



Stefanutti Stocks Group
Consolidated Annual
Financial Statements

2024

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PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements contained in this report, have been prepared under the supervision of the Chief Financial Officer, Y du Plessis, CA(SA). The annual financial statements have been audited in compliance with the applicable requirements of the Companies Act, No. 71 of 2008 (The Companies Act).



Yolanda du Plessis

Chief Financial Officer

18 June 2024

CERTIFICATE BY THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act No. 71 of 2008, I certify that, to the best of my knowledge and belief, Stefanutti Stocks Holdings Limited has, in respect of the financial year ended 29 February 2024, lodged with the Companies and Intellectual Property Commission all returns and notices required of a public company in terms of the Companies Act No. 71 of 2008 and that all such returns and notices are true, correct and up to date.



William Somerville

Company Secretary

18 June 2024

CEO AND CFO RESPONSIBILITY STATEMENT ON INTERNAL FINANCIAL CONTROLS

After due, careful and proper consideration, the directors, whose names are stated below, hereby confirm that:

- the annual financial statements set out on pages 15 to 86, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS® Accounting Standards (IFRS Accounting Standards);
- to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the Audit, Governance and Risk Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
- we are not aware of any fraud involving directors.



Russell Crawford

Chief Executive Officer



Yolanda du Plessis

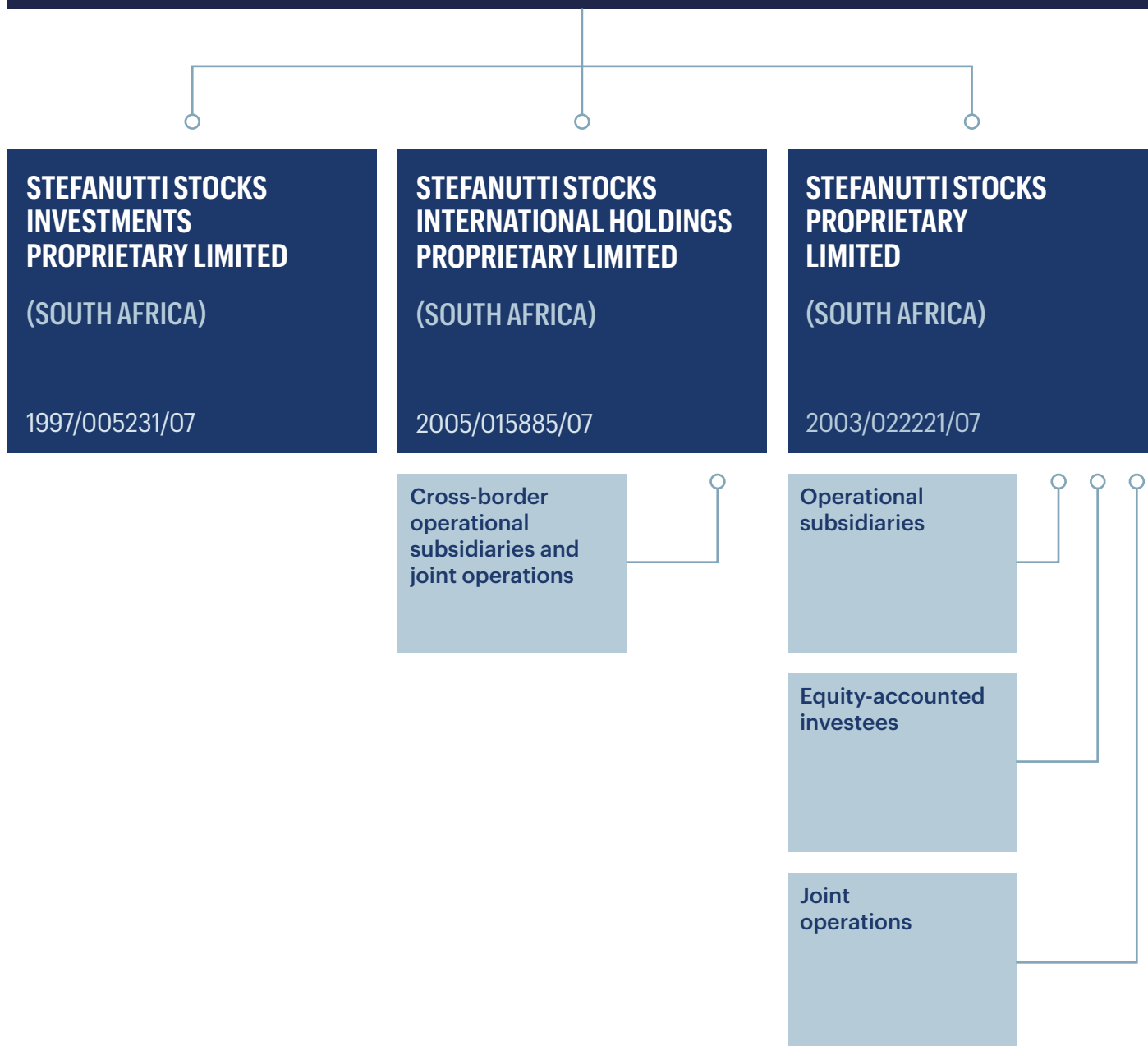
Chief Financial Officer

18 June 2024

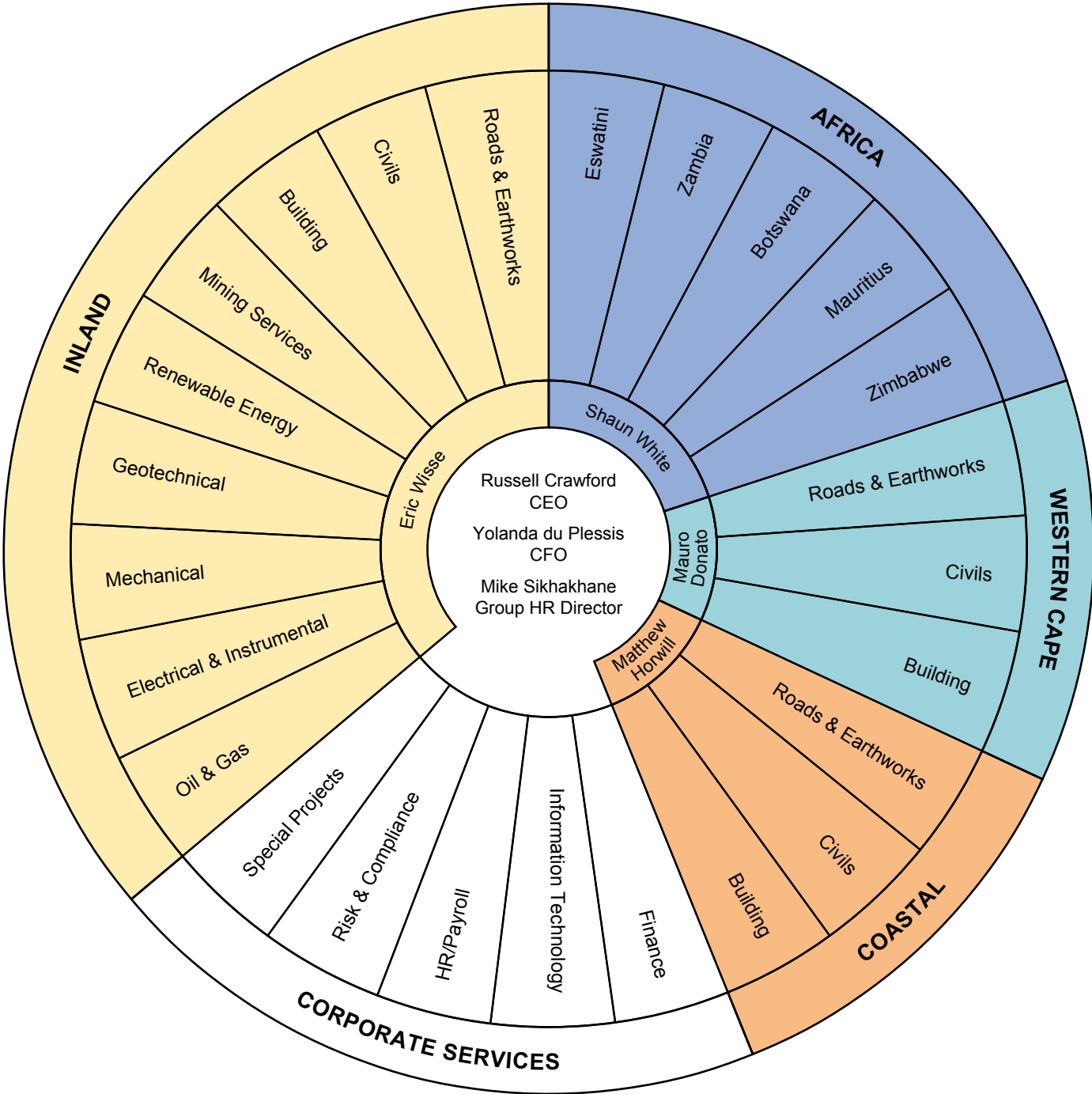
Kempton Park

SIMPLIFIED GROUP ORGANOGRAM

STEFANUTTI STOCKS HOLDINGS LIMITED 1996/003767/06



GROUP STRUCTURE



AUDIT, GOVERNANCE AND RISK COMMITTEE REPORT


The Audit, Governance and Risk Committee (ARCO or the committee), appointed in respect of the 2024 financial year of Stefanutti Stocks Holdings Limited, provides this report in compliance with section 94(7)(f) of the Companies Act, the principles of King IV and other regulatory requirements.

THE ARCO

In addition to the specific Companies Act statutory responsibilities bestowed upon it, the committee advises and submits recommendations to the board on the group's financial reporting, internal financial controls, legislative and regulatory compliance as well as the external and internal audit functions.

TERMS OF REFERENCE

Guided by the Companies Act and King IV, the board has adopted and approved the committee's formal terms of reference. No changes were made to the terms of reference after the annual review process. In accordance with these terms of reference, the committee confirms that it has executed its duties during the past financial year.

 Refer to pages 52 to 60 of the integrated annual report for a discussion on how the 16 principles of the King IV Report on Corporate Governance for South Africa 2016 (King IV) have been applied.

COMPOSITION


The board nominated the members of the committee in respect of the 2024 financial year and shareholders appointed its members at the Annual General Meeting (AGM), which was held on 4 August 2023.

Shareholders will be requested to approve the appointment of the committee members for the 2025 financial year at the AGM that is scheduled for 2 August 2024.

John Poluta resigned as independent non-executive director from the board of Stefanutti Stocks and the ARCO with effect from 13 March 2023 due to health reasons. Howard Craig was appointed as a member of the ARCO with effect from 13 March 2023. The committee comprises further of Bharti Harie as Chairman and Busisiwe Silwanyana, both independent non-executive directors.

The board Chairman, CEO, CFO, Group Risk Officer, Financial Manager, external and internal auditors attend the meeting as invitees. 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 pages 48 and 49 of the integrated annual report.

MEETINGS

During the year, the committee held five meetings. Attendance at these meetings is set out in the corporate governance report on page 55 of the integrated annual report. The committee also met in private with the external and internal auditors.

EXECUTION OF DUTIES

During the year the committee:

- Identified specific focus areas, as set out on page 6;
- Evaluated the independence of the external auditors with regard to tenure, individual partner rotation as well as their performance, and recommended their reappointment to the board;
- Reviewed the quality of the external audit function with regard to audit quality indicators as indicated in reports by external regulators. Based on these indicators, the committee was satisfied with the quality of the external audit function;
- Reviewed the quality of the internal audit function with reference to the findings from their independent internal review processes;
- Noted the JSE requirements regarding mandatory audit firm rotation (MAFR) and partner rotation;
- Confirmed the accreditation of the external auditors and the audit partner with the JSE with regard to tenure as well as individual partner rotation;
- Considered and evaluated the key audit matters as set out in the external auditor's report which remain largely the same as the previous year and the committee is satisfied that the matters have been correctly disclosed in the integrated annual report and consolidated annual financial statements;
- Reviewed the areas identified by the external auditors as being of significant risk and their approach to auditing these. This is fully discussed on page 5;
- Reviewed the external audit findings and reports;
- Approved any non-audit services performed by the external auditors and the policy in this regard;
- Reviewed the draft integrated annual report, the condensed financial statements, audited consolidated and separate annual financial statements and interim statements;
- Included the review of the company's Restructuring Plan (with the underlying assumptions), as part of its standard agenda item for each meeting. This is fully discussed on page 7;
- Reviewed the company's ongoing solvency, liquidity and going concern status;
- Reviewed, together with the external auditors, the conformity of the audited consolidated and separate annual financial statements and related schedules with IFRS Accounting Standards and the company's accounting policies;
- Reviewed the audit plan, strategy and audit fees payable for FYE 2024 to the external auditors;
- Reviewed internal audit policies, plans, budgets, reports and findings and noted the independence of the internal audit function;
- Approved the audit fee for FYE 2024;
- Monitored compliance with the Business Ethics and Conduct Policy Statement of the company in liaison with the S&E Committee;
- Monitored compliance with applicable laws and regulations;
- Monitored reports from the company's ethics hotline;
- Oversaw the process of sustainability reporting and considered the findings and recommendations of the S&E Committee;

- Assessed key risk areas facing the group, Information Technology (IT) risks, the risk register and recommended risk mitigation measures;
- Considered the tax report and significant tax matters;
- Oversaw insurance arrangements;
- Considered internal reports on major contracts;
- Oversaw IT governance, including participation in a comprehensive presentation of the various IT processes and systems implemented within operations to manage the entire process from tender to commissioning stage;
- Advised and updated the board on issues ranging from accounting standards to published financial information;
- Nominated the external auditors and the designated audit partner for reappointment by shareholders at the AGM, as required by the Companies Act and the JSE Listings Requirements;
- Evaluated the finance function and expertise and experience of the CFO;
- Evaluated the internal audit function and expertise and experience of the Internal Audit Manager;
- Ensured that access to all financial information, and appropriate financial reporting procedures exist, for all entities included in the consolidated financial statements;
- Approved materiality for the group consolidated financial statements in terms of IFRS Practice Statement 2 Making Materiality Judgements;
- Updated the board on the latest changes to the JSE Listings Requirements, proactive monitoring results, effective communication with investors and categorisation on disposal of assets;
- Ensured ongoing company compliance with the JSE checklist;
- Reviewed compliance with King IV requirements;
- Reviewed the requirements of the newly-issued IFRS® Sustainability Disclosure Standards as issued by the International Sustainability Standards Board (ISSB), namely IFRS S1 & IFRS S2;
- Monitored the ongoing interaction between the Lender Group, Chief Restructuring Officer (CRO) and the Restructuring Implementation Team (RIT).
- Received feedback on the group's combined assurance model and the various lines of defence;
- Reviewed the progress of the claims process regarding the Kusile Power project and attended meetings for feedback on the DAB process.

INTERNAL FINANCIAL CONTROLS

The committee's areas of focus 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.

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

As required by the JSE Listings Requirements, refer to the responsibility statement by the CEO and CFO on the contents page of these annual financial statements.

REGULATORY COMPLIANCE

The group's compliance with applicable laws and regulations is monitored by a combination of management controls, internal audit, external audit, the sponsors and the company secretary. Given the company's size and structure, there is no dedicated in-house compliance function. However, compliance is a standard agenda item covered by the Group Risk Officer and CFO at ARCO meetings. Compliance with the Memorandum of Incorporation (MOI) is overseen by the company secretary. For a more detailed discussion on regulatory compliance refer to the corporate governance report, commencing on page 51 of the integrated annual report.



Refer also to page 3 of the integrated annual report for the statement of compliance with the Companies Act and the MOI.

OVERSIGHT OF RISK MANAGEMENT

The committee oversees the risk management process and has confirmed the independence of the internal audit function.

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.

A risk management framework, risk policy and risk register were presented for consideration to the committee during the year. The committee has confirmed that the following focus areas below have been attended to:

- Financial reporting risks;
- Funding risks with the Lender Group;
- Kusile Power Project contract risks;
- Internal financial controls;
- Fraud risks;
- IT risks; and
- Reviewed technology risks, in particular how they are managed.



Please refer to page 14 of the integrated annual report for a full discussion on risk management.

INDEPENDENCE OF EXTERNAL AUDITORS

The committee assesses the external auditors' independence and effectiveness on an annual basis, as part of its responsibilities. The committee also meets annually with the external auditors, without management being present, to facilitate and exchange views and concerns that may not be appropriate for discussion in an open forum.

The committee reviews the group's non-audit services policy on an annual basis. This policy allows the committee to consider whether the external auditors' independence is materially impaired by any non-audit services rendered. There were no non-audit services during the reporting period performed by the group's external auditors. Non-audit services performed by the subsidiary external auditors were 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 Forvis Mazars as the independent registered audit firm and Yusuf Dockrat as the individual registered auditor.

Yusuf took over as lead partner from Shaun Vorster who has been re-assigned to a non-audit division within Forvis Mazars. The ARCO expresses its gratitude to Shaun for his valuable contribution over his years of service as the individual registered auditor.

Forvis Mazars (previously Mazars) has been the auditor of the group for 18 years. Significant changes in management over the tenure of the external audit firm mitigates the risk of familiarity including the appointment of a new CEO in August 2019, a new CFO in May 2022 and various other board and executive committee appointments. Refer to pages 48 to 50 of the integrated annual report.

INTERNAL AUDIT

Internal audit's purpose and scope, responsibilities and duties, independence and ethics are set out in the internal audit charter. The internal audit function monitors the group's exposure to risk, and assesses the reliability and effectiveness of risk management processes and controls.

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

The ARCO also meets annually with the Internal Audit Manager, without management being present, to facilitate an exchange of views and concerns that may not be appropriate for discussion in an open forum.

As prescribed by the Institute of Internal Auditors, the policies and procedures that guide the internal audit function are aligned to the International Professional Practice Framework (IPPF). The 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.

Reviewed in their entirety, these core principles articulate internal audit effectiveness. Therefore, the internal audit function must:

- 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.

SIGNIFICANT MATTERS THAT THE AUDIT COMMITTEE HAS CONSIDERED IN RELATION TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Significant matters

Audit Committee's response

1. Going concern

The group's current liabilities exceed its current assets by R1 136 million (Feb 2023: R1 141 million) and the group's total liabilities exceed its total assets by R52 million (Feb 2023: R66 million). The group had an accumulated loss of R1 193 million (Feb 2023: R1 209 million).

The committee believes that the group remains commercially solvent based on the cash flow projections included in the Restructuring Plan and the continued support of the Lenders. The committee has also taken the following into consideration in its assessment of going concern:

- the current order book;
- the 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;
- successfully implementing the Restructuring Plan.

The committee reviews the company's Restructuring Plan (with the underlying assumptions), as part of its standard agenda item for each meeting. The committee receives regular feedback from the claims team regarding the progress on the contractual claims and compensation events on the Kusile power project and, together with the board, also engages with the Lender group to address any of its concerns.

2. Valuation of goodwill

Included in the consolidated annual financial statements is goodwill of R272 million, comprising 5,33% (2023: 5,29%) of total assets in the group. The assessment of whether this asset is impaired is considered each year.

The committee considers the reasonability of the outcome of the goodwill impairment calculations through discussions with the CFO, consideration of the work performed by the external auditors and its own knowledge of the operations.

3. Recognition of contract revenue, costs, related receivables and liabilities including the valuation of contracts in progress, excess billings over work done and contract provisions

The industry in which the group operates is characterised by contract risk with significant judgement involved in the assessment of both current and future financial performance. Contracting, by its nature, requires a significant amount of management estimation and judgement in order to report the performance of the contract for the period accurately.

The committee assesses the reasonability of the amounts reported for revenue, contracts in progress, excess billings over work done and contract provisions based on their knowledge of the business and budget information received. The committee obtains reasons for significant variances and also considers the work performed by the external auditors.

In addition, the internal audit function is tasked with monitoring and assessing the group's corporate governance, in particular the various delegation of authority frameworks applicable across the group.

The group's numerous levels of management 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, which is based on the key risks identified by executive management and confirmed by the committee. At the beginning of the year, the internal audit plan was presented to the committee for annual review and approval.

The following processes were dealt with in the approved internal audit plan:

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

All findings were communicated to management who reinforced the existing controls 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, corporate governance processes and internal controls and submits its assessment of these to the committee annually.

The internal audit function provides annual confirmation to the ARCO that it conforms to the recognised industry code of ethics.

During the prior year, an external, independent quality review of the internal audit function was conducted as required by the International Standards of Internal Auditing. These quality reviews will be done every five years.

FOCUS AREAS

The focus areas for the year under review were as follows:

- Ongoing monitoring of the Restructuring Plan covering:
 - Going concern;
 - Solvency and liquidity;
 - Funding requirements and repayments;
 - Asset disposals;
 - Debtors recoverability;
 - Material contracts;
 - Working capital requirements and movement; and
 - Receiving feedback from the CRO and RIT.

The focus areas for the coming year are similar.

INTERNAL AUDIT MANAGER

The annual evaluation of the internal audit function and the Internal Audit Manager was undertaken during the year as recommended by King IV principles. The committee is satisfied that the Internal Audit Manager, Gerrit Joubert, has the appropriate qualifications, expertise, skills and experience to meet the responsibilities as Internal Audit Manager.

The committee has also satisfied itself that the resources within the internal audit function are appropriate to provide the Internal Audit Manager with the necessary support to properly fulfil his function. When making its evaluation, the committee considered the matters raised by the Group Risk Officer.

CFO

The annual evaluation of the finance function and the CFO was undertaken during the year as required in terms of the JSE Listings Requirements. The committee is satisfied that the CFO, Yolanda du Plessis, 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 appropriate to provide the CFO with the necessary support to properly fulfil her function. When making its evaluation, the committee considered the matters raised from the external auditors.

ANNUAL FINANCIAL STATEMENTS AND INTEGRATED ANNUAL REPORT

The committee has reviewed the separate and consolidated annual financial statements of Stefanutti Stocks Holdings Limited for the year ended 29 February 2024, and is of the view that in all material respects they comply with the relevant provisions of the Companies Act, IFRS Accounting Standards, the JSE Listings Requirements, and the South African Financial Reporting Requirements and fairly present the consolidated and separate financial position as at 29 February 2024, and its financial performance, the statement of changes in equity and cash flows for the financial year.

 These are available on the company's website: www.stefanuttistocks.com

The committee has also satisfied itself as to the integrity of the remainder of the Integrated Annual Report, including the Sustainability Report, and accordingly has recommended the integrated annual report for the year ended 29 February 2024 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



Bharti Harie
Chairman

18 June 2024

DIRECTORS' REPORT

NATURE OF BUSINESS

Stefanutti Stocks Holdings Limited (Registration No. 1996/003767/06) (the company, the group or Stefanutti Stocks) is a public company incorporated and domiciled in the Republic of South Africa and is listed on the JSE Main Board in the "Construction and Materials – Construction" sector.

Stefanutti Stocks is a multidisciplinary construction group that delivers projects, of any scale, to diverse sectors in the built environment. The group's geographical 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).

A simplified group organogram has been provided, additional information on the group's operating entities is available on request. Please refer to page 1.

RESTRUCTURING PLAN UPDATE

The group hereby provides shareholders with an update on the Restructuring Plan as reported in the Reviewed Consolidated Condensed Results for the 12 months ended 29 February 2024, issued on 23 May 2024.

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 on 27 March 2024, reached agreement with the Lenders to extend the capital repayment profile of the loan as well as its duration to 30 June 2025.

With respect to the Mechanical project termination arbitration award and the disposal of Al Tayer Stocks LLC, a total of R106 million and R60 million respectively has been received from March 2023 to date. Approximately R25 million relating to the final tranche of the purchase consideration of the disposal of Al Tayer Stocks LLC remains outstanding. Capital repayments of R51 million, R43 million and R69 million were made in May 2023, October 2023 and February 2024 respectively, reducing the loan to R997 million. A further payment of R13 million was made in March 2024.

The loan bears interest at prime plus 4,7%, 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.

GOING CONCERN

The directors consider it appropriate that the group's results for the year 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
- successfully implementing the Restructuring Plan.

The funding provided by the Lenders has assisted with the group's liquidity, even though as at 29 February 2024 the group's current liabilities exceed its current assets by R1 136 million (Feb 2023: R1 141 million), and the group's total liabilities exceed its total assets by R52 million (Feb 2023: R66 million). The group had an accumulated loss of R1 193 million (Feb 2023: R1 209 million). 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, 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.

Refer to note 2.

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 R119 million for measured work and the Dispute Adjudication Board (DAB) rulings.

Stefanutti Stocks and Eskom (the parties) 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) dealing with the following:

- 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 third quarter 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.

Refer to note 26.

NON-CURRENT ASSETS HELD FOR SALE, DISCONTINUED OPERATIONS AND DISPOSAL GROUPS

Certain underutilised plant and equipment and the disposal group below have been earmarked for sale and accordingly have 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.

