THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 7 of this Circular apply to this Circular in its entirety except where the context indicates a contrary intention.

Action required

- This Circular is important and should be read in its entirety, with particular attention to the section entitled "Action Required by Shareholders", commencing on page 4.
- If you are in any doubt as to what action you should take in relation to this Circular, please consult your accountant, broker, banker, attorney, CSDP or any professional advisor immediately.
- If you have disposed of all your Stefanutti Stocks Shares, this Circular together with the accompanying notice convening the General Meeting and form of proxy should be handed to the purchaser of such Stefanutti Stocks Shares or to the broker, CSDP, banker or other agent through whom the disposal was effected.

Stefanutti Stocks does not accept responsibility, and will not be held liable, for any action of, or omission by, any CSDP or broker including, without limitation, any failure on the part of the CSDP or broker of any beneficial owner of Stefanutti Stocks Shares to notify such beneficial owner of the details set out in this Circular or to take any action on behalf of such beneficial owner.

Stefanutti Stocks

STEFANUTTI STOCKS HOLDINGS LIMITED

(Registration number 1996/003767/06)
Share code: SSK
ISIN: ZAE000123766
("**Stefanutti Stocks**" or the "**Company**" or the "**Group**")

CIRCULAR TO SHAREHOLDERS

Relating to the proposed disposal by Stefanutti Stocks, through its wholly owned subsidiaries, of its entire interest in the share capital of SS Mozambique and SS Construction to the Purchaser in consideration for cash, and the repayment by SS Mozambique to Stefanutti Stocks Proprietary Limited of the Trade Receivable in cash, which Transaction constitutes a Category 1 Transaction for Stefanutti Stocks in terms of the Listings Requirements and requires Shareholder approval;

and incorporating:

- **Notice of the General Meeting;**
- **Registration form to participate in the electronic General Meeting; and**
- **form of proxy *(blue)* in respect of the General Meeting (for use by Certificated Shareholders and "Own-Name" Dematerialised Shareholders only).**

Sponsor	Legal Advisor	Transaction Advisor	Independent Reporting Accountant
BRIDGE CAPITAL	WEBBER WENTZEL in alliance with > Linklaters	Birkett Stewart McHendrie Corporate Finance	mazars

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Date of issue: Tuesday, 25 October 2022

This Circular is only available in English. Copies may be obtained from the registered office of the Company or at the Transfer Secretaries, during office hours on Business Days from Tuesday, 25 October 2022 at the address set out in the "Corporate Information" section of this Circular. A copy of this Circular will also be available on Stefanutti Stocks' website https://www.stefanuttistocks.com and can be made available through a secure electronic manner at the election of the person requesting inspection.

FORWARD-LOOKING STATEMENT DISCLAIMER

The definitions and interpretations commencing on page 7 of this Circular apply *mutatis mutandis* to this forward-looking statement disclaimer.

This Circular contains statements about Stefanutti Stocks that are or may be forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and may generally be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “estimated”, “potential” or similar words and phrases.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and/or depend on circumstances that may or may not occur in the future. Stefanutti Stocks cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity, solvency and the developments within the industry in which Stefanutti Stocks operates, may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions made by Stefanutti Stocks, as communicated in publicly available documents by Stefanutti Stocks, all of which estimates and assumptions, although believed by Stefanutti Stocks to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements or assumptions include other matters not yet known to Stefanutti Stocks or not currently considered material by Stefanutti Stocks.

Shareholders should keep in mind that any forward-looking statement(s) made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement(s) is made, being the Last Practicable Date. New factors that could cause the business of Stefanutti Stocks to not perform as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement is not known. Stefanutti Stocks has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by law. Any forward-looking statements have not been reviewed or reported on by the external auditors of Stefanutti Stocks.

COVID-19, JULY 2021 CIVIL UNREST, RUSSIA AND UKRAINE CONFLICT

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 governments have implemented with respect to the COVID-19 pandemic 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 impact of COVID-19 and reduce the long-term effects on its business.

The July 2021 civil unrest in Gauteng and KwaZulu-Natal negatively impacted the Inland and Coastal Regions, resulting in some property damage and time delays.

The impact which the Russia and Ukraine conflict will have on global growth and investor confidence, indirectly impacting the Group’s operations, will be closely monitored. The direct impact of the conflict on the Group is deemed immaterial as its projects and clients are based within South Africa and Southern Africa.

These factors could result in a material change in the financial or trading position of Stefanutti Stocks.

CORPORATE INFORMATION

Registered office
Stefanutti Stocks Holdings Limited
(Registration number 1996/003767/06)
9 Palala Street
Protec Park
Cnr. Zuurfontein Avenue and Oranjerivier Drive
Kempton Park
1619
(PO Box 12394, Aston Manor, 1630)

Date of incorporation: 27 March 1996
Place of incorporation: Republic of South Africa

Company Secretary
W.R. Somerville
Co-Unity Offices
18 Royal Street
Hermanus
7200

Sponsor
Bridge Capital Advisors Proprietary Limited
(Registration number: 1998/016302/07)
10 Eastwood Road
Dunkeld
2196
(PO Box 651010, Benmore, 2010)

Independent Reporting Accountants
Mazars
Practice number: 900222
Mazars House
54 Glenhove Road
Melrose Estate
2196
(PO Box 6697, Johannesburg, 2000)

Legal advisor
Webber Wentzel
90 Rivonia Road
Sandton
2196
(PO Box 61771, Marshalltown, 2107)

Transaction Advisor
Birkett Stewart McHendrie Proprietary Limited
Jindal Africa Building
22 Kildoon Road
Bryanston
Sandton
2191

Transfer Secretaries
Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg
2196
(Private Bag X9000, Saxonwold, 2132)

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ACTION REQUIRED BY SHAREHOLDERS

The definitions and interpretations commencing on page 7 of this Circular apply, *mutatis mutandis*, to this Action Required by Shareholders section.

This Circular is important and requires your immediate attention. The action you need to take is set out below.

If you are in any doubt as to what action to take, consult your accountant, broker, banker, attorney, CSDP or any professional advisor immediately.

If you have disposed of all your Stefanutti Stocks Shares, please forward this Circular to the purchaser of such Stefanutti Stocks Shares or to the broker, CSDP, banker or other agent through whom the disposal was effected.

Shareholders are hereby notified of the General Meeting, convened in terms of the Notice of General Meeting, which will be held entirely by electronic communication on Tuesday, 22 November 2022 commencing at 09:00, as permitted by the Listings Requirements, the provisions of the Companies Act and the MOI, or any other adjourned or postponed date and time determined in accordance with the provisions of the Companies Act and the Listings Requirements. Shareholders will be requested to consider and, if deemed fit, to pass, with or without modification, the resolutions set out in the Notice of General Meeting.

In this respect, the Company has retained the services of Computershare to host the General Meeting on an interactive electronic platform remotely, in order to facilitate remote participation and voting by Shareholders. Computershare will also act as scrutineer.

As indicated above, the General Meeting will be held entirely through electronic communication; however, in order to facilitate the effective and efficient conduct of the General Meeting, all Shareholders are requested to submit their votes by proxy before the General Meeting at their earliest convenience but in any event, for administrative purposes only, by no later than 09:00 on Friday, 18 November 2022.

Shareholders intending to participate and/or vote at the General Meeting are required to complete the registration form ("Electronic Participation Form") annexed hereto and to deliver the completed Electronic Participation Form via email to proxy@computershare.co.za as soon as possible. The Electronic Participation Form may also be delivered (i) by hand, to Computershare at Rosebank Towers, First Floor, 15 Biermann Avenue, Rosebank 2196, or (ii) by post to Private Bag X9000, Saxonwold, 2132 (at the risk of the participant). Irrespective of the manner in which the Electronic Participation Form is delivered, it must be delivered as soon as possible, but in any event, for administrative purposes only, by no later than 09:00 on Friday, 18 November 2022. When completing the Electronic Participation Form, participants will be required to provide proof of identification and accordingly the registration validation process will include the requisite verification required by section 63(1) of the Companies Act. Shareholders are advised that the email addresses and/or contact numbers provided by Shareholders in their completed Electronic Participation Form are the only addresses and/or contact numbers that will be recognised for purposes of electronic participation (including voting, where applicable) at the General Meeting.

Dematerialised Shareholders, other than those Shareholders who have dematerialised their Stefanutti Stocks Shares with "Own-Name" registration, should contact their CSDP or broker in the manner and time stipulated in their agreement with their CSDP or broker to furnish them with their voting instructions; and in the event that they wish to participate in the General Meeting, to obtain the necessary authority to do so. Stefanutti Stocks does not accept responsibility, and will not be held liable, under applicable law or regulation, for any action of, or omission by, any CSDP or broker including, without limitation, any failure on the part of the CSDP or broker of any beneficial owner of Stefanutti Stocks Shares to notify such beneficial owner of the General Meeting or the details set out in this Circular.

If you have dematerialised your Stefanutti Stocks Shares other than with "Own-Name" registration:

(a) Voting at the General Meeting

(i) Your CSDP or broker is obliged to contact you in the manner stipulated in the custody agreement concluded between you and your CSDP or broker to ascertain how you wish to cast your vote at the General Meeting and thereafter to cast your vote in accordance with your instructions.

(ii) If you have not been contacted, it would be advisable for you to contact your CSDP or broker and furnish it with your voting instructions.

(iii) If your CSDP or broker does not obtain voting instructions from you, it will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your CSDP or broker.

(iv) **You should <u>NOT</u> complete the attached form of proxy.**

(b) Attendance and representation at the General Meeting

(i) If you wish to attend the General Meeting or if you wish to appoint a proxy to represent you, you must advise your CSDP or broker in accordance with the custody agreement concluded between you and your CSDP or broker, and your CSDP or broker will issue you with the necessary letter of representation for you or your proxy to attend the General Meeting.

(ii) Unless you advise your CSDP or broker, in accordance with the terms of the custody agreement concluded between you and your CSDP or broker that you wish to attend the General Meeting, or to appoint a proxy to do so on your behalf and you have been provided with the necessary letter of representation from it or instructed it to send its proxy to represent you at the General Meeting, your CSDP or broker may assume that you do not wish to attend the General Meeting and act in accordance with the agreement between you and your CSDP or broker.

If you have not dematerialised your Stefanutti Stocks Shares or you have dematerialised your Stefanutti Stocks Shares with "Own-Name" registration:

(c) Voting, attendance, and representation at the General Meeting

(i) Shareholders are strongly encouraged to submit votes by proxy before the General Meeting.

(ii) You are, however, entitled to attend and vote at the General Meeting by electronic communication and may speak at and vote at the General Meeting.

(iii) If you are unable to attend the General Meeting, you may appoint a proxy to represent you at the General Meeting by completing the attached form of proxy (blue) in accordance with the instructions it contains and returning it to the Transfer Secretaries to be received by email at **proxy@computershare.co.za** by no later than **09:00** on **Friday, 18 November 2022** for administration purposes. Alternatively, such forms of proxy may be lodged with the chairman of the General Meeting at any time before the meeting by email, care of Mr William Somerville at w.somerville@mweb.co.za.

(iv) Where there are joint holders of Stefanutti Stocks Shares, any one of such persons may vote at the General Meeting in respect of such Stefanutti Stocks Shares as if that person is solely entitled thereto, but if more than one of such joint holders are present or represented at the General Meeting, the person whose name appears first in the Register in respect of such Stefanutti Stocks Shares or its/his/her proxy, as the case may be, shall alone be entitled to vote in respect of such Stefanutti Stocks Shares.

If you wish to dematerialise your Stefanutti Stocks Shares, please contact your broker.

(d) Identification of Shareholders and proxies.

In terms of section 63(1) of the Companies Act, before any person may attend or participate in the General Meeting, that person must present reasonably satisfactory identification and the person presiding at the General Meeting must be reasonably satisfied that the right of the person to participate and vote at the General Meeting, either as a Stefanutti Stocks Shareholder, or as a proxy or a representative for a Stefanutti Stocks Shareholder, has been reasonably verified. Acceptable forms of identification include a valid green-bar coded or smart card identification document issued by the South African Department of Home Affairs, a South African driver's license, or a valid passport. Only those Shareholders who are fully verified (as required in terms of section 63(1) of the Companies Act) and subsequently registered at the commencement of the General Meeting with the Transfer Secretaries in accordance with what is set out above, will be allowed to participate in and/or vote by electronic means.

SALIENT DATES AND TIMES

The definitions and interpretations commencing on page 7 of this Circular apply, *mutatis mutandis*, to the important dates and times set out below in relation to the General Meeting.

	2022
Record date for Stefanutti Stocks Shareholders to receive the Circular and Notice of General Meeting	Friday, 14 October
Circular and Notice of General Meeting distributed to Shareholders and announced on SENS	Tuesday, 25 October
Last Date to Trade to be eligible to participate in and vote at the General Meeting	Tuesday, 8 November
General Meeting record date for Stefanutti Stocks Shareholders to be entitled to participate in and vote at the General Meeting	Friday, 11 November
For administrative purposes only, last date to lodge forms of proxy with the Transfer Secretaries by 09:00	Friday, 18 November
Last date to lodge forms of proxy with the chairman of the General Meeting by 08:55	Tuesday, 22 November
General Meeting to be held at 09:00	Tuesday, 22 November
Results of the General Meeting published on SENS	Tuesday, 22 November
Results of the General Meeting published in the press	Wednesday, 23 November

Notes

1. The dates and times provided for in this Circular are subject to amendment at the discretion of Stefanutti Stocks, subject to approval of the JSE, if required. Any material amendments will be published on SENS.
2. All times referred to in this Circular are local times in South Africa.
3. If the General Meeting is adjourned or postponed, forms of proxy submitted for the initial General Meeting will remain valid in respect of any adjournment or postponement of the General Meeting, unless the contrary is stated on such form of proxy.
4. The Register for Certificated Shareholders will be closed between the Last Date to Trade and the General Meeting record date.
5. No Stefanutti Stocks Shares may be dematerialised or rematerialised from Wednesday, 9 November 2022, to Friday, 11 November 2022 (both days inclusive).
6. Shareholders should note that as transactions in Stefanutti Stocks Shares are settled in the electronic settlement system used by Strate; settlement of trades takes place 3 (three) Business Days after such trade. Therefore, persons who acquire Stefanutti Stocks Shares after close of trade on Tuesday, 8 November 2022 will not be eligible to attend, participate in and vote at the General Meeting.

DEFINITIONS AND INTERPRETATIONS

In this Circular and the annexures hereto, unless the context indicates otherwise, the words in the first column shall have the meanings assigned to them in the second column, the singular includes the plural and *vice versa*, an expression which denotes one gender includes the other genders, a natural person includes a juristic person and *vice versa*, and cognate expressions shall bear corresponding meanings.

"**Act**" or "**Companies Act**"	the Companies Act 71 of 2008, as amended from time to time;
"**attend**", "**present**", "**participate**" or similar wording	includes being able to attend, be present or participate by means of electronic participation;
"**Board**", "**Board of Directors**" or "**Directors**"	the board of directors of Stefanutti Stocks from time to time comprising, as at the Last Practicable Date, of those persons whose names appear on page 11 of this Circular;
"**Business Day**"	any day other than a Saturday, Sunday or public holiday in South Africa, Mauritius or Mozambique;
"**Certificated Shareholders**"	Stefanutti Stocks Shareholders who hold Stefanutti Stocks Shares, represented by a share certificate, which Stefanutti Stocks Shares have not been dematerialised;
"**Circular**"	this Circular incorporating the Notice of General Meeting, dated Tuesday, 25 October 2022, including the annexures and attachments thereto;
"**Closing Date**"	the Closing Date contemplated in paragraph 5.3 of this Circular;
"**Conditions Precedent**"	the Conditions Precedent contemplated in paragraph 5.2 of this Circular;
"**Consolidated Annual Financial Statements**"	the Group's consolidated annual financial statements for the year ended 28 February 2022;
"**CSDP**"	Central Securities Depository Participant as defined in the Financial Markets Act, appointed by a Shareholder for purposes of, and in regard to, dematerialisation of Stefanutti Stocks Shares for the electronic settlement system operated by Strate;
"**dematerialise**" or "**dematerialisation**"	the process by which securities held by Certificated Shareholders are converted or held in an electronic form as uncertificated securities and recorded in a sub-register of security holders maintained by a CSDP or broker;
"**Dematerialised Shareholders**"	Stefanutti Stocks Shareholders who hold Stefanutti Stocks Shares which have been dematerialised in terms of the requirements of Strate;
"**Financial Markets Act**"	Financial Markets Act 19 of 2012, as amended from time to time;
"**form of proxy**"	the form of proxy *(blue)* incorporated into this Circular for use by Certificated Shareholders and Dematerialised Shareholders with "Own-Name" registration only, for purposes of appointing a proxy to represent such Stefanutti Stocks Shareholder at the General Meeting;
"**General Meeting**"	General Meeting of Stefanutti Stocks Shareholders to be held at 09:00 on Tuesday, 22 November 2022, entirely by electronic communication on the platform hosted by the Transfer Secretaries (including any adjournment or postponement thereof);
"**Group**"	Stefanutti Stocks and its subsidiaries as at the Last Practicable Date;
"**IFRS**"	International Financial Reporting Standards as issued by the Board of the International Accounting Standards Committee from time to time;

"**Independent Reporting Accountants**"	Mazars, practice number 900222, Registered Auditors, acting as the auditors and independent reporting accountants to Stefanutti Stocks;
"**JSE**"	JSE Limited, a South African limited liability public company with registration number 2005/022939/06, which is licensed to operate the Johannesburg Stock Exchange, a licensed securities exchange under the Financial Markets Act;
"**Last Date to Trade**"	Tuesday, 8 November 2022, being the last Business Day to trade Stefanutti Stocks Shares in order to reflect in the Register so as to be eligible to vote at the General Meeting;
"**Last Practicable Date**"	Thursday, 6 October 2022, being the Last Practicable Date prior to the finalisation of this Circular;
"**Leakage**"	certain payments made or assets transferred by (as relevant) (i) SS Mozambique or any of its subsidiaries or (ii) SS Construction or its subsidiaries, including (a) *ex gratia* payments to directors or other members of the Group (not being members of the sold group); (b) professional advisers' fees, consultancy fees, transaction bonuses, finders fees, brokerage or other commission payments directly in respect of the Transaction; (c) dividends or distributions declared and also paid or made to other members of the Group (not being members of the sold group); (d) payments made to any other member of the Group (not being members of the sold group) in respect of any share capital or other securities of a member of the sold group being issued, redeemed, purchased or repaid, or any other return of capital of a member of the sold group; (e) certain bonus payments made to or in respect of employees or secondees; and (f) payments made or assets transferred to any other member of the Group (not being members of the sold group) which is not in the ordinary course of business or trading and is also not on arms' length terms, but not including any permitted leakage (with leakage and permitted leakage as further defined in the Mozambique Sale Agreement and the Mauritius Sale Agreement);
"**Lender Group**" or "**Lenders**"	the primary lenders and guarantors of the Group consisting of Nedbank Limited, Credit Guarantee Insurance Corporation of Africa Limited, Lombard Insurance Company Limited and Santam Limited;
"**Listings Requirements**"	the Listings Requirements of the JSE, as amended from time to time;
"**Loan Agreement**"	the loan agreement signed on 14 September 2022 between SS Mozambique, the Purchaser and the Purchaser Guarantor, relating to a ZAR denominated loan in an amount equal to the amount of the Trade Receivable, to be lent and advanced by the Purchaser to SS Mozambique;
"**Mauritius**"	the Republic of Mauritius;
"**Mauritius Sale Agreement**"	the sale and purchase agreement signed on 14 September 2022 between SSMH, the Purchaser and the Purchaser Guarantor;
"**MOI**"	the memorandum of incorporation of the Company;
"**Mozambique**"	the Republic of Mozambique;
"**Mozambique Sale Agreement**"	the sale and purchase agreement signed on 14 September 2022 between SSMH, SSIH, SSPL, the Purchaser and the Purchaser Guarantor;
"MZN"	Mozambican Metical;

"**Notice of General Meeting**"	the notice to Stefanutti Stocks Shareholders convening the General Meeting of Shareholders for the purpose of considering and, if deemed fit, approving with or without modification, the resolutions set out in such Notice of General Meeting relating to the Transaction and which notice together with the form of proxy is attached to, and forms part of, this Circular;
"**Own-Name registration**"	Dematerialised Shareholders who have instructed their CSDP to hold their Stefanutti Stocks Shares in their own name on the uncertificated register of Stefanutti Stocks;
"**Purchase Consideration**"	the total consideration payable by the Purchaser under the Transaction as set out in paragraph 5.1 of this Circular;
"**Purchaser**"	CCG-Compass Consulting Group, a private company limited by shares incorporated under the laws of Mauritius with company number C174840 GBC (the ultimate beneficial owners of which are (i) the Purchaser Guarantor, as majority shareholder and (ii) Benjamin Salter, Robert Beavis and George Jobling as minority shareholders);
"**Purchaser Guarantor**"	Miles Christian Pelham, an individual with citizenship under the laws of the United Kingdom;
"**Rand**" or "**R**" or "**ZAR**"	South African Rand;
"**Register**"	the Company's securities register maintained by the Transfer Secretaries in accordance with sections 50(1) and 50(3) of the Companies Act;
"**Restructuring Plan**"	the restructuring plan, approved by the Board and the Lenders, which plan envisages, *inter alia,* the sale of non-core assets of the Group as well as the sale of certain divisions/subsidiaries;
"**Rs**" or "**MUR**"	Mauritian Rupee;
"**Sale Agreements**"	collectively, the Mozambique Sale Agreement and the Mauritius Sale Agreement or either one of them as the context may indicate;
"**SENS**"	the Stock Exchange News Service of the JSE;
"**South Africa**"	the Republic of South Africa;
"**SS Construction**"	Stefanutti Stocks Construction Ltd, a private domestic company limited by shares incorporated under the laws of Mauritius with company number C160597, the shares of which are (before implementation of the Transaction) owned by SSMH;
"**SS Construction Shares**"	all of the issued share capital of SS Construction, comprising 101 ordinary shares with a par value of MUR 1.00 each which will be disposed by SSMH in terms of the Mauritius Sale Agreement;
"**SSIH**"	Stefanutti Stocks International Holdings Proprietary Limited, registration number 2005/015885/07, a private company incorporated in accordance with the laws of South Africa, the shares of which are owned by the Company;
"**SSIH Quota**"	one quota with a nominal value of MZN 8,000,000.00, comprising 80% of the share capital of SS Mozambique which will be disposed by SSIH in terms of the Mozambique Sale Agreement;
"**SSMH**"	Stefanutti Stocks Mauritius Holdings Limited, a private company limited by shares incorporated under the laws of Mauritius with company number C073385 C1/GBL, the shares of which are owned by SSIH;
"**SSMH Quota**"	one quota with a nominal value of MZN 2,000,000.00, comprising 20% of the share capital of SS Mozambique which will be disposed by SSMH in terms of the Mozambique Sale Agreement;

"**SS Mozambique**"	SS – Construções (Moçambique), Limitada, a private limited liability company *by quotas*, registered before the Legal Entities Registry number 101201554, incorporated in accordance with the laws of Mozambique, the quotas of which are (before implementation of the Transaction) owned by SSMH and SSIH;
"**SSPL**"	Stefanutti Stocks Proprietary Limited, registration number 2003/022221/07, a private company incorporated in accordance with the laws of South Africa, the shares of which are owned by the Company;
"**Stefanutti Stocks Shareholders**" or "**Shareholders**"	the holders of the Stefanutti Stocks Shares from time to time;
"**Stefanutti Stocks Shares**"	the ordinary shares in the issued share capital of Stefanutti Stocks with a par value of 0,00025 cents per share;
"**Strate**"	Strate Proprietary Limited, a South African limited liability private company with registration number 1998/022242/07, which is a registered central securities depository in terms of the Financial Markets Act and is responsible for the electronic settlement system used by the JSE;
"**Trade Receivable**"	all claims in respect of outstanding loan, funding, financing, credit or any other indebtedness or financial assistance owing by SS Mozambique to SSPL as at 23h59 on 30 June 2022, in the aggregate amount of ZAR 113,178,887.00;
"**Transaction**" or "**Disposal**"	the proposed disposal by Stefanutti Stocks, through its wholly-owned subsidiaries SSMH and SSIH, of its entire interest in the share capital of SS Mozambique and SS Construction, in consideration for cash, to the Purchaser, and the repayment by SS Mozambique to SSPL of the Trade Receivable in cash;
"**Transfer Secretaries**"	Computershare Investor Services Proprietary Limited, a South African limited liability company with registration number 2004/003647/07 and the transfer secretaries of Stefanutti Stocks in South Africa;
"**US$**"	United States Dollar; and
"**VAT**"	Value-Added Tax as levied in terms of the Value-Added Tax Act, 1991 (Act 89 of 1991), as amended from time to time.

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

Non-executive Directors
ZJ Matlala*(Chairman)
HJ Craig*
B Harie*
BP Silwanyana*
JM Poluta*
**independent*

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

CIRCULAR TO STEFANUTTI STOCKS SHAREHOLDERS

1. INTRODUCTION AND PURPOSE OF THIS CIRCULAR

Stefanutti Stocks Shareholders are referred to the announcement released by the Company on SENS on 14 September 2022 advising Shareholders in terms of section 9 of the Listings Requirements that SSMH, SSIH, SSPL and SS Mozambique have (as relevant) entered into the following agreements:

(i) the Mozambique Sale Agreement;

(ii) the Mauritius Sale Agreement; and

(iii) the Loan Agreement.

In terms of:

(i) the Mozambique Sale Agreement (a) SSMH will dispose of the SSMH Quota to the Purchaser, (b) SSIH will dispose of the SSIH Quota to the Purchaser and (c) SS Mozambique will repay the Trade Receivable to SSPL (for which purpose SS Mozambique will receive a loan from the Purchaser under the Loan Agreement); and

(ii) the Mauritius Sale Agreement, SSMH will dispose of the SS Construction Shares to the Purchaser,

on the terms and conditions set out in such agreements.

The purpose of this Circular is to:

- provide Shareholders with the Notice of General Meeting for the purpose of convening the General Meeting at which the resolutions required to be adopted to approve and authorise the implementation of the Transaction will be considered and, if deemed fit, approved by Shareholders; and
- provide Shareholders with the requisite information to enable Shareholders to make an informed decision with respect to the resolutions set out in the Notice of General Meeting.

2. BACKGROUND INFORMATION ON SS MOZAMBIQUE AND SS CONSTRUCTION

SS Mozambique is a multidisciplinary construction company, operating in Mozambique since 1995, offering a range of services across all industries in the building, civil engineering, geotechnical and roads and earthworks markets. SS Mozambique holds an 80% interest in a recently incorporated Mauritian subsidiary, Stefanutti Stocks Hyvec Partners JV Limited, which has recently started operating in Mauritius, having been awarded a contract to construct villas for a resort in Mauritius.

SS Construction is a construction company which has recently started operating in Mauritius specifically in the building sector.

