Stefanutti Stocks Holdings Limited

Separate Annual Financial Statements

2024

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

18 June 2024

CERTIFICATE BY THE COMPANY SECRETARY

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

William Somerville
Company Secretary

18 June 2024

CEO AND CFO RESPONSIBILITY STATEMENT ON INTERNAL FINANCIAL CONTROLS

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

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

Russell Crawford
Chief Executive Officer

Yolanda du Plessis
Chief Financial Officer

18 June 2024
Kempton Park

SIMPLIFIED GROUP ORGANOGRAM

STEFANUTTI STOCKS HOLDINGS LIMITED
1996/003767/06

- **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 is a multidisciplinary construction group that delivers projects, of any scale, to diverse sectors in the built environment. The group's geographical footprint spans South Africa and sub-Saharan African countries where its mission is to deliver exceptional engineering solutions that will enrich people's lives.

Stefanutti Stocks' broad spectrum of expertise covers traditional and niche construction, including:

- Building (specialising in the Industrial and Commercial sectors including one-stop design and build of cold room facilities and the complete data centre offering encompassing Civil Structural Architectural (CSA), Mechanical Electrical Piping (MEP), 3D modelling, etc.).
- Civils (including the Structural Rehabilitation and Water sectors).
- Geotechnical (including lateral support and piling).
- Roads, Earthworks and Mining infrastructure.
- Renewable Energy infrastructure (including both civil and electrical balance of plant projects).
- Electrical & Instrumentation (including the design and build of electrical step-down facilities).
- Mechanical (including industry-leading, turnkey dirty water clarification solutions (S&P High-Rate Clarifier (S&P HRC)).
- Oil & Gas (including in-house pipe-spool fabrication and bulk tank construction).
- Mining Services (including materials handling and tailings management).

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

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 29 February 2024, issued on 23 May 2024.

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

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

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

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

The loan bears interest at prime plus 4,7%, including arranging and facility fees, and is secured by special and general notarial bonds over movable assets, continuous covering mortgage bonds over immovable assets and various cessions. The loan does not contain any financial covenants, but rather imposes certain information and general undertakings.

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

The Restructuring Plan is anticipated to be implemented over the period up to June 2025 and, to the extent required, shareholder approval will be sought for certain aspects of the Restructuring Plan. The group will continue to update shareholders on the progress of the various aspects of the Restructuring Plan.

Going concern

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

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

The funding provided by the Lenders has assisted with the group's liquidity, even though as at 29 February 2024 the group's current liabilities exceed its current assets by R1 136 million (Feb 2023: R1 141 million), and the group's total liabilities exceed its total assets by R52 million (Feb 2023: R66 million). The group had an accumulated loss of R1 193 million (Feb 2023: R1 209 million). The group believes it remains commercially solvent based on the cash flow projections included in the Restructuring Plan and the continued support of the Lenders. However, the matters as noted above including uncertainties surrounding the contingent liabilities as stated in note 17, continue to indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern, and as a consequence could impact on the group's ability to realise its assets and discharge its liabilities in the ordinary course of business.

Refer to note 2.

Kusile Power Project update

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

Since August 2021, the group has secured payment of a combined total of R119 million for measured work and the Dispute Adjudication Board (DAB) rulings.

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

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

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

As noted in the SENS announcement dated 12 September 2023, the following consolidated and updated claims were submitted to the experts:

1. a quantum claim of R1 344 million;
2. a finance cost claim of R270 million; and
3. interest to be calculated in terms of the DAB's ruling.

Therefore, the total of all consolidated and updated claims submitted, excluding interest, amounts to R1 614 million. In terms of the process as outlined above the experts will review all claims, draft agreements and narrow issues of difference for referral to the DAB for a decision.

The group envisages that the DAB will issue its binding decision during the third quarter of 2024.

At this stage the claims must follow due process, therefore, the group's claims team cannot express a view on the value of any potential award nor the exact timing thereof. As the outcome of this process remains uncertain, these consolidated and updated claims have not been recognised in the financial statements.

Refer to note 17.

Contingent liabilities and assets

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

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

With respect to the arbitration award relating to the Kalabo-Sikongo-Angola border gate road in the Western Province of Zambia, as announced on SENS on 4 October 2023, shareholders are advised that the award was subsequently registered with the Court. The client has however submitted:

1. an order for the stay of further proceedings pending the determination of the client's application for leave to appeal;
2. an affidavit in support of summons for an order to set aside the registration of the award; and
3. leave to appeal against the judgement.

