Stefanutti Stocks

STEFANUTTI STOCKS HOLDINGS LIMITED

Separate Annual Financial Statements `19

Contents

OUR BUSINESS UNITS

The Stefanutti Stocks Integrated Annual Report 2019 introduces a new icon system to represent its three business units.

These icons represent CONSTRUCTION & MINING, BUILDING and MECHANICAL & ELECTRICAL from left to right. These icons are utilised in either the black outlines or colour-coded, as appropriate.

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

PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements contained in this report, have been prepared under the supervision of the Chief Financial Officer, AV Cocciante, 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).

Antonio Cocciante
Chief Financial Officer

19 June 2019

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 2019, lodged with the Companies and Intellectual Property Commission all returns and notices required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.

William Somerville
Company Secretary

19 June 2019

Simplified group organogram

- 1996/003767/06 **STEFANUTTI STOCKS HOLDINGS LIMITED**
  - 1997/005231/07 **STEFANUTTI STOCKS INVESTMENTS PROPRIETARY LIMITED (SOUTH AFRICA)**
  - 2005/015885/07 **STEFANUTTI STOCKS INTERNATIONAL HOLDINGS PROPRIETARY LIMITED (SOUTH AFRICA)**
    - CROSS-BORDER OPERATIONAL SUBSIDIARIES
    - JOINT VENTURE AL TAYER STOCKS LLC (UNITED ARAB EMIRATES)
  - 2003/022221/07 **STEFANUTTI STOCKS PROPRIETARY LIMITED (SOUTH AFRICA)**
    - OPERATIONAL SUBSIDIARIES
    - ASSOCIATES
    - JOINT OPERATIONS

Directors' report

The directors have pleasure in presenting their report, which forms part of the annual financial statements of the company for the year ended 28 February 2019.

NATURE OF BUSINESS

Stefanutti Stocks Holdings Limited (Registration No. 1996/003767/06) 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 — Heavy Construction" sector. Stefanutti Stocks Holdings Limited is the holding company for the group and provides administrative and support services to the group.

A simplified group organogram has been provided, additional information on the company's operating entities is available on request.

GOING CONCERN STATEMENT

As a result of the well documented adverse market conditions facing the industry, the group has experienced a further increase in delayed payments from clients. This practice once again had a negative impact on trade and other receivables and payables. Cash generated from operations increased to R361 million (Feb 2018: R322 million). Notwithstanding a reduction in working capital of R246 million (Feb 2018: an increase of R293 million), the group's overall cash decreased to R881 million (Feb 2018: R916 million).

In terms of IAS 37: a provision of R263 million for potential unrecoverable preliminary and general costs to complete a contract has been raised.

Due to these matters, the group is experiencing temporary liquidity pressures and as a consequence material uncertainty may exist that may cast doubt on the group's ability to continue as a going concern in the short-term.

In order to address this short-term liquidity pressure, the group is exploring raising the required funding through a combination of specific ring-fenced project financing, a number of alternative funding solutions and, only if required, a possible fresh issue of shares (the 'Funding Plan'). The first part of the Funding Plan, being the specific ring-fenced project financing has been secured. The remaining aspects of the Funding Plan are being pursued. Shareholders will be advised accordingly. Based on the successful implementation of the remainder of the Funding Plan and the current assessment of the group's financial budget for the ensuing year, the directors consider it appropriate that the group's consolidated results be prepared on the going-concern basis.

The group matters noted above may cast doubt on the company's ability to continue as a going concern.

Please refer to the group's consolidated annual financial statements available on the website for further information.

FINANCIAL RESULTS AND YEAR UNDER REVIEW

These annual financial statements on pages 6 to 25 comprise the separate annual financial statements of the holding company, Stefanutti Stocks Holdings Limited. This report should be read in conjunction with the group consolidated financial statements.

The consolidated annual financial statements of Stefanutti Stocks Holdings Limited and its subsidiaries, joint operations and equity-accounted investees (collectively the group) for the year ended 28 February 2019 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 2019 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 2018 except for the adoption of new standards. The company has adopted IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers with effect from 1 March 2018. The adoption of the new standards resulted in the restatement of prior year information. Reference to any prior year information would already include any adjustments made. Refer to note 2 — Adoption of New Accounting Standards for more information.

SUMMARISED COMPANY RESULTS

	Note	**2019 R'000**	2018 R'000	% change year-on-year Increase ⬆ (Decrease) ⬇		Commentary on the year-on-year movements
Revenue	3	**24 828**	20 674	⬆	20	Increase in management fees.
Impairment of investment		**–**	(623 048)		–	Impairment recognised on an investment in subsidiary
Finance costs	5	**(2 123)**	(10 314)	⬇	(79)	Finance costs reduced due to the reduction and settlement of the deferred settlement arrangement.
Intergroup receivables	8	**22 011**	65 963	⬇	(67)	Normal trading on intergroup receivables.
Deferred settlement arrangement	10	**–**	39 674	⬇	(100)	The deferred settlement arrangement has been settled during the year.