On 22 November 2022 shareholders approved the disposal of SS — Construções (Moçambique), Limitada (SS Mozambique) and Stefanutti Stocks Construction Ltd (SS Construction) (collectively the Proposed Transaction) by the company's wholly owned subsidiaries, Stefanutti Stocks Mauritius Holdings Limited and Stefanutti Stocks International Holdings Proprietary Limited to CCG-Compass Consulting Group (Purchaser). The completion of the Proposed Transaction is subject to the fulfilment or waiver of certain conditions precedent, including that the Purchaser provides alternative security arrangements to release Stefanutti Stocks from its existing security arrangements. The parties have extended the period for fulfilment or waiver of the conditions precedent to 30 June 2024.

SS Mozambique holds an 80% interest in a Mauritian company, Stefanutti Stocks Hyvec Partners JV Limited (Hyvec JV), which was established to execute a contract that was awarded to construct villas for a resort in Mauritius (Project).

The Proposed Transaction envisaged that the group's interest in Hyvec JV would be (indirectly) transferred to the Purchaser. However, for various commercial reasons, the parties now intend for the 80% shareholding in Hyvec JV (as well as certain plant and formwork owned by SS Mozambique used on the Project) to be sold by SS Mozambique to other Stefanutti Stocks group companies prior to the implementation of the Proposed Transaction. Due to the exclusion of Hyvec JV from the Proposed Transaction the original sale and purchase agreements concluded with the Purchaser will be amended. The amendments will also address related and ancillary matters, in particular the restraint and non-solicitation provisions originally agreed by the parties in relation to the Mauritius territory. The amendments will not impact the purchase consideration payable by the Purchaser. When the amendments are signed, shareholders will be updated accordingly.

Consequently, Hyvec JV has been re-classified to continuing operations and the Statement of Comprehensive Income for the year ended 28 February 2023 has been restated.

Due to legislative changes in Mauritius, it took the Hyvec JV substantially longer to on-board the required out-of-country national labour. As a consequence, the Hyvec JV is unable to achieve the construction programme, resulting in the group recognising an onerous contract provision at 29 February 2024 and reporting a loss for the year of R78 million.

The group believes that the classification of SS Mozambique and SS Construction as held for sale is still appropriate as the delay in the sale is caused by circumstances beyond the group's control and the group remains committed to its plan to sell the disposal group.

SS Mozambique and SS Construction reported a loss for the year of R84 million (Restated Feb 2023: profit of R51 million) which has been offset by a fair value adjustment of R74 million recognised at year-end (Restated Feb 2023: R0,2 million). Further information can be found in note 7 .

FINANCIAL RESULTS AND YEAR UNDER REVIEW

The consolidated annual financial statements of Stefanutti Stocks Holdings Limited and its subsidiaries, joint operations and equity-accounted investees (collectively the group) for the year ended 29 February 2024 are set out in the annual financial statements presented on pages 15 to 86.

The consolidated annual financial statements for the group (results for the year) have been prepared in accordance with IFRS Accounting Standards and the South African Financial Reporting Requirements. The report is compliant with the relevant provisions of the Companies Act No. 71 of 2008 and the JSE Listings Requirements.

The accounting policies as well as the methods of computation used in the preparation of the results for the year ended 29 February 2024 are in terms of IFRS Accounting Standards and are consistent with those applied in the audited annual financial statements for the year ended 28 February 2023.

These results are in line with the trading update released on the JSE Stock Exchange News Services (SENS) on 15 May 2024 indicating Earnings Per Share and Headline Earnings Per Share for continuing operations to reflect a profit of between 13,15c and 17,53c per share and a loss of between 8,19c and 2,73c per share respectively.

Contract revenue and operating profit from continuing operations improved to R7,1 billion (Restated Feb 2023: R6,1 billion) and R210 million (Restated Feb 2023: R101 million) respectively.

Earnings before interest, tax, depreciation and amortisation (EBITDA) improved from R157 million to R270 million due to improved operating performance and a reduction in restructuring costs. Also included in EBITDA is a net expected credit loss (ECL) reversal of R16 million (Feb 2023: R61 million). The reversals in both the current and prior period relate to trade receivables that were previously provided for and subsequently recovered.

The depreciation charge increased to R58 million (Restated Feb 2023: R42 million), mainly due to the capital expenditure incurred during the year.

The fair value adjustments of R3 million (Feb 2023: R14 million) 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.

Investment income increased to R44 million (Restated Feb 2023: R29 million) due to improved cash balances during the year.

The tax charge is impacted by certain non-deductible expenditure included within operating profit as well as 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 reported for the Hyvec JV. In addition, the reversal of timing differences reduced the deferred tax asset by R43 million. The tax rate used for the South African entities is 27%.

The profit for the year for total operations improved slightly to R16 million (Feb 2023: R15 million).

Earnings per share for total operations is a profit of 9,50 cents (Feb 2023: 8,72 cents per share), and headline earnings per share is a loss of 55,73 cents per share (Feb 2023: 38,73 cents per share).

The group's current order book is R8,4 billion (2023: R7,4 billion) of which R1,8 billion (2023: R1,6 billion) arises from work beyond South Africa's borders.

Property, plant and equipment increased to R529 million due to the purchase of new plant and equipment of R117 million of which R67 million was financed through instalment sale agreements.

A dividend of R10 million (Feb 2023: R0,5 million) was received from the equity-accounted investee reducing the carrying value to R25 million (Feb 2023: R32 million).

Trade and other receivables within non-current assets reduced due to R27 million of restricted cash held as security for long-term guarantees being included within current assets, and trade receivables which have reduced from R34 million at February 2023 to R7 million. An ECL of R23 million was raised on trade receivables which have been long outstanding.

Current financial liabilities have reduced by R145 million from R1,2 billion in February 2023 to R1,1 billion, due to capital repayments.

Total excess billings over work done increased by R52 million to R1,3 billion, which includes R246 million pertaining to the re-classification of Hyvec JV.

Provisions increased from R649 million to R966 million in line with the increase in trading activity and the inclusion of the onerous contract provision of R48 million relating to the Hyvec JV.

Total interest-bearing liabilities reduced from R1 354 million reported at February 2023 to R1 208 million. Due to the increase in the prime lending rate during the year, interest on the loan increased to R134 million (Feb 2023: R115 million).

The group's overall cash position improved to R755 million (Feb 2023: R561 million).

Cash generated from operations is R322 million (Feb 2023: R512 million) impacted by the repayment of excess billings over work done.

The effect of the weakening Rand on the translation of certain foreign operations resulted in R13 million profit (Feb 2023: R41 million profit) being recognised in other comprehensive income. In addition, the winding up of two foreign branches resulted in a R23 million foreign exchange gain.

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 is derived from the Inland Region.

SUMMARISED GROUP RESULTS — CONTINUING OPERATIONS

	2024 R'000	Restated 2023 R'000	
Contract revenue (note 3)	7 084 226	6 050 664	Contract revenue increased due to improved performance of contracts in the Inland and Western Cape regions.
Operating profit before investment income	209 746	101 445	The significant increase in operating profit is mainly due to improved operating performance and a reduction in restructuring costs. The prior year's results were negatively impacted by fair value adjustments of R14 million compared to R3 million of this year.
Investment income (note 5)	43 591	28 714	Investment income increased due to improved cash balances during the year.
Financial liabilities (note 20)	1 208 326	1 335 760	Financial liabilities have reduced due to capital repayments of R226 million.
Excess billings over work done (note 15)	1 264 592	1 212 108	Excess billings over work done increased by R52 million and include R246 million pertaining to the re-classification of the Hyvec JV.
Provisions (note 22)	966 073	648 883	Provisions increased in line with the increase in trading activity and the inclusion of the onerous contract provision of R48 million relating to the Hyvec JV.
Earnings per share(cents) (note 8)	15,63	(21,91)	Earnings per share improved as a direct result of the movement in the statement of profit or loss.
Headline earnings per share (cents) (note 8)	(5,52)	(27,29)	Refer to note 8 on calculation of headline earnings per share.

CONTINGENT LIABILITIES AND ASSETS

With respect to a contract mining project termination, a settlement agreement was signed on 27 June 2023 and amended in February 2024. In terms thereof, the group received R17 million to date, with the balance of R13 million expected to be received over the next 28 months.

The arbitration matter relating to the cancellation of a petrochemical contract, has been settled by the parties and all claims for and against have been abandoned.

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 remain reserved. Due to the uncertainty relating to the timing and quantum of receipts, the award has not been recognised in the financial statements.

Refer to note 26.

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 February 2024 was 0,03 (Feb 2023: 0,05) and the Recordable Case Rate (RCR) was 0,24 (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 (Feb 2023: Nil).

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 R59 million. Capital commitments which have been authorised and not yet contracted for amount to R119 million. Capital commitments will be funded through instalment sale agreements and rental options, with repayment terms ranging from 24 to 36 months.

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 issue of these annual financial statements.

DIRECTORATE

The names of the directors who currently hold office are set out in the Corporate Information section.

RESOLUTIONS

At the 2023 annual general meeting, the shareholders of the company passed the following special resolutions:

- Approval of non-executive directors' fees.
- Authorisation to provide financial assistance to present or future subsidiaries.
- Approval to repurchase shares — the company and/or its subsidiaries are authorised by way of general authority to acquire ordinary shares issued by the company within the limits set out by the resolution.

APPRECIATION

It is with a deep sense of loss and great sadness that we received the news of Gino Stefanutti's passing on 6 May 2024. Gino's legacy dates to our founding in 1971, and under his energetic, pioneering, and passionate leadership he journeyed with us through many uncharted territories and company milestones. His legacy will forever remain interwoven into the tapestry of our culture and heritage, and we honour the memory of our founder, who inspired and motivated many within our organisation and across the construction industry.

APPROVAL

The annual financial statements, which appear on pages 15 to 86, were approved by the board of directors and are signed by:



Russell Crawford

Chief Executive Officer



Yolanda du Plessis

Chief Financial Officer

18 June 2024

Kempton Park

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Stefanutti Stocks Holdings Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Stefanutti Stocks Holdings Limited and its subsidiaries (the group) set out on pages 15 to 86, which comprise the consolidated statement of financial position as at 29 February 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Stefanutti Stocks Holdings Limited and its subsidiaries as at 29 February 2024, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa.

The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 of the consolidated financial statements, which indicates that at 29 February 2024 the group's current liabilities exceeded its current assets by R1 136 million (Feb 2023: R1 141 million), and as of that date, the group's total liabilities exceed its total assets by R52 million (Feb 2023: R66 million). The group had an accumulated loss of R1 193 million (Feb 2023: R1 209 million). As stated in note 2, these events and conditions along with the other matters stated in note 2 and the uncertainties surrounding the contingent liabilities as stated in note 26 indicate that a material uncertainty exists that may cast significant doubt with respect to the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Matter	Audit response
<p>Valuation of goodwill (note 12)</p> <p>Included in the consolidated financial statements as disclosed in Note 12 is goodwill comprising 5,33% (2023: 5,29%) of total assets in the group.</p> <p>As required by IAS 36: Impairment of Assets, goodwill is assessed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating units (CGUs) to which the goodwill relates. The recoverable amount is determined as the value-in-use of each cash-generating unit by estimating the expected future cash flows in each unit and determining a suitable discount rate in order to calculate the present value of those cash flows.</p> <p>There are a number of assumptions made in determining inputs into this model which include:</p> <ul style="list-style-type: none">— Future revenue— Operating margins— Interest rates— Discount rates applied to projected future cash flows	<p>As part of our audit approach, we performed the following procedures:</p> <ul style="list-style-type: none">— With the assistance of our valuation experts we critically assessed whether the model used by directors to calculate the value in use of the individual CGUs complied with the requirements of IAS 36;— Assessed the assumptions used to calculate discount rates and growth rate by comparing these to market rates and recalculating these rates;— Subjected discount growth rate assumption to sensitivity analysis and assessed the headroom available to the goodwill;— Assessed the reasonability of forecast assumptions by, comparing actual results for 2024 to budgets and obtaining from management reasons for deviation;— Corroborated explanations obtained from management above with supporting documentation where appropriate; and— Assessed the adequacy of the disclosures with regard to goodwill in the consolidated financial statements in terms of the disclosure requirements of IAS 36.

Matter	Audit response
<p>Valuation of goodwill (note 12) continued</p> <p>The complexity of these assumptions is mainly due to varying industry disciplines within the group which differ in nature, as well as contract execution, as well as the difficulties faced by the construction industry.</p> <p>The impairment tests performed on goodwill is considered to be a key audit matter due to the extent of judgement and estimation involved, as noted above.</p>	
<p>Recognition of contract revenue and the valuation of contracts in progress, excess billings over work done and contract provisions (note 3, 15, 22)</p> <p>The industry in which the group operates is characterised by contract risk with significant judgement involved in the assessment of both current and future financial performance. Significant amount of management estimation and judgement is required in order to report the performance of each contract for each period accurately. Revenue and costs are recognised based on the stage of completion of individual contracts, calculated as the proportion of total costs at reporting date compared to the estimated total costs of contracts. Anticipated losses to completion are immediately recognised as an expense in contract costs.</p> <p>The status of contracts is updated on a regular basis. In doing so the directors are required to exercise judgement in assessing:</p> <ul style="list-style-type: none"> — valuation of contract variations and claims; — liquidated damages; — the completeness and accuracy of forecasted costs to complete; and — the ability to deliver contracts within forecasted timescales. <p>Judgement is also applied with respect to the recognition and measurement of contracts in progress and excess billings over work done.</p> <p>As a result of the significant judgements involved in calculating contract revenue, the valuation of contracts in progress, excess billings over work done and contract provisions are considered to be key audit matter.</p>	<p>Our work performed included, but was not limited to:</p> <ul style="list-style-type: none"> — Considering the appropriateness of the group's revenue recognition policy and the adequacy of the disclosures relating to contracts; — Gaining an understanding of the performance and status of contracts through enquiry from management and contract directors; — Assessing the design and implementation of key controls over recognition of contract revenue including tests to determine whether these controls operated effectively throughout the period; — Verifying the completeness of revenue, for a sample of contracts, by inspecting signed Quantity Surveyor Certificates and agreeing differences to source documents; — Analysing estimates for total forecast revenue, costs and profit to complete through inspection of contract documentation; — Assessing the recoverability and completeness of contracts in progress and excess billings over work done with reference to events subsequent to year-end; — Attending cost meetings (contract review meetings) where contract performance for the year was discussed. This enabled us to gain assurance over the identification of potential onerous contracts at the year end to test the operation of management control over the contracts in progress; — Reviewing legal and contentious matters to assess whether a contingent asset or contingent liability exists, including assessing the likelihood of future outflow; — Assessing the competence, capabilities and objectivity of management's legal experts, engineering experts and quantity surveyors through inspection of their qualifications, professional memberships and obtaining an understanding of their work; and — Assessing the reasonability of the contract cost provisions and onerous contract provisions by critically evaluating management's judgement and calculations.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Stefanutti Stocks Group Consolidated Annual Financial Statements for the year ended 29 February 2024" which includes the Directors' report as required by the Companies Act of South Africa as well as Audit, Governance and Risk Committee's report and the Company Secretary's Certificate.

The other information does not include the consolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Forvis Mazars has been the auditor of Stefanutti Stocks Holdings Limited and its subsidiaries for 18 years.



Forvis Mazars
Partner: Yusuf Dockrat
Registered Auditor

19 June 2024
Johannesburg

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 29/28 FEBRUARY

	Note	2024 R'000	Restated* 2023 R'000
CONTINUING OPERATIONS			
Contract revenue	3	7 084 226	6 050 664
Other income	4	75 095	45 288
Operating expenses		(6 904 962)	(6 000 100)
Net expected credit losses	15, 16, 27	15 888	61 477
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	4	270 247	157 329
Depreciation	9	(57 758)	(41 540)
Fair value adjustments	7.3	(2 743)	(14 344)
Operating profit before investment income		209 746	101 445
Investment income	5	43 591	28 714
Share of losses of equity-accounted investees	10	(2 030)	(1 468)
Operating profit before finance costs		251 307	128 691
Finance costs	5	(150 822)	(128 849)
Profit/(loss) before taxation		100 485	(158)
Taxation	6	(74 346)	(36 487)
Profit/(loss) for the year		26 139	(36 645)
(Loss)/profit after tax for the year from discontinued operations	7.2	(10 253)	51 232
Profit for the year		15 886	14 587
Other comprehensive income		(3 386)	9 068
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss)) — Continuing operations		13 024	41 371
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss)) — Discontinued operations	7.2	6 874	43 854
Reclassification of foreign currency translation reserve on deregistration of foreign operations — Continuing operations		(23 284)	(5 215)
Reclassification of foreign currency translation reserve on disposal of foreign operation — Discontinued operations	7.2	—	(70 942)
Total comprehensive income		12 500	23 655
Profit/(loss) attributable to:			
Equity holders of the company		15 886	14 587
Continuing operations		26 139	(36 645)
Discontinued operations		(10 253)	51 232
		15 886	14 587
Total comprehensive income attributable to:			
Equity holders of the company		12 500	23 655
Continuing operations		15 879	(489)
Discontinued operations		(3 379)	24 144
		12 500	23 655
Earnings and diluted earnings per share (cents)			
Continuing operations	8	15,63	(21,91)
Discontinued operations	7.2	(6,13)	30,63
Total operations	8	9,50	8,72

* The information has been restated for the changes between continuing and discontinued operations as explained in note 7.2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 29/28 FEBRUARY

	Note	2024 R'000	2023 R'000
ASSETS			
Non-current assets		1 008 977	1 038 097
Property, plant and equipment	9	528 666	458 313
Equity-accounted investees	10	24 862	32 107
Goodwill	12	272 376	272 376
Trade and other receivables	16	9 531	58 269
Deferred tax assets	13	173 542	217 032
Current assets		3 423 906	3 174 774
Inventories	14	46 295	51 077
Contracts in progress	15	535 792	530 496
Trade and other receivables	16	1 998 873	1 930 016
Taxation		88 122	84 785
Bank balances	17	754 824	578 400
Non-current assets held for sale and disposal groups	7.1	675 488	937 558
Total assets		5 108 371	5 150 429
EQUITY AND LIABILITIES			
Capital and reserves		(51 703)	(66 364)
Share capital and premium	18	1 007 718	1 007 718
Other reserves		133 898	135 123
Accumulated loss		(1 193 319)	(1 209 205)
Non-current liabilities		188 578	261 920
Financial liabilities	20	149 312	131 451
Excess billings over work done	15	39 266	130 469
Current liabilities		4 559 663	4 315 855
Financial liabilities	20	1 059 014	1 204 309
Trade and other payables	21	1 238 928	1 274 463
Excess billings over work done	15	1 225 326	1 081 639
Provisions	22	966 073	648 883
Taxation		70 319	88 723
Bank balances	17	3	17 838
Liabilities directly associated with disposal groups	7.1	411 833	639 018
Total equity and liabilities		5 108 371	5 150 429

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 29/28 FEBRUARY

	OTHER RESERVES							Total equity R'000
	Share capital and premium R'000	Foreign currency translation reserve R'000	Share-based payments 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	
Balance at 28 February 2022	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	—	36 156	—	—	—	(27 088)	14 587	23 655
Profit for the year	—	—	—	—	—	—	14 587	14 587
Other comprehensive income	—	36 156	—	—	—	(27 088)	—	9 068
Balance at 28 February 2023 restated*	1 007 718	29 354	—	20 039	—	85 730	(1 209 205)	(66 364)
Forfeitable share awards	—	—	2 161	—	—	—	—	2 161
Total comprehensive income	—	(10 260)	—	—	—	6 874	15 886	12 500
Profit for the year	—	—	—	—	—	—	15 886	15 886
Other comprehensive income	—	(10 260)	—	—	—	6 874	—	(3 386)
Balance at 29 February 2024	1 007 718	19 094	2 161	20 039	—	92 604	(1 193 319)	(51 703)
	Note 18	Note 18	Notes 4, 18, 19	Note 18		Note 7		

* The information has been restated for the changes between continuing and discontinued operations as explained in note 7.2.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 29/28 FEBRUARY

	Note	2024 R'000	2023 R'000
Cash flows from operating activities		148 886	332 773
Cash generated from operations	23.1	321 946	512 252
Investment income	5,7	42 825	15 804
Finance costs	5,7	(162 668)	(136 255)
Dividends received	10	9 563	505
Taxation paid	23.2	(62 780)	(59 533)
Cash flows from investing activities		67 301	32 999
Proceeds received — Property, plant and equipment	7,9	42 986	56 364
Expenditure for expansion — Property, plant and equipment	9	—	(4 779)
Expenditure for maintaining — Property, plant and equipment	7,9	(37 040)	(33 384)
Advances to equity-accounted investees	10	(3 158)	(3 843)
Proceeds on disposal of equity-accounted investee	7.1	4 418	—
Proceeds on disposal of Al Tayer Stocks LLC	16	60 095	18 641
Cash flows from financing activities	23.3	(226 026)	(112 696)
Repayment of long-term financing		(216 050)	(98 442)
Repayment of short-term financing		(9 976)	(14 254)
Net (decrease)/increase in cash for the year		(9 839)	253 076
Cash at the beginning of the year — continuing operations		560 562	409 327
Cash at the beginning of the year — discontinued operations	7	156 264	24 499
Less: Cash at the end of the year — discontinued operations	7	40 837	(156 264)
Effect of exchange rate changes on cash and cash equivalents		6 997	29 924
Cash and cash equivalents at the end of the year — continuing operations	17	754 821	560 562

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY

1. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of consolidated annual financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures and the disclosure of contingent liabilities and assets. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events and are believed to be reasonable under the circumstances. Actual results may differ from the estimates made by management.

MATERIALITY STATEMENT

The group prepared a materiality statement as guided by IFRS Practice Statement 2 — Making Materiality Judgements which was approved by the ARCO. This document guided the preparers in assessing materiality when preparing the annual financial statements and applying judgement. The materiality statement covered both quantitative and qualitative factors such as the going concern considerations, industry conditions and disruptive events and items regulated by statutory requirements.

In the process of applying the group's accounting policies, the directors have made the following estimates and judgements that have the most significant effects on the amounts recognised and disclosed in the annual financial statements:

REVENUE FROM CONTRACTS WITH CUSTOMERS (NOTE 3)

Revenue is recognised over time as the group transfers control of goods and services to the customer whilst enhancing an asset controlled by the customer. The output method is followed in measuring the progress towards satisfaction of the performance obligations. Revenue is measured with reference to surveys of work performed. When the surveys of work performed cannot be determined reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Surveys of work performed are deemed to be the best output method, as these surveys are firstly performed internally and then approved and re-performed by an external surveyor of the client. When management estimates, based on the cost of work performed to date in relation to the total work to be performed, that the total costs to be incurred to complete a contract will be in excess of the estimated total revenue from the contract, the full expected loss to be incurred is recognised immediately or any penalties arising from failure to fulfil it, whichever is the least net cost.

Certain contracts include penalty provisions, claims and a change of scope of work to be performed which constitutes variable consideration. Variable consideration is measured either at the most likely outcome method or expected value method and is considered at each reporting date. The most appropriate method is selected for each contract and applied consistently throughout the contract term. In most instances the most likely outcome method is used as there are only a few possible outcomes.

In certain instances, the group receives advance payments when starting on a contract as part of the negotiated price. The group concluded that there is a significant financing component for those contracts where the client elects to pay in advance, other than advance payments received and utilised within 12 months. The financing component is calculated based on the length of time between the client's payment and the transfer of goods and services over time, relating to the advance payment received. This financing component is recognised in profit or loss as finance costs as it is incurred (note 5). An appropriate interest rate is applied, which reflects the separate financing transaction between the group and the client.

NON-CURRENT ASSETS HELD FOR SALE, DISCONTINUED OPERATIONS AND DISPOSAL GROUPS (NOTE 7)

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. The group had to apply judgment in assessing whether the assets and discontinued operations meet the criteria to be classified as held for sale at the reporting date.

The below was considered:

- Whether the assets and operations were available for immediate sale and can be sold to a buyer in their current condition;
- Whether the actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification;
- Whether a potential buyer has been identified and negotiations as at the reporting date are at an advanced stage; and
- Whether shareholder approval was obtained where required.

The Hyvec JV has been reclassified to continuing operations and the statement of comprehensive income for the year ended 28 February 2023 has been restated to reflect this change. Refer to note 7.2 for further information.

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.

Valuations

Non-current assets held for sale and disposal groups are measured at the lower of their carrying amounts or fair value less costs to sell at the time of the reclassification and at each reporting period. The group uses judgement to determine the fair value hierarchy of classes of assets and liabilities and in selecting the most appropriate valuation methods. The group takes into consideration the circumstances under which valuations are performed and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

1. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS CONTINUED

The disposal group is currently measured at its carrying value of R244 million, being the difference between total assets of R656 million and total liabilities of R412 million. The fair value less costs to sell, being the price the group expects to receive based on the signed Sale and Purchase Agreement entered into amounts to USD R13,5 million. Refer to note 7.2 and the directors report on page 7.

For non-current assets held for sale, the fair value of plant and equipment is determined using the comparable sales method. This entails the use of quoted prices for identical or similar assets in the market. This method of valuation is best suited for these types of assets. Refer to note 7.3.

For more details on the non-current assets held for sale, discontinued operations and disposal groups, refer to note 7.

OPERATING ASSETS

Property, plant and equipment (note 9)

Valuations

Valuations are performed generally every five years to ensure that the fair value of the revalued assets do not differ materially from its carrying amount.

