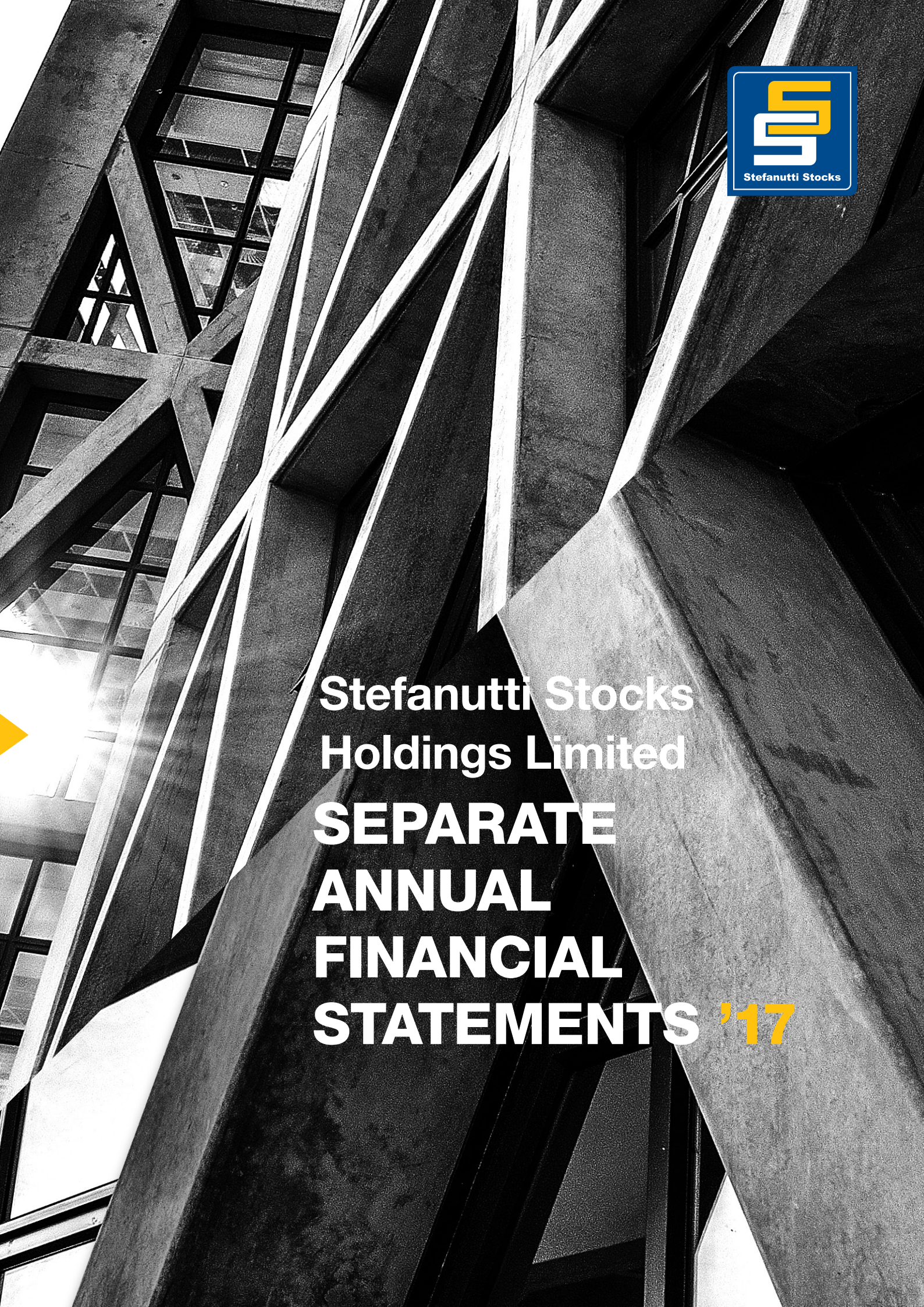


Stefanutti Stocks

Stefanutti Stocks Holdings Limited

SEPARATE ANNUAL FINANCIAL STATEMENTS '17

CONTENTS

PREPARATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements contained in this report, has 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