RESOLUTIONS

At the 2018 annual general meeting, the shareholders of the company passed the following special resolutions:

› Approval of the directors' fees.

› Approval of financial assistance provided by the company to related or inter-related companies or other entities, including, its subsidiaries, for any purpose, as well as present or future directors or prescribed officers of the company or of a related or inter-related company or entity.

› 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.

DIRECTORATE

Mafika Mkwanazi retired by rotation at the company's Annual General Meeting and did not offer himself for re-election.

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

Shareholders are referred to the announcement released on SENS on 28 June 2018 proposing the following changes to the board:

› Kevin Eborall will retire as board chairman and a director with effect from 31 May 2019. Zanele Matlala, currently chairman of the Audit, Governance and Risk Committee, will be appointed as board chairman on 1 June 2019 and at the same time she will step down as chairman of this committee.

› Willie Meyburgh will retire from Stefanutti Stocks as CEO on 31 May 2019. Russell Crawford, currently CEO Designate reporting to CEO Willie, will be appointed as CEO and director of the company with effect from 1 June 2019.

The board has decided to implement these changes effective at the company's next Annual General Meeting scheduled to take place on 12 August 2019.

The names of the directors who currently hold office are set out in the corporate information section at the end of these statements.

INDUSTRY RELATED MATTERS

The group has one remaining matter arising out of the Competition Commission Fast Track Settlement Process in 2013. The matter relates to a civil damages claim initiated by the City of Cape Town in respect of the Green Point Stadium, following the findings and the imposition of administrative penalties by the competition authorities. Stefanutti Stocks having paid a penalty under these findings has now been cited as one of the defendants. The matter is ongoing but Stefanutti Stocks remains confident that on the facts available it will be able to successfully defend the above matter and, has accordingly not made any provision. A trial date has been set for the first quarter of 2020.

Once again, and consistent with experiences reported by other construction companies, the group has been negatively affected by the disruptive and unlawful activities of certain communities and the emergence of informal business forums in certain areas of South Africa where we operate.

APPROVAL

The annual financial statements, which appear on pages 6 to 25, were approved by the board of directors on 19 June 2019 and are signed by:

Willie Meyburgh
Chief Executive Officer

Antonio Cocciante
Chief Financial Officer

19 June 2019
Kempton Park

Independent auditor's report

To the shareholders of Stefanutti Stocks Holdings Limited

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the separate financial statements of Stefanutti Stocks Holdings Limited set out on pages 6 to 25, which comprise the statements of financial position as at 28 February 2019, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the entity as at 28 February 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to the statement of profit or loss and other comprehensive income and, statement of financial position, which indicate that the company incurred a net loss of R6,1 million for the year ended 28 February 2019 and, as of that date, the company's current liabilities exceeded its current assets by R7,9 million. These events and conditions, along with other matters as set forth in note 14, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern due to the short-term liquidity pressure experienced by the group. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Information

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Mazars has been the auditor of Stefanutti Stocks Holdings Limited for 13 years.

Mazars

Mazars
Registered Auditors
Partner: Susan Truter
Registered Auditor

19 June 2019
Johannesburg

Statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 28 FEBRUARY

	Note	2019 R'000	Restated 2018 R'000
REVENUE	3	**24 828**	20 674
Operating and administration expenses	4	**(28 790)**	(24 196)
Impairment of investment		**–**	(623 048)
OPERATING LOSS BEFORE INVESTMENT INCOME		**(3 962)**	(626 570)
Investment income	5	**4**	5
OPERATING LOSS BEFORE FINANCE COSTS		**(3 958)**	(626 565)
Finance costs	5	**(2 123)**	(10 314)
LOSS BEFORE TAXATION		**(6 081)**	(636 879)
Taxation	6	**(49)**	148
TOTAL COMPREHENSIVE INCOME		**(6 130)**	(636 731)
Loss per share (cents)	9.2	**(3,65)**	(372,91)
Diluted loss per share (cents)	9.2	**(3,65)**	(372,91)

