



STEFANUTTI STOCKS HOLDINGS LIMITED

Separate
Annual '20
Financial Statements



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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

18 August 2020

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 2020, 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

18 August 2020

OUR BUSINESS UNITS

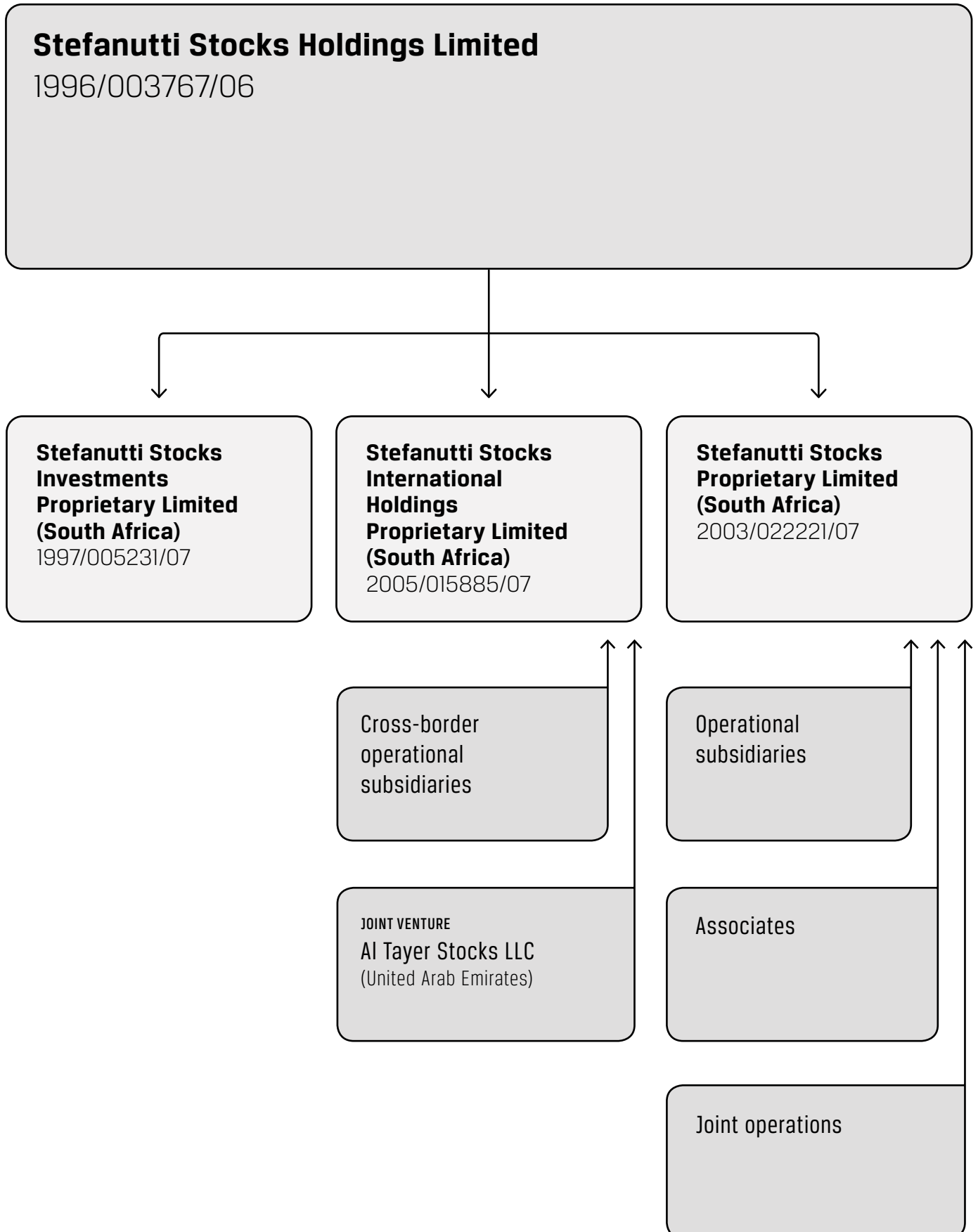
Stefanutti Stocks continues to use an icon system to represent its three business units.

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.

Simplified group organogram



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 29 February 2020.

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 – 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 and additional information on the company's operating entities is available on request. Refer to page 1.

FUNDING AND RESTRUCTURING PLAN

A strategic restructuring team has been appointed, including the appointment of a Chief Restructuring Officer, to advise on and assist with the development and implementation of a detailed turnaround programme for the group, including the securing of requisite additional short-term funding from the company's primary banker and guarantee providers (the "Lenders") and the subsequent restructuring of all such short-term funding into appropriate longer-term funding (the "Restructuring Plan" or "Plan").

Shareholders are advised that the Restructuring Plan has been fully developed, including having regard to the potential impact of the Coronavirus ("COVID-19") on the group and its business.

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

- › the sale of non-core assets;
- › the sale of underutilised plant and equipment;
- › the sale of certain divisions/subsidiaries;
- › internal restructuring initiatives required to restore optimal operational and financial performance;
- › the securing of additional short-term funding of R430 million, of which R270 million relates to the negative effects of the national lockdown due to the COVID-19;
- › a favourable outcome from the processes relating to the contractual claims and compensation events on the Kusile power project;
- › the restructuring of the short-term funding received to date from the Lenders into a term loan; and
- › evaluation of an optimum business model and associated capital structure analysis including the potential of raising new equity.

The purpose of the Plan is to put in place the optimal capital structure and access to liquidity to position the group for longterm growth in this dynamic environment.

In accordance with the Plan, the Lenders have provided the group with the following funding:

› 26 July 2019:	R120,0 million
› 5 November 2019:	R391,0 million
› 19 December 2019:	R227,5 million
› 25 February 2020:	R77,9 million
› 22 May 2020:	R109,2 million
› 2 June 2020:	R146,0 million
› 1 July 2020:	R180,0 million

Total received to date: R1 251,6 million.

Including the estimated impact of COVID-19 and the additional funding required for the Kusile power project as noted below, the total funding requirement for the group is R1 256 million.

In line with the Restructuring Plan management has started to reconfigure the group's organisational structure to improve operational performance and decrease overhead costs including the reduction of the group's overall headcount.

The Restructuring Plan is anticipated to be implemented over the financial years ending February 2021 and February 2022 and, to the extent required, shareholder approval will be sought for relevant aspects of the Plan. The previous short-term funding agreement was converted into a term loan on 1 July 2020, which loan terminates on 28 February 2022, and in addition, the Lenders have agreed to provide continued guarantee support for current and future projects being undertaken by the group.