A valuation was performed on 28 February 2022 by accredited independent valuers. Properties were valued by either applying the Comparable Sales Method or Income Capitalisation Method. To determine which method would be the most appropriate for each property, cognisance was taken of the following relevant to each property: Each property's general uniqueness, durability, proximity of location, relatively "limited" supply, and the specific utility of a given site.

The Income Capitalisation Method of valuation entails the determination of the Net Annual Income for the property, which is then capitalised at an appropriate market-related capitalisation rate. This method of valuation is best suited for income-producing properties.

The Comparable Sales Method approach entails the identification, analysis and application of recent comparable sales involving physically and legally similar units in the general proximity of the property to be valued. This method of valuation is best suited for non-income producing properties. This valuation included a review of title deed information, town planning conditions, property descriptions and improvements as well as locality. Market conditions and demand, comparable sales and vacant land values were also taken into consideration. Refer to note 27.

Useful lives

The useful life of an asset is the period over which the group expects to utilise the benefits embodied in the assets, and not necessarily the asset's economic life. Useful lives of assets are reviewed annually. The group uses the following indicators to determine useful life:

- Expected usage of assets
- Expected physical wear and tear
- Technical and commercial obsolescence

For detail on the estimated useful lives assigned to the categories of Property, Plant and Equipment (owned and instalment sales), refer to accounting policy 4.

RESIDUAL VALUES

An estimate is made of the amount the group would currently expect to receive for the asset, if the asset was already of the age and condition expected at the end of its useful life. These residual values of property, plant and equipment are reviewed annually, by comparing it to the disposal value of comparative assets in the market.

IMPAIRMENT OF ASSETS

Property, plant and equipment (note 9)

Management assesses changes in interest rates, currency exchange rates as well as the state of affairs in the construction sector, as indicators that impairment testing may need to be performed.

Goodwill (note 12)

Goodwill is assessed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which goodwill relates. The recoverable amount is determined as the value in use of each cash-generating unit by estimating the expected future cash flows in each unit and determining a suitable discount rate in order to calculate the present value of those cash flows.

Each year, management employs the following process in assessing the recoverability of goodwill, which begins with the budgeting process as one of its base inputs. The budgets, upon which the impairment tests are based, go through an internal vetting and approval process which covers the budget and strategic planning process for the coming four years.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

1. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS CONTINUED

Budgets are zero based each year, and through the vetting process are tested for sensibility given the strategic intent and capabilities of the operations within the group. The Executive Committee and Board are part of this process, who ultimately approve these budgets.

Management believes the zero-based budgeting process is best suited to the assessment of the recoverability of goodwill as it addresses the complexities of the construction environment, such as the fact that the construction industry is not static, nor is it repetitive.

The varying industry disciplines within the group which differ in nature, as well as in contract execution, adds to this complexity. During the approval process, the past experience and knowledge of the Executive Committee and Board are applied to further temper the budgets and inputs to the process.

Provision for expected credit losses (ECLs) of contracts in progress and trade and other receivables (note 15, 16, 27)

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 27.

Included within the loss allowance are specific provisions which relate to specific clients who are showing signs of default, such as delayed payments and liquidity pressures.

Joint operations and joint ventures (note 11)

Management assesses whether a joint arrangement must be classified as a joint operation or joint venture. This assessment depends on whether the joint arrangement has rights to the assets, and obligations for the liabilities, relating to the arrangement. The group recognises its investments as joint operations when the operations are performed through unincorporated arrangements such as partnerships and contracts, and the group has rights to the assets, and obligations for the liabilities. For incorporated arrangements, where a partnership is administered through a separate vehicle, management assesses whether the contractual arrangement provides the parties to the joint arrangement with rights to the assets, and obligations for the liabilities, relating to the arrangement, and not the separate vehicle. In such instances, the investment is recognised as a joint operation. In determining the classification of joint arrangements, management considered the contractual agreements with respect to sharing control and whether parties are jointly and severally liable for the joint arrangement's rights and obligations. Other investments are recognised as joint ventures when the group only has rights to the net assets of the arrangement.

Taxation (note 6, 13)

Management assesses the extent to which it is probable that taxable profit will be available against which deductible temporary differences can be utilised, also taking into account that effective from the 29 February 2024 tax year, the utilisation of an accumulated assessed loss is limited to the higher of R1 million or 80% of the taxable income in the year of assessment, with the remaining assessed loss balance to be utilised in subsequent years of assessment. All companies with deferred tax asset balances are currently trading and are expected to make profits which will enable them to recover the deferred tax assets. The South African trading entity will further recover its deferred tax asset by the implementation of the Restructuring Plan, which includes the sale of non-core assets, underutilised plant and equipment and reaching a favourable outcome on the Kusile Power Project.

The group is subject to income taxes in numerous jurisdictions and the calculation of the group's tax charge and worldwide provisions for income taxes naturally involves a degree of estimation and judgement. There are transactions and tax computations for which the ultimate tax treatment or result is uncertain, or in respect of which the relevant tax authorities may or could indicate disagreement with the group's treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority.

The group applies judgements in identifying uncertainties with regards to income tax treatments. The group is of the opinion that it is more probable than not that the treatment of its taxes will be accepted by the relevant tax authorities. The group recognises liabilities for tax based on estimates of whether additional taxes will be due after taking into account external advice where appropriate. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the reporting period in which such determination is made.

Use and sales rate

The deferred tax rate applied to assets is determined by the expected manner of recovery. Where the expected recovery of the asset is through sale, the capital gains tax rate of 21,6% (Feb 2023: 22,4%) is used for South African assets, and foreign tax rates for foreign entities.

If the expected manner of recovery is through use, the normal tax rate of 27% (Feb 2023: 28%) is applied for South African assets and foreign tax rates for foreign entities.

If the manner of recovery is partly through use and partly through sale, a combination of capital gains tax rate and normal tax rate is used.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

1. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS CONTINUED

Provisions (note 22)

Provisions are raised when deemed necessary by management and an estimate of expected outflows is made based on the information available at the time.

Warranty provisions	Warranty provisions are recognised for expected warranty claims, based on past experience. Estimates are made of the anticipated time, materials and subcontractor involvement required to honour the warranty.
Contract-related provisions	Contract-related provisions represent the estimated amounts relating to incurred obligations to third party suppliers. Management estimates these amounts based on the expected cash outflows required to settle its obligations to suppliers.
	Onerous contracts
	A specific provision made for onerous contracts, in instances in which the unavoidable costs of meeting obligations under the contract exceed the economic benefits expected to be received under it. The present obligation under the contract is recognised and measured as a provision.

Operating segments (note 24)

The group uses judgement in applying the aggregation criteria for purposes of identifying its operating segments. Segment reporting is done in a manner consistent with the internal reporting provided to the chief operating decision maker being the Executive Committee, with reportable operating segments being reported at regional level. Segments are managed at regional level and can be further broken down into disciplines. Disciplines which are similar in nature and function and operate within a similar geographic area are aggregated and managed by the same managing director to form these regions.

Contingent liabilities and assets (note 26)

Management may assess and determine, based on expert advice received from time to time, whether an item is a contingent or actual liability or asset. For legal activities where no legal action has been taken/made, management has assessed the likelihood of a future cash outflow/inflow to be remote and no contingent liabilities or assets have been recognised. For instances where legal action has been taken and the outcomes of the processes remains uncertain, a contingent liability or asset is disclosed in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

2. GOING CONCERN

RESTRUCTURING PLAN UPDATE

The group hereby provides shareholders with an update on the Restructuring Plan as reported in the Reviewed Condensed Consolidated Results for the 12 months ended 29 February 2024, issued on 23 May 2024.

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 on 27 March 2024, reached agreement with the Lenders to extend the capital repayment profile of the loan as well as its duration to 30 June 2025.

With respect to the Mechanical project termination arbitration award and the disposal of Al Tayer Stocks LLC, a total of R106 million and R60 million respectively has been received from March 2023 to date. Approximately R25 million relating to the final tranche of the purchase consideration of the disposal of Al Tayer Stocks LLC remains outstanding. Capital repayments of R51 million, R43 million and R69 million were made in May 2023, October 2023 and February 2024 respectively, reducing the loan to R997 million. A further payment of R13 million was made in March 2024.

The loan bears interest at prime plus 4,7%, 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 (note 20).

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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

2. GOING CONCERN CONTINUED

GOING CONCERN

The directors consider it appropriate that the group's results for the year 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
- successfully implementing the Restructuring Plan.

The funding provided by the Lenders has assisted with the group's liquidity, even though as at 29 February 2024 the group's current liabilities exceed its current assets by R1 136 million (Feb 2023: R1 141 million), and the group's total liabilities exceed its total assets by R52 million (Feb 2023: R66 million). The group had an accumulated loss of R1 193 million (Feb 2023: R1 209 million). 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, 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.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

3.1 CONTRACT REVENUE

	2024 R'000	Restated 2023 R'000
Within South Africa	4 729 043	3 905 855
Outside South Africa	2 355 183	2 144 809
Total contract revenue	7 084 226	6 050 664

3.2 DISAGGREGATED CONTRACT REVENUE

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

	Inland ^ Region R'000	Coastal Region R'000	Western Cape Region R'000	Africa Region R'000	Total R'000
2024					
Geographical					
Within South Africa	2 375 915	1 213 053	1 140 075	—	4 729 043
Outside South Africa	716 614	1 722	—	1 636 847	2 355 183
	3 092 529	1 214 775	1 140 075	1 636 847	7 084 226
Sector					
Private	2 941 593	572 041	837 914	975 724	5 327 272
Public	150 936	642 734	302 161	661 123	1 756 954
	3 092 529	1 214 775	1 140 075	1 636 847	7 084 226

^ 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

3. REVENUE FROM CONTRACTS WITH CUSTOMERS CONTINUED

	Inland [^] Region R'000	Coastal Region R'000	Western Cape Region R'000	Africa Region R'000	Total R'000
2023 (restated)					
Geographical					
Within South Africa	1 842 237	1 361 599	702 019	—	3 905 855
Outside South Africa	492 002	6 093	—	1 646 714	2 144 809
	2 334 239	1 367 692	702 019	1 646 714	6 050 664
Sector					
Private	1 978 121	796 354	360 004	933 246	4 067 725
Public	356 118	571 338	342 015	713 468	1 982 939
	2 334 239	1 367 692	702 019	1 646 714	6 050 664

[^] 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.

There was revenue of R4 million recognised at a point in time in the current year from one group company, based in South Africa, in the private sector and cannot be further disaggregated (Feb 2023: Rnil).

	Inland Region R'000	Coastal Region R'000	Western Cape Region R'000	Africa Region R'000	Total R'000
2024					
Disciplines					
Buildings	21 974	394 494	868 679	1 339 139	2 624 286
Civils and Geotechnical	1 598 801	814 842	271 396	179 072	2 864 111
Mechanical Electrical Piping	762 792	—	—	—	762 792
Mining	189 248	—	—	—	189 248
Roads and Earthworks	519 714	5 439	—	118 636	643 789
	3 092 529	1 214 775	1 140 075	1 636 847	7 084 226

2023 (restated)					
Disciplines					
Building	32 492	585 274	517 701	1 158 199	2 293 666
Civils and Geotechnical	1 146 422	782 418	184 318	295 954	2 409 112
Mechanical Electrical Piping	532 341	—	—	—	532 341
Mining	210 831	—	—	—	210 831
Roads and Earthworks	412 153	—	—	192 561	604 714
	2 334 239	1 367 692	702 019	1 646 714	6 050 664

The group's broad spectrum of expertise is summarised in the above table as follows:

- Buildings — consist of building projects 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 and Geotechnical — includes the Structural Rehabilitation and Water sectors and lateral support and piling.
- Mechanical Electrical Piping — consists of 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)) and Oil & Gas (including in-house pipe-spool fabrication and bulk tank construction).
- Mining — consists of materials handling and tailings management.
- Roads and Earthworks — consists of Roads, Earthworks and Mining infrastructure and Renewable Energy infrastructure (including both civil and electrical balance of plant projects).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

3. REVENUE FROM CONTRACTS WITH CUSTOMERS CONTINUED

3.3 TRANSACTION PRICE ALLOCATED TO REMAINING PERFORMANCE OBLIGATIONS

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as follows:

	Inland Region R'000	Coastal Region R'000	Western Cape Region R'000	Africa Region R'000	Total R'000
2024					
Shorter than 12 months	1 689 983	1 610 501	600 817	1 184 713	5 086 014
Longer than 12 months	485 534	622 508	140 088	493 000	1 741 130
	2 175 517	2 233 009	740 905	1 677 713	6 827 144
2023 (restated)					
Shorter than 12 months	1 946 353	1 362 687	591 853	1 107 395	5 008 288
Longer than 12 months	1 159 750	783 151	28 730	211 627	2 183 258
	3 106 103	2 145 838	620 583	1 319 022	7 191 546

The remaining performance obligations are expected to realise as indicated. Performance obligations longer than 12 months mostly relate to long-term contracts (between one to two years).

Significant long-term contracts include the Ivanplats Headgear Construction, Assmang Iron Ore, Sasol Cooling Towers Repairs and Westown Square Development.

3.4 CONTRACT BALANCES

	2024 R'000	2023 R'000
Contract in progress (note 15)	535 792	530 496
Excess billings over work done (note 15)	1 264 592	1 212 108
Trade receivables (note 16)	1 225 637	1 298 244

Contracts in progress are recognised for revenue earned from construction related services and is conditional on certification and invoicing of work performed. Upon certification and invoicing, the amounts recognised as contracts in progress are reclassified to trade receivables. The increase in contracts in progress relates to a slower cycle in converting items from contracts in progress to trade receivables. The balance of expected credit losses provided for on contracts in progress amounted to R0,7 million (Feb 2023: R0,7 million) (note 15).

Excess billings over work done include long and short-term advances received from clients to deliver construction related services. The movement in this value is dependent on the terms of contracts agreed with clients (note 15).

Contract receivables are generally on terms of 60 days and interest is charged as per agreements with individual clients. The value of trade receivables decreased mainly due to payments received from slow paying government debtors in the Africa region. The balance of expected credit losses provided for on contract receivables amounted to R121 million (Feb 2023: R148 million) (note 16).

4. OTHER INCOME AND EBITDA

4.1 OTHER INCOME

	2024 R'000	Restated 2023 R'000
Net profit on disposal of property, plant and equipment (note 9)	10 308	15 246
Net gain on disposal of non-current assets held for sale (note 7)	8 972	4 575
Net profit on foreign exchange rate movements	44 915	9 707
Project management fee and rental income from short-term leases	10 209	12 849
Other income	691	2 911
	75 095	45 288

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

4. OTHER INCOME AND EBITDA CONTINUED

4.2 EBITDA

	2024 R'000	Restated 2023 R'000
Included in these expenses are:		
Auditors remuneration	13 230	14 074
— Audit Services	12 673	13 512
— Non-audit services	557	562
Employee costs	1 681 334	1 463 566
— Short-term employee benefit costs	1 569 743	1 362 501
— Post-employment benefit costs	100 284	90 868
— Share incentive costs (note 19)	2 695	—
— Retrenchment cost	8 612	10 197
Expenses relating to leases	26 407	39 908
— Short-term lease (leases less than 12 months)	26 040	39 676
— Low value assets (assets with a new cost of R250 000 and less)	367	232
Restructuring costs and abnormal legal fees	43 497	55 885
Withholding taxes written-off (note 23.1 and 23.2)	18 853	2 191

5. INVESTMENT INCOME AND FINANCE COSTS

5.1 INVESTMENT INCOME

	2024 R'000	Restated 2023 R'000
Investment income from financial instruments held at amortised cost:		
— Bank accounts	40 840	15 520
— Trade receivables	16	213
— Other	2 735	12 936
Other interest — South African Revenue Services	—	45
	43 591	28 714

Other investment income relates to interest earned from arbitration awards received. The R13 million in the prior year relates to the arbitration award with regard to the Mechanical project termination.

5.2 FINANCE COSTS

	2024 R'000	Restated 2023 R'000
Finance costs from financial instruments held at amortised cost:		
— Bank overdrafts and bonds	2 701	3 147
— Financing agreements (insurance, etc.) (note 20)	938	377
— Instalment sale agreements (note 20)	2 185	62
— Lease liabilities (note 20)	5 002	3 813
— Settlement liability — City of Cape Town (note 20)	1 950	509
— Funding loan (note 20)	133 993	114 833
— Trade payables	43	97
— Advance payments received (note 15)	485	—
— Voluntary Rebuild Programme (note 20)	3 485	6 003
Other interest — South African Revenue Services	40	8
	150 822	128 849

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

6. TAXATION

6.1 TAXATION

	2024			2023 (restated)		
	Local R'000	Foreign R'000	Total R'000	Local R'000	Foreign R'000	Total R'000
Current tax	5 450	19 339	24 789	558	33 629	34 187
— Current year	5 423	19 535	24 958	543	50 387	50 930
— Under/(over) provision — prior year	27	(196)	(169)	15	(16 758)	(16 743)
Deferred tax (note 13)	39 168	10 389	49 557	12 444	(10 144)	2 300
— Current year	35 559	14 295	49 854	17 091	(10 160)	6 931
— (Over)/under provision — prior year	3 609	(3 906)	(297)	(4 647)	16	(4 631)
Taxation	44 618	29 728	74 346	13 002	23 485	36 487

6.2 RECONCILIATION OF TAX CHARGE

	2024 R'000	Restated 2023 R'000
Tax at 27% (Feb 2023: 28%) on profit/(loss) before taxation	27 131	(44)
Adjusted for:		
Disallowable expenditure:		
— Deemed interest	1 467	1 681
— Professional and legal fees	1 012	1 122
— Impairment of equity-accounted investees held for sale (note 7)	—	210
— Impairment of loans	17 074	—
— Penalties and fines	4 324	2 771
— Listing costs	546	561
— Withholding taxes (note 4)	5 416	546
— Net losses from equity-accounted investees (note 10)	733	503
— Other	1 633	1 077
Exempt income:		
— Foreign exchange transactions	(7 231)	(1 784)
Other:		
Change in tax rate	—	10 582
Deferred tax asset not raised on losses	13 934	34 765
Foreign tax rate differential	11 226	(894)
Learnership allowances	(799)	(496)
Capital gain tax differential	(144)	9 823
Overprovision prior year (note 6.1)	(466)	(21 374)
Tax losses utilised	(1 510)	(2 562)
Effective tax	74 346	36 487

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

7. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Certain underutilised plant and equipment and the disposal group as mentioned below have been earmarked for sale and accordingly have 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.

7.1 RECONCILIATION OF THE CARRYING VALUE OF NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS

	2024 R'000	2023 R'000
Non-current assets held for sale and disposal groups		
Disposal groups (note 7.2)	656 438	887 416
Property, plant and equipment (note 7.3)	19 050	43 597
Equity-accounted investee	—	6 545
	675 488	937 558

The equity-accounted investee of R6,5 million, has been disposed of for R5,8 million, of which R1,4 million remains outstanding at year-end. A loss of R0,7 million was recognised on disposal.

	2024 R'000	2023 R'000
Liabilities directly associated with disposal groups		
Disposal groups (note 7.2)	411 833	639 018

7.2 DISCONTINUED OPERATIONS AND DISPOSAL GROUPS

On 22 November 2022 shareholders approved the disposal of SS — Construções (Moçambique) Limitada (SS Mozambique) and Stefanutti Stocks Construction Ltd (SS Construction) (collectively the Proposed Transaction) by the company's wholly owned subsidiaries, Stefanutti Stocks Mauritius Holdings Limited and Stefanutti Stocks International Holdings Proprietary Limited to CCG-Compass Consulting Group (Purchaser). The completion of the Proposed Transaction is subject to the fulfilment or waiver of certain conditions precedent, including that the Purchaser provides alternative security arrangements to release Stefanutti Stocks from its existing security arrangements. The parties have extended the period for fulfilment or waiver of the conditions precedent to 30 June 2024.

SS Mozambique holds an 80% interest in a Mauritian company, Stefanutti Stocks Hyvec Partners JV Limited (Hyvec JV), which was established to execute a contract that was awarded to construct villas for a resort in Mauritius (Project).

The Proposed Transaction envisaged that the group's interest in Hyvec JV would be (indirectly) transferred to the Purchaser. However, for various commercial reasons, the parties now intend for the 80% shareholding in Hyvec JV (as well as certain plant and formwork owned by SS Mozambique used on the Project) to be sold by SS Mozambique to other Stefanutti Stocks group companies prior to the implementation of the Proposed Transaction. Due to the exclusion of Hyvec JV from the Proposed Transaction the original sale and purchase agreements concluded with the Purchaser will be amended. The amendments will also address related and ancillary matters, in particular the restraint and non-solicitation provisions originally agreed by the parties in relation to the Mauritius territory. The amendments will not impact the purchase consideration payable by the Purchaser. When the amendments are signed, shareholders will be updated accordingly.

Consequently, Hyvec JV has been re-classified to continuing operations and the Statement of Comprehensive Income for the year ended 28 February 2023 has been restated.

Due to legislative changes in Mauritius, it took the Hyvec JV substantially longer to on-board the required out-of-country national labour. As a consequence, the Hyvec JV is unable to achieve the construction programme, resulting in the group recognising an onerous contract provision at 29 February 2024 and reporting a loss for the year of R78 million.

The group believes that the classification of SS Mozambique and SS Construction as held for sale is still appropriate as the delay in the sale is caused by circumstances beyond the group's control and the group remains committed to its plan to sell the disposal group.

SS Mozambique and SS Construction, reported within the Africa Region, reported a loss for the year of R84 million (Restated Feb 2023: profit of R51 million) which has been offset by a fair value adjustment of R74 million recognised at year-end (Restated Feb 2023: R0,2 million).

Guarantees issued to third parties on behalf of SS Mozambique to guarantee the full and due performance of construction works as set out in their contracts or other related matters amounts to R226 million (Feb 2023: R234 million).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

7. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS CONTINUED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2024 R'000	Restated* 2023 R'000
DISCONTINUED OPERATIONS		
Contract revenue	404 133	276 726
Other income	5 318	86 423
Operating expenses	(479 178)	(334 403)
Net expected credit loss	(2 408)	(73)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	(72 135)	28 673
Fair value adjustments ^	73 721	161
Operating profit before investment income	1 586	28 834
Investment income	141	94
Operating profit before finance costs	1 727	28 928
Finance costs	(12 957)	(5 580)
(Loss)/profit before taxation	(11 230)	23 348
Taxation	977	27 884
(Loss)/profit for the year	(10 253)	51 232
Other comprehensive income	6 874	(27 088)
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss))	6 874	43 854
Reclassification of foreign currency translation reserve on disposal of foreign operation — AI Tayer Stocks LLC	—	(70 942)
Total comprehensive income	(3 379)	24 144
(Loss)/profit attributable to equity holders of the company	(10 253)	51 232
Total comprehensive income attributable to equity holders of the company	(3 379)	24 144
Earnings and diluted earnings per share (cents)	(6,13)	30,63
Headline and diluted headline earnings per share (cents)	(50,21)	(11,44)
(Loss)/profit is arrived at after taking into account the following:		
Employee benefits	(155 791)	(105 562)
Foreign exchange profit	5 126	85 925
Net profit on disposal of plant and equipment	—	57

* The information has been restated for the changes between continuing and discontinued operations.