Statement of financial position

AS AT 28 FEBRUARY

	Note	2019 R'000	Restated 2018 R'000	Restated 1 Mar 2017 R'000
ASSETS				
NON-CURRENT ASSETS		**497 939**	497 900	1 120 716
Investment in subsidiaries	7	**473 963**	473 963	1 097 011
Deferred tax assets		**3 488**	3 449	3 217
Intergroup receivables	8	**20 488**	20 488	20 488
CURRENT ASSETS		**4 050**	49 756	161 057
Intergroup receivables	8	**1 523**	45 475	158 820
Prepayments		**2 403**	4 189	2 088
Bank balances		**124**	92	149
TOTAL ASSETS		**501 989**	547 656	1 281 773
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES		**490 038**	496 168	1 132 899
Share capital and premium	9	**1 161 538**	1 161 538	1 161 538
Share-based payment reserve		**–**	–	30 584
Accumulated losses		**(671 500)**	(665 370)	(59 223)
CURRENT LIABILITIES		**11 951**	51 488	148 874
Deferred settlement arrangement	10	**–**	39 674	137 360
Intergroup payables	8	**1 880**	1 880	1 880
Trade and other payables	11	**10 069**	9 933	9 632
Taxation		**2**	1	2
TOTAL EQUITY AND LIABILITIES		**501 989**	547 656	1 281 773

Statement of changes in equity

FOR THE YEAR ENDED 28 FEBRUARY

	Share capital and premium R'000	Share-based payments reserve R'000	Accumulated losses R'000	Total equity R'000
BALANCE AT 28 FEBRUARY 2017 AS PREVIOUSLY REPORTED	1 161 538	30 584	(56 053)	1 136 069
Change in accounting policy – IFRS 9	–	–	(3 170)	(3 170)
BALANCE AT 1 MARCH 2017 RESTATED	1 161 538	30 584	(59 223)	1 132 899
Realisation of reserves	–	(30 584)	30 584	–
Total comprehensive income	–	–	(636 731)	(636 731)
BALANCE AT 28 FEBRUARY 2018 RESTATED	1 161 538	–	(665 370)	496 168
Total comprehensive income	–	–	(6 130)	(6 130)
BALANCE AT 28 FEBRUARY 2019	**1 161 538**	**–**	**(671 500)**	**490 038**
Note	9			

Statement of cash flows

FOR THE YEAR ENDED 28 FEBRUARY

	Notes	2019 R'000	2018 R'000
CASH FLOWS FROM OPERATING ACTIVITIES		**41 828**	107 943
Net loss before taxation		**(6 081)**	(636 879)
Adjusted for:			
Impairment of investment		**–**	623 048
Expected credit loss		**(219)**	(569)
Investment income		**(4)**	(5)
Finance costs		**2 123**	10 314
		(4 181)	(4 091)
Movements in working capital:			
Intergroup receivables*	8	**44 171**	113 890
Prepayments		**1 786**	(2 077)
Trade and other payables		**136**	301
Cash generated from operating activities		**41 912**	108 023
Interest received		**4**	5
Interest paid		**(1)**	–
Income taxes paid		**(87)**	(85)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of deferred settlement arrangement	10	**(41 796)**	(108 000)
MOVEMENT IN CASH AND CASH EQUIVALENTS		**32**	(57)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**92**	149
CASH AND CASH EQUIVALENTS AT YEAR-END		**124**	92

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2018 R'000	Cash flow R'000	Accrued interest	2019 R'000
Deferred settlement arrangement	39 674	(41 796)	2 122	**–**

* The prior year information has been re-classified from investing activities to operating activities to better reflect the nature of the transaction.

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

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

INTERGROUP RECEIVABLES

Intergroup receivables are evaluated 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.

PROVISION FOR EXPECTED CREDIT LOSSES (ECLs) OF INTERGROUP RECEIVABLES

The loss allowance for intergroup receivables is based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumption and selecting the inputs to the impairment calculation, based on the company's past history as well as forward-looking estimates at the end of each reporting period.

TAXATION

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

IMPAIRMENT OF INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries is assessed for impairment if events or changes in circumstances indicate that the carrying amount may be impaired. An impairment is determined by assessing the recoverable amount of the cash-generating unit (CGU) to which the investment relates. The recoverable amount is determined as the value in use of the CGU by estimating the expected future cash flows and determining a suitable discount rate in order to calculate the present value of those cash flows.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

The impact of the new accounting standards on the company's financial statements are as follows:

IFRS 9: FINANCIAL INSTRUMENTS

IFRS 9 sets out requirements for recognition and measurement of financial assets and liabilities. This standard replaces IAS 39: Financial Instruments: Recognition and Measurement.

IFRS 9 is applied retrospectively to each prior reporting period resulting in the restatement of comparative reporting periods. While the classification and measurement remain unaffected, the impairment model adjustment did impact the company.

Instrument	IAS 39 Classification	IAS 39 Measurement	IFRS 9 Classification	IFRS 9 Measurement
Intergroup receivables	Loans and receivables	Amortised cost	Financial assets at amortised cost	Amortised cost

IFRS 9 replaces the 'incurred loss' model with an 'expected credit loss' (ECL) model, thereby requiring an impairment of the carrying amounts of financial assets. This new model applies to financial assets measured at amortised cost. The ECL model recognises an impairment allowance on financial assets and is calculated considering possible future losses based on past experience as well as future economic factors. In terms of IFRS 9, the company applied the simplified approach and measured the impairment allowance on the lifetime of intergroup receivables. Impairment allowances are deducted from the carrying amounts of the assets. The company applied as practical expedient the calculation of the expected credit losses on intergroup receivables using a provision matrix as permitted by IFRS 9.

