuing operations can be further disaggregated as follows:			
Geographical			
Within South Africa	2 153 197	1 898 881	3 905 855
Inland	1 103 394	946 392	1 842 237
Coastal	542 150	646 639	1 361 599
Western Cape	507 653	305 850	702 019
Outside South Africa	1 181 810	971 689	2 073 700
Inland	362 897	93 361	492 002
Coastal	1 722	3 435	6 093
Africa	817 191	874 893	1 575 605
Total	3 335 007	2 870 570	5 979 555
Sector			
Private	2 334 381	1 764 430	3 996 616
Inland	1 380 424	766 053	1 978 121
Coastal	270 926	384 715	796 354
Western Cape	369 378	127 012	360 004
Africa	313 653	486 650	862 137
Public	1 000 626	1 106 140	1 982 939
Inland	85 867	273 700	356 118
Coastal	272 946	265 359	571 338
Western Cape	138 275	178 838	342 015
Africa	503 538	388 243	713 468
Total	3 335 007	2 870 570	5 979 555

	Unaudited 6 months ended 31 August 2023				
	Inland R'000	Coastal R'000	Western Cape R'000	Africa R'000	Total R'000
Civils, earthworks and other	1 453 289	351 883	111 741	520 709	2 437 622
Bulk Earthworks and Geotechnical Services	273 818	35 187	–	18 438	327 443
Dam, Water and Sanitation	377	184 752	95 799	138 595	419 523
Industrial Process Plants	55 374	–	–	19 196	74 570
Marine Infrastructure	–	17 685	3 815	–	21 500
Mines	689 368	–	–	1 323	690 691
Oil and Gas	364 548	10 705	–	–	375 253
Power Stations and Transmission Infrastructure	30 030	–	12 127	–	42 157
Rail Infrastructure	–	–	–	296 133	296 133
Roads and Bridges	39 774	103 554	–	47 024	190 352
Building – Residential	9 066	2 880	–	14 372	26 318
Apartment Blocks and High-Rise Flats	4 432	–	–	–	4 432
Low Cost Housing	761	–	–	–	761
Medium and High-End Housing	3 873	2 880	–	14 372	21 125
Building – Non-Residential	3 936	189 109	395 912	282 110	871 067
Airports	–	–	–	1 090	1 090
Factories and Warehouses	–	–	108 133	47 873	156 006
Hospitals and Medical Centres	–	1	38 661	–	38 662
Office and Commercial Space	–	5 132	131 954	204 815	341 901
Power Stations and Transmission Infrastructure	3 936	–	57 000	–	60 936
Shopping and Retail Space	–	179 775	60 164	28 332	268 271
Tourism and Leisure Facilities	–	4 201	–	–	4 201
Total	1 466 291	543 872	507 653	817 191	3 335 007

4. DISAGGREGATION OF REVENUE (CONTINUED)

Unaudited 6 months ended 31 August 2022					
	Inland R'000	Coastal R'000	Western Cape R'000	Africa R'000	Total R'000
Civils, earthworks and other	948 218	400 061	94 452	701 677	2 144 408
Bulk Earthworks and Geotechnical Services	—	221 576	—	26 404	247 980
Dam, Water and Sanitation	71 379	167 357	86 224	120 350	445 310
Industrial Process Plants	147 833	3 000	—	—	150 833
Marine Infrastructure	5 364	7 030	—	—	12 394
Mines	346 291	—	—	26 003	372 294
Oil and Gas	78 960	—	—	—	78 960
Pipelines	109 553	—	—	5 658	115 211
Power Stations and Transmission Infrastructure	101 980	—	—	—	101 980
Rail Infrastructure	—	—	—	379 846	379 846
Roads and Bridges	86 858	1 098	8 228	143 416	239 600
Building - Residential	58 373	41 915	—	—	100 288
Low Cost Housing	43 041	—	—	—	43 041
Medium and High-End Housing	15 332	41 915	—	—	57 247
Building - Non-Residential	33 162	208 098	211 398	173 216	625 874
Airports	—	—	—	825	825
Factories and Warehouses	—	23 095	10 933	26 499	60 527
Hospitals and Medical Centres	—	—	84 385	—	84 385
Office and Commercial Space	—	—	23 882	133 282	157 164
Power Stations and Transmission Infrastructure	33 162	—	89 401	—	122 563
Shopping and Retail Space	—	184 861	2 797	12 610	200 268
Tourism and Leisure Facilities	—	142	—	—	142
Total	1 039 753	650 074	305 850	874 893	2 870 570

Audited 12 months ended 28 February 2023					
	Inland R'000	Coastal R'000	Western Cape R'000	Africa R'000	Total R'000
Civils, earthworks and other	2 250 717	775 112	192 547	1 155 129	4 373 505
Bulk Earthworks and Geotechnical Services	326 048	380 692	—	—	706 740
Dam, Water and Sanitation	62 477	295 477	184 319	281 423	823 696
Industrial Process Plants	33 373	12 071	—	—	45 444
Marine Infrastructure	—	54 157	—	—	54 157
Mines	1 087 592	—	—	821	1 088 413
Oil and Gas	439 386	—	—	—	439 386
Pipelines	3 650	—	—	—	3 650
Power Stations and Transmission Infrastructure	117 972	—	—	13 946	131 918
Rail Infrastructure	—	—	—	662 669	662 669
Roads and Bridges	180 219	32 715	8 228	196 270	417 432
Building - Residential	65 910	75 000	—	—	140 910
Low Cost Housing	39 291	—	—	—	39 291
Medium and High-End Housing	26 619	75 000	—	—	101 619
Building - Non-Residential	17 612	517 580	509 472	420 476	1 465 140
Airports	—	—	—	896	896
Factories and Warehouses	—	23 376	—	54 847	78 223
Hospitals and Medical Centres	—	—	149 468	—	149 468
Office and Commercial Space	—	3 042	123 352	306 577	432 971
Power Stations and Transmission Infrastructure	17 612	—	110 214	—	127 826
Shopping and Retail Space	—	491 020	4 282	58 156	553 458
Sporting Facilities	—	—	122 156	—	122 156
Tourism and Leisure Facilities	—	142	—	—	142
Total	2 334 239	1 367 692	702 019	1 575 605	5 979 555

