Stefanutti Stocks

STEFANUTTI STOCKS HOLDINGS LIMITED

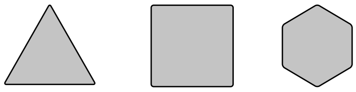
Separate Annual Financial Statements '21

CONTENTS

Our business units

The Stefanutti Stocks Integrated Annual Report 2021 continues using an icon system to represent its three business units.

These icons represent:



CONSTRUCTION & MINING

BUILDING

MECHANICAL & ELECTRICAL

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

Preparation of annual financial statements

The annual financial statements contained in this report, have been prepared under the supervision of the acting 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).

Y du Plessis

Acting Chief Financial Officer

21 June 2021

CEO and CFO responsibility statement on internal financial controls

The CEO and CFO hereby confirm that:

› the separate and group consolidated annual financial statements, which can be found on the website, fairly present in all material respects the financial position, financial performance and cash flow of the company in terms of IFRS;

› 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 company and its subsidiaries have been provided to effectively prepare the financial statements; and

› the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled their role and function within the combined assurance model pursuant to Principle 15 of King IV.

Where the CEO and CFO are not satisfied, they have disclosed to the audit committee and the external auditors, the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

Russell Crawford

Chief Executive Officer

Y du Plessis

Acting Chief Financial Officer

21 June 2021

Kempton Park

Certificate by the Company Secretary

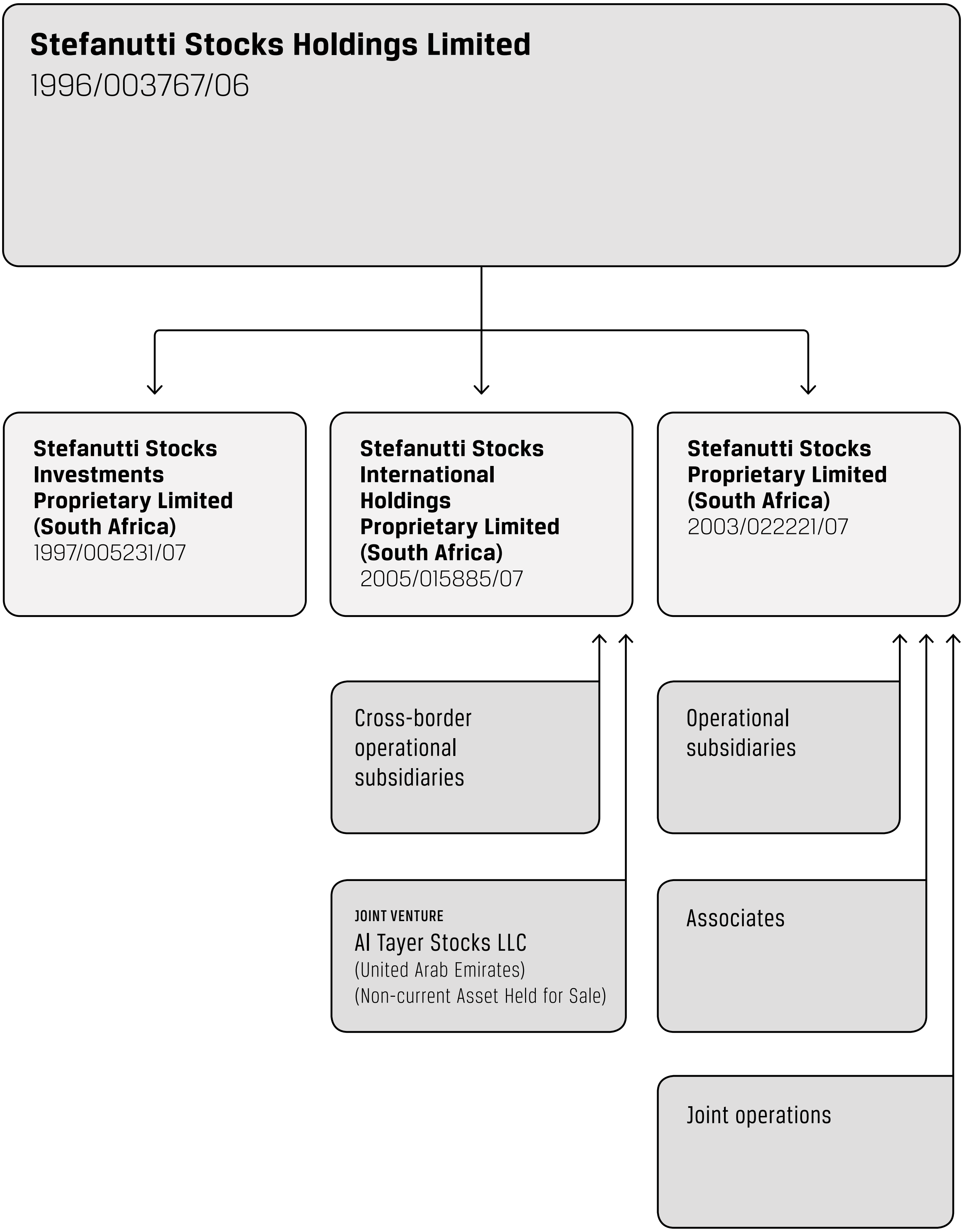
In terms of section 88(2)(e) of the Companies Act No. 71 of 2008, I certify that, to the best of my knowledge and belief, Stefanutti Stocks Holdings Limited has, in respect of the financial year ended 28 February 2021, lodged with the Companies and Intellectual Property Commission all returns and notices 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

21 June 2021

SIMPLIFIED GROUP ORGANOGRAM



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, a construction company operates throughout South Africa, Sub-Saharan Africa and the United Arab Emirates with multidisciplinary expertise including concrete structures, marine construction, piling and geotechnical services, roads and earthworks, bulk pipelines, surface mining related services, all forms of building works including affordable housing, mechanical and electrical installation and construction.

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

COVID-19

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

Restructuring Plan update

The group hereby provides shareholders with an update on the Restructuring Plan as reported in the Unaudited Condensed Consolidated Results of Stefanutti Stocks for the six months ended 31 August 2020 issued on 26 November 2020, subsequent disposal of properties announcement issued on 21 October 2020, the disposal of the mining services division announcement issued on 28 April 2021 as well as the Reviewed Condensed Consolidated Results for the 12 months ended 28 February 2021 issued on 27 May 2021.

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

- the sale of non-core assets;
- the sale of underutilised plant and equipment;
- the sale of certain operations;
- internal restructuring initiatives required to restore optimal operational and financial performance;
- the securing of additional short-term funding of R430 million, of which R270 million related to the negative effects of the national lockdown in March/April 2020;
- a favourable outcome from the processes relating to the contractual claims and compensation events on the Kusile power project;
- the restructuring of the short-term funding received to date from the Lenders into a term loan; and
- evaluation of an optimal business model going forward and associated capital structure analysis including the potential of raising new equity.

In accordance with the Restructuring Plan, the Lenders had provided the requisite funding and converted the short-term funding agreement into a term loan on 1 July 2020, which loan terminates on 28 February 2022. The loan bears interest at prime plus 5,4%, 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. Shareholders are further advised that the group, on 25 May 2021, reached an agreement with the Lenders to extend the current capital repayment profile of the loan. The capital portion of the loan repayments are envisaged to commence in July 2021 with a residual loan balance at 28 February 2022 of approximately R420 million. The resolution of contractual claims and compensation events on the Kusile power project is taking longer than anticipated due to the complex nature thereof.

