Stefanutti Stocks Holdings Limited

SEPARATE ANNUAL FINANCIAL STATEMENTS '18

Stefanutti Stocks

excellence in execution

CONTENTS

PREPARATION OF ANNUAL FINANCIAL STATEMENTS

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

Antonio Cocciante
Chief Financial Officer

20 June 2018

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 2018, 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

20 June 2018

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 2018.

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.

FINANCIAL RESULTS AND YEAR UNDER REVIEW

These annual financial statements on pages 6 to 24 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 2018 are available on the website www.stefstocks.com.

SUMMARISED COMPANY RESULTS

	Note	**2018 R'000**	2017 R'000	% change year-on-year Increase ⬆ Decrease ⬇		Commentary on the year-on-year movements
Revenue	2	**20 679**	80 891	⬇	(74)	Decrease due to management fee changes and dividend in specie not recognised in current year.
Impairment of investment	6	**(623 048)**	(19 691)	⬆	3 064	Impairment recognised due to changes in the prospects within the local building market, which had a negative impact on the value of the investment.
Finance costs	4	**(10 314)**	(38 236)	⬇	(73)	Interest payable reduced due to reduced balance of deferred settlement arrangement.
Intergroup loan receivables	7	**69 797**	183 711	⬇	(62)	Normal trading on intergroup receivables.
Deferred settlement arrangement	9	**(39 674)**	(137 360)	⬇	(71)	Movement on deferred settlement arrangement.

RESOLUTIONS

At the 2017 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

Ms Tina Eboka resigned as a director of the company with effect from 31 July 2017. Ms Nomhle Canca and Mr Bridgman Sithole and his alternate Mr Joseph Fizelle, retired by rotation at the company's Annual General Meeting held on 1 September 2017 and did not offer themselves for re-election. Ms Canca, Mr Sithole and Mr Fizelle served on the board since their original appointment in July 2007.

The Chairman and the board express their appreciation to these directors for their valued contributions and guidance over the past years, and wish them all the best for the future.

Mr John Poluta has been appointed as an alternate director to Mr Mafika Mkwanazi with effect from 1 September 2017.

Ms Bharti Harie and Ms Busisiwe Silwanyana have been appointed as independent non-executive directors with effect from 13 April 2018.

The board welcomes Bharti and Busisiwe to the group and look forward to their valuable insights and contributions.

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

LITIGATION STATEMENT

The legal process relating to the civil claim received from the City of Cape Town (Green Point Stadium) is ongoing, which the group is confident it can defend.

APPROVAL

The annual financial statements, which appear on pages 6 to 24, were approved by the board of directors on 20 June 2018 and are signed by:

Willie Meyburgh
Chief Executive Officer

Antonio Cocciante
Chief Financial Officer

20 June 2018
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 annual financial statements of Stefanutti Stocks Holdings Limited set out on pages 6 to 24, which comprise the statement of financial position as at 28 February 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 separate financial statements present fairly, in all material respects, the separate financial position of Stefanutti Stocks Holdings Limited as at 28 February 2018, and its separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

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

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter relates to the separate financial statements.

MATTER	AUDIT RESPONSE
Impairment of Investment in Subsidiary (refer to note 6) Investment in subsidiaries comprises 86% (2017: 85%) of total assets of the company. Investments 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. There are a number of key areas of estimation and judgement made in determining inputs into the determination of the impairment of the investment in subsidiaries. The impairment tests performed on investments in subsidiaries is considered to be a key audit matter due to the extent of judgement and estimation involved.	Critical assessment, with the assistance of our valuation experts, so as to determine whether the calculation performed by management to calculate the recoverable amount is in terms of the accounting policy. This included: › Assessing the assumptions used to determine discount rates and recalculation of these rates; › Analysing the future projected cash flows used in calculations to determine the reasonability and attainability given the current macro-economic climate and expected future performance of investments in subsidiaries; › Assessing the reasonability of forecast assumptions through: » Comparing actual results for 2017 to budgets » Discussions with management as to reasons for deviations » Corroborating reasons obtained from management above with supporting documentation » Assessing the adequacy and reliability of budgeting techniques; and › Reviewing the adequacy of disclosure of the investment in subsidiaries and related impairment thereof.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report, and the Company Secretary's Certificate as required by the Companies Act of South Africa. Other information does not include the separate financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE SEPARATE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

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

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

› Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

› Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

› Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

› Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

› Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest 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 12 years.

