Stefanutti Stocks Holdings Limited

Separate Annual Financial Statements 2023

stefanuttistocks.com

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

19 June 2023

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 2023, 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

19 June 2023

CEO and CFO responsibility statement on internal financial controls

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

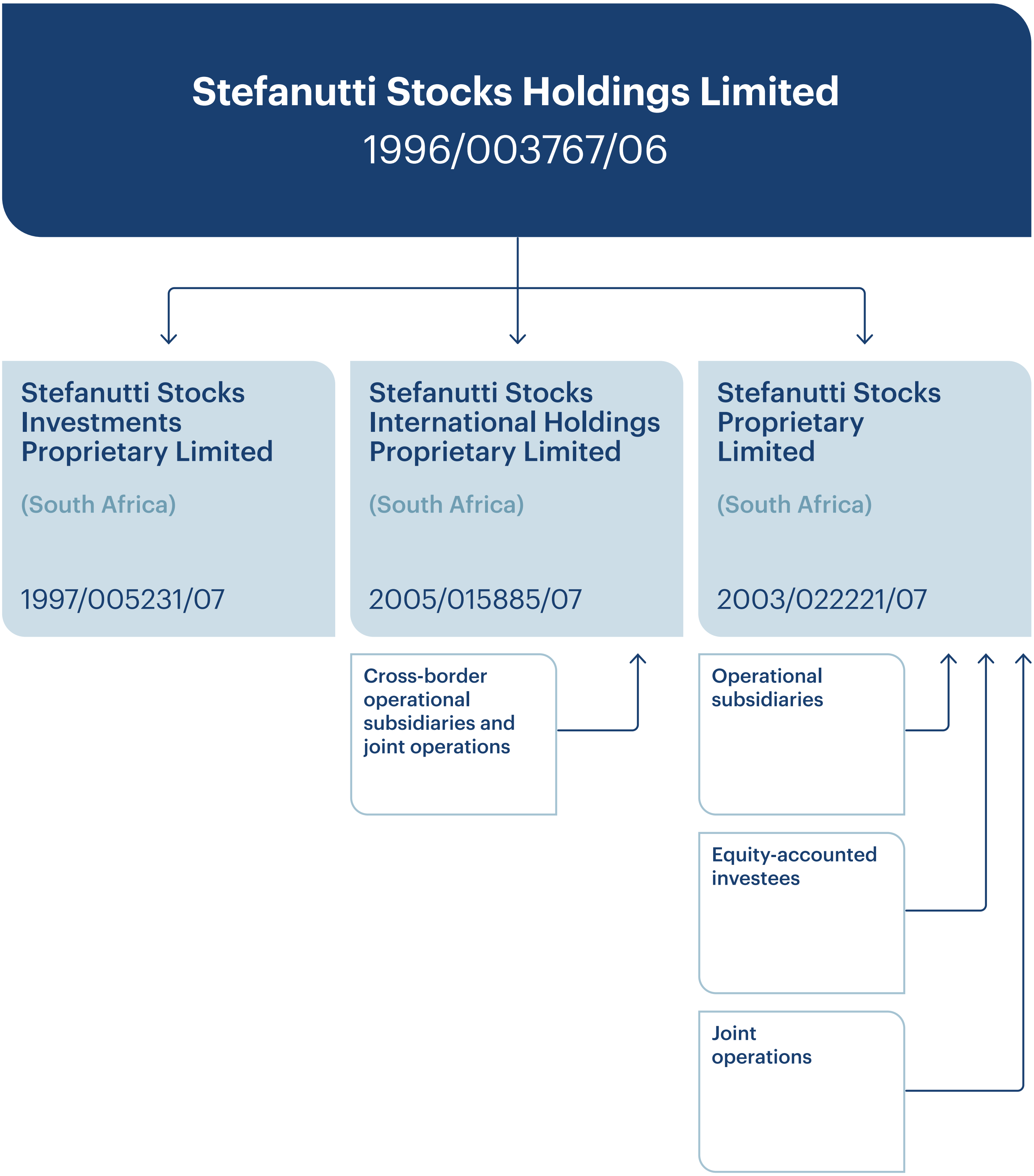
- the annual financial statements set out on pages 7 to 28, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the Audit, Governance and Risk Committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
- we are not aware of any fraud involving directors.

Russell Crawford
Chief Executive Officer

Yolanda du Plessis
Chief Financial Officer

19 June 2023
Kempton Park

Simplified group organogram



Directors' report

Nature of business

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

Stefanutti Stocks operates throughout South Africa and sub-Saharan Africa with multi-disciplinary expertise including concrete structures, specialist concrete repairs, piling, geotechnical services, roads and earthworks, renewable energy, bulk pipelines, materials handling, tailings management, all forms of building works, mechanical, electrical and piping.

