STEFANUTTI STOCKS
HOLDINGS LIMITED

2022

SEPARATE ANNUAL FINANCIAL STATEMENTS

CONTENTS

PREPARATION OF ANNUAL FINANCIAL STATEMENTS

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

Yolanda du Plessis
Chief Financial Officer

13 June 2022

CERTIFICATE BY THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act No. 71 of 2008, I certify that, to the best of my knowledge and belief, Stefanutti Stocks Holdings Limited has, in respect of the financial year ended 28 February 2022, lodged with the Companies and Intellectual Property Commission all returns and notices required of a public company in terms of the Companies Act No. 71 of 2008 and that all such returns and notices are true, correct and up to date.

William Somerville
Company Secretary

13 June 2022

CEO AND CFO RESPONSIBILITY STATEMENT ON INTERNAL FINANCIAL CONTROLS

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

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

— no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

— internal financial controls have been put in place to ensure that material information relating to the company and its subsidiaries have been provided to effectively prepare the financial statements; and

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

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

Russell Crawford
Chief Executive Officer

Yolanda du Plessis
Chief Financial Officer

13 June 2022
Kempton Park

SIMPLIFIED GROUP ORGANOGRAM

STEFANUTTI STOCKS HOLDINGS LIMITED
1996/003767/06

Stefanutti Stocks Investments Proprietary Limited
(South Africa)
1997/005231/07

Stefanutti Stocks International Holdings Proprietary Limited
(South Africa)
2005/015885/07

Cross-border operational subsidiaries and joint operations

Stefanutti Stocks Proprietary Limited
(South Africa)
2003/022221/07

Operational subsidiaries

Equity-accounted investees

Joint operations

DIRECTORS' REPORT

NATURE OF BUSINESS

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

Stefanutti Stocks operates throughout South Africa and Southern Africa with multi-disciplinary expertise including concrete structures, marine construction, piling, geotechnical services, roads and earthworks, bulk pipelines, materials handling, tailings management, all forms of building works including affordable housing, mechanical, electrical and piping (MEP).

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

GROUP MATTERS

Restructuring plan update

The group hereby provides shareholders with an update on the Restructuring Plan as reported in the Reviewed Condensed Consolidated Results of Stefanutti Stocks for the 12 months ended 28 February 2022 issued on 26 May 2022.

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

- the sale of non-core assets;
- the sale of underutilised plant and equipment;
- the sale of certain operations;
- internal restructuring initiatives required to restore optimal operational and financial performance;
- the securing of additional short-term funding of R430 million, of which R270 million related to the negative effects of the national lockdown in March/April 2020;
- a favourable outcome from the processes relating to the contractual claims and compensation events on the Kusile power project;
- the restructuring of the short-term funding received to date from the Lenders into a 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 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 is currently in negotiations 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 reporting period be prepared on the going-concern basis, taking into consideration:

- the current order book;
- imminent project awards;
- continuing operations executing the group's order book profitably;
- the availability of short- and mid-term projects;
- reaching favourable outcomes 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;
- the assumption of a successful completion of current negotiations with the Lenders relating to the extension of capital repayments of the loan 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 total liabilities continue to exceed total assets 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 15 of these 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.

Eskom — Kusile Power projects

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

Refer to note 15.

Contingent liabilities

As previously reported, with respect to two contract mining project terminations:

- one project has been amicably settled with the client; and
- the other is proceeding to arbitration. The group is confident that the termination was lawful and therefore no provision has been made. This arbitration is expected to be completed in the following financial year.

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

As previously reported, with respect to the mechanical project termination, the arbitration process is expected to be completed by February 2023. The group is confident that the termination was lawful and therefore no provision has been made.

Refer to note 15.

COVID-19 AND THE RUSSIAN AND UKRAINIAN 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 the 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 impact the Russian 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.

FINANCIAL RESULTS AND YEAR UNDER REVIEW

These annual financial statements on pages 7 to 30 comprise the separate annual financial statements of the holding company, Stefanutti Stocks Holdings Limited. This report should be read in conjunction with the group consolidated annual financial statements.

The consolidated annual financial statements of Stefanutti Stocks Holdings Limited and its subsidiaries, joint operations and equity-accounted investees (collectively the group) for the year ended 28 February 2022 are available on the website **www.stefstocks.com**.

The accounting policies as well as the methods of computation used in the preparation of the results for the year ended 28 February 2022 are in terms of International Financial Reporting Standards (IFRS) and are consistent with those applied in the audited annual financial statements for the year ended 28 February 2021.

DIVIDEND DECLARATION

Notice is hereby given that no dividend will be declared (Feb 2021: Nil).