Mazars

Mazars
Registered Auditors
Partner: Susan Truter
Registered Auditor

20 June 2018
Johannesburg

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY

	Note	**2018 R'000**	2017 R'000
REVENUE	2	**20 679**	80 891
Operating and administration expenses	3	**(24 765)**	(25 241)
Impairment of investment	6	**(623 048)**	(19 691)
OPERATING (LOSS)/PROFIT BEFORE FINANCE COSTS		**(627 134)**	35 959
Finance costs	4	**(10 314)**	(38 236)
LOSS BEFORE TAXATION		**(637 448)**	(2 277)
Taxation	5	**307**	(60)
TOTAL COMPREHENSIVE INCOME		**(637 141)**	(2 337)
Loss per share (cents)	8.3	**(373,15)**	(1,35)
Diluted loss per share (cents)	8.3	**(338,76)**	(1,24)

STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY

	Note	2018 R'000	2017 R'000
ASSETS			
NON-CURRENT ASSETS		**500 441**	1 123 098
Investment in subsidiaries	6	**473 963**	1 097 011
Deferred tax assets		**2 375**	1 984
Intergroup receivables	7	**24 103**	24 103
CURRENT ASSETS		**49 975**	161 845
Intergroup receivables	7	**45 694**	159 608
Prepayments		**4 189**	2 088
Bank balances		**92**	149
TOTAL ASSETS		**550 416**	1 284 943
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES		**498 928**	1 136 069
Share capital and premium	8	**1 161 538**	1 161 538
Share-based payment reserve	8	**—**	30 584
Accumulated losses		**(662 610)**	(56 053)
CURRENT LIABILITIES		**51 488**	148 874
Deferred settlement arrangement	9	**39 674**	137 360
Intergroup payables	7	**1 880**	1 880
Trade and other payables	10	**9 933**	9 632
Taxation		**1**	2
TOTAL EQUITY AND LIABILITIES		**550 416**	1 284 943

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 29 FEBRUARY 2016	1 161 538	30 584	(53 716)	1 138 406
Total comprehensive income	—	—	(2 337)	(2 337)
BALANCE AT 28 FEBRUARY 2017	1 161 538	30 584	(56 053)	1 136 069
Realisation of reserves	—	(30 584)	30 584	—
Total comprehensive income	—	—	(637 141)	(637 141)
BALANCE AT 28 FEBRUARY 2018	**1 161 538**	**—**	**(662 610)**	**498 928**
Note	8	8		

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY

	Notes	**2018 R'000**	2017 R'000
CASH FLOWS FROM OPERATING ACTIVITIES		**(5 947)**	(17 022)
Net loss before taxation		**(637 448)**	(2 277)
Adjusted for:			
Impairment of investment		**623 048**	19 691
Interest received		**(5)**	(5)
Dividend received in specie		**—**	(57 481)
Finance costs		**10 314**	38 236
		(4 091)	(1 836)
Movements in working capital:			
Prepayments		**(2 077)**	3 366
Trade and other payables		**301**	(751)
Cash generated from operating activities		**(5 867)**	779
Interest received		**5**	5
Interest paid		**—**	(17 746)
Income taxes paid		**(85)**	(60)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from intergroup receivables	7	**113 890**	76 320
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of deferred settlement arrangement	9	**(108 000)**	(59 225)
MOVEMENT IN CASH AND CASH EQUIVALENTS		**(57)**	73
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**149**	76
CASH AND CASH EQUIVALENTS AT YEAR-END		**92**	149

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2017 R'000	Cash flow R'000	Accrued interest	**2018 R'000**
Deferred settlement arrangement	137 360	(108 000)	10 314	**39 674**

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 and future events and are believed to be reasonable under the circumstances. Actual results may differ from the estimates made by management from time to time.

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.