Stefanutti Stocks and its joint venture partner successfully filed a summons opposing the stay of further proceedings and have commenced discussions with the client with respect to a settlement. The settlement discussions are done on a without prejudice basis and all legal rights remain reserved. Due to the uncertainty relating to the timing and quantum of receipts, the award has not been recognised in the financial statements.

Refer to note 17.

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 29 February 2024 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 29 February 2024 are in terms of IFRS® Accounting Standards and are consistent with those applied in the audited annual financial statements for the year ended 28 February 2023.

DIVIDEND DECLARATION

Notice is hereby given that no dividend will be declared (Feb 2023: Nil).

SUMMARISED COMPANY RESULTS

	Note	**2024 R'000**	2023 R'000	Commentary on the year-on-year movements
Revenue	3	**24 256**	20 382	The fees Increased in line with time spent by management.
Intergroup payables	9	**32 748**	21 169	Increase in funding for working capital requirements.
Financial liabilities	13	**9 344**	18 061	The second annual instalment for the City of Cape Town settlement was paid.

RESOLUTIONS

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

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

SUBSEQUENT EVENTS

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

DIRECTORATE

The names of the directors who currently hold office are set out on page 29.

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

18 June 2024
Kempton Park

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Stefanutti Stocks Holding 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 28, which comprise the separate statement of financial position as at 29 February 2024, 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 material 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 29 February 2024, and its separate financial performance and separate cash flows for the year then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Boards 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 R5 million for the year ended 29 February 2024 (2023: net loss of R3,4 million) and, as of that date, the company's current liabilities exceeded its current assets by R51,4 million (2023: R40,4 million). As stated in note 2 these events and conditions, along with other matters stated in note 2 and the uncertainties surrounding the contingent liabilities as stated in note 17, 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 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 Annual Financial Statements for the year ended 29 February 2024" which includes the Directors' Report, 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 IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of 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.

Auditor's 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 Forvis Mazars has been the auditor of Stefanutti Stocks Holdings Limited for 18 years.

Forvis Mazars
Partner: Yusuf Dockrat
Registered Auditor

19 June 2024
Johannesburg

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 29/28 FEBRUARY

	Note	**2024 R'000**	2023 R'000
Revenue	3	**24 256**	20 382
Operating and administrative expense	4	**(24 409)**	(29 091)
Expected credit losses	18	**(2 187)**	6 295
Operating loss before investment income		**(2 340)**	(2 414)
Investment income	5	**37**	27
Operating loss before finance costs		**(2 303)**	(2 387)
Finance costs	6	**(1 951)**	(510)
Loss before taxation		**(4 254)**	(2 897)
Taxation	7	**(727)**	(536)
Loss/total comprehensive income		**(4 981)**	(3 433)
Loss and diluted loss per share (cents)	11.2	**(2,98)**	(2,05)

STATEMENT OF FINANCIAL POSITION

AS AT 29/28 FEBRUARY

	Note	2024 R'000	2023 R'000
ASSETS			
Non-current assets		**481 168**	483 355
Investment in subsidiaries	8	**473 963**	473 963
Intergroup receivables	9	**7 205**	9 392
Current assets		**247**	216
Other receivables	10	**63**	17
Taxation		**59**	—
Bank balances		**125**	199
Total assets		**481 415**	483 571
EQUITY AND LIABILITIES			
Capital and reserves		**429 721**	434 298
Share capital and premium	11.1	**1 161 538**	1 161 538
Other reserves		**404**	—
Accumulated loss		**(732 221)**	(727 240)
Non-current liabilities		**—**	8 684
Financial liabilities	13	**—**	8 684
Current liabilities		**51 694**	40 589
Financial liabilities	13	**9 344**	9 377
Intergroup payables	9	**32 748**	21 169
Trade and other payables	14	**2 402**	2 740
Provisions	15	**7 200**	7 200
Taxation		**—**	103
Total equity and liabilities		**481 415**	483 571

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 29/28 FEBRUARY

	Share capital and premium R'000	Share-based payments reserve R'000	Accumulated loss R'000	Capital and reserves R'000
Balance at 1 March 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
Forfeitable share awards (note 12)	—	404	—	404
Loss/total comprehensive income	—	—	(4 981)	(4 981)
Balance at 29 February 2024	**1 161 538**	**404**	**(732 221)**	**429 721**
Note	11.1	12		