2. ADOPTION OF NEW ACCOUNTING STANDARDS CONTINUED

Below is the reconciliation of the impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	Allowance for impairment under IAS 39 as at 28 Feb 2017 R'000	Remeasurement R'000	Expected credit loss under IFRS 9 as at 1 Mar 2017 R'000
Intergroup receivables	–	4 403	4 403

	Allowance for impairment under IAS 39 as at 28 Feb 2018 R'000	Remeasurement R'000	Expected credit loss under IFRS 9 as at 1 Mar 2018 R'000
Intergroup receivables	–	3 834	3 834

The following tables summarises the impact of the adoption of IFRS 9 on the results of the comparative reporting periods:

	Previously reported 28 Feb 2017 R'000	IFRS 9 R'000	Restated 1 Mar 2017 R'000
FEBRUARY 2017			
NON-CURRENT ASSETS			
Deferred tax assets	1 984	1 233	3 217
Intergroup receivables	24 103	(3 615)	20 488
CURRENT ASSETS			
Intergroup receivables	159 608	(788)	158 820
ACCUMULATED LOSS	(56 053)	(3 170)	(59 223)

	Previously reported 28 Feb 2018 R'000	Adjustments 2017 R'000	IFRS 9 R'000	Restated 28 Feb 2018 R'000
FEBRUARY 2018				
NON-CURRENT ASSETS				
Deferred tax assets	2 375	1 233	(159)	3 449
Intergroup receivables	24 103	(3 615)	–	20 488
CURRENT ASSETS				
Intergroup receivables	45 694	(788)	569	45 475
ACCUMULATED LOSS	(662 610)	(3 170)	410	(665 370)

IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 establishes a single and comprehensive framework which sets out how and when revenue should be recognised. Revenue will now be recognised when control over the goods or services is transferred to the customer. It replaces IAS 18: Revenue, IAS 11: Construction Contracts and related interpretations.

The company has adopted IFRS 15 and applied it retrospectively to each prior reporting period presented subject to practical expedients as defined in the Standard. This resulted in no restatement of comparative reporting periods.

Notes to the annual financial statements continued

FOR THE YEAR ENDED 28 FEBRUARY

3. REVENUE

	2019 R'000	2018 R'000
Management fees	**24 828**	20 674

Management fees are received from one of the group's subsidiaries and cannot be further disaggregated.

4. OPERATING AND ADMINISTRATION EXPENSES

Included in these expenses are:		
Audit fees	**69**	62
Employee costs	**19 768**	16 695
– Short-term employee benefit costs	**16 132**	12 652
– Post-employment benefit costs	**1 804**	1 354
– Long-term employment benefits	**1 832**	2 689
Listing expenses	**1 580**	1 552
Legal fees	**1 144**	1 204

5. INVESTMENT INCOME AND FINANCE COSTS

5.1 INVESTMENT INCOME

Investment income from financial instruments held at amortised cost:		
– Bank accounts	**4**	5

5.2 FINANCE COSTS

Finance costs on financial instruments held at amortised cost:		
Deferred settlement arrangement		
– Interest costs	**2 123**	10 314

6. TAXATION

6.1 TAXATION

Current tax	**88**	84
Deferred tax	**(39)**	(232)
	49	(148)

Notes to the annual financial statements continued

FOR THE YEAR ENDED 28 FEBRUARY

6. TAXATION CONTINUED

6.2 RECONCILIATION OF TAX CHARGE

	2019 R'000	2018 R'000
Tax at 28% on loss before taxation	**(1 703)**	(178 326)
Adjusted for:		
Disallowable expenditure – impairment of investment	**–**	174 453
Disallowable expenditure – interest	**594**	2 888
Disallowable expenditure – listing expenses and other	**838**	546
Disallowable expenditure – legal fees	**320**	291
Effective tax	**49**	(148)

7. INVESTMENT IN SUBSIDIARIES

SUBSIDIARIES

			Proportion held directly and voting rights		Carrying Value	
Name of company	Country of incorporation	Principal activities	2019 %	2018 %	2019 R'000	2018 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	**90**	90	**464 526**	464 526
					473 963	473 963

8. INTERGROUP RECEIVABLES/(PAYABLES)

	Terms	2019 R'000	Restated 2018 R'000
NON-CURRENT ASSETS			
Stefanutti & Bressan Share Incentive Trust	Interest free, payable on demand	**20 488**	20 488
CURRENT ASSETS			
Stefanutti Stocks Proprietary Limited	Interest free, payable on demand	**1 523**	45 475
		22 011	65 963
CURRENT LIABILITIES			
Stefanutti Stocks International Holdings Proprietary Limited	Interest free, payable on demand	**(1 880)**	(1 880)

Information about the credit exposure of intergroup receivables is disclosed in note 15.