Receivable balances are written off when they are delinquent. An allowance is raised on accounts based on the company's assessment of the likelihood of collecting receivables outstanding.

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. Refer to note 6.

FOR THE YEAR ENDED 28 FEBRUARY

2. REVENUE

	2018 R'000	2017 R'000
Management fees	**20 674**	23 405
Interest received	**5**	5
Dividend in specie	**—**	57 481
	20 679	80 891

3. OPERATING AND ADMINISTRATION EXPENSES

	2018 R'000	2017 R'000
Included in these expenses are:		
Employee costs	**16 695**	18 978
— Short-term employee benefit costs	**12 652**	15 869
— Post-employment benefit costs	**1 354**	1 257
— Long-term employment benefits	**2 689**	1 852
Listing expenses	**1 552**	1 514
Legal fees	**1 204**	531

4. FINANCE COSTS

	2018 R'000	2017 R'000
Finance costs on financial instruments held at amortised cost:		
Deferred settlement arrangement	**10 314**	38 236
— Deemed interest	**—**	18 601
— Interest costs	**10 314**	19 635

5. TAXATION

5.1 TAXATION

	2018 R'000	2017 R'000
Current tax	**84**	56
Deferred tax	**(391)**	4
	(307)	60

5.2 RECONCILIATION OF TAX CHARGE

	2018 R'000	2017 R'000
Tax at 28% on loss before taxation	**(178 485)**	(638)
Adjusted for:		
Disallowable expenditure — impairment of investment	**174 453**	5 514
Disallowable expenditure — interest	**2 888**	10 706
Disallowable expenditure — listing expenses and other	**546**	424
Disallowable expenditure — legal fees	**291**	149
Exempt income — dividend received	**—**	(16 095)
Effective tax	**(307)**	60

FOR THE YEAR ENDED 28 FEBRUARY

6. INVESTMENT IN SUBSIDIARIES

SUBSIDIARIES

Name of company	Country of incorporation	Principal activities	Proportion held directly and voting rights 2018 %	2017 %	Carrying Value 2018 R'000	2017 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**	1 087 574
					473 963	1 097 011

An impairment in the investment in Stefanutti Stocks Proprietary Limited (previously Stocks Building Africa Proprietary Limited) was recognised mainly due to changes in the prospects within the local building market as evidenced by an ongoing reduction in available work, a negative outlook in the public and private building market as well as a general disinvestment and downturn in this sector, which negatively impacted the value of the investment.

IMPAIRMENT TESTING FOR CGU

The value in use of the CGU is determined by discounting the future cash flows generated from the continuing use of the CGU and based on the following key assumptions:

	2018 %	2017 %
STEFANUTTI STOCKS PROPRIETARY LIMITED		
Constant growth rate (A)	**3,0**	4,0
Average anticipated annual revenue growth (B)	**9,6**	6,7
Pre-tax WACC (C)	**17,4**	17,1

Discounted cash flow forecasts are prepared by management as the basis for determining the estimated recoverable amount. Appropriate growth and discount rates, given the industry and location of the CGU and its operations, are applied in the forecast.

Cash flows are projected based on actual operating results and four-year forecasts. Cash flows beyond this were extrapolated using a constant growth rate of (A) which does not exceed the long-term average growth rate for the industry. Appropriate growth and discount rates, given the industry and location of the CGU and its operations, are applied to the forecast. The calculation of the weighted average cost of capital (WACC) (C) increased due to an increase in the risk profile.

The increase in the average anticipated annual revenue growth rate (B) mainly relates to an increase in activity in the United Arab Emirates.

SENSITIVITY ANALYSIS

If the growth rate and WACC are adjusted to the percentages as indicated, the corresponding effect on the recoverable amount of the CGU is illustrated in the table below.