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

Management has made considerable progress in reconfiguring the group's organisational structure to improve operational performance and decrease overhead costs, including the reduction of the group's overall headcount. This is an ongoing process which continues as the aspects of the Restructuring Plan are being implemented in this uncertain environment.

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

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

Going concern

The funding provided by the Lenders has assisted in relieving the group's liquidity pressures even though current liabilities exceed current assets at 28 February 2021. In addition thereto, uncertainties surrounding the COVID-19 pandemic and contingent liabilities as noted in note 14 of these financial statements for the year ended 28 February 2021, continue to indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern in the short term. However, having converted the short-term funding agreement with the Lenders to a term loan and on the basis of successfully implementing the Restructuring Plan, the directors consider it appropriate that the group's results for the reporting period be prepared on the going-concern basis.

Eskom — Kusile Power Projects

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

Refer to note 14.

Financial results and year under review

These annual financial statements on pages 6 to 27 comprise the separate annual financial statements of the holding company, Stefanutti Stocks Holdings Limited. This report should be read in conjunction with the group consolidated financial statements.

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 28 February 2021 are available on the website www.stefstocks.com.

The accounting policies as well as the methods of computation used in the preparation of the results for the year ended 28 February 2021 are in terms of International Financial Reporting Standards (IFRS) and are consistent with those applied in the audited annual financial statements for the year ended 29 February 2020.

Contingent liabilities

With respect to the civil claim received from the City of Cape Town (Green Point Stadium), the arbitration date has been set for September 2021. The group remains confident it can defend this claim and therefore no provision has been made.

SUMMARISED COMPANY RESULTS

	Note	**2021 R'000**	2020 R'000	Commentary on the year-on-year movements
Revenue	3	**17 291**	19 126	Decrease in management fees due to less time spent by management
Consultancy fee	4	**1 559**	13 297	Costs incurred in prior year due to implementation of the funding and restructuring plan
Legal fees	4	**11 830**	2 196	Increase in legal fees mainly due to expenses incurred on arbitration case for civil claim lodged by the City of Cape Town (Green Point Stadium)
Dividend received in specie	5	**–**	22 982	Dividend in specie declared in 2020 by Stefanutti Stocks International Holdings (Pty) Ltd in lieu of loan owed by Stefanutti Stocks (Pty) Ltd
Intergroup payables	9	**13 493**	1 885	Increase in payables due to intergroup funding received for working capital requirements, including legal fees.

With respect to the two contract mining project terminations, the arbitration matters remain ongoing. The group is confident that the terminations were lawful and therefore no provision has been made. Both arbitrations are expected to be completed by February 2022.

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

During the reporting period, Stefanutti Stocks also terminated a mechanical project. The client is disputing the termination, which has now been referred to arbitration. The arbitration process is expected to be completed by February 2022. The group is confident that the termination was lawful and therefore no provision has been made against this.

Group entities operating in foreign jurisdictions are continuously subjected to tax audits by local revenue authorities as part of their enforcement processes. The Kenyan Revenue Authority is performing an audit on Stefanutti Stocks Kenya Limited for the years 2013 to 2018 and assessments have been issued. The process of disputing these assessments is ongoing and has not been finalised.

Refer to note 14.

Dividend declaration

Notice is hereby given that no dividend will be declared (Feb 2020: Nil).

Subsequent events

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

Directorate

The names of the directors who currently hold office are set out on page 28.

Changes and proposed changes to the board of directors

In accordance with paragraph 3.59 of the Listings Requirements of the JSE Limited, shareholders are advised of the following changes to the board:

Dermot Quinn has informed the Board of his intention to retire from the Board at the Company's 2021 Annual General Meeting. Dermot has served on the board since 2007 as the Chief Financial Officer and thereafter as a non-executive director. John Poluta, currently alternate non-executive director to Busisiwe Silwanyana, will be appointed as a non-executive director. John has been on the Board as an alternate non-executive director since 2017.

The Board expresses its appreciation to Dermot for his valued past contributions and guidance over the years and wishes him all the best for the future.

Given the critical importance of the ongoing implementation of the Restructuring Plan, and in order to devote the required time and resource to this process, Antonio Cocciante will step down from his role as Chief Financial Officer and executive director, effective 31 May 2021 until such time that the plan has been fully implemented. During this implementation period, Yolanda du Plessis will be appointed as acting Chief Financial Officer and executive director with effect from 1 June 2021.

Yolanda has been with the group since 2008 and has worked closely with both Dermot and Antonio over the years. Yolanda's appointment has the support of the Board.

Yolanda's profile is set out below.

BCompt (Hons), CA(SA); Post Graduate Diploma: International Tax

Yolanda qualified as a chartered accountant in 2006 and has more than 20 years' experience in statutory reporting, audit, corporate governance and sustainability matters as well as tax. Yolanda was appointed in 2008 as Group Financial Manager.

Resolutions

At the 2020 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.

Approval

The annual financial statements, which appear on pages 6 to 27, were approved by the board of directors and are signed by:

Russell Crawford

Chief Executive Officer

Y du Plessis

Acting Chief Financial Officer

21 June 2021

Kempton Park

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Stefanutti Stocks Holdings Limited

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Stefanutti Stocks Holdings Limited set out on pages 6 to 27, which comprise the statement of financial position as at 28 February 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the entity as at 28 February 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards 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 Financial Statements section of our report. We are independent of the company 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 the statement of profit or loss and other comprehensive income, statement of financial position as well as note 2 of the financial statements, which indicates that the company incurred a net loss of R13 million for the year ended 28 February 2021 and, as of that date, the company's current liabilities exceeded its current assets by R20 million. These events and conditions, along with other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the company`s ability to continue as a going concern due to the uncertainties surrounding the COVID-19 pandemic, the contingent liabilities and the short-term liquidity pressure experienced by the Group. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have concluded that there are no key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company'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 and / or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the 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 company'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 and the company'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 company 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 consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the 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 Mazars has been the auditor of Stefanutti Stocks Holdings Limited for 15 years.

Mazars

Mazars

Registered Auditors

Partner: Susan Truter

Registered Auditor

21 June 2021

Johannesburg

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED

	Note	**28 February 2021 R'000**	29 February 2020 R'000
REVENUE	3	**17 291**	19 126
Operating and administration expenses	4	**(32 782)**	(38 832)
Expected credit losses	15	**194**	(19 193)
OPERATING LOSS BEFORE INVESTMENT INCOME		**(15 297)**	(38 899)
Investment income	5	**515**	23 210
OPERATING LOSS BEFORE FINANCE COSTS		**(14 782)**	(15 689)
Finance costs	5	**–**	(1)
LOSS BEFORE TAXATION		**(14 782)**	(15 690)
Taxation	6	**1 382**	(431)
TOTAL COMPREHENSIVE INCOME		**(13 400)**	(16 121)
Loss per share (cents)	10.2	**(8,01)**	(9,64)
Diluted loss per share (cents)	10.2	**(8,01)**	(9,64)

STATEMENT OF FINANCIAL POSITION

AS AT

	Note	**28 February 2021 R'000**	29 February 2020 R'000
ASSETS			
NON-CURRENT ASSETS		**480 179**	478 541
Investment in subsidiaries	7	**473 963**	473 963
Deferred tax assets	8	**4 608**	3 164
Intergroup receivables	9	**1 608**	1 414
CURRENT ASSETS		**14 038**	15 717
Other receivables – prepayments		**78**	1 135
Taxation		**3**	3
Bank balances		**13 957**	14 579
TOTAL ASSETS		**494 217**	494 258
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES		**460 517**	473 917
Share capital and premium	10	**1 161 538**	1 161 538
Accumulated losses		**(701 021)**	(687 621)
CURRENT LIABILITIES		**33 700**	20 341
Intergroup payables	9	**13 493**	1 885
Trade and other payables	12	**20 207**	18 456
TOTAL EQUITY AND LIABILITIES		**494 217**	494 258