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 for the 12 months ended 28 February 2023 issued on 25 May 2023.

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

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

The group, on 28 February 2023, reached agreement with the Lenders to extend the current capital repayment profile of the loan as well as its duration to 29 February 2024.

With respect to the final award of R90,9 million with regards to the Mechanical project termination, a capital repayment of R51 million has been made subsequent to year end.

The loan bears interest at prime plus 3,9%, including arranging and facility fees, and is secured by special and general notarial bonds over movable assets, continuous covering mortgage bonds over immovable assets and various cessions. The loan does not contain any financial covenants but rather imposes certain information and general undertakings.

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

The 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 2024 and, to the extent required, shareholder approval will be sought for certain aspects of the Restructuring Plan. The group will continue to update shareholders on the progress of the various aspects of the Restructuring Plan.

Going concern

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

- the current order book;
- imminent project awards;
- continuing operations executing the group's order book profitably;
- the availability of short- and mid-term projects;
- reaching a favourable outcome on contractual claims and compensation events on certain projects;
- continued support from the Lenders; and
- successfully implementing the Restructuring Plan.

The funding provided by the Lenders has assisted with the group's liquidity, even though as at 28 February 2023 the group's current liabilities exceed its current assets by R1 141 million (Feb 2022: R1 462 million) and the group's total liabilities exceed its total assets by R66 million (Feb 2022: R90 million). The group had an accumulated loss of R1 209 million (Feb 2022: R1 225 million). The group believes it remains commercially solvent based on the cash flow projections included in the Restructuring Plan. However, uncertainties surrounding the contingent liabilities as stated in note 18, continue to indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern, and as a consequence could impact on the group's ability to realise its assets and discharge its liabilities in the ordinary course of business.

Refer to note 2.

Kusile Power Project Update

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

Since August 2021, the group has secured payment of a combined total of R110 million for measured work and the Dispute Adjudication Board (DAB) rulings. Substantial variations are still being agreed with Eskom. The outcome thereof will determine whether further certification will be secured for measured works or whether the variations will be referred to the DAB.

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

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

- The DAB will issue decisions confirming entitlements, which entitlements the experts have agreed to, which will then be binding on the parties;
- The DAB will rely on the experts for the narrowing of the issues and information to be considered in its assessments;
- The DAB will continue to make interim decisions on the narrowed issues and information, in a progressive manner which will be binding on the parties;

— The DAB will issue such interim decisions for duration and quantification; and
— At the end of the process the DAB will issue a final binding decision in terms of the contract with respect to duration and quantification, at which point either party may issue a notice of dissatisfaction and refer the dispute to arbitration.

The group has submitted the following provisional claims to the experts after taking into account all payments received to date on the project:

1. an overarching preliminary and general cost claim of R337 million;
2. a subcontractor overarching preliminary and general cost claim of R194 million;
3. a construction cost claim of R438 million; and
4. a finance cost claim of R171 million.

Therefore, the total of all provisional claims submitted to the experts is R1,140 billion. In terms of the process as outlined above the experts will review all claims, draft agreements and narrow issues of difference for referral to the DAB for a decision. The ongoing process will address the final phase of the delay analysis in the coming months. Once this is concluded, the group will submit its final consolidated claims, which will include the commissioning and interest costs soon thereafter.

The group envisages that the DAB will issue its binding decision before the end of the February 2024 financial year, at which point either party may issue a notice of dissatisfaction and refer the dispute to arbitration.

At this stage, the group's claims team is unable to quantify the value of the potential awards nor the exact timing thereof, as the claims must follow due process. Therefore, these provisional claims have not been recognised in the financial statements as the outcome of the process remains uncertain.

Refer to note 18.

Contingent liabilities

With respect to a contract mining project termination, the matter is proceeding to arbitration. This arbitration is expected to commence in October 2023. The group is confident that the termination was lawful and therefore no provision has been made.

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.

With respect to the mechanical project termination, the arbitration process has been completed and a final award has been made subsequent to year-end. In terms of the award, Stefanutti Stocks was awarded R90,9 million. In addition, legal fees have also been awarded and are subject to taxing in accordance with the High Court tariff. As soon as this process has been completed, shareholders will be advised accordingly.

Further to the announcement dated 30 November 2022, with respect to the Arbitration relating to a contractual claim on the construction of the Kalabo-Sikongo-Angola border gate road in the Western Province of Zambia, shareholders are advised that the client applied to set the Arbitral Tribunal award aside, citing "contrary to public policy" and "matters beyond the scope of the Arbitration." The hearing was heard on the 24 February 2023 and the Judge reserved judgment for 90 days.

Refer to note 18.

Financial results and year under review

These annual financial statements on pages 7 to 28 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 2023 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 2023 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 2022.