3. THE PURCHASER

The Purchaser is a private company limited by shares, incorporated in Mauritius and controlled by Compass Group Holdings Limited, a company incorporated in Hong Kong. The shares in Compass Group Holdings Limited are owned by (i) Rhino Ventures Limited (a private company limited by shares incorporated in the British Virgin Islands), whose ultimate beneficial owner is the Purchaser Guarantor, as majority shareholder and (ii) Benjamin Salter, Robert Beavis and George Jobling as minority shareholders.

The Purchaser forms part of a group of companies specialising in asset development and asset management operating in the energy services and natural resources sectors in East Africa, headquartered in Mozambique. The Purchaser (or relevant members of its group) holds various prospecting and mining licences and concessions across the African continent.

4. RATIONALE

As previously disclosed to Shareholders, in various announcements, 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 as well as the sale of certain divisions or subsidiaries to achieve its purpose and objectives.

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 allowing the Group to focus on specific markets and geographies. The Transaction forms part of the Restructuring Plan and is in furtherance of achieving the objectives of the Restructuring Plan.

5. SALIENT TERMS OF THE TRANSACTION

5.1 Purchase Consideration and repayment of the Trade Receivable

For purposes of this paragraph 5.1:

(i) "**Interest Rate**" means the basic rate of interest per annum which Banco Nacional de Investimento will, from time to time over the relevant period, pay on a 4-month fixed deposit investment of US $12,800,000.00, compounded monthly in arrears and calculated on a 365 day year factor irrespective of whether the year is a leap year or not;

(ii) "**Payment Date**" means the day which is the 15th Business Day after the Fulfilment Date (as determined under the Mozambique Sale Agreement), or such other date as SSIH, SSMH, SSPL and the Purchaser may agree to in writing from time to time; and

(iii) "**Relief**" includes any relief, loss, allowance, exemption, set-off, deduction or credit in computing or against: (i) income, profits or gains for the purposes of any tax; or (ii) taxation.

In terms of the Mozambique Sale Agreement, the aggregate price payable by the Purchaser for the SSMH Quota and the SSIH Quota is an amount in cash equal to:

(i) US$12,800,000.00; plus

(ii) an amount equivalent to the interest accrued at the Interest Rate on the amount in (i) above less the Trade Receivable Adjustment (as defined below), in respect of the period from 1 July 2022 and to the Payment Date (both days inclusive); minus

(iii) an amount equal to any Leakage which has occurred from (and including) 1 July 2022 to date (i) plus in the case of each individual Leakage amount which is included in such Leakage, an amount equivalent to the interest accrued at the Interest Rate on an amount equal to such individual Leakage amount in respect of the period from (but excluding) the date of such Leakage and to (and including) the Payment Date; and (ii) less the value of any Relief available to SS Mozambique in consequence of the Leakage or matter giving rise to the Leakage; minus

(iv) an amount equal to the Trade Receivable, converted from ZAR into US $ as provided for in the Mozambique Sale Agreement ("**Trade Receivable Adjustment**"),

provided that, if as a result of any deduction under (iii) and/or (iv) the purchase price would be less than US $ 1.00, the purchase price will be deemed to be US $ 1.00.

The Purchaser will pay 80% of the purchase price to SSIH and 20% of the purchase price to SSMH by crediting such amounts to stipulated Mozambican bank accounts, as provided for in the Mozambique Sale Agreement.

In terms of the Loan Agreement, an amount equal to the Trade Receivable will be advanced by the Purchaser to SS Mozambique, to be utilised by SS Mozambique to repay to SSPL the Trade Receivable as provided for in the Mozambique Sale Agreement.

In terms of the Mauritius Sale Agreement, the price payable by the Purchaser for the SS Construction Shares is an amount in cash equal to:

(i) US$700,000.00; plus

(ii) an amount equivalent to the interest accrued at the Interest Rate on the amount in (i) above, in respect of the period from 1 July 2022 and to the Payment Date (both days inclusive); minus

(iii) an amount equal to any Leakage which has occurred from (and including) 1 July 2022 to date (i) plus in the case of each individual Leakage amount which is included in such Leakage, an amount equivalent to the interest accrued at the Interest Rate on an amount equal to such individual Leakage amount in respect of the period from (but excluding) the date of such Leakage and to (and including) the Payment Date; and (ii) less the value of any Relief available to SS Construction in consequence of the Leakage or matter giving rise to the Leakage,

provided that, if as a result of any deduction under (iii) the purchase price would be less than US $ 1.00, the purchase price will be deemed to be US $ 1.00.

The Purchaser will pay the purchase price to SSMH by crediting such amount to a stipulated Mauritian bank account, as provided for in the Mauritius Sale Agreement.

No securities will form part of the Purchase Consideration for the Transaction.

5.2 **Conditions Precedent**

The Transaction is subject to the fulfilment and/or waiver of the following conditions precedent on or before 28 February 2023 (or such later date/s (i) up to 30 June 2023, as SSIH and SSMH may notify the Purchaser in writing from time to time; or (ii) as the Purchaser and SSIH and SSMH may agree in writing from time to time):

- the Shareholders approving the Transaction as a Category 1 transaction in terms of Section 9 of the Listings Requirements;
- the following regulatory approvals being obtained:
  - approvals that may be required for the entry into and/or implementation of the Sale Agreements under the South African Currency and Exchanges Act, 9 of 1933 and/or otherwise from the South African Reserve Bank or its authorised agent (including for the sale of the SSMH Quota and the SSIH Quota, in relation to the repayment of the Trade Receivable, for SSIH to open a Mozambican bank account, to extend the 30 day period within which it would otherwise be required for the purchase price for the SSMH Quota and the SSIH Quota received in Mozambique to be repatriated to South Africa and for the sale of the SS Construction Shares);
  - approval from the Mozambique competition authority (the *Autoridade Reguladora da Concorrência*) for the sale of the SSMH Quota and the SSIH Quota (pursuant to the Regular Form as envisaged in the Mozambique competition laws); and

  - approvals that may be required for the entry into and/or implementation of the Mozambique Sale Agreement and the Loan Agreement from the Bank of Mozambique (*Banco de Moçambique*) or its authorised agent (including for the payments of the purchase price and for the payments relating to the repayment of the Trade Receivable envisaged in the Mozambique Sale Agreement, for the remittance of the purchase price to bank accounts of SSIH and SSMH held outside Mozambique, as may be required for the loan under the Loan Agreement and as may be required for the guarantee given by the Purchaser Guarantor under Loan Agreement);
- SSIH and SSMH confirming in writing to the Purchaser that approvals that may be required for the regularisation and approval (as may be required) of the Trade Receivable (such that it can be repaid to SSPL as envisaged in the Mozambique Sale Agreement) from the Bank of Mozambique (*Banco de Moçambique*) or its authorised agent have been granted;
- SSPL, SSIH and SSMH confirming in writing to the Purchaser that approvals that may be required for the entry into and/or implementation of the Sale Agreements and the Loan Agreement (and releases of security interests they hold over the SSMH Quota, the SSIH Quota, the SS Construction Shares and the Trade Receivable) have been received from the Lenders;
- SS Construction purchasing or incorporating a new private wholly owned South African company and such company has (i) been registered with the International Trade Administration Commission of South Africa ("**ITAC**") as an importer and as an exporter, and (ii) has been granted an import permit for commercial purposes by ITAC and an export permit for general goods by ITAC;
- the Purchaser providing alternative security arrangements (relating to security provided by members of the Group or certain third parties for or relating to the obligations of SS Mozambique and SS Construction (and joint ventures to which they are parties)), and the relevant beneficiaries of such security arrangements agreeing to release the existing security arrangements in the form provided for in the Sale Agreements (and such signed original release agreements being provided to SSIH and SSMH);
- SSIH and SSMH confirming to the Purchaser in writing that each of them has opened Mozambican bank accounts denominated in US$ and MZN, which are open for transacting; and
- SSPL confirming to the Purchaser in writing that SS Mozambique has opened a Mozambican bank account denominated in ZAR, which is open for transacting.

The Mozambique Sale Agreement is also conditional on the Mauritius Sale Agreement becoming unconditional (save for any condition which requires that the Mozambique Sale Agreement becomes unconditional).

The Mauritius Sale Agreement is also conditional on the Mozambique Sale Agreement becoming unconditional (save for any condition which requires that the Mauritius Sale Agreement becomes unconditional).

5.3 **Closing Date**

After the Sale Agreements have become unconditional in accordance with their terms, the Purchaser will become liable to pay the Purchase Consideration (including the amount to be loaned by the Purchaser to SS Mozambique to enable SS Mozambique to repay to SSPL the Trade Receivable) and thereafter, the sales contemplated under the Transaction will be implemented on the second Business Day after the day on which SSIH, SSMH and SSPL have informed the Purchaser in writing of receipt of (i) the purchase price for the SSIH Quota into SSIH's stipulated Mozambican bank account; (ii) the purchase price for the SSMH Quota into SSMH's stipulated Mozambican bank account; (iii) the repayment of the Trade Receivable into SSPL's stipulated bank account; and (iv) the purchase price for the SS Construction Shares into SSMH's stipulated Mauritian bank account, as provided for in the Sale Agreements (as relevant), or such other date as SSIH, SSMH, SSPL and the Purchaser may agree to in writing from time to time (the "**Closing Date**"). If all relevant implementation obligations are complied with as stipulated in the Sale Agreements, the Closing Date will be the effective date of the Transaction for Listings Requirements purposes and risk, ownership and benefit of the SSMH Quota, the SSIH Quota and the SS Construction Shares will pass to the Purchaser on this date.

5.4 **Other Significant Terms**

In terms of the Sale Agreements, SSIH and SSMH give limited warranties and undertakings to the Purchaser relating to the Disposal which are customary for transactions of this nature.

The Purchaser's obligations under the Sale Agreements and the Loan Agreement are secured by way of guarantees given by the Purchaser Guarantor.

Under the Sale Agreements, the Group will be subject to certain non-compete undertakings in Mozambique and Mauritius and certain non-solicitation undertakings in relation to employees of SS Mozambique and SS Construction, for a two year period after the Closing Date. Provisions regulating certain business opportunities during this period have also been agreed in the Sale Agreements.

5.5 **Transaction Categorisation and Shareholder Approval**

At the time of signing the Sale Agreements and the Loan Agreement, the Purchase Consideration, measured against the market capitalisation of Stefanutti Stocks, resulted in a percentage ratio of more than 30%. Accordingly, the Transaction is classified as a Category 1 Transaction and requires approval by way of an ordinary resolution of Shareholders, which will require the support of more than 50% of the voting rights exercised on the resolutions at the General Meeting.

The Transaction is not with related parties and there are accordingly no related party transaction implications in terms of the Listings Requirements.

Stefanutti Stocks would still qualify and meet the requirements for a listing on the JSE in terms of the Listings Requirements after implementation of the Transaction with remaining total assets of approximately R4.2 billion and will continue operations through its existing businesses and divisions. The nature of the Stefanutti Stocks' business and sector are not expected to change.

As outlined in Annexure 1, the Transaction will not involve the disposal of any of the company's direct or indirect operating assets in South Africa, Eswatini, Botswana or Zambia and the company will continue to control the majority of its assets after the Transaction is implemented.

5.6 **Value of Net Assets and Attributable Profits or Losses**

The consolidated value of the net assets of SS Mozambique as at 28 February 2022 amounted to MZN819 million. The profit after tax for the period ended 28 February 2022 of SS Mozambique was MZN26 million. Using a conversion rate of MZN4,14 for R1,00 at 28 February 2022 the consolidated value of the net assets and profit after tax equates to R198 million and R6 million respectively.

The consolidated value of the net assets of SS Construction as at 28 February 2022 amounted to Rs2 million. The loss after tax for the period ended 28 February 2022 of SS Construction was Rs0,3 million. Using a conversion rate of Rs2,84 for R1,00 at 28 February 2022, the consolidated value of the net assets and loss after tax equates to R0,7 million and R0,1 million respectively.

6. FINANCIAL INFORMATION REGARDING THE TRANSACTION

In terms of the Listings Requirements, a Category 1 Transaction requires the disclosure of historical financial information and the *pro forma* financial information showing the effects of the Transaction on the Company's (i) Consolidated Statement of Financial Position and the net assets and net tangible assets per share of the Company, and (ii) Consolidated Statement of Comprehensive Income and earnings and headline earnings per share of the Company (including, if applicable, diluted earnings and headline earnings per share).

The Independent Reporting Accountant's Report on the historical information of SS Mozambique and SS Construction for the periods included is annexed hereto as **Annexure 3**. The historical financial information of SS Mozambique and SS Construction for the financial years ended 29 February 2020, 28 February 2021 and 28 February 2022 is annexed hereto as **Annexure 4**.

As required in terms of the Listings Requirements, copies of the aforementioned historical financial information of SS Mozambique and SS Construction will also be available for inspection as described in paragraph 15 of this Circular.

6.1 The *pro forma* financial information is set out in **Annexure 1** of this Circular and is presented in accordance with the provisions of the Listings Requirements and the Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants. The *pro forma* financial information, including the assumptions on which it is based and the financial information from which it has been prepared, is the responsibility of the Board.

The accounting policies used in the preparation of the *pro forma* financial effects are compliant with IFRS and are consistent with those applied in the financial statements of Stefanutti Stocks for the year ended 28 February 2022. It has been assumed, for purposes of the *pro forma* financial effects, that the Transaction took place with effect from 1 March 2021 for the *pro forma* condensed consolidated Statement of Profit or Loss and on 28 February 2022 for the *pro forma condensed* consolidated Statement of Financial Position.

The *pro forma* financial information has been prepared for illustrative purposes only, to provide information on how the Transaction may have affected the financial position and financial performance of Stefanutti Stocks. Due to its nature, the *pro forma* financial information may not fairly represent Stefanutti Stocks' financial position, comprehensive income, changes in equity or cash flows after the Transaction.

The table below is a summary of the detailed *pro forma* financial information as set out in **Annexure 1**.

	Audited 12 months ended 28 February 2022 (Note 1)	***Pro forma* results after the Transaction (Note 2)**	**Net impact**	**Change (%)**
Net asset value per share (cents) (note 3)	(53,83)	(87,06)	(33,23)	(61,7%)
Net tangible asset value per share (cents) (note 3)	(216,69)	(249,93)	(33,24)	(15,3%)
Total number of shares in issue	167 243 684	167 243 684		
Earnings and diluted earnings per share ("EPS") (cents) – continuing operations (note 4)	(157,70)	(154,11)	3,59	2,3%
EPS and diluted EPS per share (cents) – discontinued operations	(90,57)	(122,61)	(32,04)	(35,4%)
EPS and diluted EPS per share (cents) – total operations	(248,27)	(276,72)	(28,45)	(11,5%)
Headline and diluted headline earnings per share ("HEPS") (cents) – continuing operations (note 4)	(78,28)	(74,69)	3,59	4,6%
HEPS and diluted HEPS per share (cents) – discontinued operations	(18,79)	(18,55)	0,24	1,3%
HEPS and diluted HEPS per share (cents) – total operations	(97,07)	(93,24)	3,83	3,9%
Weighted average shares in issue for basic EPS	167 243 684	167 243 684		
Weighted average shares in issue for diluted EPS	167 243 684	167 243 684		
Weighted average shares in issue for basic HEPS	167 243 684	167 243 684		
Weighted average shares in issue for diluted HEPS	167 243 684	167 243 684		

Notes and assumptions:

1. This information has been extracted, without adjustment, from the Group's Consolidated Annual Financial Statements for the year ended 28 February 2022, which can be accessed on Stefanutti Stocks' website at https://stefanuttistocks.com and is available for inspection at the registered office of Stefanutti Stocks as set out in paragraph 15 of this Circular.
2. *Pro forma* results after the Transaction reflects the impact of the *pro forma* adjustments on Stefanutti Stocks as a consequence of the Transaction. The effects of the Transaction are calculated on the assumption that the Purchase Consideration will be utilised to reduce interest-bearing borrowings.
3. *Pro forma* net asset and net tangible asset value per share are based on Total Operations and the principal assumption that the Transaction was effective on 28 February 2022.
4. *Pro forma* earnings and headline earnings per share are based on the principal assumption that the Transaction was effective on 1 March 2021.

5. Details of the *pro forma* financial effects of the Transaction on Stefanutti Stocks' Consolidated Statement of Profit or Loss and Consolidated Statement of Financial Position for the year ended 28 February 2022 are contained in **Annexure 1** to this Circular. The detailed notes and assumptions used in the preparation of the *pro forma* financial information are set out in **Annexure 1**.
6. With respect to the continuing impact of COVID-19, the July 2021 civil unrest, and the Russia and Ukraine conflict on the Group's operations, refer to note 29 of the Group's Consolidated Annual Financial Statements for the year ended 28 February 2022.

6.2 The Independent Reporting Accountant's assurance report on the *pro forma* financial information is set out in **Annexure 2** of this Circular.

7. APPLICATION OF PROCEEDS

The proceeds of the Transaction will be applied to the reduction of Stefanutti Stocks' current funding facilities provided by the Lenders in accordance with the Restructuring Plan.

8. OVERVIEW OF STEFANUTTI STOCKS

Stefanutti Stocks is one of South Africa's largest multidisciplinary construction groups with over 5 600 employees. The Group has the capacity to deliver a range of infrastructure development projects to clients across diverse sectors. All South African operations are divisions of SSPL, a Level 1 B-BBEE contributor, and a fellow subsidiary of SSIH and SSMH.

The Company has a Grade 9 rating from the South African Construction Industry Development Board (CIDB), providing it with unlimited tender capability. Furthermore, its broad spectrum of expertise means that it has the capability and capacity to offer a single point responsibility on multidisciplinary (infrastructure development) projects, effectively removing the interface risk from the clients' domain.

Stefanutti Stocks' range of capabilities covers multidisciplinary construction activities throughout the built environment. The business' offering extends across a wide scope including the construction of fixed infrastructure, municipal services, mining and industrial facilities and all structures and buildings essential for the continued development of the economies within which the Group operates. The Group's divisions and subsidiaries are specialists in a range of construction-related activities including building; civil engineering; electrical & instrumentation; geotechnical; mechanical & piping; mining services; oil & gas; pipelines, roads and earthworks as well as general contracting.

Stefanutti Stocks' operations offer a broad spectrum of capabilities to the following sectors:

- Building;
- Bulk earthworks & geotechnical;
- Energy generation;
- Industrial plants, oil & gas;
- Mining & mining infrastructure;
- Transport infrastructure (road, rail, marine and air); and
- Water, sanitation & pipelines.

9. STEFANUTTI STOCKS' PROSPECTS

As reported in the year-end results for 28 February 2022 published on 26 May 2022, 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. Shareholders are referred to Stefanutti Stocks' website (www.stefanuttistocks.com) to access the investor presentations and webcast for the year end results for 28 February 2022 which gives the latest update.

The Group's prospects in terms of the key management reporting areas are described below:

RESTRUCTURING PLAN

The Group hereby provides Shareholders with an update on the Restructuring Plan as reported in the Group's Consolidated Annual Financial Statements for the year ended 28 February 2022 issued on 26 May 2022.

As previously reported, the Restructuring Plan has been approved by both the Board of Directors and the Lenders and envisages, *inter alia*:

- the sale of non-core assets;
- the sale of under utilised 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 short-term loan on 1 July 2020. The Group, on 21 February 2022, reached an agreement with the Lenders to extend the current capital repayment profile of the loan as well as its duration to 28 February 2023.

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. The short-term and funding loans do not contain any financial covenants but rather impose certain information and general undertakings.

Following the receipt of the initial purchase consideration of approximately R92 million relating to the disposal of Al Tayer Stocks LLC, a capital repayment of R45 million was made on 15 November 2021.

The slower than anticipated sale of certain operations, the non-implementation of the Materials Handling and Tailings Management sub-divisions transaction and further delays in resolving contractual claims and compensation events on certain projects, resulted in capital loan repayments envisaged to commence from April 2022 not materialising. The Group reached agreement on 30 June 2022 with the Lenders to extend the capital repayments of the loan to January and February 2023, with the residual loan balance remaining at approximately R420 million.

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 various aspects of the Restructuring Plan are being implemented.

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 2023 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 ended 28 February 2022 were prepared on the going-concern basis, taking into consideration:

- the Group's current order book;
- imminent project awards;
- continuing operations executing the Group's order book profitably;
- the availability of short- and mid-term projects;
- reaching a favourable outcome on contractual claims and compensation events on certain projects;
- having converted the short-term funding agreement with the Lenders to a short-term loan terminating on 28 February 2023;

- reaching agreement with the Lenders with regards to the extension of the capital repayments to January and February 2023;
- 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 current liabilities continue to exceed current assets as at 28 February 2022. The Group believes it remains commercially solvent based on the cashflow projections included in the Restructuring Plan. However, uncertainties surrounding the contingent liabilities as noted in note 26 of the Group's Consolidated Annual Financial Statements for the year ended 28 February 2022, 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.

As part of the internal restructuring initiatives to restore optimal operational and financial performance, as set out in the Restructuring Plan, the Group has reorganised its operations into regions, with the exception of the Mechanical & Electrical (M&E) business, effective 1 March 2021. The regions are reported as Inland, Coastal, Western Cape and Africa. The Mechanical & Electrical business has been renamed to Mechanical Electrical Piping (MEP).

INLAND REGION (Building, Civils, Geotechnical, Materials Handling, Tailings Management, Roads & Earthworks)

Order book as at February 2022– R2,2 billion

COVID-19 did not have a material effect on the Inland Region's performance, although a higher-than-normal absenteeism was observed, and head office-based staff worked from home for short durations.

Eight site operations were negatively affected by the July 2021 civil unrest, resulting in time delays on projects.

During the year, the operational disciplines of Building, Civils, Roads & Earthworks (including Pipelines), Geotechnical and Mining Services were consolidated under the Inland Region. The winding-down process of Contract Mining was concluded, while the failed sale of the Tailings and Materials Handling business resulted in a re-integration of the two Mining Services' disciplines, as well as re-recruiting of previous management. Going forward, the focus is to re-build the Mining Services' order book and diversify its service offering.

Overall, the Inland Region delivered a profitable result, amidst difficult trading conditions, with the Civils discipline performing to expectation. Notwithstanding delayed project awards (that increased staff holding costs), the Roads & Earthworks discipline delivered a pleasing performance.

A lack of work saw the Geotechnical Discipline experience a disappointing year which resulted in its resources not being continuously occupied. However, its order book improved significantly towards the end of the financial year.

The two mining services disciplines delivered a satisfactory result, despite the failed sale of the Materials Handling and Tailings Management sub-divisions. The failed transaction affected both the order book and client base, and there will be a refocus on growing these disciplines and diversifying the mining services offering.

Tough operating conditions in the construction industry were exacerbated with the delayed award of many public infrastructure tenders. In particular, SANRAL – that has in excess of R20 billion worth of contracts for which the industry has tendered – made no significant awards in the year under review. The rise in commodity prices did restore some confidence in the market and saw the award of some sizeable mining infrastructure contracts. More activity in this market segment is evident.

The region aims to capitalise on its now integrated overhead structure and take full advantage of the improved market conditions within its key segments of operation. It is actively engaging with various renewable energy project opportunities and is in line for the award of some major public infrastructure projects which will further bolster its order book.

Opportunities exist for this region in transport infrastructure, water and wastewater treatment plants, mine infrastructure, renewable energy and geotechnical sectors.

In the short term, there are potential awards to the value of approximately R1,5 billion and for the future, projects to the value of approximately R30,1 billion have been identified.

COASTAL REGION (Building, Civils, Roads & Earthworks, Marine)

Order book as at February 2022 – R1,1 billion

COVID-19 continued to have a direct impact in terms of additional costs for compliance with regulations (by way of temperature testing, providing sanitisers, and screening) and the associated inefficiencies/ delays associated with these activities, as well as quarantining COVID-19 positive employees and sub-contractors. Further direct impacts were experienced in respect of logistics and material supply, and extraordinary cost escalation.

The July 2021 civil unrest resulted in the total loss of production on all sites for one week. The damage and theft on some sites caused further delays, as reinstatement and repairs were required prior to recommencing with the original scope.

The unrest also created a significant loss of confidence in the private sector market. The short-term impact was little to no tender activity, while the expected longer-term impact is still to be felt as some prospective clients divest from KwaZulu-Natal. Public sector prospects have also been impacted as little to no work has been done to bring tenders to market or adjudicate them.

The Coastal Region delivered a modest result, amidst challenging market conditions compounded by the ongoing effects of COVID-19 and the civil unrest in July 2021. The construction industry continued to offer limited work opportunities, with high levels of competition driving low margin work. Further challenges to the region's performance included excessive cost escalations that not only created unexpected commercial risks on existing contracts, but uncertainty on new contracts throughout the value chain. Skills shortages compounded by loss of talent to overseas markets remains a threat to the long-term sustainability of delivering high quality work.

The Building Discipline delivered a sub-par performance against the backdrop of thin margins compounded by the disruption in the supply chain that affected both performance and profitability. Further challenges to the Discipline included a constrained order book, the delay in tender awards experienced post the July 2021 civil unrest and the excessive holding costs due to no major anchor project being secured. Project highlights included the completion of the premier MSC Passenger Terminal and the Midway Shopping Centre.

The Civils Discipline delivered a satisfactory result, considering prevailing market conditions and the uncertainty of timing on new contracts. The Civils Discipline orderbook remains healthy. It maintains a consistently clean debtors schedule and its contracting profits across all civils contracts remained consistent with expected tender margins.

Opportunities in the market include the rebuilding of infrastructure destroyed by the rioting and looting during the July 2021 civil unrests, as well as several project prospects in the road, water infrastructure and commercial building sectors.

Opportunities exist for this region in transport infrastructure, water and wastewater treatment plants, and in the private sector commercial, retail and industrial projects.

In the short term, there are potential awards to the value of approximately R1,4 billion and for the future, projects to the value of approximately R19,3 billion have been identified.

WESTERN CAPE REGION (Building, Civils)

Order book as at February 2022 – R658 million

COVID-19 did not have a material effect on the Western Cape Region's performance although some challenges were observed during the pandemic waves. The biggest mitigation against the threat COVID-19 posed to the business was the award of data centre construction contracts (a sector that was in fact boosted by the pandemic) which made up 55% of the Region's order book.

The Western Cape Region delivered a profitable result amidst a constrained and highly competitive traditional building environment. Its focus on offering a full-service offering within sectors that require specialised MEP services, has been highly successful and a majority of its revenue was secured from factories and warehouses, energy generation and data centre construction projects. In order to leverage this strong position and continue to remain highly competitive in this market the region continues to grow its overall offering by recruiting staff with aligned skills. This focus includes achieving 3D, 4D and 5D technology integration and maintaining its 100% delivery of successful projects within programme.

The Western Cape Region positioned itself as an expert offering niche, high-demand construction capabilities in a space where there is currently less competition. The region aims to capitalise on the ever-increasing demand for its expertise and is cautiously optimistic that project awards within the industrial, energy and data centre sectors will follow. The region has recently ventured into the civils sector, and this will further strengthen its multidisciplinary offering to its regional clients.

