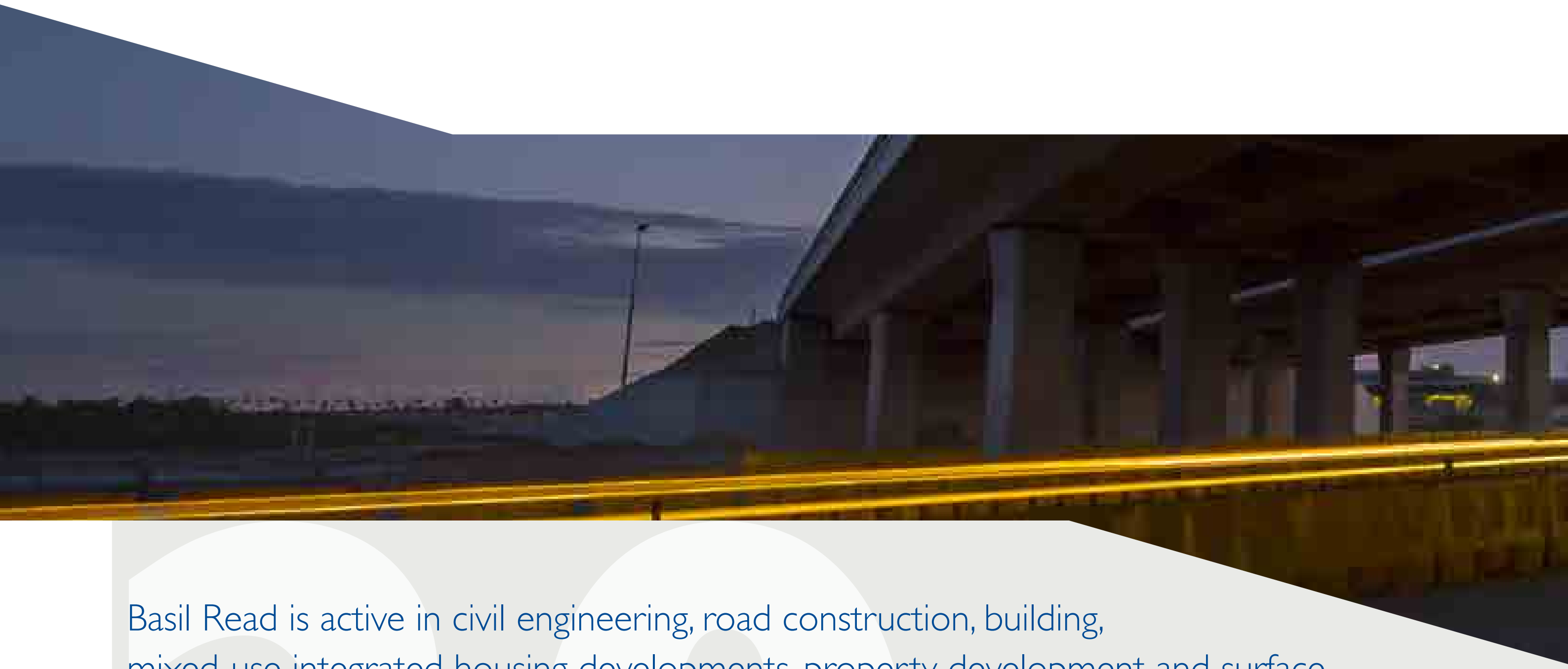
BASIL READ

Annual financial statements 2014



Basil Read is active in civil engineering, road construction, building, mixed-use integrated housing developments, property development and surface contract mining. For more than 60 years, Basil Read has played its part in building the foundations of South Africa for all its citizens.

Contents

Directors' responsibility statement

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of Basil Read Holdings Limited and its subsidiaries. The financial statements presented on pages 12 to 100 have been prepared in accordance with International Financial Reporting Standards (IFRS), and include amounts based upon judgements and estimates made by management.

The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all IFRS that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the group at year-end. The directors also prepared the other information included in the integrated report and are responsible for both its accuracy and consistency with the financial statements.

The directors are responsible for ensuring that proper accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the group companies to enable the directors to ensure that the financial statements comply with the relevant legislation.

Basil Read Holdings Limited and its subsidiaries operate in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled.

The financial statements have been prepared on the going concern basis, since the directors have no reason to believe that the group will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the company and the group.

The group's external auditors, PricewaterhouseCoopers Inc, audited the financial statements and their report is presented on page 11. The preparation of the financial statements was supervised by the chief financial officer, Amanda Wightman.

The financial statements were approved by the board of directors on 8 May 2015 and are signed on their behalf by:

PC Baloyi
Chairman

8 May 2015

NF Nicolau
Chief executive officer

8 May 2015

Certificate by company secretary

In terms of section 88(2)(e) of the Companies Act, 71 of 2008, as amended, I certify that, to the best of my knowledge and belief, Basil Read Holdings Limited has, in respect of the financial year reported upon, lodged with the Registrar of Companies all returns required of a public company in terms of the above mentioned Act and that all such returns are true and up to date.

A Ndoni
Company secretary

8 May 2015

Directors' report

for the year ended 31 December 2014

The directors present the annual financial statements for the 2014 financial year, which supplement the 30th integrated report which is available on the company's website (www.basilread.co.za).

NATURE OF BUSINESS

Basil Read is one of the top construction companies in South Africa. The company is listed on the JSE Limited and its subsidiary companies are active in the areas of civil engineering, road construction, building, mixed integrated housing developments, property development, bitumen distribution, opencast mining, blasting and excavating. These subsidiaries operate throughout sub-Saharan Africa.

DIVIDENDS

No dividend was declared in respect of the year ended 31 December 2014.

A special dividend of 175 cents per share was declared on 14 March 2013 following the completion of the disposal of TWP Holdings (Pty) Ltd. The dividend was paid to shareholders on 24 June 2013.

SHARE CAPITAL

There was no change to the issued share capital of the company in the 2014 and 2013 financial years.

OPERATING RESULTS

The financial position, results of operations and cash flows of the company and that of the group for the year ended 31 December 2014 are set out on pages 12 to 100.

The group made a loss after taxation from continuing operations of R742 million (2013: profit of R91 million) during the year under review.

The group made a loss after taxation from discontinued operations of R79 million (2013: profit of R190 million) during the year under review.

GOING CONCERN

At the statement of financial position date, the current liabilities of the group exceed the current assets by R417 million. The group has R0.9 billion in undrawn facilities with various financial institutions as at 31 December 2014.

The order book for the 2015 financial year is largely secure and the group is forecasting a return to profitability. Operating cash flows in the 2015 year are expected to be cash generative and provide a positive indicator of the group's ability to continue as a going concern.

To further support liquidity, the following actions are being taken:

- Refinancing of the R125 million bond maturing in June 2015 – negotiations are ongoing with the current bondholder. Alternative investors are also being sought. Refer to note 30 for further information regarding the maturing bond.
- Disposal of non-core assets – plans to dispose certain non-core assets are under way, with the disposal of LYT having been completed in February 2015. Further disposals are expected to yield between R200 million and R300 million in cash.
- Resolution of outstanding claims – management is advancing the claims resolution process where applicable in order to resolve claims as speedily as possible while ensuring that the company is fairly rewarded for actual work done.

The directors, therefore, have no reason to believe that the group will not be a going concern in the foreseeable future and for this reason have prepared the financial statements on a going-concern basis.

PROPERTY, PLANT AND EQUIPMENT

The group acquired property, plant and equipment to the amount of R339 million (2013: R255 million) during the year.

INVESTMENTS

Subsidiaries

On 1 April 2014, the group acquired the entire issued share capital of Hytronix (Pty) Ltd for a cash consideration of R4,2 million. The core business of Hytronix is the construction of mining equipment.

On 1 December 2014, the group disposed of its 51% stake in AngloAfrican Insurance Brokers (Pty) Ltd for no consideration, resulting in the recognition of a loss on disposal of R1,8 million.

The information relating to the company's financial interest in its subsidiaries is set out in notes 11, 41, 42, 43 and 45 to the financial statements.

Jointly controlled operations

For more information on the group's investments in jointly controlled operations, refer to note 11 to the financial statements.

Jointly controlled entities

For more information on the group's investments in jointly controlled entities, refer to note 11 to the financial statements.

Associates

On 1 November 2014, the company disposed of its 20% stake in BR-Tsima Construction (Pty) Ltd for no consideration. The transaction resulted in the company recognising a profit on disposal of R0,7 million.

During the year, the company disposed of its 23% stake in Metrowind (Pty) Ltd, resulting in the recognition of a loss on disposal of R10,5 million. The company subsequently acquired a 23% stake in Rubicept (Pty) Ltd, owner of the Metrowind Van Stadens wind farm in Port Elizabeth.

For more information on the group's investments in associates, refer to note 11 to the financial statements.

BORROWINGS

Interest-bearing borrowings comprise instalment sale agreements and a domestic medium-term note programme. During the year, borrowings increased due to an increase in the domestic medium-term note programme, which was partly offset by the repayment of instalment sale agreements.

For more information on the group's borrowings, refer to note 30 to the financial statements.

EVENTS SUBSEQUENT TO THE STATEMENT OF FINANCIAL POSITION DATE

Basil Read concluded the disposal of LYT Architecture on 1 February 2015 for a purchase consideration of R42 million.

SHAREHOLDER SPREAD

Details of shareholder categories are set out on page 101 of this report.

DIRECTORATE

The following were directors of the company during the year under review:

Paul Cambo Baloyi*	Independent non-executive director, chairman
Sindile Lester Leslie Peteni#	Independent non-executive director, chairman
Neville Francis Nicolau^	Chief executive officer, managing director
Terence Desmond Hughes~	Interim chief executive officer, interim managing director, non-executive director
Marius Lodewucus Heyns•	Chief executive officer, managing director
Amanda Claire Wightman+	Chief financial officer, financial director
Andrew Conway Gaorekwe Molusi	Non-executive director
Sango Siviwe Ntsaluba	Non-executive director
Thabiso Alexander Tlelai	Non-executive director
Charles Peter Davies∆	Independent non-executive director
Doris Liana Theresia Dondur◊	Independent non-executive director
Mahomed Salim Ismail Gani■	Independent non-executive director
Nopasika Vuyelwa Lila∆	Independent non-executive director
Claudia Estelle Manning	Independent non-executive director

* *Appointed as chairman 1 January 2015*
# *Retired 31 December 2014*
^ *Appointed 1 September 2014*
~ *Appointed as interim chief executive officer 1 June 2014; resigned as interim chief executive officer 31 August 2014; appointed as non-executive director 1 January 2015*
• *Retired 30 May 2014*
\+ *Appointed 13 October 2014*
∆ *Retired by rotation 26 June 2014*
◊ *Appointed 24 June 2014*
■ *Appointed 15 April 2015*

Directors' report *continued*

for the year ended 31 December 2014

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

Executive directors	Cash portion of package R	Benefits* R	Incentive bonus R	Gain on share options exercised R	Total R
2014					
Paid by Basil Read Limited					
Marius Lodewucus Heyns#	1 253 327	208 797	12 324 775	–	13 786 899
Terence Desmond Hughes^	701 471	13 498	–	–	714 969
Neville Francis Nicolau~	1 459 513	224 552	–	–	1 684 065
Amanda Claire Wightman•	482 435	74 141	–	–	556 576
	3 896 746	520 988	12 324 775	–	16 742 509
2013					
Paid by Basil Read Limited					
Marius Lodewucus Heyns	3 099 397	470 925	10 921 036	–	14 491 358
Manuel Donnell Grota Gouveia+	1 206 521	216 450	2 000 000	–	3 422 971
Pieter Jacob Marais∆	1 196 214	189 926	–	–	1 386 140
	5 502 132	877 301	12 921 036	–	19 300 469
Paid by TWP Projects (Pty) Ltd					
Nigel John Townshend◊	548 716	86 106	–	–	634 822
	6 050 848	963 407	12 921 036	–	19 935 291

** Benefits include the company's contribution towards medical aid and provident fund*
 # Retired 30 May 2014. The incentive bonus for Mr Heyns refers to the long-term incentive bonus which accrued to him and was paid in March 2014, calculated in terms of the long-term incentive policy as disclosed in the 2013 annual financial statements
^ Appointed 1 June 2014; resigned 31 August 2014
~ Appointed 1 September 2014
• Appointed 13 October 2014
+ Resigned 30 May 2013
∆ Appointed 30 May 2013; resigned 22 November 2013
◊ Resigned 12 March 2013

Non-executive directors	Services as director R	Total R
2014		
Sindile Lester Leslie Peteni*	1 198 000	1 198 000
Andrew Conway Gaorekwe Molusi	470 000	470 000
Sango Siviwe Ntsaluba#	490 000	490 000
Thabiso Alexander Tlelai#	444 000	444 000
Paul Cambo Baloyi	620 000	620 000
Charles Peter Davies^	383 500	383 500
Doris Liana Theresia Dondur~	262 500	262 500
Nopasika Vuyelwa Lila^	266 000	266 000
Claudia Estelle Manning	530 500	530 500
	4 664 500	4 664 500

** Retired 31 December 2014*
 # Paid to the companies that these directors represent
^ Retired by rotation 26 June 2014
~ Appointed 24 June 2014

Non-executive directors	Services as director R	Total R
2013		
Sindile Lester Leslie Peteni	956 000	956 000
Andrew Conway Gaorekwe Molusi[Δ]	424 667	424 667
Sango Siviwe Ntsaluba[#]	381 500	381 500
Thabiso Alexander Tlelai[#]	599 000	599 000
Paul Cambo Baloyi	540 833	540 833
Charles Peter Davies	768 500	768 500
Nopasika Vuyelwa Lila	570 500	570 500
Claudia Estelle Manning	493 500	493 500
	4 734 500	4 734 500

[Δ] *Appointed 14 March 2013*
[#] *Paid to the companies that these directors represent*

Directors' fees for the 2014 financial year were paid according to the following table:

With effect from 1 January 2014	Member R	Chairman R
Board – retainer	140 000	500 000
Board – per meeting	17 500	33 000
Audit committee – retainer	70 000	140 000
Audit committee – per meeting	7 000	14 000
Risk committee – retainer	70 000	130 000
Risk committee – per meeting	7 000	14 000
Remuneration committee – retainer	70 000	130 000
Remuneration committee – per meeting	7 000	14 000
Social, ethics and transformation committee – retainer	70 000	130 000
Social, ethics and transformation committee – per meeting	7 000	14 000
Nominations and investment committee – per meeting	7 000	14 000
Ad hoc meetings – per meeting	7 000	14 000

Directors' fees are reviewed annually. It is proposed that directors' fees remain unchanged as follows:

With effect from 1 January 2015	Member R	Chairman R
Board – retainer	140 000	500 000
Board – per meeting	17 500	33 000
Audit committee – retainer	70 000	140 000
Audit committee – per meeting	7 000	14 000
Risk committee – retainer	70 000	130 000
Risk committee – per meeting	7 000	14 000
Remuneration committee – retainer	70 000	130 000
Remuneration committee – per meeting	7 000	14 000
Social, ethics and transformation committee – retainer	70 000	130 000
Social, ethics and transformation committee – per meeting	7 000	14 000
Nominations and investment committee – per meeting	7 000	14 000
Ad hoc meetings – per meeting	7 000	14 000

These fees have been waived by the executive directors. Fees are paid quarterly in arrears.