The weakened post-Covid 19 economy has been further exacerbated by the Russia and Ukraine conflict, which caused a rise in energy prices, resulting in increased inflation and therefore interest rates, further increasing raw material and fuel costs. These increases, together with continuous power supply disruptions and disruptive floods in KwaZulu-Natal in April 2022, continued to put pressure on the group's operations and of its customers.

Dividend declaration

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

Summarised company results

	Note	**2023 R'000**	2022 R'000	Commentary on the year-on-year movements
Revenue	3	**20 382**	24 187	The fees reduced in line with time spent by management.
Legal fees	4	**695**	5 245	Reduction in legal fees as a settlement was reached with the City of Cape Town.
Intergroup payables	10	**21 169**	9 244	Increase in funding for working capital requirements.
Provisions	16	**7 200**	—	Corporate Social Investment projects in terms of the City of Cape Town settlement.
Financial liabilities	14	**18 061**	27 552	The first annual instalment for the City of Cape Town settlement was paid.

Resolutions

At the 2022 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.

Forfeitable Share Plan (FSP)

The group established the FSP in August 2009 for purposes of implementing a share scheme to complement and enhance the ability of the group to attract, retain, incentivise and reward key employees by issuing Awards.

The FSP plays an important role in the retention and attraction of suitable and competent employees within the group and further acts as a mechanism to encourage participants to build up a shareholding in the group to provide alignment between the interests of participants and shareholders.

Certain amendments were proposed to shareholders on 26 April 2023 to ensure that the group continues to embody and enhance the objectives of the FSP and to, in addition, facilitate the promotion of broad-based black economic empowerment transformational objectives within the group in accordance with the spirit and purpose of the B-BBEE Act.

These amendments were approved by shareholders on 26 April 2023.

Subsequent events

Management continues to monitor the impact of increased load shedding on the groups operations and that of its customers and suppliers. The group includes in its assessment the risk of a total blackout and the resulting impact on water supply and security.

The group's projects currently have planned back-up or off-grid generation facilities which ensure that construction work is not significantly affected during periods of load shedding. However, this has resulted in increased operational costs, of which some are built into the contract. The operations have also experienced disruptions in the supply chain, which delays delivery of materials.

Through improved planning processes and continued availability of off-grid power supply, the group believes that the risks associated with load shedding on the business are manageable, although the potential financial effects of a total blackout cannot be reliably estimated as at date of this report.

Following the final award of R90,9 million with regards to the Mechanical project termination, a capital repayment of R51 million towards the loan has been made subsequent to year end.

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

Changes to the board

John Poluta resigned as independent non-executive director from the board of Stefanutti Stocks effective 13 March 2023 due to health reasons. John served on the board since July 2017.

Howard Craig was appointed as a member of the Audit, Governance and Risk. Committee with effect from 13 March 2023 replacing John The board expresses its appreciation to John for his valued contributions, insight and guidance over the years.

Approval

The annual financial statements, which appear on pages 7 to 28, were approved by the board of directors and are signed by:

Russell Crawford
Chief Executive Officer

Yolanda du Plessis
Chief Financial Officer

19 June 2023
Kempton Park

Independent auditor's report

To the Shareholders of Stefanutti Stocks Holdings Limited

Report on the audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Stefanutti Stocks Holdings Limited (the company) set out on pages 7 to 28, which comprise the separate statement of financial position as at 28 February 2023, and the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Stefanutti Stocks Holdings Limited as at 28 February 2023, and its separate financial performance and separate 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 Separate 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 note 2 of the separate financial statements, which indicates that the company incurred a net loss of R3,433 million for the year ended 28 February 2023 (2022: net loss of R22,786 million) and, as of that date, the company's current liabilities exceeded its current assets by R40,373 million (2022: R21,257 million). As stated in note 2 these events and conditions, along with other matters as noted, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than the matter described in the *Material uncertainty related to going concern* section, we have concluded that there are no other key audit matters to communicate in our report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the document titled "Stefanutti Stocks Holdings Limited Separate Financial Statements for the year ended 28 February 2023", which includes the Directors' Report, the Audit Committee's report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate 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 separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate 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 Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the separate 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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 Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 separate 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Mazars has been the auditor of Stefanutti Stocks Holdings Limited for 17 years.