Opportunities exist for this region in water and wastewater treatment plants, framework agreements and in the private sector: commercial, residential, retail, industrial plants, warehouses and data centres.

In the short term, there are potential awards to the value of approximately R900 million and for the future, projects to the value of approximately R13,7 billion have been identified.

AFRICA REGION (Multidisciplinary services in Botswana, Eswatini, Mozambique, Zambia)

Order book as at February 2022 – R1,1 billion

The effect of the pandemic continued to be experienced, albeit to a lesser degree as a better understanding of managing it was gained. The main impact was felt within the globally imported materials supply chain, where sporadic lockdowns resulted in shortages of certain materials. The rising commodity prices put pressure on margins within fixed price contracts or when specific material prices escalated exponentially when compared to the indices. Cross-border movement and the acquisition of work permits has become more stringent and creates pressure on resources, especially within specialised subcontract work.

The unrest in the north of Mozambique had a significant effect on the country and the construction industry, with a significant number of projects cancelled or put on hold. This resulted in a considerable shortfall in the country's order book.

Notwithstanding the difficult trading conditions, continued influx of Chinese contractors into the region and limited public and private sector work, the Africa Region achieved an operating profit of R102 million (R26 million more than budgeted operating profit of R76 million). Furthermore, the region's cash flow improved from the original forecast, due to the successful collection of old outstanding debtors and better than budgeted for results. A low overhead structure was maintained, with no holding or retrenchment cost in Eswatini, Botswana, and Zambia.

Eswatini performed exceptionally well, yielding better than budgeted results on both turnover and operating profit and continues to deliver high-quality projects.

Botswana delivered a solid performance, despite order book pressure, and showed a satisfactory operating profit, with all projects achieving more than the tendered margins. The management team continues to focus on growing the business by expanding the business's services offering and making inroads into the mining sector.

Zambia produced excellent results for the year, mostly supported by the premier Radisson Blue Hotel project in Livingstone which is anticipated to be finished three months ahead of programme.

Mozambique has experienced another very tough year with civil unrest creating instability and affecting investor confidence. Projects being cancelled or delayed have had a great impact on the order book, as have under recovery of overheads and a less than budgeted for operating profit. Prevailing conditions necessitated a major restructuring and right sizing of the business to be able to trade its way through this short-term uncertainty.

The amount of work coming to market across the Africa Region (both the public and private sector) has been limited and slow. However, a more selective and strategic approach has seen the region starting the year having secured a 60% plus order book with several tendered for projects anticipated to be awarded in the coming months. General contracting opportunities and the mining sector show promising signs of growth and a positive political change has been observed across some regions. Further factors influencing positive regional growth include increased commodity prices, a change in government in Zambia and Malawi offering investment opportunities as well as international funding support.

Opportunities exist for this region in transport infrastructure, water and wastewater treatment plants, pipelines, dams, strategic fuel farms and in the private sector: commercial, retail, office, leisure, warehouses, mine infrastructure, renewable energy and industrial projects.

In the short term, there are potential awards to the value of approximately R1,1 billion and for the future, projects to the value of approximately R15,8 billion have been identified.

MECHANICAL ELECTRICAL PIPING (MEP) (Mechanical, Electrical & Instrumentation, Oil & Gas)

Order book as at February 2022 – R93 million

The contracts reported as cancelled due to the pandemic eventually returned to market and are expected to be awarded during 2022. Petrochemical projects and planned shutdowns that were postponed because of COVID-19 (and at the time the slump in the market) remained postponed for longer than anticipated (12 to 18 months). This resulted in a reduction in MEP's turnover for the year.

MEPs operations continued to be negatively affected by the pandemic. Despite the oil and resource price recovering, the cancelled or postponed contracts did not progress during the financial year. Low turnover in all Disciplines resulted in under recovery of overhead costs and in a bid to further reduce costs MEP relocated from its Barbara Road premises to the Stefanutti Stocks head office at Protec Park.

The Oil & Gas and Mechanical Disciplines reported operating losses while the Electrical & Instrumentation Discipline reporting a small profit. The overall reported operating losses totalled R78 million (February 2021: operating loss of R64 million).

Going forward, Oil & Gas and Mining sector prospects look promising, with many projects – that had been cancelled or delayed – returning to market in 2022. MEPs Disciplines have re-bid on these projects, as well as on new market opportunities. Significant projects have been secured post year end, with others due for award during the second quarter of 2022.

Opportunities exist for this business in renewable energy, industrial projects, clean fuels, tank farms, data centres, mining infrastructure and plant upgrades, shutdowns and maintenance.

In the short term, there are potential awards to the value of approximately R777 million and for the future, projects to the value of approximately R6,3 billion have been identified.

ESKOM – KUSILE POWER PROJECT

SSBR JV – Package 16

The Group hereby provides Shareholders with an update on this project, which update should be read together with all previous announcements and updates:

Update on construction:

- All construction work is complete inclusive of snagging.
- A small team remains on site attending to defects.
- SSBR has demobilised.
- A small team of clerical staff will remain onsite for the purpose of closing out documentation.

Update on measurement:

- The sectional final measurements have been concluded.
- Still to be agreed are contractors' information requests, new rates, engineer's instructions and variations orders. Should the parties be unable to resolve these issues, these will be referred to the Dispute Adjudication Board ("**DAB**") for a decision.
- Eskom continues with its adverse approach to certification, but SSBR has been able to motivate certification in the amount of R71 million for the year, all of which has been paid.

Update on the agreement:

- As previously mentioned, SSBR and Eskom have both committed to a claims resolution process, for all causes and delays to the end of December 2019, which involves the appointment of independent experts to evaluate the causes of delays and the quantification thereof.
- The parties and the DAB have signed a further joint agreement which states that:
  - the DAB will issue decisions confirming the entitlements which the experts have agreed, which will be binding on the parties;
  - the DAB will rely on the experts for the narrowing of the issues and information it must consider;
  - 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; and
  - the DAB will issue such interim decisions for both time and money.

At the end of the process, in respect of both time and money, the DAB will issue a final decision in terms of the contract, at which point (and not prior thereto) a party may issue a notice of dissatisfaction and refer the dispute to arbitration (if at all).

Update on delay:

- The contract comprises 77 sections and both parties' independent delay experts have completed all analyses and submitted their final differences to the DAB for a decision on the delay entitlements.
- Meetings lead by the DAB started during November 2021.
- Phase 1 – Access related disputes: The parties' delay experts have reached agreement.
- Phase 2 – Construction related disputes: 7 key sections, which contained the majority of differences between the parties' delay experts were referred to the DAB.
- Interim decisions on all of the sections covering most of the differences have been received.
- It is anticipated that the 7 key sections will cover the majority of the construction related disputes between the parties.
- Phase 3 – Commissioning related delays: The DAB will shortly be engaged to issue interim decisions, on the differences between the parties' delay experts.
- The interim decisions on the 7 sections and the commissioning will allow the parties' delay experts to calculate the final entitlement (subject to minor outstanding issues) and compile a joint final delay expert report.
- This will be followed by the quantum experts who will calculate the financial entitlements based on the joint final delay expert report.

Update on Quantum:

- The independent quantum experts have completed their exercise of interrogating the total costs which have been incurred on the project.
- The interrogation was conducted on a sampling basis and to date no anomalies have been found.
- The quantum experts have agreed the methodology to apply the project costs to the delay entitlements to quantify the financial consequences of the delays, although differences of principle are anticipated.
- The quantum experts are engaging on these principles and attempting to narrow issues that would then be referred to the DAB for interim decisions.
- This process is being run in parallel with the delay process.

Other claims, post December 2019:

- SSBR was successful with its COVID-19 claim on both merits and quantum.
- The DAB awarded an extension of time of 57-days and quantum of R26.1 million.
- After December 2019 a further 85 claims have been submitted to the engineer, to which the engineer has only responded to 35.
- SSBR is requesting the engineer to provide his determination on all claims submitted in order to proceed to refer the rejection of the claims to the DAB.
- Following the successful dispute of the COVID-19 claim award, the engineer has acknowledged that his interpretation of the contract may be incorrect and therefore needs to reassess all submitted claims.
- All disputed claims will be referred to the DAB.

These claims have not been recognised in the financial statements.

Stefanutti Stocks Izazi JV – Package-28

The Group hereby provides Shareholders with an update on this project, which update should be read together with all previous updates:

- During June 2018, the joint venture commenced adjudication proceedings in relation to numerous compensation events which had not been assessed.
- During February 2019, this contract was terminated, due to Eskom's inability to provide access to the joint venture to complete the works.
- The engineer issued two negative final payment certificates in August 2019 and April 2020 respectively, alleging overpayments had been made to the joint venture.

- This prompted the notification of many new disputes which were then included in the adjudication process.
- Adjudication hearings were conducted during November 2020 and February 2021.
- As several disputes relate to measurement of the works, the joint venture and Eskom have embarked on an independent expert process to resolve these disputes.
- In order to accommodate this independent expert process, the adjudicator has been requested not to publish his decision.
- The measurement of the direct works should be concluded by the end of the year.
- Thereafter it is Stefanutti Stocks' intention to request the adjudicator to release his decision, whereafter we hope to engage Eskom on the remaining compensation events.
- Given the magnitude of the amounts in dispute, it is highly probable that the disputes will be referred to arbitration, which could delay this matter further.

AUDIT, GOVERNANCE AND RISK COMMITTEE – GENERAL RISK MANAGEMENT

The Board Risk Committee for the time being is focusing on the following aspects:

- COVID-19 and the effect on the sustainability of the Group;
- Going concern;
- Solvency and liquidity;
- Funding requirements and repayments;
- Debtors recoverability;
- Material contracts; and
- Working capital requirements and movement.

10. ADDITIONAL INFORMATION ON STEFANUTTI STOCKS

10.1 Share Capital of the Company

The table below shows the authorised and issued share capital of Stefanutti Stocks as at the Last Practicable Date:

	R'000
Authorised 400 000 000 ordinary shares with a par value of 0,00025 cents each	
Total	1
Issued 188 080 746 ordinary shares with a par value of 0,00025 cents each 20 837 062 treasury shares Share premium	 – – 1 007 718
Total	1 007 718

10.2 **Major Shareholders**

Insofar as it is known to the Directors, Shareholders who directly or indirectly beneficially held a 5% or greater shareholding in the issued ordinary share capital of Stefanutti Stocks, excluding treasury shares, as at the Last Practicable Date were as follows:

Name of Shareholder	Number of shares held	Direct beneficial	Indirect beneficial	% of issued share capital*
H & M Schwegmann	20 844 970	–	11,08	11,08
Steyn Capital Management	18 619 993	9,90	–	9,90
AG Capital	15 671 030	8,33	–	8,33
Ninety-One	14 631 714	7,78	–	7,78
Total	69 767 707	26,01	11,08	37,09

* There is no controlling shareholder as at the Last Practicable Date.

10.3 **Directors' Remuneration and Service Contracts**

The Directors' remuneration and benefits are set out below:

28 FEBRUARY 2022

	Basic salary R'000	Other benefits (travel allowances) R'000	Acting allowance R'000	Discretionary bonus 2021 R'000	Discretionary bonus 2022 R'000	Post-employment benefits R'000	Total R'000
EXECUTIVE DIRECTORS							
RW Crawford – CEO	3 798	234	–	1 200	2 714	361	8 307
Y du Plessis – CFO (Appointed 1 June 2021)	1 006	58	563	–	1 163	153	2 943
AV Cocciante – CFO (Resigned 31 May 2021)	786	–	–	720	–	77	1 583

Contracts of employment with Executive Directors were concluded on terms and conditions that are standard for such appointments and contain normal terms of employment. The contracts of employment are available for inspection as described in paragraph 15 of this Circular.

The Non-executive Directors' short-term benefits are set out below:

28 FEBRUARY 2022

	Attendance fees R'000	Annual fees R'000	Total R'000
NON-EXECUTIVE DIRECTORS			
ZJ Matlala (Chairman)	–	959	959
JM Poluta	494	–	494
DG Quinn (retired 6 August 2021)	567	–	567
HJ Craig	639	–	639
B Silwanyana	584	–	584
B Harie	568	–	568

There are no service contracts in place in respect of Non-executive Directors of Stefanutti Stocks.

10.4 **Directors' Interests in Stefanutti Stocks Shares**

The direct and indirect interests of the Directors, and their associates (including Directors who resigned and retired in the last 18 months), in the ordinary share capital of Stefanutti Stocks, as at 28 February 2022, are set out below:

Director	**Direct beneficial (number of shares)**	**Indirect beneficial (number of Shares)**	**Percentage holding %**
Non-executive			
DG Quinn (retired 6 August 2021)	–	700 000	0.37
JM Poluta	–	150 612	0.08
Executive			
RW Crawford	7 693	336 780	0.18
AV Cocciante (resigned 31 May 2021)	634 666	290 335	0.49
Total	**642 359**	**1 477 727**	**1.12**

The following transactions occurred between 1 March 2022 and the Last Practicable Date as per the SENS announcements dated:

- 3 June 2022, Mr JM Poluta (Non-executive Director) acquired 850 000 Stefanutti Stocks Shares at 55 cents each.
- 15 July 2022, Mr M Crawford (an associate of Mr R Crawford (CEO)) acquired 190 000 Stefanutti Stocks Shares at an average price of 75,85 cents each.

10.5 **Directors' Interest in the Transaction**

The Directors do not have any beneficial interest, whether direct or indirect, in the Transaction nor did they have any material interest in a transaction that was effected by Stefanutti Stocks during:

- the current or immediately preceding financial year; or
- an earlier financial year and remains in any respect outstanding or unperformed.

10.6 **Material Loans and Contracts of Stefanutti Stocks**

- Details relating to material loans made to Stefanutti Stocks are set out in **Annexure 5** of this Circular.
- Details relating to Stefanutti Stocks material contracts are set out in **Annexure 6** of this Circular.

10.7 **Material Change**

There have been no material changes in the financial or trading position of Stefanutti Stocks since the publication of the Group's Consolidated Annual Financial Statements for the year ended 28 February 2022.

10.8 **Working Capital Statement**

Having made due and careful enquiry as to the working capital requirements of Stefanutti Stocks for the twelve months following the date of issue of this Circular, the Board is of the opinion that the working capital facilities of Stefanutti Stocks and its subsidiaries are sufficient for the current requirements of Stefanutti Stocks and will be adequate for at least the next twelve months from the date of issue of this Circular. The Transaction will generate approximately R203 million in freely available cash, which will be used by Stefanutti Stocks to strengthen its financial position by reducing its overall existing debt as envisaged under the Restructuring Plan, thereby contributing positively to the working capital requirements.

10.9 **Litigation Statement**

Save as otherwise publicly disclosed, including in the Stefanutti Stocks integrated annual report and the Group's Consolidated Annual Financial Statements for the year ended 28 February 2022, there are no legal or arbitration proceedings, including any proceedings that are pending or threatened, of which the Group is aware, that may have or have had, in the recent past, being at least the previous twelve months, a material effect on the Group's financial position.

10.10 **Material Risks**

The Board committees and the Board itself are responsible for overseeing the company's risk mitigation processes. The risks that the group deems material to its operations and ongoing sustainability are set out in the following table:

Risk Category	Risk	Mitigation strategy	Affected capital
ECONOMIC	Significant change in pricing levels and pressure on margins	• Diversification and expansion of group offering • Identification of opportunities in new markets • New geographical territories • Alternative procurement approaches and methods	• Financial capital • Human capital • Intellectual capital • Manufactured capital
	Ability of the group to remain a sustainable business	• Preservation of cash resources • Continuous contact with clients in respect of cancelled and delayed projects • Following governmental guidelines to ensure safety of group employees • Supporting the government's vaccination programme	• Financial capital • Human capital • Manufactured capital • Social and relationship capital
FINANCIAL	Inability to achieve agreed Restructuring Plan	• Chief Restructuring Officer and Restructuring Implementation Team continue to oversee the implementation of the Restructuring Plan • Progress against the Restructuring Plan monitored monthly	• Financial capital • Intellectual capital • Social and relationship capital • Human capital
COMMERCIAL	Diverse number of contracting forms and solutions	• Specialised skills deployed for tenders	• Financial capital • Human capital • Intellectual capital
INDUSTRY COMPLIANCE	Not maintaining a Level 1 B-BBEE rating	• Structured initiatives to increase representation of previously disadvantaged individuals at various management levels • B-BBEE initiatives by regions • Monthly measurement tool implemented by regions • Procurement with qualifying B-BBEE suppliers and subcontractors	• Intellectual capital • Human capital • Financial capital

Risk Category	Risk	Mitigation strategy	Affected capital
INDUSTRY VOLATILITY	Exposure to industrial action	• Ongoing liaison with site teams and forging strategic relationships with unions • Constant communication and feedback at sites	• Intellectual capital • Human capital • Financial capital
HUMAN RESOURCES	Scarcity of resources for execution of projects	• Focused actions as part of the restructuring process	• Human capital • Financial capital • Intellectual capital
LEGAL	Potential non-compliance with legal frameworks	• Ongoing annual training and awareness programmes for all management on Competition Act requirements • Code of Business Conduct and Ethics accessible to all employees • Risk management and legal compliance reviews • Rigorous health and safety management systems in each region and discipline • Monitoring and reporting of all incidents, ensuring corrective action is taken • Reporting against environmental metrics • Identification of Acts applicable to the group and key controls to ensure compliance • Financial management processes, procedures for VAT and income tax compliance • Risk management and compliance reviews	• Financial capital • Human capital • Social and relationship capital • Natural capital • Intellectual capital • Manufactured capital
RESOURCES	Electricity supply	• Uninterrupted power supplies and generators have been installed at all major sites	• Natural capital • Financial capital • Manufactured capital
	Resource utilisation	• Flexible resource arrangements • Proactive redeployment of resources	• Human capital • Financial capital
	Water supply	• Water saving awareness campaigns and initiatives • The construction of more effective wash bays • Frequent use of recycled water through water recycling plants • Deliberately reusing good quality water, rather than fresh water	• Natural capital • Financial capital • Manufactured capital

Risk Category	Risk	Mitigation strategy	Affected capital
MARKET	Loss of market share	• Client relationship marketing strategies • Quality, on-time and within client budget performance • Process of continuous improvements and cost control • Growing market share in selected business areas • Diversification of client base within the regional operations	• Financial capital • Social and relationship capital • Intellectual capital • Human capital
PRICING	Estimating	• Well-developed estimating systems • Experienced estimators • Regular reviews and updates of rates • Structured and stringent tender finalisation process • Complex, large, new types of projects subjected to particular focus	• Intellectual capital • Human capital • Financial capital • Manufactured capital
CONTRACT SELECTION	Contractual terms and conditions becoming onerous	• Commercial skills capacity • Conforming to standard industry contracts • Deviations subject to professional advice inputs and senior management sign-offs • Avoidance and/or mitigation of high-risk contracts e.g. fixed price contracts	• Intellectual capital • Financial capital
EMPLOYMENT EQUITY (EE)	EE targets	• Regional operations developed EE plans in line with demographics • Focused recruitment	• Social and relationship capital • Human capital • Intellectual capital
COMPETENCY	Staff competency	• “Know your staff” practices prior to assigning individuals to a team • On-the-job training and performance management for qualified quantity surveyors, engineers, junior safety officers, quality officers	• Human capital • Intellectual capital • Financial capital
GEARING	Financial gearing	• Appropriate financial gearing levels determined and reviewed regularly	• Financial capital

Risk Category	Risk	Mitigation strategy	Affected capital
LIQUIDITY	Working capital and availability of funding	• Qualify payment terms in tender • Deviations from standard contractual terms to be approved at senior management levels • Continuous monitoring and management of working capital • Certification and debtors management • Continuous cash flow forecasting as well as close internal management of cash flows • Compliance with information and general undertakings as imposed by funding arrangements	• Financial capital • Intellectual capital • Social and relationship capital • Human capital
EXECUTION	Poor project delivery	Project management controls covering all aspects of the project process are devised and implemented: • Start-up management meetings • Monthly contract reviews • Financial performance reviews, controls and record keeping • Monthly forecasting • Site asset controls • Quality management plans • Health and safety plans • Environmental plans • Commercial plans • Certification and payment management • Subcontracting and supplier management • Handover and completion certificate controls • Skills development, capacity building and human capital development • Executive and line management progress reviews with regard to key sites	• Intellectual capital • Human capital • Financial capital • Social and relationship capital
INFORMATION PLATFORM AND SYSTEMS	ICT failure	• Business continuity plan has been developed and communication and training provided to relevant management • Service level agreements with ICT service providers • Contingency plan with respect to network connectivity • Increased security measures have been implemented	• Social and relationship capital • Intellectual capital • Financial capital • Human capital

Risk Category	Risk	Mitigation strategy	Affected capital
ALIGNMENT	Inability to form partnering/ strategic alliances/joint arrangements	• Seek compatible operational cultures/approaches • Build strong interpersonal relationships at correct management levels • Ensure joint operation partners are the right match in terms of skills, quality and financial position	• Human capital • Intellectual capital • Financial capital • Social and relationship capital
SUCCESSION	Inadequate key human resources capacity and capabilities	• Focused individual development plans • Structured skills training, mentoring and deployment • Remuneration and retention schemes	• Human capital • Intellectual capital • Social and relationship capital

11. EXPENSES RELATING TO THE TRANSACTION

The estimated expenses that will be incurred by Stefanutti Stocks in respect of the Transaction are approximately R12 million, excluding VAT and include the following:

Nature of expense	Service Providers	R'000
Transaction Advisors	Metis/Birkett Stewart McHendrie (Pty) Ltd and others	6 595
Legal Advisors	Webber Wentzel, PWC Mozambique, Avillez Bacar Duarte & Centeio (ABCC Mozambique) and BLC Robert & Associates	4 554
Sponsor	Bridge Capital Advisors (Pty) Ltd	175
Independent Reporting Accountants	Mazars	525
JSE documentation fees	JSE Limited	58
Printing, publication, distribution expenses	Ince	180
Transfer Secretaries	Computershare Investor Services (Pty) Ltd	5
Total		**12 092**

Stefanutti Stocks incurred preliminary expenses during 2021 in relation to the circular to Shareholders dated 3 August 2021 regarding the disposal of its entire interest, representing 49% of the entire issued share capital in Al Tayer Stocks LLC and are disclosed in the table below:

Nature of expense	Service Providers	R'000
Transaction Advisors	Metis/Birkett Stewart McHendrie (Pty) Ltd	500
Legal Advisors	Webber Wentzel	500
Sponsor	Bridge Capital Advisors (Pty) Ltd	450
Independent Reporting Accountants	Mazars	1 184
JSE documentation fees	JSE Limited	56
Printing, publication, distribution expenses	Ince	140
Transfer Secretaries	Computershare Investor Services (Pty) Ltd	50
Total		**2 880**

Stefanutti Stocks incurred preliminary expenses during 2021 in relation to the circular to Shareholders dated 28 April 2021 regarding the disposal of the Mining Services Division and are disclosed in the table below:

Nature of expense	Service Providers	R'000
Transaction Advisors	Metis/Birkett Stewart McHendrie (Pty) Ltd	500
Legal Advisors	Webber Wentzel	500
Transaction Sponsor	Bridge Capital Advisors (Pty) Ltd	150
Independent Reporting Accountants	Mazars	371
JSE documentation fees	JSE Limited	75
Printing, publication, distribution expenses	Ince	100
Transfer Secretaries	Computershare Investor Services (Pty) Ltd	50
Total		**1 746**

Stefanutti Stocks incurred preliminary expenses during 2020 in relation to the circular to Shareholders dated 22 December 2020 regarding the disposal of the Clayville Properties and are disclosed in the table below:

Nature of expense	Service Providers	R'000
Transaction Advisors	Metis/Birkett Stewart McHendrie (Pty) Ltd	100
Legal Advisors	Webber Wentzel	150
Sponsor	Bridge Capital Advisors (Pty) Ltd	150
Independent Reporting Accountants and Auditors	Mazars	188
JSE documentation fees	JSE Limited	53
Printing, publication, distribution expenses	Ince	78
Transfer Secretaries	Computershare Investor Services (Pty) Ltd	50
Total		**769**

12. DIRECTORS' RESPONSIBILITY STATEMENT AND RECOMMENDATION

The Directors, whose names are set out on page 11 of this Circular, collectively and individually accept full responsibility for the accuracy of the information given in this Circular in relation to Stefanutti Stocks and certify that, to the best of their knowledge and belief, no material facts have been omitted which would make any statement in this Circular false or misleading, that all reasonable enquiries to ascertain such facts have been made and that the Circular contains all information as required by the Listings Requirements.

Having regard to the terms and conditions of the Transaction, the Board is of the opinion that the terms of the Transaction are in the interest of Shareholders. The Transaction forms part of the disposal of certain non-core assets as envisaged by the Restructuring Plan which aims to put in place the optimal capital structure and access to liquidity to position the Group for long-term growth. To this end, the Board recommends that Shareholders vote in favour of the ordinary resolutions as set out in the Notice of General Meeting to approve and authorise the implementation of the Transaction and all the Directors intend, in respect of their own beneficial holdings of Stefanutti Stocks Shares, if any, to vote in favour of the Transaction.

13. CONSENTS

All parties detailed in the "Corporate Information" section on page 1 of this Circular have consented in writing to the inclusion of their names and reports in the Circular in the form and context in which they appear and have not withdrawn their consents prior to the publication of this Circular. The Independent Reporting Accountant has consented to references to its reports in the form and context in which they appear and has not withdrawn its consents prior to the publication of the Circular.

14. **GENERAL MEETING AND VOTING RIGHTS**

A General Meeting of Stefanutti Stocks Shareholders will be held entirely by electronic communication in terms of the MOI and Companies Act on Tuesday, 22 November 2022 in order to consider, and if deemed fit, pass, with or without modification, the resolutions set out in the Notice of General Meeting as attached and forming part of this Circular.

Shareholders are referred to the Notice of General Meeting attached to this Circular for details on the resolutions to be proposed at the General Meeting and to the "Action Required by Shareholders" section of this Circular for information on the procedure to be followed by Shareholders in order to participate and to exercise their votes at the General Meeting.

Every Shareholder present or represented by proxy at the General Meeting shall have all votes determined in accordance with the voting rights associated with the Stefanutti Stocks Shares held by that Shareholder.

The quorum requirement for the General Meeting to begin or for a matter to be considered at the General Meeting is at least three Shareholders present in person. In addition:

- the General Meeting may not begin until sufficient persons are present or represented by proxy to exercise, in aggregate, at least 25% of the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the General Meeting; and
- a matter to be decided at the General Meeting may not begin to be considered unless sufficient persons are present or represented by proxy to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised in respect of that matter at the time the matter is called on the agenda.

Votes at the General Meeting will be taken by way of a poll and not a show of hands. On a poll, any person who is present at the General Meeting, whether as a Shareholder or as proxy for a Shareholder, has the number of votes determined in accordance with the voting rights associated with the Stefanutti Stocks Shares held.