Stefanutti Stocks will continue to update all shareholders on progress on various aspects of the Restructuring Plan.

GOING CONCERN

The funding provided by the Lenders has assisted in relieving the group's liquidity pressures even though current liabilities exceed current assets by R998 million at 29 February 2020. In addition thereto, uncertainties surrounding the COVID-19 pandemic and contingent liabilities as noted in note 14 of these annual financial statements, indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern in the short term. However, having converted the short-term funding agreement with the Lenders to a term loan on 1 July 2020 and on the basis of successfully implementing the Restructuring Plan the directors consider it appropriate that the group's and the company's results for the year be prepared on the going-concern basis.

SUMMARISED COMPANY RESULTS

	Note	2020 R'000	2019 R'000	Commentary on the year-on-year movements
Revenue	3	19 126	24 828	Decrease in management fees
Consultancy fee	4	13 297	1 200	Additional costs incurred due to implementation of the funding and restructuring plan
Dividend received in specie	5	22 982	–	Dividend in specie declared by Stefanutti Stocks International Holdings (Pty) Ltd in lieu of loan owed by Stefanutti Stocks (Pty) Ltd
Finance costs	5	1	2 123	Finance costs reduced due to settlement of deferred settlement arrangement
Intergroup receivables	9	1 414	22 011	Impairment of receivables
Trade and other payables	12	18 456	10 069	Trade payables increased due to costs incurred for due diligence process

COVID-19

The first known and laboratory confirmed case of COVID-19 in South Africa was reported on 5 March 2020. In efforts to prevent an unimpeded spread of COVID-19 and to provide time for the South African National Department of Health to prepare for the expected, eventual, increase in community transmission cases, a National State of Disaster was declared by President Cyril Ramaphosa on 15 March 2020, in accordance with the provisions of the Disaster Management Act, 2002.

Based on the above fact and circumstances the effect of COVID-19 has been classified as a non-adjusting post balance sheet event.

Further to the voluntary announcements released on 7 April 2020 and 29 May 2020 regarding the impact of COVID-19 lockdown, all the group's businesses are now operating under level 2 restrictions within the required protocols.

Stefanutti Stocks's priority continues to be the health and safety of its employees. The management of the group remains committed to supporting the initiatives that the governments have implemented in the various countries in which the group operates. Importantly, Stefanutti Stocks maintains its close working relationships with clients and key stakeholders to mitigate the extensive impact of COVID-19 and reduce the long-term effects on its business.

As part of its response to the virus, a special task team was constituted to monitor, provide guidance and immediately respond to this continuously changing environment. The group has instituted and continues to review and amend the required protocols focused on ensuring the health and safety of Stefanutti Stocks' employees and stakeholders, in terms of the guidelines provided by the World Health Organization, the National Institute for Communicable Diseases, the Department of Health and other regulatory authorities in each of the jurisdictions in which Stefanutti Stocks operates.

The unknown future impact of the COVID-19 pandemic, together with the various protocols available to governments, has created an unpredictable business environment. It is, therefore, not possible to obtain an accurate assessment of the future impact this will have on the group and its markets going forward. However, Stefanutti Stocks will continue to update stakeholders of material developments in this regard.

Further details on the impact of COVID-19 can be found in note 16 of these annual financial statements.

ESKOM – KUSILE POWER PROJECT

During the current reporting period, Eskom has adopted an adverse approach to certification of applications for work done by the Stefanutti Stocks Basil Read JV ("SSBR"), which has required a substantial increase of internal funding for this project. This has increased the initial funding requirement of R400 million to approximately R986 million excluding the initial impact of COVID-19. Consequently, in addition to the provision of R263 million raised at February 2019 for the potential unrecoverable preliminary and general costs, the group has now raised a further provision of R462 million for potential unrecoverable monthly measured works to complete the building works of the project. Refer to note 14.

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

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

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

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

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

› In relation to Package 28, during February 2019, Eskom terminated the contract with Stefanutti Stocks Izazi JV ("SSI") due to its inability to provide access to SSI to be able to complete the relevant works. Based on the works completed, as well as Eskom's inability to provide access, Stefanutti Stocks contends that there are significant amounts due to it. SSI commenced an adjudication process to recover these material amounts in 2018. This process is ongoing and is anticipated to be concluded during the latter part of 2020.

FINANCIAL RESULTS AND YEAR UNDER REVIEW

These annual financial statements on pages 7 to 30 comprise the separate annual financial statements of the holding company, Stefanutti Stocks Holdings Limited. This report should be read in conjunction with the group consolidated 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 2020 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 2020 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 2019.

The directors considered the impact of IFRIC 23 – Uncertainty Over Income Tax Treatments and assessed that the interpretation does not have an impact on the financial results as the principles of IFRIC 23 have been applied in principle in the past.

DIRECTORS' REPORT

continued

RESOLUTIONS

At the 2019 annual general meeting, the shareholders of the company passed the following special resolutions:

- › Approval of the non-executive directors' fees.
- › 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 act by the resolution.

DIRECTORATE

The following changes were made to the board:

Kevin Eborall retired as board chairman and a director of the company with effect from 12 August 2019. Zanele Matlala was appointed as board chairman on 12 August 2019 and at the same time stepped down as chairman of the Audit, Governance and Risk Committee.

Willie Meyburgh retired from Stefanutti Stocks as CEO on 12 August 2019. Russell Crawford, previously CEO Designate reporting to CEO Willie, has been appointed as CEO and director of the company with effect from 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.

CONTINGENT LIABILITIES

With respect to the civil claim received from the City of Cape Town (Green Point Stadium), a trial date had been set for the first quarter of 2020, however, this has been postponed at the client's request. The matter will now be dealt with in an arbitration, which is anticipated to be heard during February 2021. The group remains confident it can defend this claim and therefore, no provision has been raised.

Subsequent to year-end, two contract mining projects were terminated by the group, of which one client is disputing the termination, which has been referred to arbitration. The group is confident that the termination was lawful and therefore no provision has been made.

The arbitration matter relating to the cancellation of a petrochemical contract also had to be postponed due to a fundamental change in the client's defence, the timing of which is unknown. At this stage the financial impact thereof cannot be quantified.

In addition, Stefanutti Stocks also terminated a mechanical project after year-end. The client is disputing the termination, which has been referred to arbitration. The group is confident that the termination was lawful and therefore no provision has been made.