STEFANUTTI STOCKS PROPRIETARY LIMITED

GROWTH RATE %	WACC 16,4% R'000	18,4% R'000
2,0	5 826	(26 810)
4,0	35 308	(5 644)

FOR THE YEAR ENDED 28 FEBRUARY

7. INTERGROUP RECEIVABLES/(PAYABLES)

	Terms	2018 R'000	2017 R'000
NON-CURRENT ASSETS			
Stefanutti & Bressan Share Incentive Trust	Interest free, payable on demand	**24 103**	24 103
CURRENT ASSETS			
Stefanutti Stocks Proprietary Limited	Interest free, payable on demand	**45 694**	159 608
		69 797	183 711
CURRENT LIABILITIES			
Stefanutti Stocks International Holdings Proprietary Limited	Interest free, payable on demand	**(1 880)**	(1 880)

8. CAPITAL AND RESERVES

8.1 SHARE CAPITAL AND PREMIUM

	2018	2017
AUTHORISED		
400 000 000 ordinary shares of 0,00025 cents each (2017: 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 (2017: 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.

8.2 SHARE-BASED PAYMENT RESERVE

The share-based payment reserve realised into retained earnings as all outstanding share options expired during July 2017.

8.3 SHARES USED FOR EARNINGS PER SHARE

	Weighted average shares	
	EPS 2018	EPS 2017
SHARES USED FOR EPS		
Basic	**170 748 789**	172 750 427
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	**(10 902 027)**	(8 900 389)
WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE	**170 748 789**	172 750 427
Dilution potential of ordinary shares	**17 331 957**	15 330 319
Diluted weighted average number of shares in issue	**188 080 746**	188 080 746
Loss for the year (R'000)	**(637 141)**	(2 337)
Loss per share (cents)	**(373,15)**	(1,35)
Diluted loss per share (cents)	**(338,76)**	(1,24)

FOR THE YEAR ENDED 28 FEBRUARY

9. DEFERRED SETTLEMENT ARRANGEMENT

	2018 R'000	2017 R'000
CURRENT LIABILITIES		
Deferred settlement arrangement	**39 674**	137 360

The deferred settlement arrangement represents the company's obligation towards the Competition Commission for previously negotiated settlements. The repayment arrangement was discounted at a deemed interest rate of 7% (2017: 7%), while unpaid instalments carry interest at the prime lending rate. The arrangement is unsecured, has matured during the year.

10. TRADE AND OTHER PAYABLES

	2018 R'000	2017 R'000
Trade payables	**649**	116
Accrued expenses	**564**	2 168
Employee obligations	**8 483**	7 088
Value added tax	**213**	236
Unclaimed dividend	**24**	24
	9 933	9 632

11. 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 International Holdings Proprietary Limited	Stefanutti Stocks Employee Participation Trust
Holding company for subsidiaries based in foreign countries	
Stefanutti Stocks Investments Proprietary Limited	
Treasury company for the group	

FOR THE YEAR ENDED 28 FEBRUARY

11. RELATED PARTIES CONTINUED

RELATED PARTY TRANSACTIONS

	Income/(expenses)		Receivable/(payable)	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Transactions with subsidiaries	**20 674**	23 405	**43 814**	157 728
Transactions with share trusts	**—**	—	**24 103**	24 103

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.

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 2018 R'000**	Total 2017 R'000
NON-EXECUTIVE DIRECTORS					
KR Eborall (Chairman)	—	901	—	**901**	880
ME Mkwanazi	422	—	—	**422**	250
JM Poluta (alternate to ME Mkwanazi) (appointed on 1 September 2017)	126	—	—	**126**	—
DG Quinn	531	—	360	**891**	796
NJM Canca (retired on 1 September 2017)	386	—	—	**386**	474
T Eboka (resigned 31 July 2017)	134	—	—	**134**	208
HJ Craig	412	—	—	**412**	419
ZJ Matlala	570	—	—	**570**	489
LB Sithole (retired on 1 September 2017)	241	—	—	**241**	252
JWLM Fizelle (alternate to LB Sithole) (retired on 1 September 2017)	170	—	—	**170**	234

FOR THE YEAR ENDED 28 FEBRUARY

11. RELATED PARTIES CONTINUED

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	Long-term employee benefits R'000	Total R'000	Post-employment benefits R'000	Total R'000
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**
2017								
EXECUTIVE DIRECTORS								
W Meyburgh — CEO	4 479	224	4 240	250	3 661	12 854	504	13 358
AV Cocciante — CFO	2 937	51	2 709	150	2 570	8 417	269	8 686

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 short- and long-term employee benefits. The details of these awards are as follows:

	2018		2017	
	Total shares awarded	**Value of shares R'000**	Total shares awarded	Value of shares R'000
EXECUTIVE DIRECTORS				
W Meyburgh — CEO	—	—	903 890	3 661
AV Cocciante — CFO	—	—	634 666	2 570

DIRECTORS' SERVICE CONTRACTS

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.