^ The fair value adjustments relate to the decrease of the carrying value being less than the fair value less costs to sell, limited to the cumulative impairment loss that has been recognised previously.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

7. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS CONTINUED

STATEMENT OF FINANCIAL POSITION

	2024 R'000	2023 R'000
Non-current assets	382 729	367 468
Property, plant and equipment	349 186	336 375
Deferred tax assets	33 543	31 093
Current assets	273 709	593 669
Inventories	123 922	120 743
Contracts in progress	50 167	100 167
Trade and other receivables	81 583	189 361
Taxation	1 966	3 843
Bank balances	16 071	179 555
	656 438	961 137
Less: Fair value adjustment — Disposal Group	—	(73 721)
Total assets	656 438	887 416
Non-current liabilities	—	240
Financial liabilities	—	195
Deferred tax liabilities	—	45
Current liabilities	411 833	638 778
Financial liabilities	206	438
Trade and other payables	184 690	144 836
Excess billings over work done	142 964	468 717
Provisions	27 065	1 496
Bank balances	56 908	23 291
Total liabilities	411 833	639 018

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

7. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS CONTINUED

HEADLINE EARNINGS RECONCILIATION

	2024 R'000	Restated 2023 R'000
(Loss)/profit after taxation attributable to equity holders of the company	(10 253)	51 232
Adjusted for:		
Net profit on disposal of plant and equipment	—	(57)
Fair value adjustments	(73 721)	(161)
Loss on disposal — Al Tayer Stocks LLC	—	766
Realisation of foreign currency translation reserve on sale — Al Tayer Stocks LLC	—	(70 942)
Tax effect	—	18
Headline earnings	(83 974)	(19 144)
Number of weighted and diluted average shares in issue	167 243 684	167 243 684
Headline earnings and diluted headline earnings per share (in cents)	(50,21)	(11,44)

NET CASH FLOWS FROM DISCONTINUED OPERATIONS

	2024 R'000	2023 R'000
Net cash movement from operating activities	(48 421)	121 240
Net cash movement from investing activities	(265)	(4 392)
Net cash movement from financing activities	(908)	(586)
Effects of exchange rate changes on cash and cash equivalents	553	16 997
Net movement in cash	(49 041)	133 259

DISAGGREGATED CONTRACT REVENUE

	Coastal Region R'000	Africa Region R'000	Total R'000
2024			
Geographical			
Outside South Africa	—	404 133	404 133
Sector			
Private	—	404 133	404 133
2023 (restated)			
Geographical			
Outside South Africa	4 264	272 462	276 726
Sector			
Private	4 264	272 462	276 726

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

7. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS CONTINUED

	Coastal Region R'000	Africa Region R'000	Total R'000
2024			
Disciplines			
Buildings	—	404 133	404 133
2023 (restated)			
Disciplines			
Building	—	272 462	272 462
Civils and Geotechnical	4 264	—	4 264
	4 264	272 462	276 726

SEGMENT INFORMATION

	Coastal Region R'000	Africa Region R'000	Reconciling segment — Al Tayer Stocks LLC R'000	Total R'000
2024				
Contract revenue	—	404 133	—	404 133
Net expected credit loss	—	(2 408)	—	(2 408)
Operating profit before investment income	—	1 586	—	1 586
Investment income	—	141	—	141
Finance cost	—	(12 957)	—	(12 957)
Taxation	—	977	—	977
Loss for the year	—	(10 253)	—	(10 253)
Total assets	—	656 438	—	656 438
Total liabilities	—	411 833	—	411 833
2023 (restated)				
Contract revenue	4 264	272 462	—	276 726
Net expected credit loss	—	(73)	—	(73)
Operating profit/(loss) before investment income	2 346	(43 687)	70 175	28 834
Investment income	—	94	—	94
Finance cost	—	(5 580)	—	(5 580)
Taxation	—	27 884	—	27 884
Profit/(loss) for the year	2 346	(21 289)	70 175	51 232
Total assets	—	887 416	—	887 416
Total liabilities	—	639 018	—	639 018

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

7. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS CONTINUED

7.3 NON-CURRENT ASSETS HELD FOR SALE

The following items of plant and equipment were reclassified as held for sale, as the group is actively marketing these assets and it is expected to dispose of these within a year. Current market conditions resulted in the delay of these disposals. The group remains committed to the sale processes as envisaged in the Restructuring Plan.

Property, plant and equipment

	Regions	2024 R'000	2023 R'000
Land and buildings	Inland Region	—	743
Plant and equipment	Inland, Coastal and Western Cape Region	19 050	42 854
		19 050	43 597
Opening balance		43 597	106 250
Transfer to property, plant and equipment (note 9)		(8 380)	(8 452)
Disposal of property, plant and equipment		(17 675)	(40 512)
Reversal of sale of plant previously recognised		4 251	—
Fair value adjustments recognised in profit or loss — continuing operations		(2 743)	(13 689)

Proceeds of R27,4 million (Feb 2023: R45,3 million) was received from the disposal of property, plant and equipment.

8. EARNINGS, HEADLINE EARNINGS AND NET ASSET VALUE PER SHARE

Cents per share	TOTAL OPERATIONS		CONTINUING OPERATIONS	
	2024	2023	2024	Restated 2023
EPS — Basic and diluted	9,50	8,72	15,63	(21,91)
HEPS — Basic and diluted	(55,73)	(38,73)	(5,52)	(27,29)
Net asset value and diluted net asset value per ordinary share	(30,91)	(39,68)		
Net tangible asset value and diluted net tangible asset value per ordinary share	(193,78)	(202,54)		

	2024 R'000	Restated 2023 R'000
Profit/(loss) and asset values attributable to:		
EPS — Basic and diluted — Total operations	15 886	14 587
HEPS — Basic and diluted — Total operations	(93 198)	(64 777)
EPS — Basic and diluted — Continuing operations	26 139	(36 645)
HEPS — Basic and diluted — Continuing operations	(9 224)	(45 633)
EPS — Basic and diluted — Discontinued operations	(10 253)	51 232
HEPS — Basic and diluted — Discontinued operations	(83 974)	(19 144)
Net asset value	(51 703)	(66 364)
Net tangible asset value	(324 079)	(338 740)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

8. EARNINGS, HEADLINE EARNINGS AND NET ASSET VALUE PER SHARE CONTINUED

	WEIGHTED AVERAGE SHARES		AS AT FEBRUARY	
	HEPS and EPS 2024	HEPS and EPS 2023	NAV 2024	NAV 2023
Shares used for EPS, HEPS and NAV				
Basic and diluted	167 243 684	167 243 684	167 243 684	167 243 684
Reconciliation of number of shares				
Issued ordinary shares — at the beginning of the year	188 080 746	188 080 746	188 080 746	188 080 746
Effect of treasury shares held in share trust	(6 429 930)	(6 429 930)	(6 429 930)	(6 429 930)
Effect of treasury shares held in investment subsidiary	(14 407 132)	(14 407 132)	(14 407 132)	(14 407 132)
Number of shares used for EPS, HEPS and NAV	167 243 684	167 243 684	167 243 684	167 243 684

TOTAL OPERATIONS

	Gross amount 2024 R'000	Net amount 2024 R'000	Gross amount 2023 R'000	Net amount 2023 R'000
Profit after taxation attributable to equity holders of the company		15 886		14 587
Adjusted for:				
Net profit on disposal of plant and equipment (note 4, 7.3)	(10 308)	(7 496)	(15 303)	(11 029)
Net gain on disposal of non-current assets held for sale (note 4, 7.3)	(8 972)	(6 585)	(4 575)	(3 294)
Fair value adjustments (note 7)	(70 978)	(71 719)	14 183	10 350
Loss on disposal — Al Tayer Stocks LLC		—		766
Realisation of foreign currency translation reserve — Al Tayer Stocks LLC		—		(70 942)
Realisation of foreign currency translation reserve on deregistration of foreign operations (note 4)		(23 284)		(5 215)
		(93 198)		(64 777)

CONTINUING OPERATIONS

	Gross amount 2024 R'000	Net amount 2024 R'000	Gross amount 2023 R'000	Net amount 2023 R'000
Profit/(loss) after taxation attributable to equity holders of the company		26 139		(36 645)
Adjusted for:				
Net profit on disposal of plant and equipment (note 4, 7.3)	(10 308)	(7 496)	(15 246)	(10 990)
Net gain on disposal of non-current assets held for sale (note 4, 7.3)	(8 972)	(6 585)	(4 575)	(3 294)
Fair value adjustments (note 7.3)	2 743	2 002	14 344	10 511
Realisation of foreign currency translation reserve on deregistration of foreign operations		(23 284)		(5 215)
		(9 224)		(45 633)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise owned and leased assets that do not meet the definition of investment property.

	2024 R'000	2023 R'000
9.1 Owned assets	478 702	409 647
9.2 Right-of-use assets	49 964	48 666
Total	528 666	458 313

Mortgage bonds have been registered over certain properties and special notarial bonds over certain items of plant and equipment as security for the funding loan provided to the group as disclosed in note 20.

9.1 OWNED ASSETS

	REVALUED		COST		Total R'000
	Land and buildings R'000	Transport and motor vehicles R'000	Plant and equipment R'000	Furniture, fittings, office and computer equipment R'000	
2024					
Cost/valuation	199 423	63 398	848 073	32 090	1 142 984
Accumulated depreciation	(8 858)	(52 515)	(578 164)	(24 745)	(664 282)
Carrying value at year-end	190 565	10 883	269 909	7 345	478 702
2023					
Cost/valuation	197 220	65 998	729 244	28 726	1 021 188
Accumulated depreciation	(3 723)	(53 657)	(530 295)	(23 866)	(611 541)
Carrying value at year-end	193 497	12 341	198 949	4 860	409 647

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

9. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Reconciliation of the carrying value of owned assets:

	Land and buildings R'000	Transport and motor vehicles R'000	Plant and equipment R'000	Furniture, fittings, office and computer equipment R'000	Total R'000
2024					
Carrying value at the beginning of the year	193 497	12 341	198 949	4 860	409 647
Additions	1 989	2 533	93 415	5 463	103 400
Disposals	—	(717)	(4 429)	(174)	(5 320)
Depreciation	(5 135)	(3 063)	(32 838)	(2 782)	(43 818)
Foreign exchange movement	214	(211)	1 774	(22)	1 755
Transfer from inventory (note 14)	—	—	994	—	994
Transfer from disposal groups (note 7)	—	—	3 664	—	3 664
Transfer from non-current assets held for sale (note 7)	—	—	8 380	—	8 380
Carrying value at year-end	190 565	10 883	269 909	7 345	478 702
2023					
Carrying value at the beginning of the year	186 857	9 001	214 969	4 129	414 956
Additions	9 270	4 640	16 242	2 909	33 061
Disposals	—	(2 081)	(16 885)	(111)	(19 077)
Depreciation	(3 723)	(1 586)	(27 695)	(2 091)	(35 095)
Foreign exchange movement	1 093	312	2 359	22	3 786
Transfer from right-of-use assets (note 9.2)	—	1 003	2 559	—	3 562
Transfer from disposal groups (note 7)	—	—	—	2	2
Transfer from non-current assets held for sale (note 7)	—	1 052	7 400	—	8 452
Carrying value at year-end	193 497	12 341	198 949	4 860	409 647

Had land and buildings been carried at cost, the carrying value of land and buildings would have been R225 million (Feb 2023: R224 million).

Included in plant and equipment are assets subject to instalment sale agreements of R65 million (Feb 2023: Nil) (note 20.3).

All disposals of assets result from the sale, scrapping and replacement thereof in the normal course of business.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

9. PROPERTY, PLANT AND EQUIPMENT CONTINUED

9.2 RIGHT-OF-USE ASSETS

	Land and buildings R'000	Transport and motor vehicles R'000	Plant and equipment R'000	Furniture, fittings, office and computer equipment R'000	Total R'000
2024					
Cost	62 998	170	15 238	352	78 758
Accumulated depreciation	(22 147)	(135)	(6 160)	(352)	(28 794)
Carrying value at year-end	40 851	35	9 078	—	49 964
2023					
Cost	62 998	170	1 679	352	65 199
Accumulated depreciation	(14 469)	(50)	(1 679)	(335)	(16 533)
Carrying value at year-end	48 529	120	—	17	48 666
Reconciliation of the carrying value of right-of-use assets:					
2024					
Carrying value at the beginning of the year	48 529	120	—	17	48 666
Additions	—	—	13 616	—	13 616
Depreciation	(7 678)	(85)	(6 160)	(17)	(13 940)
Modifications (note 23.3)	—	—	1 622	—	1 622
Carrying value at year-end	40 851	35	9 078	—	49 964
2023					
Carrying value at the beginning of the year	46 853	1 696	2 744	88	51 381
Additions	7 122	170	—	—	7 292
Depreciation	(5 446)	(743)	(185)	(71)	(6 445)
Transfer to owned assets (note 9.1)	—	(1 003)	(2 559)	—	(3 562)
Carrying value at year-end	48 529	120	—	17	48 666

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

10. EQUITY-ACCOUNTED INVESTEEES

The below information relates to two equity-accounted investees which are accounted for as associates: a Public-Private Partnership based in Botswana and a local property development company.

	PERCENTAGE HELD		Year-end	Country of incorporation	Nature of business	Number of shares owned
	2024	2023				
Bongwe Investments Proprietary Limited	34	34	April	Botswana	Concession	1 055 ordinary shares of no par value
Masingita Towers Proprietary Limited	20	20	February	South Africa	Property development	200 ordinary shares of no par value

The group has interests in two individually immaterial associates.

Investments in Bongwe Investments Proprietary Limited arose through the group's decision to enter into Public Private Partnerships in Botswana. This Public Private Partnership comes to an end in December 2024.

The group continues to provide funding to Masingita Towers Proprietary Limited for its proportionate share of the mortgage repayments (Feb 2024: R3,2 million; Feb 2023: R3,8 million).

Associates are accounted for using the equity method. Investor interest was determined by capital contributions and long-term loans that are not expected to be settled in the foreseeable future.

The information used to account for the interest in associates is coterminous with the group's year-end.

The following table analyses, in aggregate, the carrying amount and share of losses and other comprehensive income of these associates:

	2024 R'000	2023 R'000
Carrying amount	24 862	32 107
Group's share of losses after taxation	(2 030)	(1 468)
Other comprehensive income — foreign currency translation reserve	1 189	4 275
Group's share of total comprehensive income	(841)	2 807
Dividends received	9 563	505

11. JOINT OPERATIONS

A portion of the group's operations are performed through joint operations as unincorporated arrangements such as partnerships and contractual arrangements. Joint operations are dissolved at the end of a contract for which it was formed. A loss of interest is therefore in the ordinary course of business. New joint operations are formed when new contracts are awarded to ensure a contract can be executed effectively. Additional information relating to the group's significant joint operations is provided below:

	Nature	Principal place of business	Group's % interest 2024	Group's % interest 2023
FISH — Five Star Hotel	Building	Eswatini	44	44
Sikhupe International Airport — Sikhupe International Airport	Building	Eswatini	40	40
Montys Eswatini — Plumbing on various building contracts	Building	Eswatini	50	50
Stefanutti Stocks Hyvec Partners JV Limited	Building	Mauritius	80	80
SSAS 2 — BRT Stations	Civils	Gauteng	60	60
Zuikerbosch Consortium — Zuikerbosch Sedimentation	Civils	Gauteng	56	56
SS Ergoflex — Polokwane SO ₂ abatement project	Civils	Limpopo	70	70
Kusile Civils Works — Kusile Power Station	Civils	Mpumalanga	50	50
Stefanutti Stocks WPCP Joint Venture	Civils	KwaZulu-Natal	50	—
Lere Stefanutti Stocks	Mechanical and Electrical	Northern Cape	49	—
BRT WP3 — BRT Stations	Roads and Earthworks	KwaZulu-Natal	60	60
Stefanutti Stocks Consolidated Contractors — Kalabo-Sikongo Road Project	Roads and Earthworks	Zambia	50	50

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

12. GOODWILL

	2024 R'000	2023 R'000
Cost	1 206 313	1 206 313
Accumulated impairment	(933 937)	(933 937)
Carrying value at year-end	272 376	272 376

IMPAIRMENT TESTING FOR CASH-GENERATING UNITS (CGU) CONTAINING GOODWILL

For purposes of impairment testing, goodwill is allocated to the group's operating disciplines which represent the lowest CGUs, where goodwill is monitored for internal management purposes.

The value in use of the different CGUs is determined by discounting the future cash flows generated from the continuing use of the CGUs and based on the following key assumptions:

Cash-generating units	Segment	CARRYING VALUES OF GOODWILL PER CGU		CONSTANT GROWTH RATE (A)		AVERAGE ANTICIPATED ANNUAL REVENUE GROWTH (AAARG) % (B)		PRE-TAX WACC (C)	
		2024 R'000	2023 R'000	2024 %	2023 %	2024 %	2023 %	2024 %	2023 %
Stefanutti Stocks Coastal	Coastal Region	50 704	50 704	2	2	18	10	17,5	16,0
Stefanutti Stocks Building (Stocks Building Africa (Pty) Ltd)	Western Cape and Africa Region	211 209	211 209	2	2	17	7	17,5	16,0
Stefanutti Stocks Mining Services	Inland Region	10 463	10 463	2	2	17	12	17,5	16,0
		272 376	272 376						

Discounted cash flow forecasts are prepared by management as the basis for determining the estimated recoverable amount. Appropriate growth and discount rates, given the industry and location of the CGUs and its operations, are applied in the forecast. The recoverable amount of each CGU is based on its value in use and is determined to be higher than the carrying amount.

Cash flows are projected based on actual operating results and four-year forecasts. Cash flows beyond this were extrapolated using a constant growth rate of (A) which does not exceed the long-term average growth rate for the industry. Appropriate growth and discount rates, given the industry and location of the CGUs and its operations, are applied to the forecast. The calculation of the weighted average cost of capital (WACC) (C) increased due to an increase in the group borrowing rate from 11,02% to 16,45%. The beta reduced from 0,55 in the prior year to 0,36. The WACC is similar for all CGUs as they have similar characteristics and operate within a similar market. The beta coefficient is a measure of the volatility, or systematic risk, of an individual stock in comparison to the unsystematic risk of the entire market. The risk-free rate of return (R186) increased slightly from 10,11% to 10,14%.

Projected cash flows were used as the basis for determining the value assigned to each CGU. The AAARG (B) included in the cash flow projections is an average for the years 2025 to 2028. The values assigned to the key assumptions represent management's assessment of the CGUs and are based on both external and internal sources as well as past experience. The increase in the AAARG % for the CGUs is due to a combination of an improved outlook in the construction market and internal strategic initiatives that have been implemented, such as a focus on new markets, a move away from low margin projects and diversification of operations.

SENSITIVITY ANALYSIS FOR GOODWILL

If the growth rate and WACC are adjusted to the percentages as indicated, the corresponding effect on the recoverable amount of the CGUs is illustrated in the tables below:

		STEFANUTTI STOCKS BUILDING		STEFANUTTI STOCKS COASTAL		STEFANUTTI STOCKS MINING	
		Growth rate % 1,0 R'000	Growth rate % 3,0 R'000	Growth rate % 1,0 R'000	Growth rate % 3,0 R'000	Growth rate % 1,0 R'000	Growth rate % 3,0 R'000
WACC	17,5%	(19 245)	21 903	(11 948)	13 598	(3 893)	4 429
		WACC % 16,5 R'000	WACC % 18,5 R'000	WACC % 16,5 R'000	WACC % 18,5 R'000	WACC % 16,5 R'000	WACC % 18,5 R'000
Growth rate	2,0%	31 444	(28 518)	19 846	(18 035)	6 648	(5 686)

None of the effects of the above changes to the key assumptions cause the carrying amount to exceed its recoverable amount.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

13. DEFERRED TAX ASSETS

	2024 R'000	2023 R'000
Includes:		
Property, plant and equipment	(69 632)	(67 760)
Provisions	273 484	211 125
Leases	15 484	14 720
Retentions	(18 011)	(9 616)
Expected credit loss (ECL)	20 038	13 561
Future allowances	(232 738)	(139 778)
Excess billings over work done	230 529	247 000
Work-in-progress	(85 967)	(100 501)
Prepaid expenses	(1 094)	(2 093)
Assessed losses	41 449	50 374
	173 542	217 032
Carrying value at the beginning of the year	217 032	217 080
Temporary differences (note 6)	(49 557)	(2 300)
Foreign exchange	6 067	2 252
Carrying value at year-end	173 542	217 032

Accumulated tax losses for which no deferred tax asset has been raised can be summarised as follows:

Country	Tax rate %	2024 R'000	2023 R'000	Expiry date
Eswatini	27,5	2 158	1 693	None
Ghana	25	2 919	2 856	Utilise within 3 years
Kenya	30	11 611	11 618	Utilise within 10 years
Malawi	30	6 097	2 211	Utilise within 6 years
Mauritius	15	61 101	—	Utilise within 5 years
Namibia	32	18 403	19 033	None
South Africa	27	1 410 771	1 355 406	The utilisation of an accumulated assessed loss is limited to higher of R1 million or 80% of the taxable income in the year of assessment, with the remaining assessed loss balance to be utilised in subsequent years of assessment with no expiry date.

RECOVERABILITY OF DEFERRED TAX ASSETS

Management assesses the extent to which it is probable that taxable profit will be available against which deductible temporary differences can be utilised. All companies with deferred tax asset balances are currently trading and are expected to recover the deferred tax assets as follows:

- ongoing trading and expectation of creating profits;
- the sale of non-core assets;
- the sale of underutilised plant and equipment; and
- favourable outcomes on contractual claims and compensation events on certain projects.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

13. DEFERRED TAX ASSETS CONTINUED

The group considered the following criteria in assessing the probability that taxable profit will be available against which the unused tax losses can be utilised:

- Whether the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses can be utilised;
- Whether it is probable that the entity will have taxable profits before the unused tax losses expire when operating in foreign jurisdictions (Malawi, Ghana, Botswana, Kenya, Zambia and Mauritius); and
- Whether the unused tax losses result from identifiable causes which are unlikely to recur.

To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised, the deferred tax asset is not recognised. To determine the probability that taxable profit will be available against which the unused tax losses can be utilised, the group has reviewed its budgets to assess taxable profits for the foreseeable future and compared that to its total tax losses, in conjunction with the restructuring plan. Refer to note 2.

14. INVENTORIES

	2024 R'000	2023 R'000
Consumables	7 409	3 280
Operational inventory	29 886	34 914
Development property	9 000	12 883
	46 295	51 077
Inventory expensed	19 116	27 070
Inventories written off	909	47

The development property relates to a property in South Africa which is held and will be realised when the property is sold. None of the development property is pledged as security (2023: Rnil).

Inventories are written down to their net realisable value based on expected wear and tear and factors that indicate that the costs exceeds the amount that could be recovered through use or sale. These write downs are recognised in operating expenses.

15. CONTRACT BALANCES

15.1 CONTRACTS IN PROGRESS

Contracts in progress relate to the group's rights to consideration for work completed but not invoiced at the reporting date for construction services rendered.

	2024 R'000	2023 R'000
Gross carrying value at beginning of the year	531 217	739 134
Revenue recognised from performance obligations satisfied in previous periods	(351 006)	(386 017)
Realisation of work in progress as contract costs	(205 594)	(130 375)
Contracts in progress recognised	515 287	312 080
Transfer from disposal group — Hyvec JV (note 7.2)	44 141	—
Foreign exchange	2 418	(3 605)
	536 463	531 217
Expected credit loss (ECL) (note 27)	(671)	(721)
Carrying value at year-end	535 792	530 496
Current	535 792	530 496
Lifetime ECL allowance		
Opening balance	(721)	(750)
Changes due to credit risk movement	50	29
Closing balance	(671)	(721)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

15. CONTRACT BALANCES CONTINUED

15.2 EXCESS BILLINGS OVER WORK DONE

	2024 R'000	2023 R'000
Gross carrying value at beginning of the year	1 212 108	909 550
Revenue recognised during the year	(1 197 041)	(722 635)
Excess billings over work done recognised	952 224	1 020 674
Transfer from disposal group — Hyvec JV (note 7.2)	304 001	—
Financing component on advance payment received (note 5.2)	485	—
Foreign exchange	(7 185)	4 519
Carrying value at year-end	1 264 592	1 212 108
Non-current	39 266	130 469
Current	1 225 326	1 081 639

16. TRADE AND OTHER RECEIVABLES

	2024			2023		
	Gross R'000	ECL R'000	Net R'000	Gross R'000	ECL R'000	Net R'000
Contract receivables	1 347 133	(121 496)	1 225 637	1 445 920	(147 676)	1 298 244
Retention debtors	291 223	(293)	290 930	263 487	(296)	263 191
Amounts due by joint operations	222 060	(2 425)	219 635	167 430	(978)	166 452
Other receivables	75 382	(44)	75 338	55 862	(28)	55 834
Financial asset held at fair value through profit or loss — Al Tayer Stocks LLC	24 680	—	24 680	83 245	—	83 245
Prepayments*	109 090	—	109 090	86 821	—	86 821
Value added taxation*	63 094	—	63 094	34 498	—	34 498
	2 132 662	(124 258)	2 008 404	2 137 263	(148 978)	1 988 285
Non-current			9 531			58 269
Current			1 998 873			1 930 016

* Non-financial assets.

Included in non-current trade and other receivables are contract receivables of R7 million (Feb 2023: R34 million) which are not expected to be recovered within 12 months and a restricted cash balance of R3 million (Feb 2023: R24 million).

The group has ceded and pledged its rights, title and interests in and to a ring-fenced call account with a balance of R27 million at year-end (Feb 2023: R24 million) included within other receivables, to its banker as security for its obligations in terms of the facility provided. The facility relates to guarantee facilities.

The financial asset held at fair value through profit or loss relates to the contingent consideration receivable from the sale of Al Tayer Stocks LLC. A total of R60 million was received during the year and a fair value adjustment of R1,7 million (Feb 2023: R0,1 million) was recognised.

Information about the credit exposure of trade and other receivables are disclosed in note 27.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

16. TRADE AND OTHER RECEIVABLES CONTINUED

Reconciliation of the expected credit losses are as follows:

	LIFETIME ECL ALLOWANCE		12-MONTH ECL ALLOWANCE		TOTAL	
	2024 R'000	2023 R'000	2024 R'000	2023 R'000	2024 R'000	2023 R'000
Opening balance	(148 950)	(189 458)	(28)	(2 054)	(148 978)	(191 512)
Changes due to credit risk movement	(27 059)	(23 167)	(16)	—	(27 075)	(23 167)
Amounts written off	15 365	409	—	2 026	15 365	2 435
Unused amounts reversed	27 548	82 180	—	—	27 548	82 180
Foreign currency translation	8 882	(18 914)	—	—	8 882	(18 914)
Carrying value at year-end	(124 214)	(148 950)	(44)	(28)	(124 258)	(148 978)
Individual expected credit loss	(88 714)	(110 226)	—	—	(88 714)	(110 226)
Collective expected credit loss	(35 500)	(38 724)	(44)	(28)	(35 544)	(38 752)

None of the amounts written-off are subject to enforcement activity.