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 29/28 FEBRUARY

	Note	2024 R'000	2023 R'000
Cash flows from operating activities		**8 643**	9 237
Loss before taxation		**(4 254)**	(2 897)
Adjusted for:			
Provisions	15	**—**	7 200
Forfeitable Share Plan (FSP) costs	4, 12	**404**	—
Expected credit loss — Intergroup receivables	18	**2 187**	(6 295)
Investment income	5	**(37)**	(27)
Finance costs	6	**1 951**	510
		251	(1 509)
Movement in working capital			
Intergroup receivables	9,18	**—**	(11)
Intergroup payables	9	**11 579**	11 925
Other receivables	10	**(46)**	35
Trade and other payables	14	**(338)**	(287)
Cash generated from operating activities		**11 446**	10 153
Investment income	5	**37**	27
Finance costs	6	**(1 951)**	(510)
Taxation paid		**(889)**	(433)
Cash flows from financing activities		**(8 717)**	(9 491)
Repayment of long-term financing	13	**(8 717)**	(9 491)
Movement in cash and cash equivalents		**(74)**	(254)
Cash and cash equivalents at the beginning of the year		**199**	453
Cash and cash equivalents at year-end		**125**	199

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 and assets. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events and are believed to be reasonable under the circumstances. Actual results may differ from the estimates made by management.

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) ON INTERGROUP RECEIVABLES (NOTE 18)

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 Condensed Consolidated Results for the 12 months ended 29 February 2024, issued on 23 May 2024.

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

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

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

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

The loan bears interest at prime plus 4,7%, including arranging and facility fees, and is secured by special and general notarial bonds over movable assets, continuous covering mortgage bonds over immovable assets and various cessions. The loan does not contain any financial covenants, but rather imposes certain information and general undertakings.

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

The Restructuring Plan is anticipated to be implemented over the period up to June 2025 and, to the extent required, shareholder approval will be sought for certain aspects of the Restructuring Plan. The group will continue to update shareholders on the progress of the various aspects of the Restructuring Plan.

2. GOING CONCERN CONTINUED

Going concern

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

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

The funding provided by the Lenders has assisted with the group's liquidity, even though as at 29 February 2024 the group's current liabilities exceed its current assets by R1 136 million (Feb 2023: R1 141 million), and the group's total liabilities exceed its total assets by R52 million (Feb 2023: R66 million). The group had an accumulated loss of R1 193 million (Feb 2023: R1 209 million). The group believes it remains commercially solvent based on the cash flow projections included in the Restructuring Plan and the continued support of the Lenders. However, the matters as noted above including uncertainties surrounding the contingent liabilities as stated in note 17, continue to indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern, and as a consequence could impact on the group's ability to realise its assets and discharge its liabilities in the ordinary course of business.

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 R5,0 million for the year ended 29 February 2024 (Feb 2023: R3,4 million loss) and, as of that date, the company's current liabilities exceeded its current assets by R51,4 million (Feb 2023: R40,4 million). However, based on the above analysis relating to the group, the financial statements of Stefanutti Stocks Holdings Limited have been prepared on a going concern basis.

3. REVENUE

	2024 R'000	2023 R'000
Management fees	**24 256**	20 382

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

4. OPERATING AND ADMINISTRATIVE EXPENSES

	2024 R'000	2023 R'000
Included in these expenses are:		
Auditors remuneration — audit services	**192**	262
Consultancy fees	**1 205**	1 205
Employee costs	**16 805**	13 497
— Short-term employee benefit costs	**14 178**	11 597
— Post-employment benefit costs	**2 223**	1 900
— Share incentive costs (note 12)	**404**	—
Listing expenses	**2 009**	2 005
Legal fees	**—**	695

5. INVESTMENT INCOME

	2024 R'000	2023 R'000
Investment income from financial instruments held at amortised cost:		
— Bank accounts	**37**	27

6. FINANCE COSTS

	2024 R'000	2023 R'000
Finance costs from financial instruments held at amortised cost:		
Other financing	**1**	1
Settlement agreement — City of Cape Town	**1 950**	509
	1 951	510

7. TAXATION

7.1 TAXATION

	2024 R'000	2023 R'000
Current tax	**727**	536

7.2 RECONCILIATION OF TAX CHARGE

	2024 R'000	2023 R'000
Tax at 27% (2023: 28%) on loss before taxation	**(1 149)**	(811)
Adjusted for:		
Disallowed expenditure — listing expenses and other	**961**	561
Disallowed expenditure — legal fees	**—**	195
Disallowed expenditure — consultancy fees	**325**	336
Disallowed expenditure/(exempt income) — expected credit loss	**590**	(1 763)
Deferred tax asset not raised	**—**	2 018
Effective tax	**727**	536

There are no amounts for which no deferred tax asset was raised in the current year (Feb 2023: R2 million related to deductible temporary differences for salary and other provisions. There is no expiry date for tax losses not utilised).