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED

	Share capital and premium R'000	Accumulated losses R'000	Total Capital and reserves R'000
BALANCE AT 1 MARCH 2019	1 161 538	(671 500)	490 038
Total comprehensive income	–	(16 121)	(16 121)
BALANCE AT 29 FEBRUARY 2020	1 161 538	(687 621)	473 917
Total comprehensive income	–	(13 400)	(13 400)
BALANCE AT 28 FEBRUARY 2021	**1 161 538**	**(701 021)**	**(460 517)**
Note	10		

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED

	Note	28 February 2021 R'000	29 February 2020 R'000
CASH FLOWS FROM OPERATING ACTIVITIES		**(622)**	14 455
Loss before taxation		**(14 782)**	(15 690)
Adjusted for:			
Expected credit loss (ECL) – intergroup receivables	15	**(194)**	19 193
Dividend received in specie	5	**–**	(22 982)
Investment income	5	**(515)**	(228)
Finance costs	5	**–**	1
		(15 491)	(19 706)
Movements in working capital:			
Intergroup receivables/(payables)	9	**11 608**	24 392
Other receivables – prepayments		**1 057**	1 268
Trade and other payables	12	**1 751**	8 387
Cash generated from operating activities		**(1 075)**	14 341
Investment income	5	**515**	228
Finance costs		**-**	(1)
Income taxes paid		**(62)**	(113)
MOVEMENT IN CASH AND CASH EQUIVALENTS		**(622)**	14 455
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**14 579**	124
CASH AND CASH EQUIVALENTS AT YEAR-END		**13 957**	14 579

1. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the company financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities. 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.

In the process of applying the company'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:

PROVISION FOR EXPECTED CREDIT LOSSES (ECLS) OF INTERGROUP RECEIVABLES (NOTE 15)

Intergroup loans are evaluated for impairment on an ongoing basis, taking into account the financial position of the subsidiaries, past experience and other factors. Any change in the credit quality of intergroup receivables is considered from the date credit was granted up to the reporting date.

Intergroup receivables are assessed for impairment using the Expected Credit Loss model. The loss allowance is based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history as well as forward-looking factors at the end of each reporting period.

COVID-19

The impact of Covid-19 on the calculation of the expected credit losses was insignificant. The calculation is based on the group's share price and this has shown a slight increase from prior year as at 28 February 2021.

TAXATION (NOTE 6, 8)

Management assesses the extent to which it is probable that taxable profit will be available against which deductible temporary differences can be utilised. The company is currently trading and is expected to make profits which will enable it to recover the deferred tax assets.

IMPAIRMENT OF INVESTMENT IN SUBSIDIARIES (NOTE 7)

Investment in subsidiaries is assessed for impairment if events or changes in circumstances indicate that the carrying amount may be impaired.

An impairment is determined by assessing the recoverable amount of the cash-generating unit (CGU) to which the investment relates. The recoverable amount is determined as the value in use of the CGU by estimating the expected future cash flows and determining a suitable discount rate in order to calculate the present value of those cash flows. Cash flows are projected based on actual operating results and four-year forecasts. Cash flows have been prepared taking into account any potential effects relating to COVID-19, specifically additional costs incurred due to preventative measures and the implementation of required protocols as prescribed. The recoverable amount is also determined by assessing the possible cash flows to be received from subsidiaries from continued use or sale of subsidiaries.

2. GOING CONCERN

RESTRUCTURING PLAN UPDATE

The group hereby provides shareholders with an update on the Restructuring Plan as reported in the Unaudited Condensed Consolidated Results of Stefanutti Stocks for the six months ended 31 August 2020 issued on 26 November 2020, subsequent disposal of properties announcement issued on 21 October 2020, the disposal of the mining services division announcement issued on 28 April 2021, as well as the Reviewed Condensed Consolidated Results for the 12 months ended 28 February 2021 issued on 27 May 2021.

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

› the sale of non-core assets;

› the sale of underutilised plant and equipment;

› the sale of certain operations;

› internal restructuring initiatives required to restore optimal operational and financial performance;

› the securing of additional short-term funding of R430 million, of which R270 million related to the negative effects of the national lockdown in March/April 2020;

› a favourable outcome from the processes relating to the contractual claims and compensation events on the Kusile power project;

› the restructuring of the short-term funding received to date from the Lenders into a term loan; and

› evaluation of an optimal business model going forward and associated capital structure analysis including the potential of raising new equity.

In accordance with the Restructuring Plan, the Lenders had provided the requisite funding and converted the short-term funding agreement into a term loan on 1 July 2020, which loan terminates on 28 February 2022. The loan bears interest at prime plus 5,4%, 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. Shareholders are further advised that the group, on 25 May 2021, reached an agreement with the Lenders to extend the current capital repayment profile of the loan. The capital portion of the loan repayments are envisaged to commence in July 2021 with a residual loan balance at 28 February 2022 of approximately R420 million. The resolution of contractual claims and compensation events on the Kusile power project is taking longer than anticipated due to the complex nature thereof.

2. GOING CONCERN continued

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

Management has made considerable progress in reconfiguring the group's organisational structure to improve operational performance and decrease overhead costs, including the reduction of the group's overall headcount. This is an ongoing process which continues as the aspects of the Restructuring Plan are being implemented in this uncertain environment.

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

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

GOING CONCERN

Stefanutti Stocks Holdings Limited is the holding company of the Stefanutti Stocks group. The going concern of the group directly impacts the going concern of the company. The funding provided by the Lenders has assisted in relieving the group's liquidity pressures even though current liabilities exceed current assets at 28 February 2021. In addition thereto, uncertainties surrounding the COVID-19 pandemic and contingent liabilities as noted in note 14 of these annual financial statements for the year ended 28 February 2021, continue to indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern in the short term. However, having converted the short-term funding agreement with the Lenders to a term loan and on the basis of successfully implementing the Restructuring Plan, the directors consider it appropriate that the group's results for the reporting period be prepared on the going-concern basis.

3. REVENUE

	28 February 2021 R'000	29 February 2020 R'000
Management fees	**17 291**	19 126

Management fees are received from Stefanutti Stocks Proprietary Limited and cannot be further disaggregated.

4. OPERATING AND ADMINISTRATION EXPENSES

	28 February 2021 R'000	29 February 2020 R'000
Included in these expenses are:		
Audit fees	**78**	74
Consultancy fees	**1 559**	13 297
Employee costs	**14 175**	15 587
– Short-term employee benefit costs	**12 705**	12 564
– Post-employment benefit costs	**939**	1 429
– Long-term employment benefits (note 11)	**531**	1 594
Listing expenses	**1 893**	1 779
Legal fees	**11 830**	2 196

5. INVESTMENT INCOME AND FINANCE COSTS

5.1 INVESTMENT INCOME

	28 February 2021 R'000	29 February 2020 R'000
Interest income from financial instruments held at amortised cost:		
– Bank accounts	**515**	228
Dividend received in specie	**–**	22 982
	515	23 210

The dividend received in specie was declared by Stefanutti Stocks International Holdings Proprietary Limited in lieu of a loan owed by Stefanutti Stocks Proprietary Limited.