Directors' report *continued*

for the year ended 31 December 2014

	Cash portion of package R	Benefits* R	Incentive bonus R	Gain on share options exercised R	Total R
Prescribed officers					
2014					
Christopher John Erasmus#■	**1 417 181**	**249 465**	**–**	**–**	**1 666 646**
Antonie Fourie#	**2 119 823**	**267 861**	**–**	**–**	**2 387 684**
Olivier Jean-Paul Giot	**2 706 213**	**–**	**–**	**–**	**2 706 213**
Guenther Hellhoff•	**977 409**	**133 793**	**–**	**–**	**1 111 202**
Terence Desmond Hughes+	**935 295**	**17 997**	**–**	**–**	**953 292**
James Stephen Johnston	**2 133 424**	**336 653**	**–**	**–**	**2 470 077**
Khathutshelo Mapasa∆	**1 219 939**	**180 147**	**–**	**–**	**1 400 086**
Avinash Naidoo◊	**1 116 954**	**155 862**	**–**	**–**	**1 272 816**
Andiswa Ndoni	**1 489 095**	**252 297**	**–**	**–**	**1 741 392**
Amanda Claire Wightman#>	**1 447 303**	**222 421**	**–**	**–**	**1 669 724**
	15 562 636	**1 816 496**	**–**	**–**	**17 379 132**
2013					
Christopher John Erasmus#	2 077 619	352 593	–	–	2 430 212
Antonie Fourie#	1 938 497	235 959	2 000 000	–	4 174 456
Digby John Glover#~	466 630	67 972	–	–	534 602
Guenther Hellhoff	1 631 851	223 446	500 000	–	2 355 297
Avinash Naidoo	1 059 034	138 482	–	–	1 197 516
Amanda Claire Wightman#^	353 769	43 866	83 333	–	480 968
	7 527 400	1 062 318	2 583 333	–	11 173 051
Three next highest earners					
2014					
Employee A	**1 858 217**	**273 062**	**–**	**–**	**2 131 279**
Employee B	**1 688 870**	**254 028**	**–**	**–**	**1 942 898**
Employee C	**1 681 734**	**217 655**	**–**	**–**	**1 899 389**
	5 228 821	**744 745**	**–**	**–**	**5 973 566**
2013					
Employee A	1 788 807	295 848	1 500 000	–	3 584 655
Employee B	2 357 224	78 763	–	–	2 435 987
Employee C	1 863 807	236 761	–	–	2 100 568
	6 009 838	611 372	1 500 000	–	8 121 210

* *Benefits include the company's contribution towards medical aid, provident fund and expatriate costs*
\# *Paid by group subsidiary companies*
■ *Until 30 September 2014*
• *Until 30 June 2014*
\+ *From 1 September 2014*
∆ *From 1 May 2014*
◊ *Until 14 November 2014*
> *Until 12 October 2014*
~ *Until 12 March 2013*
^ *From 22 November 2013*

The following prescribed officers received once-off payments in the 2014 financial year:

	R
Christopher John Erasmus	5 330 000
Guenther Hellhoff	1 620 000
Terence Desmond Hughes	1 600 000
Avinash Naidoo	770 000
	9 320 000

DIRECTORS' AND PRESCRIBED OFFICERS' EQUITY-SETTLED INSTRUMENTS

Executive directors

The directors held the following equity-settled instruments at 31 December 2014:

	Number	Average strike price R	Average exercise price R
Marius Lodewucus Heyns			
Equity-settled instruments at 1 January 2014	380 000	13,95	–
Equity-settled instruments granted during the year	–	–	–
Equity-settled instruments exercised during the year	–	–	–
Equity-settled instruments lapsed during the year due to resignation	(380 000)	–	–
Equity-settled instruments at 31 December 2014	–	13,95	
Amanda Claire Wightman			
Equity-settled instruments at 1 January 2014	32 000	13,95	–
Equity-settled instruments granted during the year	–	–	–
Equity-settled instruments exercised during the year	–	–	–
Equity-settled instruments at 31 December 2014	32 000	13,95	

All of these options had vested by 31 December 2014.

The directors held the following equity-settled instruments at 31 December 2013:

	Number	Average strike price R	Average exercise price R
Marius Lodewucus Heyns			
Equity-settled instruments at 1 January 2013	380 000	13,95	–
Equity-settled instruments granted during the year	–	–	–
Equity-settled instruments exercised during the year	–	–	–
Equity-settled instruments at 31 December 2013	380 000	13,95	
Manuel Donnell Grota Gouveia			
Equity-settled instruments at 1 January 2013	105 000	13,95	–
Equity-settled instruments granted during the year	–	–	–
Equity-settled instruments exercised during the year	–	–	–
Equity-settled instruments lapsed during the year due to resignation	(105 000)	–	–
Equity-settled instruments at 31 December 2013	–	13,95	

All of these options had vested by 31 December 2013.

Directors' report *continued*

for the year ended 31 December 2014

Prescribed officers

The following prescribed officers held the following equity-settled instruments at 31 December 2014:

	Number	Average strike price R	Average exercise price R
Christopher John Erasmus			
Equity-settled instruments at 1 January 2014	145 000	13,95	–
Equity-settled instruments granted during the year	–	–	–
Equity-settled instruments exercised during the year	–	–	–
Equity-settled instruments lapsed during the year due to resignation	(145 000)	–	–
Equity-settled instruments at 31 December 2014	–	13,95	
Antonie Fourie			
Equity-settled instruments at 1 January 2014	90 000	13,95	–
Equity-settled instruments granted during the year	–	–	–
Equity-settled instruments exercised during the year	–	–	–
Equity-settled instruments at 31 December 2014	90 000	13,95	
Olivier Jean-Paul Giot			
Equity-settled instruments at 1 January 2014	105 000	13,95	–
Equity-settled instruments granted during the year	–	–	–
Equity-settled instruments exercised during the year	–	–	–
Equity-settled instruments at 31 December 2014	105 000	13,95	
James Stephen Johnston			
Equity-settled instruments at 1 January 2014	90 000	13,95	–
Equity-settled instruments granted during the year	–	–	–
Equity-settled instruments exercised during the year	–	–	–
Equity-settled instruments at 31 December 2014	90 000	13,95	

All of these options had vested by 31 December 2014.

The following prescribed officers held the following equity-settled instruments at 31 December 2013:

	Number	Average strike price R	Average exercise price R
Christopher John Erasmus			
Equity-settled instruments at 1 January 2013	145 000	13,95	–
Equity-settled instruments granted during the year	–	–	–
Equity-settled instruments exercised during the year	–	–	–
Equity-settled instruments at 31 December 2013	145 000	13,95	
Antonie Fourie			
Equity-settled instruments at 1 January 2013	90 000	13,95	–
Equity-settled instruments granted during the year	–	–	–
Equity-settled instruments exercised during the year	–	–	–
Equity-settled instruments at 31 December 2013	90 000	13,95	
Amanda Claire Wightman			
Equity-settled instruments at 1 January 2013	32 000	13,95	–
Equity-settled instruments granted during the year	–	–	–
Equity-settled instruments exercised during the year	–	–	–
Equity-settled instruments at 31 December 2013	32 000	13,95	

All of these options had vested by 31 December 2013.

The terms of the equity-settled instruments are detailed in note 38.

INTERESTS OF DIRECTORS AND OFFICERS IN SHARE CAPITAL

The interests, direct and indirect, of the directors and officers at the date of this report are as follows:

	Direct		Indirect	
	2014 Number	2013 Number	2014 Number	2013 Number
Beneficial				
Sango Siviwe Ntsaluba	6 986	6 986	2 776 939	2 776 939
Thabiso Alexander Tlelai	–	–	2 774 953	2 774 953
Neville Francis Nicolau	–	–	100 000	–
Christopher John Erasmus	–	147 628	–	–
	6 986	154 614	5 651 892	5 551 892
Shares held by associates	–	–	–	–
	6 986	154 614	5 651 892	5 551 892

The company's directors did not trade in shares between year-end and the date the financial statements were authorised for issue.

Directors' report *continued*

for the year ended 31 December 2014

INTERESTS OF DIRECTORS AND OFFICERS IN SHARE INCENTIVE SCHEME

The direct interests of the directors and officers at the date of this report are as follows:

	Number of unissued shares	% of unissued shares	% held once shares issued
2014			
Direct			
Antonie Fourie	**90 000**	**7,35**	**0,07**
Olivier Jean-Paul Giot	**105 000**	**8,58**	**0,08**
James Stephen Johnston	**90 000**	**7,35**	**0,07**
Amanda Claire Wightman	**32 000**	**2,61**	**0,02**
2013			
Direct			
Marius Lodewucus Heyns	380 000	20,52	0,29
Christopher John Erasmus	145 000	7,83	0,11
Antonie Fourie	90 000	4,86	0,07
Amanda Claire Wightman	32 000	1,73	0,02

The right to the unissued shares are in terms of the Basil Read Share Incentive Scheme. For further details, refer to note 38(e).

SPECIAL RESOLUTIONS PASSED BY SUBSIDIARY COMPANIES

The following special resolutions were passed by subsidiary companies during the year ended 31 December 2014:

- Special resolution by Basil Read Holdings Limited, in its capacity as shareholder of Basil Read Limited, authorising Basil Read Limited to provide financial assistance to its subsidiaries and other group companies in accordance with section 45 of the Companies Act, 71 of 2008, as amended
- Special resolution by Basil Read Holdings Limited, in its capacity as shareholder of Basil Read Limited, authorising Basil Read Limited to convert from a private to public company and adopt a new memorandum of incorporation.

AUDITORS

PricewaterhouseCoopers Inc will continue in office in accordance with section 90(6) of the Companies Act. At the annual general meeting, shareholders will be requested to appoint PricewaterhouseCoopers Inc as the group's auditors for the 2015 financial year.

COMPANY SECRETARY

The company secretary is Ms Andiswa Ndoni.

REGISTERED OFFICE

The Basil Read Campus
7 Romeo Street
Hughes extension
Boksburg
1459

POSTAL ADDRESS

Private Bag X170
Bedfordview
2008

Report of the independent auditors

TO THE MEMBERS OF BASIL READ HOLDINGS LIMITED

We have audited the consolidated and separate financial statements of Basil Read Holdings Limited set out on pages 12 to 100 which comprise the statements of financial position as at 31 December 2014, and the statements of comprehensive income, income statements, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Basil Read Holdings Limited as at 31 December 2014, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2014, we have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc
Director: FJ Lombard
Registered auditor

Johannesburg
11 May 2015

Consolidated income statement

for the year ended 31 December 2014

	Notes	2014 R'000	2013 R'000
CONTINUING OPERATIONS			
Revenue		6 502 407	6 218 152
Contracting revenue		6 173 315	6 000 301
Other revenue – development fees		193 699	40 086
Other revenue – construction materials and services		135 393	177 765
Contracting and other costs		(6 247 101)	(5 346 990)
Other administrative and operating overheads		(585 524)	(500 053)
Depreciation, impairment and amortisation of fixed assets		(562 967)	(323 088)
Other income	7	4	506
Other (losses)/gains – net	8	(13 056)	6 701
Operating (loss)/profit	9	(906 237)	55 228
Interest received	10	29 605	45 035
Foreign exchange	10	(688)	33 031
Interest paid	10	(55 119)	(65 396)
(Loss)/profit before share of profit from investments accounted for using the equity method		(932 439)	67 898
Share of profit of investments accounted for using the equity method	11	39 539	45 166
(Loss)/profit before taxation		(892 900)	113 064
Taxation	12	150 682	(21 691)
Net (loss)/profit for the year from continuing operations		(742 218)	91 373
DISCONTINUED OPERATION			
Net loss for the year from discontinued operations	27	(78 661)	(3 079)
Profit on disposal of discontinued operations		–	257 332
Tax on disposal		–	(64 156)
Net (loss)/profit for the year		(820 879)	281 470
Attributable to:			
Equity shareholders of the company		(789 938)	310 742
Non-controlling interests		(30 941)	(29 272)
Net (loss)/profit for the year		(820 879)	281 470
(Loss)/earnings per share (cents)	13	(599,87)	235,97
Diluted (loss)/earnings per share (cents)	13	(599,87)	235,97
(Loss)/earnings per share from continuing operations (cents)	13	(540,14)	91,61
Diluted (loss)/earnings per share from continuing operations (cents)	13	(540,14)	91,61
(Loss)/earnings per share from discontinued operations (cents)	13	(59,73)	144,36
Diluted (loss)/earnings per share from discontinued operations (cents)	13	(59,73)	144,36

Consolidated statement of comprehensive income

for the year ended 31 December 2014

	Notes	2014 R'000	2013 R'000
Net (loss)/profit for the year		(820 879)	281 470
Other comprehensive income/(expense) for the year			
Items that may be subsequently reclassified to profit or loss		12 860	7 900
Movement in foreign currency translation reserve		12 936	12 003
Movement in fair value adjustment reserve		(76)	(5 043)
Fair value adjustment	19	(95)	(5 043)
Foreign exchange difference		19	–
Deferred tax effect on other comprehensive income	18	–	940
Total comprehensive (expense)/income for the year		(808 019)	289 370
Total comprehensive (expense)/income for the year attributable to the following:			
Equity shareholders of the company		(775 921)	314 158
Non-controlling interests		(32 098)	(24 788)
Total comprehensive (expense)/income for the year		(808 019)	289 370