17. BANK BALANCES

Included in the cashflow statement is cash and cash equivalents comprising:

	2024 R'000	2023 R'000
Cash at banks and on hand	754 824	578 400
Less: Bank overdrafts	(3)	(17 838)
	754 821	560 562

Bank balances at the end of the year included the following balances that are restricted from immediate use:

	2024 R'000	2023 R'000
Restricted cash included above		
Group's share of cash held by joint operations	88 064	79 850
Other restrictions (cash held as security for contract guarantees or requiring external party approval)	2 814	4 127
	90 878	83 977

Cash held in joint operations is restricted as approval for cash movements is required by all joint operation participants.

The group only deposits cash with reputable banks with high-quality credit ratings. The credit quality therefore is assessed as good and no expected credit loss is provided for.

For further information on currency risk related to bank balances, refer to note 27.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

18. SHARE CAPITAL AND PREMIUM

	2024 R'000	2023 R'000
Authorised		
400 000 000 ordinary shares of 0,00025 cents each (Feb 2023: 400 000 000 ordinary shares of 0,00025 cents each)	1	1
Issued		
188 080 746 ordinary shares of 0,00025 cents each (Feb 2023: 188 080 746 ordinary shares of 0,00025 cents each)	*	*
* Less than R1 000.		
	NUMBER OF SHARES	
Treasury shares	2024	2023
Treasury shares held by:		
Stefanutti Stocks Investments Proprietary Limited	14 407 132	14 407 132
Stefanutti & Bressan Share Incentive Trust	6 429 930	6 429 930
Closing balance	20 837 062	20 837 062
	2024 R'000	2023 R'000
Share premium		
Carrying value at the beginning of the year	1 007 718	1 007 718
Carrying value at year-end	1 007 718	1 007 718

Ordinary shares carry one vote per share and give equal right to dividends.

RESERVES

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

Share-based payments reserve comprises the accumulated effect of share-based payment expenses in terms of the employee share scheme (note 19).

Revaluation surplus reserve comprises the revaluation of land and buildings.

Reserves of disposal groups comprises foreign currency translation and revaluation surplus reserves.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

19. EMPLOYEE SHARE INCENTIVE SCHEME

FORFEITABLE SHARE PLAN (FSP)

The FSP has been established to complement and enhance the ability of the group to attract, incentivise, retain, and reward key staff, and promote broad-based black economic empowerment within the group.

Forfeitable Share Awards are based on, inter alia, the seniority and performance of employees, market benchmarks, the human capital requirements including skills, diversity and inclusion requirements, and/or the need to promote broad-based black economic empowerment within the group.

The vesting of all Forfeitable Share Awards will be subject to the vesting condition of three years employment after the award.

Any one of the following Settlement methods, or a combination of any such Settlement methods, may be used:

- 1) On the date of the award, incur an expense by making a cash contribution to any third party equal in value to the required number of shares in settlement of the award, on the basis that the third party will acquire the required number of shares on the market as agent for and on behalf of the group and effect settlement;
- 2) The group will use shares held in treasury to effect settlement when the vesting condition has been fulfilled;
- 3) The group will pay an amount equal to the cash contribution to any subsidiary or trust which holds shares in treasury in respect of settlement;
- 4) The group will issue new shares;
- 5) The group will incur an expense by making a cash contribution equal in value to the subscription price of the shares concerned, by way of subscription for new shares to be allotted and issued by the Company for a subscription price per share of the market value per share on the settlement date.

The settlement of Forfeitable Shares awarded in terms of Option 1 of the FSP are full free shares, which are delivered immediately, with full dividend and voting rights.

	2024 Quantity	2023 Quantity
Forfeitable Share Awards:		
Awarded during the year	11 846 000	—
Less: Settlement of forfeitable shares as per option 1 above *	(1 796 000)	—
Outstanding at year-end	10 050 000	—
Grant date	31 August 2023	—
Grant price	R1,29	—
Fair value at grant date (R'000)	12 965	—
FSP costs (R'000) (note 4)	2 161	—
Contractual life of each award	3 years	—

* The shares were awarded on 29 June 2023 and acquired on the market for a total cost of R2,4 million of which R0,5 million (note 4) was recognised as an expense for the year.

Fair value at grant date represents the market value of the shares at award date.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

20. FINANCIAL LIABILITIES

20.1 NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

	2024		2023	
	Non-current R'000	Current R'000	Non-current R'000	Current R'000
Unsecured borrowings	1 009	3 664	2 038	3 803
Secured borrowings	1 379	997 201	1 472	1 160 657
Bonds and other	1 379	81	1 472	76
Funding loan (note 20.3)	—	997 120	—	1 160 581
Instalment sale agreements	41 841	16 597	—	—
Lease liabilities (note 20.2 and 20.3)	43 647	13 699	49 047	5 472
Borrowings	87 876	1 031 161	52 557	1 169 932
Settlement — City of Cape Town	—	9 344	8 684	9 377
Voluntary Rebuild Programme	61 436	18 509	70 210	25 000
Financial liabilities	149 312	1 059 014	131 451	1 204 309

The group on 27 March 2024, reached agreement with the Lenders to extend the capital repayment profile of the loan as well as its duration to 30 June 2025. The loan bears interest at prime plus 4,7%, 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 (note 20.3). The loan does not contain any financial covenants but rather imposes certain information and general undertakings.

Regarding the Voluntary Rebuild Programme, renegotiated terms were agreed to in July 2022 which extend the repayment terms of certain payments, with the last instalment payable in July 2029. The liability was remeasured at an implied interest rate of 8,4% (Feb 2023: 7,5%).

Refer to note 27 for further information regarding terms and conditions.

20.2 LEASE LIABILITIES

a) Undiscounted cash flows

	2024 R'000	2023 R'000
Less than one year	17 621	8 712
Between two and five years	36 408	61 374
More than five years	16 650	—

b) Cash outflows relating to leases were recognised as follows:

	2024 R'000	2023 R'000
Operating activities — Finance costs (note 5.2)	5 137	3 885
Financing activities — Capital repayment	13 319	4 463
Total cash outflows	18 456	8 348

For further information on the carrying amounts of the underlying assets of finance leases, including the depreciation charge, refer to note 9.2. For expenses recognised relating to short-term and low value leases, refer to note 4.2.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

20. FINANCIAL LIABILITIES CONTINUED

20.3 SECURITY AND RESTRICTIVE FUNDING ARRANGEMENTS

Security provided against borrowings

	PROPERTY, PLANT AND EQUIPMENT	
	2024 R'000	2023 R'000
Secured bank loans (first mortgage bonds)	5 450	5 450
Instalment sale agreements	65 401	—
Lease liabilities	49 964	48 666
	120 815	54 116

Security provided against funding loan

The companies, Stefanutti Stocks Holdings Limited, Stefanutti Stocks International Holdings Proprietary Limited and K2011136847 (South Africa) Proprietary Limited signed as guarantors for the loan. The companies who have signed as additional guarantors are Stefanutti Stocks (Zambia) Limited, Stefanutti Stocks Botswana Proprietary Limited and Stefanutti Stocks Mauritius Holdings Limited.

Security for the funding loan is as follows:

	2024		2023	
	Capital value R'000	Additional value R'000	Capital value R'000	Additional value R'000
Continuous Covering Mortgage Bond				
Land and Building held by Stefanutti Stocks Proprietary Limited with a value of R110 million (Feb 2023: R110 million)	158 546	31 709	159 892	31 978
Land and Buildings held by Stefanutti Stocks Botswana Proprietary Limited with a value of BWP28 million (Feb 2023: BWP28 million)	BWP21 million	BWP4 million	BWP21 million	BWP4 million
Special Notorial Bond				
Plant and equipment held in Stefanutti Stocks Proprietary Limited with a value of R73 million (Feb 2023: R98 million)	2 000 000	400 000	2 000 000	400 000
General Notorial Bond				
Stefanutti Stocks Holding Limited	1 000 000	200 000	1 000 000	200 000
K2011136847 (South Africa) Proprietary Limited	1 000 000	200 000	1 000 000	200 000
Stefanutti Stocks International Holdings Limited	1 000 000	200 000	1 000 000	200 000
Stefanutti Stocks Proprietary Limited	1 000 000	200 000	1 000 000	200 000

Refer to note 26 with regards to financial guarantees issued for the funding loan.

Restrictions in terms of funding arrangements

In terms of the funding loan agreement, the group companies are restricted from the following transactions without prior consent from the Lender Group:

- Disposing of assets;
- Acquiring a company or any shares or securities or a business or undertaking or incorporate a company;
- Providing guarantees;
- Entering into, investing in or acquiring any shares, stocks, securities, or other interest in any joint venture;
- Encumbering assets;
- Incurring financial indebtedness (defined as owing third parties money);
- Advancing loans (external, inter-group and JV); and
- Providing financial assistance.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

21. TRADE AND OTHER PAYABLES

	2024 R'000	2023 R'000
Trade payables	505 283	439 893
Amount due to joint operations	201 576	141 624
Retention creditors and subcontractors	201 842	208 275
Accrued expenses*	295 943	378 897
Value added tax and withholding taxes*	34 260	105 750
Unclaimed dividends*	24	24
	1 238 928	1 274 463

* Non-financial liabilities.

22. PROVISIONS

	Balance at the beginning of the year R'000	Additional provisions raised R'000	Utilised/reversed during the year R'000	Balance at the end of the year R'000
Warranty provisions	14 176	24 892	(14 176)	24 892
Contract-related provisions	627 507	933 981	(627 507)	933 981
Corporate social investment projects	7 200	—	—	7 200
	648 883	958 873	(641 683)	966 073

Warranty provisions relate to obligations to rectify defects on projects already delivered to customers. These defect periods expire normally within 12 months or as per contract.

Contract-related provisions represents the estimated amounts relating to incurred obligations to third party suppliers. Included within contract-related provisions is an onerous contract provision relating to the Hyvec JV. Due to legislative changes in Mauritius, it took the Hyvec JV substantially longer to on-board the required out-of-country national labour and consequently it is unable to achieve the construction programme, resulting in the recognition of an onerous contract provision of R48 million.

Corporate social investment provisions relate to a commitment included in the settlement agreement between the group and the City of Cape Town. This commitment requires contributions to corporate social investment projects in the Cape Town district. The timing of the projects is uncertain as it depends on the outcome of environmental assessments and confirmation to proceed from the City of Cape Town.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

23. NOTES TO THE STATEMENT OF CASH FLOWS

23.1 CASH GENERATED FROM OPERATING ACTIVITIES

	2024 R'000	2023 R'000
Net profit/(loss) before taxation from continuing operations	100 485	(158)
Net (loss)/profit before taxation from discontinued operations (note 7)	(11 230)	23 348
Adjusted for:		
Net profit on disposals of property, plant and equipment (note 4)	(10 308)	(15 246)
Net gain on disposal of non-current assets held for sale (note 4)	(8 972)	(4 575)
Net profit on foreign exchange (note 4)	(44 915)	(9 707)
Share incentive costs (note 4, 19)	2 161	—
Investment income (note 5)	(43 591)	(28 714)
Finance costs (note 5)	150 822	128 849
Fair value adjustments (note 7.3)	2 743	13 689
Fair value adjustments — equity-accounted investees (note 7.1)	—	655
Depreciation (note 9)	57 758	41 540
Share of loss of equity-accounted investees (note 10)	2 030	1 468
Net expected credit loss on contracts in progress (note 15)	(50)	(29)
Net expected credit loss on trade and other receivables (note 16)	(15 838)	(61 448)
Loss on remeasurement of financial asset held at fair value through profit or loss (note 16)	1 670	149
Movement in provisions (note 22)	317 190	50 667
Discontinued operations (note 7)	(38 054)	(90 377)
Fair value adjustments	(73 721)	(161)
Loss on disposal of AI Tayer Stocks LLC	—	766
Realisation of foreign currency translation reserve on sale of AI Tayer Stocks LLC	—	(70 942)
Net profit on foreign exchange	(5 126)	(14 983)
Net expected credit loss on contracts in progress and trade and other receivables	2 408	73
Movement in provisions	25 569	(10 559)
Net profit on disposal of property, plant and equipment	—	(57)
Investment income	(141)	(94)
Finance costs	12 957	5 580
Other non-cash items	28 428	12 470
Short-term insurance (note 23.3)	9 767	10 279
Lease modification gain	(192)	—
Withholding taxes written off (note 4)	18 853	2 191
	490 329	62 581
Movements in working capital		
Change in inventories	609	(22 346)
Change in contracts in progress	44 755	138 399
Change in trade and other receivables	46 363	(360 761)
Change in trade and other payables	15 266	(64 357)
Change in excess billings over work done	(273 755)	735 671
Effect of foreign exchange rate changes on working capital	(1 621)	23 065
Cash generated from operations	321 946	512 252

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

23. NOTES TO THE STATEMENT OF CASH FLOWS CONTINUED

23.2 RECONCILIATION OF TAXATION PAID DURING THE YEAR

	2024 R'000	2023 R'000
Charge against profit — continuing operations (note 6)	24 789	34 187
Effect of foreign exchange rate changes	(6 247)	4 344
Offset of withholding taxes against tax liabilities	5 521	—
Withholding taxes written-off (note 4)	18 853	2 191
Movement in taxation balance	19 864	18 811
Payments made	62 780	59 533

23.3 RECONCILIATION OF CASHFLOW MOVEMENTS RELATING TO FINANCING ACTIVITIES (NOTE 20.1)

	Opening balance R'000	Cash outflow R'000	NON-CASHFLOW MOVEMENTS			Closing balance R'000
			Additions R'000	Interest R'000	Modifications R'000	
2024						
Unsecured borrowings	5 841	(10 902)*	9 767	(33)	—	4 673
Secured borrowings	1 162 129	(163 549)	—	—	—	998 580
Instalment sale agreements	—	(13 614)	72 052	—	—	58 438
Leases	54 519	(12 411)	13 616	—	1 622	57 346
Total borrowings	1 222 489	(200 476)	95 435	(33)	1 622	1 119 037
Settlement — City of Cape Town	18 061	(9 377)	—	660	—	9 344
Voluntary Rebuild Programme	95 210	(15 265)	—	—	—	79 945
	1 335 760	(225 118)	95 435	627	1 622	1 208 326
Leases — Discontinued operations	633	(908)	1 796	—	(1 315)	206
	1 336 393	(226 026)	97 231	627	307	1 208 532
					Note 9.2	
2023						
Unsecured borrowings	10 770	(15 194)*	10 279	(14)	—	5 841
Secured borrowings	1 232 803	(70 674)	—	—	—	1 162 129
Instalment sale agreements	1 939	(1 939)	—	—	—	—
Leases	51 104	(3 877)	7 292	—	—	54 519
Total borrowings	1 296 616	(91 684)	17 571	(14)	—	1 222 489
Settlement — City of Cape Town	27 552	(9 491)	—	—	—	18 061
Voluntary Rebuild Programme	107 956	(10 935)	—	(1 811)	—	95 210
	1 432 124	(112 110)	17 571	(1 825)	—	1 335 760
Leases — Discontinued operations	461	(586)	757	—	—	633
	1 432 585	(112 696)	18 328	(1 825)	—	1 336 393

* Cash outflows include repayments of short-term financing of R9,98 million (Feb 2023: R14,25 million).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

24. SEGMENT INFORMATION

Segment reporting is done in a manner consistent with the internal reporting provided to the chief operating decision maker being the Executive Committee, with reportable operating segments being reported at regional level. Individual members of the executive management team are responsible for the operating segments of these regions noted below.

Below are the types of activities in which each region (operating segment) derives revenue:

Region	Description of segment
Inland	Civils, Building, Roads & Earthworks, Geotechnical, Materials Handling, Tailings Management, Mechanical, Electrical and Piping and Renewable Energy works within the Gauteng and other inland regions
Coastal	Civils, Building, Roads & Earthworks and Marine within the KwaZulu-Natal region
Western Cape	Civils and Building works within the Western Cape region
Africa	General contracting work within African countries
Other	Other segments comprise segments which do not represent more than 10% of combined revenue or combined reported profit/ (loss) or combined assets of all operating segments. It also includes those operations that are primarily centralised in nature, i.e. it primarily applies to the group's headquarters and are not allocated to any one particular segment.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

24. SEGMENT INFORMATION CONTINUED

Revenue can be further disaggregated into disciplines as well as geographical and sector. Refer to note 3.

Intersegment contract revenues are eliminated on consolidation. The performance of operating segments is assessed by management based on operating profit. Goodwill to the value of R272 million (Feb 2023: R272 million) is included within total assets for other segments.

	Inland ^ R'000	Coastal R'000	Western Cape R'000	Africa R'000	Other segments and eliminations R'000	Total R'000
2024						
Contract revenue (note 3)	3 092 529	1 214 775	1 140 075	1 636 847	—	7 084 226
Intersegment contract revenue	—	33 422	3 764	10 772	—	47 958
Net profit/(loss) on disposal of property, plant and equipment (note 4)	8 884	(1 500)	33	2 738	153	10 308
Net profit/(loss) on foreign exchange rate movements (note 4)	8 890	(3)	—	9 250	26 778	44 915
Project management fee and rental income from short-term leases (note 4)	3 377	—	—	6 832	—	10 209
Net expected credit loss (note 15, 16)	(5 968)	(32)	28	21 853	7	15 888
Auditors remuneration (note 4)	(3 233)	(1 290)	(1 005)	(3 005)	(4 697)	(13 230)
Employee costs (note 4)	(854 032)	(247 665)	(158 441)	(348 153)	(73 043)	(1 681 334)
Expenses relating to leases (note 4)	(624)	(24 291)	—	(1 492)	—	(26 407)
Restructuring costs and abnormal legal fees (note 4) *	—	—	—	—	(43 497)	(43 497)
Withholding taxes written off (note 4)	(148)	—	—	(35)	(18 670)	(18 853)
Depreciation (note 9)	(41 451)	(10 653)	(3 382)	(2 125)	(147)	(57 758)
Fair value adjustments (note 7)	—	(2 743)	—	—	—	(2 743)
Operating profit/(loss) before investment income	194 263	19 697	36 743	33 345	(74 302)	209 746
Investment income (note 5)	34 832	1 283	1 596	1 946	3 934	43 591
Share of (losses)/profits of equity-accounted investees (note 10)	(5 728)	—	—	—	3 698	(2 030)
Finance cost (note 5)	(4 785)	(3 737)	(58)	(1 707)	(140 535)	(150 822)
Taxation (note 6)	(14 744)	(5 596)	(10 495)	(36 868)	(6 643)	(74 346)
Profit/(loss) for the year	203 844	11 647	27 787	(3 291)	(213 848)	26 139
Equity-accounted investees (note 10)	—	—	—	—	24 862	24 862
Total assets	1 744 324	567 134	216 036	2 161 392	419 485	5 108 371
Total liabilities	1 522 075	489 930	240 836	1 679 221	1 228 012	5 160 074

* Restructuring costs relate to abnormal consultancy and associated legal fees that are only incurred at head office in relation to the Restructuring Plan. These do not include the normal consultancy and legal fees which are part of the operations and are reported within the affected segments.

^ 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 is derived from the Inland Region.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

24. SEGMENT INFORMATION CONTINUED

	Inland [^] R'000	Coastal R'000	Western Cape R'000	Africa R'000	Other segments and eliminations R'000	Total R'000
2023 (restated)						
Contract revenue (note 3)	2 334 239	1 367 692	702 019	1 646 714	—	6 050 664
Intersegment contract revenue	2 556	6 192	27 417	14 347	—	50 512
Net profit on disposal of property, plant and equipment (note 4)	12 198	1 949	242	857	—	15 246
Net profit on foreign exchange rate movements (note 4)	(888)	5 027	—	857	4 711	9 707
Project management fee and rental income from short-term leases (note 4)	9 187	114	—	3 548	—	12 849
Net expected credit loss (note 15, 16)	37 548	634	(38)	23 340	(7)	61 477
Auditors remuneration (note 4)	(4 863)	(1 673)	(1 373)	(2 638)	(3 527)	(14 074)
Employee costs (note 4)	(781 186)	(253 525)	(107 184)	(255 957)	(65 714)	(1 463 566)
Expenses relating to leases (note 4)	(338)	(33 003)	(45)	(6 522)	—	(39 908)
Restructuring costs and abnormal legal fees (note 4)*	—	—	—	—	(55 885)	(55 885)
Withholding taxes written off (note 4)	(1 231)	(418)	—	(531)	(11)	(2 191)
Depreciation (note 9)	(21 132)	(11 035)	(1 831)	(7 463)	(79)	(41 540)
Fair value adjustments (note 7)	(11 844)	(2 500)	—	—	—	(14 344)
Operating profit/(loss) before investment income	83 889	4 772	29 930	75 053	(92 199)	101 445
Investment income (note 5)	22 994	2 403	988	1 387	942	28 714
Share of (losses)/profits of equity-accounted investees (note 10)	(3 011)	—	—	—	1 543	(1 468)
Finance cost (note 5)	(854)	(3 819)	(48)	(1 000)	(123 128)	(128 849)
Taxation (note 6)	(1 319)	(1 823)	(8 946)	(15 162)	(9 237)	(36 487)
Profit/(loss) for the year	102 171	1 535	21 924	58 416	(220 691)	(36 645)
Equity-accounted investees (note 10)	2 570	—	—	—	29 537	32 107
Total assets	1 792 476	490 026	218 233	2 173 678	476 016	5 150 429
Total liabilities	1 390 142	407 725	269 032	1 710 971	1 438 923	5 216 793

[^] 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 is derived from the Inland Region.

* Restructuring costs relate to abnormal consultancy and associated legal fees that are only incurred at head office in relation to the Restructuring Plan. These do not include the normal consultancy and legal fees which are part of the operations and are reported within the affected segments.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

24. SEGMENT INFORMATION CONTINUED

GEOGRAPHICAL AREAS

The group operates mainly in the geographical areas of South Africa (local) and Africa (foreign).

	2024						
	LOCAL	FOREIGN — AFRICA					
	R'000	Botswana R'000	Eswatini R'000	Zimbabwe R'000	Zambia R'000	Mauritius R'000	Other* R'000
Contract revenues from external customers	4 729 043	407 435	522 772	692 679	270 514	436 853	24 930
Non-current assets (excluding deferred tax)	701 384	47 561	69 803	13 467	2 682	538	—
	2023 (restated)						
	LOCAL	FOREIGN — AFRICA					
	R'000	Botswana R'000	Eswatini R'000	Zimbabwe R'000	Zambia R'000	Mauritius R'000	Other* R'000
Contract revenues from external customers	3 905 855	425 846	776 833	454 167	399 694	71 109	17 160
Non-current assets (excluding deferred tax)	663 984	54 019	67 149	33 711	2 202	—	—

* Other includes Lesotho and Namibia (Feb 2023: Malawi and Namibia).

MAJOR CUSTOMERS

Revenue generated from a single customer of the group amounted to approximately R556 million (Feb 2023: R454 million), of which the largest portion of this revenue was earned in the Inland Region (Feb 2023: Inland Region). The group is not reliant on any one major customer as its services span a varied number of industries and countries.

25. RELATED PARTIES

Stefanutti Stocks Holdings Limited is the holding company for the group.

Related parties are those who control or have a significant influence over the group and parties who are controlled or significantly influenced by the group (including subsidiaries, joint arrangements and associates). All related party transactions take place on terms equivalent to those that prevail on an arm's length basis.

Nature of relationships

Subsidiaries	Equity-accounted investees (note 10)	Joint operations (note 11)	Other
Stefanutti Stocks Proprietary Limited Trading company for operations based in South Africa, as well as some foreign operations, including Botswana and Zimbabwe	Associates Two individually immaterial associates	Various joint operations	Consolidated structured entities Stefanutti & Bressan Share Trust
Stefanutti Stocks International Holdings Proprietary Limited Holding company for subsidiaries based in foreign countries			
Stefanutti Stocks Investments Proprietary Limited Treasury company for the group			

Outstanding balances

		Note 16 2024: R220 million receivable 2023: R166 million receivable Note 21 2024: R202 million payable 2023: R142 million payable	
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Provision of guarantees (note 26)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

25. RELATED PARTIES CONTINUED

NON-EXECUTIVE DIRECTORS

Non-executive director remuneration is compared to the company's peer group. Recommendations are made by the CFO and Group Human Resources (HR) Director, to the Remuneration and Nominations Committee (REMCO), for onward review by the board and submission to shareholders. Non-executive directors are compensated based on attendance fees. The fees are based on the size and complexity of the group and also take into account market practices and fee surveys provided to the committee. No distinction is made between fees payable to independent non-executive directors and other non-executive directors, although the fees of the Chairman take her expanded role into account.

The total fees paid to non-executive directors are not limited to a maximum annual amount, irrespective of the number of meetings attended. Directors qualify for reimbursement of expenses incurred in performing their duties for and on behalf of the company.

Non-executive directors do not have service contracts. Instead, letters of appointment confirm their terms of engagement, and include matters such as fees, term of office, expected time commitment, share dealing and board performance assessments. The Chairman has a letter of appointment, which is specific to her role and function. This letter of appointment is in line with normal business terms.

The fees paid to non-executive directors, as well as the proposed fees for the next financial year, were approved by the REMCO, the board of directors and shareholders at the last annual general meeting.