5. DISCONTINUED OPERATIONS

5.1 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited 6 months ended 31 August 2023 R'000	Unaudited 6 months ended 31 August 2022 R'000	Audited 12 months ended 28 February 2023 R'000
Contract revenue	427 359	133 038	347 835
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	(29 969)	53 086	29 429
Fair value adjustments [^]	28 390	(27 910)	161
Operating (loss)/profit before investment income	(1 579)	25 176	29 590
Investment income	145	13	349
Operating (loss)/profit before finance costs	(1 434)	25 189	29 939
Finance costs	(4 047)	(1 312)	(5 580)
(Loss)/profit before taxation	(5 481)	23 877	24 359
Taxation	9 182	18 875	27 727
Profit for the period	3 701	42 752	52 086
Other comprehensive Income:	1 846	(37 144)	(27 204)
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss))	1 846	33 798	43 738
Reclassification of foreign currency translation reserve on disposal of foreign operation – Al Tayer Stocks LLC	–	(70 942)	(70 942)
Total comprehensive income	5 547	5 608	24 882
Profit attributable to equity holders of the company	3 701	42 752	52 086
Total comprehensive income attributable to equity holders of the company	5 547	5 608	24 882
Earnings per share	2,21	25,56	31,14
Headline earnings per share	(14,76)	0,31	(10,93)

[^] The fair value adjustments relate to the gain/(impairment loss) on the subsequent increase in fair value less costs to sell (write-down of the carrying amount of the disposal groups to their fair value less costs to sell) as required by IFRS 5.

5.2 STATEMENT OF FINANCIAL POSITION

	Unaudited 31 August 2023 R'000	Audited 28 February 2023 R'000
Non-current assets	386 568	367 468
Property, plant and equipment	345 636	336 375
Deferred tax assets	40 932	31 093
Current assets	734 362	593 669
Inventories	124 465	120 743
Contracts in progress	144 439	100 167
Trade and other receivables	332 929	189 361
Taxation	5 124	3 843
Bank balances	127 405	179 555
	1 120 930	961 137
Less: Fair value adjustment – Disposal group	(46 900)	(73 721)
Total assets	1 074 030	887 416
Non-current liabilities	738	240
Financial liabilities	707	195
Deferred tax liabilities	31	45
Current liabilities	819 607	638 778
Financial liabilities	1 260	438
Trade and other payables	284 360	144 836
Excess billings over work done	481 833	468 717
Provisions	10 501	1 496
Bank balances	41 653	23 291
Total liabilities	820 345	639 018

5.3 NET CASH FLOWS

	Unaudited 31 August 2023 R'000	Unaudited 31 August 2022 R'000	Audited 28 February 2023 R'000
Net cash movement from operating activities	(68 169)	(13 846)	121 240
Net cash movement from investing activities	(261)	(3 001)	(4 392)
Net cash movement from financing activities	(449)	(283)	(586)
Effect of exchange rate changes on cash and cash equivalents	(1 633)	3 020	16 997
Net movement in cash	(70 512)	(14 110)	133 259

5.4 DISAGGREGATION OF REVENUE

	Unaudited 6 months ended 31 August 2023 R'000	Unaudited 6 months ended 31 August 2022 R'000	Audited 12 months ended 28 February 2023 R'000
Contract revenue from discontinued operations can be further disaggregated as follows:			

Geographical

Outside South Africa

Coastal Africa	–	4 510	4 264
	427 359	128 528	343 571
Total	427 359	133 038	347 835

Sector Private

Coastal Africa	–	4 510	4 264
	427 359	128 528	343 571
Total	427 359	133 038	347 835

	Unaudited 6 months ended 31 August 2023 Africa R'000	Unaudited 6 months ended 31 August 2022			Audited 12 months ended 28 February 2023		
		Coastal R'000	Africa R'000	Total R'000	Coastal R'000	Africa R'000	Total R'000
Civils, earthworks and other	–	4 510	–	4 510	4 264	–	4 264
Marine Infrastructure	–	4 510	–	4 510	4 264	–	4 264
Building – Residential	207 254	–	250	250	–	–	–
Medium and High-End Housing	207 254	–	250	250	–	–	–
Building – Non-Residential	220 105	–	128 278	128 278	–	343 571	343 571
Education Institutions	82 354	–	15 002	15 002	–	832	832
Factories and Warehouses	4 281	–	7 504	7 504	–	–	–
Office and Commercial Space	133 470	–	91 094	91 094	–	212 662	212 662
Shopping and Retail Space	–	–	–	–	–	62 056	62 056
Tourism and Leisure Facilities	–	–	14 678	14 678	–	68 021	68 021
Total	427 359	4 510	128 528	133 038	4 264	343 571	347 835

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Non-executive directors

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[#] Independent

Executive directors

RW Crawford (Chief Executive Officer)
Y du Plessis (Chief Financial Officer)

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

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