13 July 2017

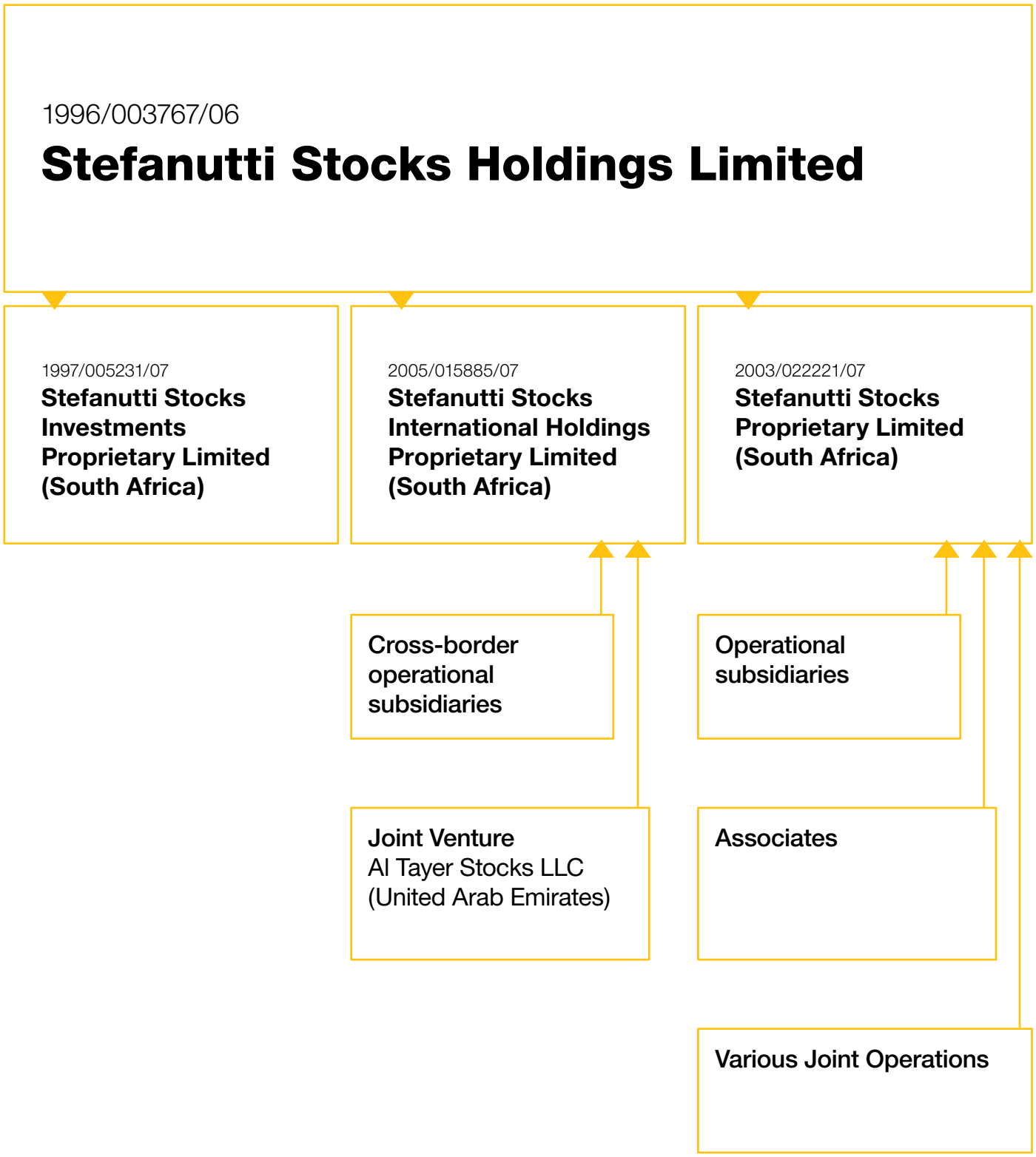
CERTIFICATE BY THE COMPANY SECRETARY

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 2017, 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

13 July 2017

SIMPLIFIED GROUP ORGANOGRAM



A full list of subsidiaries and associates is available on request at the head office of the group.