There is no requirement for non-executive directors to be shareholders of the company and they do not qualify to participate in any incentive scheme that is operated by the group.

The company's directors are appointed for a term of three years and are obliged to retire at the end of that period, but may offer themselves for re-election at the annual general meeting. A third retire by rotation annually.

Non-executive directors	2024			2023		
	SHORT-TERM BENEFITS			SHORT-TERM BENEFITS		
	Attendance fees R'000	Annual fees R'000	Total R'000	Attendance fees R'000	Annual fees R'000	Total R'000
ZJ Matlala (Chairman)	—	1 102	1 102	—	983	983
HJ Craig	773	—	773	627	—	627
B Harie	794	—	794	692	—	692
JM Poluta (resigned 13 March 2023)	107	—	107	467	—	467
B Silwanyana	648	—	648	566	—	566

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

25. RELATED PARTIES CONTINUED

EXECUTIVE DIRECTORS, PRESCRIBED OFFICERS AND KEY MANAGEMENT PERSONNEL

Details of remuneration for executive directors, prescribed officers and key management personnel are as follows:

	Basic salary R'000	Other benefits (travel allowances and awards) R'000	Short-term incentives — relating to prior years R'000	Short-term incentives 2024 ^ R'000	Post- employment benefits R'000	Share incentive costs** R'000	Total R'000
2024							
Executive directors							
RW Crawford — CEO	5 729	124	—	5 487	876	248	12 464
Y du Plessis — CFO	3 291	117	—	3 284	696	156	7 544
Prescribed officers*							
E Wisse — MD Inland Region	3 661	102	4 100	5 200	493	92	13 648
DR du Plessis (retired 29 February 2024) — MD Coastal Region	3 776	132	2 555	2 500	579	—	9 542
M Donato — MD Western Cape Region	3 603	51	1 705	1 900	551	92	7 902
S White — MD Africa Region	3 417	47	4 000	4 000	725	92	12 281
Executive key management personnel	3 192	94	850	1 500	488	—	6 124

^ Short term incentives for 2024 were approved at the REMCO in May 2024.

** Forfeitable share plan awards were awarded on 31 August 2023 at R1,29 per share. Refer to note 19 for further detail.

M Horwill was appointed as Regional MD of the Coastal Region on 1 March 2024.

	Basic salary R'000	Other benefits (travel allowances) R'000	Short-term incentives — relating to prior years R'000	Short-term incentives 2023 R'000	Post- employ- ment benefits R'000	Total R'000
2023						
Executive directors						
RW Crawford — CEO	4 647	120	—	2 691	702	8 160
Y du Plessis — CFO	2 556	89	—	1 735	590	4 970
Prescribed officers*						
E Wisse — MD Inland Region	3 068	125	1 900	—	415	5 508
DR du Plessis — MD Coastal Region	3 440	131	2 000	—	528	6 099
M Donato — MD Western Cape Region	2 937	58	2 400	—	451	5 846
S White — MD Africa Region	2 980	56	4 000	—	583	7 619
Executive key management personnel	2 710	88	1 012	—	416	4 226

* Prescribed officers consist of executive officers and certain Executive Committee members who are not executive directors of the group.

Short-term incentives are aligned with the group strategy, using both financial performance measures and personal objectives. Minimum targets are required to be met before respective bonus awards are earned. Any awards made in terms of the forfeitable share plan scheme are included within share incentive costs. 10 050 000 shares were awarded to employees on 31 August 2023. Refer to note 19. Please refer to the remuneration report included within the integrated annual report of Stefanutti Stocks Holdings Limited for more detail.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

25. RELATED PARTIES CONTINUED

DIRECTORS' SERVICE CONTRACTS

All employment contracts of executive directors and senior management are in terms of the group's standard employment terms and conditions.

The contracts of employment of executive directors or senior executives do not preclude the company from exercising its normal rights to terminate the contract in the event of misconduct or poor performance. Executive directors retire from their positions and from the board at their normal retirement date.

For further detail of executive directors and senior management remuneration practices refer to the remuneration report included in the integrated annual report.

DIRECTORS' AND PRESCRIBED OFFICERS' SHAREHOLDING

	2024				2023			
	Direct beneficial %	Indirect beneficial %	Total %	No. of shares	Direct beneficial %	Indirect beneficial %	Total %	No. of shares
Percentage of fully-paid shares held								
Directors								
JM Poluta (resigned 13 March 2023)	—	—	—	—	—	0,77	0,77	1 450 612
RW Crawford (CEO)	—	0,36	0,36	690 278	—	0,36	0,36	690 278
Prescribed officers								
DR du Plessis (retired 29 February 2024)	0,01	—	0,01	14 864	0,01	—	0,01	14 864
S White	0,41	—	0,41	772 537	0,41	—	0,41	772 537
E Wisse	0,05	—	0,05	89 750	0,02	—	0,02	30 350
M Donato	0,36	—	0,36	685 268	0,36	—	0,36	685 268

POST YEAR-END SHARE TRANSACTIONS

Eric Wisse purchased 146 393 shares at R1,05 on the 3rd and 4th of June 2024. There were no other transactions with related parties between the year-end date and the approval date of these annual financial statements.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

26. GUARANTEES, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

GUARANTEES AND SURETYSHIPS

	2024 R'000	2023 R'000
Guarantees		
Guarantees issued to third parties on behalf of the group to guarantee the full and due performance of construction works as set out in the contract or other related matters	2 257 574	3 711 555
Financial guarantees issued to a third party on behalf of the group to guarantee the funding loan (note 20)	1 182 985	1 182 985
Suretyships		
Suretyship of R12 million for credit cards and fuel cards as well as suretyship for a bond to the value of R135 million. The latter suretyship was cancelled after year-end.	25 138	43 638

Guarantees also include the following:

- Performance guarantees which are issued to a client to guarantee the quality and performance of the construction services rendered in the event that there is default in terms of the contract.
- Advance payment guarantees are issued in lieu of an advance received and reduce over the period of the contract as the advance payment is utilised.
- Tender guarantees are issued as guarantee that should the project tendered for be awarded, the group would be in a position to execute the contract.

All these guarantees are dependent on the nature, terms and timing of each specific contract.

Certain of the guarantees and suretyships are supported by cross-suretyships from subsidiaries.

The group does not expect any outflow for the guarantees disclosed above as there are sufficient strategies in place to mitigate the risk of outflow.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

With respect to a contract mining project termination, a settlement agreement was signed on 27 June 2023 and amended in February 2024. In terms thereof, the group received R17 million to date, with the balance of R13 million expected to be received over the next 28 months.

The arbitration matter relating to the cancellation of a petrochemical contract, has been settled by the parties and all claims for and against have been abandoned.

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 remain reserved. Due to the uncertainty relating to the timing and quantum of receipts, the award has not been recognised in the financial statements.

Eskom — Kusile power project

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 R119 million for measured work and the Dispute Adjudication Board (DAB) rulings.

Stefanutti Stocks and Eskom (the parties) 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.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

26. GUARANTEES, CONTINGENT LIABILITIES AND CONTINGENT ASSETS CONTINUED

Further to the above, the parties and the DAB have signed a memorandum of understanding (MOU) dealing with the following:

- 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 third quarter 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.

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE

FINANCIAL INSTRUMENTS

The group's principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of these liabilities is to finance the group's operations. The principal financial assets include trade and other receivables, and cash and cash equivalents that is derived directly from the group's operations.

ACCOUNTING CLASSIFICATIONS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows the carrying amounts of financial assets and financial liabilities.

The carrying amounts of bank balances, trade and other receivables and trade and other payables approximate their fair values due to the short-term nature of these assets and liabilities. There is no significant difference between the carrying amounts of other financial assets and liabilities and their fair values due to the effective interest method used.

	2024	2023
	R'000	R'000
Financial assets, loans and receivables at amortised cost		
Trade and other receivables (note 16)	1 811 540	1 783 721
Bank balance (note 17)	754 824	578 400
Financial assets held at fair value through profit or loss (note 16)	24 680	83 245
Financial liabilities at amortised cost		
Bank balance (note 17)	3	17 838
Financial liabilities (note 20)	1 208 326	1 335 760
Trade and other payables (note 21)	908 701	789 792

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

RISK MANAGEMENT

Capital risk management

The primary objective of the group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The group manages its capital structure centrally and makes adjustments to it, in line with changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders or issue new shares. No changes were made to the capital risk management objectives and policies during the current year. The group on 27 March 2024, reached agreement with the Lenders to extend the capital repayment profile of the loan as well as its duration to 30 June 2025. Refer to note 2 for further detail, as well as the directors report on page 7.

In setting the ideal mix between debt and equity, the group seeks to optimise its returns on shareholders' equity while maintaining prudent financial gearing. The group monitors capital using a gearing ratio which is net debt divided by total equity attributable to equity holders of the company. Generally, the objective is to operate at a gearing ratio of not greater than 35%. The group retains excess capital to fund future growth.

The group includes within net debt interest-bearing loans, borrowings and bank overdrafts.

Capital is considered to consist of share capital, share premium, retained earnings and other reserves. The group is subject to externally imposed capital requirements by certain of their bankers (such as restrictions on issuing of shares or any rights attached) which, in the event of non-compliance may have an impact on the liquidity risk of the group. At year-end, all such requirements were met.

Gearing ratios at year-end were as follows:

	2024 R'000	2023 R'000
Net debt	1 208 329	1 353 598
Interest-bearing liabilities (note 20)	1 208 326	1 335 760
Bank overdrafts (note 17)	3	17 838
Total equity attributable to equity holders of the company	(51 703)	(66 364)
Gearing ratio (%)	—	—

The increase in equity is as a result of a profit made to the value of R16 million (Feb 2023: R15 million profit) and the reduction in debt from R1 354 million to R1 208 million due to capital repayments of R226 million (note 23.3). Refer also to the directors report on page 7.

The funding loan included within interest-bearing liabilities does not contain any financial covenants but rather imposes certain information and general undertakings. Information undertakings include items such as submission of financial statements, operating budgets, cash flow forecasts and various other undertakings. General undertakings consists mainly of compliance matters.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

Risk management framework

The group's board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the group's contract receivables (note 16).

The gross amounts of financial assets represent the maximum credit exposure and are as follows:

	2024 R'000	2023 R'000
Contracts in progress (note 15)	536 463	531 217
Contract receivables (note 16)	1 347 133	1 445 920
Retention debtors (note 16)	291 223	263 487
Amounts due by joint operations (note 16)	222 060	167 430
Other receivables (note 16)	75 382	55 862
Financial asset held at fair value through profit or loss (note 16)	24 680	83 245
Bank balances (note 17)	754 824	578 400
Total	3 251 765	3 125 561

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Management also considers the factors that may influence credit risk including the default risk of the industry and country in which customers operate. The credit granting policy is set on a group basis and managed at operating entity level. Each region in the group is responsible for the management of credit risk in receivables and does so through ongoing credit evaluations and credit control policies and procedures.

Contract receivables comprise of a widespread customer base, primarily in South Africa but also in the rest of Africa, mainly Botswana, Eswatini, Zimbabwe, Mauritius and Zambia. The majority of the customers are concentrated in the industrial public and private development sectors. Due to the diverse nature of the operations, management does not believe that the group is significantly exposed to a high concentration of credit risk. Any change in the credit quality of receivables is considered from the date credit was granted up to the reporting date. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, each region assesses the credit quality of the customer, considering its financial position, past experience and other factors.

Expected credit loss model

The group applied the simplified approach to determine the expected credit loss (ECL) for its contract receivables and contract assets (which includes contracts in progress and retention debtors), by calculating the lifetime ECLs for these receivables. The general approach is applied to determine the expected credit loss on amounts due by joint operations and other receivables by assessing, at each reporting period, whether there has been a significant increase in credit risk since initial recognition. Where there is no significant increase in credit risk, the group provides for a 12-month ECL. Where there is a significant increase in credit risk, a lifetime ECL is calculated. Expected credit losses are calculated on both a collective and individual basis. Collective expected credit losses are calculated using a provision rate matrix. The provision rates are calculated based on defined credit risk grades and reflect a probability of default based on past events, current conditions and a forecast of future economic conditions. Forecast of future economic conditions incorporates the use of reliable default rate statistics from reputable credit risk rating agencies, which take into account forecast macroeconomic data, including financial and growth conditions of specific industry sectors. The provision rates are revised each year where there are changes in customer profiles and behaviours, new information and changes in forecasted economic conditions.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

Customers were classified into specific credit risk grades based on the following main criteria:

- Within South Africa or outside South Africa
- Private or public sector
- Days past due of outstanding debt
- Industry sector within which the customer operates
- Other factors specific to each customer where applicable

The provision rates applied to collective expected credit losses ranged from 0,001% for the lowest risk category to 7,9% for the highest risk category (Feb 2023: 0,001% – 17,1%). The general default rates applied in the provision rate matrix have been increased in line with the market outlook per external rating agencies and internal assessment of credit risk. Certain customers within one of the regions had higher rates applied in the prior year due to specific risk inherent in the clients. These balances have now been fully provided for. The provision rate matrix was applied to all receivables as they are mainly from similar customers with similar risk profiles. Additional factors specific to each category of financial assets were also considered and rates were adjusted accordingly. The individual expected credit loss relates to specific clients who are showing signs of default such as delayed payments and liquidity pressures for which specific provisions have been raised.

CONTRACTS IN PROGRESS (NOTE 15)

Contracts in progress have been disaggregated into two main categories to assess credit risk: Work in progress and Materials on site.

Work in progress includes timing differences between measured work performed but not yet certified and invoiced, pending sign-off from clients' quantity surveyors. Revenue is recognised based on measured work performed. Any work measured but not yet certified is treated as work in progress, until such time as it is certified and invoiced. Once invoiced, the balance is reclassified to trade receivables.

Materials on site includes costs incurred to complete the contract, but contractually cannot be billed at period end as it has not been used in measured work performed.

The summarised risk categories and calculated expected credit loss for contracts in progress are as follows:

	WORK IN PROGRESS		MATERIALS ON SITE		Total R'000
	Public R'000	Private R'000	Public R'000	Private R'000	
2024					
Within South Africa	61 118	64 698	70 769	84 113	280 698
Outside South Africa	76 566	133 515	3 287	42 397	255 765
Botswana	22 223	16 329	—	7 979	46 531
Eswatini	54 343	25 440	3 287	5 898	88 968
Mauritius	—	68 005	—	19 414	87 419
Zambia	—	23 741	—	9 106	32 847
Gross total of contracts in progress	137 684	198 213	74 056	126 510	536 463
Within South Africa					
Average expected credit loss rate (%)	—	0,1	0,1	0,1	0,1
Expected credit loss	21	79	68	98	266
Outside South Africa					
Average expected credit loss rate (%)	0,1	0,2	0,1	0,1	0,2
Expected credit loss	110	246	4	45	405
Average expected credit loss rate (%)	0,1	0,2	0,1	0,1	0,1
Total expected credit loss	131	325	72	143	671
Carrying amount	137 553	197 888	73 984	126 367	535 792

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

	WORK IN PROGRESS		MATERIALS ON SITE		Total R'000
	Public R'000	Private R'000	Public R'000	Private R'000	
2023					
Within South Africa	28 542	56 189	134 889	122 377	341 997
Outside South Africa	86 501	12 171	61 097	29 451	189 220
Botswana	49 463	4 972	32 909	12 135	99 479
Eswatini	37 038	5 361	28 188	1 520	72 107
Zambia	—	1 838	—	15 796	17 634
Gross total of contracts in progress	115 043	68 360	195 986	151 828	531 217
Within South Africa					
Average expected credit loss rate (%)	0,6	0,3	—	0,1	0,1
Expected credit loss	162	175	6	130	473
Outside South Africa					
Average expected credit loss rate (%)	0,1	0,4	0,1	0,2	0,1
Expected credit loss	64	45	83	56	248
Average expected credit loss rate (%)	0,2	0,3	—	0,1	0,1
Total expected credit loss	226	220	89	186	721
Carrying amount	114 817	68 140	195 897	151 642	530 496

In determining the expected credit loss, the following historical and forward-looking factors were considered:

Historical factors

- Payment history of the customer
- Consideration of reasons for delay in payments — whether they are indicative of liquidity/solvency issues
- Contractual recourse for non-payment
- Collateral/credit insurance available in case of default
- Contractual provisions for alternative recovery in case of disputes regarding work performed
- Majority of the contracts in progress balances are current and relate to work which will be certified within the next 12 months

Forward-looking factors

- Financial state of client and any indication of financial distress based on most recent information available
- Discussions between the group and the clients regarding recoverability of amounts outstanding and any probabilities of default
- Commitments made for payment and whether they are realistic based on history, client relationship and progress of contract
- Political climate
- Potential roll-out of future projects
- The value of work certified after year-end in relation to the closing balances at year end

The change in the expected credit loss from prior year is mainly driven by the reduction in South African balances of 18%, which attracted a higher rate in the prior year due to a specific inherent risk in certain customers.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

CONTRACT RECEIVABLES (NOTE 16)

Contract receivables represent invoiced amounts due from contract customers. The average credit period for contract receivables is 60 days. Interest is charged as per agreements reached with individual clients per signed contracts. The group has the right to waive interest as it deems necessary. Before accepting a new client, the group runs thorough credit and background checks in order to determine the potential customer's creditworthiness. All contracts and clients' creditworthiness are assessed on an individual basis.

The summarised risk categories for contract receivables on which a collective expected credit loss is calculated are as follows:

	Current to 30 days R'000	60 to 90 days R'000	120 to 150 days R'000	180 days R'000	Over 180 days to less than 1 year R'000	Over 1 year R'000	Total R'000
2024							
Within South Africa	546 467	4 043	2 985	6 487	2 063	7 312	569 357
Public	91 353	—	222	6 487	2 063	60	100 185
Private	455 114	4 043	2 763	—	—	7 252	469 172
Outside South Africa	215 480	70 499	21 064	4 536	120 792	256 691	689 062
Public	60 858	4 271	362	—	87 323	201 677	354 491
Botswana	15 787	1 208	—	—	—	—	16 995
Eswatini	45 071	3 063	362	—	87 323	104 368	240 187
Zambia	—	—	—	—	—	97 309	97 309
Private	154 622	66 228	20 702	4 536	33 469	55 014	334 571
Botswana	6 949	12	—	—	16	972	7 949
Eswatini	—	—	—	—	—	2 628	2 628
Lesotho	14 455	—	—	—	—	—	14 455
Mauritius	18 295	—	—	—	—	—	18 295
Zambia	38 763	1 601	5 906	4 536	33 453	51 414	135 673
Zimbabwe	76 160	64 615	14 796	—	—	—	155 571
Gross total of contract receivables	761 947	74 542	24 049	11 023	122 855	264 003	1 258 419
Within South Africa							
Average expected credit loss rate (%)	—	5,2	5,5	0,4	0,4	5,5	0,2
Collective expected credit loss	64	210	163	23	8	400	868
Outside South Africa							
Average expected credit loss rate (%)	0,2	5,4	6,0	7,3	4,9	7,9	4,6
Collective expected credit loss	328	3 829	1 263	332	5 969	20 193	31 914
Average expected credit loss rate (%)	0,1	5,4	5,9	3,2	4,9	7,8	2,6
Total collective expected credit loss	392	4 039	1 426	355	5 977	20 593	32 782
Carrying amount	761 555	70 503	22 623	10 668	116 878	243 410	1 225 637

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

	Current to 30 days R'000	60 to 90 days R'000	120 to 150 days R'000	180 days R'000	Over 180 days to less than 1 year R'000	Over 1 year R'000	Total R'000
2023							
Within South Africa	560 154	11 393	4 687	26	—	36 009	612 269
Public	102 087	1 362	4 479	—	—	458	108 386
Private	458 067	10 031	208	26	—	35 551	503 883
Outside South Africa	250 977	144 580	36 182	6 368	1 315	284 003	723 425
Public	106 952	19 563	21 223	6 150	—	283 111	436 999
Botswana	28 737	—	—	—	—	122	28 859
Eswatini	78 215	19 563	21 223	6 150	—	135 917	261 068
Zambia	—	—	—	—	—	147 072	147 072
Private	144 025	125 017	14 959	218	1 315	892	286 426
Botswana	842	6 897	266	218	1 149	624	9 996
Eswatini	15 713	12 452	5 636	—	—	100	33 901
Namibia	11 915	—	—	—	—	168	12 083
Zambia	27 018	34 388	9 057	—	166	—	70 629
Zimbabwe	88 537	71 280	—	—	—	—	159 817
Gross total of contract receivables	811 131	155 973	40 869	6 394	1 315	320 012	1 335 694
Within South Africa							
Average expected credit loss rate (%)	0,1	6,4	1,0	11,5	—	17,1	1,2
Collective expected credit loss	566	733	47	3	—	6 172	7 521
Outside South Africa							
Average expected credit loss rate (%)	0,1	2,9	2,6	2,7	2,5	8,5	4,1
Collective expected credit loss	302	4 224	932	173	33	24 265	29 929
Average expected credit loss rate (%)	0,1	3,2	2,4	2,8	2,5	9,5	2,8
Total collective expected credit loss	868	4 957	979	176	33	30 437	37 450
Carrying amount	810 263	151 016	39 890	6 218	1 282	289 575	1 298 244

The average expected credit loss rate is calculated on a total basis and is affected by the composition of balances in each of the time bands that fall into different risk grades, causing it to look higher in lower time bands than higher time bands.

The change in the collective expected credit loss from prior year is mainly driven by the reduction in contract receivable balances, specifically for South Africa. Certain customers included in the prior year South African balances, attracted a higher rate due to uncertainty of recoverability. These debtors have now been fully provided for in the current year and are included in the individual expected credit losses table.

The higher ECL rate in the 60 to 150 day time band is driven by the foreign balances in Zimbabwe, which attract a higher ECL rate. The higher ECL rate in the Over 180 days less than 1 year time band is driven by the increase in foreign balances which attract a higher ECL rate.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

The summarised risk categories for contract receivables on which an individual expected credit loss is calculated are as follows:

	2024		2023	
	Over 1 year R'000	Total R'000	Over 1 year R'000	Total R'000
Within South Africa	48 746	48 746	35 273	35 273
Private	48 746	48 746	35 273	35 273
Outside South Africa	39 968	39 968	74 953	74 953
Public	39 968	39 968	73 578	73 578
Zambia	39 968	39 968	73 578	73 578
Private	—	—	1 375	1 375
Namibia	—	—	493	493
Zambia	—	—	882	882
Gross total of contract receivables	88 714	88 714	110 226	110 226
Average expected credit loss rate (%)	100,0	100,0	100,0	100,0
Expected credit loss	88 714	88 714	110 226	110 226
Carrying amount	—	—	—	—

The individual expected credit loss reduced from R110 million to R89 million mainly due to debtors that were previously provided for and subsequently recovered or written-off.

In determining the expected credit loss, the following historical and forward-looking factors were considered:

Historical factors

- Payment history of the customer
- Consideration of reasons for delay in payments — whether they are indicative of liquidity/solvency issues
- Contractual recourse for non-payment of debtors
- Certain receivables denominated in USD
- Collateral/credit insurance available in case of default
- Country-specific factors considered for the Eswatini, Zambia and Zimbabwe debtors in particular due to materiality include:
 - Zambia
 - Regular formal interactions at ministerial level
 - Ability to offset amounts due to and due from government (example VAT)
 - Work suspended until payment is received
 - Eswatini
 - No history of bad debts
 - Significant advance payments received
 - Long outstanding due to the regulation that surrounds payments of government debtors
 - Zimbabwe
 - Dealing with reputable private clients
 - No history of bad debts
 - Significant advance payments received
 - Contract denominated in USD as well as payments received

Forward-looking factors

- Financial state of client and any indication of financial distress based on most recent information available and management discussions
- Commitments made for payment and whether they are realistic based on history, client relationship and progress of contract
- Political climate
- Payments received subsequent to year-end
- Potential roll-out of future projects
- Country-specific factors considered for the Eswatini, Zambia and Zimbabwe debtors in particular due to materiality include:
 - Zambia
 - List of new projects to be rolled out by the relevant departments of the Government in the short to medium term
 - Willingness from Government to offset amounts due to and due from government
 - Assessing governments source of income that supports ability to repay (e.g.: The International Monetary Fund negotiations, new legislation affecting National Pension Scheme, bonds and government bills issuable)
 - Expected outcome on pending contractual claim
 - Eswatini
 - Assessing governments source of income that supports ability to repay (e.g.: The Southern African Customs Union (SACU))
 - Target of foreign funded projects with the same client (government departments)
 - Formal funding mechanisms in place for these projects
 - Zimbabwe
 - Contractual rights for suspension available
 - Potential future work with same client
 - The impact of the new currency (ZiG) on the Zimbabwean economy

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

RETENTION DEBTORS (NOTE 16)

Retention debtors relate to amounts invoiced but not paid until the conditions specified in the contract are fulfilled or until defects have been rectified. The retention debtors are only due and payable once a contract is completed and all obligations are met.