8. INVESTMENT IN SUBSIDIARIES

			PROPORTION HELD DIRECTLY AND VOTING RIGHTS		CARRYING VALUE	
Name of company	Country of incorporation	Principal activities	**2024 %**	2023 %	**2024 R'000**	2023 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 investment in Stefanutti Stocks Proprietary Limited has 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 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 17,5% (Feb 2023: 16,0%). Cash flows are projected based on four-year forecasts. Cash flows beyond this were extrapolated using a constant growth rate of 2% which does not exceed the long-term average growth rate for the industry.

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. INTERGROUP RECEIVABLES/(PAYABLES)

	Terms	2024 R'000	2023 R'000
Non-current assets			
Stefanutti & Bressan Share Incentive Trust	Interest free, payable on demand	**7 205**	9 392
Current liabilities			
Stefanutti Stocks Proprietary Limited	Interest free, payable on demand	**(12 643)**	(12 650)
Stefanutti Stocks International Holdings Proprietary Limited	Interest free, payable on demand	**(20 105)**	(8 519)
		(32 748)	(21 169)

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

10. OTHER RECEIVABLES

	2024 R'000	2023 R'000
Prepayments*	**63**	—
Value Added Taxation*	**—**	17
	63	17

* Non-financial assets.

11. CAPITAL AND RESERVES

11.1 SHARE CAPITAL AND PREMIUM

	2024 R'000	2023 R'000
Share capital		
Authorised		
400 000 000 ordinary shares of 0,00025 cents each (Feb 2023: 400 000 000 ordinary shares of 0,00025 cents each)	**1**	1
Balance at year-end	**1**	1
Issued		
188 080 746 ordinary shares of 0,00025 cents each (Feb 2023: 188 080 746 ordinary shares of 0,00025 cents each)	**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.

11. CAPITAL AND RESERVES CONTINUED

11.2 SHARES USED FOR EARNINGS PER SHARE (EPS)

	NUMBER OF SHARES	
	EPS 2024	EPS 2023
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)	**(4 981)**	(3 433)
Loss per share/headline loss per share (cents)	**(2,98)**	(2,05)
Diluted loss per share/diluted headline loss per share (cents)	**(2,98)**	(2,05)

Loss/headline loss and diluted loss/headline loss per share are identical as no adjustment to headline earnings was required and there were no anti-dilutive effects on the number of shares.

12. EMPLOYEE SHARE INCENTIVE SCHEME

FORFEITABLE SHARE PLAN (FSP)

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

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

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

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

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

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

12. EMPLOYEE SHARE INCENTIVE SCHEME CONTINUED

	2024 Quantity	2023 Quantity
Forfeitable Share Awards:		
Awarded during the year	**1 880 000**	—
Outstanding at year-end	**1 880 000**	—
Grant date	**31 August 2023**	
Grant price	**1,29**	—
Fair value at grant date (R'000s)	**2 425**	—
FSP costs (R'000s)	**404**	—
Contractual life of each award	**3 years**	—

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

13. FINANCIAL LIABILITIES

	2024 R'000	2023 R'000
Settlement agreement — City of Cape Town		
Non-current	—	8 684
Current	**9 344**	9 377
	9 344	18 061

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 three years commencing from November 2022, and a commitment to Corporate Social Investment projects in the Cape Town district.

The effective interest rate on the liability is 7,96%.

RECONCILIATION OF CASHFLOW MOVEMENTS RELATING TO FINANCING ACTIVITIES

	2024 R'000	2023 R'000
Opening balance	**18 061**	27 552
Less: Payment	**(8 717)**	(9 491)
Closing balance	**9 344**	18 061

14. TRADE AND OTHER PAYABLES

	2024 R'000	2023 R'000
Trade payables	**194**	162
Accrued expenses *	**478**	263
Employee obligations *	**1 501**	2 291
Value Added Taxation *	**205**	—
Unclaimed dividends *	**24**	24
	2 402	2 740

* Non-financial liabilities.