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 2017.

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 an investment company for the group and provides administrative services.

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

The consolidated 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 2017 are available on the website www.stefstocks.com.

SUMMARISED COMPANY RESULTS

	Note	**2017 R'000**	2016 R'000	% change year-on-year Increase ⬆ Decrease ⬇		Comments
Revenue	2	**23 405**	30 070	⬇	(22)	Decrease due to management fee changes.
Investment income — dividend received	2	**57 481**	—	⬆	100	Apollo E&I Construction Proprietary Limited has been wound up and a dividend in specie was declared.
Impairment of investment	6	**(19 691)**	—	⬆	100	Due to the winding up of Apollo E&I Construction Proprietary Limited the investment held by the holding company had to be impaired.
Finance costs	4	**(38 236)**	(17 271)	⬆	121	Additional interest payable on the final instalment of the Competition Commission penalty.
Intergroup loan receivables/(payables)	7	**183 711**	204 058	⬇	(10)	Normal trading on intergroup receivables.
Deferred settlement arrangement	9	**(137 360)**	(176 095)	⬇	(22)	Movement on deferred settlement arrangement.

DIRECTORS' REPORT
CONTINUED

RESOLUTIONS

At the 2016 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.

SETTLEMENT AGREEMENT WITH THE SOUTH AFRICAN GOVERNMENT AND LITIGATION STATEMENT

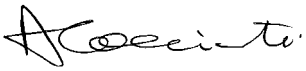
Stefanutti Stocks (Pty) Ltd a subsidiary of Stefanutti Stocks Holdings Limited entered into a settlement agreement with the government of the Republic of South Africa, together with six other construction companies on 11 October 2016, in an effort to address the Construction Companies' exposure to potential claims for damages from certain identified public entities arising primarily from the fast track settlement process launched by the South African Competition Authorities in February 2011, as well as to significantly advance the transformation of the South African construction sector.

Following an extensive period of negotiation, the Government and the Construction Companies have concluded the Settlement Agreement which addresses outstanding legacy issues and commits to a plan which will ensure the repositioning of the South African construction sector. This settlement signifies the Government and Construction Companies' commitment in promoting sustainability, transformation and development in the construction sector.

In terms of the Settlement Agreement entered into with the South African Government all matters, other than the civil claim received from the City of Cape Town (Green Point Stadium), have been settled and/or withdrawn. The company is confident that on the facts currently available, it will be able to successfully defend the City of Cape Town claim and has accordingly not made any provision therefor.

APPROVAL

The annual financial statements, which appear on pages 6 to 25, were approved by the board of directors on 13 July 2017 and are signed by:



Willie Meyburgh
Chief Executive Officer

Antonio Cocciante
Chief Financial Officer

13 July 2017
Kempton Park

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Stefanutti Stocks Holdings Limited

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the separate financial statements of Stefanutti Stocks Holdings Limited set out on pages 6 to 25, which comprise the statements of financial position as at 28 February 2017, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Stefanutti Stocks Holdings Limited as at 28 February 2017, 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 71 of 2008.

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 group 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 MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined 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, and the Company Secretary's Certificate as required by the Companies Act 71 of 2008. 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 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 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 71 of 2008, 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.

INDEPENDENT AUDITOR'S REPORT
CONTINUED

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:

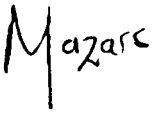
- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Mazars has been the auditor of Stefanutti Stocks Holdings Limited for 11 years.