15. **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the registered offices of Stefanutti Stocks at No 9 Palala Street, Protec Park, Cnr. Zuurfontein Avenue and Oranjerivier Drive, Kempton Park, 1619, and can also be accessed via the Company's website (www.stefanuttistocks.com) and/or through a secure electronic manner by making an email request to the company secretary at w.somerville@mweb.co.za, from the date of publication of this Circular up to and including the date of the General Meeting:

- the memorandum of incorporation of Stefanutti Stocks and of each of its major subsidiaries;
- the Sale Agreements;
- the Loan Agreement;
- the signed Independent Reporting Accountant's assurance report on the compilation of the *pro forma* financial information set out in **Annexure 2**;
- the signed Independent Reporting Accountant's report on the report of historical financial information set out in **Annexure 3**;
- Directors' service contracts;
- material contracts referenced in paragraph 10.6 and **Annexure 6** of this Circular;
- the advisors' consents as per paragraph 13 of this Circular;
- Historical financial information of SS Mozambique and SS Construction for the financial years ended 29 February 2020, 28 February 2021 and 28 February 2022;
- the audited annual financial statements of Stefanutti Stocks for the financial years ended 29 February 2020, 28 February 2021 and 28 February 2022; and
- a signed copy of this Circular.

On behalf of the Board

ZJ Matlala
Chairman
Tuesday, 25 October 2022

PRO FORMA FINANCIAL INFORMATION

PRO FORMA FINANCIAL INFORMATION

PRO FORMA FINANCIAL INFORMATION ON THE TRANSACTION

Basis of Preparation

The definitions and interpretations commencing on page 7 of this Circular have been used throughout this Annexure. The *pro forma* financial information should be read in conjunction with paragraph 6 of this Circular.

Set out below is the *pro forma* statement of financial position and statement of comprehensive income of Stefanutti Stocks, showing the *pro forma* effects of the Transaction (the "***pro forma* financial information**").

The *pro forma* financial information has been provided for illustrative purposes only, to provide information on how the Transaction may have affected the financial position of Stefanutti Stocks, assuming it was implemented on 1 March 2021 for purposes of the *pro forma* statement of comprehensive income and 28 February 2022 for purposes of the *pro forma* statement of financial position. Because of its nature, the *pro forma* financial information may not fairly represent Stefanutti Stocks' financial position, changes in equity, results of operations or cash flows after the Transaction.

The *pro forma* financial information, including the assumptions on which it is based and the financial information from which it has been prepared, is the responsibility of the Board of Directors. The *pro forma* financial information has been prepared in accordance with Stefanutti Stocks' accounting policies and in compliance with IFRS.

The *pro forma* financial information should be read in conjunction with the Independent Reporting Accountant's assurance report thereon, which is presented in **Annexure 2**.

PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 12 MONTHS ENDED 28 FEBRUARY 2022

R'000	Audited 12 months ended 28 February 2022 (note 2)	Adjustment to give effect to disposal of SS Mozambique and SS Construction (note 3)	Disposal of SS Mozambique and SS Construction (note 4 & 5)	Continuing effect on Group results (note 6)	Transaction costs (note 7)	***Pro forma*** after disposal
Continuing operations						
Contract revenue	5 968 484	–	–	–	–	5 968 484
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	109 750	–	–	3 515	(12 092)	101 173
Depreciation and amortisation	(54 275)	–	–	–	–	(54 275)
Fair value adjustments	(26 903)	–	–	–	–	(26 903)
Impairment of assets	(127 478)	–	–	–	–	(127 478)
Operating loss before investment income	(98 906)	–	–	3 515	(12 092)	(107 483)
Investment income	19 001	–	–	–	–	19 001
Share of profits of equity-accounted investees	8 958	–	–	–	–	8 958
Operating loss before finance costs	(70 947)	–	–	3 515	(12 092)	(79 524)
Finance costs	(112 882)	–	–	14 584	–	(98 298)
Loss before taxation	(183 829)	–	–	18 099	(12 092)	(177 822)
Taxation	(79 913)	–	–	–	–	(79 913)
Loss for the year	(263 742)	–	–	18 099	(12 092)	(257 735)
Loss after tax for the period from discontinued operations	(151 466)	62 244	(115 836)	–	–	(205 058)
Loss for the year	(415 208)	62 244	(115 836)	18 099	(12 092)	(462 793)

R'000	Audited 12 months ended 28 February 2022 (note 2)	Adjustment to give effect to disposal of SS Mozambique and SS Construction (note 3)	Disposal of SS Mozambique and SS Construction (note 4 & 5)	Continuing effect on Group results (note 6)	Transaction costs (note 7)	***Pro forma*** after disposal
Other comprehensive income	(27 379)	(31 866)	25 390	–	–	(33 855)
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss)) – Continuing operations	(34 292)	–	–	–	–	(34 292)
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss)) – Discontinued operations	8 002	(31 866)	–	–	–	(23 864)
Revaluation of land and buildings (may be reclassified to profit/(loss)) – Continuing operations	(676)	–	–	–	–	(676)
Impairment losses recognised on re-valued assets (may not be reclassified to profit/(loss)) – Continuing operations	(413)	–	–	–	–	(413)
Reclassification of foreign currency translation reserve on disposal of foreign subsidiary	–	–	25 390	–	–	25 390
Total comprehensive income	(442 587)	30 378	(90 446)	18 099	(12 092)	(496 648)
Loss attributable to equity holders of the company:						
Continuing operations	(263 742)	–	–	18 099	(12 092)	(257 735)
Discontinued operations	(151 466)	62 244	(115 836)	–	–	(205 058)
	(415 208)	62 244	(115 836)	18 099	(12 092)	(462 793)
Total comprehensive income attributable to equity holders of the company:						
Continuing operations	(299 123)	–	–	18 099	(12 092)	(293 116)
Discontinued operations	(143 464)	30 378	(90 446)	–	–	(203 532)
	(442 587)	30 378	(90 446)	18 099	(12 092)	(496 648)

	Audited 12 months ended 28 February 2022 (note 2)	Adjustment to give effect to disposal of SS Mozambique and SS Construction (note 3)	Disposal of SS Mozambique and SS Construction (note 4 & 5)	Continuing effect on Group results (note 6)	Transaction costs (note 7)	***Pro forma*** after disposal
Earnings and diluted earnings per share (cents) – Continuing operations	(157,70)	–	–	10,82	(7,23)	(154,11)
Earnings and diluted earnings per share (cents) – Discontinued operations	(90,57)	37,22	(69,26)	–	–	(122,61)
Earnings and diluted earnings per share (cents) – Total operations	(248,27)	37,22	(69,26)	10,82	(7,23)	(276,72)
Headline earnings and diluted headline earnings per share (cents) – Continuing operations	(78,28)	–	–	10,82	(7,23)	(74,69)
Headline earnings and diluted headline earnings per share (cents) – Discontinued operations	(18,79)	0,24	–	–	–	(18,55)
Headline earnings and diluted headline earnings per share (cents) – Total operations	(97,07)	0,24	–	10,82	(7,23)	(93,24)
Number of weighted average shares in issue	167 243 684	167 243 684	167 243 684	167 243 684	167 243 684	167 243 684
Number of diluted weighted average shares in issue	167 243 684	167 243 684	167 243 684	167 243 684	167 243 684	167 243 684

Headline earnings reconciliation

R'000	Audited 12 months ended 28 February 2022 (note 2)	Adjustment to give effect to disposal of SS Mozambique and SS Construction (note 3)	Disposal of SS Mozambique and SS Construction (note 4 & 5)	Continuing effect on Group results (note 6)	Transaction costs (note 7)	***Pro forma*** after disposal
Continuing operations						
Loss after taxation attributable to equity holders of the company	(263 742)	–	–	18 099	(12 092)	(257 735)
Adjusted for:						
Profit on disposal of plant and equipment	(11 578)	–	–	–	–	(11 578)
Gain on disposal of non-current assets held for sale	(3 322)	–	–	–	–	(3 322)
Fair value adjustments	26 138	–	–	–	–	26 138
Reversal of gain previously recognised on disposal of subsidiary	507	–	–	–	–	507
Impairment of goodwill	106 111	–	–	–	–	106 111
Impairment of equity-accounted investees	342	–	–	–	–	342
Impairment of property, plant and equipment	21 367	–	–	–	–	21 367
Net tax effects	(6 748)	–	–	–	–	(6 748)
Headline earnings	(130 925)	–	–	18 099	(12 092)	(124 918)

R'000	Audited 12 months ended 28 February 2022 (note 2)	Adjustment to give effect to disposal of SS Mozambique and SS Construction (note 3)	Disposal of SS Mozambique and SS Construction (note 4 & 5)	Continuing effect on Group results (note 6)	Transaction costs (note 7)	***Pro forma*** after disposal
Discontinued operations						
Loss after taxation attributable to equity holders of the company	(151 466)	62 244	(115 836)	–	–	(205 058)
Adjusted for:						
Loss on disposal of plant and equipment	1	–	–	–	–	1
Gain on disposal of non-current assets held for sale	(24 692)	–	–	–	–	(24 692)
Fair value adjustments	137 958	(61 840)	–	–	–	76 118
Realisation of foreign currency translation reserve on disposal of foreign subsidiary	–	–	25 390	–	–	25 390
Loss on disposal of foreign subsidiary	–	–	90 446	–	–	90 446
Net tax effects	6 774	–	–	–	–	6 774
Headline earnings	(31 425)	404	–	–	–	(31 021)

R'000	Audited 12 months ended 28 February 2022 (note 2)	Adjustment to give effect to disposal of SS Mozambique and SS Construction (note 3)	Disposal of SS Mozambique and SS Construction (note 4 & 5)	Continuing effect on Group results (note 6)	Transaction costs (note 7)	***Pro forma*** after disposal
Total operations						
Loss after taxation attributable to equity holders of the company	(415 208)	62 244	(115 836)	18 099	(12 092)	(462 793)
Adjusted for:						
Profit on disposal of plant and equipment	(11 577)	–	–	–	–	(11 577)
Gain on disposal of non-current assets held for sale	(28 014)	–	–	–	–	(28 014)
Fair value adjustments	164 096	(61 840)	–	–	–	102 256
Reversal of gain previously recognised on disposal of subsidiary	507	–	–	–	–	507
Impairment of goodwill	106 111	–	–	–	–	106 111
Impairment of equity-accounted investees	342	–	–	–	–	342
Impairment of property, plant and equipment	21 367	–	–	–	–	21 367
Realisation of foreign currency translation reserve on disposal of foreign subsidiary	–	–	25 390	–	–	25 390
Loss on disposal of foreign subsidiary	–	–	90 446	–	–	90 446
Net tax effects	26	–	–	–	–	26
Headline earnings	(162 350)	404	–	18 099	(12 092)	(155 939)

Notes and assumptions

1. The *pro forma* Statement of Comprehensive Income ("SOCI") illustrates the possible financial effects if the Transaction had taken place on 1 March 2021.
2. The *pro forma* SOCI ("Audited 12 months ended 28 February 2022" column) has been extracted from the published audited financial information of Stefanutti Stocks for the period ended 28 February 2022, as released on SENS on 27 June 2022.
3. SS Mozambique, incorporating SS Construction, was disclosed as a discontinued operation in the SOCI. The adjustments, as noted in the table below, consists of the reversal of the losses of SS Mozambique and SS Construction for the period 1 March 2021 to 28 February 2022 of R62,2 million, which includes the reversal of exchange gains on translation of foreign operations of R31,9 million. The fair value adjustment of R61,8 million relates to an impairment recognised to reflect the disposal group at fair value less cost to sell.

Statement of profit or loss and other comprehensive income of SS Mozambique and SS Construction:

R'000	Audited 12 months ended 28 February 2022 SS Mozambique	Audited 12 months ended 28 February 2022 SS Construction
Contract revenue	271 861	–
Earnings/(loss) before interest, taxation, depreciation and amortisation (EBITDA)	**14 184**	**(105)**
Fair value adjustments	(61 840)	–
Operating loss before investment income	**(47 656)**	**(105)**
Investment income	559	–
Operating loss before finance costs	**(47 097)**	**(105)**
Finance costs	(217)	–
Loss before taxation	**(47 314)**	**(105)**
Taxation	(14 825)	–
Loss for the year	**(62 139)**	**(105)**
Other comprehensive income	31 930	(64)
Total comprehensive income	**(30 209)**	**(169)**

4. The calculated net asset value of SS Mozambique and SS Construction at 1 March 2021 is as follows:

R'000	SS Mozambique	SS Construction
Non-current assets	**246 425**	**–**
Property, plant and equipment	233 946	–
Deferred tax assets	12 479	–
Current assets	**246 946**	**1 580**
Inventories	86 385	–
Contracts in progress	4 950	–
Trade and other receivables	72 962	1 514
Taxation	403	–
Bank balances	82 246	66
Less: Non-current liabilities	**386**	**–**
Financial liabilities	386	–
Less: Current liabilities	**209 332**	**123**
Financial liabilities	306	–
Trade and other payables	147 750	123
Excess billings over work done	53 409	–
Provisions	7 867	–
Calculated net asset value	**283 653**	**1 457**

The Purchase Consideration (for the avoidance of doubt, including the repayment of the Trade Receivable) for the Transaction is US$13,5 million (subject to the adjustment as referred to in paragraph 5.1, which adjustment is not expected to be material). Using a conversion rate of R15,02 for US$1,00 on 1 March 2021, the Purchase Consideration (for the avoidance of doubt, including the repayment of the Trade Receivable) equates to R202,8 million. Capital gains tax, expected to be paid in Mozambique, is estimated to be R8,1 million resulting in net proceeds of R194,7 million. Net proceeds of R194,7 million less the calculated net asset value at 1 March 2021 results in a loss on disposal of SS Mozambique and SS Construction of R90,4 million.

5. A foreign currency translation reserve of R25,4 million is realised on the disposal of SS Mozambique and SS Construction.
6. The net proceeds of R194,7 million, as calculated in note 4, will be applied to the reduction of Stefanutti Stocks' current funding facilities provided by the Lenders in accordance with the Restructuring Plan. The settlement of the debt will result in savings on financial guarantee costs, linked to the provision of the funding facilities, of R3,5 million, and a decrease in finance costs of R14,6 million (continuing effect in the statement of profit or loss) using an interest rate of 7,492%. No adjustment for tax was made as the Group is currently in a tax loss position.
7. Represents the estimated transaction costs for the Transaction.
8. There have been no material subsequent events which may impact the calculation of the pro forma financial information.

PRO FORMA STATEMENT OF FINANCIAL POSITION AT 28 FEBRUARY 2022

R'000	Audited 12 months ended 28 February 2022 (note 10)	Disposal of SS Mozambique and SS Construction (note 11 & 12)	Settlement of debt (note 13)	Transaction costs (note 14)	***Pro forma*** after disposal
Assets					
Non-current assets	983 198	–	–	–	983 198
Property, plant and equipment	466 337	–	–	–	466 337
Equity-accounted investees	27 405	–	–	–	27 405
Goodwill	272 376	–	–	–	272 376
Deferred tax assets	217 080	–	–	–	217 080
Current assets	2 912 826	199 794	(199 794)	–	2 912 826
Other current assets	2 411 785	–	–	–	2 411 785
Taxation	72 818	–	–	–	72 818
Bank balances	428 223	199 794	(199 794)	–	428 223
Non-current assets held for sale and disposal groups	700 938	(417 180)	–	–	283 758
Total assets	4 596 962	(217 386)	(199 794)	–	4 179 782
Equity and liabilities					
Capital and reserves	(90 019)	(43 498)	–	(12 092)	(145 609)
Share capital and premium	1 007 718	–	–	–	1 007 718
Other reserves	126 819	(62 415)	–	–	64 404
Accumulated loss	(1 224 556)	18 917	–	(12 092)	(1 217 731)

R'000	Audited 12 months ended 28 February 2022 (note 10)	Disposal of SS Mozambique and SS Construction (note 11 & 12)	Settlement of debt (note 13)	Transaction costs (note 14)	***Pro forma*** after disposal
Non-current liabilities	133 639	–	–	–	133 639
Other financial liabilities	133 639	–	–	–	133 639
Current liabilities	4 375 114	–	(199 794)	12 092	4 187 412
Other current liabilities*	2 755 556	–	(199 794)	12 092	2 567 854
Excess billings over work done	909 550	–	–	–	909 550
Provisions	598 216	–	–	–	598 216
Taxation	92 896	–	–	–	92 896
Bank balances	18 896	–	–	–	18 896
Liabilities directly associated with the disposal group**	178 228	(173 888)	–	–	4 340
Total equity and liabilities	4 596 962	(217 386)	(199 794)	–	4 179 782
* including interest-bearing liabilities of	1 298 485	–	(199 794)	–	1 098 691
** including interest-bearing liabilities of	461	–	–	–	461
Total number of shares in issue	167 243 684	167 243 684	167 243 684	167 243 684	167 243 684
Net asset value per share (cents)	(53,83)	(26,01)	–	(7,23)	(87,07)
Net tangible asset value per share (cents)	(216,69)	(26,01)	–	(7,23)	(249,93)

Notes and assumptions

9. The *pro forma* Statement of Financial Position ("**SOFP**") illustrates the possible financial effects if the Transaction had taken place on 28 February 2022.
10. The *pro forma* SOFP ("Audited 12 months ended 28 February 2022" column) has been extracted from the published audited financial information of Stefanutti Stocks for the period ended 28 February 2022, as released on SENS on 27 June 2022.
11. SS Mozambique, incorporating SS Construction, has been classified as Held for Sale in terms of IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*.

The following is included within non-current assets held for sale and disposal group relating to SS Mozambique and SS Construction at 28 February 2022:

R'000	SS Mozambique	SS Construction
Assets		
Non-current assets	**277 658**	**–**
Property, plant and equipment	277 658	–
Current assets	**199 904**	**1 458**
Inventories	97 856	–
Contracts in progress	17 713	–
Trade and other receivables	48 758	1 421
Taxation	1 172	–
Bank balances	34 405	37
Less fair value adjustment	**(61 840)**	**–**
Total assets	**415 722**	**1 458**

The following is included within liabilities directly associated with the disposal group relating to SS Mozambique and SS Construction at 28 February 2022:

R'000	SS Mozambique	SS Construction
Liabilities		
Current liabilities	**173 888**	**–**
Financial liabilities	461	–
Trade and other payables	114 473	–
Excess billings over work done	35 604	–
Provisions	11 913	–
Bank balances	11 437	–
Total liabilities	**173 888**	**–**

The calculated net asset value of SS Mozambique and SS Construction at 28 February 2022 is as follows:

	R'000
Total assets	417 180
Less: Total liabilities	(173 888)
Calculated net asset value	**243 292**

The Purchase Consideration (for the avoidance of doubt, including the repayment of the Trade Receivable) for the Transaction is US$13,5 million (subject to the adjustment as referred to in paragraph 5.1, which adjustment is not expected to be material). Using a conversion rate of R15,40 for US$1,00 on 28 February 2022, the Purchase Consideration (for the avoidance of doubt, including the repayment of the Trade Receivable) equates to R207,9 million. Capital gains tax, expected to be paid in Mozambique, is estimated to be R8,1 million resulting in net proceeds of R199,8 million. Net proceeds of R199,8 million less the calculated net asset value at 28 February 2022 results in a loss on disposal of SS Mozambique and SS Construction of R43,5 million.

12. A foreign currency translation reserve of R6,5 million and a revaluation reserve of R55,9 million is realised on the disposal of SS Mozambique and SS Construction.
13. The net proceeds of R199,8 million, as calculated in note 11, will be applied to the reduction of Stefanutti Stocks' current funding facilities provided by the Lenders in accordance with the Restructuring Plan.
14. Represents the estimated transaction costs for the Transaction.
15. There have been no material subsequent events which may impact the calculation of the *pro forma* financial information.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION

18 October 2022

The Directors of Stefanutti Stocks Holdings Limited
No 9 Palala Street, Protec Park
Cnr Zuurfontein Avenue and Oranjerivier Drive
Chloorkop
Kempton Park
1619

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF THE PRO FORMA FINANCIAL INFORMATION OF THE GROUP

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of Stefanutti Stocks Holdings Limited ("Stefanutti" or "the Group") by the Directors.

The *pro forma* financial information, as set out in **Annexure 1** of the Circular, consist of a Consolidated Pro Forma Statement of Comprehensive Income and a Consolidated *Pro Forma* Statement of Financial Position and related assumptions. The *pro forma* financial information has been compiled on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements.

The *pro forma* financial information has been compiled by the Directors to illustrate the impact of the corporate action or event, described in the Circular, on the Group's financial position as at 28 February 2022 for purposes of the Statement of Financial Position and 1 March 2021 for the Statement of Comprehensive Income. As part of this process, information about the Group's financial position and financial performance has been extracted by the Directors from the Group's financial statements for the period ended 28 February 2022, on which an unmodified auditor's report was issued on 13 June 2022.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The Directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements and described in **Annexure 1** of the Circular and the SAICA Guide on Pro Forma Financial Information, revised and issued in September 2014 ("Applicable Criteria").

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code), which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. 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).*

Mazars applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

INDEPENDENT REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the Directors on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information Included in a Prospectus which is applicable to an engagement of this nature. This standard requires that we comply with the ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the Applicable Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in the compiling of the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the P*ro Forma* Financial Information.

As the purpose of *pro forma* financial information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event has occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction at 28 February 2022 would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria, involves performing procedure to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the corporate action or event in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis of opinion.

OPINION

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Limited (JSE) Listings Requirements and described in **Annexure 1**.

RESTRICTION OF USE

This report has been prepared for the purpose of satisfying the requirements of the JSE Listings Requirements, and for no other purpose.

MAZARS
Registered Auditors
Partner: Yusuf Dockrat
Registered Auditor
Reporting Accounting Specialist
Chartered Accountant (SA)
Mazars House, 54 Glenhove Road, Melrose Estate

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF SS MOZAMBIQUE AND SS CONSTRUCTION

The Directors of Stefanutti Stocks Holdings Limited
No 9 Palala Street, Protec Park
Cnr Zuurfontein Avenue and Oranjerivier Drive
Chloorkop
Kempton Park
1619

18 October 2022

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF SS – CONSTRUÇÕES (MOÇAMBIQUE), LIMITADA AND THE HISTORICAL FINANCIAL INFORMATION OF STEFANUTTI STOCKS CONSTRUCTION LTD INCLUDED IN THE CIRCULAR TO STEFANUTTI STOCKS SHAREHOLDERS

Introduction

This Reporting Accountant's Report on the historical financial information of SS – Construções (Moçambique), Limitada and the historical financial information of Stefanutti Stocks Construction Ltd is prepared to comply with the Listing Requirements of the JSE Limited and for inclusion in the Circular to be issued to shareholders of Stefanutti Stocks Holdings Limited.

At your request and for the purposes of the Stefanutti Stocks Holdings Limited ("the Company") Circular, we have:

- audited the historical financial information of SS – Construções (Moçambique), Limitada and the Historical Financial Information of Stefanutti Stocks Construction Ltd ("the Subject Matter") whose shares are being sold in respect of the year ended 28 February 2022 as presented in **Annexure 4** to the Circular;
- reviewed the historical financial information of the Subject Matter in respect of the year ended 28 February 2021 as presented in **Annexure 4** to the Circular; and
- reviewed the historical financial information of the Subject Matter for the year ended 29 February 2020 as presented in **Annexure 4** to the Circular.

Historical financial information for the year ended 28 February 2022

Opinion

The historical financial information in respect of the year ended 28 February 2022 as presented in **Annexure 4** to the Circular comprises the statements of financial position as at 28 February 2022, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the historical financial information, including the accounting policies.

In our opinion, the historical financial information presents fairly, in all material respects, the statements of financial position of the Subject Matter as at 28 February 2022, and its statements of comprehensive income, changes in equity and cash flows for the year then ended in accordance with the basis of preparation paragraph per Annexure 4 below and the JSE Listing Requirements.

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 historical financial information for the year ended 28 February 2022* section of our report. We are independent of the Subject Matter in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Directors' responsibility for the historical financial information for the year ended 28 February 2022

The Company's Directors are responsible for the preparation and fair presentation of the historical financial information for the year ended 28 February 2022 in accordance with the basis of preparation and the JSE Listing Requirements, and for such internal control as the Directors determine is necessary to enable the preparation of historical financial information that is free from material misstatement, whether due to fraud or error.

In preparing the historical financial information, the Directors are responsible for assessing the Subject Matter'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 Subject Matter or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the historical financial information for the year ended 28 February 2022

Our objectives are to obtain reasonable assurance about whether the historical financial information for the year ended 28 February 2022 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 the historical financial information.

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

- Identify and assess the risks of material misstatement of the historical financial information, 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 Subject Matter'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 Subject Matter'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 historical financial information 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 Subject Matter to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the historical financial information, including the disclosures, and whether the historical financial information represents 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.

Historical financial information for the years ended 28 February 2021 and 29 February 2020

We have reviewed the historical financial information of the Subject Matter, as presented in **Annexure 4** to the Circular, which comprise the statements of financial position as at 28 February 2021 and 29 February 2020 and the statements of comprehensive income, changes in equity and cash flows for the years then ended, including a summary of significant accounting policies and explanatory notes.

Directors' responsibility for the historical financial information for the years ended 28 February 2021 and 29 February 2020

The Directors are responsible for the preparation and fair presentation of the historical financial information in accordance with the basis of preparation and the JSE Listing Requirements, and for such internal control as the Directors determine is necessary to enable the preparation of historical financial information that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the historical financial information for the years ended 28 February 2021 and 29 February 2020

Our responsibility is to express a conclusion on the historical financial information. We conducted our review in accordance with International Standards on Review Engagements (ISRE) 2400, *Engagements to Review Financial Statements*. ISRE 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the historical financial information is not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial information in accordance with ISRE 2400 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the historical financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the historical financial information of the Subject Matter for the years ended 28 February 2021 and 29 February 2020 do not present fairly, in all material respects, the financial position of the Subject Matter as at 28 February 2021 and 29 February 2020, and its financial performance and cash flows for the years then ended, in accordance with the basis of preparation note per Annexure 4 below and the JSE Listing Requirements.

Purpose of the report

The purpose of our report is for the Circular of Stefanutti Stocks Holdings Limited and is not to be used for any other purpose.

MAZARS
Registered Auditors
Partner: Yusuf Dockrat
Registered Auditor
Reporting Accounting Specialist
Chartered Accountant (SA)
Mazars House, 54 Glenhove Road, Melrose Estate

THE ANNUAL FINANCIAL STATEMENTS OF SS CONSTRUÇÕES (MOCAMBIQUE), LIMITADA FOR THE YEARS ENDED 28 FEBRUARY 2022, 28 FEBRUARY 2021 AND 29 FEBRUARY 2020.

The definitions and interpretations commencing on page 7 of the Circular have been used throughout this **Annexure 4**.