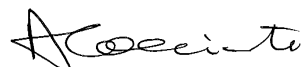
Refer to note 14.

APPROVAL

The annual financial statements, which appear on pages 7 to 30, were approved by the board of directors on 18 August 2020 and are signed by:

**Russell Crawford**

Chief Executive Officer

**Antonio Cocciante**

Chief Financial Officer

18 August 2020

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 7 to 30, which comprise the statement of financial position as at 29 February 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the entity as at 29 February 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the 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 R16 million for the year ended 29 February 2020 and, as of that date, the company's current liabilities exceeded its current assets by R5 million. These events and conditions, along with other matters as set forth in note 2, 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 uncertainties surrounding the COVID-19 pandemic, the negative effects of the national lockdown and 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. The other information does not include the 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 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.

INDEPENDENT AUDITOR'S REPORT

continued

- › 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 and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

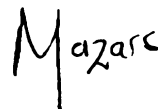
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 4 December 2015, we report that Mazars has been the auditor of Stefanutti Stocks Holdings Limited for 14 years.

The logo for Mazars, featuring the word "Mazars" in a stylized, handwritten font.**Mazars**

Registered Auditors
Partner: Susan Truter
Registered Auditor

18 August 2020

Johannesburg

Statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 29/28 FEBRUARY

	Note	29 February 2020 R'000	28 February 2019 R'000
REVENUE	3	19 126	24 828
Operating and administration expenses	4	(38 832)	(29 009)
Net expected credit losses	15	(19 193)	219
OPERATING LOSS BEFORE INVESTMENT INCOME		(38 899)	(3 962)
Investment income	5	23 210	4
OPERATING LOSS BEFORE FINANCE COSTS		(15 689)	(3 958)
Finance costs	5	(1)	(2 123)
LOSS BEFORE TAXATION		(15 690)	(6 081)
Taxation	6	(431)	(49)
TOTAL COMPREHENSIVE INCOME		(16 121)	(6 130)
Loss per share (cents)	10.2	(9,64)	(3,65)
Diluted loss per share (cents)	10.2	(9,64)	(3,65)

Statement of financial position

AS AT 29/28 FEBRUARY

	Note	29 February 2020 R'000	28 February 2019 R'000
ASSETS			
NON-CURRENT ASSETS			
		478 541	497 939
Investment in subsidiaries	7	473 963	473 963
Deferred tax assets	8	3 164	3 488
Intergroup receivables	9	1 414	20 488
CURRENT ASSETS			
		15 717	4 050
Intergroup receivables	9	–	1 523
Prepayments		1 135	2 403
Taxation		3	–
Bank balances		14 579	124
TOTAL ASSETS		494 258	501 989
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
		473 917	490 038
Share capital and premium	10	1 161 538	1 161 538
Accumulated losses		(687 621)	(671 500)
CURRENT LIABILITIES			
		20 341	11 951
Intergroup payables	9	1 885	1 880
Trade and other payables	12	18 456	10 069
Taxation		–	2
TOTAL EQUITY AND LIABILITIES		494 258	501 989

Statement of changes in equity

FOR THE YEAR ENDED 29/28 FEBRUARY

	Share capital and premium R'000	Accumulated losses R'000	Capital and reserves R'000
BALANCE AT 1 MARCH 2018	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
Total comprehensive income	–	(16 121)	(16 121)
BALANCE AT 29 FEBRUARY 2020	1 161 538	(687 621)	473 917
Note	10		

Statement of cash flows

FOR THE YEAR ENDED 29/28 FEBRUARY

	Notes	29 February 2020 R'000	28 February 2019 R'000
CASH FLOWS FROM OPERATING ACTIVITIES		14 455	41 828
Loss before taxation		(15 690)	(6 081)
Adjusted for:			
Expected credit loss (ECL) – intergroup receivables	15	19 193	(219)
Dividend received in specie	5	(22 982)	–
Investment income	5	(228)	(4)
Finance costs	5	1	2 123
		(19 706)	(4 181)
Movements in working capital:			
Intergroup receivables	9	24 392	44 171
Prepayments		1 268	1 786
Trade and other payables	12	8 387	136
Cash generated from operating activities		14 341	41 912
Investment income		228	4
Finance costs		(1)	(1)
Income taxes paid		(113)	(87)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of deferred settlement arrangement*		–	(41 796)
MOVEMENT IN CASH AND CASH EQUIVALENTS		14 455	32
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		124	92
CASH AND CASH EQUIVALENTS AT YEAR-END		14 579	124

* The deferred settlement arrangement relates to the company's obligation towards the Competition Commission for previously negotiated settlements and has been settled in the prior year.

Notes to the annual financial statements

FOR THE YEAR ENDED 29 FEBRUARY

1. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

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

PROVISION FOR EXPECTED CREDIT LOSSES (ECLs) OF INTERGROUP RECEIVABLES

Intergroup loans are evaluated for impairment on an ongoing basis, taking into account the financial position of the subsidiaries, past experience and other factors. Any change in the credit quality of intergroup receivables is considered from the date credit was granted up to the reporting date. Intergroup receivables are assessed for impairment using the Expected Credit Loss model. The loss allowance is based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history as well as forward-looking factors at the end of each reporting period.

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. The recoverable amount is also determined by assessing the possible dividends to be received from subsidiaries based on their net asset values at reporting date.

2. GOING CONCERN

FUNDING AND RESTRUCTURING PLAN

A strategic restructuring team has been appointed, including the appointment of a Chief Restructuring Officer, to advise on and assist with the development and implementation of a detailed turnaround programme for the group, including the securing of requisite additional short-term funding from the company's primary banker and guarantee providers (the "Lenders") and the subsequent restructuring of all such short-term funding into appropriate longer-term funding (the "Restructuring Plan" or "Plan").

Shareholders are advised that the Restructuring Plan has been fully developed, including having regard to the potential impact of the Coronavirus ("COVID-19") on the group and its business. The Plan has been approved by both the company's board of directors and the Lenders and envisages, inter alia:

- › the sale of non-core assets;
- › the sale of underutilised plant and equipment;
- › the sale of certain divisions/subsidiaries;
- › internal restructuring initiatives required to restore optimal operational and financial performance;
- › the securing of additional short-term funding of R430 million, of which R270 million relates to the negative effects of the national lockdown due to the COVID-19;
- › a favourable outcome from the processes relating to the contractual claims and compensation events on the Kusile power project;
- › the restructuring of the short-term funding received to date from the Lenders into a term loan; and
- › evaluation of an optimum business model and associated capital structure analysis including the potential of raising new equity.