Mazars
Registered Auditors
Partner: Susan Truter
Registered Auditor

13 July 2017
Johannesburg

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED FEBRUARY

	Note	**2017 R'000**	2016 R'000
REVENUE	2	**80 891**	30 080
Operating and administration expenses	3	**(25 241)**	(32 639)
Impairment of investment	6	**(19 691)**	—
OPERATING PROFIT/(LOSS) BEFORE FINANCE COSTS		**35 959**	(2 559)
Finance costs	4	**(38 236)**	(17 271)
LOSS BEFORE TAXATION		**(2 277)**	(19 830)
Taxation	5	**(60)**	(318)
TOTAL COMPREHENSIVE INCOME — LOSS		**(2 337)**	(20 148)
Loss per share — cents		**(1,35)**	(11,53)
Diluted loss per share — cents		**(1,24)**	(10,71)

STATEMENT OF FINANCIAL POSITION

AT YEAR END

	Note	2017 R'000	2016 R'000
ASSETS			
NON-CURRENT ASSETS		**1 123 098**	1 142 793
Investment in subsidiaries	6	**1 097 011**	1 116 702
Deferred tax assets		**1 984**	1 988
Intergroup receivables	7	**24 103**	24 103
CURRENT ASSETS		**161 845**	183 975
Intergroup receivables	7	**159 608**	179 955
Prepayments		**2 088**	3 944
Bank balances		**149**	76
TOTAL ASSETS		**1 284 943**	1 326 768
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES		**1 136 069**	1 138 406
Share capital and premium	8	**1 161 538**	1 161 538
Share-based payment reserve	8	**30 584**	30 584
Accumulated losses		**(56 053)**	(53 716)
CURRENT LIABILITIES		**148 874**	188 362
Deferred settlement arrangement	9	**137 360**	176 095
Intergroup payables	7	**1 880**	1 880
Trade and other payables	10	**9 632**	10 381
Taxation		**2**	6
TOTAL EQUITY AND LIABILITIES		**1 284 943**	1 326 768

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED FEBRUARY

	Share capital and premium R'000	Share based payments reserve R'000	Accumulated losses R'000	Total equity R'000
BALANCE AT 1 MARCH 2015	1 161 538	30 584	(33 568)	1 158 554
Total comprehensive income — loss	—	—	(20 148)	(20 148)
BALANCE AT 29 FEBRUARY 2016	1 161 538	30 584	(53 716)	1 138 406
Total comprehensive income — loss	—	—	(2 337)	(2 337)
BALANCE AT 28 FEBRUARY 2017	**1 161 538**	**30 584**	**(56 053)**	**1 136 069**
Notes	8	8		

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED FEBRUARY

	Notes	2017 R'000	2016 R'000
Cash flows from operating activities		**(17 022)**	(4 270)
Cash receipts from customers		**21 554**	28 811
Cash paid to suppliers and employees		**(20 775)**	(32 929)
Cash generated from operating activities	11	**779**	(4 118)
Interest received	2	**5**	10
Interest paid		**(17 746)**	—
Income taxes paid		**(60)**	(162)
CASH FLOWS FROM INVESTING ACTIVITIES		**76 320**	12 541
Proceeds from intergroup loans	7	**76 320**	12 541
CASH FLOWS FROM FINANCING ACTIVITIES		**(59 225)**	(9 250)
Repayment of deferred settlement arrangement	9	**(59 225)**	(9 250)
MOVEMENT IN CASH AND CASH EQUIVALENTS		**73**	(979)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**76**	1 055
CASH AND CASH EQUIVALENTS AT YEAR-END		**149**	76

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED FEBRUARY

2. REVENUE

	2017 R'000	2016 R'000
Management fees	**23 405**	30 070
Interest received	**5**	10
Dividend in specie	**57 481**	—
	80 891	30 080