15. PROVISIONS

	Balance at the beginning of the year R'000	Provisions raised R'000	Provisions utilised 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.

16. 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	

RELATED PARTY TRANSACTIONS

	INCOME (NOTE 3)		RECEIVABLE/(PAYABLE) (NOTE 9)	
	2024 R'000	2023 R'000	**2024 R'000**	2023 R'000
Transactions with subsidiaries (note 3, 9)	**24 256**	20 382	**(32 748)**	(21 169)
Transactions with share trust (note 9)	**—**	—	**7 205**	9 392

NON-EXECUTIVE DIRECTORS

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

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

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

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

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

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

16. RELATED PARTIES CONTINUED

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

EXECUTIVE DIRECTORS

Details of remuneration for executive directors are as follows:

	SHORT-TERM BENEFITS					
	Basic salary R'000	Other benefits R'000	Short-term incentives R'000	Post-employment benefits R'000	Share incentive costs R'000	Total R'000
2024						
Executive directors						
RW Crawford — CEO	**5 729**	**124**	**5 487**	**876**	**248**	**12 464**
Y du Plessis — CFO	**3 291**	**117**	**3 284**	**696**	**156**	**7 544**
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

Other benefits consists of travel and other related allowances.

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. Awards made in terms of the forfeitable share plan scheme are included within share incentive costs. 1 155 000 and 725 000 shares were awarded to RW Crawford and Y du Plessis respectively on 31 August 2023. Refer to note 12. 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.

16. RELATED PARTIES CONTINUED

DIRECTORS' SHAREHOLDING

	2024				2023			
	Direct beneficial %	**Indirect beneficial %**	**Total %**	**No. of shares**	Direct beneficial %	Indirect beneficial %	Total %	No. of shares
Percentage of fully-paid shares held								
JM Poluta (resigned 13 March 2023)	—	—	—	—	—	0,77	0,77	1 450 612
RW Crawford (CEO)	—	**0,36**	**0,36**	**690 278**	—	0,36	0,36	690 278

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.

17. GUARANTEES, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

GUARANTEES AND SURETYSHIPS

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

Guarantees also include the following:

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

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

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

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

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

With respect to the arbitration award relating to the Kalabo-Sikongo-Angola border gate road in the Western Province of Zambia, as announced on SENS on 4 October 2023, shareholders are advised that the award was subsequently registered with the Court. The client has however submitted:

1. an order for the stay of further proceedings pending the determination of the client's application for leave to appeal;
2. an affidavit in support of summons for an order to set aside the registration of the award; and
3. leave to appeal against the judgement.

17. GUARANTEES, CONTINGENT LIABILITIES AND CONTINGENT ASSETS CONTINUED

Stefanutti Stocks and its joint venture partner successfully filed a summons opposing the stay of further proceedings and have commenced discussions with the client with respect to a settlement. The settlement discussions are done on a without prejudice basis and all legal rights remain reserved. Due to the uncertainty relating to the timing and quantum of receipts, the award has not been recognised in the financial statements.

ESKOM — KUSILE POWER PROJECT

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

Since August 2021, the group has secured payment of a combined total of R119 million for measured work and the Dispute Adjudication Board (DAB) rulings.

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

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

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

As noted in the SENS announcement dated 12 September 2023, the following consolidated and updated claims were submitted to the experts:

1. a quantum claim of R1 344 million;
2. a finance cost claim of R270 million; and
3. interest to be calculated in terms of the DAB's ruling.

Therefore, the total of all consolidated and updated claims submitted, excluding interest, amounts to R1 614 million. In terms of the process as outlined above the experts will review all claims, draft agreements and narrow issues of difference for referral to the DAB for a decision.

The group envisages that the DAB will issue its binding decision during the third quarter of 2024.

At this stage the claims must follow due process, therefore, the group's claims team cannot express a view on the value of any potential award nor the exact timing thereof. As the outcome of this process remains uncertain, these consolidated and updated claims have not been recognised in the financial statements.

18. 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.