The purpose of the Plan is to put in place the optimal capital structure and access to liquidity to position the group for long-term growth in this dynamic environment.

Notes to the annual financial statements continued

FOR THE YEAR ENDED 29 FEBRUARY

2. GOING CONCERN continued

In accordance with the Plan, the Lenders have provided the group with the following funding:

› 26 July 2019:	R120,0 million
› 5 November 2019:	R391,0 million
› 19 December 2019:	R227,5 million
› 25 February 2020:	R77,9 million
› 22 May 2020:	R109,2 million
› 2 June 2020:	R146,0 million
› 1 July 2020:	R180,0 million

Total received to date: R1 251,6 million.

Including the estimated impact of COVID-19 and the additional funding required for the Kusile power project as noted below, the total funding requirement for the group is R1 256 million.

In line with the Restructuring Plan, management has started to reconfigure the group's organisational structure to improve operational performance and decrease overhead costs including the reduction of the group's overall headcount.

The Restructuring Plan is anticipated to be implemented over the financial years ending February 2021 and February 2022 and, to the extent required, shareholder approval will be sought for relevant aspects of the Plan. The previous short-term funding agreement was converted into a term loan on 1 July 2020, which loan terminates on 28 February 2022, and in addition, the Lenders have agreed to provide continued guarantee support for current and future projects being undertaken by the group.

Stefanutti Stocks will continue to update all shareholders on progress on various aspects of the Restructuring Plan.

GOING CONCERN

The funding provided by the Lenders has assisted in relieving the group's liquidity pressures even though current liabilities exceed current assets, by R998 million at 29 February 2020. In addition thereto, uncertainties surrounding the COVID-19 pandemic and contingent liabilities as noted in note 14 of these annual financial statements indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern in the short term. However, having converted the short-term funding agreement with the Lenders to a term loan on 1 July 2020 and on the basis of successfully implementing the Restructuring Plan, the directors consider it appropriate that the group's and the company's results for the year be prepared on the going-concern basis.

3. REVENUE

	29 February 2020 R'000	28 February 2019 R'000
Management fees	19 126	24 828

Management fees are received from Stefanutti Stocks (Pty) Ltd and cannot be further disaggregated.

4. OPERATING AND ADMINISTRATION EXPENSES

Included in these expenses are:

Audit fees	74	69
Consultancy fees	13 297	1 200
Employee costs	15 587	19 768
– Short-term employee benefit costs	12 564	16 132
– Post-employment benefit costs	1 429	1 804
– Long-term employment benefits (note 11)	1 594	1 832
Listing expenses	1 779	1 580
Legal fees	2 196	1 144

Notes to the annual financial statements continued

FOR THE YEAR ENDED 29/28 FEBRUARY

5. INVESTMENT INCOME AND FINANCE COSTS

5.1 INVESTMENT INCOME

	29 February 2020 R'000	28 February 2019 R'000
Interest income from financial instruments held at amortised cost:		
– Bank accounts	228	4
Dividend received in specie	22 982	–
	23 210	4

The dividend received in specie was declared by Stefanutti Stocks International Holdings Proprietary Limited in lieu of a loan owed by Stefanutti Stocks (Pty) Ltd.

5.2 FINANCE COSTS

Finance costs on financial instruments held at amortised cost:		
Deferred settlement arrangement	–	2 123
Other	1	–
	1	2 123

The deferred settlement arrangement relates to the company's obligation towards the Competition Commission for previously negotiated settlements and has been settled in the prior year.

6. TAXATION

6.1 TAXATION

Current tax	107	88
Deferred tax	324	(39)
	431	49

6.2 RECONCILIATION OF TAX CHARGE

Tax at 28% on loss before taxation	(4 393)	(1 703)
Adjusted for:		
Exempt income – dividend received in specie	(6 435)	–
Deferred tax asset not raised on ECL – current year	5 375	–
Deferred tax asset reversed on ECL – prior year	1 012	–
Disallowable expenditure – interest	–	594
Disallowable expenditure – listing expenses and other	828	502
Disallowable expenditure – legal fees	615	320
Disallowable expenditure – consultancy fees	3 429	336
Effective tax	431	49

Notes to the annual financial statements continued

FOR THE YEAR ENDED 29/28 FEBRUARY

7. INVESTMENT IN SUBSIDIARIES

Name of company	Country of incorporation	Principal activities	Proportion held directly and voting rights		Carrying value	
			2020 %	2019 %	2020 R'000	2019 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

The investments in subsidiaries have been tested for impairment by assessing whether the recoverable amount of the cash-generating unit (CGU) to which the investment relates exceeds its carrying value. The recoverable amount for the investment in Stefanutti Stocks Proprietary Limited was determined as the value in use of the CGU which was calculated by estimating the expected future cash flows and using a Discounted Cash Flow model to determine their present value at a discount rate of 11.4%.

The recoverable amount for the investment in Stefanutti Stocks International Holdings Proprietary Limited was determined by assessing the possible dividends to be received from subsidiaries based on their net asset values at reporting date.

Based on these calculations, no impairment was required.

8. DEFERRED TAX ASSETS

	29 February 2020 R'000	28 February 2019 R'000
Includes:		
Expected Credit Loss (ECL)	–	1 012
Salary-related provisions	3 164	2 476
	3 164	3 488
Carrying value at the beginning of the year	3 488	3 449
Temporary differences	(324)	39
Carrying value at year-end	3 164	3 488

RECOVERABILITY OF DEFERRED TAX ASSETS

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

The company considered the following criteria in assessing the probability that taxable profits will be available against which the unused tax losses can be utilised:

- › Whether the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses can be utilised
- › Whether the unused tax losses result from identifiable causes which are unlikely to recur.

Management has assessed financial budgets and the strategic plan, which has been approved by the executive committee and the board of directors, to determine the recoverability of the deferred tax asset balance.