5. INVESTMENT INCOME AND FINANCE COSTS continued

5.2 FINANCE COSTS

	28 February 2021 R'000	29 February 2020 R'000
Finance costs on financial instruments held at amortised cost:		
Other	–	1
	–	1

6. TAXATION

6.1 TAXATION

	28 February 2021 R'000	29 February 2020 R'000
Current tax	**62**	107
Deferred tax	**(1 444)**	324
	(1 382)	431

6.2 RECONCILIATION OF TAX CHARGE

Tax at 28% on loss before taxation	**(4 139)**	(4 393)
Adjusted for:		
Disallowable expenditure – listing expenses and other	**531**	828
Disallowable expenditure – legal fees	**1 911**	615
Disallowable expenditure – consultancy fees	**369**	3 429
Exempt income – dividend received in specie	**–**	(6 435)
Deferred tax asset not raised on ECL – current year	**(54)**	5 375
Deferred tax asset reversed on ECL – prior year	**–**	1 012
Effective tax	**(1 382)**	431

The effects of the tax rate change in South Africa from 28% to 27%, effective for tax year ended 28 February 2024, has been considered and at this stage has not been deemed material.

7. INVESTMENT IN SUBSIDIARIES

			Proportion held directly and voting rights		Carrying value	
Name of company	Country of incorporation	Principal activities	**2021 %**	2020 %	**2021 R'000**	2020 R'000
Stefanutti Stocks International Holdings Proprietary Limited	South Africa	Holding company	**100**	100	**9 437**	9 437
Stefanutti Stocks Proprietary Limited	South Africa	Trading company	**100**	90	**464 526**	464 526
					473 963	473 963

During the year, Stefanutti Stocks Proprietary Limited elected to exercise its call option in line with a Subscription and Call Option Agreement entered into with Main Street 899 Proprietary Limited, its minority shareholder. This resulted in the cancellation of all the shares held by Main Street 899 Proprietary Limited, effective 5 August 2020, thus increasing the company's shareholding percentage to 100%.

The investments in subsidiaries have been tested for impairment by assessing whether the recoverable amount of the cash-generating unit (CGU) to which the investment relates exceeds its carrying value. The recoverable amount for the investment in Stefanutti Stocks Proprietary Limited was determined as the value in use of the CGU which was calculated by estimating the expected future cash flows and using a Discounted Cash Flow model to determine their present value at a discount rate of 11,2% (February 2020: 11,4%).

The recoverable amount for the investment in Stefanutti Stocks International Holdings Proprietary Limited was determined by assessing the possible cash flows to be received from subsidiaries from continued use or sale of subsidiaries.

Based on these calculations, no impairment was required.

8. DEFERRED TAX ASSETS

	28 February 2021 R'000	29 February 2020 R'000
Includes:		
Salary-related and other provisions	**4 608**	3 164
	4 608	3 164
Carrying value at the beginning of the year	**3 164**	3 488
Temporary differences (note 6)	**1 444**	(324)
Carrying value at year-end	**4 608**	3 164

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. The company is currently trading and expects to make profits against which to recover the deferred tax assets.

The company considered the following criteria in assessing the probability that taxable profits 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 the unused tax losses result from identifiable causes which are unlikely to recur.

Management has assessed financial budgets and the strategic plan, which has been approved by the executive committee and the board of directors, to determine the recoverability of the deferred tax asset balance. There was no significant impact on the recoverability of deferred tax assets as a result of COVID-19.

The effects of the tax rate change in South Africa from 28% to 27%, effective for tax year ended 28 February 2024, has been considered and at this stage has not been deemed material.

9. INTERGROUP RECEIVABLES/(PAYABLES)

	Terms	28 February 2021 R'000	29 February 2020 R'000
NON-CURRENT ASSETS			
Stefanutti & Bressan Share Incentive Trust	Interest free, payable on demand	**1 608**	1 414
CURRENT LIABILITIES			
Stefanutti Stocks International Holdings Proprietary Limited	Interest free, payable on demand	**–**	(1 880)
Stefanutti Stocks Proprietary Limited	Interest free, payable on demand	**(13 493)**	(5)
		(13 493)	(1 885)

10. CAPITAL AND RESERVES

10.1 SHARE CAPITAL AND PREMIUM

AUTHORISED		
400 000 000 ordinary shares of 0,00025 cents each (2020: 400 000 000 ordinary shares of 0,00025 cents each)	**1**	1
Balance at year-end	**1**	1
ISSUED		
188 080 746 ordinary shares of 0,00025 cents each fully paid (2020: 188 080 746 ordinary shares of 0,00025 cents each)	**A**	A
SHARE PREMIUM		
Balance at year-end	**1 161 538**	1 161 538

A — Less than R1 000.

10. CAPITAL AND RESERVES continued

10.2 SHARES USED FOR EARNINGS PER SHARE

	Number of shares	
	EPS 2021	EPS 2020
SHARES USED FOR EPS		
Basic	**167 243 684**	167 243 684
Diluted	**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
Effect of treasury shares held in trusts	**(6 429 930)**	(6 429 930)
Effect of treasury shares held in investment subsidiary	**(14 407 132)**	(14 407 132)
NUMBER OF SHARES	**167 243 684**	167 243 684
Loss for the year (R'000)	**13 400**	16 121
Loss per share (cents)	**8,01**	9,64
Diluted loss per share (cents)	**8,01**	9,64

11. LONG-TERM EMPLOYMENT BENEFITS

The forfeitable share plan (FSP) is operated, complementing and enhancing the ability of the group to attract, retain and reward key staff. The FSP will include participation by executive directors and selected employees of the group. Directors participate in the group's long-term incentive FSP and profit incentive schemes, which are designed to recognise the contribution that senior staff have made to the growth in the value of the group's equity and to retain key employees. In terms of the FSP, a bonus amount is awarded to the directors in proportion to their contribution to the business, as reflected by a combination of their seniority and the company's performance, within the limits imposed by the scheme. This bonus is used to buy shares in the open market, the ownership of such shares being restricted for a period of three years. The restriction on the ownership of the shares is lifted after a three-year period in terms of the scheme rules. Shares may not be disposed of or otherwise encumbered during the vesting period of three years. Resignation, voluntary termination of employment or dismissal before the vesting period has expired, will result in the forfeiture of entitlement to the shares. These amounts are included under long-term employee benefits in the executive directors' annual remuneration.

	28 February 2021 Number	29 February 2020 Number
NUMBER OF SHARES OUTSTANDING AT YEAR-END	**2 218 392**	2 218 392
CONTRACTUAL LIFE OF EACH AWARD	**3 years**	3 years

In fulfilment of the FSP obligations, the group purchases shares in the market. No shares have been granted for the past two years.

FSP COSTS

An expense of R0,5 million (2020: R1,6 million) which related to the FSP was recognised in the current year (note 4).

12. TRADE AND OTHER PAYABLES

	28 February 2021 R'000	29 February 2020 R'000
Trade payables	**1 645**	6 171
Accrued expenses*	**6 508**	958
Employee obligations*	**11 457**	11 303
Value added tax*	**573**	–
Unclaimed dividend*	**24**	24
	20 207	18 456

* *Non-financial liabilities.*

13. RELATED PARTIES

Related parties are those who control or have significant influence over the company and parties who are controlled or significantly influenced by the company.