9. CAPITAL AND RESERVES

9.1 SHARE CAPITAL AND PREMIUM

	2019	2018
AUTHORISED		
400 000 000 ordinary shares of 0,00025 cents each (2018: 400 000 000 ordinary shares of 0,00025 cents each)	**1**	1
	1	1
ISSUED		
188 080 746 ordinary shares of 0,00025 cents each fully paid (2018: 188 080 746 ordinary shares of 0,00025 cents each)	**A**	A
SHARE PREMIUM		
Balance at year-end	**1 161 538**	1 161 538

A – Less than R1 000.

Notes to the annual financial statements continued

FOR THE YEAR ENDED 28 FEBRUARY

9. CAPITAL AND RESERVES CONTINUED

9.2 SHARES USED FOR EARNINGS PER SHARE

	Number of shares	
	EPS 2019	EPS 2018
SHARES USED FOR EPS		
Basic	**167 836 344**	170 748 789
Diluted	**188 080 746**	188 080 746
Reconciliation between weighted average number of shares and diluted 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	**(13 814 472)**	(10 902 027)
WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE	**167 836 344**	170 748 789
Dilution potential of ordinary shares	**20 244 402**	17 331 957
Diluted weighted average number of shares in issue	**188 080 746**	188 080 746
Loss for the year (R'000)	**(6 130)**	(636 731)
Loss per share (cents)	**(3,65)**	(372,91)
Diluted loss per share (cents)	**(3,65)**	(372,91)

10. DEFERRED SETTLEMENT ARRANGEMENT

	2019 R'000	2018 R'000
CURRENT LIABILITIES		
Deferred settlement arrangement	**–**	39 674

The deferred settlement arrangement represents the company's obligation towards the Competition Commission for previously negotiated settlements and has been settled during the year.

11. TRADE AND OTHER PAYABLES

	2019 R'000	2018 R'000
Trade payables	**236**	649
Accrued expenses	**730**	564
Employee obligations	**8 841**	8 483
Value added tax	**238**	213
Unclaimed dividend	**24**	24
	10 069	9 933

Notes to the annual financial statements continued

FOR THE YEAR ENDED 28 FEBRUARY

12. RELATED PARTIES

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

NATURE OF RELATIONSHIPS	
SUBSIDIARIES	**OTHER**
Stefanutti Stocks Proprietary Limited	**Consolidated Structured Entities**
Trading company for operations based in South Africa, as well as some foreign operations	Stefanutti & Bressan Share Trust Stefanutti Stocks Employee Participation Trust
Stefanutti Stocks International Holdings Proprietary Limited	
Holding company for subsidiaries based in foreign countries	
Stefanutti Stocks Investments Proprietary Limited	
Treasury company for the group	

RELATED PARTY TRANSACTIONS

	Income/(expenses)		Receivable/(payable)	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Transactions with subsidiaries	**24 828**	20 674	**(357)**	43 595
Transactions with share trusts	**–**	–	**20 488**	20 488

NON-EXECUTIVE DIRECTORS

Non-executive director remuneration is compared to the company's peer group. Recommendations are made by the Chief Financial Officer and Human Resources Executive, to the Remuneration and Nominations Committee (REMCO), for onward review by the board and submission to shareholders. Non-executive directors are compensated based on attendance fees. The fees are based on the size and complexity of the group and also take into account market practices and fee surveys provided to the committee. No distinction is made between fees payable to independent non-executive directors and other non-executive directors, although the fees of the Chairman take his 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 his 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.

FOR THE YEAR ENDED 28 FEBRUARY

12. RELATED PARTIES CONTINUED

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.

	Short-term benefits				
	Attendance fees R'000	Annual fees R'000	Pre-approved services R'000	**Total 2019 R'000**	Total 2018 R'000
NON-EXECUTIVE DIRECTORS					
KR Eborall (Chairman)	–	944	–	**944**	901
JM Poluta (alternate to B Silwanyana)	428	–	–	**428**	126
DG Quinn	503	–	155	**658**	891
HJ Craig	475	–	–	**475**	412
ZJ Matlala	587	–	–	**587**	570
B Silwanyana (appointed 13 April 2018)	331	–	–	**331**	–
B Harie (appointed 13 April 2018)	268	–	–	**268**	–
ME Mkwanazi (retired 8 August 2018)	410	–	–	**410**	422
NJM Canca	–	–	–	**–**	386
T Eboka	–	–	–	**–**	134
LB Sithole	–	–	–	**–**	241
JWLM Fizelle (alternate to LB Sithole) (retired on 1 September 2017)	–	–	–	**–**	170