3. OPERATING AND ADMINISTRATION EXPENSES

Included in these expenses are:		
Employee costs	**18 978**	25 157
— Short-term employee benefit costs	**15 869**	22 313
— Post-employment benefit costs	**1 257**	1 230
— Forfeitable Share Plan costs	**1 852**	1 614

4. FINANCE COSTS

Finance costs on financial instruments held at amortised cost:		
Deferred settlement arrangement	**38 236**	17 271
— Deemed interest	**18 601**	13 054
— Interest costs	**19 635**	4 217

5. TAXATION

5.1 TAXATION

Current tax	**56**	165
Deferred tax	**4**	153
	60	318

5.2 RECONCILIATION OF TAX CHARGE

Tax at 28% on loss before taxation	**(638)**	(5 552)
Adjusted for:		
Disallowable expenditure — impairment of investment	**5 514**	—
Disallowable expenditure — interest	**10 706**	4 836
Disallowable expenditure — JSE costs and other	**424**	536
Disallowable expenditure — legal fees	**149**	498
Exempt income — dividend received	**(16 095)**	—
Effective tax	**60**	318

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED FEBRUARY

6. INVESTMENT IN SUBSIDIARIES

SUBSIDIARIES

Name of company	Country of incorporation	Principal activities	Note	PROPORTION HELD DIRECTLY AND VOTING RIGHTS 2017 %	2016 %	CARRYING VALUE 2017 R'000	2016 R'000
Stefanutti Stocks International Holdings Proprietary Limited	South Africa	Holding company		**100**	100	**9 437**	9 437
Stefanutti Stocks Investments Proprietary Limited	South Africa	Treasury company	A	**100**	100	**—**	—
Stefanutti Stocks Proprietary Limited	South Africa	Trading company		**90**	90	**1 087 574**	1 087 574
Apollo E&I Construction Proprietary Limited	South Africa	Electrical company	B	**100**	100	**—**	19 691
						1 097 011	1 116 702

A — Amount below R1 000.

B — The company was wound up by declaring a dividend in specie. The full investment was thus impaired as the company will be deregistered.

7. INTERGROUP RECEIVABLES/(PAYABLES)

	Terms	2017 R'000	2016 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	Loan unsecured, payable on demand	**159 608**	179 955
		183 711	204 058
CURRENT LIABILITIES			
Stefanutti Stocks International Holdings Proprietary Limited	Interest free, payable on demand	**(1 880)**	(1 880)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED FEBRUARY

8. CAPITAL AND RESERVES

8.1 SHARE CAPITAL AND PREMIUM

AUTHORISED		
400 000 000 ordinary shares of 0,00025 cents each for both years presented	**1**	1
	1	1
ISSUED		
188 080 746 ordinary shares of 0,00025 cents each fully paid for both years presented	**C**	C
SHARE PREMIUM		
Balance at year-end	**1 161 538**	1 161 538

C — Less than R1 000.

8.2 SHARE-BASED PAYMENT RESERVE

The share-based payment reserve represents the company's reserve for the shared-based payment scheme. There has been no movement in the underlying scheme during the year.

8.3 SHARES USED FOR EARNINGS PER SHARE

	WEIGHTED AVERAGE SHARES	
	EPS 2017	EPS 2016
SHARES USED FOR EPS		
Basic	**172 750 427**	174 779 842
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	**(8 900 389)**	(6 870 974)
WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE	**172 750 427**	174 779 842
Dilution potential of ordinary shares	**15 330 319**	13 300 904
Diluted weighted average number of shares in issue	**188 080 746**	188 080 746

9. DEFERRED SETTLEMENT ARRANGEMENT

CURRENT LIABILITIES		
Deferred settlement arrangement	**137 360**	176 095

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% (2016: 7%), while unpaid instalments carry interest at the prime lending rate. The arrangement is unsecured, has matured during the year and will be repaid in due course.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED FEBRUARY