Details of all contracts of employment for executive directors are not disclosed as the group operates in a highly competitive environment and the disclosure could be detrimental to its efforts to retain its employees.

FOR THE YEAR ENDED 28 FEBRUARY

11. RELATED PARTIES CONTINUED

DIRECTORS' SHAREHOLDING

	2018			2017		
	Direct beneficial %	**Indirect beneficial %**	**Total %**	Direct beneficial %	Indirect beneficial %	Total %
PERCENTAGE OF FULLY PAID SHARES HELD						
DG Quinn	**0,29**	**0,08**	**0,37**	0,29	0,08	0,37
ME Mkwanazi	**0,03**	**—**	**0,03**	0,03	—	0,03
JM Poluta	**—**	**0,08**	**0,08**	—	—	—
JWLM Fizelle (alternate) (retired on 1 September 2017)	**—**	**—**	**—**	0,05	—	0,05
T Eboka (resigned 31 July 2017)	**—**	**—**	**—**	—	0,05	0,05
W Meyburgh (CEO)	**5,83**	**—**	**5,83**	0,95	4,40	5,35
AV Cocciante (CFO)	**0,34**	**0,15**	**0,49**	0,15	—	0,15

POST YEAR-END SHARE TRANSACTIONS

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

12. GUARANTEES AND CONTINGENT LIABILITIES

GUARANTEES

	2018 R'000	2017 R'000
Total insurance policies ceded to third parties on behalf of the group	**3 429 362**	3 267 491
Guarantees and suretyships with certain banks	**3 157 884**	3 153 165
	6 587 246	6 420 656

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 legal process relating to the civil claim received from the City of Cape Town (Green Point Stadium) is ongoing, which the group is confident it can defend.

FOR THE YEAR ENDED 28 FEBRUARY

13. 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.

	2018 R'000	2017 R'000
FINANCIAL ASSETS AT AMORTISED COST		
Bank balances	**92**	149
Intergroup receivables	**69 797**	183 711
FINANCIAL LIABILITIES AT AMORTISED COST		
Intergroup payables	**1 880**	1 880
Trade and other payables	**747**	248
Deferred settlement arrangement	**39 674**	137 360

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:

	2018 R'000	2017 R'000
Interest-bearing liabilities	**39 674**	137 360
Total equity	**498 928**	1 136 069
Gearing ratio (%)	**7,9%**	12,1%

The gearing ratio declined mainly as a result of the reduction in interest-bearing liabilities, together with a decrease in equity as a result of the impairment of the investment. Refer to note 6.

FOR THE YEAR ENDED 28 FEBRUARY

13. 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.

Maximum exposure to credit risk is shown below:

Category	**2018 R'000**	2017 R'000
Intergroup receivables		
— Non-current	**24 103**	24 103
— Current	**45 694**	159 608
Bank balances	**92**	149
	69 889	183 860

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 938 million (2017: R1 901 million) which include mainly banking, guarantee and asset-based facilities.

FOR THE YEAR ENDED 28 FEBRUARY

13. 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
2018				
Deferred settlement arrangement	**39 674**	**41 635**	**—**	**41 635**
Intergroup payables	**1 880**	**1 880**	**1 880**	**—**
Trade and other payables	**649**	**649**	**—**	**649**
	42 203	**44 164**	**1 880**	**42 284**
2017				
Deferred settlement arrangement	137 360	143 651	—	143 651
Intergroup payables	1 880	1 880	1 880	—
Trade and other payables	116	116	—	116
	139 356	145 647	1 880	143 767

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 terms and conditions of outstanding interest-bearing loans are as follows:

	2018 %	2017 %	**2018 R'000**	2017 R'000
Unsecured borrowings	**Variable linked to prime-rate**	Variable linked to prime-rate	**39 674**	137 360

Trade and other payables are settled within normal business terms and therefore do not contribute significantly towards interest rate risk.