NATURE OF RELATIONSHIPS	
SUBSIDIARIES	**OTHER**
Stefanutti Stocks Proprietary Limited	**Consolidated Structured Entities**
Trading company for operations based in South Africa, as well as some foreign operations	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	

RELATED PARTY TRANSACTIONS

	Income/(expenses)		Receivable/(payable) (note 9)	
	28 February 2021 R'000	29 February 2020 R'000	**28 February 2021 R'000**	29 February 2020 R'000
Transactions with subsidiaries	**17 291**	42 108	**(13 493)**	(1 885)
Management fees (note 3)	**17 291**	19 126	**–**	–
Dividends received (note 5)	**–**	22 982	**–**	–
Transactions with share trusts (note 9)	**–**	–	**1 608**	1 414

NON-EXECUTIVE DIRECTORS

Non-executive director remuneration is compared to the company's peer group. Recommendations are made by the Chief Financial Officer and Human Resources Executive, 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 company.

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.

13. RELATED PARTIES continued

	Short-term benefits		
	Attendance fees R'000	Annual fees R'000	Total R'000
28 FEBRUARY 2021			
NON-EXECUTIVE DIRECTORS			
ZJ Matlala	**–**	**880**	**880**
JM Poluta (alternate to B Silwanyana)	**441**	**–**	**441**
DG Quinn	**648**	**–**	**648**
HJ Craig	**488**	**–**	**488**
B Silwanyana	**472**	**–**	**472**
B Harie	**448**	**–**	**448**
29 FEBRUARY 2020			
NON-EXECUTIVE DIRECTORS			
ZJ Matlala (appointed as chairman 12 August 2019)	439	529	968
KR Eborall (retired 12 August 2019)	–	431	431
JM Poluta (alternate to B Silwanyana)	439	–	439
DG Quinn	549	–	549
HJ Craig	387	–	387
B Silwanyana	623	–	623
B Harie	556	–	556

Details of remuneration for executive directors, are as follows:

	Short-term benefits					
	Basic salary R'000	Other benefits R'000	Retention bonus R'000	Short-term incentives – relating to Feb 2019 R'000	Post-employment benefits R'000	Total R'000
28 FEBRUARY 2021						
EXECUTIVE DIRECTORS						
RW Crawford – CEO	**3 582**	**232**	**2 150**	**–**	**309**	**6 273**
AV Cocciante – CFO (resigned 31 May 2021)	**3 182**	**32**	**1 837**	**140**	**264**	**5 455**
29 FEBRUARY 2020						
EXECUTIVE DIRECTORS						
W Meyburgh – CEO (retired 12 August 2019)	2 679	333	–	–	189	3 201
RW Crawford – CEO (appointed 12 August 2019)	2 086	130	–	–	198	2 414
AV Cocciante – CFO	3 366	50	–	–	309	3 725

Other benefits consists of travel and other related allowances. Any awards made in terms of the forfeitable share plan scheme is included within long-term employee benefits. No shares have been awarded for the year (2020: Nil).

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.

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 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 report.

13. RELATED PARTIES continued

DIRECTORS' SHAREHOLDING

	28 February 2021				29 February 2020			
	Direct beneficial %	Indirect beneficial %	Total %	Share-holding	Direct beneficial %	Indirect beneficial %	Total %	Share-holding
PERCENTAGE OF FULLY-PAID SHARES HELD								
DG Quinn	**–**	**0,37**	**0,37**	**700 000**	–	0,37	0,37	700 000
JM Poluta	**–**	**0,08**	**0,08**	**150 612**	–	0,08	0,08	150 612
RW Crawford (CEO)	**–**	**–**	**–**	**7 693**	–	–	–	7 693
AV Cocciante (CFO) (resigned 31 May 2021)	**0,34**	**0,15**	**0,49**	**925 001**	0,34	0,15	0,49	925 001

POST YEAR-END TRANSACTIONS

There were no transactions between the year-end date and the approval date of these annual financial statements.

14. GUARANTEES AND CONTINGENT LIABILITIES

	28 February 2021 R'000	29 February 2020 R'000
GUARANTEES		
Total insurance policies ceded to third parties on behalf of the group to guarantee the full and due performance of works as set out in the contract or other related matters	**4 037 192**	3 702 920
Guarantees through certain banks for facilities to the value of R2,34 billion (Feb 2020: R1,8 billion) and other obligations	**2 725 390**	2 227 176
SURETYSHIPS		
Suretyships through certain banks for facilities to the value of R 406 million (Feb 2020: R704 million)	**553 450**	1 582 055

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

No provision for an expected credit loss has been made against the guarantees disclosed above as there are sufficient strategies in place to mitigate the risk of outflow.

CONTINGENT LIABILITIES

With respect to the civil claim received from the City of Cape Town (Green Point Stadium), a trial date had been set for the first quarter of 2020, however, this has been postponed at the client's request. The matter will now be dealt with in an arbitration of which the date has been set for September 2021. The group remains confident it can defend this claim and therefore no provision has been made.

With respect to the two contract mining project terminations, the arbitration matters remain ongoing. The group is confident that the terminations were lawful and therefore no provision has been made. Both arbitrations are expected to be completed by February 2022.

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

During the reporting period, Stefanutti Stocks also terminated a mechanical project. The client is disputing the termination, which has been referred to arbitration. The arbitration process is expected to be completed by February 2022. The group is confident that the termination was lawful and therefore no provision has been made against this.

Group entities operating in foreign jurisdictions are continuously subjected to tax audits by local revenue authorities as part of their enforcement processes. The Kenyan Revenue Authority performed an audit on Stefanutti Stocks Kenya Limited for the years 2013 to 2018 and assessments have been issued. The process of disputing the assessments are ongoing and have not been finalised.

ESKOM – KUSILE POWER PLANT

As reported in the February 2020 financial year, Eskom has adopted an adverse approach to certification of applications for work done by the Stefanutti Stocks Basil Read JV ("SSBR"), which has required a substantial increase of internal funding for this project. This has increased the initial funding requirement of R400 million to approximately R986 million excluding the initial impact of COVID-19. Consequently, in addition to the provision of R263 million raised at February 2019 for the potential unrecoverable preliminary and general costs, the group raised a further provision of R462 million in February 2020 for potential unrecoverable monthly measured works to complete the building works of the project.

As stated in the SENS announcement dated 8 July 2020, Stefanutti Stocks notes the release of the Eskom briefing document dated 10 June 2020 reflecting the "Kusile Contract Investigations Status" ("briefing document") where it is stated, amongst other things, that Stefanutti Stocks has been overpaid by Eskom in relation to certain projects. Stefanutti Stocks has considered the briefing document and notes, for the benefit of shareholders in particular, that the investigations being carried out by and on behalf of Eskom are not complete. That said, Stefanutti Stocks disputes that it, or the joint operations in which it participates, have been overpaid.

14. GUARANTEES AND CONTINGENT LIABILITIES continued

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

The group advises shareholders as follows in relation to the matters raised with respect to Stefanutti Stocks in the briefing document:

- During the period between 2015 to 2018, payments made by Eskom to SSBR on package 16 were all made consequent to certificates issued by the independent engineer. During that period, representatives of the engineer and Eskom carried out audits of SSBR records and the payment certificates were issued after they had satisfied themselves that the costs claimed were actually and validly incurred in the construction at Kusile.
- Stefanutti Stocks contends that SSBR is owed additional amounts in respect of work done since December 2018 and in respect of which payments have been withheld. SSBR and Eskom have both committed to a claims resolution process which involves the appointment of independent experts to evaluate the causes of delay and the quantum thereof. This process remains ongoing.
- In relation to Package 28, during February 2019, Eskom terminated the contract with Stefanutti Stocks Izazi JV ("SSI") due to its inability to provide access to SSI to be able to complete the relevant works. Based on the works completed, as well as Eskom's inability to provide access, Stefanutti Stocks contends that there are significant amounts due to it. SSI commenced an adjudication process to recover these material amounts in 2018.
- During August 2019 and April 2020, the engineer appointed by the client issued two negative final payment certificates, alleging overpayments had been made to the JV. This prompted the notification of many new disputes which were included in the adjudication process. Adjudication hearings were conducted during November 2020 and February 2021. It is highly probable that these disputes will be referred to arbitration. As several disputes relate to measurement of the works, all parties involved embarked on an independent expert process to resolve these disputes. The parties are still on track to substantially resolve the disputes by February 2022.