10. TRADE AND OTHER PAYABLES

	2017 R'000	2016 R'000
Trade payables	**116**	325
Accrued expenses	**2 168**	2 527
Employee obligations	**7 088**	7 101
Value added tax	**236**	404
Unclaimed dividend	**24**	24
	9 632	10 381

11. NOTES TO THE STATEMENT OF CASH FLOWS

CASH GENERATED FROM OPERATING ACTIVITIES		
Net loss before taxation	**(2 277)**	(19 830)
Adjusted for:		
Impairment of investment	**19 691**	—
Interest received	**(5)**	(10)
Dividend received in specie	**(57 481)**	—
Finance costs	**38 236**	17 271
	(1 836)	(2 569)
Movements in working capital:		
Trade receivables	**3 366**	(1 269)
Trade payables	**(751)**	(280)
	779	(4 118)

12. RELATED PARTIES

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

NATURE OF RELATIONSHIPS	
SUBSIDIARIES	OTHER
Stefanutti Stocks Proprietary Limited	**Consolidated Structured Entities**
Trading company for operations based in South Africa, as well as some foreign operations	Stefanutti & Bressan Share Trust
Stefanutti Stocks 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	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED FEBRUARY

12. RELATED PARTIES CONTINUED

RELATED PARTY TRANSACTIONS

	INCOME/ (EXPENSES)		RECEIVABLE/ (PAYABLE)	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Transactions with subsidiaries	**23 405**	30 070	**157 728**	178 075
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 2017 R'000**	Total 2016 R'000
NON-EXECUTIVE DIRECTORS					
KR Eborall (Chairman)	—	880	—	**880**	860
ME Mkwananzi	250	—	—	**250**	236
DG Quinn	436	—	360	**796**	644
NJM Canca	474	—	—	**474**	467
T Eboka	208	—	—	**208**	280
HJ Craig	419	—	—	**419**	356
ZJ Matlala	489	—	—	**489**	474
LB Sithole	252	—	—	**252**	259
JWLM Fizelle (Alternate to LB Sithole)	234	—	—	**234**	304

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED FEBRUARY

12. 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- and long-term incentives R'000	Total R'000	Post-employment benefits R'000	Total R'000
2017						
EXECUTIVE DIRECTORS						
W Meyburgh — CEO	**4 479**	**224**	**8 151**	**12 854**	**504**	**13 358**
AV Cocciante — CFO	**2 937**	**51**	**5 429**	**8 417**	**269**	**8 686**
2016						
EXECUTIVE DIRECTORS						
W Meyburgh — CEO	4 217	255	7 684	12 156	475	12 631
DG Quinn — CFO (retired on 31 May 2015)	1 404	62	6 107	7 573	87	7 660
AV Cocciante — CFO (appointed 1 June 2015)	2 123	36	400	2 559	191	2 750

Any awards made in terms of the FSP scheme is included within short- and long-term incentives. The details of these awards are as follows:

	2017		2016	
	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**	399 070	2 885
AV Cocciante — CFO	**634 666**	**2 570**	—	—
DG Quinn (retired on 31 May 2015)	**—**	**—**	—	2 082 *

* Vesting criteria was met and paid.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED FEBRUARY

12. RELATED PARTIES CONTINUED

DIRECTORS' SHARE OPTIONS

Details of the non-executive directors' share options are as follows:

	Options granted opening balance	Strike price	Options exercised during the year	Exercise price	Options granted closing balance
DG Quinn (retired as executive director on 31 May 2015)	400,000	6,00	—	—	400,000

No share options were awarded during the year. All share options granted are exercisable from 19 July 2011 and expire on 19 July 2017.