Details of remuneration for executive directors, are as follows:

	Short-term employee benefits						
	Basic salary R'000	Other benefits R'000	Short-term incentives – relating to prior year R'000	Short-term incentives – relating to current year R'000	Total R'000	Post-employment benefits R'000	Total R'000
2019							
EXECUTIVE DIRECTORS							
W Meyburgh – CEO	**5 053**	**459**	**–**	**–**	**5 512**	**566**	**6 078**
AV Cocciante – CFO	**3 366**	**38**	**–**	**–**	**3 404**	**309**	**3 713**
2018							
EXECUTIVE DIRECTORS							
W Meyburgh – CEO	4 805	272	1 894	1 501	8 472	539	9 011
AV Cocciante – CFO	3 206	46	1 263	1 019	5 534	294	5 828

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 measure performance over a three-year period. Please refer to the remuneration report included within the integrated report for more detail.

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. (2018: Nil)

DIRECTORS' SERVICE CONTRACTS

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

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

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

Notes to the annual financial statements continued

FOR THE YEAR ENDED 28 FEBRUARY

12. RELATED PARTIES CONTINUED

DIRECTORS' SHAREHOLDING

	2019			2018		
	Direct beneficial %	**Indirect beneficial %**	**Total %**	Direct beneficial %	Indirect beneficial %	Total %
PERCENTAGE OF FULLY PAID SHARES HELD						
DG Quinn	–	0,37	0,37	0,29	0,08	0,37
ME Mkwanazi	–	–	–	0,03	–	0,03
JM Poluta	–	0,08	0,08	–	0,08	0,08
W Meyburgh (CEO)	5,83	–	5,83	5,83	–	5,83
AV Cocciante (CFO)	0,34	0,15	0,49	0,34	0,15	0,49

POST YEAR-END SHARE TRANSACTIONS

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

13. GUARANTEES AND CONTINGENT LIABILITIES

GUARANTEES

	2019 R'000	2018 R'000
Total insurance policies ceded to third parties on behalf of the group	**3 457 692**	3 429 362
Guarantees and suretyships with certain banks	**3 159 955**	3 157 884
	6 617 647	6 587 246

The directors are of the opinion that the possibility of any loss is remote and it is not anticipated that any material liabilities will arise. Certain of the guarantees and suretyship are supported by cross suretyships from subsidiaries.

CONTINGENT LIABILITIES

The group has one remaining matter arising out of the Competition Commission Fast Track Settlement Process in 2013. The matter relates to a civil damages claim initiated by the City of Cape Town in respect of the Green Point Stadium, following the findings and the imposition of administrative penalties by the competition authorities. Stefanutti Stocks having paid a penalty under these findings has now been cited as one of the defendants. The matter is ongoing but Stefanutti Stocks remains confident that on the facts available it will be able to successfully defend the above matter and, has accordingly not made any provision. A trial date has been set for the first quarter of 2020.

14. GOING CONCERN STATEMENT

As a result of the well documented adverse market conditions facing the industry, the group has experienced a further increase in delayed payments from clients. This practice once again had a negative impact on trade and other receivables and payables. Cash generated from operations increased to R361 million (Feb 2018: R322 million). Notwithstanding a reduction in working capital of R246 million (Feb 2018: an increase of R293 million), the group's overall cash decreased to R881 million (Feb 2018: R916 million).

In terms of IAS 37: a provision of R263 million for potential unrecoverable preliminary and general costs to complete a contract has been raised.

Due to these matters, the group is experiencing temporary liquidity pressures and as a consequence material uncertainty may exist that may cast doubt on the group's ability to continue as a going concern in the short-term.

In order to address this short-term liquidity pressure, the group is exploring raising the required funding through a combination of specific ring-fenced project financing, a number of alternative funding solutions and, only if required, a possible fresh issue of shares (the 'Funding Plan'). The first part of the Funding Plan, being the specific ring-fenced project financing has been secured. The remaining aspects of the Funding Plan are being pursued. Shareholders will be advised accordingly. Based on the successful implementation of the remainder of the Funding Plan and the current assessment of the group's financial budget for the ensuing year, the directors consider it appropriate that the group's consolidated results be prepared on the going-concern basis.

The group matters noted above may cast doubt on the company's ability to continue as a going concern.

Notes to the annual financial statements continued

FOR THE YEAR ENDED 28 FEBRUARY

15. RISK MANAGEMENT AND ACCOUNTING CLASSIFICATIONS

ACCOUNTING CLASSIFICATIONS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

	2019 R'000	2018 R'000
FINANCIAL ASSETS AT AMORTISED COST		
Bank balances	**124**	92
Intergroup receivables (note 8)	**22 011**	65 963
FINANCIAL LIABILITIES AT AMORTISED COST		
Intergroup payables (note 8)	**1 880**	1 880
Trade and other payables (note 11)	**349**	747
Deferred settlement arrangement (note 10)	**–**	39 674

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, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes in respect of capital management during the current or previous year.