SUMMARISED COMPANY RESULTS

	Note	**2022 R'000**	2021 R'000	Commentary on the year-on-year movements
Revenue	3	**24 187**	17 291	Increase in management fees due to more time spent by management
Legal fees	4	**5 245**	11 830	Legal fees mainly due to expenses incurred on arbitration case for civil claim lodged by the City of Cape Town (Green Point Stadium). Fees reduced due to the case reaching settlement stage
Intergroup payables	9	**9 244**	13 493	Decrease in payables due to reduction of intergroup funding received for working capital requirements
Financial liabilities	12	**27 552**	—	Settlement liability recognised relating to the City of Cape Town arbitration

SUBSEQUENT EVENTS

With respect to the civil claim received from the City of Cape Town (Green Point Stadium), the parties to the civil claim being the City of Cape Town and WBHO Construction, Aveng Africa and Stefanutti Stocks ("the Contractors") remain confident of their respective legal positions. However, the parties have mutually agreed that it is in the best interests of all to amicably settle the matter rather than prolong an extended and costly arbitration and court process. This will allow for future positive engagements between the City of Cape Town and the Contractors.

The settlement includes an annual payment of R10,5 million by each Contractor over the next three years, and a commitment to Corporate Social Investment projects in the Cape Town district by WBHO Construction and Stefanutti Stocks.

Subsequent to year-end, the group received a non-binding offer of USD13,5 million to purchase a foreign entity. Negotiations are ongoing and no terms have been agreed. The foreign entity is classified as held for sale, and the fair value of its assets and liabilities is based on an orderly transaction between market participants at the reporting date under current market conditions.

The recent flooding in KwaZulu-Natal impacted one project in the Coastal Region. An insurance claim will be submitted for damages incurred of approximately R20 million.

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

DIRECTORATE

The names of the directors who currently hold office are set out on page 31.

RESOLUTIONS

At the 2021 annual general meeting, the shareholders of the company passed the following special resolutions:

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

APPROVAL

The annual financial statements, which appear on pages 7 to 30, were approved by the board of directors and are signed by:

Russell Crawford
Chief Executive Officer

Yolanda du Plessis
Chief Financial Officer

13 June 2022
Kempton Park

INDEPENDENT AUDITOR'S REPORT

28 FEBRUARY 2022

To the Shareholders of Stefanutti Stocks Holdings Limited

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the separate financial statements of Stefanutti Stocks Holdings Limited set out on pages 7 to 30, which comprise the statement of financial position as at 28 February 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Stefanutti Stocks Holdings Limited as at 28 February 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to the statement of profit or loss and other comprehensive income, statement of financial position as well as Note 2 of the financial statements, which indicates that the company incurred a net loss of R23 million for the year ended 28 February 2022 and, as of that date, the company's current liabilities exceeded its current assets by R 21 million. As stated in Note 2 these events and conditions, along with other matters as noted, including the uncertainties surrounding the COVID-19 pandemic and contingent liabilities as disclosed in Note 15, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

Key audit matters

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

Other information

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors responsibility for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Mazars has been the auditor of Stefanutti Stocks Holdings Limited and its subsidiaries for 16 years.

Mazars

Mazars
Partner: Shaun Vorster
Registered Auditor

13 June 2022
Johannesburg

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY

	Note	**2022 R'000**	2021 R'000
Revenue	3	**24 187**	17 291
Operating and administration expenses	4	**(43 649)**	(32 782)
Expected credit losses	16	**1 478**	194
Operating loss before investment income		**(17 984)**	(15 297)
Investment income	5	**136**	515
Loss before taxation		**(17 848)**	(14 782)
Taxation	6	**(4 938)**	1 382
Loss/total comprehensive income		**(22 786)**	(13 400)
Loss and diluted loss per share (cents)	10.2	**(13,62)**	(8,01)

STATEMENT OF FINANCIAL POSITION
AS AT 28 FEBRUARY

	Note	2022 R'000	2021 R'000
ASSETS			
Non-current assets		**477 049**	480 179
Investment in subsidiaries	7	**473 963**	473 963
Deferred tax assets	8	**—**	4 608
Intergroup receivables	9	**3 086**	1 608
Current assets		**505**	14 038
Prepayments		**52**	78
Taxation		**—**	3
Bank balances		**453**	13 957
Total assets		**477 554**	494 217
EQUITY AND LIABILITIES			
Capital and reserves		**437 731**	460 517
Share capital and premium	10.1	**1 161 538**	1 161 538
Accumulated loss		**(723 807)**	(701 021)
Non-current liabilities		**18 061**	—
Financial liabilities	12	**18 061**	—
Current liabilities		**21 762**	33 700
Financial liabilities	12	**9 491**	—
Intergroup payables	9	**9 244**	13 493
Trade and other payables	13	**3 027**	20 207
Total equity and liabilities		**477 554**	494 217