Consolidated statement of financial position

as at 31 December 2014

	Notes	2014 R'000	2013 R'000
ASSETS			
Non-current assets		1 669 708	1 914 321
Property, plant and equipment	15	1 080 248	1 138 147
Investment property	16	5 826	5 730
Intangible assets	17	99 938	411 829
Investments accounted for using the equity method	11	24 532	125 566
Loans to investments accounted for using the equity method	11	107 268	61 029
Deferred income tax assets	18	300 607	120 636
Available-for-sale financial assets	19	477	572
Financial assets at fair value through profit or loss	20	50 812	50 812
Current assets		2 552 957	2 804 193
Inventories	21	33 067	41 958
Development land	22	268 022	363 120
Contract and trade debtors	23	1 169 111	974 237
Receivables and prepayments	24	114 849	97 408
Derivative financial instruments	25	–	2 577
Current income tax assets		57 093	66 768
Cash and cash equivalents	26	910 815	1 258 125
Non-current assets held for sale	27	53 112	–
Total assets		4 275 777	4 718 514
EQUITY AND LIABILITIES			
Capital and reserves		1 133 544	1 909 465
Stated capital	28	1 048 025	1 048 025
Retained earnings		61 513	851 451
Other reserves		24 006	9 989
Non-controlling interests	29	(97 992)	(38 207)
Total capital and reserves		1 035 552	1 871 258
Non-current liabilities		259 965	309 768
Interest-bearing borrowings	30	215 898	263 086
Deferred income tax liabilities	18	44 067	46 682
Current liabilities		2 970 241	2 537 488
Trade and other payables	32	2 282 411	2 138 276
Current income tax liabilities		5 011	38 273
Current portion of interest-bearing borrowings	30	273 594	163 314
Loans from investments accounted for using the equity method	11	–	5 938
Derivative financial instruments	25	223	1 395
Provisions for other liabilities and charges	31	318 766	134 651
Bank overdraft	26	90 236	55 641
Liabilities directly associated with non-current assets classified as held for sale	27	10 019	–
Total equity and liabilities		4 275 777	4 718 514

Consolidated statement of changes in equity

for the year ended 31 December 2014

	Share capital R'000	Treasury shares R'000	Foreign currency translation reserve* R'000	Fair value adjustment reserve R'000	Retained earnings R'000	Total attributable to owners of the parent R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 January 2013	1 048 037	(12)	1 252	(377)	750 654	1 799 554	24 768	1 824 322
Disposal of subsidiary (refer note 42)	–	–	4 989	709	–	5 698	(15 272)	(9 574)
Transactions with minorities	–	–	–	–	20 518	20 518	(20 518)	–
Total comprehensive income for the year	–	–	7 519	(4 103)	310 742	314 158	(24 788)	289 370
Dividends paid	–	–	–	–	(230 463)	(230 463)	(2 397)	(232 860)
Balance at 31 December 2013	1 048 037	(12)	13 760	(3 771)	851 451	1 909 465	(38 207)	1 871 258
Disposal of subsidiary (refer note 42)	–	–	–	–	–	–	1 777	1 777
Capital distribution to non-controlling interests	–	–	–	–	–	–	(29 464)	(29 464)
Net loss for the year	–	–	–	–	(789 938)	(789 938)	(30 941)	(820 879)
Other comprehensive income for the year	–	–	14 093	(76)	–	14 017	(1 157)	12 860
Balance at 31 December 2014	1 048 037	(12)	27 853	(3 847)	61 513	1 133 544	(97 992)	1 035 552

** The foreign currency translation reserve is the result of exchange differences arising from the translation of the group's foreign operations to the group's presentation currency, the rand.*

Consolidated statement of cash flows

for the year ended 31 December 2014

	Notes	2014 R'000	2013 R'000
CASH FLOW FROM OPERATING ACTIVITIES		(201 655)	(2 715)
Cash generated by operating activities	33	(118 330)	284 427
Net finance (costs)/income	10	(25 310)	13 670
Dividends paid	34	(4)	(232 640)
Taxation paid	35	(58 011)	(68 172)
CASH FLOW FROM INVESTING ACTIVITIES		(45 593)	689 926
Acquisitions of property, plant and equipment	15	(188 939)	(212 283)
Proceeds on disposal of property, plant and equipment		62 908	93 101
Acquisition of subsidiaries	41	(3 847)	–
Disposal of subsidiaries	42	(37)	839 214
Acquisition of jointly controlled entity	11	–	(1)
Advances made to jointly controlled entities	11	(16 118)	(15 354)
Advances recovered from jointly controlled entities	11	5 234	–
Disposal of associate	11	86	–
Advances made to associates	11	(161)	(20 468)
Advances recovered from associates	11	8 499	5 711
Dividends received from associates	11	86 782	–
Disposal of available-for-sale financial asset	19	–	6
CASH FLOW FROM FINANCING ACTIVITIES		(116 838)	(506 682)
Proceeds from interest-bearing borrowings	30	100 000	125 000
Repayments of interest-bearing borrowings	30	(187 374)	(618 432)
Repayments of other borrowings		–	(13 250)
Capital distribution to non-controlling interest parties	29	(29 464)	–
Effects of exchange rates on cash and cash equivalents		(2 734)	(23 767)
Movement in cash and cash equivalents		(366 820)	156 762
Cash and cash equivalents – at the beginning of the year		1 202 484	1 045 722
Cash and cash equivalents – at the end of the year	26	835 664	1 202 484
Included in cash and cash equivalents as per the statement of financial position		820 579	1 202 484
Included in the assets of the disposal group		15 085	–
		835 664	1 202 484

Notes to the consolidated financial statements

for the year ended 31 December 2014

1. ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), including IFRIC interpretations (collectively IFRS), the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, financial pronouncements as issued by the Financial Reporting Standards Council (FRSC) and the requirements of the Companies Act, 71 of 2008 of South Africa.

The consolidated financial statements have been prepared on the historical cost basis as modified by the revaluation of investment property, available-for-sale investments and financial instruments at fair value through profit and loss. The following principal accounting policies are in accordance with IFRS and are used by the group. These policies have been consistently applied to all the years presented unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

The accounting policies detailed below have been consistently applied to the company financial statements detailed on pages 94 to 100.

Standards, amendments and interpretations adopted by the group

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2014 and have a material impact on the group:

Amendments to IAS 32 *Financial Instruments: Presentation* on offsetting financial assets and financial liabilities – This amendment clarifies that the right of set-off must not be contingent on a future event. It must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. This amendment did not have a significant impact on the group financial statements.

Amendments to IAS 36 *Impairment of Assets* on the recoverable amount disclosures for non-financial assets – This amendment removes certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

Amendments to IFRS 10 *Consolidated Financial Statements,* IFRS 12 and IAS 27 for investment entities – This amendment means that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an "investment entity" definition and which display particular characteristics. Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make.

IFRIC 21 *Levies* sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 *Provisions*. The interpretation addresses what the obligation event is that gives rise to pay a levy and when a liability should be recognised. The group is not currently subjected to significant levies so the impact on the group is not material.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

The following standards, amendments and interpretations to existing standards have been published but are not effective and the group has not early adopted them:

IFRS 9 *Financial Instruments* (2009) (effective for financial periods beginning on/after 1 January 2018) – IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

IFRS 9 *Financial Instruments* (2010) (effective for financial periods beginning on/after 1 January 2018) – IFRS 9 has been updated to include guidance on financial liabilities and derecognition of financial instruments. The accounting for and presentation of financial liabilities and for derecognising financial instruments has been relocated from IAS 39 without change, except for financial liabilities that are designated at fair value through profit or loss.

Amendments to IFRS 9 *Financial Instruments* (2011) (effective for financial periods beginning on/after 1 January 2018) – The amendment to IFRS 9 delays the effective date to annual periods beginning on or after 1 January 2018. The original effective date was for annual periods beginning on or after 1 January 2013. This amendment is a result of the IASB extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

1. ACCOUNTING POLICIES *continued*

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group *continued*

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions* (effective for financial periods beginning on/after 1 July 2014) – The IASB has issued an amendment to clarify the application of IAS 19 *Employee Benefits* (2011), referred to as IAS 19R, to plans that require employees or third parties to contribute towards the cost of benefits. The amendment does not affect the accounting for voluntary contributions. The 2011 revisions to IAS 19 distinguished between employee contributions related to service and those not linked to service. The current amendment further distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided.

IFRS 2 *Share-Based Payment* (effective for financial periods beginning on/after 1 July 2014) – The amendment clarifies the definition of a "vesting condition" and separately defines "performance condition" and "service condition". The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

IFRS 3 *Business Combinations* (effective for financial periods beginning on/after 1 July 2014) – The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32 *Financial Instruments: Presentation*. The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, are measured at fair value at each reporting date, with changes in fair value recognised in profit or loss. Consequential changes are also made to IFRS 9, IAS 37 and IAS 39. The amendment is effective for business combinations where the acquisition date is on or after 1 July 2014.

IFRS 8 *Operating Segments* (effective for financial periods beginning on/after 1 July 2014) – The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.

IFRS 13 *Fair Value Measurement* (effective for financial periods beginning on/after 1 July 2014) – When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.

IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (effective for financial periods beginning on/after 1 July 2014) – Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to the revalued amount. The split between gross carrying amount and accumulated depreciation is treated in one of the following ways:
- Either the gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or
- The accumulated depreciation is eliminated against the gross carrying amount of the asset.

IAS 24 *Related-Party Disclosures* (effective for financial periods beginning on/after 1 July 2014) – The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the management entity). The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* (effective for financial periods beginning on/after 1 July 2014) – The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.

IFRS 3 *Business Combinations* (effective for financial periods beginning on/after 1 July 2014) – The standard is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

IFRS 13 *Fair Value Measurement* (effective for financial periods beginning on/after 1 July 2014) – The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.

IAS 40 *Investment Property* (effective for financial periods beginning on/after 1 July 2014) – The standard is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

Amendment to IFRS 11 *Joint Arrangements* on acquisition of an interest in a joint operation (effective for financial periods beginning on/after 1 January 2016) – This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

IFRS 15 *Revenue from Contracts with Customers* (effective for financial periods beginning on/after 1 January 2017) – The US Financial Accounting Standards Board (FASB) and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of goods or services transfers to a customer.

Management is currently reviewing the impact of these standards on the group.

Holding company investments

Basil Read Holdings Limited's investment in subsidiaries is recognised at cost, net of any accumulated impairment loss.

Group accounting

Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is measured as the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Goodwill is not amortised but tested for impairment annually.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

1. ACCOUNTING POLICIES *continued*

Group accounting *continued*

Subsidiaries *continued*

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Associates

Associates are entities over which the group has significant influence but does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition equity movements are adjusted against the cost of the investment. Unrealised gains or losses on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset. When the group's share of losses in an associate equals or exceeds its interest in the associate, the group does not recognise further losses, unless the group has incurred obligations or made payments on behalf of the associates.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Joint arrangements

The group has applied IFRS 11 to all joint arrangements as of 1 January 2012. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Joint ventures

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

The group recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from its share of the output arising from the joint operation
- Its share of the revenue from the output by the joint operation
- Its expenses, including its share of any expenses incurred jointly.

Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The group's financial statements are presented in South African rand, which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transaction)
- Equity items are translated at the closing rate
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Other investments

The group classifies its investments in equity securities as available for sale or fair value through profit or loss. Management re-evaluates such designation on a regular basis. Investments are held for an indefinite period of time, which may be sold in response to needs for liquidity, and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the statement of financial position date, in which case they are included in current assets.

Purchases of investments are recognised at cost on the trade date, which is the date that the group commits to purchase the asset. Cost of purchase includes transaction costs. Investments are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of these investments are included in equity. The fair value of listed investments are based on quoted market prices. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

Property, plant and equipment

Property, plant and equipment (except for investment properties) are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Immovable properties are classified as either owner-occupied property or investment property and are accounted for accordingly.

Cost includes expenditure that is directly attributable to the acquisition of the item and includes transfers from equity of any gains or losses on qualifying cash flow hedges of currency purchases of property, plant and equipment. The cost of an item of property, plant and equipment further includes the initial estimate of the costs of its dismantlement, removal or restoration of the site on which it was located.

Depreciation is calculated to write off the assets to their residual values over their expected useful lives on the following basis:

- Owner-occupied buildings – straight-line basis over 20 years
- Major plant and equipment – straight-line basis over periods ranging from two to 15 years
- Other plant and equipment – straight-line basis over periods ranging from three to five years
- Furniture and fittings – straight-line basis over periods ranging from three to five years
- Freehold property is not depreciated.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

1. ACCOUNTING POLICIES *continued*

Property, plant and equipment *continued*

Residual values and useful lives are assessed annually and any effect of changes in residual values and useful lives are accounted for as a change in estimate, prospectively.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in operating profit.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Major renovations are depreciated over the remaining useful life of the related asset.

Borrowings

Borrowings are recognised initially as the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings as interest. Borrowing costs are recognised in the income statement as incurred.

Capitalisation of borrowing costs

Borrowing costs, incurred in respect of property developments or capital work in progress, that require a substantial period to prepare assets for their intended use, are capitalised up to the date that the development of the asset is ready for its intended use. Other borrowing costs are recognised in the income statement as incurred.

Investment properties

Investment properties are held to appreciate in capital value. Investment properties are treated as long-term investments and carried at market value determined annually by the directors based on current real estate prices for similar properties. Every three years an external independent valuer carries out an independent valuation. Investment properties are not subject to depreciation. Increases and decreases in their carrying amount are included in net profit or loss for the period.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary/associate/joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in investments accounted for using the equity method and is tested for impairment as part of the overall balance.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Contract-based intangibles

Contract-based intangibles represent construction contracts existing at date of acquisition and are recognised at fair value. Amortisation is calculated using the straight-line method to allocate the cost of the contract-based intangible over the period of the related contracts, which range between one and 10 years.

Leased assets

Finance leases

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased plant and equipment or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases is depreciated over the useful life of the asset unless ownership is not assured, in which case the item of plant and equipment is depreciated over the lease term.

Operating leases

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made by the lessee by way of penalty is recognised as an expense in the period in which termination takes place.

Impairment

Non-financial assets

Assets that have an indefinite useful life which are not subject to depreciation are tested for impairment, at least annually, on the same date and at the end of each reporting period when an indicator of impairment exists. Assets that are subject to depreciation are reviewed for impairment at the end of each reporting period whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When it is not possible to estimate the recoverable amount of an individual asset (the asset's value in use cannot be estimated to be close to its fair value less cost to sell and the asset does not generate cash inflows that are largely independent of those from other assets), the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Assets are considered to be impaired when the higher of the asset's fair value less cost to sell and its value in use is less than the carrying amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds the recoverable amount.

Where the recoverable amount is less than the carrying amount, the impairment is charged against profit or loss to reduce the carrying amount to the recoverable amount of the asset. The revised carrying amounts are depreciated over the remaining lives of such affected assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment previously recognised will be reversed when changes in circumstances, that have an impact on estimates, occur after the impairment was recognised. The reversal of an impairment will be limited to the lower of the newly calculated recoverable amount or the book value that would have existed if the impairment was not recognised. The reversal of an impairment is recognised in profit or loss.