Mazars

Mazars

Partner: Shaun Vorster

Registered Auditor

26 June 2023

Johannesburg

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 28 February

	Note	2023 R'000	2022 R'000
Revenue	3	**20 382**	24 187
Operating and administrative expenses	4	**(29 091)**	(43 649)
Expected credit losses	19	**6 295**	1 478
Operating loss before investment income		**(2 414)**	(17 984)
Investment income	5	**27**	136
Operating loss before finance costs		**(2 387)**	(17 848)
Finance costs	6	**(510)**	—
Loss before taxation		**(2 897)**	(17 848)
Taxation	7	**(536)**	(4 938)
Loss/total comprehensive income		**(3 433)**	(22 786)
Loss and diluted loss per share (cents)	12.2	**(2,05)**	(13,62)

Statement of Financial Position

as at 28 February

	Note	2023 R'000	2022 R'000
Assets			
Non-current assets		**483 355**	477 049
Investment in subsidiaries	8	**473 963**	473 963
Intergroup receivables	10	**9 392**	3 086
Current assets		**216**	505
Other receivables	11	**17**	52
Bank balances		**199**	453
Total assets		**483 571**	477 554
Equity and liabilities			
Capital and reserves		**434 298**	437 731
Share capital and premium	12.1	**1 161 538**	1 161 538
Accumulated loss		**(727 240)**	(723 807)
Non-current liabilities		**8 684**	18 061
Financial liabilities	14	**8 684**	18 061
Current liabilities		**40 589**	21 762
Financial liabilities	14	**9 377**	9 491
Intergroup payables	10	**21 169**	9 244
Trade and other payables	15	**2 740**	3 027
Provisions	16	**7 200**	—
Taxation		**103**	—
Total equity and liabilities		**483 571**	477 554

Statement of Changes in Equity

for the year ended 28 February

	Share capital and premium R'000	Accumulated loss R'000	Total Capital and reserves R'000
Balance at 1 March 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
Loss/total comprehensive income	—	(3 433)	(3 433)
Balance at 28 February 2023	**1 161 538**	**(727 240)**	**434 298**
Note	12.1		

Statement of Cash Flows

for the year ended 28 February

	Note	2023 R'000	2022 R'000
Cash flows from operating activities		**9 237**	(13 504)
Loss before taxation		**(2 897)**	(17 848)
Adjusted for:			
Non-cash item — Settlement Liability (City of Cape Town)	4	**—**	27 552
Non-cash item — Provisions	16	**7 200**	—
Expected credit loss — Intergroup receivables	19	**(6 295)**	(1 478)
Investment income	5	**(27)**	(136)
Finance costs	6	**510**	—
		(1 509)	8 090
Movements in working capital			
Intergroup receivables	10, 19	**(11)**	—
Intergroup payables	10	**11 925**	(4 249)
Other receivables	11	**35**	26
Trade and other payables	15	**(287)**	(17 180)
Cash generated from/(consumed by) operating activities		**10 153**	(13 313)
Investment income	5	**27**	136
Finance costs	6	**(510)**	—
Taxation paid		**(433)**	(327)
Cash flows from financing activities		**(9 491)**	—
Repayment of long-term financing	14	**(9 491)**	—
Movement in cash and cash equivalents		**(254)**	(13 504)
Cash and cash equivalents at the beginning of the year		**453**	13 957
Cash and cash equivalents at year-end		**199**	453

Notes to the annual financial statements

for the year ended 28 February

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 19)

Intergroup receivables 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 8)

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

The group hereby provides shareholders with an update on the Restructuring Plan as reported in the Reviewed Consolidated Condensed Results for the 12 months ended 28 February 2023, issued on 25 May 2023.

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- the sale of non-core assets;
- the sale of underutilised plant and equipment;
- the sale of identified operations;
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- evaluation of the capital structure including the potential of raising new equity.

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

Notes to the annual financial statements
for the year ended 28 February continued

2. Going concern continued

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 2024 and, to the extent required, shareholder approval will be sought for certain aspects of the Restructuring Plan. The group will continue to update shareholders on the progress of the various aspects of the Restructuring Plan.

Going concern

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

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- imminent project awards;
- continuing operations executing the group's order book profitably;
- the availability of short- and mid-term projects;
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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 company incurred a net loss of R3,4 million for the year ended 28 February 2023 (Feb 2022: R22,8 million) and, as of that date, the company's current liabilities exceeded its current assets by R40,4 million (Feb 2022: R21,3 million). However, based on the above, the financial statements of Stefanutti Stocks Holdings Limited have been prepared on a going concern basis.