The summarised risk categories and calculated expected credit loss for retention debtors are as follows:

	2024			2023		
	Public R'000	Private R'000	Total R'000	Public R'000	Private R'000	Total R'000
Within South Africa	128 474	44 997	173 471	81 729	61 991	143 720
Outside South Africa	48 953	68 799	117 752	92 480	27 287	119 767
Botswana	—	3 620	3 620	11 963	4 964	16 927
Lesotho	—	1 527	1 527	—	—	—
Mauritius	—	39 485	39 485	—	—	—
Eswatini	31 075	393	31 468	60 300	393	60 693
Malawi	—	—	—	—	53	53
Zambia	17 878	23 774	41 652	20 217	21 877	42 094
Gross total of Retention debtors	177 427	113 796	291 223	174 209	89 278	263 487
Within South Africa						
Average expected credit loss rate (%)	—	0,1	—	—	0,2	0,1
Expected credit loss	22	53	75	7	135	142
Outside South Africa						
Average expected credit loss rate (%)	0,2	0,2	0,2	0,1	0,1	0,1
Expected credit loss	96	122	218	125	29	154
Average expected credit loss rate (%)	0,1	0,2	0,1	0,1	0,2	0,1
Total expected credit loss	118	175	293	132	164	296
Carrying amount	177 309	113 621	290 930	174 077	89 114	263 191

In determining the expected credit loss, the following historical and forward-looking factors were considered:

Historical factors

- Payment history of client in relation to previous invoices raised
- Consideration of reasons for delay in payments — whether they are indicative of liquidity/solvency issues
- Collateral/credit insurance available in case of default
- Contractual provisions for alternative recovery in case of non-payment
- Ageing of retention debtors (majority of retention debtors are only due in future periods)

Forward-looking factors

- Financial state of client and any indication of financial distress based on most recent information available
- Discussions between the group and the client regarding recoverability of amounts outstanding and any probabilities of default
- Commitments made for payment and whether they are realistic based on history, client relationship and progress of contract
- Political climate
- Potential roll-out of future projects
- Progress of contract and probability of disputes regarding valued work and other contractual conditions at end of contract

The change in the expected credit loss from prior year is mainly driven by retention debtors in the South African private sector, for whom an increased rate was applied in the prior year due to the long outstanding (over 1 year) trade receivables due from similar customers. These receivables are now fully provided for.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

AMOUNTS DUE BY JOINT OPERATIONS (NOTE 16)

Receivables from joint operations consist of either resource funding or cash advances. Resource funding relates to recoveries for expenses incurred on behalf of the joint operation by related parties which are settled in the normal course of business. Cash advances relate to contractual loans granted to alleviate temporary cash flow constraints of the operation.

Amounts due by joint operations have no specific repayment terms.

Amounts within the 60 to 90 day time band are outstanding for more than 30 days and relate to receivables for which credit risk has increased significantly since initial recognition but that are not credit impaired. Amounts older than 90 days are considered to be in default and therefore credit-impaired.

The summarised risk categories and calculated expected credit loss for receivables from joint operations are as follows:

	Current to 30 days R'000	60 to 90 days R'000	120 to 150 days R'000	180 days R'000	Over 180 days to less than 1 year R'000	Over 1 year R'000	Total R'000	Resource accounts R'000	Cash advances/ other R'000
2024									
Within South Africa	9 528	1 606	—	—	—	35 078	46 212	11 134	35 078
Public	3 372	587	—	—	—	2 242	6 201	3 959	2 242
Private	6 156	1 019	—	—	—	32 836	40 011	7 175	32 836
Outside South Africa	5 472	11 987	148	69	51 914	106 258	175 848	175 848	—
Private	5 472	11 987	148	69	51 914	106 258	175 848	175 848	—
Eswatini	4 680	11 785	—	—	14 911	83 386	114 762	114 762	—
Mauritius	236	35	—	—	26 312	—	26 583	26 583	—
Zambia	556	167	148	69	10 691	22 872	34 503	34 503	—
Gross total of amounts due by joint operations	15 000	13 593	148	69	51 914	141 336	222 060	186 982	35 078
Within South Africa									
Average expected credit loss rate (%)	0,2	3,4	—	—	—	—	0,2		
Expected credit loss	21	54	—	—	—	9	84		
Outside South Africa									
Average expected credit loss rate (%)	0,1	—	2,7	2,9	2,7	0,9	1,3		
Expected credit loss	3	5	4	2	1 408	919	2 341		
Average expected credit loss rate (%)	0,2	0,4	2,7	2,9	2,7	0,7	1,1		
Total expected credit loss	24	59	4	2	1 408	928	2 425		
Carrying amount	14 976	13 534	144	67	50 506	140 408	219 635		

Included in the Over 1 year time band, are balances due by joint operations of R115 million (Feb 2023: R111 million) for which the group has a corresponding amount payable to the same joint operation which would reduce the loss in the event of default. Therefore, the calculated expected credit loss on these receivables was low.

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FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

	Current to 30 days R'000	60 to 90 days R'000	120 to 150 days R'000	180 days R'000	Over 180 days to less than 1 year R'000	Over 1 year R'000	Total R'000	Resource accounts R'000	Cash advances/ other R'000
2023									
Within South Africa	16 111	3 770	—	—	—	375	20 256	19 373	883
Public	—	—	—	—	—	375	375	375	—
Private	16 111	3 770	—	—	—	—	19 881	18 998	883
Outside South Africa	99	4 842	6 671	—	7 981	127 581	147 174	55 917	91 257
Private	99	4 842	6 671	—	7 981	127 581	147 174	55 917	91 257
Botswana	—	—	—	—	—	7 872	7 872	—	7 872
Eswatini	—	4 842	5 667	—	7 146	93 840	111 495	28 110	83 385
Zambia	99	—	1 004	—	835	25 869	27 807	27 807	—
Gross total of amounts due by joint operations	16 210	8 612	6 671	—	7 981	127 956	167 430	75 290	92 140
Within South Africa									
Average expected credit loss rate (%)	0,2	3,4	—	—	—	0,3	0,8		
Expected credit loss	39	130	—	—	—	1	170		
Outside South Africa									
Average expected credit loss rate (%)	1,0	—	0,3	—	0,2	0,6	0,5		
Expected credit loss	1	—	17	—	18	772	808		
Average expected credit loss rate (%)	0,2	1,5	0,3	—	0,2	0,6	0,6		
Total expected credit loss	40	130	17	—	18	773	978		
Carrying amount	16 170	8 482	6 654	—	7 963	127 183	166 452		

In determining the expected credit loss, the following historical and forward-looking factors were considered:

Historical factors

- Past experience — these are normally settled in the normal course of business
- Joint operations are still trading, and, in most instances, we are the lead partner and administer and manage the cash therefore ensuring payment
- Payment history of the customer
- Consideration of reasons for delay in payments — whether they are indicative of liquidity/solvency issues
- Contractual recourse for non-payment
- Collateral/credit insurance available in case of default

Forward-looking factors

- Cash flow projections prepared on a regular basis
- Ability of joint operation partners to fund cash flow requirements
- Joint operation relationships are governed by joint operation agreements and will exist until end of contract/project
- Future profitability of the project taking into consideration timing of profit distributions in terms of the joint operation agreement
- Commitments made for payment and whether they are realistic based on history, client relationship and progress of contract
- Political climate
- Potential roll-out of future projects
- Payments received subsequent to year-end for long outstanding receivables under Eswatini
- Expected outcome on pending contractual claim for a receivable under Zambia

The change in the expected credit loss from prior year is mainly driven by the increase in balances of 33%. The increase in ECL for the Over 180 days but less than 1 year time band, is due to the increase in foreign debtors, which attract a higher ECL rate.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

OTHER RECEIVABLES (NOTE 16)

Other receivables consist mostly of deposits (mainly house rental deposits), restricted cash balances, sundry debtors and short-term loans repayable within one year.

The summarised risk categories and calculated expected credit loss for other receivables are as follows:

	2024 R'000	2023 R'000
Within South Africa	57 053	44 695
Outside South Africa	18 329	11 167
Eswatini	2 068	2 692
Zambia	5 393	6 590
Mauritius	9 344	—
Namibia	1 415	—
Other (Botswana, Guinea, Kenya)	109	1 885
Gross total of other receivables	75 382	55 862
Within South Africa		
Average expected credit loss rate (%)	—	—
Expected credit loss	18	21
Outside South Africa		
Average expected credit loss rate (%)	0,1	0,1
Expected credit loss	26	7
Average expected credit loss rate (%)	0,1	0,1
Total expected credit loss	44	28
Carrying amount	75 338	55 834

There was no significant increase in credit risk of other receivables, therefore the group provided for a 12-month ECL.

The change in the expected credit loss from prior year is mainly due to the increase in balances of 35%.

In determining the expected credit loss, the following historical and forward-looking factors were considered:

Historical factors	Forward-looking factors
Deposits <ul style="list-style-type: none"> — History of default by agents on repayment of deposits — Materiality of deposit amounts that could affect ability of agent to re-pay 	Deposits <ul style="list-style-type: none"> — Whether deposits can be transferred to other properties under the same rental agent
Other receivables <ul style="list-style-type: none"> — Materiality of amounts due from the various sundry debtors — Nature of the debtor (whether low credit-risk entities, e.g. banks, trusts) 	Other receivables <ul style="list-style-type: none"> — Financial state of the debtor and any indication of financial distress based on most recent information available

COLLATERAL

Exposure to credit risk is mitigated by the request for collateral. Collateral is in the form of payment guarantees, builders lien or credit insurance. There was no collateral received for any of the receivables in the current year (Feb 2023: Nil).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

LIQUIDITY RISK

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The group manages liquidity risk through an ongoing review of future commitments and credit facilities and by ensuring that adequate unutilised borrowing facilities are maintained. This will ensure that the group will be in a position to meet its liabilities when they are due. The group also monitors on a monthly basis the level of expected cash inflows on trade and other receivables together with expected cash outflows to ensure all commitments are met. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The group maintains lines of credit of R32 million (Feb 2023: R46 million) mainly comprising bank overdraft facilities.

EXPOSURE TO LIQUIDITY RISK

The following are the remaining contractual maturities of financial instruments at the reporting date. The amounts are presented gross and undiscounted and include contractual interest payments.

	Carrying amount R'000	Total R'000	On demand R'000	Less than six months R'000	More than six months R'000	Between one and five years R'000	More than five years R'000
2024							
Financial assets							
Trade and other receivables	1 836 220	1 836 220	—	1 826 689	—	9 531	—
	1 836 220	1 836 220	—	1 826 689	—	9 531	—
Financial liabilities							
Financial liabilities — Funding loans*	997 120	1 119 347	—	74 611	1 044 736	—	—
Financial liabilities — Other	95 422	102 910	—	16 628	16 628	68 381	1 273
Instalment sale agreements	58 438	66 983	—	11 774	11 774	43 435	—
Lease liabilities	57 346	70 678	—	8 810	8 810	36 408	16 650
Trade and other payables	908 701	908 701	—	908 701	—	—	—
Bank balances	3	3	—	3	—	—	—
	2 117 030	2 268 622	—	1 020 527	1 081 948	148 224	17 923

* The group on 27 March 2024, reached agreement with the Lenders to extend the capital repayment profile of the loan as well as its duration to 30 June 2025. Please refer to note 2 and note 20 for further information on the funding loan.

	Carrying amount R'000	Total R'000	On demand R'000	Less than six months R'000	More than six months R'000	Between one and five years R'000	More than five years R'000
2023							
Financial assets							
Trade and other receivables	1 866 966	1 866 966	—	1 832 453	—	34 513	—
	1 866 966	1 866 966	—	1 832 453	—	34 513	—
Financial liabilities							
Financial liabilities — Funding loans*	1 160 581	1 250 363	—	119 883	1 130 480	—	—
Financial liabilities — Other	120 660	139 288	—	19 864	19 864	77 638	21 922
Lease liabilities	54 519	70 086	—	4 356	4 356	35 554	25 820
Trade and other payables	789 792	789 792	—	789 792	—	—	—
Bank balances	17 838	17 838	—	17 838	—	—	—
	2 143 390	2 267 367	—	951 733	1 154 700	113 192	47 742

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

MARKET RISK

Market risk is the risk that changes in foreign exchange rates and interest rates will affect the group's income or the value of its holdings of financial instruments.

Currency risk

The group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and bank balances are denominated and the respective functional currencies.

In addition to the above, the group also has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The presentation currency of the group is Rand. The currencies in which these transactions are primarily denominated are Botswana Pula (BWP), Zambian Kwacha (ZMW), United States Dollar (USD), Mauritian Rupee (MUR) and other African currencies.

	2024						2023				
	BWP R'000	ZMW R'000	USD R'000	MUR R'000	Other* R'000	Total R'000	BWP R'000	ZMW R'000	USD R'000	Other R'000	Total R'000
Profit/(loss) for the year after tax included	1 845	76 896	90 415	(79 697)	23 292	112 751	19 328	30 186	30 161	2 791	82 466
Monetary assets	51 603	315 210	376 756	205 475	8 707	957 751	87 180	272 677	249 333	11 468	620 658
Trade receivables	24 626	212 509	153 171	18 295	—	408 601	38 839	147 426	159 817	—	346 082
Other receivables	4 685	91 563	717	154 717	6 367	258 049	28 853	80 350	55 227	6 131	170 561
Bank balances	22 292	11 138	222 868	32 463	2 340	291 101	19 488	44 901	34 289	5 337	104 015
Monetary liabilities	41 376	77 165	45 270	56 149	426	220 386	67 256	99 286	63 005	3 495	233 042
Trade payables	4 688	33 611	23 489	20 723	—	82 511	7 713	22 585	8 713	26	39 037
Other payables	36 688	43 554	21 781	35 426	426	137 875	59 543	76 701	54 292	3 469	194 005

The group trades in a number of currencies and certain currencies have been excluded where considered immaterial.

Other currencies include Kenya Schillings (KES), Ghanaian Cedi (GHC), Malawian Kwacha (MWK), Sierra Leonean Leone (SLL) and United Arab Emirates Dirham (AED).

	AVERAGE RATE		CLOSING RATE	
	2024	2023	2024	2023
The following exchange rates have been applied				
BWP	1,3868	1,3553	1,3941	1,3823
ZMW	0,8901	0,8989	0,8217	0,9292
USD	18,6812	16,9004	19,2204	18,3998
MUR	0,4140	0,3761	0,4222	0,3976

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

Sensitivity analysis

A reasonably possible strengthening/(weakening) of the following currencies at year-end would have affected the measurement of profit or loss after tax denominated in a foreign currency by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	MOVEMENT		STRENGTHENING/(WEAKENING)	
	2024 %	2023 %	2024 R'000	2023 R'000
BPW	2	3	37/(37)	580/(580)
ZMW	1	7	769/(769)	2 113/(2 113)
USD	11	11	9 946/(9 946)	3 318/(3 318)
MUR	5	—	3 985/(3 985)	—

Interest rate risk

The group is exposed to interest rate risk through its cash and cash equivalents and interest-bearing, short- and long-term liabilities. Short-term interest rate exposure is monitored and managed by each region in the group. The majority of borrowings are obtained at variable rates exposing the group to cash flow interest rate risk.

The terms and conditions of outstanding interest-bearing loans are as follows:

	CURRENCY	NOMINAL INTEREST RATE		YEAR OF MATURITY	CARRYING VALUE	
		2024 %	2023 %		2024 R'000	2023 R'000
Unsecured borrowings	ZAR	3,36 – 7,00	3,00 – 7,00	2025	4 673	5 841
Secured borrowings — bonds and other	SZL	9,00	9,00	2035	1 460	1 548
Secured borrowings — funding loans	ZAR	16,45	14,65	2024*	997 120	1 160 581
Instalment sale agreements	ZAR	11,75 – 15,58	—	2028	58 438	—
Lease liabilities	ZAR	9,50 – 11,75	9,00 – 10,75	2025 – 2030	57 346	54 519
Settlement Agreement — City of Cape Town	ZAR	7,96	7,96	2025	9 344	18 061
Voluntary Rebuild Programme**	ZAR	8,37	7,50	2029	79 945	95 210
					1 208 326	1 335 760

* The group on 27 March 2024, reached agreement with the Lenders to extend the capital repayment profile of the loan as well as its duration to 30 June 2025.

** In May 2024, the South African Reserve Bank (SARB) released a publication prepared by the Market Practitioners Group (MPG) providing an update on the JIBAR transition plan. The transition approach includes detail on key milestones and expected timelines. The formal JIBAR cessation announcement is expected in 2025, allowing ZARONIA market to develop from 2023 to 2024. The JIBAR is expected to cease before the end of 2026. The ZARONIA is currently published on the SARB's website. Existing contracts have not been renegotiated. No material impact is expected when the rates are changed, but this change cannot be confirmed yet.

Sensitivity analysis

A change of 100 basis points (Feb 2023: 325 basis points) in interest rates (in line with the change in the South African prime rate since the beginning of the year) would have increased or decreased profit or loss before tax by R13 million (Feb 2023: R50 million).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

27. RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE CONTINUED

FAIR VALUE

Measurement of fair value — land and buildings

The fair value measurement for land and buildings has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

Land and Buildings are either measured using the Income Capitalisation Method or the Direct Comparable Sales Method.

Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
Income Capitalisation Method	Market capitalisation rate between 10,0% and 10,5% Income/expenditure ratio between Local — Inland 22,2% – 27,2% Local — Western Cape 17% Foreign — Eswatini 8,48%	Market capitalisation rate: — Increase with 1% resulting in decrease in value of R10 million; — Decrease with 1% resulting in increase in value of R13 million; Income/Expenditure ratio: — Increase with 1% resulting in decrease in value of R2 million; — Decrease with 1% resulting in increase in value of R1 million; Market capitalisation rate and Income/Expenditure ratio: — Both increase with 1% resulting in decrease in value of R12 million; — Both decrease with 1% resulting in increase in value of R14 million; — Income/Expenditure ratio increase with 1% and market capitalisation rate decrease with 1% resulting in increase of value of R11 million; — Income/Expenditure ratio decrease with 1% and market capitalisation rate increase with 1% resulting in decrease of value of R9 million.

Refer to Note 9 for the reconciliation of land and buildings measured at fair value.

Measurement of fair value — non-current assets held for sale (note 7)

Non-current assets held for sale consist of plant and equipment.

Plant and equipment 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.

28. SUBSEQUENT EVENTS

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 post year-end amount to R59 million. Capital commitments which have been authorised and not yet contracted for amount to R119 million. Capital commitments will be funded through instalment sale agreements and rental options, with repayment terms ranging from 24 to 36 months.

Other than the matters noted herein, there were no other material reportable events which occurred between the reporting date and the date of these annual financial statements.

29. AVAILABILITY OF STEFANUTTI STOCKS HOLDINGS LIMITED SEPARATE ANNUAL FINANCIAL STATEMENTS

The Stefanutti Stocks Holdings Limited separate annual financial statements have been prepared and signed on 18 June 2024, and are available on the group's website.

The Stefanutti Stocks Holdings Limited separate annual financial statements have been prepared in accordance with the requirements of the Companies Act No. 71 of 2008 and the company's independent auditors, Forvis Mazars (previously Mazars), has expressed an unqualified opinion with an emphasis of matter thereon.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

BASIS OF PREPARATION

GOING-CONCERN STATEMENT

The below should be read in conjunction with note 2.

The funding provided by the Lenders has assisted with the group's liquidity, even though as at 29 February 2024 the group's current liabilities exceed its current assets by R1 136 million (Feb 2023: R1 141 million), and the group's total liabilities exceed its total assets by R52 million (Feb 2023: R66 million). The group had an accumulated loss of R1 193 million (Feb 2023: R1 209 million). 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, 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.

These annual financial statements have been prepared using a combination of the historical cost and, where indicated, fair value basis of accounting and are consistent with prior financial years, except where otherwise indicated.

STATEMENT OF COMPLIANCE

The consolidated annual financial statements of Stefanutti Stocks Holdings Limited which include the holding company, together with its subsidiaries, joint operations and equity-accounted investees (collectively the group) for the year ended 29 February 2024, have been prepared in accordance with the following:

IFRS® Accounting Standards (IFRS Accounting Standards), South African Financial Reporting Requirements.	JSE Listings Requirements	Companies Act, No. 71 of 2008	Going-concern principles
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PRESENTATION CURRENCY

South African Rand

ROUNDING POLICY

R'000 (thousand)

FOREIGN CURRENCY TRANSACTIONS

Procedures followed to translate to presentation currency

In the group annual financial statements, transactions are translated into the presentation currency of the group by applying the following principles:

- Monetary assets and liabilities for each statement of financial position presented are translated at the closing rate at reporting date.
- Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in other comprehensive income.
- Income and expenses for each statement of profit or loss and other comprehensive income are translated at exchange rates at the dates of the transactions or, where exchange differences did not fluctuate significantly, at the average exchange rates for the period.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 29/28 FEBRUARY

MATERIAL ACCOUNTING POLICIES

Included below is a summary of the material accounting policies applicable to the consolidated annual financial statements. These accounting policies include only the areas in IFRS Accounting Standards where elections have been made or policy choices exercised (including the choice or election made) as well as measurement criteria applied. The accounting policies also include information where it will assist users in understanding how transactions, other events and conditions are reflected in reported financial performance and financial position and are included based on materiality as determined by management.

REFERENCE TABLE BETWEEN MATERIAL ACCOUNTING POLICIES AND NOTES

Material accounting policies	Notes and accounting policy (AP)
Construction contracts	AP 1
Revenue	3
Contract assets and liabilities	3, 15, 16, 21, 22
Other income and EBITDA	4
Investment income	5
Employee benefits	AP 2
Short-term benefits	4
Post-employment benefits	4
Termination benefits	4
Employee share incentive schemes	4, 19
Group and Company accounting	AP 3
Translation of foreign operations	Statement of changes in equity Statement of profit or loss and other comprehensive income
Subsidiaries	—
Equity-accounted investees and joint operations	10, 11
Operating assets and related liabilities	AP 4
Property, plant and equipment	9
Goodwill	12
Inventories	14
Lease liabilities	20
Short-term leases and low value assets	4
Financial instruments	AP 5
Financial assets	15, 16, 17, 27
Impairment	15, 16, 27
Financial liabilities	15, 17, 20, 21, 27
Derecognition	—
Finance costs	5
Non-current assets held for sale and discontinued operations	AP 6 and note 7
Capital and reserves	AP 7
Share capital	18
Reserves	Statement of changes in equity, 18
Treasury shares	Statement of changes in equity, 8, 18
Provisions	AP 8 and note 22
Taxation	AP 9
Current tax	6
Deferred tax	13

ACCOUNTING POLICIES

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

1. CONSTRUCTION CONTRACTS

CONTRACT REVENUE FROM CONTRACTS WITH CUSTOMERS

Stefanutti Stocks is a multidisciplinary construction group that delivers projects, of any scale, to diverse sectors in the built environment. The group's geographical footprint spans South Africa and sub-Saharan African countries.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods or services. Payment terms for services delivered are normally within 30 to 60 days.

		Recognition	Measurement
Contract revenue	Within South Africa	South Africa	Based on: — Transaction price received or receivable — Including variations and claims — Excluding Value Added Tax
	Outside South Africa	Botswana, Eswatini, Mauritius, Namibia, Zambia and Zimbabwe	
		Stage of completion based on surveys of measured work performed	
		When surveys of work performed cannot be determined reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable	

Revenue type — Civils and Geotechnical, MEP, Mining, Roads and Earthworks

Civils and Geotechnical	Includes the Structural Rehabilitation and Water sectors and lateral support and piling
Mechanical Electrical Piping	Consists of 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)) and Oil & Gas (including in-house pipe-spool fabrication and bulk tank construction)
Mining	Consists of materials handling and tailings management
Roads and Earthworks	Consists of Roads, Earthworks and Mining infrastructure and Renewable Energy infrastructure (including both civil and electrical balance of plant projects)

Duration

Duration is dependant on the terms of the specific contract and will differ from contract to contract

Recognition

Stage of completion based on surveys of work performed
— Measured work performed

Transfer of control

Over time as the construction works progress and enhances the asset which is controlled by the customer

Measurement

Transaction price

Revenue type — Building

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.
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Duration of contracts

Duration is dependant on the terms of the specific contract and will differ from contract to contract

Recognition

Stage of completion based on surveys of work performed
— Measured work performed

Transfer of control

Non-residential

Over time as the construction works progress and enhances the asset which is controlled by the customer

Residential

Over time if the group is not the developer and does not have the ownership of the development

Transfer of control at end of period upon issue of completion certificate or registration if the group is the developer and owns the development

Measurement

Transaction price

ACCOUNTING POLICIES

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

1. CONSTRUCTION CONTRACTS CONTINUED

Costs	Variable consideration	Significant financing component
<p>Costs to obtain All costs incurred to obtain a contract are expensed immediately and recognised in profit or loss as they are not incremental.</p> <p>Costs to fulfil An asset is recognised for costs incurred to fulfil a contract only if those costs meet all of the following criteria:</p> <p>(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;</p> <p>(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and</p> <p>(c) the costs are expected to be recovered.</p>	<p>The group estimates the amount of variable consideration, to which it would be entitled to. Variable consideration is constrained to the extent that it is highly probable that a significant reversal of revenue will not occur.</p> <p>Certain contracts include penalty provisions, claims and a change of scope of work to be performed which constitutes variable consideration. Variable consideration is measured either at the most likely outcome method or expected value method and is considered at each reporting date. The most appropriate method is selected for each contract and applied consistently throughout the contract term. In most instances the most likely outcome method is used as there are only a few possible outcomes.</p>	<p>Shorter than 12 months Advances received on contracts with customers are generally shorter than 12 months, and therefore the group does not adjust the consideration for the effects of a significant financing component, since the group applies the practical expedient.</p> <p>Longer than 12 months In instances where advances received are utilised in a period longer than 12 months, the group adjusts the consideration for the effects of a significant financing component by using the interest rate that would be used in a similar transaction. Contract revenue is adjusted with this financing component and accounted for as finance costs paid (note 5).</p>

CONTRACT ASSETS AND LIABILITIES

Contract assets	Measurement
Contracts in progress	Cost plus profit recognised to date less cash received or receivable less any expected credit loss allowances.
	Impairment: refer to accounting policy 5: Financial Instruments.
Contract liabilities	Measurement
Subcontractor retentions	<p>Specific amounts are withheld on each payment made to subcontractors, and either repaid when the defects liability period comes to an end or when payment is received from the client.</p> <p>Subcontractor retentions are included within trade and other payables and are measured at fair value, less direct transaction costs.</p> <p>Retentions are dependent on the nature, terms and timing of each specific contract.</p>
Excess billings over work done	The amount by which progress billings exceed costs incurred plus recognised profit less recognised losses.
Provisions	<p>Estimates are made of the expected cash outflows relating to contracts.</p> <p>Warranties: Defects liabilities provide for warranties relating to defects arising subsequent to the completion of the contract. Defects liabilities are dependent on the nature, terms and timing of each specific contract.</p> <p>Onerous contracts In the instance where the group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision.</p> <p>An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.</p>

ACCOUNTING POLICIES

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

1. CONSTRUCTION CONTRACTS CONTINUED

OTHER INCOME AND EBITDA

	Includes	Recognition	Measurement
Other income	Amounts both received and accrued	Over time as services are rendered (customer consumes benefit as services are provided)	Transaction price
Management fee	Amounts both received and accrued	Over time as the group provides the management services and the customer simultaneously consumes the benefit	Transaction price
Rental income	Amounts both received and accrued	Rental income from leases are recognised as operating leases over period of lease term on a straight-line basis	Lease payments

EBITDA comprises earnings before interest, share of profits/losses of equity-accounted investees, taxation, depreciation, amortisation and impairment.