Goodwill

Goodwill is tested for impairment annually, at least, and at the end of each reporting period when an indicator of impairment exists. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The recoverable amount of the cash-generating unit to which goodwill has been allocated is based on fair value less cost to sell or value in use. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss and may not be reversed.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

1. **ACCOUNTING POLICIES** *continued*

Impairment *continued*

Financial assets

(a) Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an investment's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost basis. Net realisable value is determined on the latest replacement cost for consumable goods.

Development land

Development land is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, development and borrowing costs during development. When development is completed, borrowing costs and other charges are expensed as incurred.

Long-term construction contracts and contract revenue recognition

Revenue and costs

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The group uses the "percentage of completion method" to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the statement of financial position date as a percentage of total estimated costs for each contract and physical completion. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The group presents as an asset (work in progress) the gross amount due from customers for contract work for all contracts in progress for which costs plus recognised profits (less recognised losses) exceeds progress billings. Work in progress, progress billings not yet paid by customers and retentions are included within contract debtors and retentions.

The group presents as a liability (advance payments received for contract work) the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Contract debtors

Contract debtors comprise progress billings certified to date less payments received. Retention debtors are also raised as part of debtors at the time. Contract debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of contract debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables.

Other revenue recognition

Other revenue represents amounts receivable for project management services, development fees and subsidies receivable for the development of low-cost housing. It also includes amounts receivable for the supply of construction-related goods and services.

Other revenue is measured at the fair value of the consideration received or receivable net of discounts, VAT and other sales-related taxes.

Other revenue is recognised when the risks and rewards of ownership are transferred and the amount can be reliably measured.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the group.

Dividends are recognised when the right to receive payment is established.

Current and deferred taxation

The tax expense for the period comprises current and deferred taxation. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is provided on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred taxation liabilities are recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition, other than in a business combination, of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of a deferred taxation asset is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the taxation rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred taxation assets and liabilities are offset when there is a legal enforceable right to offset and when the deferred taxation relates to the same fiscal authority.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

1. ACCOUNTING POLICIES *continued*

Financial assets

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading or those designated as fair value through profit or loss on initial recognition. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current. Derivatives are classified as held for trading unless they are designated as hedges.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and subsequently carried at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. Loans and receivables include contract and trade debtors, receivables and cash and cash equivalents in the statement of financial position.

Loans and receivables are initially recognised at fair value, plus transaction costs, and subsequently carried at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Available-for-sale financial assets are initially recognised at fair value, plus transaction costs, and subsequently carried at fair value. Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income.

Financial instruments

Financial instruments carried on the statement of financial position include cash and cash equivalents, investments, contract debtors, receivables, trade payables, leases and borrowings. The particular recognition methods are disclosed in the individual policy statements or notes to the financial statements.

Hedge accounting

For financial reporting purposes forward exchange contracts are designated as fair value hedges or cash flow hedges as appropriate and are designated at group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions.

When forward exchange contracts are entered into as fair value hedges, no hedge accounting is applied. All gains and losses on such contracts are recognised in the income statement.

Where a derivative instrument is designated as a cash flow hedge of an asset, liability or expected future transaction, the effective part of any gain or loss arising on the derivative instrument is classified as a hedging reserve in the statement of changes in equity until the underlying transaction occurs. The ineffective part of any gain or loss is immediately recognised in the income statement.

When the expected future transaction results in the recognition of an asset or liability, the associated gain or loss is transferred from the hedging reserve to the underlying asset or liability. Other cash flow hedge gains or losses are recognised in the income statement at the same time as the hedged transaction occurs.

Other derivative financial instruments are initially recorded at fair value on the date that the contract is entered into and are subsequently measured at their fair value with resulting gains or losses being accounted for in the income statement.

Cash and cash equivalents

Cash and cash equivalents are initially recorded at fair value and subsequently measured at amortised cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and bank balances, net of bank overdrafts.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the directors' best estimate of the expenditure required to settle that obligation at the statement of financial position date, and are discounted to present value where the effect is material.

Employee benefits

Pension obligations

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in income.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Leave pay

Accrual is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

1. ACCOUNTING POLICIES *continued*

Employee benefits *continued*

Share-based payments

Share options are granted to employees in terms of the scheme detailed in note 38. The net cost of share options, calculated as the difference between the fair value of such options at grant date and the price at which the options were granted, are expensed over their vesting periods. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest.

The fair value of options granted is determined by using the European binomial simulation model, taking into account the terms and conditions upon which the options were granted and any market vesting conditions.

At each statement of financial position date, the group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Options exercised are equity settled through a fresh issue of shares.

Dividends

Dividends are recorded in the group's financial statements in the period in which they are approved by the group's shareholders.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

Intersegment transfers

Segment revenue, segment expenses and segment results include transfers between business segments. Such transfers are accounted for based on commercial terms and conditions at market-related prices. These transfers are eliminated on consolidation.

Segment revenue and expenses

All segment revenue and expenses are directly attributable to the segments and are disclosed at the operating profit level.

Segment assets and liabilities

Segment assets include all operating assets and consist principally of property, plant and equipment, inventory, contract debtors and retentions, and receivables and prepayments.

Segment liabilities include all operating liabilities and consist principally of interest-bearing borrowings, trade and other payables and taxation.

2. FINANCIAL RISK MANAGEMENT

Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. From time to time, the group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by financial management under policies approved by the board of directors. This function identifies, evaluates and, in certain circumstances, hedges financial risks in close cooperation with the group's various operating divisions. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The group operates mainly in sub-Saharan Africa and on St Helena island, and is exposed to foreign exchange risk arising from various currency exposures, through foreign entities which conduct business in various currencies. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The group is subject to transaction and translation exposure due to fluctuations in foreign currency exchange rates.

Management requires that group companies and divisions manage their foreign exchange risk against their functional currency. Group companies and divisions are required to report potential foreign currency risk exposures to the centralised group treasury. The group treasury will assess the risk and the possible financial impact using various scenario planning techniques. To manage foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, group treasury may use forward contracts, transacted with various financial institutions. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The group treasury's risk management policy is to assess the anticipated cash flows of each contract individually and to hedge an appropriate percentage of these cash flows so as to match costs and revenues in each foreign currency.

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Foreign currency denominated construction contracts entered into may give rise to foreign exchange risk as the revenue base may be in a currency that is different to the cost base. The group's cost base is denominated primarily in South African rand. In instances where the revenue of foreign currency denominated construction contracts is in a currency other than the rand, an analysis of the costs associated with the contract is undertaken to assess whether the contract gives rise to foreign exchange risk. Forward exchange contracts may be entered into to manage any resulting risk, in particular to ensure that, as a minimum, any foreign exchange exposure relating to costs is adequately covered.

During the 2014 financial year, the group's exposure to foreign exchange risk arose primarily as a result of the following:

- The group's construction contract to construct the airport on St Helena island. In terms of the contract, the group receives revenue in four currencies: the South African rand, US dollar, British pound and euro. The revenue in foreign currency is received to cover forecast expenses in those currencies. To the extent that these expenses do not materialise or are higher than forecast, the group will be exposed to foreign exchange risk. The receipt of foreign currency also gives rise to cash and cash equivalents in those currencies.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

2. FINANCIAL RISK MANAGEMENT *continued*

Financial risk factors *continued*

(a) ***Market risk*** *continued*

(i) Foreign exchange risk continued

Sensitivity analysis

At 31 December 2014, if the currency had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-tax loss for the year would have been R6,0 million higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated cash and cash equivalents, contract debtors and trade and other payables.

At 31 December 2014, if the currency had weakened/strengthened by 10% against the British pound with all other variables held constant, post-tax loss for the year would have been R2,3 million higher/lower, mainly as a result of foreign exchange gains/losses on translation of British pound-denominated cash and cash equivalents, contract debtors, receivables and prepayments and trade and other payables.

At 31 December 2014, if the currency had weakened/strengthened by 10% against the euro with all other variables held constant, post-tax loss for the year would have been R0,4 million higher/lower, mainly as a result of foreign exchange gains/losses on translation of euro-denominated cash and cash equivalents, contract and trade debtors and trade and other payables.

In the prior year the group had the following foreign exchange exposures:
At 31 December 2013, if the currency had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been R0,1 million higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated cash and cash equivalents, contract debtors and trade and other payables.

At 31 December 2013, if the currency had weakened/strengthened by 10% against the British pound with all other variables held constant, post-tax profit for the year would have been R5,0 million higher/lower, mainly as a result of foreign exchange gains/losses on translation of British pound-denominated cash and cash equivalents, contract debtors, receivables and prepayments and trade and other payables.

At 31 December 2013, if the currency had weakened/strengthened by 10% against the euro with all other variables held constant, post-tax profit for the year would have been R2,4 million higher/lower, mainly as a result of foreign exchange gains/losses on translation of euro-denominated cash and cash equivalents, contract and trade debtors and trade and other payables.

(ii) Cash flow and fair value interest rate risk

As the group has no significant interest-bearing assets other than cash and cash equivalents, the group's income and operating cash flows are substantially independent of changes in market interest rates.

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk, which is partially offset by cash held at variable interest rates. Borrowings issued at fixed rates expose the group to fair value interest rate risk. The group maintains its borrowings at variable interest rates. During 2014 and 2013, the group's borrowings at variable rate were denominated in the functional currency.

At 31 December 2014, if interest rates on interest-bearing borrowings had been 100 basis points higher/lower with all other variables held constant, pre-tax loss for the year would have been R4,9 million lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

At 31 December 2013, if interest rates on interest-bearing borrowings had been 100 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been R4,3 million lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(iii) Price risk

The group is exposed to equity securities price risk because of investments held by the group and classified on the consolidated statement of financial position as available for sale and fair value through profit or loss financial assets. These investments were acquired as strategic investments and were not actively managed with reference only to equity securities price risk.

The group holds direct investments in the equity of other entities. These equities are publicly traded on the following stock exchanges:

- All Share Index as quoted by the Johannesburg Stock Exchange (JSE)
- AltX Index as quoted by the JSE
- Alternative Investment Market (AIM) as quoted by the London Stock Exchange (LSE).

The group is exposed to materials price risk because of the fluctuation in the price of various raw materials, including diesel, steel, cement and rubber. More than 80% of the contracts that the group enters into provide for escalation in the prices of raw materials. In these cases, the price risk is borne by the client. In the case of fixed price contracts, the group is exposed to price risk. To minimise this risk, price curves are determined for each type of raw material and the expected movement in the cost of raw materials is built into the cost of the contract.

To minimise the exposure to price risk for the group as well as all clients, the group may enter into supplier agreements for the supply of raw materials at favourable rates.

The group may, from time to time, use derivative financial instruments to hedge certain of its materials price risk exposures. These instruments would be evaluated in accordance with limits set by management.

(b) Credit risk

Credit risk is managed on a group basis, except for credit risk relating to contract and trade debtors balances. Each local entity is responsible for managing and analysing the credit risk for each of their potential new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and credit exposures to customers, including contract debtors and outstanding receivables.

For banks and financial institutions, only those that have a minimum short-term credit rating of "F2" as rated by Fitch Ratings, are accepted. In certain instances, country regulations may require locally registered entities to operate banking accounts with local banking institutions, which may not meet the minimum rating requirement.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the risk committee assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. In cases where the risk committee deems the risk level to be unacceptable, payment guarantees issued by the customer are insisted upon.

The group establishes a provision for impairment based on factors surrounding the credit risk of specific customers, historical trends and other information. In determining the recoverability of a contract and trade debtor, the group considers any change in the credit quality of the trade receivable from the date the credit was granted up to the reporting date. Management does not expect a loss from fully performing financial assets.

Financial instruments, which potentially subject the group to concentrations of credit risk, are primarily cash and cash equivalents as well as trade receivables. As regards cash and cash equivalents, the group deals primarily with major financial institutions in South Africa and over border.

The group's customers are concentrated primarily in South Africa, but also exist in the rest of Africa. The majority of the group's customers are concentrated in the public and mining sectors.

Refer to note 23 for further information on the group's credit risk profile.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

2. FINANCIAL RISK MANAGEMENT *continued*

Financial risk factors *continued*

(c) Liquidity risk

Cash flow forecasting is performed by financial management. The group treasury monitors rolling forecasts of the group's liquidity requirements to ensure that it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable, external regulatory or legal requirements. A 12-month liquidity analysis is presented to the board of directors on a bi-annual basis.

Surplus cash held over and above balances required for working capital management is invested in interest-bearing current accounts, money market deposits and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above mentioned forecasts.

The major sources of funds for the group are as follows:

- Undrawn facilities
- Available cash.

As mentioned in the directors' report, even though current liabilities exceeded current assets at the statement of financial position date, the group's cash flow forecast for 2015 provides a positive indicator that the group will continue operating as a going concern. Further details can be found in the directors' report.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest repayments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	0 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	>5 years R'000	Total R'000
At 31 December 2014					
Interest-bearing borrowings	**51 746**	**242 538**	**231 512**	**–**	**525 796**
Trade and other payables	**1 461 174**	**821 237**	**–**	**–**	**2 282 411**
	1 512 920	**1 063 775**	**231 512**	**–**	**2 808 207**
At 31 December 2013					
Interest-bearing borrowings	58 112	129 787	270 903	–	458 802
Trade and other payables	1 930 520	207 756	–	–	2 138 276
	1 988 632	337 543	270 903	–	2 597 078

The table below analyses the group's derivative financial instruments which will be settled on a gross basis into the relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	0 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	>5 years R'000	Total R'000
At 31 December 2014					
Forward foreign exchange contracts	**–**	**–**	**–**	**–**	**–**
At 31 December 2013					
Forward foreign exchange contracts	–	73 815	–	–	73 815

3. CAPITAL RISK MANAGEMENT

The group's objectives, when managing capital, are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group considers total equity and interest-bearing borrowings to comprise capital.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current interest-bearing borrowings" as shown in the consolidated statement of financial position) less cash and cash equivalents. Total equity is calculated as "capital and reserves" as shown in the consolidated statement of financial position plus net debt.