The Historical Financial Information has been extracted from the audited financial statements of SS Construções (Moçambique), Limitada for the year ended 28 February 2022 and extracted from the reviewed financial statements for the years ended 28 February 2021 and 29 February 2020. The Historical Financial Information has been prepared in accordance with the accounting policies of the Group, in compliance with IFRS and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The functional currency for SS Construções (Moçambique), Limitada is the Mozambican metical ("MZN"). These financial statements have been translated to South African Rands ("ZAR"), which is the presentation currency of the Group, for purposes of investor analysis within the South African market. The following exchange rates have been used:

	Closing Rate	Average Rate
February 2020	0,2401	0,2361
February 2021	0,2018	0,2340
February 2022	0,2413	0,2301

The Historical Financial Information has been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below.

The accounting policies as well as the methods of computation used in the preparation of the extract of results for the years ended 28 February 2022, 28 February 2021 and 29 February 2020 are in terms of IFRS and are consistent with those applied in the prior years.

Mazars, who is the Independent Reporting Accountant to the Company, conducted the review of the Historical Financial Information for the years ended 28 February 2021 and 29 February 2020 and the audit of the Historical Financial Information for the year ended 28 February 2022 in accordance with International Standards on Auditing and reported without qualification on the Historical Financial Information.

The Directors are responsible for the preparation and presentation of the Historical Financial Information.

SS Construções (Moçambique), Limitada first registered in Mozambique in 1995 as S&B Construções Mozambique. In 2011, the company name changed to SS Construções (Moçambique), Limitada. The company holds a Class 7 "Building License", the highest available construction license for all disciplines, undertaking projects of all sizes across a broad spectrum of industries and operates across the country. The holding company is Stefanutti Stocks International Holdings Proprietary Limited, and the ultimate holding company is Stefanutti Stocks Holdings Limited.

Revenue reduced year on year to R272 million (2021: R503 million, 2020: R908 million). The company reported a profit for the year of R6 million (2021: R2 million, 2020: R18 million loss), with a reduction in operating expenses to R266 million (2021: R499 million, 2020: R922 million).

Trade and other receivables reduced year on year from R107 million in 2020 to R73 million in 2021 and R49 million in 2022, with a corresponding decrease in trade and other payables from R206 million in 2020 to R114 million in 2022 (2021: R148 million).

Cash on hand is reported as R23 million at year-end (2021: R82 million, 2020: R23 million).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28/29 FEBRUARY

	Note	**Audited 2022 R'000**	Reviewed 2021 R'000	Reviewed 2020 R'000
Contract revenue	2	**271 861**	503 257	907 791
Other income	3	**12 349**	–	–
Operating expenses		**(265 659)**	(499 043)	(922 296)
Net expected credit losses	10, 11, 21	**(222)**	3 695	496
Earnings/(loss) before interest, taxation, depreciation and amortisation (EBITDA)	3	**18 329**	7 909	(14 009)
Depreciation	6	**(4 980)**	(6 722)	(8 044)
Impairment of assets	6	**(4 048)**	–	–
Operating profit/(loss) before investment income		**9 301**	1 187	(22 053)
Investment income	4	**559**	3 319	2 104
Operating profit/(loss) before finance costs		**9 860**	4 506	(19 949)
Finance costs	4	**(217)**	(1 812)	(10 362)
Profit/(loss) before taxation		**9 643**	2 694	(30 311)
Taxation	5	**(4 051)**	(1 002)	12 793
Profit/(loss) for the year		**5 592**	1 692	(17 518)
Other comprehensive income		**32 054**	(32 437)	13 834
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss))		**31 971**	(32 437)	13 834
Revaluation of land and buildings (may not be reclassified to profit/(loss))	6	**83**	–	–
Total comprehensive income		**37 646**	(30 745)	(3 684)

STATEMENT OF FINANCIAL POSITION

AS AT 28/29 FEBRUARY

	Note	**Audited 2022 R'000**	Reviewed 2021 R'000	Reviewed 2020 R'000
ASSETS				
Non-current assets		**279 485**	246 421	295 088
Property, plant, and equipment	6	**268 710**	233 946	283 015
Deferred tax assets	8	**10 775**	12 475	12 073
Current assets		**204 656**	247 704	310 210
Inventories	9	**97 856**	86 385	107 188
Contracts in progress	10	**21 839**	4 945	58 025
Trade and other receivables	11	**48 773**	73 181	107 438
Intergroup loans	12	**611**	544	407
Taxation		**1 172**	403	–
Bank balances	13	**34 405**	82 246	37 152
Total assets		**484 141**	494 125	605 298
EQUITY AND LIABILITIES				
Capital and reserves		**197 542**	159 896	190 641
Share capital and premium	14	**19 352**	19 352	19 352
Other reserves	14	**61 162**	29 108	61 545
Retained earnings		**117 028**	111 436	109 744
Non-current liabilities		**–**	386	824
Financial liabilities	15	**–**	386	824
Current liabilities		**286 599**	333 843	413 833
Financial liabilities	15	**461**	306	20 008
Intergroup loans	12	**112 816**	124 512	130 129
Trade and other payables	16	**114 368**	147 749	206 472
Excess billings over work done	10	**35 604**	53 409	32 777
Provisions	17	**11 913**	7 867	7 643
Taxation		**–**	–	2 400
Bank balances	13	**11 437**	–	14 404
Total equity and liabilities		**484 141**	494 125	605 298

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 28/29 FEBRUARY

		Reserves			
	Share capital and premium R'000	Foreign currency translation reserve R'000	Revaluation surplus reserve R'000	Retained earnings R'000	Capital and reserves R'000
Balance at 28 February 2019	19 352	(8 228)	55 939	127 262	194 325
Total comprehensive income	–	13 834	–	(17 518)	(3 684)
Loss for the year	–	–	–	(17 518)	(17 518)
Other comprehensive income	–	13 834	–	–	13 834
Balance at 29 February 2020 reviewed	19 352	5 606	55 939	109 744	190 641
Total comprehensive income	–	(32 437)	–	1 692	(30 745)
Profit for the year	–	–	–	1 692	1 692
Other comprehensive income	–	(32 437)	–	–	(32 437)
Balance at 28 February 2021 reviewed	**19 352**	**(26 831)**	**55 939**	**111 436**	**159 896**
Total comprehensive income	**–**	**31 971**	**83**	**5 592**	**37 646**
Profit for the year	**–**	**–**	**–**	**5 592**	**5 592**
Other comprehensive income	**–**	**31 971**	**83**	**–**	**32 054**
Balance at 28 February 2022 audited	**19 352**	**5 140**	**56 022**	**117 028**	**197 542**
	Note 14	Note 14	Note 14		

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28/29 FEBRUARY

	Note	**Audited 2022 R'000**	Reviewed 2021 R'000	Reviewed 2020 R'000
Cash flows from operating activities		**(63 964)**	90 795	(236 322)
Cash (consumed by)/generated from operations	18.1	**(63 689)**	95 232	(218 734)
Investment income	4	**559**	3 319	2 104
Finance costs	4	**(213)**	(1 943)	(10 535)
Taxation paid	18.2	**(621)**	(5 813)	(9 157)
Cash flows from investing activities		**(262)**	(983)	(25 042)
Expenditure for expansion	6	**–**	(395)	(20 171)
Expenditure for maintaining	6	**(273)**	(643)	(4 885)
Proceeds on disposal of property, plant and equipment		**11**	55	14
Cash flows from financing activities		**(336)**	(20 687)	(24 808)
Repayment of long-term financing – leases	18.3	**(336)**	(1 023)	(1 586)
Repayment of long-term financing – other loans	18.3	**–**	(19 664)	(23 222)
Net movement in cash and cash equivalents		**(64 562)**	69 125	(286 172)
Cash at the beginning of the year		**82 246**	22 748	296 192
Effect of exchange rate changes on cash and cash equivalents		**5 284**	(9 627)	12 728
Cash and cash equivalents at year-end	13	**22 968**	82 246	22 748

1. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the 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. 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:

REVENUE FROM CONTRACTS WITH CUSTOMERS (NOTE 2)

Revenue is recognised over time as the company 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 company receives advance payments when starting on a contract as part of the negotiated price. The company 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 (note 4) as it is incurred. An appropriate interest rate is applied, which reflects the separate financing transaction between the company and the client.

OPERATING ASSETS

Property, plant, and equipment (note 6)

Valuations

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

A valuation was performed on 28 February 2022 by an accredited independent valuer. 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 21.

Useful lives

The useful life of an asset is the period over which the company 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 company uses the following indicators to determine useful life:

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

The estimated useful lives assigned to the categories of Property, Plant and Equipment are as follows:

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

The useful lives for right-of-use assets – other are the shorter of the lease term or the useful life of the leased asset. Generally, lease terms are between one and five years for plant and equipment and ten years for land and buildings.

Residual values

An estimate is made of the amount the company would expect to receive currently 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 6)

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.

Provision for expected credit losses (ECLs) of contracts in progress and trade and other receivables (note 10, 11, 21)

The loss allowances for financial assets are 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, 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 21.

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

Joint operations

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 company recognises its investments as joint operations when the operations are performed through unincorporated arrangements such as partnerships and contracts, and the company has rights to the assets, and obligations for the liabilities. 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 company only has rights to the net assets of the arrangement.

Taxation (note 5, 8)

Management assesses the extent to which it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

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 company's treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority.

The company applies judgements in identifying uncertainties with regards to income tax treatments. The company 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 company 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.

Provisions (note 17)

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.
Severance provisions	Severance provisions relate to obligations arising from internal restructuring initiatives required to restore optimal operational and financial performance and include severance benefits and other costs which will be paid in line with employment agreements.

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

2.1 Contract Revenue

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Outside South Africa- Mozambique	**271 861**	503 257	907 791
Total contract revenue	**271 861**	503 257	907 791

2.2 **Disaggregated Contract Revenue**

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

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Private Sector			
Civils, earthworks and other	**16 380**	17 523	(1 394)
Marine infrastructure	**16 380**	14 283	–
Bulk earthworks and geotechnical services	**–**	–	(1 394)
Oil and gas	**–**	3 240	–
Residential	**10 514**	–	–
Medium and high-end housing	**10 514**	–	–
Non-residential	**244 967**	485 734	909 185
Office and commercial space	**225 098**	306 085	176 883
Educational institutions	**–**	176	293
Tourism and leisure facilities	**94**	3 970	–
Factories and warehouses	**5 030**	152 730	732 009
Mines	**14 745**	–	–
Power stations and transmission infrastructure	**–**	22 773	–
	271 861	**503 257**	**907 791**

2.3 **Transaction Price Allocated to Remaining Performance Obligations**

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

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Shorter than 12 months	**166 283**	296 066	429 211
Longer than 12 months	**10 403**	72 989	254 635
	176 686	369 055	683 846

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

Significant long-term contracts include the Mafambisse Secondary School (2022), VBC Building (2021) and US Aid Warehouses (2020).

2.4 **Contract Balances**

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Contracts in progress (note 10)	**21 839**	4 945	58 025
Excess billings over work done (note10)	**35 604**	53 409	32 777
Trade receivables (note11)	**27 707**	37 203	67 167

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. There were no long-term advances which result in no interest payable (2021: Rnil; 2020: Rnil) (note 4).

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 R16 thousand (Feb 2021: R5 thousand; Feb 2020: R37 thousand) (note 10).

Trade 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 reduced revenue caused by difficult trading conditions following the civil unrest in Mozambique. This created instability and affected investor confidence, which led to some contracts being cancelled or delayed. The balance of expected credit losses provided for on trade receivables amounted to R1,4 million (Feb 2021: R1,2 million; Feb 2020: R5,2 million) (note 11).

3. OTHER INCOME AND EBITDA

3.1 Other Income

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Net profit on foreign exchange rate movements	**12 349**	–	–

3.2 EBITDA

Included in these expenses are:

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Auditors' remuneration	**506**	645	767
Employee costs	**85 997**	118 954	150 164
– Short-term employee benefit costs	**82 784**	104 045	137 975
– Post-employment benefit costs	**3 213**	3 829	8 979
– Retrenchment cost	**–**	11 080	3 210
Expenses relating to leases – short term	**12 542**	–	–
Loss on disposal of property, plant and equipment	**1**	11	2
Net loss on foreign exchange rate movements	**–**	26 901	476

4. INVESTMENT INCOME AND FINANCE COSTS

4.1 Investment Income

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Investment income from financial instruments held at amortised cost:			
– Bank accounts	**559**	3 319	2 104
	559	3 319	2 104

4.2 **Finance Costs**

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Finance costs from financial instruments held at amortised cost:			
– Bank overdrafts and bonds	**69**	1 529	9 750
– Lease liabilities	**148**	283	612
	217	1 812	10 362

5. **TAXATION**

5.1 **Taxation**

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Current tax	**(4)**	2 555	(3 817)
– Current year	**–**	2 555	–
– Over provision previous year	**(4)**	–	(3 817)
Deferred tax	**4 055**	(1 553)	(8 976)
– Current year	**4 055**	(1 553)	(8 976)
Taxation	**4 051**	1 002	(12 793)

5.2 **Reconciliation of Tax Charge**

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Tax at 32% on profit/ (loss) before taxation	**3 086**	862	(9 700)
Adjusted for:			
Disallowable expenditure (oversees travel, fines, etc.)	**867**	467	691
Foreign exchange	**102**	(327)	33
Over provision previous year (note 5.1)	**(4)**	–	(3 817)
Effective tax	**4 051**	1 002	(12 793)

6. **PROPERTY, PLANT AND EQUIPMENT**

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

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
6.1 Owned assets	268 403	233 434	281 450
6.2 Right-of-use assets	307	512	1 565
Total	268 710	233 946	283 015

None of the property has been pledged as security (2021: nil; 2020: nil).

6.1 **Owned Assets**

	Revalued	Cost			
	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
28 FEBRUARY 2022 Audited					
Cost/valuation	**250 203**	**22 517**	**49 694**	**8 699**	**331 113**
Accumulated depreciation	**–**	**(19 110)**	**(35 214)**	**(8 386)**	**(62 710)**
Carrying value at year-end	**250 203**	**3 407**	**14 480**	**313**	**268 403**
28 FEBRUARY 2021 Reviewed					
Cost/valuation	215 604	17 779	42 963	6 872	283 218
Accumulated depreciation	(963)	(14 420)	(28 002)	(6 399)	(49 784)
Carrying value at year-end	214 641	3 359	14 961	473	233 434
29 FEBRUARY 2020 Reviewed					
Cost/valuation	255 833	17 964	44 939	6 966	325 702
Accumulated depreciation	(647)	(13 645)	(24 268)	(5 692)	(44 252)
Carrying value at year-end	255 186	4 319	20 671	1 274	281 450

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
28 FEBRUARY 2022 Audited					
Carrying value at the beginning of the year	**214 641**	**3 359**	**14 961**	**473**	**233 434**
Additions	**–**	**–**	**–**	**273**	**273**
Disposals	**–**	**(12)**	**–**	**–**	**(12)**
Depreciation	**(324)**	**(569)**	**(3 277)**	**(513)**	**(4 683)**
Foreign exchange movement	**41 927**	**629**	**2 796**	**80**	**45 432**
Impairment losses on revaluation of assets recognised in profit or loss	**(4 048)**	**–**	**–**	**–**	**(4 048)**
Revaluation surplus on remeasurement of assets recognised against revaluation reserve	**83**	**–**	**–**	**–**	**83**
Transfer to inventories	**(2 076)**	**–**	**–**	**–**	**(2 076)**
Carrying value at year-end	**250 203**	**3 407**	**14 480**	**313**	**268 403**

	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
28 FEBRUARY 2021 Reviewed					
Carrying value at the beginning of the year	255 186	4 319	20 671	1 274	281 450
Additions	394	501	957	18	1 870
Disposals	–	(51)	(15)	–	(66)
Depreciation	(316)	(813)	(3 907)	(707)	(5 743)
Foreign exchange movement	(40 623)	(597)	(2 745)	(112)	(44 077)
Carrying value at year-end	214 641	3 359	14 961	473	233 434

	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
29 FEBRUARY 2020 Reviewed					
Carrying value at the beginning of the year	249 743	3 466	18 932	1 530	273 671
Additions	18 530	1 640	4 451	435	25 056
Disposals	–	(16)	–	–	(16)
Depreciation	(237)	(1 052)	(4 282)	(807)	(6 378)
Foreign exchange movement	17 108	281	1 570	116	19 075
Transfer to inventories	(29 958)	–	–	–	(29 958)
Carrying value at year-end	255 186	4 319	20 671	1 274	281 450

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

6.2 Right-of-Use Assets

Reconciliation of the carrying value of right-of-use assets:

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Land and buildings			
Carrying value at the beginning of the year	**512**	1 565	3 061
Depreciation	**(297)**	(979)	(1 666)
Foreign exchange movement	**92**	(74)	170
Carrying value at year-end	**307**	512	1 565

7. JOINT OPERATIONS

A portion of the company's operations are performed through joint operations as unincorporated arrangements such as partnerships and contractual arrangements.

Details of joint operations	Nature of joint operation	Principal place of business	Company % interest
SS-WBHO LNG EBL JV	Civil works	Mozambique	50%

8. DEFERRED TAX ASSETS

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Includes:			
Property, plant and equipment	**(5 026)**	(3 631)	(4 074)
Provisions	**11 820**	9 771	9 607
Expected credit loss	**446**	439	1 199
Leases	**148**	221	595
Unrealised forex on gains and losses	**(8 331)**	5 675	(4 493)
Calculated losses	**11 718**	–	9 239
	10 775	12 475	12 073
Carrying value at the beginning of the year	**12 475**	12 073	2 699
Temporary differences (note 5)	**(4 055)**	1 553	8 976
Foreign exchange	**2 355**	(1 151)	398
Carrying value at year-end	**10 775**	12 475	12 073

Tax losses can be carried forward for a period of five years. Current tax losses relate to 2022 and can be utilised over the next five years.

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 by assessing the following:

- ongoing trading and expectation of creating profits;
- reviewing its budgets of taxable profits for the foreseeable future and comparing that to its total tax losses.

The company 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:
- Whether it is probable that the entity will have taxable profits before the unused tax losses expire; 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.

9. INVENTORIES

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Consumables	**7 115**	6 099	8 851
Operational inventory	**14 312**	12 752	19 770
Development property	**76 429**	67 534	78 567
	97 856	86 385	107 188
Inventories written off	**565**	–	–

The development property relates to properties which are held while the development units are in the process of being built and will be realised when the properties are sold. None of the development property is pledged as security (2021: nil, 2020: nil).

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

10. CONTRACT BALANCES

10.1 Contracts in Progress

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

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Gross carrying value at beginning of the year	**4 950**	58 062	24 205
Revenue recognised from performance obligations satisfied in previous periods	**(4 841)**	(55 702)	(24 205)
Realisation of work in progress as contract costs	**(109)**	(554)	–
Contracts in progress recognised	**18 623**	5 705	55 290
Foreign exchange	**3 232**	(2 561)	2 772
	21 855	4 950	58 062
Expected credit loss	**(16)**	(5)	(37)
Carrying value at year end	**21 839**	4 945	58 025
Current	**21 839**	4 945	58 025
Simplified approach- expected credit loss (note 21)			
Opening balance	**(5)**	(37)	–
Changes due to credit risk movement	**(11)**	32	(37)
Closing balance	**(16)**	(5)	(37)

10.2 Excess Billings Over Work Done

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Gross carrying value at beginning of the year	**53 409**	32 777	184 726
Revenue recognised which was included in the opening balance	**(53 409)**	(31 757)	(184 726)
Excess billings over work done recognised	**28 151**	61 560	31 883
Foreign exchange	**7 453**	(9 171)	894
Carrying value at year-end	**35 604**	53 409	32 777
Current	**35 604**	53 409	32 777

11. TRADE AND OTHER RECEIVABLES

	Audited 2022			Reviewed 2021			Reviewed 2020		
	Gross R'000	**ECL R'000**	**Net R'000**	Gross R'000	ECL R'000	Net R'000	Gross R'000	ECL R'000	Net R'000
Contract receivables	**29 085**	**(1 378)**	**27 707**	38 367	(1 164)	37 203	72 323	(5 156)	67 167
Retention debtors	**552**	**–**	**552**	–	–	–	2 611	–	2 611
Other receivables	**4 198**	**–**	**4 198**	3 832	–	3 832	288	–	288
Prepayments*	**10 174**	**–**	**10 174**	18 629	–	18 629	8 590	–	8 590
Value added taxation*	**6 142**	**–**	**6 142**	13 517	–	13 517	28 782	–	28 782
	50 151	**(1 378)**	**48 773**	74 345	(1 164)	73 181	112 594	(5 156)	107 438

* Non-financial assets.

Refer to note 21 for terms and conditions of trade and other receivables.

Information about the credit exposure of trade receivables are disclosed in note 21. Below table is the reconciliation of the expected credit losses:

	Simplified approach		
	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Opening balance	**(1 164)**	(5 156)	(5 316)
Changes due to credit risk movement	**(211)**	163	(23)
Amounts written off	**–**	3 500	–
Amounts recovered	**–**	–	556
Foreign currency translation	**(3)**	329	(373)
Carrying value at year-end	**(1 378)**	(1 164)	(5 156)
Individual expected credit loss	**(1 373)**	(1 148)	(4 915)
Collective expected credit loss	**(5)**	(16)	(241)

12. INTERGROUP LOANS

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
12.1 Current Assets			
Stefanutti Stocks Construction Ltd	**611**	544	407
12.2 Current Liabilities			
Stefanutti Stocks Proprietary Limited	**112 816**	124 512	130 129

Loans are unsecured, interest-free and with no fixed repayment terms.

13. BANK BALANCES

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

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Cash at banks and on hand	**34 405**	82 246	37 152
Less: Bank overdrafts	**(11 437)**	–	(14 404)
	22 968	82 246	22 748
Bank balances at the end of the year included the following balances that are restricted from immediate use:			
Company's share of cash held by joint operation	**9 371**	1 508	–
	9 371	1 508	–

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

14. SHARE CAPITAL, PREMIUM AND RESERVES

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Share capital			
Authorised (10 000 000 shares at 0.33 per share)			
Issued (10 000 000 shares at 0.33 per share)	**3 332**	3 332	3 332

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Share premium			
Carrying value at the beginning of the year	**16 020**	16 020	16 020
Carrying value at year-end	**16 020**	16 020	16 020
Total share capital and premium	**19 352**	19 352	19 352

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

Reserves

Foreign currency translation reserve comprises the translation effect of converting financial information from functional to presentation currency.

Revaluation surplus reserve comprises the revaluation of land and buildings.

15. FINANCIAL LIABILITIES

15.1 Non-Current and Current Financial Liabilities

	Audited 2022		Reviewed 2021		Reviewed 2020	
	Non-current R'000	**Current R'000**	Non-current R'000	Current R'000	Non-current R'000	Current R'000
Lease liabilities (note 15.2)	**–**	**461**	386	306	824	1 037
Secured borrowings	**–**	**–**	–	–	–	18 971
Financial liabilities	**–**	**461**	386	306	824	20 008

Refer to note 21 for further information regarding terms and conditions.

15.2 Lease Liabilities

a) Lease liabilities can be categorised as follows:

	Audited 2022		Reviewed 2021		Reviewed 2020	
	Non-current R'000	**Current R'000**	Non-current R'000	Current R'000	Non-current R'000	Current R'000
Lease liabilities	**–**	**461**	386	306	824	1 037

b) Undiscounted cash flows:

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Less than one year	**521**	436	1 320
Between two and five years	**–**	435	1 037

c) Cash outflow relating to leases were recognised as follows:

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Operating activities – finance costs	**143**	282	571
Financing activities – capital repayments	**336**	1 023	1 586
Total cash outflows	**479**	1 305	2 157

15.3 **Security**

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Lease liabilities – Land and buildings	**307**	512	1 565

16. TRADE AND OTHER PAYABLES

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Trade payables	**41 966**	48 443	52 980
Retention creditors and subcontractors	**16 783**	17 892	26 803
Accrued expenses*	**55 613**	81 414	126 650
Withholding taxes*	**6**	–	39
	114 368	147 749	206 472

* Non-financial liabilities.

Trade and other payables are generally on 60-day payment terms. Retentions are either repaid when the defects liability period comes to an end or when payment is received from the client. These are dependent on the nature, terms and timing of each specific contract.

17. 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**
2022 Audited				
Warranty provisions	1 033	3 870	(1 033)	3 870
Contract-related provisions	3 240	4 718	(3 240)	4 718
Severance provisions	3 594	3 325	(3 594)	3 325
Total provisions	7 867	11 913	(7 867)	11 913
2021 Reviewed				
Warranty provisions	4 330	1 033	(4 330)	1 033
Contract-related provisions	–	3 240	–	3 240
Severance provisions	3 313	3 594	(3 313)	3 594
Total provisions	7 643	7 867	(7 643)	7 867
2020 Reviewed				
Warranty provisions	13 715	4 330	(13 715)	4 330
Severance provisions	–	3 313	–	3 313
Total provisions	13 715	7 643	(13 715)	7 643

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

Contract-related provisions represents the estimated amounts relating to incurred obligations to third party suppliers.

Severance provisions relate to obligations arising from internal restructuring initiatives required to restore optimal operational and financial performance and the sale of certain operations. These will result in severance of employment for a number of employees within the affected operations, for which severance benefits and other associated costs will be paid in line with Group policy and employment agreements.

18. NOTES TO THE STATEMENT OF CASH FLOWS

18.1 Cash (Consumed by)/Generated from Operating Activities

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Net profit/(loss) before taxation	**9 643**	2 694	(30 311)
Adjusted for:			
Net (profit)/loss on foreign exchange (note 3)	**(12 349)**	26 901	476
Loss on disposal of property, plant and equipment (note 3)	**1**	11	2
Investment income (note 4)	**(559)**	(3 319)	(2 104)
Finance costs (note 4)	**217**	1 812	10 362
Depreciation (note 6)	**4 980**	6 722	8 044
Impairment of property (note 6)	**4 048**	–	–
Movement in provisions (note 17)	**4 046**	224	(6 072)
Net expected credit loss for trade and other receivables and work in progress (note 10,11)	**222**	(3 695)	(496)
	10 249	31 350	(20 099)

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Movements in Working Capital			
Change in inventories	**(9 395)**	20 803	(37 488)
Change in contracts in progress	**(16 905)**	53 116	(33 820)
Change in trade and other receivables	**24 236**	34 223	(33 893)
Change in trade and other payables	**(26 440)**	(57 833)	295 486
Change in intergroup loans	**(18 705)**	(3 784)	(251 996)
Change in excess billings over work done	**(17 805)**	20 632	(151 950)
Effect of foreign exchange rate changes on working capital	**(8 924)**	(3 275)	15 026
Cash (consumed by)/generated from operations	**(63 689)**	95 232	(218 734)

18.2 Reconciliation of Taxation Paid

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Charge against profit (note 5)	**(4)**	2 555	(3 817)
Effect of foreign exchange rate changes on taxation	**(144)**	455	1 080
Movement in taxation balance	**769**	2 803	11 894
Payments made	**621**	5 813	9 157

18.3 **Reconciliation of Cashflow Movements Relating to Financing Activities**

	Opening balance R'000	Cashflow inflow/(cash outflow) R'000	Non-cash movements: Foreign exchange movements R'000	Non-cash movements: Interest R'000	Closing balance R'000
2022 Audited					
Leases	**692**	**(336)**	**105**	**–**	**461**
Total borrowings	**692**	**(336)**	**105**	**–**	**461**
2021 Reviewed					
Secured borrowings	18 971	(19 664)	824	(131)	–
Leases	1 861	(1 023)	(146)	–	692
Total borrowings	20 832	(20 687)	678	(131)	692
2020 Reviewed					
Secured borrowings	39 580	(23 222)	2 826	(213)	18 971
Leases	3 203	(1 586)	203	41	1 861
Total borrowings	42 783	(24 808)	3 029	(172)	20 832

19. RELATED PARTIES

The company's parent company is Stefanutti Stocks International Holdings Proprietary Limited, which holds 80% of the company's share capital and the remaining 20% of the company's share capital is held by Stefanutti Stocks Mauritius Holdings Limited. The ultimate holding company is Stefanutti Stocks Holdings Limited, a company incorporated in South Africa and listed on the Johannesburg Stock Exchange.