	2024 R'000	2023 R'000
Financial assets at amortised cost		
Bank balances	**125**	199
Intergroup receivables (note 9)	**7 205**	9 392
Financial liabilities at amortised cost		
Intergroup payables (note 9)	**32 748**	21 169
Financial liabilities (note 13)	**9 344**	18 061
Trade and other payables (note 14)	**194**	162

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

Gearing ratios at year-end were as follows:

	2024 R'000	2023 R'000
Debt — interest-bearing liabilities	**9 344**	18 061
Total equity attributable to equity holders of the company	**429 721**	434 298
Gearing ratio (%)	**2,2**	4,2

The gearing ratio decreased from 4,2% to 2,2%, due to the second instalment of the City of Cape Town settlement being paid (note 13).

18. RISK MANAGEMENT AND ACCOUNTING CLASSIFICATIONS CONTINUED

RISK MANAGEMENT FRAMEWORK

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

- Credit risk
- Liquidity risk
- Market risk

CREDIT RISK

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

Bank balances

The carrying amount of bank balances 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:

	2024		2023	
	Over one year	**Total**	Over one year	Total
Gross carrying amount (R'000)	**24 233**	**24 233**	24 233	24 233
Expected credit loss rate (%)	**70,27**	**70,27**	61,24	61,24
Expected credit loss (R'000)	**17 028**	**17 028**	14 841	14 841
	7 205	**7 205**	9 392	9 392

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 performs 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:

	2024 R'000	2023 R'000
Simplified approach		
Opening balance	**(14 841)**	(21 136)
Amounts (raised)/reversed	**(2 187)**	6 295
Closing balance	**(17 028)**	(14 841)

The increase in the expected credit loss is due to a reduction in the Stefanutti Stocks Holdings Limited share price from the prior year. The loan due from the Stefanutti & Bressan Share Incentive Trust is supported by shares held in Stefanutti Stocks Holdings Limited and the movement 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 29 February 2024 as 1,12 cents per share (Feb 2023: 1,46 cents per share).

18. RISK MANAGEMENT AND ACCOUNTING CLASSIFICATIONS CONTINUED

Maximum exposure to credit risk is shown below:

	2024 R'000	2023 R'000
Intergroup receivables — non-current (note 9)	**7 205**	9 392
Bank balances	**125**	199
	7 330	9 591

LIQUIDITY RISK

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities which are settled by delivering cash or another financial asset. The company manages liquidity risk through an ongoing review of future commitments. The company is the holding company of the Stefanutti Stocks group and manages liquidity for the group through the use of credit facilities and ensuring adequate 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 group maintains lines of credit of R32 million (Feb 2023: R46 million) mainly comprising bank overdraft facilities.

EXPOSURE TO LIQUIDITY RISK

The following are the remaining contractual maturities of financial 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
2024					
Financial liabilities (note 13)	**9 344**	**10 667**	—	**10 667**	—
Intergroup payables (note 9)	**32 748**	**32 748**	**32 748**	—	—
Trade and other payables (note 14)	**194**	**194**	—	**194**	—
	42 286	**43 609**	**32 748**	**10 861**	—
2023					
Financial liabilities (note 13)	18 061	21 334	—	10 667	10 667
Intergroup payables (note 9)	21 169	21 169	21 169	—	—
Trade and other payables (note 14)	162	162	—	162	—
	39 392	42 665	21 169	10 829	10 667

The company has signed as a guarantor for the Stefanutti Stocks Group funding loan of R997 million as at 29 February 2024. The group on 27 March 2024, reached agreement with the Lenders to extend the capital repayment profile of the loan as well as its duration to 30 June 2025. The group does not expect any outflow for the guarantees as there are sufficient strategies in place to mitigate the risk of outflow.

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. There is no exposure to currency risk as there are no transactions or balances denominated in foreign currency.

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 liability recognised relating to the City of Cape Town arbitration.

19. SUBSEQUENT EVENTS

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

20. AVAILABILITY OF STEFANUTTI STOCKS CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The Stefanutti Stocks consolidated annual financial statements have been prepared and signed on 18 June 2024 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, Forvis Mazars (previously Mazars), has expressed an unmodified opinion with an emphasis of matter thereon.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 29/28 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 29 February 2024 the group's current liabilities exceed its current assets by R1 136 million (Feb 2023: R1 141 million), and the group's total liabilities exceed its total assets by R52 million (Feb 2023: R66 million). The group had an accumulated loss of R1 193 million (Feb 2023: R1 209 million). The group believes it remains commercially solvent based on the cash flow projections included in the Restructuring Plan and the continued support of the Lenders. However, the matters as noted in this report including uncertainties surrounding the contingent liabilities as stated in note 17 of these annual financial statements for the year ended 29 February 2024, continue to indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern, and as a consequence could impact on the group's ability to realise its assets and discharge its liabilities in the ordinary course of business.