INVESTMENT INCOME

	Includes	Recognition	Measurement
Investment income	Amounts both received and accrued	Time proportion basis	Effective interest method

2. EMPLOYEE BENEFITS

Stefanutti Stocks identifies three types of employee benefits which are accounted for in accordance with IAS 19 *Employee Benefits*, being short-term benefits, post-employment benefits and termination benefits. Employee share incentive schemes are accounted for under IFRS 2 *Share-based payments*.

SHORT-TERM BENEFITS

Includes	Basic salary, paid vacation leave, sick leave, bonuses, medical aid, death and disability cover.
Accounting treatment	<p>The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.</p> <p>The expected cost of accrued leave is recognised as the employees render services that increase their entitlement or, in the case of non-accumulating leave, when the absence occurs. Accrued leave is measured as the amount that the company expects to pay as a result of unused entitlement that has accumulated to the employees at the reporting date.</p> <p>Other short term benefits are recognised as an expense in the period in which they are incurred.</p>

POST-EMPLOYMENT BENEFITS

Defined contribution plan	The group contributes to a defined contribution plan. The group requires monthly-paid employees to partake in a group retirement fund and hourly-paid employees in the relevant industry funds. The group contributes a monthly contribution to these funds and does not bear any further responsibility thereafter. These funds are managed by various portfolio managers and are governed by the Pension Funds Act, No. 24 of 1956.
Accounting treatment	The payments are charged as expenses when the related services are provided.

TERMINATION BENEFITS

Includes	Retrenchment costs
Accounting treatment	An expense is recognised together with a corresponding liability when the group can no longer withdraw the offer of those benefits and when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits, whichever is earlier.

EMPLOYEE SHARE INCENTIVE SCHEMES

Forfeitable Share Plan	<p>The FSP has been established to complement and enhance the ability of the group to attract, incentivise, retain, and reward key staff, and promote broad-based black economic empowerment within the group.</p> <p>Forfeitable Share Awards are based on, inter alia, the seniority and performance of employees, market benchmarks, the human capital requirements including skills, diversity and inclusion requirements, and/or the need to promote broad-based black economic empowerment within the group. The vesting of all Forfeitable Share Awards will be subject to the vesting condition of three years employment after the award.</p>
Accounting treatment	The FSP cost, which is the grant date fair value, is expensed over the vesting period in profit or loss, with a corresponding increase in equity, except for those shares which are purchased upfront on the market.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

3. GROUP AND COMPANY ACCOUNTING

TRANSLATION OF FOREIGN OPERATIONS

Procedures followed to translate to presentation currency

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Rand at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Rand, at the average exchange rates for the period. Where exchange rate differences fluctuate significantly, the exchange rates at the dates of the transactions are used.

The difference in translation between these rates is recognised in the foreign currency translation reserve.

SUBSIDIARIES

Subsidiaries are entities controlled by the group.

The group determines that it has control of a subsidiary when it is exposed to or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Recognition and measurement

Subsidiaries are consolidated from the date of acquisition, which is the date on which the group obtains control of the subsidiary and continue to be consolidated until the date that control ceases.

The annual financial statements of the subsidiaries are prepared using consistent accounting policies and prepared for the same reporting period as the parent company.

Intercompany transactions

All intergroup balances, transactions, income and expenses are eliminated in full in the consolidated annual financial statements.

Consolidated structured entities

Consolidated structured entities include share incentive trusts set up for the benefit of the group's employees. Such trusts are consolidated in the group results as the group effectively controls these trusts through the specific mechanisms that were established when the trusts were formed. Shares issued to or held by these trusts are treated as treasury shares until such time as participants pay for or take delivery of such shares.

EQUITY-ACCOUNTED INVESTEEES AND JOINT OPERATIONS

Initial recognition and measurement

Associates and joint ventures

Associates are deemed to be material if the interest in the equity-accounted investee (cost and long-term loans) exceed 3% of the non-current asset value of the group. Associates and joint ventures are accounted for using the equity method. Interest in equity-accounted investees are initially recognised at cost. Investor's interest includes any equity contributions, which are made at the date of acquisition, equity-accounted losses which are recognised against the cost of the investment, as well as loans which will in all likelihood not be settled in the near future. Goodwill recognised on the acquisition of an associate company is included in the cost of the investment. In instances where the year-ends of equity-accounted investees differ from that of the group, monthly management accounts are used to ensure information is reported coterminous with the group's year-end.

Joint operations

Results of joint operations are included when two or more parties combine their operations, resources and expertise in order to manufacture/build a particular product.

Derecognition

Associates and joint ventures

On the date that the equity-accounted investments are disposed of, the entity ceases to equity account the investments. Equity-accounted investments are disposed of when the entity ceases to have significant influence.

Joint operations

When the combined operation ceases, the group's share of the assets and liabilities held jointly as well as its share of profits or losses is derecognised.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

3. GROUP AND COMPANY ACCOUNTING CONTINUED

Subsequent measurement

Associates and joint ventures

Subsequent to initial recognition, the group recognises its share of the profit or loss and other comprehensive income, until the date on which joint control ceases.

Joint operations

The group has rights to the assets and obligations for its liabilities in a joint operation, and therefore recognises in relation to its interest in a joint operation the following:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

Impairment

Associates and joint ventures

An impairment is recognised when there is objective evidence that the equity-accounted investment is impaired and its value-in-use is less than the carrying amount. Impairment losses are deducted from the carrying amount of these investments. Any impairment is calculated after application of the equity method. Losses resulting from transactions with equity-accounted investees are recognised only to the extent of the investors' interest which include cost plus loans which will in all likelihood not be settled in the near future.

Joint operations

Recognised assets are impaired in line with group policy for similar type of assets.

4. OPERATING ASSETS AND RELATED LIABILITIES

PROPERTY, PLANT AND EQUIPMENT

Owned assets

Categories	Initial measurement	Subsequent measurement	Depreciation method and period	Impairment
Land and buildings	Initially recognised at cost, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located.	Carried at the revalued amount (fair value less depreciation and accumulated impairment losses).	Land is not depreciated, all other assets are depreciated on a straight-line basis over their useful life.	Assets are tested for impairment, when there is an indication that it may be impaired, by determining the recoverable amount of the assets either individually or at the cash generating unit level.
Plant and equipment Transport and motor vehicles Furniture, fittings, office and computer equipment		Cost less accumulated depreciation and accumulated impairment losses.		

The revaluation of Land and Buildings are recognised in other comprehensive income and against a revaluation reserve in the statement of changes in equity. The revaluation reserve is recycled to retained earnings upon disposal (but not annual usage) of the Land and Buildings to which the revaluation reserve pertains.

Right-of-use assets

Categories	Initial measurement	Subsequent measurement	Depreciation method and period
Land and buildings Plant and equipment Transport and motor vehicles Furniture, fittings, office and computer equipment	Right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located, less any lease incentives received.	Cost less accumulated depreciation and accumulated impairment losses.	Right-of-use assets are depreciated over the useful life of the asset or term of lease, whichever is shorter.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

4. OPERATING ASSETS AND RELATED LIABILITIES CONTINUED

Useful lives

The estimated useful lives assigned to the categories of Property, Plant and Equipment (owned and instalment sales) are as follows:

Buildings:	50 years
Plant and equipment:	5 – 10 years
Transport and motor vehicles:	3 – 10 years
Furniture, fittings, office and computer equipment:	3 – 8 years

Lease terms are between one and five years for plant and equipment, and three to ten years for land and buildings.

GOODWILL

Initial measurement and recognition	Subsequent measurement	Amortisation method and period	Impairment
Measured at fair value as at the date of the business combination Measured at cost if the fair value at date of acquisition cannot be determined	Cost less accumulated impairment.	Goodwill is not amortised but is assessed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.	Management uses the value-in-use method to determine the recoverable amount of goodwill and when there are impairment indicators as there is no active market for these assets.

INVENTORIES

Initial measurement and recognition

Inventories include consumables (such as fuel, tyres, spares and stationery), operational inventory and development property. Operational inventory is inventory that will be used in the normal operating cycle. Development property relates to properties which are developed for the purposes of sale. Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and comprises the cost to purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

LEASE LIABILITIES

Initial measurement and recognition	Subsequent measurement
Lease liabilities are initially measured at the present value of the lease payments that are due at the commencement date, discounted using the group's incremental borrowing rate.	At amortised cost. It is remeasured when there is a change in future lease payments arising from a change in term or if the group changes its assessment on whether it will exercise a purchase, extension or termination option at the end of the contract. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

Initial measurement and recognition

The group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Low-value assets are defined as assets with a new cost of R250 000 and less. Lease payments associated are recognised in profit or loss on a straight-line basis over the term of the relevant lease.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

5. FINANCIAL INSTRUMENTS

Financial assets, financial liabilities and equity instruments are recognised in the group's statement of financial position when the group becomes a party to the controlled provisions of the instrument.

FINANCIAL ASSETS

Classification	Instruments included in the classification	Initial measurement	Subsequent measurement
Amortised cost	Trade and other receivables (excluding Value Added Tax, prepayments and financial assets held at fair value through profit or loss) and cash and cash equivalents.	Trade receivables are measured at their transaction price if the trade receivables do not contain a significant financing component. Other financial assets are measured at fair value excluding transaction costs. The group applies trade date accounting for financial assets.	Amortised costs using the effective interest method, less expected credit loss.
Financial assets held at fair value through profit or loss	Financial assets held at fair value through profit or loss that do not meet the SPPI (solely payments of principal and interest) test as per IFRS 9.	At fair value plus direct transaction costs.	Gains and losses are recognised in profit or loss.

IMPAIRMENT

Expected credit loss model

Cash and cash equivalents

The group only deposits cash with reputable banks with high-quality credit ratings. The credit quality therefore is assessed as good and no expected credit loss is provided for.

Trade and other receivables and contract assets

The group uses an allowance account to recognise credit losses on contract assets and trade and other receivables. The group applies its impairment model as follows:

Expected credit loss model (ECL) — trade and other receivables and contract assets

The group applies the simplified approach of recognising lifetime ECLs over the lifetime of the trade receivables and contract assets (which includes contracts in progress and retention debtors). The group applies a matrix in measuring the collective expected credit loss, based on general economic conditions and an assessment of both current and future conditions. The group also raises an individual expected credit loss for specific clients who are showing signs of default.

The group assesses an increase in credit risk as significant when the contractual payments are more than 30 days past due and in default when they are more than 90 days past due.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the entity, failure to make contractual payments for a period of greater than 120 days past due based on historical experience and when external information such as probable insolvency or significant difficulties indicates that it is unlikely to receive the outstanding contractual amounts in full. Any amount written off is only performed after considering any collateral held.

Financial assets written off may still be subject to enforcement activities under the group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss in operating expenses.

The group applies the general approach of recognising ECLs on amounts due by joint operations and other receivables by assessing, at each reporting period, whether there has been a significant increase in credit risk since initial recognition. Where there is no significant increase in credit risk, the group provides for a 12-month ECL. Where there is a significant increase in credit risk, a lifetime ECL is calculated.

Impairment allowances are deducted from the carrying amounts of trade and other receivables and contract assets.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

5. FINANCIAL INSTRUMENTS CONTINUED

FINANCIAL LIABILITIES

Classification	Instruments included in the classification	Initial measurement	Subsequent measurement
Amortised cost	Financial liabilities (interest and non-interest bearing loans), trade and other payables, including retention creditors, subcontractors and bank overdrafts.	Fair value less direct transaction costs.	Amortised costs using the effective interest method.

DERECOGNITION

Financial assets are derecognised when the group's contractual rights to the cash flows expire or are transferred to another party.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires. Any gains or losses are recognised in profit or loss. Any liabilities that are remeasured with a remeasurement greater than 10% are derecognised and a new liability is recognised. Any remeasurement less than 10% are deemed as a modification.

FINANCE COSTS

	Includes	Recognition	Measurement
Finance costs	Amounts both paid and payable	Time proportion basis	Effective interest method

6. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss and other comprehensive income.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

Initial measurement and recognition	Depreciation and amortisation	Impairment/gain
Measured at the lower of carrying value and fair value less costs to sell, except for deferred tax assets, assets arising from employee benefits and financial assets.	Amortisation and depreciation ceases when an asset is classified as held for sale.	An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised either in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations or previously in accordance with IAS 36 Impairment of Assets.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

7. CAPITAL AND RESERVES

SHARE CAPITAL

Share capital issued by the company is recorded at the proceeds received, net of issue costs.

RESERVES

Share-based payments reserve comprises the accumulated effect of share-based payment expenses in terms of the employee share scheme.

Foreign currency translation reserve comprises the translation effect of foreign subsidiaries and joint arrangements 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.

TREASURY SHARES

When shares are held in the group, through subsidiary companies, reducing the group's share capital, those equity instruments, held at cost (treasury shares), are presented as a deduction against the group's equity. No gain or loss is recognised in profit or loss. The share capital is reduced for the par value of the shares and the balance against the share premium.

8. PROVISIONS

A provision is recognised when there is a present legal or constructive obligation as a result of a past event for which it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Onerous contracts

A specific provision made for onerous contracts, in instances in which the unavoidable costs of meeting obligations under the contract exceed the economic benefits expected to be received under it. The present obligation under the contract is recognised and measured as a provision.

9. TAXATION

CURRENT TAX

Current tax comprises the expected tax payable or recoverable from taxation authorities on the taxable income or assessed loss for the year using enacted or substantively enacted tax rates at the reporting period and includes any adjustments to tax payable in respect of prior years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received for that reporting period.

Current tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax assets against current tax liabilities and the group has the intention to settle a net amount, or to recognise the asset and liability simultaneously.

DEFERRED TAX

Deferred tax is recognised in respect of temporary differences between the carrying amounts for financial reporting purposes and the tax base used for tax purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised for all deductible temporary differences, including those arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, to the extent that it is probable that future taxable income will be generated against which any available tax losses and deductible temporary differences can be utilised. Future taxable profits are generated from future trading activities and the reversal of relevant taxable temporary differences.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

A deferred tax liability is recognised for all taxable temporary differences.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 29/28 FEBRUARY CONTINUED

NEW ACCOUNTING PRONOUNCEMENTS

Standards and interpretations effective and adopted in the current year

The following standards became effective during the current year and had no effect on the financial statements of the company as at year-end:

	Accounting standard/interpretation	Type	Impact on financial statements
IAS 1: Presentation of Financial Statements	Disclosure of accounting policies	Amendment	Policies are reassessed and no changes were deemed necessary
IAS 8: Accounting Estimates	Definition on accounting estimates	Amendment	Principle is already applied
IAS 12: Income Taxes	Deferred tax related to assets and liabilities arising from a single transaction	Amendment	Principle is already applied on leases
Practice Statement 2 Making Materiality Judgements	Disclosure of accounting policies	Amendment	Policies are reassessed and no changes were deemed necessary
IAS 12 Deferred Tax	Phase II International Tax Reform	Amendment	The group falls below the revenue threshold for application of the Pillar Two model rules

Standards and interpretations issued and not yet effective

The group has chosen not to early adopt the following Standards and Interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 March 2024 or later periods. The standards will be adopted when they become effective.

	Accounting standard/interpretation	Type	Effective date	Impact on the financial statements
IAS 1: Presentation of Financial Statements	Classification of liabilities as current or non-current	Amendment	1 January 2024	No expected impact as standard is appropriately applied.
IAS 1: Presentation of Financial Statements	Classification of long-term debt affected by covenants	Amendment	1 January 2024	No material impact is expected as significant loans have no covenants, only certain information and general undertakings.
IAS 7: Statement of Cashflows and IFRS 7: Financial Instruments Disclosure	Supplier Financing Arrangements	Amendment	1 January 2024	No expected impact as no such transactions exist.
IFRS 16: Leases	Subsequent measurement for sale and leaseback	Amendment	1 January 2024	No expected impact as no such transactions exist. Changes to be assessed as and when such transaction takes place.
IAS 21: The Effect of Changes in Foreign Exchange Rates	Lack of Exchangeability	Amendment	1 January 2025	The impact is still being assessed.
IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information	Disclosure of information about sustainability-related risks and opportunities that are useful to users relating to providing resources to the entity.	New	1 January 2024 (Effective prospectively)	Once it becomes mandatory, the required disclosures will be included prospectively.
IFRS S2: Climate-related Disclosures	Disclosure of information about the climate-related risks (physical and transition) an entity is exposed to and the opportunities available that may be useful to investors and capital providers.	New	1 January 2024 (Effective prospectively)	Once it becomes mandatory, the required disclosures will be included prospectively.
IFRS 18 Presentation and Disclosures in Financial Statements	Includes requirements for all entities applying IFRS Accounting Standards for the presentation and disclosure of information in financial statements.	New	1 January 2027	A significant change to the primary financial statements is expected. Impact is still being assessed.
IFRS 19 Subsidiaries without Public Accountability: Disclosures	Specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.	New	1 January 2027	No expected impact. Standard to be considered for subsidiary companies.

SHAREHOLDERS' ANALYSIS

ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 23 FEBRUARY 2024

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
SHAREHOLDER SPREAD				
1 — 1 000	5 758	79,06	846 343	0,45
1 001 — 10 000	992	13,62	3 546 275	1,89
10 001 — 100 000	396	5,44	13 910 789	7,39
100 001 — 1 000 000	103	1,41	33 926 559	18,04
Over 1 000 000	34	0,47	135 850 780	72,23
Total	7 283	100,00	188 080 746	100,00

DISTRIBUTION OF SHAREHOLDERS				
Close corporations	16	0,22	891 424	0,47
Collective investment schemes	5	0,07	28 337 730	15,07
Custodians	6	0,08	203 792	0,11
Foundations and charitable funds	3	0,04	5 810	0,00
Hedge funds	3	0,04	14 111 778	7,50
Investment partnerships	5	0,07	100 685	0,05
Private companies	43	0,59	2 035 212	1,08
Public companies	1	0,01	54	0,00
Retail shareholders	7 144	98,10	99 597 206	52,95
Retirement benefit funds	2	0,03	716 235	0,38
Share schemes	1	0,01	6 429 930	3,43
Stockbrokers and nominees	4	0,06	801 619	0,43
Treasury	1	0,01	14 407 132	7,66
Trusts	48	0,66	20 442 134	10,87
Unclaimed scrip	1	0,01	5	0,00
Total	7 283	100,00	188 080 746	100,00

SHAREHOLDER TYPE				
Non-public shareholders	10	0,13	23 089 759	12,28
Directors direct and indirect shareholdings	3	0,04	690 278	0,37
Prescribed officers shareholdings	5	0,07	1 562 419	0,83
Own holdings	1	0,01	14 407 132	7,66
Share schemes	1	0,01	6 429 930	3,42
Public shareholders	7 273	99,87	164 990 987	87,72
Total	7 283	100,00	188 080 746	100,00

	Number of shares	% of issued capital
BENEFICIAL SHAREHOLDERS WITH A HOLDING GREATER THAN 3% OF THE ISSUED SHARES		
Merryl Janne Schwegmann	19 146 686	10,18
Stefanutti Stocks Investments (Pty) Ltd	14 407 132	7,66
Steyn Capital	12 235 170	6,50
Ninety One	9 351 628	4,97
Russell Hampson Family Trust	9 000 000	4,79
The Windsor Drive Property Trust	8 692 983	4,62
PSG	7 230 979	3,84
AG Capital	7 091 272	3,77
Howard Fredrick Schwegmann	7 070 331	3,76
Stefanutti & Bressan Share Incentive Trust	6 429 930	3,42
Total	100 656 111	53,51

ABBREVIATIONS AND DEFINITIONS

AAARG	Average Anticipated Annual Revenue Growth	NAV	Net asset value
AGM	Annual general meeting	Operating profit/(loss)	Operating profit/(loss) before investment income
ARCO	Audit, Governance and Risk Committee	REMCO/NOMCO	Remuneration and Nominations Committee
CEO	Chief Executive Officer	RIT	Restructuring Implementation Team
CFO	Chief Financial Officer	S&E Committee	Social and Ethics Committee
CGU	Cash generating unit	SAICA	South African Institute of Chartered Accountants
Companies Act	Companies Act, No. 71 of 2008, as amended	Stefanutti Stocks; the group or the company	Stefanutti Stocks Holdings Limited, all of its subsidiaries, joint operations and equity-accounted investees
CRO	Chief Restructuring Officer	the board	The board of directors of Stefanutti Stocks
DAB	Dispute Adjudication Board	the current year	The financial year ended 29 February 2024
EBITDA	Earnings before interest, taxation, depreciation and amortisation	the next year	The financial year ending 28 February 2025
ECL	Expected Credit Loss	the previous year	The financial year ended 28 February 2023
EPS	Earnings Per Share	WACC	Weighted Average Cost of Capital
FYE	Financial year-end		
HEPS	Headline Earnings Per Share		
IFRS Accounting Standards	International Financial Reporting Standards		
IPPF	International Professional Practice Framework		
IT	Information technology		
JSE	Johannesburg Stock Exchange		
JSE Listings Requirements	Listings Requirements of the JSE Limited		
King IV	King IV Report on Corporate Governance for South Africa 2016		
MAFR	Mandatory audit firm rotation		
MEP	Mechanical Electrical Piping		
MOI	Memorandum of Incorporation		
MOU	Memorandum of understanding		

CORPORATE INFORMATION

COMPANY INFORMATION

Stefanutti Stocks Holdings Limited
Share code: SSK ISIN: ZAE000123766
JSE Sector: Construction
Year-end: 28/29 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
Private Bag X2032, Isando, 1600

Telephone number
+27 11 571 4300

DIRECTORS

As at 18 June 2024: ZJ Matlala* (Chairman);
HJ Craig*; B Harie*; BP Silwanyana*;
RW Crawford (CEO); Y du Plessis (CFO)

* Independent non-executive directors.

COMPANY SECRETARY

WR Somerville
Fernridge Office Park, 1st Floor, Block 4,
5 Hunter Street, Randburg, 2194

AUDITORS

Forvis Mazars (previously Mazars)
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 9000, Saxonwold, 2132

Telephone number
+27 11 370 5000

SPONSOR

Bridge Capital Advisors (Pty) Ltd
10 Eastwood Road, Dunkeld, 2196
PO Box 651010, Benmore, 2010

Telephone number
+27 11 268 6231

BANKERS

AfrAsia Bank Limited
African Banking Corporation Zimbabwe
Eswatini Bank Limited
First National Bank, a division
of FirstRand Bank Limited
First National Bank Botswana Limited
First National Bank Eswatini,
a division of FirstRand Bank Limited
First National Bank Zambia Limited
Nedbank Limited
Nedbank Eswatini Limited
Stanbic Bank Botswana Limited
Stanbic Bank Zimbabwe Limited
Stanbic Bank Zambia Limited
Standard Bank Eswatini
United Bank for Africa Zambia Limited

Head Office

9 Palala Street
Chloorkop Kempton Park
Johannesburg
1619

Telephone

+27 11 571 4300



www.stefanuttistocks.com