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY

	Share capital and premium R'000	Accumulated losses R'000	Total Capital and reserves R'000
Balance at 1 March 2020	1 161 538	(687 621)	473 917
Loss/total comprehensive income	—	(13 400)	(13 400)
Balance at 28 February 2021	1 161 538	(701 021)	460 517
Loss/total comprehensive income	—	(22 786)	(22 786)
Balance at 28 February 2022	**1 161 538**	**(723 807)**	**437 731**
Note	10		

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY

	Note	2022 R'000	2021 R'000
Cash flows from operating activities		**(13 504)**	(622)
Loss before taxation		**(17 848)**	(14 782)
Adjusted for:			
Non-cash item — settlement liability (City of Cape Town)	4	**27 552**	—
Expected credit loss (ECL) — intergroup receivables	16	**(1 478)**	(194)
Investment income	5	**(136)**	(515)
		8 090	(15 491)
Movements in working capital			
Intergroup payables	9	**(4 249)**	11 608
Prepayments		**26**	1 057
Trade and other payables	13	**(17 180)**	1 751
Cash consumed by operating activities		**(13 313)**	(1 075)
Investment income	5	**136**	515
Income taxation paid		**(327)**	(62)
Movement in cash and cash equivalents		**(13 504)**	(622)
Cash and cash equivalents at the beginning of the year		**13 957**	14 579
Cash and cash equivalents at year-end		**453**	13 957

1. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

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

PROVISION FOR EXPECTED CREDIT LOSSES (ECLs) OF INTERGROUP RECEIVABLES (NOTE 16)

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

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

IMPAIRMENT OF INVESTMENT IN SUBSIDIARIES (NOTE 7)

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

An impairment is determined by assessing the recoverable amount of the cash-generating unit (CGU) to which the investment relates. The recoverable amount is determined as the value in use of the CGU by estimating the expected future cash flows and determining a suitable discount rate in order to calculate the present value of those cash flows. Cash flows are projected based on actual operating results and four-year forecasts. The recoverable amount is also determined by assessing the possible cash flows to be received from subsidiaries from continued use or sale of subsidiaries.

2. GOING CONCERN

GROUP MATTERS

Restructuring plan update

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

In accordance with the Restructuring Plan, the Lenders had provided the requisite funding and converted the short-term funding agreement into a term loan on 1 July 2020. 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.

2. GOING CONCERN CONTINUED

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.

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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.

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

- the current order book;
- imminent project awards;
- continuing operations executing the group's order book profitably;
- the availability of short- and mid-term projects;
- reaching favourable outcomes 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;
- the assumption of a successful completion of current negotiations with the Lenders relating to the extension of capital repayments of the loan 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 total liabilities continue to exceed total assets 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 15 of these 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.

Going concern

Stefanutti Stocks Holdings Limited is the holding company of the Stefanutti Stocks group. The going concern of the group directly impacts the going concern of the company. Based on the above, the financial statements of Stefanutti Stocks Holdings Limited have been prepared on a going concern basis.

3. REVENUE

	2022 R'000	2021 R'000
Management fees	**24 187**	17 291

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

4. OPERATING AND ADMINISTRATION EXPENSES

	2022 R'000	2021 R'000
Included in these expenses are:		
Audit fees	**72**	78
Consultancy fees	**1 235**	1 559
Employee costs	**3 283**	14 175
— Short-term employee benefit costs	**1 923**	12 705
— Post-employment benefit costs	**1 360**	939
— Long-term employment benefits (note 11)	**—**	531
Listing expenses	**1 835**	1 893
Settlement — City of Cape Town (note 12)	**27 552**	—
Legal fees	**5 245**	11 830

5. INVESTMENT INCOME

	2022 R'000	2021 R'000
Interest income from financial instruments held at amortised cost:		
— Bank accounts	**136**	515
	136	515

6. TAXATION

6.1 TAXATION

	2022 R'000	2021 R'000
Current tax	**330**	62
Deferred tax	**4 608**	(1 444)
	4 938	(1 382)

6.2 RECONCILIATION OF TAX CHARGE

	2022 R'000	2021 R'000
Tax at 28% on loss before taxation	**(4 997)**	(4 139)
Adjusted for:		
Disallowable expenditure — listing expenses and other	**514**	531
Disallowable expenditure — legal fees	**1 469**	1 911
Disallowable expenditure — consultancy fees	**336**	369
Disallowable expenditure — Settlement fees (City of Cape Town)	**7 714**	—
Exempt income — expected credit loss	**(414)**	(54)
Deferred tax asset not raised— current year	**316**	—
Effective tax	**4 938**	(1 382)

The effects of the tax rate change in South Africa from 28% to 27%, including the limitation on the utilisation of accumulated assessed losses to 80% of the taxable income, effective for tax year ended 28 February 2024, will only impact the financial statements for the year ending February 2024 as the company has no deferred tax balances.