SENSITIVITY ANALYSIS

A change of 100 basis points in interest rates would have increased/decreased profit/loss by R0,9 million (2017: R1,4 million).

14. AVAILABILITY OF STEFANUTTI STOCKS CONSOLIDATED FINANCIAL STATEMENTS

The Stefanutti Stocks consolidated financial statements have been prepared and signed on 20 June 2018, 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 thereon.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 28 FEBRUARY

GOING-CONCERN STATEMENT

The directors consider that the company has adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going-concern basis in preparing the annual financial statements of the company. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient cash resources to meet foreseeable cash requirements.

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

PREPARED IN ACCORDANCE WITH

International Financial Reporting Standards (IFRS), SAICA Financial Reporting Guides as issued by the Accounting Practices Committee.	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		
Revenue and other 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		
Share capital and reserves		

REVENUE

REVENUE AND OTHER INCOME

		INCLUDES	RECOGNITION	MEASUREMENT
Revenue	Management fees	Amounts both received and accrued	When services are rendered	Fair value
	Dividend income	Amounts both received and accrued	Date of declaration	Fair value

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.

FOR THE YEAR ENDED 28 FEBRUARY

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
Loans and receivables	Intergroup receivables, cash and cash equivalents	Fair value plus direct transaction costs	Amortised cost using the effective interest rate method, less impairment

IMPAIRMENT

Criteria the entity uses to determine that there is objective evidence that an impairment loss has occurred (including measurement)	**INTERGROUP RECEIVABLES** Significant financial difficulties, probability that the company will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered as objective evidence of impairment.

FINANCIAL LIABILITIES

CLASSIFICATION	INSTRUMENTS INCLUDED IN THE CLASSIFICATION	INITIAL MEASUREMENT	SUBSEQUENT MEASUREMENT
Financial liabilities at amortised cost	Deferred settlement arrangement 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.

RESERVES

The share-based payment reserve realised into retained earnings during the year as all options relating to the reserve expired.

FOR THE YEAR ENDED 28 FEBRUARY

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 2018 or later periods.

	ACCOUNTING STANDARD/INTERPRETATION	TYPE	EFFECTIVE DATE	IMPACT ON THE FINANCIAL STATEMENTS
IFRS 9	**FINANCIAL INSTRUMENTS** The new standard requires financial asset to be measured initially at its fair value. Except for certain trade receivables. Debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income, on the basis of their contractual cash flows and the business model under which the debt instruments are held. The new impairment requirements are based on an Expected Credit Loss (ECL) model and replace the IAS 39 incurred loss model. It is no longer required for a credit event to have occurred before credit losses are recognised. An entity always accounts for ECLs, and updates loss allowance for changes in these ECLs at each reporting date to reflect changes in credit risk since initial recognition. The ECL model applies to debt instruments accounted for at amortised cost or at fair value through other comprehensive income, lease receivables and contract assets. Loan commitments and financial guarantee contracts that are not measured at fair value through profit or loss are also included in the scope of the new ECL model.	New	1 January 2018	The company's business model is to hold and collect and the company only collects capital and interest, therefore financial instruments are unlikely to change.
IFRS 15	**REVENUE FROM CONTRACTS WITH CUSTOMERS** New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers.	New	1 January 2018	No expected change as the company only has management fees and investment income.

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 20 June 2018: KR Eborall* (Chairman); HJ Craig*; ZJ Matlala*; ME Mkwanazi*; B Harie*; BP Silwanyana*; JM Poluta* (alternate to ME Mkwanazi); DG Quinn; W Meyburgh (CEO); AV Cocciante (CFO)

* Independent Non-executive Directors

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BANKERS

Nedbank Limited

The Standard Bank of South Africa Limited

Absa Bank Limited

Bidvest Bank Limited

First National Bank, a division of FirstRand Bank Limited

WEBSITE

www.stefanuttistocks.com

SIGIL DESIGN BUREAU