During 2014, the group's strategy, which was unchanged from 2013, was to maintain the gearing ratio below 50%, the long-term credit rating at BBB+ and the short-term credit rating at A2. Both the long-term and short-term credit ratings are reviewed annually in June and were maintained throughout the period. The gearing ratios at 31 December 2014 and 2013 were as follows:

	2014 R'000	2013 R'000
Total borrowings (note 30)	489 492	426 400
Less: cash and cash equivalents (note 26)	(820 579)	(1 202 484)
Net cash	(331 087)	(776 084)
Total equity	1 133 544	1 909 465
Total capital	802 457	1 133 381
Gearing ratio	(41,3%)	(68,5%)

The group further monitors the capital ratio on the basis of the debt:equity ratio, and manages interest-bearing liabilities with reference to the assets they are used to finance. The debt:equity ratio is calculated as total long-term debt divided by total equity. Total equity is calculated as "capital and reserves" as shown in the consolidated statement of financial position.

	2014 R'000	2013 R'000
Total long-term debt	215 898	263 086
Total equity	1 133 544	1 909 465
Debt:equity ratio	19,0%	13,8%

The group considers a debt:equity ratio of less than 100% to be acceptable, which is unchanged from 2013. This is reviewed annually after considering market conditions and the growth goals of the group.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

3. CAPITAL RISK MANAGEMENT *continued*

The ratio of interest-bearing debt to the net book value of property, plant and equipment and development land is calculated as follows:

	2014 R'000	2013 R'000
Total interest-bearing borrowings (note 30)	489 492	426 400
Total assets financed	1 348 270	1 501 267
Property, plant and equipment (note 15)	1 080 248	1 138 147
Development land (note 22)	268 022	363 120
Ratio of interest-bearing debt to assets financed	36,3%	28,4%

The group considers a ratio of 80% or less to be acceptable, which is unchanged from 2013. This is reviewed annually after considering market conditions and the growth goals of the group.

The only loan covenant in place is in the group's subsidiaries in Namibia. This covenant requires the subsidiaries to ensure that its interest-bearing debt to shareholders funds on a consolidated basis, expressed as a percentage of shareholders' funds, is not more than 100%. For the purposes of the covenant, interest-bearing debt is defined as all debts of an interest-bearing nature, including contingent liabilities, less cash and cash equivalents, excluding amounts received as cash advance payments on contracts. Shareholders' funds means the sum of issued share capital, share premium, reserves, excluding asset revaluation reserves, retained income less accumulated losses plus any ceded or subordinated shareholders' loans less any amounts attributable to goodwill or any other intangible assets. The loan covenant was met at 31 December 2014.

4. FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs)

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2014.

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial assets				
Available-for-sale financial assets				
– equity instruments (note 19)	477	–	–	477
Financial assets at fair value through profit or loss				
– unlisted investments (note 20)	–	–	50 812	50 812
Investment property (note 16)	–	–	5 826	5 826
Total financial assets	477	–	56 638	57 115
Financial liabilities				
Derivative financial instruments (note 25)	–	(223)	–	(223)

4. FAIR VALUE ESTIMATION *continued*

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2013:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial assets				
Available-for-sale financial assets – equity instruments (note 19)	572	–	–	572
Financial assets at fair value through profit or loss – unlisted investments (note 20)	–	–	50 812	50 812
Derivative financial instruments (note 25)	–	2 577	–	2 577
Investment property	–	–	5 730	5 730
Total financial assets	572	2 577	56 542	59 691
Financial liabilities				
Derivative financial instruments (note 25)	–	(1 395)	–	(1 395)

There were no transfers between levels 1 and 2 during the year.

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily LSE and JSE-listed equity investments classified as available for sale.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- The fair value of forward exchange contracts is determined using forward exchange rates at the statement of financial position date
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments
- The carrying value less impairment provision of contract debtors, other receivables and trade payables are assumed to approximate their fair values due to the short-term nature of these balances. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar instruments.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

4. FAIR VALUE ESTIMATION *continued*

(c) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 31 December 2014:

	Unlisted investments classified as available for sale R'000	Unlisted investments classified as at fair value through profit or loss R'000	Investment property R'000	Total R'000
Opening balance	–	50 812	5 730	56 542
Foreign exchange differences	–	–	96	96
Closing balance	–	50 812	5 826	56 638
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period, under "Other gains/losses"	–	–		–
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	–	–		–

The replacement cost method of valuation was used to determine the open market value of the investment property on which the fair value is based. The fair value of the investment classified as at fair value through profit or loss is based on discounted cash flows expected over the life of the underlying project.

The following table presents the changes in level 3 instruments for the year ended 31 December 2013:

	Unlisted investments classified as available for sale R'000	Unlisted investments classified as at fair value through profit or loss R'000	Investment property R'000	Total R'000
Opening balance	6	50 812	–	50 818
Disposal of unlisted investment	(6)	–	–	(6)
Transferred from property, plant and equipment	–	–	2 534	2 534
Gains or losses recognised in profit or loss	–	–	2 817	2 817
Foreign exchange differences	–	–	379	379
Closing balance	–	50 812	5 730	56 542
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period, under "Other gains/losses"	–	–	2 817	2 817
Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period	–	–	2 817	2 817

Offsetting financial assets and financial liabilities

At the reporting date, the group did not have any financial assets or liabilities that are subject to offsetting, enforceable master netting arrangements or similar agreements.

The group has, however, entered into master netting agreements in terms of the International Swap and Derivatives Association Inc (ISDA) with various financial institutions.

For financial assets and liabilities subject to enforceable master netting arrangements or similar agreements, each agreement between the group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for impairment of contract debtors

A provision for impairment of contract debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the contract debtor is impaired. The amount of the provision is the difference between the contract debtor's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Refer to note 23 for the carrying value.

Accounting for construction contracts

The group makes estimates and assumptions concerning the future, particularly as regards construction contract profit taking, provisions, arbitrations and claims. The resulting accounting estimates can, by definition, only approximate the actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Refer to note 31 for details of the group's contract provisions.

The group uses the percentage of completion method to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the statement of financial position date as a percentage of total estimated costs for each contract and physical completion. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

Property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis over its useful life to residual value. Residual values and useful lives are based on management's best estimate and actual future outcomes may differ from these estimates. Refer to note 15 for details of the group's property, plant and equipment.

The group annually tests whether property, plant and equipment has suffered any impairment. When performing impairment testing, the recoverable amount is determined for the individual asset. If the asset does not generate cash flows that are largely independent from other assets or groups of assets, then the recoverable amounts of cash-generating units that those assets belong to are determined based on discounted future cash flows.

Consolidation of entities

The group controls and consolidates an entity where the group has power over the entity's related activities; is exposed to variable returns from its involvement with the entity; and has the ability to affect the returns through its power over the entity. Determining whether the group controls another entity requires judgement by identifying an entity's relevant activities, being those activities that significantly affect the entity's returns, and whether the group controls those relevant entities by considering the rights attached to both current and potential voting rights, de facto control and other contractual rights including whether such rights are substantive. Refer to note 11 for a list of the group's subsidiaries that are controlled by the group.

Investment property

Investment property represents a residential property currently being rented to a third party in Botswana. The investment property's fair value is assessed bi-annually by an independent valuator. Refer to note 16 for details of the group's investment property.

Income taxes

The group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *continued*

Deferred taxation

A deferred tax asset is recognised with the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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

- Whether the entity has sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses can be utilised
- Whether it is probable that the entity will have taxable profits before the unused tax losses expire
- Whether the unused tax losses result from identifiable causes which are unlikely to recur.

To the extent that it is not probable that taxable profit will be available against which the unused tax losses or unused tax credits can be utilised, the deferred tax asset is not recognised. To determine the probability that taxable profit will be available against which the unused tax losses can be utilised, the group has reviewed its forecasts of secured work for the foreseeable future and compared that to its total tax losses.

Refer to note 18 for details of the group's deferred tax assets.

Defined benefit plan

The defined benefit obligation calculation is subject to estimates of future contributions, mortality tables and discount rates. These estimates could change materially over time. The principal actuarial assumptions used for valuation purposes of the group's defined benefit plan can be found in note 38(b) of this report.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves an exercise of significant judgement and estimates of the outcome of future events. Refer to note 36 for details of the group's contingent liabilities.

Goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on discounted future cash flows. These calculations require the use of estimates.

The following elements are used in the calculation of a cash-generating unit's value in use:

- An estimate of the future cash flows that the entity expects to derive from the cash-generating unit
- Expectations about possible variations in the amount or timing of those future cash flows
- The time value of money, represented by the current market risk-free rate of interest
- The price for bearing the uncertainty inherent in the cash-generating unit
- Other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the group expects to derive from the cash-generating unit.

Purchase price allocation

The purchase price allocation of an acquired company is subject to the correct determination of the fair value of the assets given up, shares issued or liabilities undertaken at the date of exchange. Any excess of the cost of the acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of subsidiaries at the date of acquisition is recorded as goodwill. Details of business combinations during the year are found in note 41.

Share-based payment

The fair value of employee share options is determined using the European binomial simulation model. The significant inputs into this model are discussed in note 38(e).

6. FINANCIAL INSTRUMENTS

(a) Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

31 December 2014	Loans and receivables R'000	Available for sale R'000	Held at fair value through profit or loss R'000	Total R'000
Assets as per statement of financial position				
Loans to jointly controlled entities	71 913	–	–	71 913
Loans to associates	35 355	–	–	35 355
Available-for-sale financial assets	–	477	–	477
Financial assets at fair value through profit or loss	–	–	50 812	50 812
Contract and trade debtors	1 169 111	–	–	1 169 111
Receivables	64 669	–	–	64 669
Cash and cash equivalents	910 815	–	–	910 815
Total	2 251 863	477	50 812	2 303 152

Liabilities as per statement of financial position	At amortised cost R'000	At fair value R'000	Total R'000
Interest-bearing borrowings	489 492	–	489 492
Trade and other payables	2 282 411	–	2 282 411
Derivative financial instruments	–	223	223
Bank overdraft	90 236	–	90 236
Total	2 862 139	223	2 862 362

31 December 2013	Loans and receivables R'000	Available for sale R'000	Held at fair value through profit or loss R'000	Total R'000
Assets as per statement of financial position				
Loans to joint ventures	61 029	–	–	61 029
Available-for-sale financial assets	–	572	–	572
Financial assets at fair value through profit or loss	–	–	50 812	50 812
Contract and trade debtors	974 237	–	–	974 237
Receivables	67 201	–	–	67 201
Derivative financial instruments	–	–	2 577	2 577
Cash and cash equivalents	1 258 125	–	–	1 258 125
Total	2 360 592	572	53 389	2 414 553

Liabilities as per statement of financial position	At amortised cost R'000	At fair value R'000	Total R'000
Interest-bearing borrowings	426 400	–	426 400
Trade and other payables	2 138 276	–	2 138 276
Loans to associates	5 938	–	5 938
Derivative financial instruments	–	1 395	1 395
Bank overdraft	55 641	–	55 641
Total	2 626 255	1 395	2 627 650

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS *continued*

(b) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired have been grouped into the following categories: government, multinational mining companies, listed companies, unlisted companies and individuals.

	Loans to jointly controlled entities R'000	Available-for-sale financial assets R'000	Financial assets at fair value through profit or loss R'000	Contract and trade debtors R'000	Receivables R'000	Cash and cash equivalents R'000	Total R'000
31 December 2014							
Government	–	–	–	579 998	30 489	–	610 487
Multinational mining companies	–	–	–	22 474	–	–	22 474
Listed companies	–	477	–	161 665	–	910 815	1 072 957
Unlisted companies	71 913	–	50 812	307 587	34 133	–	464 445
Individuals	–	–	–	43	47	–	90
	71 913	477	50 812	1 071 767	64 669	910 815	2 170 453
31 December 2013							
Government	–	–	–	554 489	15 308	–	569 797
Multinational mining companies	–	–	–	85 977	–	–	85 977
Listed companies	–	572	–	135 508	–	1 257 572	1 393 652
Unlisted companies	61 029	–	50 812	146 561	51 477	553	310 432
Individuals	–	–	–	6 285	416	–	6 701
	61 029	572	50 812	928 820	67 201	1 258 125	2 366 559

	2014 R'000	2013 R'000
7. OTHER INCOME		
Dividend income	4	506
8. OTHER (LOSSES)/GAINS – NET		
Fair value gains/(losses) on financial instruments		
– Interest rate swaps	1 185	1 307
– Forward exchange contracts	(2 577)	2 577
Fair value gains on revaluation of investment property	–	2 817
Loss on sale of subsidiaries	(1 818)	–
Loss on sale of associates	(9 846)	–
	(13 056)	6 701

8. OTHER (LOSSES)/GAINS – NET *continued*

The fair value gain on interest rate swaps relates to an interest rate swap entered into by one of the group's subsidiaries in Botswana. Refer to note 25 for further details.

The fair value gain on forward exchange contracts in the prior year relates to forward exchange contracts entered into for the purchase of US dollars to fund the purchase of equipment required for a renewable energy project. Refer to note 25 for further details. This forward exchange contact matured during the 2014 financial year.

The fair value gain on revaluation of investment property in the prior year relates to the group's investment in an investment property owned by one of the group's subsidiaries in Botswana. Refer to note 16 for further details.

	2014 R'000	2013 R'000
9. OPERATING PROFIT		
The following items have been (charged)/credited in arriving at operating profit:		
Raw materials	(2 428 352)	(2 199 000)
Subcontractors	(1 692 373)	(1 462 337)
Staff costs (refer note 38)	(1 378 723)	(1 251 821)
Depreciation of property, plant and equipment		
Owned assets	(221 374)	(212 916)
Plant and equipment	(213 392)	(204 250)
Furniture and fittings	(7 982)	(8 661)
Land and buildings	–	(5)
Leased assets		
Plant and equipment	(121 030)	(111 376)
Impairment of goodwill	(222 212)	–
Profit on sale of property, plant and equipment	897	1 807
Amortisation of intangible assets	(860)	(860)
Auditors' remuneration	(11 042)	(10 776)
For services as auditors	(9 305)	(8 941)
For other services	(1 737)	(1 835)
Operating leases	(18 097)	(40 104)
Office equipment	(1 818)	(226)
Office space – contractual	(16 279)	(39 720)
Other services	–	(158)
Competition Commission penalty	–	(19 936)
Cost recognised	–	(94 936)
Accrual	–	75 000
Write down of development land	(80 565)	(22 572)

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

	2014 R'000	2013 R'000
10. NET FINANCE (COSTS)/INCOME		
Bank	25 240	36 061
Customers and other	4 365	8 974
Interest received	29 605	45 035
Foreign exchange gains	20 905	54 654
Foreign exchange losses	(21 593)	(21 623)
Foreign exchange	(688)	33 031
Bank loans and other borrowings	(17 542)	(14 488)
Finance leases	(21 446)	(33 843)
Domestic medium-term note programme	(16 131)	(17 065)
Interest paid	(55 119)	(65 396)
Net finance (costs)/income	(26 202)	12 670
11. INVESTMENTS		
The amounts recognised in the statement of financial position are as follows:		
Associates		
– Investments in associates	34 566	119 642
– Loans from/(to) associates	35 355	(5 938)
Joint ventures		
– Investments in joint ventures	(10 034)	5 924
– Loans to joint ventures	71 913	61 029
At 31 December 2014	131 800	180 657
The amounts recognised in the income statement are as follows:		
Associates	55 497	45 622
Joint ventures	(15 958)	(456)
At 31 December 2014	39 539	45 166

(a) Investment in associates

Set out below are the associates of the group as at 31 December 2014, which, in the opinion of the directors, are material to the group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also the principal place of business.