Deferred tax assets not raised in the current year relate to deductible temporary differences for salary and other provisions of R0,3 million (Feb 2021: nil). There is no expiry date for tax losses not utilised.

7. INVESTMENT IN SUBSIDIARIES

			Proportion held directly and voting rights		Carrying value	
Name of company	Country of incorporation	Principal activities	2022 %	2021 %	2022 R'000	2021 R'000
Stefanutti Stocks International Holdings Proprietary Limited	South Africa	Holding company	**100**	100	**9 437**	9 437
Stefanutti Stocks Proprietary Limited	South Africa	Trading company	**100**	100	**464 526**	464 526
					473 963	473 963

The investment in Stefanutti Stocks Investments Proprietary Limited has not been disclosed separately as its value is less than R1 000.

The investments in subsidiaries have been tested for impairment by assessing whether the recoverable amount of the cash-generating unit (CGU) to which the investment relates exceeds its carrying value. The recoverable amount for the investment in Stefanutti Stocks Proprietary Limited was determined as the value in use of the CGU which was calculated by estimating the expected future cash flows and using a Discounted Cash Flow model to determine their present value at a discount rate of 14,3% (February 2021: 11,2%).

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

Based on these calculations, no impairment was required.

8. DEFERRED TAX ASSETS

	2022 R'000	2021 R'000
Includes:		
Salary-related and other provisions	—	4 608
	—	4 608
Carrying value at the beginning of the year:	**4 608**	3 164
Temporary differences (note 6)	**(4 608)**	1 444
Carrying value at year-end	—	4 608

9. INTERGROUP RECEIVABLES/(PAYABLES)

	Terms	2022 R'000	2021 R'000
Non-current assets			
Stefanutti & Bressan Share Incentive Trust	Interest free, payable on demand	**3 086**	1 608
Current liabilities			
Stefanutti Stocks Proprietary Limited	Interest free, payable on demand	**(9 244)**	(13 493)

Intergroup receivables/payables are unsecured, bear no interest and have no fixed repayment terms.

10. CAPITAL AND RESERVES

10.1 SHARE CAPITAL AND PREMIUM

	2022 R'000	2021 R'000
SHARE CAPITAL		
Authorised		
400 000 000 ordinary shares of 0,00025 cents each (2021: 400 000 000 ordinary shares of 0,00025 cents each)	**1**	1
Balance at year-end	**1**	1
Issued		
188 080 746 ordinary shares of 0,00025 cents each fully paid (2021: 188 080 746 ordinary shares of 0,00025 cents each)	**A**	A
SHARE PREMIUM		
Balance at year-end	**1 161 538**	1 161 538

A — Less than R1 000.

10. CAPITAL AND RESERVES CONTINUED

10.2 SHARES USED FOR EARNINGS PER SHARE (EPS)

	Number of shares	
	EPS 2022	EPS 2021
Basic	**167 243 684**	167 243 684
Diluted	**167 243 684**	167 243 684
Reconciliation of number of shares		
Issued ordinary shares — at the beginning of the year	**188 080 746**	188 080 746
Effect of treasury shares held in trusts	**(6 429 930)**	(6 429 930)
Effect of treasury shares held in investment subsidiary	**(14 407 132)**	(14 407 132)
Number of shares	**167 243 684**	167 243 684
Loss for the year/headline loss for the year (R'000)	**(22 786)**	(13 400)
Loss per share/headline loss per share (cents)	**(13,62)**	(8,01)
Diluted loss per share/diluted headline loss per share (cents)	**(13,62)**	(8,01)

Loss/headline loss and diluted loss/headline loss per share have not been disclosed as there were no headline adjustments to earnings.

11. LONG-TERM EMPLOYMENT BENEFITS

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

	2022 R'000	2021 R'000
Number of shares		
Outstanding at the beginning of the year	**2 218 392**	2 218 392
Vested during the year	**(2 218 392)**	—
Outstanding at year-end	**—**	2 218 392
Contractual life of each award	**3 years**	3 years

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

FSP costs

No expense relating to the FSP was recognised (2021: R0,5 million).

12. FINANCIAL LIABILITIES

	2022 R'000	2021 R'000
Settlement liability — City of Cape Town		
Non-Current	**18 061**	—
Current	**9 491**	—
	27 552	—

The liability relates to the civil claim from the City of Cape Town (Green Point Stadium). Refer to note 18.