Related parties	Nature of relationship	Transactions with related parties (Income)/Expenses: **Audited 2022 R'000**	Reviewed 2021 R'000	Reviewed 2020 R'000	Balances with related parties (Payable)/Receivables: **Audited 2022 R'000**	Reviewed 2021 R'000	Reviewed 2020 R'000
Stefanutti Stocks Construction Ltd (note 12)	Fellow subsidiary	**–**	–	–	**611**	544	407
Stefanutti Stocks Proprietary Limited (note 12)	Fellow subsidiary	**8 564**	23 129	–	**(112 816)**	(124 512)	(130 129)

Other than the above, there were no other related party transactions/balances during the year (2021: nil, 2020: nil).

20. GUARANTEES

Guarantees

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Guarantees and suretyships through certain banks	**116 649**	188 002	225 351
Guarantees and suretyships through insurance companies	**4 040**	3 684	39 202

The directors are of the opinion that the possibility of any loss is remote and it is not anticipated that any material liabilities will arise.

21. **RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE**

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

Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
Income Capitalisation Method	Market capitalisation rate between 5% and 11,5% Income/ expenditure ratio between 14,6% – 21,8%	Market capitalisation rate: • Increase with 1% resulting in decrease in value of R4,1 million; • Decrease with 1% resulting in increase in value of R0,4 million Income/Expenditure ratio: • Increase with 1% resulting in decrease in value of R0,5 million; • Decrease with 1% resulting in increase in value of R0,5million Market capitalisation rate and Income/Expenditure ratio: • Both increase with 1% resulting in decrease in value of R4,5 million; • Both decrease with 1% resulting in increase in value of R6,1 million • Income/Expenditure ratio increase with 1% and market capitalisation rate decrease with 1% resulting in increase of value of R5,1 million • Income/Expenditure ratio decrease with 1% and market capitalisation rate increase with 1% resulting in decrease of value of R3,7 million

Refer to Note 6 for the reconciliation of land and buildings measured at fair value.

Financial Instruments

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

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Financial assets, loans and receivables at amortised cost			
Bank balance (note 13)	**34 405**	82 246	37 152
Intergroup loans (note 12)	**611**	544	407
Trade and other receivables (note 11)	**32 457**	41 035	70 066
Financial liabilities at amortised cost			
Bank balance (note 13)	**11 437**	–	14 404
Trade and other payables (note 16)	**58 749**	66 335	79 783
Intergroup loans (note 12)	**112 816**	124 512	130 129
Financial liabilities – leases (note 15)	**461**	692	1 861
Financial liabilities – other loans (note 15)	**–**	–	18 971

Capital risk management

The primary objective of the company'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 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 capital risk management objectives and policies during the current year.

In setting the ideal mix between debt and equity, the company seeks to optimise its returns on shareholders' equity while maintaining prudent financial gearing. The company 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 company retains excess capital to fund future growth.

The company 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.

Gearing ratios at year-end were as follows:

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Net debt	**11 898**	692	35 236
Interest-bearing liabilities (note 15)	**461**	692	20 832
Bank overdrafts (note 13)	**11 437**	–	14 404
Total equity attributable to equity holders of the company	**197 542**	159 896	190 641
Gearing ratio (%)	**6,0%**	0,4%	18,5%

The gearing ratio increased from 0,4% to 6,0%. This is mostly attributable to the increase in bank overdraft value of R11 million (2021: R nil: 2020: R14 million).

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 customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the company's receivables from customers.

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

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Contracts in progress (note 10)	**21 855**	4 950	58 062
Contract receivables (note 11)	**29 085**	38 367	72 323
Retention debtors (note 11)	**552**	–	2 611
Other receivables (note 11)	**4 198**	3 832	288
Total	**55 690**	47 149	133 284

The company'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 majority of the customers are based in Mozambique and concentrated in the private development sectors. Due to the diverse number of customers, management does not believe that the company 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, risk control assesses the credit quality of the customer, considering its financial position, past experience and other factors.

Expected credit loss model

The company applied the simplified approach to determine the expected credit loss (ECL) for its trade receivables and contract assets, by calculating the lifetime ECLs for these receivables. The general approach is applied to determine the expected credit loss on 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 company provides for a 12-month ECL. Where there is a significant increase in credit risk, a lifetime ECL is calculated.

For the simplified approach, an impairment analysis is performed at each reporting date 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 macro-economic 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. Customers were classified into specific credit risk grades based on the following main criteria:

- Within Mozambique or outside
- 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 ranged from 0,003% for the lowest risk category to 100,0% for the highest risk category (2021: 0,003%– 78,3%; 2020: 0,003% – 36,3%). Although global default rates in 2021/22 had reduced slightly post the COVID-19 pandemic and subsequent economic recovery, default rates applied in the company's calculation of ECL have been conservatively kept in line with prior year, considering the uncertainty surrounding the post-pandemic operating environment. 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.

Trade Receivables (Note 11)

Trade receivables represent invoiced amounts due from contract customers. The average credit period for trade receivables is 60 days. Interest is charged as per agreements reached with individual clients per signed contracts. The company has the right to waive interest as it deems necessary. Before accepting a new client, the company 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 and calculated ECL for trade receivables are as follows:

	Current to 30 days R'000	60 to 90 days R'000	120 to 150 days R'000	Over 180 days to less than 1 year R'000	Over 1 year R'000	Total R'000
2022 Audited						
Within Mozambique	**27 653**	**59**	**–**	**–**	**1 373**	**29 085**
Private	**27 653**	**59**	**–**	**–**	**1 373**	**29 085**
Gross total	**27 653**	**59**	**–**	**–**	**1 373**	**29 085**
Average expected credit loss rate (%)	**–**	**8,5**	**–**	**–**	**100,0**	**4,7**
Expected credit loss	**–**	**5**	**–**	**–**	**1 373**	**1 378**
Collective	**–**	**5**	**–**	**–**	**–**	**5**
Individual	**–**	**–**	**–**	**–**	**1 373**	**1 373**
Carrying amount	**27 653**	**54**	**–**	**–**	**–**	**27 707**
2021 Reviewed						
Within Mozambique	36 591	84	211	–	1 481	38 367
Private	36 591	84	211	–	1 481	38 367
Gross total	36 591	84	211	–	1 481	38 367
Average expected credit loss rate (%)	–	2,4	0,9	–	78,3	3,0
Expected credit loss	–	2	2	–	1 160	1 164
Collective	–	2	2	–	12	16
Individual	–	–	–	–	1 148	1 148
Carrying amount	36 591	82	209	–	321	37 203
2020 Reviewed						
Within Mozambique	57 027	1 064	–	50	14 182	72 323
Private	57 027	1 064	–	50	14 182	72 323
Gross total	57 027	1 064	–	50	14 182	72 323
Average expected credit loss rate (%)	–	0,2	–	–	36,3	7,1
Expected credit loss	–	2	–	–	5 154	5 156
Collective	–	2	–	–	239	241
Individual	–	–	–	–	4 915	4 915
Carrying amount	57 027	1 062	–	50	9 028	67 167

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

Historical factors	Forward-looking 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 • Collateral/credit insurance available in case of default	• 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 • Potential roll-out of future projects

The individual expected credit loss relates to specific clients who are showing signs of default such as delayed payments and liquidity pressures.

The change in the collective expected credit loss from prior years is mainly due to a reduction in debtors older than one year.

Contracts in Progress (Note 10)

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 ECL for contracts in progress are as follows:

	Work in progress Private R'000	Materials on site Private R'000	Total R'000
2022 Audited			
Within Mozambique	**16 163**	**5 692**	**21 855**
Gross total	**16 163**	**5 692**	**21 855**
Average expected credit loss rate (%)	**0,1**	**0,1**	**0,1**
Expected credit loss	**10**	**6**	**16**
Carrying amount	**16 153**	**5 686**	**21 839**
2021 Reviewed			
Within Mozambique	4 841	109	4 950
Gross total	4 841	109	4 950
Average expected credit loss rate (%)	0,1	–	0,1
Expected credit loss	5	–	5
Carrying amount	4 836	109	4 945
2020 Reviewed			
Within Mozambique	57 490	572	58 062
Gross total	57 490	572	58 062
Average expected credit loss rate (%)	0,1	–	0,1
Expected credit loss	37	–	37
Carrying amount	57 453	572	58 025

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

Historical factors	Forward-looking factors
• 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 • History of probability of work not being certified/ disputes arising regarding work performed based on prior experience with clients	• Financial state of client and any indication of financial distress based on most recent information available • Discussions with the clients regarding recoverability of amounts outstanding and any probabilities of default • The value of work certified after year-end in relation to the closing balances at period end

The change in expected credit loss is mainly due to the reduction in contracts in progress.

Retention Debtors (Note 11)

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 ECL for retention debtors are as follows:

	Audited 2022		Reviewed 2021		Reviewed 2020	
	Private R'000	**Total R'000**	Private R'000	Total R'000	Private R'000	Total R'000
Within Mozambique	**552**	**552**	–	–	2 611	2 611
Gross total	**552**	**552**	–	–	2 611	2 611
Average expected credit loss rate (%)	**–**	**–**	–	–	–	–
Expected credit loss	**–**	**–**	–	–	–	–
Carrying amount	**552**	**552**	–	–	2 611	2 611

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

Historical factors	Forward-looking factors
• Payment history of client in relation to previous invoices raised • Contractual provisions for alternative recovery in case of non-payment • Ageing of retention debtors (majority of retention debtors are current and only due in future periods)	• Financial state of client and any indication of financial distress based on most recent information available • Discussions between the company and the client regarding recoverability of amounts outstanding and any probabilities of default • Progress of contract and probability of disputes regarding valued work and other contractual conditions at end of contract

Other Receivables (Note 11)

Other receivables consist mostly of deposits (mainly house rental deposits), interest accrued and sundry debtors. No ECL was calculated on interest accrued as these monies have already been credited to our bank account.

The summarised risk categories and calculated ECL for other receivables are as follows:

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Within Mozambique	**4 198**	3 832	288
Gross total	**4 198**	3 832	288
Average expected credit loss rate (%)	–	–	–
Expected credit loss	–	–	–
Carrying amount	**4 198**	3 832	288

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

Historical factors	**Forward-looking factors**
Deposits • History of default by agents on repayment of deposits • Materiality of deposit amounts that could affect ability of agent to re-pay Sundry debtors • Materiality of amounts due from the various sundry debtors • Nature of the debtor (whether low credit-risk entities, e.g. banks, trusts)	Deposits • Whether deposits can be transferred to other properties under the same rental agent Sundry debtors • Financial state of the debtor and any indication of financial distress based on most recent information available

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 borrowings 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 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.

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	Less than one year R'000	Between two and five years R'000
2022 Audited				
Financial assets				
Trade and other receivables	**32 457**	**32 457**	**32 457**	**–**
Financial liabilities				
Other financial liabilities	**461**	**521**	**521**	**–**
Trade and other payables	**58 749**	**58 749**	**58 749**	**–**
Bank balances	**11 437**	**11 437**	**11 437**	**–**
	70 647	**70 707**	**70 707**	**–**
2021 Reviewed				
Financial assets				
Trade and other receivables	41 035	41 035	41 035	–
Financial liabilities				
Other financial liabilities – leases	692	871	436	435
Trade and other payables	66 335	66 335	66 335	–
	67 027	67 206	66 771	435
2020 Reviewed				
Financial assets				
Trade and other receivables	70 066	70 066	70 066	–
Financial liabilities				
Other financial liabilities	1 861	2 357	1 320	1 037
Other financial liabilities – other loans	18 971	18 971	18 971	–
Trade and other payables	79 783	79 783	79 783	–
Bank balances	14 404	14 404	14 404	–
	115 019	115 515	114 478	1 037

Market Risk

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

Currency Risk

The company 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.

The company is not exposed to any significant risk as a majority of its balances are denominated in its functional currency, except for the intergroup loan payable to Stefanutti Stocks Proprietary Limited, which is denominated in South African Rands (ZAR).

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Intergroup loan – Stefanutti Stocks Proprietary Limited (note 12)	**112 816**	124 512	130 129
The following exchange rates have been applied:			

MZN to ZAR	**Audited 2022**	Reviewed 2021	Reviewed 2020
Closing rate	**0.2413**	0.2018	0.2401

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.

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Interest Risk			
Movement	**20%**	16%	7%
Strengthening/(weakening)	**22 563/(22 563)**	19 922/(19 922)	9 109/(9 109)

Interest Risk

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

The company is not exposed to any significant interest rate risk as it does not have material interest-bearing debt.

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

	Currency	Nominal interest rate			Year of maturity	Carrying value		
		2022 %	2021 %	2020 %		**Audited 2022 R'000**	Reviewed 2021 R'000	Reviewed 2020 R'000
Secured borrowings	MZN	**–**	–	5	2020	**–**	–	18 971
Lease liabilities (other)	MZN	**23**	23	23	2023	**461**	692	1 861
						461	692	20 832

22. CONTINUING IMPACT OF COVID-19, CIVIL UNREST AND THE RUSSIAN AND UKRAINIAN CONFLICT

Continuing 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:

Recoverability and impairment of assets

Financial assets

The company's assessment of expected credit losses on its financial assets entails the use of global default rates forecasted by reliable, independent credit risk rating agencies. Default rates in 2021/22 had reduced slightly post the COVID-19 pandemic and subsequent economic recovery. In general, default rates applied in the company's calculation of ECL have been conservatively kept in line with prior year, considering the uncertainty surrounding the post-pandemic operating environment.

Deferred tax assets

The recoverability of deferred tax assets is assessed considering the continuing impact of COVID-19 on the company's results.

Subsequent to year-end, there have been no significant changes in the COVID-19 pandemic restrictions impacting the company.

Civil Unrest

Mozambique has experienced another very tough year with the civil unrest creating instability and affecting investor confidence. The civil unrest started in March 2020 in the Northern Province of Cabo Delgado in Mozambique. There was a significant downturn in the market which resulted in very little to no direct foreign investment over the period from April 2020 to October/November 2021. The presence of the Rwandan troops and other SADC forces managed to restore security in the region and rebuild some business confidence, from late 2021 into 2022. One project was suspended and is yet to resume. The financial impact approximates R10 million in delayed revenue. Prevailing conditions necessitated a major restructuring and right sizing of the business to be able to trade its way through this short-term uncertainty. Once work stability is restored, the operation will be poised to make the most of the abundant opportunities.

Russia and Ukraine Conflict

The impact the Russian and Ukraine conflict, which occurred in February 2022, will have on global growth and investor confidence, indirectly impacting the company's operations, will be closely monitored. Although the direct impact of the conflict on the company is deemed immaterial as its projects and clients are based within Mozambique, the potential energy supply disruptions, increased energy, food, raw material, transport costs and inflation could impact the company and its customers indirectly.

BASIS OF PREPARATION

The directors consider the company to have adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the annual financial statements of the company. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient cash resources to meet its foreseeable cash requirements.

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.

International Financial Reporting Standards (IFRS), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.	Going-concern principles

Presentation and Functonal Currency

Presentation currency: South African Rand

Functional currency: Mozambican Meticals

Rounding Policy

R'000 (thousand)

Foreign Currency Transactions

Procedures followed to translate to presentation currency

In the annual financial statements, transactions are translated into the presentation currency 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 profit or loss.
- 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

Significant Accounting Policies

Included below is a summary of the significant accounting policies applicable to the annual 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.

Reference Table Between Significant Accounting Policies and Notes

Significant accounting policies	Notes and accounting policy (AP)
Construction contracts	**AP 1**
Revenue	2
Contract assets and liabilities	2, 10, 11
Provisions (including onerous contracts provisions)	17
Investment income	4
Other income and EBITDA	3
Employee benefits	**AP 2**
Short-term benefits	3
Post-employment benefits	3
Operating assets and related liabilities	**AP 3**
Property, plant and equipment	6
Inventories	9
Lease liabilities	15
Financial instruments	**AP 4**
Financial assets	10, 11, 12,13, 21
Impairment	10, 11, 21
Financial liabilities	12,13,15,16, 21
Capital and reserves	**AP 5**
Share capital	14
Reserves	Statement of changes in equity

1. **CONSTRUCTION CONTRACTS**

CONTRACT REVENUE FROM CONTRACTS WITH CUSTOMERS

	Recognition	**Measurement**
Contract revenue	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	Based on: • Transaction price received or receivable • Including variations and claims • Excluding value added tax

Revenue type	**Includes**	**Recognition**	**Transfer of control**	**Measurement**	**Duration of contract**
Roads, earthworks and pipelines	• Bulk earthworks • Road construction, maintenance and rehabilitations • Crushing and screening • Agricultural land preparation and infrastructural development • Large diameter welded steel pipe installation	Stage of completion based on surveys of work performed – Measured work performed	Over time as the construction works progress and enhances the asset which is controlled by the customer	Transaction price	• Longer than 12 months • Shorter than 12 months
Geotechnical services	• Geotechnical construction piling and lateral support • Rock anchors and shotcrete	Stage of completion based on surveys of work performed – Measured work performed	Over time as the construction works progress and enhances the asset which is controlled by the customer	Transaction price	• Shorter than 12 months
Non-residential	• Airport buildings • Commercial buildings • Education facilities • Hospitals and medical facilities • Industrial warehouses, factories and distribution centres	Stage of completion based on surveys of work performed – Measured work performed	Over time as the construction works progress and enhances the asset which is controlled by the customer	Transaction price	• Longer than 12 months • Shorter than 12 months

Revenue type	Includes	Recognition	Transfer of control	Measurement	Duration of contract
Residential	• Affordable housing • Residential developments	Stage of completion based on surveys of work performed – Measured work performed	Transfer of control at a point in time upon issue of completion certificate or registration if the company is the developer and owns the development	Transaction price	• Longer than 12 months • Shorter than 12 months
Oil & Gas	• Control system installation • Design and build high-rate water clarifier plants • Field instrumentation installation • Pipe spool fabrication • Petrochemical shutdown maintenance work	Stage of completion based on surveys of work performed – Measured work performed	Over time as the construction works progress and enhances the asset which is controlled by the customer	Transaction price	• Shorter than 12 months

Costs	Variable consideration	Significant financing component	Significant financing component
Costs to obtain All costs incurred to obtain a contract are expensed immediately and recognised in profit or loss as they are not incremental. **Costs to fulfil** 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.	The company 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. 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.	**Shorter than 12 months** Advances received on contracts with customers are generally shorter than 12 months, and therefore the company does not adjust the consideration for the effects of a significant financing component, since the company applies the practical expedient.	**Longer than 12 months** In instances where advances received are utilised in a period longer than 12 months, the company adjusts the consideration for the effects of a significant financing component by using an applicable interest rate. Contract revenue is adjusted with this financing component and accounted for as finance costs paid.

Warranties and Related Obligations

Performance guarantees	Advance payment guarantees	Subcontractor retentions	Defects liabilities	Tender guarantees
Performance guarantees 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 reduces over the period of the contract as the advance payment is utilised.	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.	Defects liabilities provide for warranties relating to defects arising subsequent to the completion of the contract.	Tender guarantees are issued as guarantee that should the project tendered for be awarded, the company would be in the position to execute the contract.
Performance guarantees are dependent on the nature, terms and timing of each specific contract.	Advance payment guarantees are dependent on the nature, terms and timing of each specific contract.	Retentions are dependent on the nature, terms and timing of each specific contract.	Defects liabilities are dependent on the nature, terms and timing of each specific contract.	Tender guarantees are dependent on the nature, terms and timing of each specific contract tendered on.

Contract Assets and Liabilities

Contract assets	Measurement
Contracts in progress	Cost plus profit recognised to date less cash received or receivable less any provision for losses.
	Impairment: refer to accounting policy 4: Financial Instruments.
Contract liabilities	**Measurement**
Excess billings over work done	The amount by which progress billings exceed costs incurred plus recognised profit less recognised losses.
Provisions	Estimates are made of the expected cash outflows relating to contracts. Onerous contracts In the instance where the company has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. 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.

Other Income and EBITDA

	Includes	Recognition	Measurement
Other income	Amounts both received and accrued	Over time as services are rendered	Fair value

EBITDA

EBITDA comprises earnings before interest, taxation, depreciation 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 the below 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

Social security	The company makes contributions to the National Institute of Social Security of Mozambique (INSS)
Accounting treatment	The amounts are recognized on an accrual basis

3. **OPERATING ASSETS**

Property, Plant and Equipment

Owned assets

<table>
<tr><th>Categories</th><th>Initial measurement</th><th>Subsequent measurement</th><th>Depreciation method and period</th><th>Impairment</th></tr>
<tr><td>Land and buildings</td><td rowspan="2">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.</td><td>Carried at the revalued amount (fair value less depreciation and accumulated impairment losses).</td><td>Land is not depreciated; all other assets are depreciated on a straight-line basis over their useful life.</td><td rowspan="2">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.</td></tr>
<tr><td>Plant and equipment
Transport and motor vehicles
Furniture, fittings, office and computer equipment</td><td>Cost less accumulated depreciation and accumulated impairment losses.</td><td></td></tr>
</table>

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	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 from leases other than instalment sales agreements are depreciated over the useful life of the asset or term of lease, whichever is shorter.

Inventories

Initial measurement and recognition

Inventories include consumables (such as fuel, tyres, spares and stationery) and operational inventory. Operational inventory is inventory that will be used in the normal operating cycle. 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.

Short-Term Leases and Leases of Low-Value Assets

Initial measurement and recognition

The company 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.

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 company'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 company 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.

4. 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
Amortised cost	Intergroup loans, trade and other receivables (excluding Value Added Tax and Prepayments) 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 plus direct transaction costs.	Amortised costs using the effective interest rate method, less expected credit loss.

Impairment

Expected credit loss model

Cash and cash equivalents

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

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

The company applies the simplified approach of recognising lifetime ECLs over the lifetime of the trade receivables and contract assets. The company applies a matrix in measuring the expected credit loss, based on general economic conditions and an assessment of both current and future conditions.

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 company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss in operating expenses.

The company applies the general approach of recognising ECLs on 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 company 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.

Expected credit loss model	**Intergroup Loans** The company uses an allowance account to record its credit losses on loans to group companies and applies the general approach in determining the expected credit losses (ECLs). ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). The company assesses an increase in credit risk as significant when the contractual payments are more than 30 days past due. Due to the nature of the loans, the company considers a group loan in default when the borrower becomes 120 days past due on its contractual payments, therefore Stage 3 (credit-impaired) for ECL calculations. However, in certain cases, the company may also consider a loan to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full, before considering any credit enhancements held by the company. A loan is written off when there is no reasonable expectation of recovering the contractual cash flows. The company assesses at the end of each reporting period whether a loan'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. Financial assets written off may still be subject to enforcement activities under the company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss. Impairment allowances are deducted from the carrying amounts of trade and other receivables and intergroup loans.

Financial Liabilities

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

5. **CAPITAL AND RESERVES**

Share capital

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

RESERVES

Foreign currency translation reserve comprises the translation effect of converting financial information from functional to presentation currency. Revaluation surplus reserve comprises the revaluation of land and buildings.

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. There were no business combinations in the current year.
- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors –** clarifies definition of materiality. This principle is already applied.
- **Interest Rate Benchmark reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 –** 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). There are no loans whose interest rates are linked to IBOR.
- **IFRS16 – COVID-19-Related Rent Concessions, Extension of Practical Expedient (Lessees Only) And Lease Incentives –** This amendment affects lessees only and makes it easier to account for COVID-19-related rent concessions. There was no lease rental concession received.

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 2022 or later periods.

	Accounting standard/ interpretation	**Type**	**Effective date**	**Impact on the financial statements**
IFRS 1: First-time adoption of international financial reporting standards	Subsidiary as a first-time adopter	Amendment	1 January 2022	Not applicable to the company as there are no subsidiaries.
IFRS 9: Financial instruments	Fees in the '10 per cent' test for derecognition of financial liabilities	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	Amendment	1 January 2022	No expected impact as no such proceeds arise.
IAS 37: provisions, contingent liabilities and contingent assets	Onerous contracts – cost of fulfilling a 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 disclosure of accounting policies	Amendment	1 January 2023	No impact as the principle is already applied.
IAS 12: income taxes	Deferred tax related to assets and liabilities arising from a single transaction	Amendment	1 January 2023	No impact as the principle is already applied.
IAS 8: accounting estimates	Definition on accounting estimates	Amendment	1 January 2023	No impact as the principle is already applied. Management distinguishes clearly between a change in accounting policy and a change in accounting estimate.
Practice statement 2 making materiality judgements	Disclosure of accounting policies	Amendment	1 January 2023	No expected change as standard is currently appropriately applied.

THE ANNUAL FINANCIAL STATEMENTS OF STEFANUTTI STOCKS CONSTRUCTION LTD FOR THE YEARS ENDED 28 FEBRUARY 2022, 28 FEBRUARY 2021 AND 29 FEBRUARY 2020.

The definitions and interpretations commencing on page 7 of the Circular have been used throughout this **Annexure 4**.

The Historical Financial Information has been extracted from the audited financial statements of Stefanutti Stocks Construction Ltd for the year ended 28 February 2022 and extracted from the reviewed financial statements for the years ended 28 February 2021 and 29 February 2020. The Historical Financial Information has been prepared in accordance with the accounting policies of the Group in compliance with IFRS and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The functional currency for Stefanutti Stocks Construction Ltd is the Mauritian Rupees ("MUR"). These financial statements have been translated to South African Rands ("ZAR"), which is the presentation currency of the Group, for purposes of investor analysis within the South African market. The following exchange rates have been used:

	Closing rate	Average rate
February 2020	0,4155	0,4033
February 2021	0,3791	0,4395
February 2022	0,3520	0,3563

The Historical Financial Information has been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below.