3. Revenue

	2023 R'000	2022 R'000
Management fees	**20 382**	24 187

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

4. Operating and administration expenses

	2023 R'000	2022 R'000
Included in these expenses are:		
Audit fees	**262**	72
Consultancy fees	**1 205**	1 235
Employee costs	**13 497**	3 283
— Short-term employee benefit costs	**11 597**	1 923
— Post-employment benefit costs	**1 900**	1 360
Listing expenses	**2 005**	1 835
Settlement — City of Cape Town (note 14)	**—**	27 552
Legal fees	**695**	5 245

Notes to the annual financial statements

for the year ended 28 February continued

5. Investment income

	2023 R'000	2022 R'000
Interest income from financial instruments held at amortised costs:		
— Bank accounts	**27**	136

6. Finance costs

	2023 R'000	2022 R'000
Bank overdrafts	**1**	—
Settlement agreement — City of Cape Town	**509**	—
	510	—

7. Taxation

7.1 Taxation

	2023 R'000	2022 R'000
Current tax	**536**	330
Deferred tax	**—**	4 608
	536	4 938

7.2 Reconciliation of tax charge

Tax at 28% on loss before taxation	**(811)**	(4 997)
Adjusted for:		
Disallowed expenditure — listing expenses and other	**561**	514
Disallowed expenditure — legal fees	**195**	1 469
Disallowed expenditure — consultancy fees	**336**	336
Disallowed expenditure — settlement fees (City of Cape Town)	**—**	7 714
Exempt income — expected credit loss	**(1 763)**	(414)
Deferred tax asset not raised — current year	**2 018**	316
Effective tax	**536**	4 938

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 the higher of R1 million or 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 R2,0 million (Feb 2022: R0,3 million). There is no expiry date for tax losses not utilised.

Notes to the annual financial statements

for the year ended 28 February continued

8. Investment in subsidiaries

Name of company	Country of incorporation	Principal activities	Proportion held directly and voting rights 2023 %	2022 %	Carrying value 2023 R'000	2022 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 16,0% (February 2022: 14,3%).

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.

9. Deferred tax assets

	2023 R'000	2022 R'000
Carrying value at the beginning of the year	—	4 608
Temporary difference (note 7)	—	(4 608)
Carrying value at the end of the year	—	—

Temporary differences consisted of salary-related and other provisions.

10. Intergroup receivables/(payables)

	Terms	2023 R'000	2022 R'000
Non-current assets			
Stefanutti & Bressan Share Incentive Trust	Interest free, payable on demand	**9 392**	3 086
Current liabilities			
Stefanutti Stocks Proprietary Limited	Interest free, payable on demand	**(12 650)**	(9 244)
Stefanutti Stocks International Holdings Proprietary Limited	Interest free, payable on demand	**(8 519)**	—
		(21 169)	(9 244)

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

Notes to the annual financial statements

for the year ended 28 February continued

11. Other receivables

	2023 R'000	2022 R'000
Prepayments*	—	52
Value Added Taxation*	**17**	—
	17	52

* Non-financial assets.

12. Capital and reserves

12.1 Share capital and premium

	2023 R'000	2022 R'000
Share capital		
Authorised		
400 000 000 ordinary shares of 0,00025 cents each (2022: 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 (2022: 188 080 746 ordinary shares of 0,00025 cents each)	**A**	A
Balance at year-end	**A**	A
Share premium		
Balance at year-end	**1 161 538**	1 161 538

A — Less than R1 000.

12.2 Shares used from earnings per share (EPS)

	Number of shares	
	EPS 2023	EPS 2022
Basic and 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)	**(3 433)**	(22 786)
Loss per share/headline loss per share (cents)	**(2,05)**	(13,62)
Diluted loss per share/diluted headline loss per share (cents)	**(2,05)**	(13,62)

Loss/headline loss and diluted loss/headline loss per share are identical as no adjustment to headline earnings was required.

Notes to the annual financial statements

for the year ended 28 February continued

13. Long-term employment benefits

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

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.

The rules of the FSP scheme were revised and approval was obtained from shareholders on 26 April 2023.

FSP costs

No FSP cost was recognised during the current year (2022: Nil).

14. Financial liabilities

	2023 R'000	2022 R'000
Settlement liability — City of Cape Town		
Non-current	**8 684**	18 061
Current	**9 377**	9 491
	18 061	27 552

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

The settlement includes an annual payment of R10,7 million by each Contractor over the next three years commencing from November 2022, 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%.

Reconciliation of cashflow movements relating to financing activities

	2023 R'000	2022 R'000
Opening Balance	**27 552**	—
Cash outflow	**(9 491)**	—
Additions	**—**	27 552
Closing Balance	**18 061**	27 552

Notes to the annual financial statements

for the year ended 28 February continued

15. Trade and other payables

	2023 R'000	2022 R'000
Trade payables	**162**	582
Accrued expenses*	**263**	215
Employee obligations*	**2 291**	1 924
Value added tax*	**—**	282
Unclaimed dividends*	**24**	24
	2 740	3 027

* Non-financial liabilities.

16. Provisions

	Balance at the beginning of the year R'000	Provisions raised R'000	Balance at the end of the year R'000
Corporate Social Investment Projects	—	7 200	7 200

The provision for Corporate Social Investment (CSI) Projects relates to the commitment arising from the settlement agreement with the City of Cape Town, which requires CSI projects to be undertaken within the Cape Town district. The timing of the projects is uncertain as it depends on the outcome of environmental assessments and confirmation to proceed from the City of Cape Town.