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

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

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

Gearing ratios at year-end were as follows:

	2019 R'000	2018 R'000
Interest-bearing liabilities	**–**	39 674
Total equity	**490 038**	496 168
Gearing ratio (%)	**–**	8,00%

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

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

Notes to the annual financial statements continued

FOR THE YEAR ENDED 28 FEBRUARY

15. RISK MANAGEMENT AND ACCOUNTING CLASSIFICATIONS CONTINUED

CREDIT RISK

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

Intergroup receivables and bank balances

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

Intergroup receivables

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

The company applied the simplified approach to determine the Expected Credit Loss (ECL) for intergroup receivables, by calculating the lifetime ECLs for these intergroup receivables. An impairment analysis is performed at each reporting date using a provision matrix. The provision rates are based on days past due for groupings of various subsidiaries. The calculation reflects the probability-weighted outcome at the reporting date about past events, current conditions and a forecast on future economic conditions. The assessment on future economic conditions take into account local growth in markets, interest rates and public sector investment. The assessment on future economic conditions is based on past history and experience. The maximum exposure to credit risk is the carrying value of intergroup receivables as indicated.

Below is the information on credit risk exposure on the groups intergroup receivables using a provision matrix:

	Current R'000	30 days R'000	60 days R'000	90 days R'000	120 days R'000	Total R'000
FEBRUARY 2019						
Carrying amount	**1 523**	**–**	**–**	**–**	**24 103**	**25 626**
Expected credit loss rate	**–**	**–**	**–**	**–**	**15,00%**	**–**
Expected credit loss	**–**	**–**	**–**	**–**	**3 615**	**3 615**
FEBRUARY 2018						
Carrying amount	1 997	–	–	–	67 800	69 797
Expected credit loss rate	–	–	–	–	5,65%	–
Expected credit loss	–	–	–	–	3 834	3 834

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 receivable is 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.

FOR THE YEAR ENDED 28 FEBRUARY

15. RISK MANAGEMENT AND ACCOUNTING CLASSIFICATIONS CONTINUED

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

Simplified approach	**2019 R'000**	2018 R'000
Opening balance	**(3 834)**	(4 403)
Amounts reversed	**219**	569
	(3 615)	(3 834)

Maximum exposure to credit risk is shown below:

Category	**2019 R'000**	2018 R'000
Intergroup receivables		
– Non-current	**20 488**	20 488
– Current	**1 523**	45 475
Bank balances	**124**	92
	22 135	66 055

LIQUIDITY RISK

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company manages liquidity risk through an ongoing review of future commitments and credit facilities and by ensuring that adequate unutilised borrowings facilities are maintained. This will ensure that the company will be in a position to meet its liabilities when they are due. The company also monitors on a monthly basis the level of expected cash inflows 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 774 million (2018: R1 938 million) which include mainly banking, guarantee and asset-based facilities.

As on 28 February 2019 the facilities used above credit lines are as follows:

	Limit R'000	Utilisation R'000	Available R'000
Facility A	1 082 039	613 117	468 922
Facility B	278 778	187 784	90 994
Facility C	100 000	66 295	33 705
Facility D	313 450	124 313	189 137
	1 774 267	991 509	782 758

Notes to the annual financial statements continued

FOR THE YEAR ENDED 28 FEBRUARY

15. 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
2019				
Intergroup payables	**1 880**	**1 880**	**1 880**	**–**
Trade payables	**236**	**236**	**–**	**236**
	2 116	**2 116**	**1 880**	**236**
2018				
Deferred settlement arrangement	39 674	41 635	–	41 635
Intergroup payables	1 880	1 880	1 880	–
Trade payables	649	649	–	649
	42 203	44 164	1 880	42 284

MARKET RISK

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

INTEREST RATE RISK

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

Short-term interest rate exposure is monitored and managed by the directors.

16. AVAILABILITY OF STEFANUTTI STOCKS CONSOLIDATED FINANCIAL STATEMENTS

The Stefanutti Stocks consolidated financial statements have been prepared and signed on 19 June 2019 and are available on the group's website.

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

Accounting policies

FOR THE YEAR ENDED 28 FEBRUARY

GOING-CONCERN STATEMENT

The group is currently experiencing short-term liquidity pressure and is exploring raising the required funding through a combination of specific ring-fenced project financing, a number of alternative funding solutions and, only if required, a possible fresh issue of shares (the 'Funding Plan'). The first part of the Funding Plan, being the specific ring-fenced project financing has been secured. The remaining aspects of the Funding Plan are being pursued. Based on the successful implementation of the remainder of the Funding Plan and the current assessment of the group's financial budget for the ensuing year, the directors consider it appropriate that the group's consolidated results as well as the holding company be prepared on the going-concern basis.