The accounting policies as well as the methods of computation used in the preparation of the extract of results for the years ended 28 February 2022, 28 February 2021 and 29 February 2020 are in terms of IFRS and are consistent with those applied in the prior years.

Mazars, who is the Independent Reporting Accountant to the Company, conducted the review of the Historical Financial Information for the years ended 28 February 2021 and 29 February 2020 and the audit of the Historical Financial Information for the year ended 28 February 2022 in accordance with International Standards on Auditing and reported without qualification on the Historical Financial Information.

The Directors are responsible for the preparation and presentation of the Historical Financial Information.

Stefanutti Stocks Construction Ltd was incorporated on 23 November 2018 in Mauritius under the Mauritius Companies Act 2001 as a private company limited by shares. The main activities of the Company are contracting in construction and building services. The holding company is Stefanutti Stocks Mauritius Holdings, and the ultimate holding company is Stefanutti Stocks Holdings Limited.

The company reported a loss for the year of R0,1 million (2021: R3,4 million, 2020: R11,3 million), with a reduction in operating and general expenses to R0,1 million (2021: R2,9 million, 2020: R10,0 million).

Trade and other receivables reduced year on year from R1,6 million in 2020 to R1,5 million in 2021 and R1,4 million in 2022. Intergroup loans payable reduced significantly from R13,9 million in 2020 to R0,5 million in 2021 and R0,6 million in 2022 as loans due to the holding company, Stefanutti Stocks Mauritius Holdings, were capitalised in 2021.

Cash on hand is reported as R0,04 million at year-end (2021: R0,07 million, 2020: R0,34 million).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28/29 FEBRUARY

	Note	**Audited 2022 R'000**	Reviewed 2021 R'000	Reviewed 2020 R'000
Other income	2	**2**	–	–
Operating expenses		**(107)**	(2 895)	(10 015)
Loss before interest, taxation, depreciation and amortisation (EBITDA)	2	**(105)**	(2 895)	(10 015)
Depreciation	5	**–**	(184)	(820)
Operating loss before investment income		**(105)**	(3 079)	(10 835)
Investment income	3	**–**	–	75
Operating loss before finance costs		**(105)**	(3 079)	(10 760)
Finance costs	3	**–**	(318)	(515)
Loss before taxation		**(105)**	(3 397)	(11 275)
Taxation	4	**–**	(7)	(10)
Loss for the year		**(105)**	(3 404)	(11 285)
Other comprehensive income		**(64)**	1 788	(384)
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss))		**(64)**	1 788	(384)
Total comprehensive income		**(169)**	(1 616)	(11 669)

STATEMENT OF FINANCIAL POSITION

AS AT 28/29 FEBRUARY

	Note	**Audited 2022 R'000**	Reviewed 2021 R'000	Reviewed 2020 R'000
ASSETS				
Non-current assets		**–**	–	407
Property, plant and equipment	5	**–**	–	400
Deferred tax assets	6	**–**	–	7
Current assets		**1 458**	1 580	1 928
Trade and other receivables	7	**1 421**	1 514	1 590
Bank balances	8	**37**	66	338
Total assets		**1 458**	1 580	2 335
EQUITY AND LIABILITIES				
Capital and reserves		**744**	913	(11 925)
Share capital and premium	9	**14 454**	14 454	–
Other reserves	9	**1 335**	1 399	(389)
Accumulated loss		**(15 045)**	(14 940)	(11 536)
Current liabilities		**714**	667	14 260
Financial liabilities	10	**–**	–	262
Intergroup loans	11	**611**	544	13 885
Trade and other payables	12	**103**	123	113
Total equity and liabilities		**1 458**	1 580	2 335

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28/29 FEBRUARY

	Share capital and premium R'000	Foreign currency translation reserve R'000	Accumulated loss R'000	Total equity R'000
Balance at 28 February 2019	–	(5)	(251)	(256)
Total comprehensive income	–	(384)	(11 285)	(11 669)
Loss for the year	–	–	(11 285)	(11 285)
Other comprehensive income	–	(384)	–	(384)
Balance at 29 February 2020 reviewed	–	(389)	(11 536)	(11 925)
Total comprehensive income	–	1 788	(3 404)	(1 616)
Loss for the year	–	–	(3 404)	(3 404)
Other comprehensive income	–	1 788	–	1 788
Loan capitalised (note 9)	14 454	–	–	14 454
Balance at 28 February 2021 reviewed	14 454	1 399	(14 940)	913
Total comprehensive income	–	(64)	(105)	(169)
Loss for the year	–	–	(105)	(105)
Other comprehensive income	–	(64)	–	(64)
Balance at 28 February 2022 audited	14 454	1 335	(15 045)	744
	Note 9	Note 9		

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28/29 FEBRUARY

	Note	**Audited 2022 R'000**	Reviewed 2021 R'000	Reviewed 2020 R'000
Cash flows from operating activities		**(32)**	(203)	(5 530)
Cash (consumed by)/generated from operations	13.1	**(32)**	115	(5 091)
Investment income	3	**–**	–	75
Finance costs	3	**–**	(318)	(514)
Cash flows from investing activities		**–**	40	–
Proceeds on disposal of property, plant and equipment		**–**	40	–
Cash flows from financing activities		**–**	(119)	(703)
Repayment of long-term financing	13.2	**–**	(119)	(703)
Net movement in cash and cash equivalents		**(32)**	(282)	(6 233)
Cash at the beginning of the year		**66**	338	6 298
Effect of exchange rate changes on cash and cash equivalents		**3**	10	273
Cash and cash equivalents at year-end	8	**37**	66	338

1. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the 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. 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

OPERATING ASSETS

Property, plant and equipment (note 5)

Useful lives

The useful life of an asset is the period over which the company 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 company uses the following indicators to determine useful life:

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

The estimated useful lives assigned to the categories of property, plant and equipment (owned) are as follows:

- Buildings: 50 years
- Furniture, fittings, office and computer equipment: 3 years

The useful lives for right-of-use assets are the shorter of the lease term or the useful life of the leased asset. Generally, lease terms are between one and five years for plant and equipment and 10 years for land and buildings.

Residual values

An estimate is made of the amount the company would expect to receive currently 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 5)

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.

Provision for expected credit losses (ECLs) of other receivables (note 7, 15)

The loss allowances for financial assets are 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, 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 15.

TAXATION (note 4, 6)

Management assesses the extent to which it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

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 company's treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority.

The company applies judgements in identifying uncertainties with regards to income tax treatments. The company 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 company 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

2. OTHER INCOME AND EBITDA

2.1 OTHER INCOME

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Net profit on foreign exchange rate movements	**2**	–	–

2.2 EBITDA

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Auditors' remuneration	**19**	28	41
Employee costs	**3**	1 535	7 742
– Short-term employee benefit costs	**3**	1 050	6 939
– Post-employment benefit costs	**–**	485	803
Net loss on foreign exchange rate movements	**–**	853	535
Loss on disposal of property, plant and equipment	**–**	40	–

3. INVESTMENT INCOME AND FINANCE COSTS

3.1 INVESTMENT INCOME

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Investment income from financial instruments held at amortised cost:			
– Bank accounts	**–**	–	75

3.2 FINANCE COSTS

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Finance costs from financial instruments held at amortised cost:			
– Lease liabilities	**–**	6	82
– Intergroup loans (note 11)	**–**	311	433
– Trade payables	**–**	1	–
	–	318	515

4. **TAXATION**

4.1 **TAXATION**

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Deferred tax	**–**	7	10
– Current year	**–**	–	(34)
– Under provision previous year	**–**	7	44

4.2 **RECONCILIATION OF TAX CHARGE**

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Tax at 15% on loss before taxation	**(16)**	(510)	(1 691)
Adjusted for:			
Disallowable expenditure	**–**	3	31
Deferred tax assets not raised on losses	**16**	507	1 651
Foreign tax rate differential	**–**	–	(25)
Under provision previous year (note 4.1)	**–**	7	44
Effective tax	**–**	7	10

5. **PROPERTY, PLANT AND EQUIPMENT**

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

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
5.1 Owned assets	**–**	–	127
5.2 Right-of-use assets	**–**	–	273
Total	**–**	–	400

None of the property is pledged as security (2021: nil; 2020: nil).

5.1 OWNED ASSETS

	Land and buildings R'000	Furniture, fittings, office and computer equipment R'000	Total R'000
28 FEBRUARY 2022 Audited			
Cost	**–**	**–**	**–**
Accumulated depreciation	**–**	**–**	**–**
Carrying value at year-end	**–**	**–**	**–**
28 FEBRUARY 2021 Reviewed			
Cost	–	–	–
Accumulated depreciation	–	–	–
Carrying value at year-end	–	–	–
29 FEBRUARY 2020 Reviewed			
Cost	152	76	228
Accumulated depreciation	(76)	(25)	(101)
Carrying value at year-end	76	51	127

Reconciliation of the carrying value of owned assets:

	Land and buildings R'000	Furniture, fittings, office and computer equipment R'000	Total R'000
28 FEBRUARY 2021 Reviewed			
Carrying value at the beginning of the year	76	51	127
Disposals	(40)	(40)	(80)
Depreciation	(40)	(13)	(53)
Foreign exchange movement	4	2	6
Carrying value at year-end	–	–	–
29 FEBRUARY 2020 Reviewed			
Carrying value at the beginning of the year	150	75	225
Depreciation	(74)	(24)	(98)
Carrying value at year-end	76	51	127

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

5.2 RIGHT-OF-USE ASSETS

	Land and buildings 2022 R'000	Land and buildings 2021 R'000	Land and buildings 2020 R'000
Cost	**–**	–	994
Accumulated depreciation	**–**	–	(721)
Carrying value at year-end	**–**	–	273

Reconciliation of the carrying value of right-of-use assets:

	Land and buildings 2022 R'000	Land and buildings 2021 R'000	Land and buildings 2020 R'000
Carrying value at the beginning of the year	**–**	273	–
Additions	**–**	–	1 628
Depreciation	**–**	(131)	(722)
Foreign exchange movement	**–**	11	(46)
Modifications	**–**	(153)	(587)
Carrying value at year-end	**–**	–	273

6. **DEFERRED TAX ASSETS**

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Includes:			
Property, plant and equipment	**–**	–	(32)
Right of use liabilities	**–**	–	39
	–	–	7
Carrying value at the beginning of the year	**–**	7	44
Temporary differences (note 4)	**–**	(7)	(10)
Foreign exchange	**–**	–	(27)
Carrying value at year-end	**–**	–	7

7. **TRADE AND OTHER RECEIVABLES**

	Audited 2022			Reviewed 2021			Reviewed 2020		
	Gross R'000	**ECL R'000**	**Net R'000**	Gross R'000	ECL R'000	Net R'000	Gross R'000	ECL R'000	Net R'000
Other receivables	**–**	**–**	**–**	–	–	–	97	–	97
Prepayments*	**–**	**–**	**–**	–	–	–	90	–	90
Value added taxation*	**1 421**	**–**	**1 421**	1 514	–	1 514	1 403	–	1 403
	1 421	**–**	**1 421**	1 514	–	1 514	1 590	–	1 590

* Non-financial assets

Other receivables relate to house rental deposits which are refundable upon the end of a lease.

8. **BANK BALANCES**

Included in the statement of cash flows is cash and cash equivalents comprising:

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Cash at banks and on hand	**37**	66	338

9. SHARE CAPITAL, PREMIUM AND RESERVES

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Authorised			
100 shares at Rs1 per share (2021: 100; 2020: 100)			
Issued			
100 shares at Rs1 per share (2021: 100; 2020: 100)	*	*	*

*Less than R1 000

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Share premium			
Carrying value at the beginning of the year	**14 454**	–	–
Loans capitalised	**–**	14 454	–
Carrying value at year-end	**14 454**	14 454	–
Total share capital and premium	**14 454**	14 454	–

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

Pursuant to a written resolution of the sole shareholder passed on 19 March 2021, which is effective from 28 February 2021, the loan payable to Stefanutti Stocks Mauritius Holdings Limited amounting to R14 million as at 28 February 2021, has been capitalised.

RESERVES

Foreign currency translation reserve comprises the translation effect of converting financial information from functional to presentation currency.

10. FINANCIAL LIABILITIES

10.1 CURRENT FINANCIAL LIABILITIES

	Audited 2022 R'000 Current	Reviewed 2021 R'000 Current	Reviewed 2020 R'000 Current
Lease liabilities (note 13.2)	**–**	–	262

10.2 LEASE LIABILITIES

a) Lease liabilities can be categorised as follows:

	Audited 2022 R'000 Current	Reviewed 2021 R'000 Current	Reviewed 2020 R'000 Current
Leases	**–**	–	262

b) Undiscounted cash flows

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Less than one year	**–**	–	271

c) Cash outflow relating to leases were recognised as follows:

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Operating activities – finance costs	**–**	6	81
Financing activities – capital repayments	**–**	119	703
Total cash outflows	**–**	125	784

11. **INTERGROUP LOANS**

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
CURRENT LIABILITIES			
SS – Construções (Moçambique), Limitada	**611**	544	407
Stefanutti Stocks Mauritius Holdings Limited	**–**	–	13 478
	611	544	13 885

Loans payable to SS – Construções (Moçambique), Limitada are unsecured, interest-free and with no fixed repayment terms.

Loans payable to Stefanutti Stocks Mauritius Holdings Limited were unsecured, bearing an interest rate of USD LIBOR 1 months + 2% per annum and repayable on demand.

12. **TRADE AND OTHER PAYABLES**

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Trade payables	**77**	83	71
Accrued expenses*	**26**	40	42
	103	123	113

*Non-financial liabilities

Trade and other payables are generally on 30-day payment terms.

13. NOTES TO THE STATEMENT OF CASH FLOWS

13.1 CASH (CONSUMED BY)/GENERATED FROM OPERATING ACTIVITIES

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Net loss before taxation	**(105)**	(3 397)	(11 275)
Adjusted for:			
Net loss/(profit) on foreign exchange (note 2)	**(2)**	853	535
Loss on disposal of property, plant and equipment (note 2)	**–**	40	–
Lease modifications	**–**	–	(22)
Investment income (note 3)	**–**	–	(75)
Finance costs (note 3)	**–**	318	515
Depreciation (note 5)	**–**	184	820
	(107)	(2 002)	(9 502)
Change in trade and other receivables	**93**	76	(1 455)
Change in trade and other payables	**(20)**	1 896	9 458
Change in intercompany loans	**67**	(774)	(2 419)
Effect of foreign exchange rate changes on working capital	**(65)**	919	(1 173)
Cash (consumed by)/generated from operations	**(32)**	115	(5 091)

13.2 RECONCILIATION OF CASH FLOW MOVEMENTS RELATING TO FINANCING ACTIVITIES

			Non-cash flow movements			
	Opening balance R'000	Cash outflow R'000	Foreign exchange movements R'000	Interest R'000	Lease modifications R'000	Closing balance R'000
2021 Reviewed						
Leases	262	(119)	10	–	(153)	–
2020 Reviewed						
Leases	1 628	(703)	(55)	1	(609)	262

14. RELATED PARTIES

The company's parent company is Stefanutti Stocks Mauritius Holdings Limited. The ultimate holding company is Stefanutti Stocks Holdings Limited, incorporated in South Africa and listed on the Johannesburg Stock Exchange (JSE).

Related parties	**Nature of relationship**	**Balances**		
		Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Stefanutti Stocks Mauritius Holdings Limited	Holding company	**–**	–	13 478
SS – Construções (Moçambique), Limitada	Fellow subsidiary	**611**	544	407

Other than the above, there were no other related party transactions/balances during the year (2021: Rnil, 2020: Rnil).

15. **RISK MANAGEMENT, ACCOUNTING CLASSIFICATIONS AND FAIR VALUE**

FINANCIAL INSTRUMENTS

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

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Financial assets, loans and receivables at amortised cost			
Bank balance (note 8)	**37**	66	338
Trade and other receivables (note 7)	**–**	–	97
Financial liabilities at amortised cost			
Trade and other payables (note 12)	**77**	83	71
Intergroup loans (note 11)	**611**	544	13 885
Financial liabilities (note 10)	**–**	–	262

Capital risk management

The primary objective of the company'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 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 capital risk management objectives and policies during the current year.

In setting the ideal mix between debt and equity, the company seeks to optimise its returns on shareholders' equity while maintaining prudent financial gearing. The company 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 company retains excess capital to fund future growth.

The company includes within net debt interest-bearing loans and bank overdrafts.

The company is currently not geared as there are no interest-bearing liabilities or overdrafts (2021: nil; 2022: R0,3 million).

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 customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the company's receivables from customers.

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

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Other receivables (note 7)	**–**	–	97

Expected credit loss model

The general approach is applied to determine the expected credit loss on 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 company provides for a 12-month ECL. Where there is a significant increase in credit risk, a lifetime ECL is calculated. An impairment analysis is performed at each reporting date based on factors applicable to the type of receivable.

OTHER RECEIVABLES

Other receivables consist mostly of deposits (house rentals).

The summarised risk categories and calculated ECL for other receivables are as follows:

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Within Mauritius	**–**	–	97
Gross total	**–**	–	97
Average expected credit loss rate (%)	**–**	–	–
Expected credit loss	**–**	–	–
Carrying amount	**–**	–	97

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

Historical factors	Forward-looking factors
Deposits • History of default by agents on repayment of deposits • Materiality of deposit amounts that could affect ability of agent to re-pay	Deposits • Whether deposits can be transferred to other properties under the same rental agent

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 borrowings 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 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.

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	Less than one year R'000
2022 Audited			
Financial liabilities			
Trade and other payables	**77**	**77**	**77**
2021 Reviewed			
Financial liabilities			
Trade and other payables	83	83	83
2020 Reviewed			
Financial assets			
Trade and other receivables	97	97	97
Financial liabilities			
Trade and other payables	71	71	71
Financial liabilities	262	271	271
	333	342	342

MARKET RISK

Market risk is the risk of changes in foreign exchange rates and interest rates, which affect the company's income or the value of its holdings of financial instruments.

CURRENCY RISK

The company 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.

The company is not exposed to any significant currency risk as a majority of its balances are denominated in its functional currency, except for its intergroup loan payable to SS – Construções (Moçambique), Limitada, which is denominated in Mozambican Metical ("MZN").

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Intergroup loan – SS – Construções (Moçambique), Limitada	**611**	544	13 885

The following exchange rates have been applied:

MZN to ZAR	**Audited 2022 R'000**	Reviewed 2021 R'000	Reviewed 2020 R'000
Closing rate	**0.2413**	0.2018	0.2401

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.

	Audited 2022 R'000	Reviewed 2021 R'000	Reviewed 2020 R'000
Movement in exchange rates	**20%**	16%	7%
Strengthening/(weakening)	**122/(122)**	87/(87)	972/(972)

INTEREST RISK

The company 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 company. The majority of borrowings are obtained at variable rates exposing the company to cash flow interest rate risk.

The company is not exposed to any significant interest rate risk as it does not currently have material interest-bearing debt, except for the intergroup loan with S&B Mauritius Holdings which was capitalised in 2021 (note 9).

	Currency	Nominal interest rate			Year of maturity	Carrying value		
		2022 %	2021 %	2020 %		**Audited 2022 R'000**	Reviewed 2021 R'000	Reviewed 2020 R'000
Lease liabilities (other) – local	Rs	**–**	–	8	2020	**–**	–	262
Intergroup loans – S&B Mauritius Holdings	Rs	**–**	–	LIBOR+2	2020	**–**	–	13 885
						–	–	14 147

If the interest rate on the intergroup loan had increased/decreased by 1% (100 basis point) with all other variables held constant, the post-tax (loss)/profit for the period would be increased/decreased by R3 thousand and R4 thousand in 2021 and 2020 respectively.

16. CONTINUING IMPACT OF COVID-19 AND THE RUSSIA AND UKRAINE CONFLICT

CONTINUING 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.

Subsequent to year-end, there have been no significant changes in the COVID-19 pandemic restrictions impacting the company.

RUSSIA AND UKRAINE CONFLICT

The impact the Russian and Ukraine conflict, which occurred in February 2022, will have on global growth and investor confidence, indirectly impacting the company's operations, will be closely monitored. Although the direct impact of the conflict on the company is deemed immaterial, the potential energy supply disruptions, increased energy, food, raw material, transport costs (driven by fuel hikes) and inflation could impact the company indirectly.

BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continued support of the holding company. The directors are of the opinion that this support will be forthcoming over the next 12 months. They therefore believe that it is appropriate for the financial statements to be prepared on this accounting 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.

International Financial Reporting Standards (IFRS), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.	Going-concern principles

PRESENTATION AND FUNCTIONAL CURRENCY

Presentation currency – South African Rand

Functional currency – Mauritian Rupee

ROUNDING POLICY

R'000 (thousand)

FOREIGN CURRENCY TRANSACTIONS

Procedures followed to translate to presentation currency

In the annual financial statements, transactions are translated into the presentation currency 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 profit or loss.
- 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.

SIGNIFICANT ACCOUNTING POLICIES

Included below is a summary of the significant accounting policies applicable to the company annual 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.

REFERENCE TABLE BETWEEN SIGNIFICANT ACCOUNTING POLICIES AND NOTES

Significant accounting policies	Notes and accounting policy (AP)
EBITDA	**AP 1**
Investment income	3
Other income and EBITDA	2
Employee benefits	**AP 2**
Short-term benefits	2
Post-employment benefits	2
Operating assets and related liabilities	**AP 3**
Property, plant and equipment	5
Lease liabilities	10
Financial instruments	**AP 4**
Financial assets	7, 8,15
Impairment	7, 15
Financial liabilities	10,11,12,15
Capital and reserves	**AP 5**
Share capital	9
Reserves	Statement of changes in equity

ACCOUNTING POLICIES
FOR THE YEAR ENDED 28/29 FEBRUARY

1. **EBITDA**

EBITDA comprises earnings before interest, taxation and depreciation.

INVESTMENT INCOME

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

2. **EMPLOYEE BENEFITS**

Stefanutti Stocks identifies the below 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

Social security	The company makes contributions for social security.
Accounting treatment	The amounts are recognised on an accrual basis.

3. **OPERATING ASSETS**

PROPERTY, PLANT AND EQUIPMENT

Owned assets

Categories	Initial measurement	Subsequent measurement	Depreciation method and period	Impairment
Land and buildings Furniture, fittings, office and computer equipment	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.	Cost less accumulated 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.

Right-of-use assets

Categories	Initial measurement	Subsequent measurement	Depreciation method and period
Land and buildings	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 from leases are depreciated over the useful life of the asset or term of lease, whichever is shorter.

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 company'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 company 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.

4. **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
Amortised cost	Trade and other receivables (excluding Value Added Tax and Prepayments) 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 financials assets are measured at fair value plus direct transaction costs.	Amortised costs using the effective interest rate method, less expected credit loss.

Impairment

Expected credit loss model	**Cash and cash equivalents** The company 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. **Other receivables and Intergroup loans** The company uses an allowance account to recognise credit losses on other receivables and intergroup loans. The company applies its impairment model as follows: **Expected credit loss model (ECL) – other receivables** The company applies the general approach of recognising ECLs on 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 company 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 other receivables and intergroup loans. Financial assets written off may still be subject to enforcement activities under the company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss. Impairment allowances are deducted from the carrying amounts of trade and other receivables and intergroup loans.

FINANCIAL LIABILITIES

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

5. **CAPITAL AND RESERVES**

SHARE CAPITAL

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

RESERVES

Foreign currency translation reserve comprises the translation effect of converting financial information from functional to presentation currency.

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. There were no business combinations in the current year.
- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors –** clarifies definition of materiality. This principle is already applied.

- **Interest Rate Benchmark reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 –** 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). There are no loans whose interest rates are linked to IBOR.
- **IFRS16 – COVID-19-Related Rent Concessions, Extension of Practical Expedient (Lessees Only) and Lease Incentives –** This amendment affects lessees only and makes it easier to account for COVID-19-related rent concessions. There was no lease rental concession received.

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 2022 or later periods.

	Accounting standard/ interpretation	Type	Effective date	Impact on the financial statements
IFRS 1: First-time adoption of international financial reporting standards	Subsidiary as a first-time adopter	Amendment	1 January 2022	Not applicable to the company as there are no subsidiaries
IFRS 9: Financial instruments	Fees in the '10 per cent' test for derecognition of financial liabilities	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	Amendment	1 January 2022	No expected impact as no such proceeds arises.
IAS 37: Provisions, contingent liabilities and contingent assets	Onerous contracts – cost of fulfilling a contract	Amendment	1 January 2022	No expected change as standard is currently appropriately applied.
IAS 1: Presentation of financial statements	Presentation of liabilities Disclosure of accounting policies	Amendment	1 January 2023	No impact as the principle is already applied.
IAS 12: Income taxes	Deferred tax related to assets and liabilities arising from a single transaction	Amendment	1 January 2023	No impact as the principle is already applied.
IAS 8: Accounting estimates	Definition on accounting estimates	Amendment	1 January 2023	No impact as the principle is already applied. Management distinguishes clearly between a change in accounting policy and a change in accounting estimate.
Practice statement 2 making materiality judgements	Disclosure of accounting policies	Amendment	1 January 2023	No expected change as standard is currently appropriately applied.

MATERIAL LOANS

Below is a summary of the material loans for Stefanutti Stocks.

SS Mozambique and SS Construction and the related businesses do not have any material outstanding loans.