17. 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 **Stefanutti Stocks International Holdings Proprietary Limited** Holding company for subsidiaries based in foreign countries **Stefanutti Stocks Investments Proprietary Limited** Treasury company for the group	**Consolidated Structured Entities** Stefanutti & Bressan Share Trust

Related party transactions

	Income (note 3)		Receivable/(payable) (note 10)	
	2023 R'000	2022 R'000	**2023 R'000**	2022 R'000
Transactions with subsidiaries (note 3, 10)	**20 382**	24 187	**(21 169)**	(9 244)
Transactions with share trust (note 10)	**—**	—	**9 392**	3 086

17. Related parties continued

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 Director, to the Remuneration and Nominations Committee (REMCO), for onward review by the board and submission to shareholders.

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

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

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

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

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

	2023			2022		
	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	**—**	**983**	**983**	—	959	959
HJ Craig	**627**	**—**	**627**	639	—	639
B Harie	**692**	**—**	**692**	568	—	568
JM Poluta (resigned 13 March 2023)	**467**	**—**	**467**	494	—	494
DG Quinn (retired 6 August 2021)	**—**	**—**	**—**	567	—	567
B Silwanyana	**566**	**—**	**566**	584	—	584

17. 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	Acting allowance R'000	2021 R'000	2022 R'000	Short-term incentives 2023 R'000	Post-employment benefits R'000	Total R'000
2023								
Executive directors								
RW Crawford — CEO	**4 647**	**120**	**—**	**—**	**—**	**2 691**	**702**	**8 160**
Y du Plessis — CFO	**2 556**	**89**	**—**	**—**	**—**	**1 735**	**590**	**4 970**
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	1 583

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 (2022: 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. No long-term employee benefits have been awarded as the group has implemented a new scheme, which measures performance over a three-year period. Please refer to the remuneration report included within the integrated annual report of Stefanutti Stocks Holdings Limited for more detail.

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

	2023				2022			
	Direct beneficial %	**Indirect beneficial %**	**Total %**	**Share-holding**	Direct beneficial %	Indirect beneficial %	Total %	Share-holding
Percentage of fully-paid shares held								
JM Poluta (resigned 13 March 2023)	**—**	**0,77**	**0,77**	**1 450 612**	—	0,08	0,08	150 612
RW Crawford (CEO)	**—**	**0,36**	**0,36**	**690 278**	—	0,36	0,36	690 278

Post year-end transactions

There were no related party transactions relating to shareholding between year-end date and the approval of these annual financial statements.

18. Guarantees, contingent liabilities and contingent assets

	2023 R'000	2022 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	**5 128 508**	3 861 990
Guarantees through certain banks for facilities to the value of R2,35 billion (Feb 2022: R2,35 billion) and other obligations	**2 680 581**	2 680 581
Suretyships		
Suretyships through certain banks for facilities to the value of R440 million (Feb 2022: R560 million)	**353 450**	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 and contingent assets

With respect to a contract mining project termination, the matter is proceeding to arbitration. This arbitration is expected to commence in October 2023. The group is confident that the termination was lawful and therefore no provision has been made.

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.

With respect to the mechanical project termination, the arbitration process has been completed and a final award has been made subsequent to year-end. In terms of the award, Stefanutti Stocks was awarded R90,9 million. In addition, legal fees have also been awarded and are subject to taxing in accordance with the High Court tariff. As soon as this process has been completed, shareholders will be advised accordingly.

Further to the announcement dated 30 November 2022, with respect to the Arbitration relating to a contractual claim on the construction of the Kalabo-Sikongo-Angola border gate road in the Western Province of Zambia, shareholders are advised that the client applied to set the Arbitral Tribunal award aside, sighting "contrary to public policy" and "matters beyond the scope of the Arbitration." The hearing was heard on the 24 February 2023 and the Judge reserved judgment for 90 days.

Eskom — Kusile power project

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

Since August 2021, the group has secured payment of a combined total of R110 million for measured work and the Dispute Adjudication Board (DAB) rulings. Substantial variations are still being agreed with Eskom. The outcome thereof will determine whether further certification will be secured for measured works or whether the variations will be referred to the DAB.

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

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

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

Notes to the annual financial statements

for the year ended 28 February continued

18. Guarantees, contingent liabilities and contingent assets continued

The group has submitted the following provisional claims to the experts after taking into account all payments received to date on the project:

1. an overarching preliminary and general cost claim of R337 million;
2. a subcontractor overarching preliminary and general cost claim of R194 million;
3. a construction cost claim of R438 million; and
4. a finance cost claim of R171 million.