15. RISK MANAGEMENT AND ACCOUNTING CLASSIFICATIONS

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, intergroup receivables and payables as well as trade and other payables approximate their fair values due to the short-term maturity 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.

	28 February 2021 R'000	29 February 2020 R'000
FINANCIAL ASSETS AT AMORTISED COST		
Bank balances	**13 957**	14 579
Intergroup receivables (note 9)	**1 608**	1 414
FINANCIAL LIABILITIES AT AMORTISED COST		
Intergroup payables (note 9)	**13 493**	1 885
Trade and other payables (note 12)	**1 645**	6 171

CAPITAL RISK MANAGEMENT

The primary objective of the company's capital management strategy 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 company 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 company may adjust the dividend payment to shareholders or issue new shares. No changes were made to the objectives, policies or processes in respect of capital management during the current or previous year. The group did however obtain additional short-term funding from the group's primary banker and guarantee providers which had been converted into appropriate longer-term funding. Refer to note 2 for further details, as well as the directors report on page 2.

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

The company includes within net debt, interest-bearing loans.

Capital is considered to consist of share capital, share premium, retained earnings and other reserves. The company is subject to externally imposed capital requirements by certain of their bankers which, in the event of non-compliance, may have an impact on the liquidity of the company. At year-end all such requirements were met.

The company is currently not geared as all interest-bearing liabilities have been settled.

15. RISK MANAGEMENT AND ACCOUNTING CLASSIFICATIONS continued

RISK MANAGEMENT FRAMEWORK

The company's board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The company 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 company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the company's receivables.

INTERGROUP RECEIVABLES AND BANK BALANCES

The carrying amount of financial assets represents the maximum credit exposure and the company only deposits cash with reputable banks with high-quality credit ratings. The credit quality therefore is assessed as good.

INTERGROUP RECEIVABLES

Intergroup receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if the counterparties fail to make payments as they fall due.

The company applied the simplified approach to determine the Expected Credit Loss (ECL) for intergroup receivables, by calculating the lifetime ECLs for these intergroup receivables. An impairment analysis is performed at each reporting date for each receivable balance based on specific factors that apply to the intergroup company. The specific factors include days past due and probability of settlement based on past events, current conditions and a forecast on future economic conditions that impact the intergroup company. The maximum exposure to credit risk is the carrying value of intergroup receivables as indicated.

Below is the information on credit risk exposure on the groups intergroup receivables:

	Current to 30 days	60 to 90 days	120 to 150 days	180 to less than 1 year	Over 1 year	Total
FEBRUARY 2021						
Gross carrying amount (R'000)	**–**	**–**	**–**	**–**	**24 222**	**24 222**
Expected credit loss rate (%)	**–**	**–**	**–**	**–**	**93,36**	**93,36**
Expected credit loss (R'000)	**–**	**–**	**–**	**–**	**22 614**	**22 614**
Net carrying amount	**–**	**–**	**–**	**–**	**1 608**	**1 608**
FEBRUARY 2020						
Gross carrying amount (R'000)	–	119	–	–	24 103	24 222
Expected credit loss rate (%)	–	94,96	–	–	94,16	94,16
Expected credit loss (R'000)	–	113	–	–	22 695	22 808
Net carrying amount	–	6	–	–	1 408	1 414

Due to the nature of the intergroup receivables, the company considers an intergroup receivable in default when the company is considered insolvent and illiquid. However, in certain cases, the company may also consider an intergroup receivable to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. Intergroup receivables are written off when there is no reasonable expectation of recovering the contractual cash flows.

The company has established a policy to perform an assessment, at the end of each reporting period, of whether an intergroup receivable's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The movement of the expected credit loss can be summarised as follows:

Simplified Approach	**28 February 2021 R'000**	29 February 2020 R'000
Opening balance	**(22 808)**	(3 615)
Changes due to credit risk movement	**–**	(19 193)
Amounts reversed	**194**	–
	(22 614)	(22 808)

15. RISK MANAGEMENT AND ACCOUNTING CLASSIFICATIONS continued

The slight reduction in the expected credit loss is due to the increase in the Stefanutti Stocks Holdings Limited share price from the prior year. The loan due from Stefanutti & Bressan Share Incentive Trust is supported by shares held in Stefanutti Stocks Holdings Limited and this increase in share price affects the net asset value of the Stefanutti & Bressan Share Incentive Trust and its ability to settle the loan.

Maximum exposure to credit risk is shown below:

Category	**28 February 2021 R'000**	29 February 2020 R'000
Intergroup receivables (note 9)		
– Non-current	**1 608**	1 414
Bank balances	**13 957**	14 579
	15 565	15 993

LIQUIDITY RISK

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company 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 company will be in a position to meet its liabilities when they are due. The company also monitors on a monthly basis the level of expected cash inflows together with expected outflows to ensure all commitments are met. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The company maintains the following lines of credit with banks:

› R1 556 million (2020: R1 304 million) which include mainly banking, guarantee and asset-based facilities. As on 28 February 2021 the facilities utilised from the credit lines are as follows:

	Limit R'000	Utilisation R'000	Available R'000
FEBRUARY 2021			
Facility A	**1 484 419**	**1 476 419**	**8 000**
Facility B	**2 108**	**2 108**	**–**
Facility C	**24 419**	**24 419**	**–**
Facility D	**44 888**	**22 825**	**22 063**
	1 555 834	**1 525 771**	**30 063**
FEBRUARY 2020			
Facility A	1 118 723	1 105 530	13 193
Facility B	60 431	60 431	–
Facility C	50 310	50 310	–
Facility D	75 517	55 314	20 203
	1 304 981	1 271 585	33 396

EXPOSURE TO LIQUIDITY RISK

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

	Carrying amount R'000	Total R'000	On demand R'000	Less than one year R'000
2021				
Intergroup payables	**13 493**	**13 493**	**13 493**	**–**
Trade and other payables	**1 645**	**1 645**	**–**	**1 645**
	15 138	**15 138**	**13 493**	**1 645**
2020				
Intergroup payables	1 885	1 885	1 885	–
Trade and other payables	6 171	6 171	–	6 171
	8 056	8 056	1 885	6 171

15. RISK MANAGEMENT AND ACCOUNTING CLASSIFICATIONS continued

MARKET RISK

Market risk is the risk that changes in market prices such as interest rates will affect the company's income or the value of its holdings of financial instruments.

INTEREST RATE RISK

The company is exposed to interest rate risk through its cash and cash equivalents and interest-bearing short- and long-term liabilities. Borrowings are at variable rates exposing the company to cash flow interest rate risk.

Short-term interest rate exposure is monitored and managed by the directors. The company currently does not have any interest-bearing liabilities, therefore interest rate risk is assessed as immaterial.