With respect to this civil claim, the parties being the City of Cape Town and WBHO Construction, Aveng Africa and Stefanutti Stocks ("the Contractors") remain confident of their respective legal positions. However, the parties have mutually agreed that it is in the best interests of all to amicably settle the matter rather than prolong an extended and costly arbitration and court process. This will allow for future positive engagements between the City of Cape Town and the Contractors.

The settlement includes an annual payment of R10,5 million by each Contractor over the next three years, and a commitment to Corporate Social Investment projects in the Cape Town district by WBHO Construction and Stefanutti Stocks.

The effective interest rate on the liability is 7,96%. Repayments will be financed through cash generated from operations.

13. TRADE AND OTHER PAYABLES

	2022 R'000	2021 R'000
Trade payables	**582**	1 645
Accrued expenses*	**215**	6 508
Employee obligations*	**1 924**	11 457
Value added tax*	**282**	573
Unclaimed dividend*	**24**	24
	3 027	20 207

* Non-financial liabilities.

14. RELATED PARTIES

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

Nature of relationships	
Subsidiaries	**Other**
Stefanutti Stocks Proprietary Limited Trading company for operations based in South Africa, as well as some foreign operations	**Consolidated Structured Entities** Stefanutti & Bressan Share Trust
Stefanutti Stocks International Holdings Proprietary Limited Holding company for subsidiaries based in foreign countries	
Stefanutti Stocks Investments Proprietary Limited Treasury company for the group	

14. RELATED PARTIES CONTINUED

RELATED PARTY TRANSACTIONS

	Income		Receivable/(payable) (note 9)	
	2022 R'000	2021 R'000	**2022 R'000**	2021 R'000
Transactions with subsidiaries (note 9)	**24 187**	17 291	**(9 244)**	(13 493)
Management fees (note 3)	**24 187**	17 291	**—**	—
Transactions with share trusts (note 9)	**—**	—	**3 086**	1 608

NON-EXECUTIVE DIRECTORS

Non-executive director remuneration is compared to the company's peer group. Recommendations are made by the Chief Financial Officer and Human Resources Executive, to the Remuneration and Nominations Committee (REMCO), for onward review by the board and submission to shareholders.

Non-executive directors are compensated based on attendance fees. The fees are based on the size and complexity of the group and also take into account market practices and fee surveys provided to the committee. No distinction is made between fees payable to independent non-executive directors and other non-executive directors, although the fees of the Chairman take her expanded role into account.

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

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

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

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

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

	2022			2021		
	Short-term benefits			Short-term benefits		
	Attendance fees R'000	Annual fees R'000	Total R'000	Attendance fees R'000	Annual fees R'000	Total R'000
Non-executive Directors						
ZJ Matlala	**—**	**959**	**959**	—	880	880
HJ Craig	**639**	**—**	**639**	488	—	488
B Harie	**568**	**—**	**568**	448	—	448
JM Poluta	**494**	**—**	**494**	441	—	441
DG Quinn (retired 6 August 2021)	**567**	**—**	**567**	648	—	648
B Silwanyana	**584**	**—**	**584**	472	—	472

14. RELATED PARTIES CONTINUED

Details of remuneration for executive directors, are as follows:

	Short-term benefits					Discretionary bonus			
	Basic salary R'000	Other benefits R'000	Retention bonus R'000	Short-term incentives — relating to prior years R'000	Acting allowance R'000	2021 R'000	2022 R'000	Post-employment benefits R'000	Total R'000
2022									
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**	**863**
2021									
EXECUTIVE DIRECTORS									
RW Crawford — CEO	3 582	232	2 150	—	—	—	—	309	6 273
AV Cocciante — CFO (resigned 31 May 2021)	3 182	32	1 837	140	—	—	—	264	5 455

* Y du Plessis was appointed as Acting CFO and executive director on 1 June 2021. Her permanent appointment as CFO was subsequently confirmed on 20 May 2022.
^ Pro-rata.

Other benefits consists of travel and other related allowances. Any awards made in terms of the forfeitable share plan scheme is included within long-term employee benefits. No shares have been awarded for the year (2021: Nil).

Short-term incentives are aligned with the group strategy, using both financial performance measures and personal objectives. Minimum targets are required to be met before respective bonus awards are earned.

DIRECTORS' SERVICE CONTRACTS

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

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

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

DIRECTORS' SHAREHOLDING

	2022				2021			
	Direct beneficial %	**Indirect beneficial %**	**Total %**	**Share-holding**	Direct beneficial %	Indirect beneficial %	Total %	Share-holding
PERCENTAGE OF FULLY-PAID SHARES HELD								
DG Quinn (retired 6 August 2021)	—	—	—	—	—	0,37	0,37	700 000
JM Poluta	—	**0,08**	**0,08**	**150 612**	—	0,08	0,08	150 612
RW Crawford (CEO)	—	—	—	**7 693**	—	—	—	7 693
AV Cocciante (CFO) (resigned 31 May 2021)	—	—	—	—	0,34	0,15	0,49	925 001

14. RELATED PARTIES CONTINUED

POST YEAR-END TRANSACTIONS

Post year end, JM Poluta (a non-executive director) acquired 850 000 shares at 55 cents each (indirect beneficial). There were no other related party transactions between year-end date and the approval of these annual financial statements.