Therefore, the total of all provisional claims submitted to the experts is R1,140 billion. In terms of the process as outlined above the experts will review all claims, draft agreements and narrow issues of difference for referral to the DAB for a decision. The ongoing process will address the final phase of the delay analysis in the coming months. Once this is concluded, the group will submit its final consolidated claims, which will include the commissioning and interest costs soon thereafter.

The group envisages that the DAB will issue its binding decision before the end of the February 2024 financial year, at which point either party may issue a notice of dissatisfaction and refer the dispute to arbitration.

At this stage, the group's claims team is unable to quantify the value of the potential awards nor the exact timing thereof, as the claims must follow due process. Therefore, these provisional claims have not been recognised in the financial statements as the outcome of the process remains uncertain.

19. 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.

	2023 R'000	2022 R'000
Financial assets at amortised cost		
Bank balances	**199**	453
Intergroup receivables (note 10)	**9 392**	3 086
Financial liabilities at amortised cost		
Intergroup payables (note 10)	**21 169**	9 244
Financial liabilities (note 14)	**18 061**	27 552
Trade and other payables (note 15)	**162**	582

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, on 28 February 2023, reached agreement with the Lenders to extend the current capital repayment profile of the loan as well as its duration to 29 February 2024. 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 liabilities.

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.

19. Risk management and accounting classifications continued

Gearing ratios at year-end were as follows:

	2023 R'000	2022 R'000
Debt — interest-bearing liabilities	**18 061**	27 552
Total equity attributable to equity holders of the company	**434 298**	437 731
Gearing ratio (%)	**4,2**	6,3

The gearing ratio decreased from 6,3% to 4,2%, due to the first instalment of the City of Cape Town settlement being paid (note 14).

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 maximum exposure to credit risk is the carrying value of intergroup receivables as indicated.

Further detail relating to the expected credit loss approach is included in the accounting policy.

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

	2023		2022	
	Over one year	Total	Over one year	Total
Gross carrying amount (R'000)	**24 233**	**24 233**	24 222	24 222
Expected credit loss rate (%)	**61,24**	**61,24**	87,26	87,26
Expected credit loss (R'000)	**14 841**	**14 841**	21 136	21 136
Net carrying amount	**9 392**	**9 392**	3 086	3 086

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.

Notes to the annual financial statements

for the year ended 28 February continued

19. Risk management and accounting classifications continued

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

	2023 R'000	2022 R'000
Simplified approach		
Opening balance	**(21 136)**	(22 614)
Amounts reversed	**6 295**	1 478
Closing balance	**(14 841)**	(21 136)

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 2023 as 1,46 cents per share (Feb 2022: 0,48 cents per share).

Maximum exposure to credit risk is shown below:

	2023 R'000	2022 R'000
Intergroup receivables — non-current (note 10)	**9 392**	3 086
Bank balances	**199**	453
	9 591	3 539

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 301 million (2022: R1 393 million) which include mainly banking, guarantee and asset-based facilities. As on 28 February 2023 the facilities utilised from the credit lines are as follows:

	2023			2022		
	Limit R'000	**Utilisation R'000**	**Available R'000**	Limit R'000	Utilisation R'000	Available R'000
Facility A	**1 270 503**	**1 270 005**	**498**	1 350 127	1 342 783	7 344
Facility B	**30 188**	**22 700**	**7 488**	42 468	19 387	23 081
	1 300 691	**1 292 705**	**7 986**	1 392 595	1 362 170	30 425

Notes to the annual financial statements

for the year ended 28 February continued

18. Risk management and accounting classifications continued

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
2023					
Financial liabilities (note 14)	**18 061**	**21 334**	**—**	**10 667**	**10 667**
Intergroup payables (note 10)	**21 169**	**21 169**	**21 169**	**—**	**—**
Trade and other payables (note 15)	**162**	**162**	**—**	**162**	**—**
	39 392	**42 665**	**21 169**	**10 829**	**10 667**
2022					
Financial liabilities (note 14)	27 552	31 333	—	10 000	21 333
Intergroup payables (note 10)	9 244	9 244	9 244	—	—
Trade and other payables (note 15)	582	582	—	582	—
	37 378	41 159	9 244	10 582	21 333

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.

Interest rate exposure is monitored and managed by the directors. The company is not exposed to significant interest rate risk as it currently has only one interest- bearing liability, which is the settlement recognised relating to the City of Cape Town arbitration.

20. Subsequent events

Management considers the impact of increased load shedding on the groups operations and that of its customers and suppliers. The group includes in its assessment the risk of a total blackout and the resulting impact on water supply and security.

The group's projects currently have planned back-up or off-grid generation facilities which ensure that construction work is not significantly affected during periods of load shedding. However, this has resulted in increased operational costs, of which some are built into the contract. The operations have also experienced disruptions in the supply chain, which delays delivery of materials.