DIRECTORS' SHAREHOLDING

	2017			2016		
	Direct beneficial %	**Indirect beneficial %**	**Total %**	Direct beneficial %	Indirect beneficial %	Total %
PERCENTAGE OF FULLY PAID SHARES HELD						
LB Sithole	**—**	**—**	**—**	—	0,01	0,01
JWLM Fizelle (Alternate)	**0,05**	**—**	**0,05**	0,1	0,01	0,11
DG Quinn	**0,29**	**0,08**	**0,37**	0,29	0,08	0,37
T Eboka	**—**	**0,05**	**0,05**	—	—	—
ME Mkwanazi	**0,03**	**—**	**0,03**	—	—	—
W Meyburgh (CEO)	**0,95**	**4,40**	**5,35**	0,95	4,40	5,35
AV Cocciante (CFO)	**0,15**	**—**	**0,15**	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.

13. GUARANTEES AND CONTINGENT LIABILITIES

GUARANTEES

	2017 R'000	2016 R'000
Total insurance policies ceded to third parties on behalf of the group	**3 267 491**	3 262 217
Guarantees and suretyships with certain banks	**3 153 165**	3 070 000
	6 420 656	6 332 217

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

In terms of the Settlement Agreement entered into with the South African Government all matters, other than the civil claim received from the City of Cape Town (Green Point Stadium) have been settled and/or withdrawn. The group is confident that on the facts currently available, it will be able to successfully defend the City of Cape Town claim and has accordingly not made any provision therefor.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED FEBRUARY

14. 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 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.

	2017 R'000	2016 R'000
FINANCIAL ASSETS, AND RECEIVABLES AT AMORTISED COST		
Bank balances	**149**	76
Intergroup receivables	**183 711**	204 058
OTHER FINANCIAL LIABILITIES AT AMORTISED COST		
Intergroup payables	**1 880**	1 880
Trade and other payables	**9 632**	10 381
Deferred settlement arrangement	**137 360**	176 095

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:

	2017 R'000	2016 R'000
Interest-bearing liabilities	**137 360**	176 095
Total equity	**1 136 069**	1 138 406
Gearing ratio (%)	**12,1%**	15,5%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED FEBRUARY

14. 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

The carrying amount of financial assets represents the maximum credit exposure.

Bank balances

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	**2017 R'000**	2016 R'000
Intergroup receivables		
— Non-current	**24 103**	24 103
— Current	**159 608**	179 955
Bank balances	**149**	76
	183 860	204 134

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:

› R1,061 million (2016: R1,061 million) secured term loan and banking facility
› R839,7 million (2016: R645,5 million) secured facilities

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED FEBRUARY

14. 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
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**
2016				
Deferred settlement arrangement	176 095	207 316	—	207 316
Intergroup payables	1 880	1 880	1 880	—
Trade and other payables	325	325	—	325
	178 300	209 521	1 880	207 641

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 cashflow 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:

	Currency	**2017 %**	2016 %	**2017 R'000**	2016 R'000
Unsecured borrowings	ZAR	**Variable linked to prime-rate**	7	**137 360**	176 095

Trade and other payables are settled within normal business terms, and therefor 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 R1,4 million (2016: R1,7 million).

15. NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

No material reportable events have occurred between the reporting date and the date of these financial statements.

16. AVAILABILITY OF STEFANUTTI STOCKS GROUP FINANCIAL STATEMENTS

The Stefanutti Stocks group financial statements have been prepared and signed on 13 July 2017, and are available on the group's website.

The Stefanutti Stocks group 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 FEBRUARY

BASIS OF PREPARATION

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 and International Financial Reporting Interpretations Committee (IFRIC).	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	Share-based payments
Investment in subsidiaries			
Financial instruments			
Financial assets	Impairment	Financial liabilities	
Capital and reserves			
Share capital and reserves			

ACCOUNTING POLICIES
CONTINUED

FOR THE YEAR ENDED FEBRUARY

REVENUE

REVENUE AND OTHER INCOME

		INCLUDES	RECOGNITION	MEASUREMENT
Revenue	Interest income	Amounts both received and accrued	Time proportion basis	Effective interest method
	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

EMPLOYEE BENEFITS

The company identifies three types of employee benefits which are accounted for in accordance with IAS 19, as well as one type of share-based payment accounted for in accordance with IFRS 2.