15. GUARANTEES AND CONTINGENT LIABILITIES

	2022 R'000	2021 R'000
Guarantees		
Total insurance policies ceded to third parties on behalf of the group to guarantee the full and due performance of works as set out in the contract or other related matters	**3 861 990**	4 037 192
Guarantees through certain banks for facilities to the value of R2,35 billion (Feb 2021: R2,35 billion) and other obligations	**2 680 581**	2 725 390
Suretyships		
Suretyships through certain banks for facilities to the value of R560 million (Feb 2021: R560 million)	**553 450**	553 450

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

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

CONTINGENT LIABILITIES

Subsequent to year end, settlement was reached on the civil claim relating to the City of Cape Town (Green Point Stadium). Refer to note 18.

As previously reported, with respect to two contract mining project terminations:

- one project has been amicably settled with the client; and
- the other is proceeding to arbitration. The group is confident that the termination was lawful and therefore no provision has been made. This arbitration is expected to be completed within the next financial year.

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

As previously reported, with respect to the mechanical project termination, the arbitration process is expected to be completed by February 2023. The group is confident that the termination was lawful and therefore no provision has been made.

ESKOM — KUSILE POWER PROJECT

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

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

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

15. GUARANTEES AND CONTINGENT LIABILITIES CONTINUED

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

— During the period between 2015 to 2018, payments made by Eskom to SSBR on package 16 were all made consequent to certificates issued by the independent engineer. During that period, representatives of the engineer and Eskom carried out audits of SSBR records and the payment certificates were issued after they had satisfied themselves that the costs claimed were actually and validly incurred in the construction at Kusile.

— Stefanutti Stocks contends that SSBR is owed additional amounts in respect of work done since December 2018 and in respect of which payments have been withheld. SSBR and Eskom have both committed to a claims resolution process which involves the appointment of independent experts to evaluate the causes of delay and the quantum thereof. This process remains ongoing.

— 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;

— 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).

— In relation to Package 28, during February 2019, Eskom terminated the contract with Stefanutti Stocks Izazi JV ("SSI") due to its inability to provide access to SSI to be able to complete the relevant works. Based on the works completed, as well as Eskom's inability to provide access, Stefanutti Stocks contends that there are significant amounts due to it. SSI commenced an adjudication process to recover these material amounts in 2018.

— During August 2019 and April 2020, the engineer appointed by the client issued two negative final payment certificates, alleging overpayments had been made to the JV. This prompted the notification of many new disputes which were included in the adjudication process. Adjudication hearings were conducted during November 2020 and February 2021. It is highly probable that these disputes will be referred to arbitration. As several disputes relate to measurement of the works, all parties involved embarked on an independent expert process to resolve these disputes.

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 in the near future. Thereafter it is our 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.

16. RISK MANAGEMENT AND ACCOUNTING CLASSIFICATIONS

ACCOUNTING CLASSIFICATIONS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

	2022 R'000	2021 R'000
Financial assets at amortised cost		
Bank balances	**453**	13 957
Intergroup receivables (note 9)	**3 086**	1 608
Financial liabilities at amortised cost		
Intergroup payables (note 9)	**9 244**	13 493
Financial liabilities (note 12)	**27 552**	—
Trade and other payables (note 13)	**582**	1 645

16. RISK MANAGEMENT AND ACCOUNTING CLASSIFICATIONS CONTINUED

CAPITAL RISK MANAGEMENT

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

The company manages its capital structure centrally and makes adjustments to it, in line with changes in economic conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders or issue new shares. No changes were made to the objectives, policies or processes in respect of capital management during the current or previous year. The group obtained additional short-term funding from the group's primary banker and guarantee providers in the prior year. The funding does not contain any financial covenants but rather imposes certain information and general undertakings. Refer to note 2 for further details, as well as the directors report on page 2.

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

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

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

Gearing ratios at year-end were as follows:

	2022 R'000	2021 R'000
Debt — interest-bearing liabilities	**27 552**	—
Total equity attributable to equity holders of the company	**437 731**	460 517
Gearing ratio (%)	**6,3**	—

The gearing ratio increased from 0% to 6,3%, due to the interest-bearing liability recognised in the current period relating to the City of Cape Town settlement.