Notes to the annual financial statements continued

FOR THE YEAR ENDED 29/28 FEBRUARY

9. INTERGROUP RECEIVABLES/(PAYABLES)

	Terms	29 February 2020 R'000	28 February 2019 R'000
NON-CURRENT ASSETS			
Stefanutti & Bressan Share Incentive Trust	Interest free, payable on demand	1 414	20 488
CURRENT ASSETS			
Stefanutti Stocks Proprietary Limited	Interest free, payable on demand	–	1 523
CURRENT LIABILITIES			
Stefanutti Stocks International Holdings Proprietary Limited	Interest free, payable on demand	(1 880)	(1 880)
Stefanutti Stocks Proprietary Limited	Interest free, payable on demand	(5)	–
		(1 885)	(1 880)

10. CAPITAL AND RESERVES

10.1 SHARE CAPITAL AND PREMIUM

AUTHORISED

400 000 000 ordinary shares of 0,00025 cents each (2019: 400 000 000 ordinary shares of 0,00025 cents each)	1	1
Balance at year-end	1	1

ISSUED

188 080 746 ordinary shares of 0,00025 cents each fully paid (2019: 188 080 746 ordinary shares of 0,00025 cents each)	A	A
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SHARE PREMIUM

Balance at year-end	1 161 538	1 161 538
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A – Less than R1 000.

10.2 SHARES USED FOR EARNINGS PER SHARE

	Number of shares	
	EPS 2020	EPS 2019
SHARES USED FOR EPS		
Basic	167 243 684	167 836 344
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	(14 407 132)	(13 814 472)
WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE	167 243 684	167 836 344
Dilution potential of ordinary shares	20 837 062	20 244 402
Diluted weighted average number of shares in issue	188 080 746	188 080 746
Loss for the year (R'000)	(16 121)	(6 130)
Loss per share (cents)	(9,64)	(3,65)
Diluted loss per share (cents)	(9,64)	(3,65)

Treasury shares were not included in the calculation of diluted Earnings per share as their effect is anti-dilutive.

Notes to the annual financial statements continued

FOR THE YEAR ENDED 29/28 FEBRUARY

11. LONG-TERM EMPLOYMENT BENEFITS

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

	29 February 2020 Quantity	28 February 2019 Quantity
NUMBER OF SHARES OUTSTANDING AT YEAR-END	2 218 392	2 218 392
CONTRACTUAL LIFE OF EACH AWARD	3 years	3 years

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

FSP COSTS

An expense of R2 million (2019: R2 million) which related to the FSP was recognised in the current year (note 4).

12. TRADE AND OTHER PAYABLES

	29 February 2020 R'000	28 February 2019 R'000
Trade payables	6 171	236
Accrued expenses*	958	730
Employee obligations*	11 303	8 841
Value added tax*	–	238
Unclaimed dividend*	24	24
	18 456	10 069

* Non-financial liabilities.

13. 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	

Notes to the annual financial statements continued

FOR THE YEAR ENDED 29/28 FEBRUARY

13. RELATED PARTIES continued

RELATED PARTY TRANSACTIONS

	Income/(expenses)		Receivable/(payable)	
	29 February 2020 R'000	28 February 2019 R'000	29 February 2020 R'000	28 February 2019 R'000
Transactions with subsidiaries	42 108	24 828	(1 885)	(357)
Management fees (note 3)	19 126	24 828	-	-
Dividends received	22 982	-	-	-
Transactions with share trusts (note 9)	-	-	1 414	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 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.

	Short-term benefits			Total R'000
	Attendance fees R'000	Annual fees R'000	Pre-approved services R'000	
FEBRUARY 2020				
NON-EXECUTIVE DIRECTORS				
ZJ Matlala (appointed as chairman 12 August 2019)	439	529	-	968
KR Eborall (retired 12 August 2019)	-	431	-	431
JM Poluta (alternate to B Silwanyana)	439	-	-	439
DG Quinn	549	-	-	549
HJ Craig	387	-	-	387
B Silwanyana	623	-	-	623
B Harie	556	-	-	556

Notes to the annual financial statements continued

FOR THE YEAR ENDED 29/28 FEBRUARY

13. RELATED PARTIES continued

	Short-term benefits			Total R'000
	Attendance fees R'000	Annual fees R'000	Pre-approved services R'000	
FEBRUARY 2019				
NON-EXECUTIVE DIRECTORS				
KR Eborall (Chairman)	–	944	–	944
JM Poluta (alternate to B Silwanyana)	428	–	–	428
DG Quinn	503	–	155	658
HJ Craig	475	–	–	475
ZJ Matlala	587	–	–	587
B Silwanyana (appointed 13 April 2018)	331	–	–	331
B Harie (appointed 13 April 2018)	268	–	–	268
ME Mkwanzazi (retired 8 August 2018)	410	–	–	410

Details of remuneration for executive directors, are as follows:

	Short-term employee benefits				Total R'000
	Basic salary R'000	Other benefits R'000	Total R'000	Post employment benefits R'000	
FEBRUARY 2020					
EXECUTIVE DIRECTORS					
W Meyburgh – CEO (retired 12 August 2019)	2 679	333	3 012	189	3 201
R Crawford – CEO (appointed 12 August 2019)	2 086	130	2 216	198	2 414
AV Cocciantè – CFO	3 366	50	3 416	309	3 725
FEBRUARY 2019					
EXECUTIVE DIRECTORS					
W Meyburgh – CEO	5 053	459	5 512	566	6 078
AV Cocciantè – CFO	3 366	38	3 404	309	3 713

Other benefits consists of travel and other related allowances. Any awards made in terms of the forfeitable share plan scheme is included within long-term employee benefits. No shares have been awarded for the year (2019: 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 29/28 FEBRUARY

13. RELATED PARTIES continued

DIRECTORS' SHAREHOLDING

	29 February 2020				28 February 2019			
	Direct beneficial %	Indirect beneficial %	Total %	Share-holding	Direct beneficial %	Indirect beneficial %	Total %	Share-holding
PERCENTAGE OF FULLY-PAID SHARES HELD								
DG Quinn	–	0,37	0,37	700 000	–	0,37	0,37	695 674
JM Poluta	–	0,08	0,08	150 612	–	0,08	0,08	150 612
RW Crawford (CEO-appointed 12 August 2019)	–	–	–	7 693	na	na	na	na
W Meyburgh (CEO-retired 12 August 2019)	na	na	na	na	5,83	–	5,83	10 972 409
AV Cocciantè (CFO)	0,34	0,15	0,49	925 001	0,34	0,15	0,49	925 001

14. GUARANTEES AND CONTINGENT LIABILITIES

	29 February 2020 R'000	28 February 2019 R'000
GUARANTEES		
Total insurance policies ceded to third parties on behalf of the group to guarantee the full and due performance of works as set out in the contract or other related matters	3 702 920	3 457 692
Guarantees through certain banks for facilities to the value of R1,8 billion and other obligations	2 227 176	1 577 900
SURETYSHIPS		
Suretyships through certain banks for facilities to the value of R704 million	1 582 055	1 582 055

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

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

CONTINGENT LIABILITIES

With respect to the civil claim received from the City of Cape Town (Green Point Stadium), a trial date had been set for the first quarter of 2020, however, this has been postponed at the client's request. The matter will now be dealt with in an arbitration, which is anticipated to be heard during February 2021. The group remains confident it can defend this claim and therefore, no provision has been raised.