16. IMPACT OF COVID-19

The pandemic is considered to be an ongoing event and management is continuously assessing and monitoring developments with regard to its impact on the business, with a focus on the following aspects:

1. GOING CONCERN

Stefanutti Stocks Holdings Limited is the holding company of the Stefanutti Stocks group. The going concern of the group directly impacts the going concern of the company. The outbreak of the pandemic in March 2020 occurred in the midst of the implementation of the group's "Restructuring Plan" which was initiated to put in place the optimal capital structure and access to liquidity to position the group for long-term growth. Management has made considerable progress in reconfiguring the group's organisational structure to improve operational performance and decrease overhead costs, including the reduction of the group's overall headcount. This is an ongoing process which continues as the aspects of the Restructuring Plan are being implemented in this uncertain environment.

2. RECOVERABILITY AND IMPAIRMENT OF ASSETS

INVESTMENT IN SUBSIDIARIES

In calculating the value-in-use of the cash generating units to which the investments relate, cash flows have been prepared taking into account any potential effects relating to COVID-19, specifically additional costs incurred due to preventative measures and the implementation of required protocols as prescribed. There was no significant impact due to Covid-19 on the assessment of the impairment.

FINANCIAL ASSETS

The company's assessment of expected credit losses on its intergroup loans has not been significantly impacted by Covid-19. The loan due from Stefanutti & Bressan Share Incentive Trust is supported by shares held in Stefanutti Stocks Holdings Limited. The value of the shares was recorded on 28 February 2021 as 0,25 cents per share (Feb 2020: 0,22 cents per share) and therefore no further impairments were required.

DEFERRED TAX ASSETS

The recoverability of deferred tax assets continues to be reviewed taking into account the impact of COVID-19 on the company's ability to collect management fees from the group companies. The company assessed the impact as insignificant.

Subsequent to year-end, there have been no significant changes in the Covid-19 pandemic restrictions impacting the company and therefore no adjustments have been made to the financial results reported as at year end or any other further material events which occurred after the reporting date and up to the date of this report.

17. SUBSEQUENT EVENTS

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.

18. AVAILABILITY OF STEFANUTTI STOCKS CONSOLIDATED FINANCIAL STATEMENTS

The Stefanutti Stocks consolidated financial statements have been prepared and signed on 21 June 2021 and are available on the group's website.

The Stefanutti Stocks consolidated financial statements have been prepared in accordance with the requirements of the Companies Act and the group's independent auditors, Mazars, has expressed an unqualified opinion with an emphasis of matter thereon.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 28 FEBRUARY

GOING-CONCERN STATEMENT

Stefanutti Stocks Holdings Limited is the holding company of the Stefanutti Stocks group. The going concern of the group directly impacts the going concern of the company. The funding provided by the Lenders has assisted in relieving the group's liquidity pressures even though current liabilities exceed current assets by R1 358 million at 28 February 2021. In addition thereto, uncertainties surrounding the COVID-19 pandemic and contingent liabilities as noted in note 14, continue to indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern in the short term. However, having converted the short-term funding agreement with the Lenders to a term loan and on the basis of successfully implementing the Restructuring Plan, the directors consider it appropriate that the group's results for the year be prepared on the going-concern basis.

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.

PREPARED IN ACCORDANCE WITH

International Financial Reporting Standards (IFRS), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.	Companies Act, No. 71 of 2008	The principle of going-concern

FUNCTIONAL AND PRESENTATION CURRENCY

South African Rand

ROUNDING POLICY

R'000 (thousand)

SIGNIFICANT ACCOUNTING POLICIES

Included below is a summary of the significant accounting policies applicable to the company financial statements. These accounting policies include only the areas in IFRS 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 was included based on the materiality as determined by management.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue		
Investment income		
Employee benefits		
Short-term benefits	Post-employment benefits	Long-term employment benefits
Investment in subsidiaries		
Financial instruments		
Financial assets	Impairment	Financial liabilities
Capital and reserves		

REVENUE

	INCLUDES	RECOGNITION	MEASUREMENT
Management fees	Amounts both received and accrued	Over time as management services are rendered and the customer simultaneously consumes the benefit	Fair value

INVESTMENT INCOME

	INCLUDES	RECOGNITION	MEASUREMENT
Investment income	Amounts both received and accrued	Time proportion basis	Effective interest rate method
Dividend received in specie	Amounts both received and accrued	Declaration date	Fair value

EMPLOYEE BENEFITS

The company identifies three types of employee benefits which, are accounted for in accordance with IAS 19.

SHORT-TERM BENEFITS

Includes	Basic salary, paid vacation leave, sick leave, bonuses, medical aid, death and disability cover.
Accounting treatment	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. 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.

POST-EMPLOYMENT BENEFITS

Defined contribution plan	The company contributes to a defined contribution plan. The company requires monthly-paid employees to partake in a group retirement fund and contributes a monthly contribution to this fund and does not bear any further responsibility thereafter. This fund is managed by a portfolio manager and is governed by the Pension Funds Act, No. 24 of 1956.
Accounting treatment	The payments are charged as expenses when the related services are provided.

LONG-TERM EMPLOYMENT BENEFITS

Forfeitable share plan	The group operates a profit-sharing bonus scheme whereby the consideration for services received from directors and senior employees is paid through a performance-based bonus that is used to purchase a variable number of shares in the open market. The shares may not be disposed of or otherwise encumbered during the vesting period of three years. All risks and benefits associated with the shares transfer to the employee on award of the bonus.
Accounting treatment	The bonus cost is expensed over the vesting period in profit and loss.

INVESTMENT IN SUBSIDIARIES

RECOGNITION AND MEASUREMENT

Investments in subsidiaries are initially recognised at cost and are subsequently measured at cost less any accumulated impairment.

IMPAIRMENT

Investment in subsidiaries is assessed for impairment if events or changes in circumstances indicate that the carrying amount may be impaired. Impairment is determined by assessing the recoverable amount of the subsidiary in which the investment is held. The recoverable amount is determined as the value in use of each subsidiary by estimating the expected future cash flows and determining a suitable discount rate to calculate the present value of those cash flows. The recoverable amount is also determined by assessing the possible cash flows to be received from subsidiaries from continued use or sale of subsidiaries.

FINANCIAL INSTRUMENTS

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

FINANCIAL ASSETS

CLASSIFICATION	INSTRUMENTS INCLUDED IN THE CLASSIFICATION	INITIAL MEASUREMENT	SUBSEQUENT MEASUREMENT
Financial assets at amortised cost	Intergroup and other receivables, cash and cash equivalents	Intergroup receivables are measured at transaction price. Other receivables are measured at fair value plus direct transaction costs	Amortised cost using the effective interest rate method, less impairment

FINANCIAL INSTRUMENTS CONTINUED

IMPAIRMENT

Expected credit loss model	**INTERGROUP RECEIVABLES** The company uses an allowance account to recognise credit losses on intergroup receivables. The company applies its impairment model as follows: **Expected Credit Loss Model (ECL)** The company applies the simplified approach to determine the Expected Credit Loss (ECL) for intergroup receivables, by calculating the lifetime ECLs for these intergroup receivables. An impairment analysis is performed at each reporting date for each receivable balance based on specific factors that apply to the intergroup company. The specific factors include days past due and probability of settlement based on past events, current conditions and a forecast on future economic conditions that impact the intergroup company. Due to the nature of the intergroup receivables, the company considers an intergroup receivable in default when the company is considered insolvent and illiquid. Receivable balances are written off when they are delinquent. Specific factors are considered on individual debtors, such as evidence that the collection of the full amount under the original terms of the invoice is no longer probable and would include indicators such as possible insolvency or significant difficulties in the debtor. Impairment allowances are deducted from the carrying amounts of the intergroup receivables.