RISK MANAGEMENT FRAMEWORK

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

- Credit risk
- Liquidity risk
- Market risk

CREDIT RISK

Credit risk is the risk of financial loss to the company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the company's receivables.

Intergroup receivables and bank balances

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

Intergroup receivables

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

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

16. RISK MANAGEMENT AND ACCOUNTING CLASSIFICATIONS CONTINUED

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

	Over 1 year	Total
2022		
Gross carrying amount (R'000)	**24 222**	**24 222**
Expected credit loss rate (%)	**87,26**	**87,26**
Expected credit loss (R'000)	**21 136**	**21 136**
Net carrying amount	**3 086**	**3 086**
2021		
Gross carrying amount (R'000)	24 222	24 222
Expected credit loss rate (%)	93,36	93,36
Expected credit loss (R'000)	22 614	22 614
Net carrying amount	1 608	1 608

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

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

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

Simplified Approach	**2022 R'000**	2021 R'000
Opening balance	**(22 614)**	(22 808)
Amounts reversed	**1 478**	194
Closing balance	**(21 136)**	(22 614)

The reduction in the expected credit loss is due to the increase in the Stefanutti Stocks Holdings Limited share price from the prior year. The loan due from Stefanutti & Bressan Share Incentive Trust is supported by shares held in Stefanutti Stocks Holdings Limited and this increase in share price affects the net asset value of the Stefanutti & Bressan Share Incentive Trust and its ability to settle the loan. The value of the shares was recorded on 28 February 2022 as 0,48 cents per share (Feb 2021: 0,25 cents per share).

Maximum exposure to credit risk is shown below:

Category	**2022 R'000**	2021 R'000
Intergroup receivables (note 9)		
— Non-current	**3 086**	1 608
Bank balances	**453**	13 957
	3 539	15 565

16. RISK MANAGEMENT AND ACCOUNTING CLASSIFICATIONS CONTINUED

LIQUIDITY RISK

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

The company maintains the following lines of credit with banks:

— R1 393 million (2021: R1 556 million) which include mainly banking, guarantee and asset-based facilities. As on 28 February 2022 the facilities utilised from the credit lines are as follows:

	Limit R'000	Utilisation R'000	Available R'000
2022			
Facility A	**1 350 127**	**1 342 783**	**7 344**
Facility D	**42 468**	**19 387**	**23 081**
	1 392 595	**1 362 170**	**30 425**

Facilities B and C were closed during the current year as they were asset-based facilities for which credit is no longer required.

	Limit R'000	Utilisation R'000	Available R'000
2021			
Facility A	1 484 419	1 476 419	8 000
Facility B	2 108	2 108	—
Facility C	24 419	24 419	—
Facility D	44 888	22 825	22 063
	1 555 834	1 525 771	30 063

EXPOSURE TO LIQUIDITY RISK

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

	Carrying amount R'000	Total R'000	On demand R'000	Less than one year R'000	Between two and five years R'000
2022					
Financial liabilities (note 12)	**27 552**	**31 333**	**—**	**10 000**	**21 333**
Intergroup payables (note 9)	**9 244**	**9 244**	**9 244**	**—**	**—**
Trade and other payables (note 13)	**582**	**582**	**—**	**582**	**—**
	37 378	**41 159**	**9 244**	**10 582**	**21 333**

	Carrying amount R'000	Total R'000	On demand R'000	Less than one year R'000
2021				
Intergroup payables (note 9)	13 493	13 493	13 493	—
Trade and other payables (note 13)	1 645	1 645	—	1 645
	15 138	15 138	13 493	1 645

16. RISK MANAGEMENT AND ACCOUNTING CLASSIFICATIONS CONTINUED

MARKET RISK

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

Interest rate risk

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

Short-term interest rate exposure is monitored and managed by the directors. The company currently has only one interest-bearing liability, which is the settlement recognised relating to the City of Cape Town arbitration. No interest expense has been recognised in the current period as the liability is recorded as at 28 February 2022.

17. CONTINUING IMPACT OF COVID-19, JULY 2021 CIVIL UNREST, RUSSIAN 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, with a focus on the following aspects:

Going concern

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

Recoverability and impairment of assets

Investment in subsidiaries

In calculating the value-in-use of the cash generating units to which the investments relate, the most recent cash flow forecasts were used, post the COVID-19 effects. There was no significant impact due to these effects on the assessment of the impairment.

Financial assets

The company's assessment of expected credit losses on its intergroup loans has not been impacted by COVID-19. The loan due from Stefanutti & Bressan Share Incentive Trust is supported by shares held in Stefanutti Stocks Holdings Limited. The value of the shares was recorded on 28 February 2022 as 0,48 cents per share (Feb 2021: 0,25 cents per share) and therefore no further impairments were required.