STATEMENT OF COMPLIANCE

The annual financial statements of Stefanutti Stocks Holdings Limited for the year ended 29 February 2024, have been prepared in accordance with the following:

IFRS® Accounting Standards (IFRS Accounting Standards), South African Financial Reporting Requirements.	Companies Act, No. 71 of 2008	The principle of going-concern

PRESENTATION CURRENCY

South African Rand

ROUNDING POLICY

R'000 (thousand)

MATERIAL ACCOUNTING POLICIES

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

SUMMARY OF MATERIAL ACCOUNTING POLICIES

Revenue		
Investment income		
Employee benefits		
Short-term benefits	Post-employment benefits	Employee share incentive schemes
Investment in subsidiaries		
Financial instruments		
Financial assets	Impairment — ECL	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 price

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 *Employee Benefits*, being short-term benefits, and post-employment. Employee share incentive schemes are accounted for under IFRS 2 *Share-based payments*.

Short-term benefits

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

Employee share incentive schemes

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

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. Other receivables are measured at fair value plus direct transaction costs	Amortised cost using the effective interest 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. A loan is written off when there is no reasonable expectation of recovering the contractual cash flows. 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. A deferred tax liability is recognised for all taxable temporary differences.

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:

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

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 2024 or later periods. The standards will be adopted when they become effective.

	Accounting standard/interpretation	Type	Effective date	Impact on the financial statements
IAS 1: Presentation of Financial Statements	Classification of liabilities as current or non-current	Amendment	1 January 2024	No expected impact as standard is appropriately applied.
IAS 1: Presentation of Financial Statements	Classification of long-term debt affected by covenants	Amendment	1 January 2024	No 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 21: The Effect of Changes in Foreign Exchange Rates	Lack of Exchangeability	Amendment	1 January 2025	No expected impact as there are no transactions denominated in foreign currency.
IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information	Disclosure of information about sustainability-related risks and opportunities that are useful to users relating to providing resources to the entity.	New	1 January 2024 (Effective prospectively)	Once it becomes mandatory, the required disclosures will be included prospectively.
IFRS S2: Climate-related Disclosures	Disclosure of information about the climate-related risks (physical and transition) an entity is exposed to and the opportunities available to that may be useful to investors and capital providers.	New	1 January 2024 (Effective prospectively)	Once it becomes mandatory, the required disclosures will be included prospectively.
IFRS 18 Presentation and Disclosures in Financial Statements	Includes requirements for all entities applying IFRS Accounting Standards for the presentation and disclosure of information in financial statements.	New	1 January 2027	A significant change to the primary financial statements is expected. Impact is still being assessed.
IFRS 19 Subsidiaries without Public Accountability: Disclosures	Specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards.	New	1 January 2027	No expected impact as this company is not a subsidiary. Standard to be considered for subsidiary companies.

CORPORATE INFORMATION

COMPANY INFORMATION

Stefanutti Stocks Holdings Limited
Share code: SSK ISIN: ZAE000123766

JSE Sector: Construction
Year-end: 28/29 February

Registration number
1996/003767/06

Country of incorporation
South Africa

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

Postal address
Private Bag X2032, Isando, 1600

Telephone number
+27 11 571 4300

DIRECTORS

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

* Independent non-executive directors.

COMPANY SECRETARY

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

AUDITORS

Forvis Mazars (previously Mazars)
54 Glenhove Road, Melrose Estate, 2196

PO Box 6697, Johannesburg, 2000

Telephone number
+27 11 547 4000

ATTORNEYS

Webber Wentzel
90 Rivonia Road, Sandton, Johannesburg, 2196

PO Box 61771, Marshalltown, 2107

Telephone number
+27 11 530 5000

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

PO Box 9000, Saxonwold, 2132

Telephone number
+27 11 370 5000

SPONSOR

Bridge Capital Advisors (Pty) Ltd
10 Eastwood Road, Dunkeld, 2196

PO Box 651010, Benmore, 2010

Telephone number
+27 11 268 6231

BANKERS

Nedbank Limited

SIGIL DESIGN BUREAU

Head Office
9 Palala Street
Chloorkop Kempton Park
Johannesburg
1619

Telephone
+27 11 571 4300

www.stefanuttistocks.com