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, 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.

ACCOUNTING POLICIES
CONTINUED

FOR THE YEAR ENDED FEBRUARY

EMPLOYEE BENEFITS CONTINUED

SHARE-BASED PAYMENTS

Services received or acquired in a share-based payment transaction where the company settles the consideration for services by issuing shares are classified as equity-settled share-based payments. These include transactions where employees receive remuneration for services rendered to the company in the form of shares or share options.

Services received or acquired in a share-based payment transaction are recognised as an expense when the services are rendered. A corresponding increase in equity is recognised if the services were received in an equity-settled share-based payment transaction. Transactions with employees (including directors) are recognised as an employee cost in profit or loss at the grant date fair value of the share options granted.

The fair value of share options is determined using a variant of the binomial option pricing model, taking into account the terms and conditions. The fair value of the units issued is based on the strike price at the grant date.

If the share-based payments granted do not vest until the employee completes a specified period of service or achieves specified performance conditions, the company accounts for those services as they are rendered by the employee during the vesting period. The fair value that is accounted for over the vesting period is determined on the grant date of the share-based payment. The cumulative expense that is recognised at each reporting date reflects the extent to which the vesting conditions have expired or been met and the company's best estimate of the number of share options that will ultimately vest.

In the event that an employee leaves the employment of the company, the individual forfeits his right to exercise the said share-based payment. The share-based payment is therefore cancelled and the underlying share remains under the control of the trust allowing for further reallocation thereof. To the extent that the share-based payment has not been reallocated, the share-based payment expense relating thereto ceases.

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.

ACCOUNTING POLICIES
CONTINUED

FOR THE YEAR ENDED 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 , loans and 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 reserve for share-based payments comprise the accumulated effect of share-based payments in terms of the employee share scheme.

ACCOUNTING POLICIES
CONTINUED

FOR THE YEAR ENDED FEBRUARY

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED

STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET EFFECTIVE

The company has chosen not to early adopt the following Standards and Interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 March 2017 or later periods.

	ACCOUNTING STANDARD/INTERPRETATION	TYPE	EFFECTIVE DATE	IMPACT ON THE FINANCIAL STATEMENTS
IFRS 9	**FINANCIAL INSTRUMENTS** CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS › all financial assets are initially measured at fair value; › debt instruments are subsequently measured at fair value through profit or loss; › amortised cost or fair value through other comprehensive income; › equity instruments are measured at fair value through profit or loss.	New	1 January 2018	The company's business model is to hold and collect and the group only collects capital and interest, therefore our financial instruments are considered unlikely to change.
	CLASSIFICATION AND MEASUREMENT OF FINANCIAL LIABILITIES For liabilities measured at fair value through profit and loss, the change in the fair value of the liability attributable to changes in credit risk is presented in other comprehensive income. The remainder of the change in fair value is presented in profit and loss; and all other classification and measurement requirements in IAS 39 have been carried forward into IFRS 9.			No expected change as the company does not classify liabilities at fair value through profit and loss.
	IMPAIRMENT The impairment requirements are based on an expected credit loss (ECL) model. Entities are generally required to recognise 12-month ECL on initial recognition and thereafter, as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL.			Impairment requirement might result in earlier recognition of credit losses.
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.
IAS 7	**STATEMENT OF CASH FLOWS** Require entities to disclose information about changes in their financing liabilities.	Amendment	1 January 2017	Expected to result in additional disclosures.

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

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DIRECTORS

As at 13 July 2017: KR Eborall * (Chairman); NJM Canca *;
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JWLM Fizelle * (alternate to LB Sithole); DG Quinn;
W Meyburgh (CEO); AV Cocciante (CFO)

* Independent Non-executive Directors

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BANKERS

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The Standard Bank of South Africa Limited
Absa Bank Limited
Bidvest Bank Limited
First National Bank, a division of FirstRand Bank Limited

WEBSITE

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