Subsequent to year-end, there have been no significant changes in the COVID-19 pandemic restrictions impacting the company. The declaration of the end of the national state of disaster by the South African President on 4 April 2022 also had no impact on the company.

JULY 2021 CIVIL UNREST

The July 2021 civil unrest in Gauteng and KwaZulu-Natal negatively impacted 2 regions within the Stefanutti Stocks Proprietary Limited subsidiary, but had no direct impact on Stefanutti Stocks Holdings Limited.

RUSSIAN AND UKRAINE CONFLICT

The impact the Russian and Ukraine conflict will have on global growth and investor confidence, indirectly impacting the group'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 potentially have an impact on the subsidiary companies.

18. SUBSEQUENT EVENTS

With respect to the civil claim received from the City of Cape Town (Green Point Stadium), the parties to the civil claim being the City of Cape Town and WBHO Construction (Pty) Ltd, Aveng Africa (Pty) Ltd and Stefanutti Stocks ("the Contractors") remain confident of their respective legal positions. However, the parties have mutually agreed that it is in the best interests of all to amicably settle the matter rather than prolong an extended and costly arbitration and court process. This will allow for future positive engagements between the City of Cape Town and the Contractors.

The settlement includes an annual payment of R10,5 million by each Contractor over the next three years, and a commitment to Corporate Social Investment projects in the Cape Town district by WBHO Construction (Pty) Ltd and Stefanutti Stocks. Refer to note 12.

The recent flooding in KwaZulu-Natal had no direct impact on the company as its based in Gauteng.

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

19. AVAILABILITY OF STEFANUTTI STOCKS CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The Stefanutti Stocks consolidated annual financial statements have been prepared and signed on 13 June 2022 and are available on the group's website.

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

ACCOUNTING POLICIES

FOR THE YEAR ENDED 28 FEBRUARY CONTINUED

GOING-CONCERN STATEMENT

Stefanutti Stocks Holdings Limited is the holding company of the Stefanutti Stocks group. The going concern of the group directly impacts the going concern of the company. The funding provided by the Lenders has assisted with the group's liquidity, even though total liabilities continue to exceed total assets 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 15 of these 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.

PREPARED IN ACCORDANCE WITH

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

PRESENTATION CURRENCY

South African Rand

ROUNDING POLICY

R'000 (thousand)

SIGNIFICANT ACCOUNTING POLICIES

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REVENUE

	Includes	Recognition	Measurement
Management fees	Amounts both received and accrued	Over time as management services are rendered and the customer simultaneously consumes the benefit	Transaction value

INVESTMENT INCOME

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

EMPLOYEE BENEFITS

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

Short-term benefits

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

Post-employment benefits

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

Long-term employment benefits

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

INVESTMENT IN SUBSIDIARIES

Recognition and measurement

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

Impairment

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

FINANCIAL INSTRUMENTS

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

Financial assets

Classification	Instruments included in the classification	Initial measurement	Subsequent measurement
Financial assets at amortised cost	Intergroup and other receivables, cash and cash equivalents	Intergroup receivables are measured at transaction price. Other receivables are measured at fair value plus direct transaction costs	Amortised cost using the effective interest rate method, less impairment

FINANCIAL INSTRUMENTS CONTINUED

Impairment

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

FINANCIAL LIABILITIES

Classification	Instruments included in the classification	Initial measurement	Subsequent measurement
Financial liabilities at amortised cost	Financial liabilities, intergroup payables, trade and other payables	Fair value plus direct transaction costs	Amortised costs using the effective interest method

CAPITAL AND RESERVES

Share capital

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

NEW ACCOUNTING PRONOUNCEMENTS

STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

The following standards became effective during the current year and had 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 were 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 3: BUSINESS COMBINATIONS	REFERENCE TO THE CONCEPTUAL FRAMEWORK	Amendment	1 January 2022	Changes to be assessed as and when such transactions take place.
IFRS 1: FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS	SUBSIDIARY AS A FIRST-TIME ADOPTER	Amendment	1 January 2022	Not applicable to the company but will be considered for new 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 impact as standard is 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.

CORPORATE INFORMATION

COMPANY INFORMATION

Stefanutti Stocks Holdings Limited
Share code: SSK ISIN: ZAE000123766
JSE Sector: Construction Year-end: 28 February

Registration number
1996/003767/06

Country of incorporation
South Africa

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

Postal address
PO Box 12394, Aston Manor, 1630

Telephone number
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Directors
As at 13 June 2022: ZJ Matlala* (Chairman); HJ Craig*; B Harie*; JM Poluta*; BP Silwanyana*; RW Crawford (CEO); Y du Plessis (CFO)

* Independent non-executive directors.

COMPANY SECRETARY

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

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BANKERS

Nedbank Limited

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Stefanutti Stocks