Subsequent to year-end, two contract mining projects were terminated by the group of which one client is disputing the termination, which has been referred to arbitration. The group is confident that the termination was lawful and therefore no provision has been made.

The arbitration matter relating to the cancellation of a petrochemical contract also had to be postponed due to a fundamental change in the client's defence, the timing of which is unknown. At this stage the financial impact thereof cannot be quantified.

In addition, Stefanutti Stocks also terminated a mechanical project after year-end. The client is disputing the termination, which has been referred to arbitration. The group is confident that the termination was lawful and therefore no provision has been made.

An accrual for a potential tax liability in Kenya has been raised. Group entities operating in foreign jurisdictions are continuously subjected to tax audits by local revenue authorities as part of their enforcement processes. The Kenyan Revenue Authority is performing an audit on Stefanutti Stocks Kenya Limited for the years 2013 to 2018. An assessment has been received in September 2019 for the 2013 tax year for which an appeal has been lodged. The audit is ongoing and assessments for following years have not been issued. The total value of the assessment including interest and penalties amounts to R43 million.

ESKOM – KUSILE POWER PROJECT

During the current reporting period, Eskom has adopted an adverse approach to certification of applications for work done by the Stefanutti Stocks Basil Read JV ("SSBR"), which has required a substantial increase of internal funding for this project. This has increased the initial funding requirement of R400 million to approximately R986 million excluding the impact of COVID-19. Consequently, in addition to the provision of R263 million raised at February 2019 for the potential unrecoverable preliminary and general costs, the group has now raised a further provision of R462 million for potential unrecoverable monthly measured works to complete the project. Refer to note 21 of the group consolidated annual financial statements.

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

Notes to the annual financial statements continued

FOR THE YEAR ENDED 29/28 FEBRUARY

14. GUARANTEES AND CONTINGENT LIABILITIES continued

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

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

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

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

In relation to Package 28, during February 2019, Eskom terminated the contract with Stefanutti Stocks Izazi JV ("SSI") due to its inability to provide access to SSI to be able to complete the relevant works. Based on the works completed, as well as Eskom's inability to provide access, Stefanutti Stocks contends that there are significant amounts due to it. SSI commenced an adjudication process to recover these material amounts in 2018. This process is ongoing and is anticipated to be concluded during the latter part of 2020.

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.

	29 February 2020 R'000	28 February 2019 R'000
FINANCIAL ASSETS AT AMORTISED COST		
Bank balances	14 579	124
Intergroup receivables (note 9)	1 414	22 011
FINANCIAL LIABILITIES AT AMORTISED COST		
Intergroup payables (note 9)	1 885	1 880
Trade and other payables (note 12)	6 171	349

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 in the objectives, policies or processes in respect of capital management during the current or previous year. The group did however obtain additional short-term funding from the group's primary banker and guarantee providers and such short-term funding has been converted into appropriate longer-term funding subsequent to year-end. Refer to note 2 for further detail.

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.

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

Notes to the annual financial statements continued

FOR THE YEAR ENDED 29/28 FEBRUARY

15. 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.

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 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 to 30 days	60 to 90 days	120 to 150 days	180 to less than 1 year	Over 1 year	Total
FEBRUARY 2020						
Carrying amount (R'000)	–	119	–	–	24 103	24 222
Expected credit loss rate (%)	–	94,96	–	–	94,16	–
Expected credit loss (R'000)	–	113	–	–	22 695	22 808
FEBRUARY 2019						
Carrying amount (R'000)	1 523	–	–	–	24 103	25 626
Expected credit loss rate (%)	–	–	–	–	15,00	–
Expected credit loss (R'000)	–	–	–	–	3 615	3 615

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.

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

	29 February 2020 R'000	28 February 2019 R'000
Simplified Approach		
Opening balance	(3 615)	(3 834)
Changes due to credit risk movement	(19 193)	–
Amounts reversed	–	219
	(22 808)	(3 615)

Notes to the annual financial statements continued

FOR THE YEAR ENDED 29/28 FEBRUARY

15. RISK MANAGEMENT AND ACCOUNTING CLASSIFICATIONS continued

The increase in the expected credit loss is due to the drastic drop in the Stefanutti Stocks Holdings Limited share price. The loan due from Stefanutti & Bressan Share Incentive Trust is supported by shares held in Stefanutti Stocks Holdings Limited and this reduction in share price affects the net asset value of the Stefanutti & Bressan Share Incentive Trust and its ability to settle the loan.

Maximum exposure to credit risk is shown below:

Category	29 February 2020 R'000	28 February 2019 R'000
Intergroup receivables (note 9)		
– Non-current	1 414	20 488
– Current	–	1 523
Bank balances	14 579	124
	15 993	22 135

LIQUIDITY RISK

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

The company maintains the following lines of credit with banks:

› R1 304 million (2019: R1 774 million) which include mainly banking, guarantee and asset-based facilities. As on 29 February 2020 the facilities utilised from the credit lines are as follows:

	Limit R'000	Utilisation R'000	Available R'000
FEBRUARY 2020			
Facility A	1 118 723	1 105 530	13 193
Facility B	60 431	60 431	–
Facility C	50 310	50 310	–
Facility D	75 517	55 314	20 203
	1 304 981	1 271 585	33 396
FEBRUARY 2019			
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

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
2020				
Intergroup payables	1 885	1 885	1 885	–
Trade and other payables	6 171	6 171	–	6 171
	8 056	8 056	1 885	6 171

Notes to the annual financial statements continued

FOR THE YEAR ENDED 29/28 FEBRUARY

15. RISK MANAGEMENT AND ACCOUNTING CLASSIFICATIONS continued

	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 and other payables	236	236	–	236
	2 116	2 116	1 880	236

MARKET RISK

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

INTEREST RATE RISK

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

Short-term interest rate exposure is monitored and managed by the directors. The company currently does not have any interest-bearing liabilities, therefore interest rate risk is assessed as immaterial.