Nature of investment in associates 2014:

Name of entity	Place of business/country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Majwe Mining Joint Venture (Pty) Ltd	Botswana	28	Note 1	Equity
Rubicept (Pty) Ltd	South Africa	23	Note 2	Equity

Note 1: Majwe Mining Joint Venture (Pty) Ltd's primary business is opencast mining. Majwe Mining Joint Venture is a strategic partnership with Leighton Holdings Limited, a company incorporated in Australia, and Bothakga Burrow Botswana (Pty) Ltd. This partnership provides the group with the ability to execute large opencast mining projects in Botswana.

Note 2: Rubicept (Pty) Ltd's primary business is renewable energy projects. Rubicept is a strategic partnership that provides the group with access to expertise in the renewable energy market in South Africa.

Majwe Mining Joint Venture (Pty) Ltd and Rubicept (Pty) Ltd are private companies and there are no quoted market prices available for their shares.

During the year, a 23% stake in Metrowind (Pty) Ltd was disposed of and a 23% stake in Rubicept (Pty) Ltd subsequently acquired, owner of the Metrowind Van Stadens wind farm in Port Elizabeth.

11. INVESTMENTS *continued*

(a) Investment in associates *continued*

Set out below are the associates of the group as at 31 December 2014, which, in the opinion of the directors, are immaterial to the group. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also the principal place of business.

Nature of investment in associates 2014:

Name of entity	Place of business/country of incorporation	% of ownership interest	Primary business	Measurement method
3Energy Renewables (Pty) Ltd	South Africa	25	Renewable energy	Equity
Binga Constuçoes Mozambique Limitada	Mozambique	49	Construction	Equity
Mmila Projects (Pty) Ltd	South Africa	49	Bitumen supply	Equity
N17 Toll Operators (Pty) Ltd	South Africa	25	Toll concessions	Equity
Protea Parkway Concession (Pty) Ltd	South Africa	25	Toll concessions	Equity
SBB Mozambique Limitada	Mozambique	30	Construction	Equity

There are no contingent liabilities relating to the group's interest in the associates.

Set out below is the summarised financial information for Majwe Mining Joint Venture (Pty) Ltd and Rubicept (Pty) Ltd, which are accounted for using the equity method.

As at 31 December 2014

Summarised statement of financial position

	BR-Tsima Construction (Pty) Ltd R'000	Majwe Mining Joint Venture (Pty) Ltd R'000	Metrowind (Pty) Ltd R'000	Rubicept (Pty) Ltd R'000	Other associates R'000	Total R'000
Current						
Cash and cash equivalents	–	71 192	–	44 842	1 546	117 580
Other current assets (excluding cash)	–	599 137	–	26 516	1 485	627 138
Total current assets	–	670 329	–	71 358	3 031	744 718
Financial liabilities (excluding trade payables)	–	(622 540)	–	–	–	(622 540)
Other current liabilities (including trade payables)	–	(170 818)	–	(11 455)	(1 183)	(183 456)
Total current liabilities	–	(793 358)	–	(11 455)	(1 183)	(805 996)
Non-current						
Assets	–	242 122	–	554 141	832	797 095
Financial liabilities	–	–	–	(609 947)	(2 163)	(612 110)
Other liabilities	–	–	–	–	–	–
Total non-current liabilities	–	–	–	(609 947)	(2 163)	(612 110)
Net assets	–	119 093	–	4 097	517	123 707

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

11. INVESTMENTS *continued*

(a) Investment in associates *continued*

Summarised statement of comprehensive income

	BR-Tsima Construction (Pty) Ltd R'000	Majwe Mining Joint Venture (Pty) Ltd R'000	Metrowind (Pty) Ltd R'000	Rubicept (Pty) Ltd R'000	Other associates R'000	Total R'000
Revenue	83 082	1 701 398	–	88 407	5 664	1 878 551
Costs	(82 837)	(1 469 142)	–	(37 792)	(3 484)	(1 593 255)
Interest income/(expense)	–	9 093	–	(46 518)	38	(37 387)
Profit/(loss) from continuing operations	245	241 349	–	4 097	2 218	247 909
Income tax expense	–	(55 302)	–	–	–	(55 302)
Post-tax profit from continuing operations	245	186 047	–	4 097	2 218	192 607
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	245	186 047	–	4 097	2 218	192 607
Dividends received from associate	–	487 189	–	–	–	487 189

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amounts of its interest in associates:

	BR-Tsima Construction (Pty) Ltd R'000	Majwe Mining Joint Venture (Pty) Ltd R'000	Metrowind (Pty) Ltd R'000	Rubicept (Pty) Ltd R'000	Other associates R'000	Total R'000
Opening net assets at 1 January 2014	(3 732)	393 271	3 091	–	(4 647)	387 983
Profit/(loss) for the period	245	186 047	–	4 097	2 218	192 607
Other comprehensive income	–	–	–	–	–	–
Dividends received	–	(487 189)	–	–	–	(487 189)
Foreign exchange differences	–	26 964	–	–	–	26 964
Dilution of associates	–	–	–	–	(497)	(497)
Disposal of associates	3 487	–	(3 091)	–	3 443	3 839
Closing net assets at 31 December 2014	–	119 093	–	4 097	517	123 707
Interest in associates (%)	n/a	28	n/a	23	various	
Carrying value	–	33 346	–	942	278	34 566
Goodwill	–	–	–	–	–	–
Total carrying value	–	33 346	–	942	278	34 566

11. INVESTMENTS *continued*

(a) Investment in associates *continued*

As at 31 December 2013

Summarised statement of financial position

	BR-Tsima Construction (Pty) Ltd R'000	Majwe Mining Joint Venture (Pty) Ltd R'000	Metrowind (Pty) Ltd R'000	Rubicept (Pty) Ltd R'000	Other associates R'000	Total R'000
Current						
Cash and cash equivalents	1 456	441 987	9	–	549	444 001
Other current assets (excluding cash)	11 416	383 430	1 886	–	1 156	397 888
Total current assets	12 872	825 417	1 895	–	1 705	841 889
Financial liabilities (excluding trade payables)	(6 823)	–	–	–	(2 105)	(8 928)
Other current liabilities (including trade payables)	(10 005)	(718 324)	(4)	–	(6 228)	(734 561)
Total current liabilities	(16 828)	(718 324)	(4)	–	(8 333)	(743 489)
Non-current						
Assets	1 349	286 178	1 200	–	1 981	290 708
Financial liabilities	(1 125)	–	–	–	–	(1 125)
Other liabilities	–	–	–	–	–	–
Total non-current liabilities	(1 125)	–	–	–	–	(1 125)
Net assets	(3 732)	393 271	3 091	–	(4 647)	387 983

Summarised statement of comprehensive income

	BR-Tsima Construction (Pty) Ltd R'000	Majwe Mining Joint Venture (Pty) Ltd R'000	Metrowind (Pty) Ltd R'000	Rubicept (Pty) Ltd R'000	Other associates R'000	Total R'000
Revenue	65 325	1 184 388	20 200	–	2 402	1 272 315
Costs	(68 104)	(982 068)	(2 809)	–	(19 534)	(1 072 515)
Interest income/(expense)	42	8 413	–	–	19	8 474
Profit/(loss) from continuing operations	(2 737)	210 733	17 391	–	(17 113)	208 274
Income tax expense	750	(45 933)	–	–	80	(45 103)
Post-tax profit from continuing operations	(1 987)	164 800	17 391	–	(17 033)	163 171
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	(1 987)	164 800	17 391	–	(17 033)	163 171
Dividends received from associate	–	–	–	–	–	–

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

11. INVESTMENTS *continued*

(a) Investment in associates *continued*

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amounts of its interest in associates:

	BR-Tsima Construction (Pty) Ltd R'000	Majwe Mining Joint Venture (Pty) Ltd R'000	Metrowind (Pty) Ltd R'000	Rubicept (Pty) Ltd R'000	Other associates R'000	Total R'000
Opening net assets at 1 January 2013	(1 745)	201 018	(14 300)	–	12 386	197 359
Profit/(loss) for the period	(1 987)	164 800	17 391	–	(17 033)	163 171
Other comprehensive income	–	–	–	–	–	–
Foreign exchange differences	–	27 453	–	–	–	27 453
Closing net assets at 31 December 2013	(3 732)	393 271	3 091	–	(4 647)	387 983
Interest in associates (%)	20	28	23	n/a	various	
Carrying value	(746)	110 116	711	–	(1 189)	108 892
Goodwill	–	–	8 270	–	2 480	10 750
Total carrying value	(746)	110 116	8 981	–	1 291	119 642

The information above reflects the amounts presented in the financial statements of the associates adjusted for differences in accounting policies between the group and the associates.

Loans to/(from) associates

	2014 R'000	2013 R'000
3Energy Renewables	771	610
Beaufort West Energy Holding (Pty) Ltd	–	51
BR-Tsima Construction (Pty) Ltd	–	8 360
Majwe Mining Joint Venture (Pty) Ltd	–	(49 631)
Metrowind (Pty) Ltd	–	34 477
Mmila Projects (Pty) Ltd	107	195
Rubicept (Pty) Ltd	34 477	–
	35 355	(5 938)

11. INVESTMENTS *continued*

(b) Investments in incorporated joint ventures

Set out below are the incorporated joint ventures of the group as at 31 December 2014, which, in the opinion of the directors, are material to the group. The joint ventures as listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also the principal place of business.

Nature of investment in joint ventures 2014:

Name of entity	Place of business/country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Savanna City Developments (Pty) Ltd	South Africa	50	Note 1	Equity
Thunderstruck Investments 136 (Pty) Ltd	South Africa	50	Note 2	Equity

Note 1: Savanna City Developments (Pty) Ltd's primary business is the development of mixed-use integrated property developments. Savanna City Developments is a strategic partnership with the Housing Impact Fund of South Africa (HIFSA), providing access to funding for the development of large-scale property developments.

Note 2: Thunderstruck Investments 136 (Pty) Ltd's primary business is property investment. Thunderstruck Investments 136 is the owner of the Basil Read head office campus in Boksburg.

Savanna City Developments (Pty) Ltd and Thunderstruck Investments 136 (Pty) Ltd are private companies and there are no quoted market prices available for their shares.

Set out below are the incorporated joint ventures of the group as at 31 December 2014, which, in the opinion of the directors, are immaterial to the group. The joint ventures as listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also the principal place of business.

Nature of investment in joint ventures 2014:

Name of entity	Place of business/country of incorporation	% of ownership interest	Primary business	Measurement method
Engala (Pty) Ltd (previously Siascan (Pty) Ltd)	South Africa	50	Renewable energy	Equity
Vhumbanani Projects (Pty) Ltd	South Africa	50	Plant design and control engineering	Equity

There are no contingent liabilities relating to the group's interest in the joint ventures.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

11. INVESTMENTS *continued*

(b) Investments in incorporated joint ventures *continued*

Set out below is the summarised financial information for Savanna City Developments (Pty) Ltd and Thunderstruck Investments 136 (Pty) Ltd, which are accounted for using the equity method.

As at 31 December 2014

Summarised statement of financial position

	Savanna City Developments (Pty) Ltd R'000	Thunderstruck Investments 136 (Pty) Ltd R'000	Other joint ventures R'000	Total R'000
Current				
Cash and cash equivalents	837	2 786	35 190	38 813
Other current assets (excluding cash)	433 323	43 218	49 784	526 325
Total current assets	434 160	46 004	84 974	565 138
Financial liabilities (excluding trade payables)	(303 600)	–	–	(303 600)
Other current liabilities (including trade payables)	(130 733)	(130 410)	(85 555)	(346 698)
Total current liabilities	(434 333)	(130 410)	(85 555)	(650 298)
Non-current				
Assets	174	257 728	23	257 925
Financial liabilities	–	(192 834)	–	(192 834)
Other liabilities	–	–	–	–
Total non-current liabilities	–	(192 834)	–	(192 834)
Net assets	1	(19 512)	(558)	(20 069)

Summarised statement of comprehensive income

	Savanna City Developments (Pty) Ltd R'000	Thunderstruck Investments 136 (Pty) Ltd R'000	Other joint ventures R'000	Total R'000
Revenue	–	9 811	347 305	357 116
Depreciation and amortisation	–	(2 752)	–	(2 752)
Other costs	–	(16 409)	(359 300)	(375 709)
Interest income/(expense)	–	(15 820)	720	(15 100)
Profit/(loss) from continuing operations	–	(25 170)	(11 275)	(36 445)
Income tax expense	–	8 340	(3 811)	4 529
Post-tax profit from continuing operations	–	(16 830)	(15 086)	(31 916)
Other comprehensive income	–	–	–	–
Total comprehensive income	–	(16 830)	(15 086)	(31 916)
Dividends received from joint ventures	–	–	–	–

11. INVESTMENTS *continued*

(b) Investments in incorporated joint ventures *continued*

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amounts of its interest in joint ventures:

	Savanna City Developments (Pty) Ltd R'000	Thunderstruck Investments 136 (Pty) Ltd R'000	Other joint ventures R'000	Total R'000
Opening net assets at 1 January 2014	1	(2 682)	14 528	11 847
Profit/(loss) for the period	–	(16 830)	(15 086)	(31 916)
Other comprehensive income	–	–	–	–
Foreign exchange differences	–	–	–	–
Closing net assets at 31 December 2014	1	(19 512)	(558)	(20 069)
Interest in associates (%)	50	50	50	
Carrying value	1	(9 756)	(279)	(10 034)
Goodwill	–	–	–	–
Total carrying value	1	(9 756)	(279)	(10 034)