These annual financial statements have been prepared on the historical cost basis.

PREPARED IN ACCORDANCE WITH

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

FUNCTIONAL AND PRESENTATION CURRENCY

South African Rand

ROUNDING POLICY

R'000 (thousand)

SIGNIFICANT ACCOUNTING POLICIES

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REVENUE

	INCLUDES	RECOGNITION	MEASUREMENT
Management fees	Amounts both received and accrued	Over time	Fair value

INVESTMENT INCOME

	INCLUDES	MEASUREMENT	RECOGNITION
Investment income	Amounts both received and accrued	Effective interest rate method	Time proportion basis

Accounting policies continued

FOR THE YEAR ENDED 28 FEBRUARY

EMPLOYEE BENEFITS

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

SHORT-TERM BENEFITS

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

POST-EMPLOYMENT BENEFITS

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

LONG-TERM EMPLOYMENT BENEFITS

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

INVESTMENT IN SUBSIDIARIES

RECOGNITION AND MEASUREMENT

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

IMPAIRMENT

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

FINANCIAL INSTRUMENTS

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

FINANCIAL ASSETS

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

Accounting policies continued

FOR THE YEAR ENDED 28 FEBRUARY

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 of recognising lifetime ECLs over the lifetime of the intergroup receivables. The company applies a provision matrix in measuring the expected credit loss, based on general economic conditions such as local growth in markets, interest rates, public sector investment and an assessment of both current and future conditions. 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 probable insolvency or significant difficulties in the debtor. Impairment allowances are deducted from the carrying amounts of the intergroup receivables.

FINANCIAL LIABILITIES

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

CAPITAL AND RESERVES

SHARE CAPITAL

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

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED

STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET EFFECTIVE

The group has chosen not to early adopt the following Standards and Interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 March 2019 or later periods.

	ACCOUNTING STANDARD/INTERPRETATION	TYPE	EFFECTIVE DATE	IMPACT ON THE FINANCIAL STATEMENTS
IAS 28	**INVESTMENTS IN ASSOCIATES AND JOINT VENTURES** The amendment clarifies that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.	Amendment	1 January 2019	The impairment requirements might result in recognition of credit losses.
IFRS 11	**JOINT ARRANGEMENTS** A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.	Amendment	1 January 2019	No expected change as the company does not currently have such instances.

Accounting policies continued

FOR THE YEAR ENDED 28 FEBRUARY

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED CONTINUED

	ACCOUNTING STANDARD/INTERPRETATION	TYPE	EFFECTIVE DATE	IMPACT ON THE FINANCIAL STATEMENTS
IAS 12	**INCOME TAXES** The amendment clarifies that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.	Amendment	1 January 2019	No expected change as the company does not currently have such instances.
IAS 23	**BORROWING COST** The amendment clarifies that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.	Amendment	1 January 2019	No expected change as the company does not have qualifying assets.
IAS 1 AND IAS 8	**DEFINITION OF MATERIAL** The amendment clarifies that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.	Amendment	1 January 2019	No expected change as the company's considers both the nature and magnitude of the information, in terms of the company's materiality statement.
CONCEPTUAL FRAMEWORK	**CONCEPTUAL FRAMEWORK** The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows: › Chapter 1 — The objective of financial reporting › Chapter 2 — Qualitative characteristics of useful financial information › Chapter 3 — Financial statements and the reporting entity › Chapter 4 — The elements of financial statements › Chapter 5 — Recognition and derecognition › Chapter 6 — Measurement › Chapter 7 — Presentation and disclosure › Chapter 8 — Concepts of capital and capital maintenance The Conceptual Framework is accompanied by a Basis for Conclusions. The Board has also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the Conceptual Framework. In most cases, the standard references are updated to refer to the Conceptual Framework. There are exemptions in developing accounting policies for regulatory account balances for two standards, namely, IFRS 3 and for those applying IAS 8.	Amendment	1 January 2019	No impact expected as the company applies the standards throughout a set of annual financial statements and do not revert to the framework.

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

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Directors

As at 19 June 2019: KR Eborall* (Chairman); HJ Craig*; ZJ Matlala*; B Harie*; BP Silwanyana*; JM Poluta* (alternate to BP Silwanyana); DG Quinn*; W Meyburgh (CEO); AV Cocciante (CFO)

* Independent Non-executive Directors

Company secretary

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Sponsor

Bridge Capital Advisors (Pty) Ltd

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Bankers

Absa Bank Limited

Bidvest Bank Limited

First National Bank, a division of FirstRand Bank Limited

Nedbank Limited

The Standard Bank of South Africa Limited

Website

www.stefanuttistocks.com

Stefanutti Stocks

WWW.STEFANUTTISTOCKS.COM