16. EVENTS AFTER REPORTING PERIOD

COVID-19

The first known and laboratory confirmed case of COVID-19 in South Africa was reported on 5 March 2020. In efforts to prevent an unimpeded spread of COVID-19 and to provide time for the South African National Department of Health to prepare for the expected, eventual increase in community transmission cases, a National State of Disaster was declared by President Cyril Ramaphosa on 15 March 2020, in accordance with the provisions of the Disaster Management Act, 2002.

This nationwide lockdown brought severe restrictions on business, affecting Stefanutti Stocks's construction work, as well as travel and movement, all of which was supported by the South African National Defence Force. Subsequently, under the revised level 2 restrictions, the group's businesses are now operating within the required protocols. However, the challenges that the company faces from the Covid-19 pandemic are complex and unpredictable and as such, quantifying the impact presents an area of great judgement, estimation and assumption.

Based on the above fact and circumstances, management applied its judgement and classified the effect of COVID-19 as a non-adjusting event after the reporting period and accordingly the financial effects resulting from the impact of Covid-19 have not been reflected in the company's financial statements at 29 February 2020.

The unknown future impact of the COVID-19 pandemic, together with the various protocols available to governments, has created an unpredictable business environment. It is, therefore, not possible to obtain an accurate assessment of the future impact this will have on the company and its markets going forward. This note to the annual financial statements contains forward-looking statements based on judgements and assumptions made with information available as at 30 June 2020. These judgements and assumptions by their very nature, contain risks and uncertainties which are outside the control of the group. Due to this, the disclosures in this note may vary from the actual impacts which may arise.

Management has considered the financial effects of the pandemic on each of the significant items of its financial position, performance and risk management, and has summarised them as follows:

INVESTMENT IN SUBSIDIARIES

In assessing whether investments in subsidiaries were impaired as at year-end, the value in use was determined as follows:

- › Investment in Stefanutti Stocks (Pty) Ltd- Discounting the future cash flows expected to be generated from the continuing use of the underlying CGUs, based on certain key assumptions. A sensitivity analysis was also performed, which considers various scenarios where there could be a significant change in the key assumptions used. Even in the worst-case scenarios, which assimilate the current post-pandemic climate, the value of the remaining investment was not subject to impairment.
- › Investment in Stefanutti Stocks International Holdings (Pty) Ltd- Assessing the net asset value of the underlying subsidiaries. The total net asset values as at February 2020 significantly exceeded the carrying amount of the investment, therefore, no re-assessment was required for the effects of the pandemic at this time.

Notes to the annual financial statements continued

FOR THE YEAR ENDED 29/28 FEBRUARY

16. SUBSEQUENT EVENTS continued

DEFERRED TAX ASSETS

The recoverability of deferred tax assets was considered in light of the impact of COVID-19 on the company's results. Although there might be a delay in the timing of recovery, the potential unrecoverable amounts, if any, cannot be reliably estimated at this time.

INTERGROUP LOANS

The loan due from Stefanutti & Bressan Share Incentive Trust is supported by shares held in Stefanutti Stocks Holdings Limited. The value of the shares was recorded on 29 February 2020 as 0,22 cents per share and an expected credit loss was calculated based on this reduced share price. The price had risen to 0,41 cents per share as on 30 June 2020. Therefore, no additional expected credit loss is required.

BANK BALANCES

There is no impact on the current bank balances reported. However, due to the current state of uncertainty around the pandemic, all necessary steps are being taken to preserve the company's cash going forward, including:

- › Placing a hold on a majority of planned capital expenditure and acquisitions
- › Salary sacrifices in the form of reductions in employee remuneration packages for a period of three months
- › Pension fund contribution holidays for a period of three months
- › Application lodged with the Unemployment Insurance Fund for relief funds

EFFECTS ON PERFORMANCE

The entity generates revenue from intergroup management fees. There has been no change to this fee structure. However, the possible liquidity constraints of the various group companies will be considered in the recovery of fees.

RISK MANAGEMENT

In addition to the credit and liquidity risk considerations mentioned under Intergroup loans and bank balances, management further assessed the impact on exposure to market risk. As the company currently has no balances denominated on foreign currency or any interest-bearing liabilities, the impact was assessed as immaterial.

17. AVAILABILITY OF STEFANUTTI STOCKS CONSOLIDATED FINANCIAL STATEMENTS

The Stefanutti Stocks consolidated financial statements have been prepared and signed on 18 August 2020 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 29/28 FEBRUARY

GOING-CONCERN STATEMENT

The below should be read in conjunction with note 2.

The funding provided by the Lenders has assisted in relieving the group's liquidity pressures even though current liabilities exceed current assets by R998 million at 29 February 2020. In addition thereto, uncertainties surrounding the COVID-19 pandemic and contingent liabilities as noted in note 14 indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern in the short term. However, having converted the short-term funding agreement with the Lenders to a term loan on 1 July 2020 and on the basis of successfully implementing the Restructuring Plan, the directors consider it appropriate that the company's results for the year be prepared on the going-concern basis.

These annual financial statements have been prepared using a combination of the historical cost and fair value basis of accounting.

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
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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 as management services are rendered	Fair value

INVESTMENT INCOME

	INCLUDES	RECOGNITION	MEASUREMENT
Investment income	Amounts both received and accrued	Time proportion basis	Effective interest rate method
Dividend received in specie	Amounts both received and accrued	Declaration date	Fair value

Accounting policies continued

FOR THE YEAR ENDED 29/28 FEBRUARY

EMPLOYEE BENEFITS

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

SHORT-TERM BENEFITS

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

POST-EMPLOYMENT BENEFITS

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

LONG-TERM EMPLOYMENT BENEFITS

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

INVESTMENT IN SUBSIDIARIES

RECOGNITION AND MEASUREMENT

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

IMPAIRMENT

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

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 29/28 FEBRUARY

FINANCIAL INSTRUMENTS CONTINUED

IMPAIRMENT

Expected credit loss model	<p>INTERGROUP RECEIVABLES</p> <p>The company uses an allowance account to recognise credit losses on intergroup receivables. The company applies its impairment model as follows:</p> <p>Expected Credit Loss Model (ECL)</p> <p>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. Due to the nature of the intergroup receivables, the company considers an intergroup receivable in default when the company is considered insolvent and illiquid.</p> <p>Receivable balances are written off when they are delinquent. Specific factors are considered on individual debtors, such as evidence that the collection of the full amount under the original terms of the invoice is no longer probable and would include indicators such as possible insolvency or significant difficulties in the debtor. Impairment allowances are deducted from the carrying amounts of the intergroup receivables.</p>
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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.