As at 31 December 2013

Summarised statement of financial position

	Savanna City Developments (Pty) Ltd R'000	Thunderstruck Investments 136 (Pty) Ltd R'000	Other joint ventures R'000	Total R'000
Current				
Cash and cash equivalents	129	2 509	45 297	47 935
Other current assets (excluding cash)	190 877	97 112	49 119	337 108
Total current assets	191 006	99 621	94 416	385 043
Financial liabilities (excluding trade payables)	(169 093)	(50 569)	–	(219 662)
Other current liabilities (including trade payables)	(22 043)	(60 844)	(79 888)	(162 775)
Total current liabilities	(191 136)	(111 413)	(79 888)	(382 437)
Non-current				
Assets	131	191 192	–	191 323
Financial liabilities	–	(173 649)	–	(173 649)
Other liabilities	–	(8 433)	–	(8 433)
Total non-current liabilities	–	(182 082)	–	(182 082)
Net assets	1	(2 682)	14 528	11 847

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

11. INVESTMENTS *continued*

(b) Investments in incorporated joint ventures *continued*

Summarised statement of comprehensive income

	Savanna City Developments (Pty) Ltd R'000	Thunderstruck Investments 136 (Pty) Ltd R'000	Other joint ventures R'000	Total R'000
Revenue	–	7 788	89 180	96 968
Costs	–	(5 214)	(83 691)	(88 905)
Interest income/(expense)	–	(9 946)	618	(9 328)
Profit/(loss) from continuing operations	–	(7 372)	6 107	(1 265)
Income tax expense	–	2 064	(1 710)	354
Post-tax profit from continuing operations	–	(5 308)	4 397	(911)
Other comprehensive income	–	–	–	–
Total comprehensive income	–	(5 308)	4 397	(911)
Dividends received from joint ventures	–	–	–	–

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amounts of its interest in joint ventures:

	Savanna City Developments (Pty) Ltd R'000	Thunderstruck Investments 136 (Pty) Ltd R'000	Other joint ventures R'000	Total R'000
Opening net assets at 1 January 2013	1	2 626	(3 539)	(912)
Acquisition of joint venture	–	–	1	1
Disposal of joint venture	–	–	13 669	13 669
Profit/(loss) for the period	–	(5 308)	4 397	(911)
Other comprehensive income	–	–	–	–
Foreign exchange differences	–	–	–	–
Closing net assets at 31 December 2013	1	(2 682)	14 528	11 847
Interest in joint ventures (%)	50	50	50	
Carrying value	1	(1 341)	7 264	5 924
Goodwill	–	–	–	–
Total carrying value	1	(1 341)	7 264	5 924

The information above reflects the amounts presented in the financial statements of the joint ventures adjusted for differences in accounting policies between the group and the joint ventures.

Loans to joint ventures

	2014 R'000	2013 R'000
Savanna City Developments (Pty) Ltd	42 497	26 436
Siascan (Pty) Ltd	–	5 234
Thunderstruck Investments 136 (Pty) Ltd	30 557	30 500
Vhumbanani Projects (Pty) Ltd	(1 141)	(1 141)
	71 913	61 029

11. INVESTMENTS *continued*

(c) Principal joint operations

The group had the following joint operations at 31 December 2014:

Name	Country of incorporation and place of business	Nature of business	Proportion held by the group	Proportion held by external partners
Basil Read Bothakga Burrow joint venture	Botswana	Opencast mining	70	30
Basil Read Genesis joint venture	Namibia	Construction	80	20
Basil Read Lutamo joint venture	South Africa	Construction	70	30
Basil Read Newport joint venture*	South Africa	Construction	100	–
Basil Read Phambili Pipelines joint venture*	South Africa	Construction	100	–
Basil Read Qinisa joint venture	South Africa	Construction	50	50
Basil Read Sivukile joint venture	South Africa	Construction	70	30
BRCD joint venture	South Africa	Construction	80	20
BRDC N17 joint venture	South Africa	Construction	80	20
BRGDT joint venture	South Africa	Construction	55	45
CBR joint venture	South Africa	Opencast mining	50	50
DCT joint venture	South Africa	Construction	70	30
Germiston Hospital Contractors joint venture	South Africa	Construction	70	30
GSC joint venture	South Africa	Construction	60	40
Kopano joint venture	South Africa	Construction	50	50
Kusile Civil Works joint venture	South Africa	Construction	25	75
Kusile Silos joint venture	South Africa	Construction	28	72
Mbombela Stadium joint venture	South Africa	Construction	40	60
MPC/NHC joint venture	South Africa	Construction	70	30
MPC/SSB joint venture	South Africa	Construction	66	34
PGTN joint venture	South Africa	Construction	60	40
Realeka/MPC joint venture	South Africa	Construction	50	50
Roadcrete Africa joint venture*	South Africa	Construction	100	–
Runway Contractors joint venture	South Africa	Construction	70	30
SSBR Kusile joint venture	South Africa	Construction	50	50
Trekkopje joint venture	Namibia	Opencast mining	33,3	66,7

** Although the group holds an effective 100% of these joint operations, they are classified as joint operations because they are jointly held by different legal entities within the group.*

The group recognises its share of assets held jointly, liabilities incurred jointly, revenue from the sale of its share of the output arising from the joint operation, revenue from the sale of the output by the joint operations and expenses, including its share of any expenses incurred jointly for all joint operations.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

11. INVESTMENTS *continued*

(c) Principal joint operations *continued*

The group's aggregate share of joint operations:

Summarised statement of financial position

	2014 R'000	2013 R'000
Current		
Cash and cash equivalents	68 685	76 741
Other current assets (excluding cash)	71 623	28 867
Total current assets	140 308	105 608
Financial liabilities (excluding trade payables)	–	–
Other current liabilities (including trade payables)	(288 121)	(233 655)
Total current liabilities	(288 121)	(233 655)
Non-current		
Assets	449 739	438 748
Financial liabilities	–	–
Other liabilities	–	–
Total non-current liabilities	–	–
Net assets	301 926	310 701
Summarised statement of comprehensive income		
Revenue	821 091	781 573
Costs	(834 504)	(799 833)
Interest income	3 915	3 173
Loss from continuing operations	(9 498)	(15 087)
Income tax expense	–	–
Post-tax loss from continuing operations	(9 498)	(15 087)
Other comprehensive income	–	–
Total comprehensive income	(9 498)	(15 087)

11. INVESTMENTS *continued*

(d) Principal subsidiaries

The group had the following subsidiaries at 31 December 2014:

Name	Country of incorporation and place of business	Nature of business	Proportion held by the group	Proportion held by external partners
Abrina 6830 (section 21)	South Africa	Construction	100	–
African Road Maintenance and Construction (Pty) Ltd	South Africa	Property investment	100	–
Basil Read Limited (previously Basil Read (Pty) Ltd)	South Africa	Construction	100	–
Basil Read Mining Botswana (Pty) Ltd	Botswana	Opencast mining	100	–
Basil Read Construction Limited	United Kingdom	Construction	100	–
Basil Read Construction Namibia (Pty) Ltd	Namibia	Construction	100	–
Basil Read Construction Sierra Leone Limited	Sierra Leone	Construction	100	–
Basil Read Energy (Pty) Ltd	South Africa	Renewable energy	100	–
Basil Read Homes (Pty) Ltd	South Africa	Construction	100	–
Basil Read International (Pty) Ltd	South Africa	Construction	100	–
Basil Read Mauritius (Pty) Ltd	Mauritius	Investment holding company	100	–
Basil Read Mining (Pty) Ltd	South Africa	Investment holding company	100	–
Basil Read Mining Namibia (Pty) Ltd	Namibia	Opencast mining	100	–
Basil Read Mining SA (Pty) Ltd	South Africa	Opencast mining	100	–
Basil Read Mozambique Limitada	Mozambique	Construction	51	49
Basil Read Nigeria Limited	Nigeria	Construction	100	–
Basil Read Properties No 2 (Pty) Ltd	South Africa	Property investment	100	–
Basil Read Tanzania (Pty) Ltd	Tanzania	Construction	100	–
Basil Read Uganda (Pty) Ltd	Uganda	Construction	100	–
Basil Read Zambia Limited	Zambia	Construction	100	–
B & E Africa (Pty) Ltd	Swaziland	Blasting and excavating	100	–
B & E Botswana (Pty) Ltd	Botswana	Blasting and excavating	100	–
B & E Lesotho (Pty) Ltd	Lesotho	Blasting and excavating	100	–
Blasting & Excavating Namibia (Pty) Ltd	Namibia	Blasting and excavating	100	–
Blasting & Excavating (Pty) Ltd	South Africa	Blasting and excavating	100	–
Blue Waves Properties 183 (Pty) Ltd	South Africa	Property investment	100	–
City Square Trading 949 (Pty) Ltd	South Africa	Property development	100	–
Codevco (Pty) Ltd	South Africa	Property development	100	–
Contract Plumbing and Sanitation (Pty) Ltd	South Africa	Construction	100	–
Facets Interiors (Pty) Ltd	South Africa	Interior design	100	–
Hytronix (Pty) Ltd	South Africa	Mining equipment	100	–
LYT Architecture (Pty) Ltd	South Africa	Architecture	100	–
Matomo Engineering Namibia (Pty) Ltd	Namibia	Engineering, procurement and construction (EPC)	100	–

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

11. INVESTMENTS *continued*

(d) Principal subsidiaries *continued*

Name	Country of incorporation and place of business	Nature of business	Proportion held by the group	Proportion held by external partners
Matomo Projects (Pty) Ltd	South Africa	EPC	100	–
Mvela Phanda Construction (Pty) Ltd	South Africa	Construction	100	–
Newport Construction (Pty) Ltd	South Africa	Construction	70	30
P. Gerolemou Construction (Pty) Ltd	South Africa	Construction	100	–
Phambili Pipelines (Pty) Ltd	South Africa	Construction	100	–
Richtrau No 111 (Pty) Ltd	South Africa	Construction	100	–
Roadcrete Africa (Pty) Ltd	South Africa	Construction	100	–
Roadcrete Mkhatjwa (Pty) Ltd	South Africa	Construction	100	–
Sladden International (Botswana) (Pty) Ltd	Botswana	Construction	70	30
SprayPave (Pty) Ltd	South Africa	Construction	100	–
Sunset Bay Trading 282 (Pty) Ltd	South Africa	Property development	100	–
Swaziland Construction Company (Pty) Ltd	Swaziland	Construction	100	–
TPS.P Arquitectos Limitada	Mozambique	Architecture	97,5	2,5
Tubo Jacked Pipelines (Pty) Ltd	South Africa	Construction	100	–
TWP Investments (Pty) Ltd	South Africa	Investment holding company	100	–
TWP Matomo Process Plants (Pty) Ltd	South Africa	Investment holding company	100	–
Valente Brothers (Pty) Ltd	South Africa	Construction	100	–

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do not differ from the proportion of ordinary shares held.

The total non-controlling interest for the period is (R98,0 million) of which (R83,2 million) is for Sladden International (Botswana) (Pty) Ltd, (R7,0 million) is for Newport Construction (Pty) Ltd and (R5,2 million) is for Basil Read Mozambique Limitada. The non-controlling interest in respect of TPS.P Arquitectos Limitada is not material.

11. INVESTMENTS *continued*

(d) Principal subsidiaries *continued*

Summarised financial information on subsidiaries with material non-controlling interests

Set out below is the summarised financial information for each subsidiary that has non-controlling interests that are material to the group.

Refer to note 29 for further details regarding transactions with non-controlling interests.

31 December 2014

Summarised statement of financial position

	Basil Read Construction Middle East LLC R'000	Newport Construction (Pty) Ltd R'000	Sladden International (Botswana) (Pty) Ltd R'000
Current			
Assets	–	17 865	39 907
Liabilities	–	(59 336)	(352 825)
Total current net assets	–	(41 471)	(312 918)
Non-current			
Assets	–	5 815	35 820
Liabilities	–	–	–
Total non-current net assets	–	5 815	35 820
Net assets	–	(35 656)	(277 098)

Summarised income statement

	Basil Read Construction Middle East LLC R'000	Newport Construction (Pty) Ltd R'000	Sladden International (Botswana) (Pty) Ltd R'000
Revenue	–	123 450	82 231
Profit before income tax	(83)	6 280	(96 758)
Income tax (expense)/income	–	–	–
Post-tax profit from continuing operations	(83)	6 280	(96 758)
Post-tax profit from discontinued operations	–	–	–
Other comprehensive income	–	–	(8 245)
Total comprehensive income	(83)	6 280	(105 003)
Total comprehensive income allocated to non-controlling interests	–	1 884	(30 151)
Dividends paid to non-controlling interests	–	–	–

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

11. INVESTMENTS *continued*

(d) Principal subsidiaries *continued*

31 December 2013

Summarised statement of financial position

	Basil Read Construction Middle East LLC R'000	Newport Construction (Pty) Ltd R'000	Sladden International (Botswana) (Pty) Ltd R'000
Current			
Assets	39 139	11 612	121 936
Liabilities	(473)	(59 243)	(350 614)
Total current net assets	38 666	(47 631)	(228 678)
Non-current			
Assets	–	5 696	51 904
Liabilities	–	–	–
Total non-current net assets	–	5 696	51 904
Net assets	38 666	(41 935)	(176 774)

Summarised income statement

	Basil Read Construction Middle East LLC R'000	Newport Construction (Pty) Ltd R'000	Sladden International (Botswana) (Pty) Ltd R'000
Revenue	–	164 105	202 336
Profit/(loss) before income tax	2 355	1 106	(95 496)
Income tax (expense)/income	–	–	114
Post-tax profit from continuing operations	2 355	1 106	(95 382)
Post-tax profit from discontinued operations	–	–	–
Other comprehensive income	6 364	–	(1 706)
Total comprehensive income	8 719	1 106	(97 088)
Total comprehensive income allocated to non-controlling interests	6 364	332	(33 238)
Dividends paid to non-controlling interests	–	–	–

The information above is the amount before intercompany eliminations.

(e) Consolidated structured entities

The group had the following consolidated structured entity at 31 December 2014:

Name	Country of incorporation and place of business	Nature of business	Proportion held by the group
Basil Read Share Incentive Trust	South Africa	Employee share scheme	100

11. INVESTMENTS *continued*

(e) Consolidated structured entities *continued*

Summarised financial information on consolidated structured entities

Set out below is the summarised financial information for each consolidated structured entity.