Through improved planning processes and continued availability of off-grid power supply, the group believes that the risks associated with load shedding on the business are manageable, although the potential financial effects of a total blackout cannot be reliably estimated as at date of this report.

Following the final award of R90,9 million with regards to the Mechanical project termination, a capital repayment of R51 million has been made towards the loan subsequent to year end.

There were no material reportable events which occurred between the reporting date and the date of these annual financial statements.

21. Availability of Stefanutti Stocks Consolidated Annual Financial Statements

The Stefanutti Stocks consolidated annual financial statements have been prepared and signed on 19 June 2023 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

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 as at 28 February 2023 the group's current liabilities exceed its current assets by R1 141 million (Feb 2022: R1 462 million) and the group's total liabilities exceed its total assets by R66 million (Feb 2022: R90 million). The group had an accumulated loss of R1 209 million (Feb 2022: R1 225 million). The group believes it remains commercially solvent based on the cash flow projections included in the Restructuring Plan. However, the matters as noted above including uncertainties surrounding the contingent liabilities as stated in note 18, continue to indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern, and as a consequence could impact on the group's ability to realise its assets and discharge its liabilities in the ordinary course of business.

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 the reported financial performance and financial position and are 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	
Investment in subsidiaries		
Financial instruments		
Financial assets	Impairment	Financial liabilities
Provisions		
Taxation		
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

Accounting policies

for the year ended 28 February continued

Investment income

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

Employee benefits

The company identifies two 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. Other short term benefits are recognised as an expense in the period in which they are incurred.

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.

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

Investments in subsidiaries are assessed for impairment if events or changes in circumstances indicate that the carrying amount may be impaired. Impairment is assessed by determining 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 which is the fair value of the receivable. Other receivables are measured at fair value plus direct transaction costs	Amortised cost using the effective interest method, less impairment

Accounting policies

for the year ended 28 February continued

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 less direct transaction costs	Amortised costs using the effective interest method

Provisions

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

Taxation

Current tax

Current tax comprises the expected tax payable on the taxable income for the year using substantively enacted tax rates and includes any adjustments to tax payable in respect of prior years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts for financial reporting purposes and the tax base used for tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that future taxable income will be generated against which any available tax losses and deductible temporary differences can be utilised.

Capital and reserves

Share capital

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

Accounting policies

for the year ended 28 February continued

New accounting pronouncements

Standards and interpretations effective and adopted in the current year

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

- **IFRS 1 First-time Adoption of International Financial Reporting Standards —** Amendments for subsidiary as a first-time adopter. This is not applicable to this company.
- **IFRS 3 Business Combinations —** Reference to the conceptual framework. There were no business combinations in the current year.
- **IFRS 9 Financial instruments — Fees in the '10 per cent' test for derecognition of financial liabilities —** The amendment clarifies the fees to be applied in the application of the '10 per cent' test when assessing whether to derecognise a financial liability. No modifications or exchanges of financial liabilities in the current year.
- **IAS 16 Property, Plant and Equipment — Proceeds before intended use —** It prohibits the deduction of proceeds from selling items produced while asset in use from the cost of the asset. There is no impact as no such transactions exist.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets —** Amendment for onerous contracts for the costs of fulfilling a contract. This principle is already applied.

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 2023 or later periods.

	Accounting standard/interpretation	Type	Effective date	Impact on the financial statements
IAS 1: Presentation of Financial Statements	Disclosure of accounting policies	Amendment	1 January 2023	No expected impact as standard is appropriately 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.
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.
Practice Statement 2 Making Materiality Judgements	Disclosure of accounting policies	Amendment	1 January 2023	No expected change as standard is currently appropriately applied.
IAS 1: Presentation of Financial Statements	Classification of liabilities as current or non-current	Amendment	1 January 2024	No expected impact as standard is appropriately applied.
IAS 1: Presentation of Financial Statements	Classification of long-term debt affected by covenants	Amendment	1 January 2024	No expected impact as standard is appropriately applied.
IAS 7: Statement of Cashflows and IFRS 7: Financial Instruments Disclosure	Supplier Financing Arrangements	Amendment	1 January 2024	No expected impact as no such transactions exist.
IFRS 16: Leases	Subsequent measurement for sale and leaseback	Amendment	1 January 2024	No expected impact as no such transactions exist. Changes to be assessed as and when such transaction takes place.
IAS 12: Deferred Tax	Phase II International Tax Reform	Amendment	Exposure draft still being assessed	No expected impact as the company falls below the revenue threshold for application of the Pillar Two model rules.

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 19 June 2023: ZJ Matlala* (Chairman); HJ Craig*; B Harie*; BP Silwanyana*; RW Crawford (CEO); Y du Plessis (CFO)

* Independent non-executive directors.

Company secretary

WR Somerville

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Auditors

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