Accounting policies

continued

FOR THE YEAR ENDED 29/28 FEBRUARY

NEW ACCOUNTING PRONOUNCEMENTS

STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year, the group has adopted the following Standards and Interpretations that are effective for the current year and that are relevant to its operations:

IFRIC 23 – UNCERTAINTY OVER INCOME TAX TREATMENTS

The interpretation should be applied in the determination of taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

The interpretations did not impact on the group's annual financial statements as the principles of IFRIC 23 have been applied in principle in the past.

IFRS 16: LEASES

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17: Leases and related interpretations.

This standard did not impact on the company's annual financial statements as the company does not have leases.

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 2020 or later periods.

	ACCOUNTING STANDARD/INTERPRETATION	TYPE	EFFECTIVE DATE	IMPACT ON THE FINANCIAL STATEMENTS
IFRS 3: BUSINESS COMBINATIONS	DEFINITION OF A BUSINESS The IASB amended the definition of a business to assist preparers in determining whether an acquired set of activities and assets is a business or not. This amendment clarifies that a minimum requirement for a business includes inputs and a substantive process that together significantly contribute to create outputs. It further narrows the definition of a business and outputs by placing emphasis on goods and services provided to customers and de-emphasising the ability to reduce costs. Lastly, it adds an optional concentration test that permits a simplified assessment of whether an asset or a group of similar assets is not a business.	Amendment	1 January 2020	No expected change as such transactions are unlikely to occur in future periods.
	REFERENCE TO THE CONCEPTUAL FRAMEWORK This amendment updates reference to the 2018 Conceptual Framework, adds a requirement that transactions and other events within the scope of IAS 37 or IFRIC 21 must be accounted for per IAS 37 and IFRIC 21 to identify the liabilities assumed in a business combination and adds an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.	Amendment	1 January 2022	No expected change as such transactions are unlikely to occur in future periods.

Accounting policies

continued

FOR THE YEAR ENDED 29/28 FEBRUARY

	ACCOUNTING STANDARD/INTERPRETATION	TYPE	EFFECTIVE DATE	IMPACT ON THE FINANCIAL STATEMENTS
CONCEPTUAL FRAMEWORK	<p>REVISED CONCEPTUAL FRAMEWORK</p> <p>The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard.</p> <p>The purpose of the Conceptual Framework is to:</p> <ul style="list-style-type: none"> › assist the Board in developing standards, › help preparers develop consistent accounting policies if there is no applicable standard in place and › assist all parties to understand and interpret the standards. <p>The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities, and clarifies some important concepts.</p>	Revised	1 January 2020	No impact as the group applies the standards throughout a set of financial statements and does not revert to the framework.
IFRS 16: LEASES	<p>COVID-19-RELATED RENT CONCESSIONS</p> <p>This amendment affects lessees only and makes it easier to account for Covid-19-related rent concessions e.g. rent holidays and temporary rent reductions.</p> <p>The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications, allows lessees to account for such rent concessions as if they were not lease modifications and applies to Covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021.</p>	Amendment	1 June 2020 (can be applied immediately in financial statements – interim or annual – not yet authorised for issue)	No expected change as no rent concessions were granted.
IAS 1: PRESENTATION OF FINANCIAL STATEMENTS AND IAS 8 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS	<p>DEFINITION OF MATERIAL</p> <p>The amendment clarifies that materiality will depend on the nature and/or magnitude of information individually or in combination in the context of the financial statements. It explains how 'obscured' information is similar to omitting or misstatement and replaces the threshold of 'could influence' with 'could reasonably be expected to influence' in the definition of 'material'.</p>	Amendment	1 January 2022	No expected change as the company considers all material matters for disclosures.

Accounting policies

continued

FOR THE YEAR ENDED 29/28 FEBRUARY

	ACCOUNTING STANDARD/INTERPRETATION	TYPE	EFFECTIVE DATE	IMPACT ON THE FINANCIAL STATEMENTS
IFRS 9: FINANCIAL INSTRUMENTS	<p>FEES IN THE '10 PER CENT' TEST FOR DERECOGNITION OF FINANCIAL LIABILITIES</p> <p>The amendment clarifies which fees must be applied in the application of the '10 per cent' test when assessing whether to derecognise a financial liability. It specifies that only fees paid or received between the borrower and the lender, including those paid or received on the other's behalf are to be included.</p>	Amendment	1 January 2022	The amendment will be assessed for all modifications or exchanges of financial liabilities at the effective date.
IAS 16: PROPERTY, PLANT AND EQUIPMENT	<p>PROCEEDS BEFORE INTENDED USE</p> <p>The amendment prohibits the deduction of proceeds from selling items produced while bringing an asset into use from the cost of that asset. The entity must recognise the proceeds from sale, and the cost of producing those items, in profit or loss.</p>	Amendment	1 January 2022	No expected impact as no such instances exist.
IAS 37: PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS	<p>ONEROUS CONTRACTS – COST OF FULFILLING A CONTRACT</p> <p>The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).</p>	Amendment	1 January 2022	No expected change as standard is currently appropriately applied.
IAS 1: PRESENTATION OF FINANCIAL STATEMENTS	<p>PRESENTATION OF LIABILITIES</p> <p>The amendment clarifies that the classification of liabilities must be based on whether the right to defer settlement by at least twelve months exists at the end of the reporting period. It further states that classification is unaffected by expectation of settlement, that settlement refers to transfer of cash equity instruments, other assets or services and that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.</p>	Amendment	1 January 2023	Upon becoming effective management might need to consider the terms and conditions of financial liabilities and whether a reclassification is required.

Corporate information

Company information

STEFANUTTI STOCKS HOLDINGS LIMITED

Share code: SSK

ISIN: ZAE000123766

JSE Sector: Construction

Year-end: 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

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Telephone number

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Facsimile

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Directors

As at 18 August 2020: ZJ Matlala * (Chairman); HJ Craig *; B Harie *; BP Silwanyana *; JM Poluta * (alternate to BP Silwanyana); DG Quinn *; R Crawford (CEO); AV Coccianti (CFO)

* Independent non-executive directors

Company Secretary

WR Somerville

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Bankers

Nedbank Limited

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