Description	Reason for the loan & Lender	Effective date and Amount outstanding as at 28 February 2022	Secured/ unsecured & Security provided	Amount, repayment/ renewal terms and conditions	Interest rate	Borrowing Period
Nutella Project	Capital funding Lender: The Lender Group	Effective date: November 2019 Amount outstanding: R1 160 580 548	Secured as follows: Continuous Covering Mortgage – Capital Value – R42 million Additional value– R8 million Special Notarial Bond – Capital Value – R2 billion Additional Value – R400 million General Notarial Bond for the following companies: Stefanutti Stocks Holdings Limited, K2011136847 (South Africa) Proprietary Limited, Stefanutti Stocks International Holdings Proprietary Limited, and Stefanutti Stocks Proprietary Limited amounting to Capital value of R1 billion each and Additional value of R200 million each	Original loan amount: R1 205 390 029. Repayable in monthly interest payments, commencing May 2021 to February 2023. The Group negotiated with the Lenders to extend the capital repayments of the loan to February 2023, with the residual loan balance remaining at approximately R420 million.	8.08%	November 2019 – February 2023
Term Credit Facility Agreement	Capital funding Lender: Nedbank	Effective date: July 2019 Amount outstanding: R65 851 800	The Loan from Nedbank is secured by a guarantee provided by a Guarantor in favour of Nedbank, and the Guarantor's obligations in terms of the guarantee are in turn secured by mortgage bonds of R119 million Continuous covering mortgage – R145 million Additional value – R29 million	Original loan amount: R131 703 600 Repayable in monthly instalments, starting July 2020, ending February 2023. The capital repayments of the loan have been extended to February 2023.	7.8%	July 2019 – February 2023

Description	Reason for the loan & Lender	Effective date and Amount outstanding as at 28 February 2022	Secured/ unsecured & Security provided	Amount, repayment/ renewal terms and conditions	Interest rate	Borrowing Period
Tirisano Voluntary Rebuild Program	Voluntary rebuild program Stefanutti Stocks has voluntarily committed to make annual contributions to the South African Government's Tirisano Construction Fund.	Effective date: June 2016 Amount outstanding: R107 956 493	Unsecured	Original loan amount: R180 000 000 Repayable in annual instalments of R15 million over 12 years, starting in June 2016, ending June 2027.	Deemed interest of 7.5%	June 2016 – June 2027
Nedbank bond	2 Mortgage bonds Lender: Nedbank	Effective date: Mortgage bond 1 – March 2012 Mortgage bond 2 – July 2012 Amount outstanding: R4 737 963	Mortgage bond 1 Secured by continuous covering mortgage bonds of R100 million with an additional sum of R25 million registered over a property with Net Book Value of R89 287 303 Mortgage bond 2 Secured by continuous covering mortgage bonds of R35 million with an additional sum of R8 750 000 registered over property with a Net book Value of R30 million	Original loan amount: R89 868 005 Repayable in monthly instalments, starting March 2012, ending October 2022	Mortgage bond 1-Prime minus 1,0% Mortgage bond 2-Prime minus 1,25%	March 2012 – October 2022
Born Free Investments 385 (Pty) Ltd	Financing of leasehold improvements for SS Coastal division	Effective date: February 2021 Amount outstanding: R3 984 297	Unsecured	Original loan: R5 000 000 Repayable in monthly instalments starting March 2021, ending December 2025	7%	March 2021 – December 2025
EIS Properties bond	Mortgage loans Lender: First National Bank	Effective date: July 2019 Amount outstanding: R1 632 475	Secured by property with net book value R5 450 000	Original loan: R1 849 489 Repayable in monthly instalments starting July 2019, ending January 2035	9%	July 2019 – January 2035
Instalment sale agreements	Purchase of various Plant & Equipment Lenders: Nedbank	Effective dates of between 2020 – 2021 Amount outstanding: R1 938 086	Secured by underlying vehicles and plant & equipment	Original cost amounts: R10 million Payable monthly over periods of between 1 – 4 years, starting 2020, ending 2023	5,65%	2020 – 2023
Right-of-use liabilities	Rental of buildings (accommodation purposes), vehicles and various plant & equipment for construction sites and Furniture, fittings, office and computer equipment Lenders: various suppliers	Effective dates of between 2020 – 2021 Amount outstanding: R51 103 695	Secured by underlying buildings, vehicles, plant & equipment, furniture, fittings, office and computer equipment	Original cost amounts: R63 million Payable monthly over periods of 1 – 10 years, starting 2020, ending 2030	5,0% – 9,5%	2020 – 2030

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

MATERIAL CONTRACTS – STEFANUTTI STOCKS

Details of material contracts entered into by Stefanutti Stocks and its subsidiaries during the two years preceding the date of this Circular, other than in the ordinary course of business, are set out below:

Contract	Parties to contract	Nature of contract	Date of signature of contract
Senior Bridging Facility Agreement, originally dated 4 November 2019, as amended and restated by the First Amendment and Restatement for the Senior Bridging Facility Agreement dated 30 June 2020, as further amended and restated by the Second Amendment and Restatement Agreement for the Senior Bridging Facility Agreement dated 24 December 2020, as further amended and restated by the Third Amendment and Restatement Agreement for the Senior Bridging Facility Agreement dated 25 May 2021 and as further amended by the Fourth Amendment and Restatement Agreement for the Senior Bridging Facility Agreement dated 21 February 2022 ("SBFA")	Stefanutti Stocks (Pty) Ltd, Stefanutti Stocks Holdings Ltd, Stefanutti Stocks International Holdings (Pty) Ltd and K2011136847 (South Africa) (Pty) Ltd are the Original Guarantors. The following entities have acceded to the SBFA: Stefanutti Stocks (Zambia) Limited, Stefanutti Stocks Botswana (Pty) Ltd and Stefanutti Stocks Mauritius Holdings Limited.	The rationale for entering into the SBFA was to secure funding to enable the Group to implement a restructuring plan. The primary objectives of the restructuring plan are to put in place an optimal capital structure and access to liquidity, which will position the Group for long-term growth.	Senior Bridging Facility Agreement signed on 4 November 2019; First Amendment and Restatement for the Senior Bridging Facility Agreement signed on 30 June 2020; Second Amendment and Restatement Agreement for the Senior Bridging Facility Agreement signed on 24 December 2020; Third Amendment and Restatement Agreement for the Senior Bridging Facility Agreement signed on 25 May 2021; Fourth Amendment and Restatement Agreement for the Senior Bridging Facility Agreement signed on 21 February 2022 ("4th A&R") as amended by the First Addendum to the 4th A&R dated 28 April 2022 and the Second Addendum to the 4th A&R dated 30 June 2022.
Term Credit Facility Agreement	Stefanutti Stocks (Pty) Ltd	Loan Stefanutti Stocks (Pty) Ltd ("SSPL") and Keaton Mining (Pty) Ltd entered into a contract on 30 November 2018 ("the Contract"). SSPL subsequently signed a Sale and Cession Agreement with Nedbank on 22 July 2019, in terms of which the receivables due to SSPL in terms of the Contract, were ceded to Nedbank. The Contract was subsequently cancelled and SSPL and Nedbank therefore agreed to refinance the Sale and Cession Agreement in accordance with the Term Credit Facility Agreement.	30 July 2019

SS Mozambique and SS Construction and the related businesses do not have any material contracts.

STEFANUTTI STOCKS HOLDINGS LIMITED

(Registration number 1996/003767/06)
Share code: SSK
ISIN: ZAE000123766
("**Stefanutti Stocks**" or the "**Company**" or the "**Group**")

NOTICE OF GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that a General Meeting of the Shareholders will be held on Tuesday, 22 November 2022 at 09:00 entirely by electronic communication. Shareholders are referred to the "Action Required by Shareholders" section of the Circular for information on the procedure to be followed by Shareholders in order to participate and to exercise their votes at the General Meeting.

The purpose of the General Meeting is for Shareholders to consider and, if deemed fit, to approve the resolutions contained herein, with or without modification.

Capitalised terms used in this Notice of General Meeting but not otherwise defined shall have the meaning ascribed to them in the Circular to which this Notice of General Meeting is attached.

Only Shareholders who are registered in the Register on Friday, 11 November 2022 will be entitled to attend, speak and vote at the General Meeting. Therefore, the Last Date to Trade to be eligible to participate and vote at the General Meeting of Stefanutti Stocks Shareholders is Tuesday, 8 November 2022.

In terms of section 62(3)(e) of the Companies Act:

- a shareholder who is entitled to attend and vote at the general meeting is entitled to appoint a proxy or two or more proxies to attend, participate in and vote at the general meeting in the place of the shareholder; and
- a proxy need not be a shareholder.

Kindly note that, in terms of section 63(1) of the Companies Act, any person attending or participating in a meeting of shareholders must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as a shareholder or as a proxy for a shareholder) has been reasonably verified. Accordingly, all Shareholders recorded in the Registers of the Company on the voting record date will be required to provide identification satisfactory to the chairman of the General Meeting in order to participate in and vote at the General Meeting. Forms of identification include valid green-bar coded or smart card identification document issued by the South African Department of Home Affairs, a South African driver's license, or a valid passport.

Important dates and times	**2022**
Last Date to Trade to be eligible to participate in and vote at the General Meeting	Tuesday, 8 November
General Meeting record date for Stefanutti Stocks Shareholders to be entitled to participate in and vote at the General Meeting	Friday, 11 November
For administrative purposes only, last date to lodge forms of proxy with the Transfer Secretaries by 09:00	Friday,, 18 November
Last date to lodge forms of proxy with the chairman of the General Meeting by 08:55	Tuesday, 22 November
General Meeting to be held at 09:00	Tuesday, 22 November
Results of the General Meeting published on SENS	Tuesday, 22 November
Results of the General Meeting published in the press	Wednesday, 23 November

ORDINARY RESOLUTION NUMBER 1 – APPROVAL OF THE TRANSACTION

"**RESOLVED THAT** in terms of paragraph 9.20 of the Listings Requirements, the Transaction be and is hereby approved by Shareholders and, accordingly, the entry into, and implementation of, the Sale Agreements and the Loan Agreement by Stefanutti Stocks and/or its subsidiaries in connection with the Transaction be and is hereby approved by Shareholders."

In order for Ordinary Resolution Number 1 to be adopted, the support of more than 50% of the voting rights exercised on the resolution by Shareholders, present in person or by proxy at the General Meeting, is required. Only Shareholders reflected on the Register as such on the voting record date are entitled to vote on the Ordinary Resolution Number 1.

Reason and effect:

The reason for Ordinary Resolution Number 1 is that the value of the Transaction exceeds 30% of Stefanutti Stocks' market capitalisation, resulting in the Transaction qualifying as a Category 1 Transaction in terms of section 9 of the Listings Requirements, which Transaction requires Shareholder approval by way of ordinary resolution. The effect of Ordinary Resolution Number 1, if adopted by the requisite majority of Shareholders, will be to grant the requisite approval for the implementation of the Transaction, as required under the Listings Requirements.

ORDINARY RESOLUTION NUMBER 2 – AUTHORITY GRANTED TO DIRECTORS

"**RESOLVED THAT,** any Director be and is hereby authorised to sign all such documents and do all such things as may be necessary for or incidental to the implementation of the Transaction and the resolutions contemplated herein, and all such actions taken prior hereto be and are hereby ratified."

In order for Ordinary Resolution Number 2 to be adopted, the support of more than 50% of the voting rights exercised on the resolution by Shareholders, present in person or by proxy at the General Meeting, is required. Only Shareholders reflected on the Register as such on the voting record date are entitled to vote on the Ordinary Resolution 2.

Reason and effect:

The reason for Ordinary Resolution Number 2 is to authorise any Director to sign all such documents and do all such things as may be necessary, desirable or incidental to the implementation of the resolutions passed at the General Meeting. The effect of Ordinary Resolution Number 2, if adopted by the requisite majority of Shareholders, will be to grant the requisite authority to any Director to sign all such documents and do all such things as may be necessary, desirable or incidental for or to the implementation of the resolutions passed at the General Meeting. The resolution also ratifies actions already taken by Directors in relation to the Transaction.

Electronic participation

The Company has made provision for Shareholders or their proxies to participate electronically in the General Meeting by way of an electronic platform hosted by Computershare. Should you wish to participate in the General Meeting by electronic communication as aforesaid, you, or your proxy, will be required to advise the Company thereof by no later than 09:00 on Friday, 18 November 2022, for administration purposes only, by submitting by email to **proxy@computershare.co.za**, with relevant contact details, including an email address, cellular number and landline as well as full details of the Stefanutti Stocks Shareholder's title to securities issued by the Company and proof of identity, in the form of copies of identity documents and share certificates (in the case of certificated Stefanutti Stocks Shares) and (in the case of dematerialised Stefanutti Stocks Shares) written confirmation from the Shareholder's CSDP confirming the Shareholder's title to the dematerialised Stefanutti Stocks Shares.

Upon receipt of the required information, the Shareholder concerned will be provided with a secure code and instructions to access the electronic communication during the General Meeting. Shareholders must note that access to the electronic communication will be at the expense of the Shareholders who wish to utilise the facility.

Proxies and authority for representatives to act

A form of proxy is attached for the convenience of any Shareholder holding certificated Stefanutti Stocks Shares and any Dematerialised Shareholder with "Own-Name" registration, who cannot attend the General Meeting but wishes to be represented thereat.

The attached form of proxy is only to be completed by those Shareholders who are:

- holding shares in certificated form; or
- recorded on the Company's sub-register in dematerialised electronic form with "Own-Name" registration.

All other beneficial owners who have dematerialised their Stefanutti Stocks Shares through a CSDP or broker and wish to attend the General Meeting, must instruct their CSDP or broker to provide them with the necessary letter of representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. These Shareholders must not use a form of proxy.

Forms of proxy must be deposited with Computershare by email at **proxy@computershare.co.za** to be received by no later than 09:00 on Friday, 18 November 2022, for administration purposes, or to the chairman of the General Meeting at any time before the meeting commences by email, care of Mr W Somerville, at w.somerville@mweb.co.za. Any Shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend, speak and vote in person at the General Meeting should the Shareholder decide to do so.

A company that is a Shareholder, wishing to attend and participate at the General Meeting should ensure that a resolution authorising a representative to so attend and participate at the General Meeting on its behalf is passed by its directors. Resolutions authorising representatives in terms of section 57(5) of the Companies Act must be lodged with Computershare prior to the General Meeting, for administration purposes, or to the chairman of the General Meeting at any time before the meeting commences by email, care of Mr W Somerville, at w.somerville@mweb.co.za.

The Company does not accept responsibility and will not be held liable for any failure on the part of the CSDP or broker of a Dematerialised Shareholder to notify such Shareholder of the General Meeting of Stefanutti Stocks Shareholders or any business to be conducted thereat.

Shareholders will be liable for their own network charges in relation to electronic participation in and/or voting at the General Meeting. Any such charges will not be for the account of the JSE, Stefanutti Stocks and/or Computershare. None of the JSE, Stefanutti Stocks or Computershare can be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such Shareholder from participating in and/or voting at the General Meeting.

By order of the Board

Stefanutti Stocks
25 October 2022

ELECTRONIC PARTICIPATION FORM

PARTICIPATION IN THE GENERAL MEETING VIA ELECTRONIC COMMUNICATION:

Capitalised terms used in this Electronic Participation Form shall bear the meanings ascribed thereto in the Circular to which the Notice of General Meeting is attached.

1. **Stefanutti Stocks Shareholders or their duly appointed proxy(ies) that wish to participate in the General Meeting via electronic communication ("participants") must apply to the transfer secretaries, by delivering this duly completed electronic participation form to:**

   1.1 Rosebank Towers, First Floor, 15 Biermann Avenue, Rosebank 2196, or posting it to Private Bag X9000, Saxonwold, 2132 (at the risk of the Participant), or by email to **proxy@computershare.co.za** so as to be received by Computershare by no later than 09:00 on Friday, 18 November 2022, for administrative reasons, in order for the Transfer Secretaries to arrange such participation for the **Stefanutti Stocks** Shareholder and for the Transfer Secretaries to provide the **Stefanutti Stocks** Shareholder with the details as to how to access the General Meeting by means of electronic participation.

   1.2 **Stefanutti Stocks** Shareholders may still register/apply to participate in and/or vote electronically at the General Meeting after the aforementioned date, provided, however, that those **Stefanutti Stocks** Shareholders are verified (as required in terms of section 63(1) of the Companies Act) and are registered at the commencement of the General Meeting.

2. **Important notice**

   2.1 The Transfer Secretaries shall, by no later than Monday, 21 November 2022, notify Participants that have delivered valid notices in the form of this Electronic Participation Form, by email of the relevant details through which Participants can participate electronically, subject to such **Stefanutti Stocks** Shareholders delivering this Electronic Participation Form by 09:00 on Friday, 18 November 2022.

   2.2 For administrative purposes only, the cut-off time to participate in the General Meeting via electronic communication will be 08:55 on Tuesday, 22 November 2022, provided that those **Stefanutti Stocks** Shareholders wishing to participate are verified (as required in terms of section 63(1) of the Companies Act) and are registered at the commencement of the General Meeting.

   2.3 Upon receiving a completed Electronic Participation Form, the Transfer Secretaries will follow a verification process to verify each applicant's entitlement to participate in and/or vote at the General Meeting. The Transfer Secretaries will provide **Stefanutti Stocks** with the email address of each Participant or their duly appointed proxy to enable the Company to forward to such Participant a Teams meeting invitation required to access the General Meeting. Alternatively, the Transfer Secretaries will forward to such Verified **Stefanutti Stocks** Shareholders, a Teams meeting invitation required to access the General Meeting.

   2.4 **Stefanutti Stocks** or the Transfer Secretaries will send each Participant a Teams meeting invitation with a link to "Join the Teams Meeting" on Monday, 21 November 2022, to enable Participants to link up and participate electronically in the General Meeting. This link will be sent to the email address nominated by the Participant in this Electronic Participation Form.

   2.5 **Stefanutti Stocks** Shareholders connecting to the General Meeting electronically will be able to participate in the General Meeting. The electronic platform to be utilised for the General Meeting does not provide for electronic voting during the meeting. Accordingly, **Stefanutti Stocks** Shareholders are strongly encouraged to submit votes by proxy in advance of the General Meeting, by completing the Form of Proxy and lodging the completed proxy form together with the Electronic Participation Form with Computershare. **Stefanutti Stocks** Shareholders who indicate in this Electronic Participation Form that they wish to vote during the electronic meeting, will be contacted by Computershare to make the necessary arrangements.

Electronic Participation Form

Full name of Participant:

ID number:

Email address:

*Note: this email address will be used by the Company's Transfer Secretaries to share the Teams meeting invitation required to access the General Meeting electronically

Cell number:

Telephone number: (code): (number):

*Note: The electronic platform to be utilised for the General Meeting does not provide for electronic voting during the meeting. Accordingly, Stefanutti Stocks Shareholders are strongly encouraged to submit votes by proxy in advance of the General Meeting, by completing the proxy form.

Indicate (by marking with an "X") whether:

☐ votes will be submitted by proxy (in which case, please enclose the duly completed Form of Proxy with this form) rather than seeking to vote during the General Meeting; or

☐ the Participant wishes to exercise votes during the General Meeting. If this option is selected, the Company's Transfer Secretaries will contact you to make the necessary arrangements.

Name of CSDP or broker (if Stefanutti Stocks Shares are held in dematerialised format):

Contact number of CSDP/broker:

Contact person of CSDP/broker:

Number of share certificate (if applicable):

Signature:

Date:

Terms and conditions for participation in the General Meeting via electronic communication

1. Documentary evidence establishing the authority of the named person, including any person acting in a representative capacity, who is to participate in the General Meeting, must be attached to this application.
2. A certified copy of the valid identity document/passport of the person attending the General Meeting by electronic participation, including any person acting in a representative capacity, must be attached to this application.
3. The cost of electronic participation in the General Meeting is for the expense of the Participant and will be billed separately by the Participant's own service provider.
4. The Participant acknowledges that the electronic communication services are provided by a third party and indemnifies Stefanutti Stocks and the Transfer Secretaries against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else. In particular, but not exclusively, the Participant acknowledges that he/she will have no claim against Stefanutti Stocks and/or the Transfer Secretaries, whether for consequential damages or otherwise, arising from the use of the electronic services or any defect in it or from total or partial failure of the electronic services and connections linking the Participant via the electronic services to the General Meeting.
5. The application to participate in the General Meeting electronically will only be deemed successful if this Electronic Participation Form has been completed fully and signed by the Participant.

STEFANUTTI STOCKS HOLDINGS LIMITED

(Registration number 1996/003767/06)
Share code: SSK
ISIN: ZAE000123766
("**Stefanutti Stocks**" or the "**Company**" or the "**Group**")

FORM OF PROXY – (FOR USE BY CERTIFICATED SHAREHOLDERS AND "OWN-NAME" DEMATERIALISED SHAREHOLDERS ONLY)

For completion by the aforesaid registered Shareholders who are unable to attend the General Meeting of Shareholders of the Company to be held on Tuesday, 22 November 2022 at 09:00 by electronic communication ("the General Meeting of Stefanutti Stocks Shareholders").

If you are a Dematerialised Shareholder, other than with "Own Name" registration, do not use this form. Dematerialised Shareholders, other than with "Own Name" registration, should provide instructions to their appointed Central Securities Depository Participant ("CSDP") or broker in the form as stipulated in the agreement entered into between the Shareholder and the CSDP or broker.

I/We (FULL NAMES IN BLOCK LETTERS PLEASE) of (ADDRESS)

Telephone number   Cell phone number

Email address

being a Shareholder (s) of the Company holding shares in the Company do hereby appoint:

1. or failing him,

2. or failing him,

3. The chairman of the General Meeting of Stefanutti Stocks Shareholders

as my/our proxy to vote for me/our behalf at the General Meeting (and any adjournment thereof) for the purpose of considering and, if deemed fit, passing with or without modifications, the following resolutions to be considered at the General Meeting of Stefanutti Stocks Shareholders.

	Number of votes		
	***In favour of**	***Against**	***Abstain**
Ordinary Resolution Number 1: Approval of the Transaction			
Ordinary Resolution Number 2: Authority granted to Directors			

Insert an X or the number of Stefanutti Stocks Shares in the appropriate block. If no indications are given, the proxy will vote as he/she deems fit. Each Shareholder entitled to attend, speak and vote and the meeting may appoint one or more proxies (who need not be a Shareholder of the Company) to attend, speak and vote in his/her stead.

Please read the notes on the reverse side hereof.

Signed at   on   2022

Signature

Assisted by me (where applicable)

Completed forms of proxy must, for administrative purposes, be lodged with the Transfer Secretaries by email at **proxy@computershare.co.za** by no later than 09:00 on Friday, 18 November 2022. Alternatively, such forms of proxy may be lodged with the chairman of the General Meeting at any time before the meeting by email, care of Mr W Somerville, at w.somerville@mweb.co.za

Notes to form of proxy:

1. This form of proxy should only be used by Certificated Shareholders or Shareholders who have dematerialised their Stefanutti Stocks Shares with “Own Name” registration.
2. All other Shareholders who have dematerialised their Stefanutti Stocks Shares through a Central Securities Depository Participant (“CSDP”) or broker and wish to attend the General Meeting, must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. Stefanutti Stocks does not accept responsibility, and will not be held liable, under applicable law or regulation, for any action of, or omission by, any CSDP or broker including, without limitation, any failure on the part of the CSDP or Broker of any beneficial owner of Shares to notify such beneficial owner of the General Meeting or the details set out in this form of proxy attached to the notice of General Meeting.
3. A Shareholder may insert the name/s of one or more proxies, none of whom need be a member of the Company, in the space provided, with or without deleting “the chairman of the General Meeting”. The person whose name appears first on the form of proxy and who is present at the General Meeting will be entitled to act as proxy to the exclusion of those whose names follow. In the event that no names are indicated, the proxy shall be exercised by the chairman of the General Meeting.
4. A Shareholder’s instructions on the form of proxy must be indicated by the insertion of an “X” or the number of Stefanutti Stocks Shares in the appropriate space provided. Failure to comply with the above will be deemed to authorise the chairman of the General Meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions at the General Meeting, or any other proxy to vote or to abstain from voting at the General Meeting as he/she deems fit in respect of all of the Shareholder’s votes exercisable thereat. A Shareholder or his/her proxy is not obliged to use all the votes exercisable by the Shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the Shareholder or by his/her proxy.
5. In order to be effective, completed forms of proxy must reach the Transfer Secretaries by 09:00 on Friday, 18 November 2022, for administration purposes, or to the chairman of the General Meeting by email to w.somerville@mweb.co.za at any time before the meeting commences.
6. The completion and lodging of this form of proxy shall in no way preclude the Shareholder from attending, speaking and voting in person at the General Meeting to the exclusion of any proxy appointed in terms hereof.
7. This form of proxy shall be valid at any resumption of an adjourned General Meeting to which it relates, although this form of proxy shall not be used at the resumption of an adjourned General Meeting if it could not have been legally used at the General Meeting from which it was adjourned.
8. Should this form of proxy not be completed and/or received in accordance with these notes, the chairman may accept or reject it, provided that in the case of acceptance, the chairman is satisfied as to the manner in which the Shareholder wishes to vote.
9. Documentary evidence establishing the authority of the person signing this form of proxy in a representative or other legal capacity must be attached to this form of proxy unless previously recorded by the Transfer Secretaries or waived by the chairman of the General Meeting.
10. The chairman shall be entitled to reject the authority of a person signing the form of proxy –

    10.1 under a power of attorney; or

    10.2 on behalf of a company,

    unless that person’s power of attorney or authority is deposited at the registered office of the Company or Computershare not less than forty-eight hours before the meeting.
11. Where Shares are held jointly, all joint holders are required to sign the form of proxy.
12. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretaries.
13. Any alteration of or correction to this form of proxy must be initialled by the signatory/ies.
14. On a poll, every Shareholder present in person or represented by proxy shall have one vote for every share held by such Shareholder.

Registered office

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

Computershare Investor Services Proprietary Limited

proxy@Computershare.co.za

SUMMARY OF THE RIGHTS CONTEMPLATED IN SECTION 58 OF THE COMPANIES ACT

For purposes of this summary, the term “shareholder” shall have the meaning ascribed thereto in section 57(1) of the Companies Act.

1. At any time, a shareholder of a company is entitled to appoint any individual, including an individual who is not a shareholder of that company, as a proxy to participate in, speak and vote at a shareholders’ meeting on behalf of the shareholder.
2. A proxy appointment must be in writing, dated and signed by the relevant shareholder.
3. Except to the extent that the Memorandum of Incorporation of a company provides otherwise:

    3.1 a shareholder of the relevant company may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by such shareholder; and

    3.2 a copy of the instrument appointing a proxy must be delivered to the relevant company, or to any other person on behalf of the relevant company before the proxy exercises any rights of the shareholder at a shareholders’ meeting.
4. Irrespective of the form of instrument used to appoint a proxy:

    4.1 the appointment of the proxy is suspended at any time and to the extent that the shareholder who appointed that proxy chooses to act directly and in person in the exercise of any rights as a shareholder of the relevant company; and

    4.2 should the instrument used to appoint a proxy be revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and the relevant company.
5. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy’s authority to act on behalf of the relevant shareholder as of the later of the date:

    5.1 stated in the revocation instrument, if any; or

    5.2 upon which the revocation instrument is delivered to the proxy and the relevant company as required in section 58(4)(c)(ii) of the Companies Act.
6. Should the instrument appointing a proxy or proxies have been delivered to the relevant company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the relevant company’s Memorandum of Incorporation to be delivered by such company to the shareholder must be delivered by such company to:

    6.1 the shareholder; or

    6.2 the proxy or proxies if the shareholder has in writing directed the relevant company to do so and has paid any reasonable fee charged by the company for doing so.
7. A proxy is entitled to exercise, or abstain from exercising, any voting right of the relevant shareholder without direction, except to the extent that the Memorandum of Incorporation of the relevant company or the instrument appointing the proxy provides otherwise.
8. If a company issues an invitation to shareholders to appoint one or more persons named by such company as a proxy, or supplies a form of instrument for appointing a proxy:

    8.1 such invitation must be sent to every shareholder who is entitled to receive notice of the meeting at which the proxy is intended to be exercised;

    8.2 the company must not require that the proxy appointment be made irrevocable; and

    8.3 the proxy appointment remains valid only until the end of the relevant meeting at which it was intended to be used, unless revoked as contemplated in section 58(5) of the Companies Act.