FINANCIAL LIABILITIES

CLASSIFICATION	INSTRUMENTS INCLUDED IN THE CLASSIFICATION	INITIAL MEASUREMENT	SUBSEQUENT MEASUREMENT
Financial liabilities at amortised cost	Intergroup payables, trade and other payables	Fair value plus direct transaction costs	Amortised costs using the effective interest method

CAPITAL AND RESERVES

SHARE CAPITAL

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

NEW ACCOUNTING PRONOUNCEMENTS

STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

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

› **IFRS 3 Business Combinations** — Amendments to definition of a business.
› **The Conceptual Framework for Financial Reporting —** the revised conceptual framework is not a standard, but provides updated concepts, definitions and recognition criteria for assets and liabilities and clarifies some important concepts.
› **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors —** clarifies definition of materiality.
› **Interest Rate Benchmark reform — Phase 1 — Amendments to IFRS 9, IAS 39 and IFRS 7** — provides relief from the potential effects on hedge accounting due to the uncertainties caused by interest rate benchmark reform.

STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET EFFECTIVE

The company 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 2021 or later periods.

	ACCOUNTING STANDARD/INTERPRETATION	TYPE	EFFECTIVE DATE	IMPACT ON THE FINANCIAL STATEMENTS
IFRS 16: LEASES	**COVID-19-RELATED RENT CONCESSIONS** This amendment affects lessees only and makes it easier to account for Covid-19-related rent concessions e.g. rent holidays and temporary rent reductions. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications, allows lessees to account for such rent concessions as if they were not lease modifications and applies to Covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021.	Amendment	1 June 2020 (can be applied immediately in financial statements — interim or annual — not yet authorised for issue)	No expected change as there were no rent concessions granted.
	EXTENSION OF PRACTICAL EXPEDIENT (LESSEES ONLY) Extension of rental concession relief — relief will now extend to 30 June 2022.	Amendment	1 April 2021	No expected change as there were no rent concessions granted.
	LEASE INCENTIVES Removes the lessor's reimbursement of leasehold improvements from the example to resolve any potential confusion regarding the treatment of lease incentives.	Amendment	No effective date as it is an illustrative example	No expected change as there are no lease incentives for leasehold improvements.
INTEREST RATE BENCHMARK REFORM — PHASE 2 — AMENDMENTS TO IFRS 9, IFRS 7, IFRS 4, IFRS 16 AND IAS 16	This amendment provides temporary relief to address financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR) ('IBOR reform') including: › Contractual and cash flow changes — to be treated as changes due to a floating rate of interest. › Changes to hedge designations and documentation — do not result in the discontinuation of the hedge relationship. › The 'separately identifiable' requirement - not required when a RFR instrument is designated as a hedge of a risk component. › Additional disclosures required.	Amendment	1 January 2021	No expected impact as there are no loans linked to IBOR.

	ACCOUNTING STANDARD/INTERPRETATION	TYPE	EFFECTIVE DATE	IMPACT ON THE FINANCIAL STATEMENTS
IFRS 3: BUSINESS COMBINATIONS	**REFERENCE TO THE CONCEPTUAL FRAMEWORK** This amendment updates reference to the 2018 Conceptual Framework, adds a requirement that transactions and other events within the scope of IAS 37 or IFRIC 21 must be accounted for per IAS 37 and IFRIC 21 to identify the liabilities assumed in a business combination and adds an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.	Amendment	1 January 2022	No expected change as such transactions are unlikely to occur. Changes to be assessed as and when such transactions take place.
IFRS 1: FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS	**SUBSIDIARY AS A FIRST-TIME ADOPTER** This amendment relates to a Subsidiary as a first-time adopter. A subsidiary is permitted to measure cumulative translation differences at transition date using the amounts reported by its parent, based on the parent's transition date.	Amendment	1 January 2022	Not applicable to the company but will be considered for subsidiaries.
IFRS 9: FINANCIAL INSTRUMENTS	**FEES IN THE '10 PER CENT' TEST FOR DERECOGNITION OF FINANCIAL LIABILITIES** The amendment clarifies which fees must be applied in the application of the '10 per cent' test when assessing whether to derecognise a financial liability. It specifies that only fees paid or received between the borrower and the lender, including those paid or received on the other's behalf are to be included.	Amendment	1 January 2022	The amendment will be assessed for all modifications or exchanges of financial liabilities at the effective date.
IAS 16: PROPERTY, PLANT AND EQUIPMENT	**PROCEEDS BEFORE INTENDED USE** The amendment prohibits the deduction of proceeds from selling items produced while bringing an asset into use from the cost of that asset. The entity must recognise the proceeds from sale, and the cost of producing those items, in profit or loss.	Amendment	1 January 2022	No expected impact as no such instances exist.
IAS 37: PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS	**ONEROUS CONTRACTS – COST OF FULFILLING A CONTRACT** The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).	Amendment	1 January 2022	No expected change as standard is currently appropriately applied.

	ACCOUNTING STANDARD/INTERPRETATION	TYPE	EFFECTIVE DATE	IMPACT ON THE FINANCIAL STATEMENTS
IAS 1: PRESENTATION OF FINANCIAL STATEMENTS	**PRESENTATION OF LIABILITIES** The amendment clarifies that the classification of liabilities must be based on whether the right to defer settlement by at least twelve months exists at the end of the reporting period. It further states that classification is unaffected by expectation of settlement, that settlement refers to transfer of cash equity instruments, other assets or services and that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.	Amendment	1 January 2023	Upon becoming effective management might need to consider the terms and conditions of financial liabilities and whether a reclassification is required.
IAS 12: INCOME TAXES	**DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION** This amendment narrows the scope of the exemption for recognition of taxable/deductible temporary differences that arise on certain transactions. The transaction should not give rise to equal taxable and deductible temporary differences. It also clarifies that deferred tax must be recognised on initial recognition of IFRS 16 leases and similar types of transactions that give rise to the recognition of an asset and a liability, such as decommissioning, restoration and similar liabilities with corresponding amounts recognised as part of the related asset.	Amendment	1 January 2023	Upon becoming effective, management might need to consider the impact on recognition of deferred tax on assets and liabilities that arise from a single transaction.

CORPORATE INFORMATION

Company information

Stefanutti Stocks Holdings Limited

Share code: SSK ISIN: ZAE000123766

JSE Sector: Construction Year-end: 28 February

Registration number

1996/003767/06

Country of incorporation

South Africa

Registered office

No. 9 Palala Street, Protec Park, Cnr Zuurfontein Avenue
and Oranjerivier Drive, Kempton Park, 1619

Postal address

PO Box 12394, Aston Manor, 1630

Telephone number

+27 11 571 4300

Directors

As at 21 June 2021: ZJ Matlala* (Chairman); HJ Craig*; B Harie*;
BP Silwanyana*; JM Poluta* (alternate to BP Silwanyana); DG Quinn*;
RW Crawford (CEO); Y du Plessis (Acting CFO)

* *Independent non-executive directors.*

Company Secretary

WR Somerville

Co-Unity Offices, 18 Royal Street, Hermanus, Western Cape, 7200

Auditors

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Attorneys

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Sponsor

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10 Eastwood Road, Dunkeld, 2196

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Telephone number: +27 11 268 6231

Bankers

Nedbank Limited

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Stefanutti Stocks

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