31 December 2014

Summarised statement of financial position

	Basil Read Share Incentive Trust R'000
Current	
Assets	835
Liabilities	(587)
Total current net assets	248
Non-current	
Assets	13
Liabilities	–
Total non-current net assets	13
Net assets	261
Summarised income statement	
Revenue	–
Profit before income tax	20
Income tax (expense)/income	–
Post-tax profit from continuing operations	20
Post-tax profit from discontinued operations	–
Other comprehensive income	–
Total comprehensive income	20

31 December 2013

Summarised statement of financial position

	Basil Read Share Incentive Trust R'000
Current	
Assets	811
Liabilities	(584)
Total current net assets	227
Non-current	
Assets	13
Liabilities	–
Total non-current net assets	13
Net assets	240
Summarised income statement	
Revenue	–
Profit/(loss) before income tax	20
Income tax (expense)/income	(8)
Post-tax profit from continuing operations	12
Post-tax profit from discontinued operations	–
Other comprehensive income	–
Total comprehensive income	12

The information above is the amount before intercompany eliminations.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

	2014 R'000	2013 R'000
12. TAXATION		
South African normal taxation		
Current taxation	(10 394)	(6 838)
Current year	(10 394)	(4 642)
Prior year	–	(2 196)
Deferred taxation	178 302	(10 627)
Current year	172 975	12 109
Prior year	5 327	(22 736)
Withholding tax		
Current year	(10 070)	–
Foreign taxation		
Current taxation	(12 650)	(5 887)
Current year	(8 234)	(5 634)
Prior year	(4 416)	(253)
Deferred taxation	5 494	1 661
Current year	5 043	2 769
Prior year	451	(1 108)
Total taxation credited/(charged)	150 682	(21 691)

Capital gains of Rnil (2013: Rnil) have been utilised against assessed losses in the current year.

Reconciliation of the standard rate of taxation to effective rate

	%	%
South African normal rate of taxation	28,0	28,0
Foreign taxation	4,5	(22,8)
Losses utilised	0,7	(2,0)
Capital gains tax (CGT)	–	–
Prior year underprovision	0,2	20,8
Timing differences not accounted for under deferred tax	(9,1)	(2,9)
Non-taxable items	(7,4)	(1,9)
– impairment of goodwill	(7,0)	–
– Competition Commission penalty	–	4,4
– share of profit of investments accounted for using the equity method	1,2	(10,0)
– other	(1,6)	3,7
Effective tax rate	16,9	19,2

The tax rate reconciliation is prepared using the tax rate applicable to the Basil Read group in South Africa. The impact of tax rate differences in other countries is disclosed as a reconciling item.

Timing differences not accounted for under deferred taxation include the result of certain subsidiaries where deferred taxation on assessed losses has not been provided.

	R'000	R'000
Estimated tax losses		
Total estimated tax losses of subsidiaries at the end of the financial year available for utilisation against future taxable income of those companies.	833 435	548 013

	2014 cents	2013 cents
13. EARNINGS PER SHARE		
(Loss)/earnings per share (cents)	**(599,87)**	235,97
The calculation of (loss)/earnings per share is based on the consolidated loss after taxation of R789 937 994 (2013: profit of R310 741 569) and the weighted average number of shares in issue during the year of 131 685 904 (2013: 131 685 904) shares.		
Headline (loss)/earnings per share (cents)	**(362,08)**	86,99
The calculation of headline (loss)/earnings per share is based on the consolidated headline loss after taxation of R476 809 019 (2013: profit of R114 558 128) and the weighted average number of shares in issue during the year of 131 685 904 (2013: 131 685 904) shares.		
Diluted (loss)/earnings per share (cents)	**(599,87)**	235,97
The calculation of diluted (loss)/earnings per share is based on the consolidated loss after taxation of R789 937 994 (2013: profit of R310 741 569) and the weighted average number of shares in issue during the year of 131 685 904 (2013: 131 685 904) shares.		
Diluted headline (loss)/earnings per share (cents)	**(362,08)**	86,99
The calculation of diluted headline (loss)/earnings per share is based on the consolidated headline loss after taxation of R476 809 019 (2013: profit of R114 558 128) and the weighted average number of shares in issue during the year of 131 685 904 (2013: 131 685 904) shares.		
CONTINUING OPERATIONS		
(Loss)/earnings per share (cents)	**(540,14)**	91,61
The calculation of (loss)/earnings per share is based on the consolidated loss after taxation of R711 276 794 (2013: profit of R120 644 586) and the weighted average number of shares in issue during the year of 131 685 904 (2013: 131 685 904) shares.		
Diluted (loss)/earnings per share (cents)	**(540,14)**	91,61
The calculation of diluted (loss)/earnings per share is based on the consolidated loss after taxation of R711 276 794 (2013: profit of R120 644 586) and the weighted average number of shares in issue during the year of 131 685 904 (2013: 131 685 904) shares.		
DISCONTINUED OPERATIONS		
(Loss)/earnings per share (cents)	**(59,73)**	144,36
The calculation of (loss)/earnings per share is based on the consolidated (loss)/profit after taxation of R78 661 000 (2013: profit of R190 097 183) and the weighted average number of shares in issue during the year of 131 685 904 (2013: 131 685 904) shares.		
Diluted (loss)/earnings per share (cents)	**(59,73)**	144,36
The calculation of diluted (loss)/earnings per share is based on the consolidated (loss)/profit after taxation of R78 661 000 (2013: profit of R190 097 183) and the weighted average number of shares in issue during the year of 131 685 904 (2013: 131 685 904) shares.		

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

	2014 R'000	2013 R'000
13. EARNINGS PER SHARE *continued*		
Reconciliation between basic (loss)/earnings, diluted (loss)/earnings and headline (loss)/earnings is as follows:		
Basic and diluted (loss)/earnings	**(789 938)**	310 742
Adjusted by the after tax effect of the following:		
Loss/(profit) on sale of subsidiary	**1 479**	(193 176)
Loss on sale of associate	**8 010**	–
Profit on sale of property, plant and equipment (refer note 9)	**(730)**	(1 470)
Impairment of goodwill (refer note 9)	**304 370**	–
Fair value gains on revaluation of investment property	**–**	(1 538)
Headline (loss)/earnings	**(476 809)**	114 558

	Number '000	Number '000
Reconciliation between weighted average number of shares and diluted weighted average number of shares:		
Weighted average number of shares	**131 686**	131 686
Adjusted by: "A" ordinary shares (refer note 28)	**–**	–
Adjusted by: Basil Read Share Incentive Scheme (refer note 38(e))	**–**	–
Diluted weighted average number of shares	**131 686**	131 686

	2014 R'000	2013 R'000
14. DIVIDENDS		
Dividends paid	**–**	230 463
Ordinary dividend paid per share (cents)	**–**	–
Ordinary dividend declared per share (cents)*	**–**	–
Special dividend paid per share (cents)	**–**	175,00
Special dividend declared per share (cents)*	**–**	–

** Based on the year to which the dividend relates.*

No dividend was declared in respect of the 2014 financial year.

A special dividend of 175 cents per share was declared on 14 March 2013 and paid to shareholders on 24 June 2013 following the completion of the disposal of TWP Holdings (Pty) Ltd.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R'000	Plant and equipment R'000	Furniture and fittings R'000	Total R'000
At 1 January 2013				
Cost	26 599	2 276 385	39 912	2 342 896
Accumulated depreciation	(2 320)	(1 046 111)	(22 338)	(1 070 769)
Net book amount	24 279	1 230 274	17 574	1 272 127
Year ended 31 December 2013				
Opening net book amount	24 279	1 230 274	17 574	1 272 127
Additions	11 841	230 355	12 752	254 948
Disposals	(571)	(91 543)	820	(91 294)
Depreciation	(5)	(315 626)	(8 661)	(324 292)
Exchange differences	14	29 178	–	29 192
Transferred to investment property	(2 534)	–	–	(2 534)
Closing net book amount	33 024	1 082 638	22 485	1 138 147
At 31 December 2013				
Cost	33 499	2 392 322	51 015	2 476 836
Accumulated depreciation	(475)	(1 309 684)	(28 530)	(1 338 689)
Net book amount	33 024	1 082 638	22 485	1 138 147
Year ended 31 December 2014				
Opening net book amount	33 024	1 082 638	22 485	1 138 147
Additions	–	336 145	2 929	339 074
Acquisition of subsidiaries (refer note 41)	–	1 004	5	1 009
Disposals	–	(61 964)	(47)	(62 011)
Depreciation	–	(334 422)	(7 982)	(342 404)
Exchange differences	21	10 107	5	10 133
Transferred to assets held for sale	–	(349)	(3 351)	(3 700)
Closing net book amount	33 045	1 033 159	14 044	1 080 248
At 31 December 2014				
Cost	33 386	2 609 671	44 810	2 687 867
Accumulated depreciation	(341)	(1 576 512)	(30 766)	(1 607 619)
Net book amount	33 045	1 033 159	14 044	1 080 248

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

15. PROPERTY, PLANT AND EQUIPMENT *continued*

Book value of plant and equipment subject to instalment sale agreements (refer note 30) is as follows:

	Land and buildings R'000	Plant and equipment R'000	Furniture and fittings R'000	Total R'000
At 31 December 2014				
Instalment sale agreements				
Cost	–	692 922	–	692 922
Accumulated depreciation	–	(314 746)	–	(314 746)
	–	378 176	–	378 176
At 31 December 2013				
Instalment sale agreements				
Cost	–	670 073	–	670 073
Accumulated depreciation	–	(283 371)	–	(283 371)
	–	386 702	–	386 702

A full register of the group's land and buildings is available for inspection at the registered office.

Assets under construction, included in plant and equipment, amount to R30,8 million (2013: R13,3 million).

	2014 R'000	2013 R'000
16. INVESTMENT PROPERTY		
Fair value at the beginning of the year	5 730	–
Additions	–	–
Transferred from property, plant and equipment	–	2 534
Fair value adjustment	–	2 817
Disposals	–	–
Foreign exchange differences	96	379
Fair value at the end of the year	5 826	5 730

The investment property held on the statement of financial position consists of a residential property currently rented to a third party for use as offices in Francistown, Botswana.

In assessing the fair value of the investment property, valuations consider title deed information, town planning conditions, locality, use and improvements made to the property. Property vacancy rates in surrounding areas, realised yields on comparative sales, as well as micro and macro-economic conditions pertaining to residential properties are considered.

The last external valuation of the income producing investment property was performed by independent valuator Kwena Property Services (Pty) Ltd at 31 December 2013.

17. INTANGIBLE ASSETS

	Goodwill R'000	Contract-based intangibles R'000	Total R'000
At 1 January 2013			
Cost	439 789	80 177	519 966
Accumulated amortisation	–	(74 874)	(74 874)
Accumulated impairment	(32 403)	–	(32 403)
Net book amount	407 386	5 303	412 689
Year ended 31 December 2013			
Opening net book amount	407 386	5 303	412 689
Amortisation charge	–	(860)	(860)
Closing net book amount	407 386	4 443	411 829
At 31 December 2013			
Cost	439 789	80 177	519 966
Accumulated amortisation	–	(75 734)	(75 734)
Accumulated impairment	(32 403)	–	(32 403)
Net book amount	407 386	4 443	411 829
Year ended 31 December 2014			
Opening net book amount	407 386	4 443	411 829
Acquisition of subsidiary	1 691	–	1 691
Amortisation charge	–	(860)	(860)
Impairment – continuing operations	(222 212)	–	(222 212)
Impairment – discontinued operations	(82 158)	–	(82 158)
Transferred to assets held for sale	(8 352)	–	(8 352)
Closing net book amount	96 355	3 583	99 938
At 31 December 2014			
Cost	433 128	80 177	513 305
Accumulated amortisation	–	(76 594)	(76 594)
Accumulated impairment	(336 773)	–	(336 773)
Net book amount	96 355	3 583	99 938

Goodwill is allocated to the company's cash-generating units identified according to the business segments that fall within the larger operating segment that are expected to benefit from the business combination. The carrying amount of goodwill has been allocated to the following business segments:

	2014 R'000	2013 R'000
Construction	96 355	282 097
Mining	–	34 779
Developments	–	–
Engineering	–	90 510
	96 355	407 386

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

17. INTANGIBLE ASSETS *continued*

The group tests goodwill for impairment annually, or more frequently if there are indicators that goodwill might be impaired. The recoverable amount of a cash-generating unit (CGU) is determined based on value-in-use and fair value less costs to sell calculations. The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period are extrapolated to perpetuity using an estimated growth rate as stated below. Inputs to the calculations are based on past experience.

The key assumptions used for value-in-use calculations in 2014 are as follows:

	Construction	Mining	Developments	Engineering
Growth rate ranges (nominal)	0% – 7%	0% – 5%	n/a	0% – 7%
Discount rate (nominal)	15,1%	14,1%	n/a	14,3%

The key assumptions used for value-in-use calculations in 2013 are as follows:

	Construction	Mining	Developments	Engineering
Growth rate ranges (nominal)	3,5% – 5,0%	3,5% – 5,0%	n/a	5% – 10,0%
Discount rate (nominal)	15,2%	15,2%	n/a	15,2%

The goodwill is considered to have an indefinite life. Goodwill is tested for impairment and any subsequent losses are taken to the income statement.

The impairment charge in the current year is due to the expected financial performances of the Gerolemou/Mvela group, the Blasting & Excavating group, the Valente group, LYT Architecture (Pty) Ltd and Hytronix (Pty) Ltd. The recoverable amounts of CGUs have been determined based on value-in-use and fair value less costs to sell calculations. The value-in-use calculations are pre-tax cash flow projections based on financial budgets approved by management covering a one-year period. For each of the CGUs with a significant amount of goodwill the key assumptions, long-term growth rate and discount rate used in the value-in-use calculations are as per the table below. In addition, where there has been an impairment loss in a CGU, the recoverable amount is also disclosed below:

	Gerolemou/ Mvela group	Blasting & Excavating group	Valente group	LYT Architecture (Pty) Ltd	Hytronix (Pty) Ltd
2014					
Revenue (R'000)	1 125 220	571 536	30 112	82 403	11 541
Operating (loss)/profit (%)	(6,2)	0,9	(8,5)	2,7	0,3
Pre-tax discount rate (%)	15,1	14,1	15,1	14,3	14,1
Recoverable amount of the CGU (R'000)	141 580	204 657	22 690	78 754	2 566
1% change in growth rate*	13 654	37 255	1 318	12 059	977
1% change in discount rate*	(11 612)	(24 960)	(261)	(7 998)	(656)
1% change in growth and discount rate*	(699)	2 931	793	1 361	76
2013					
Revenue (R'000)	921 795	415 879	170 229	86 428	n/a
Operating (loss)/profit (%)	0,7	6,8	(10,1)	15,8	n/a
Pre-tax discount rate (%)	15,2	15,2	15,2	15,2	n/a
Recoverable amount of the CGU (R'000)	n/a	n/a	n/a	n/a	n/a

Value-in-use and fair value less costs to sell calculations determined according to the method detailed above resulted in the group recognising an impairment charge as follows:

	R'000
Gerolemou/Mvela group	170 240
Blasting & Excavating group	34 779
Valente group	15 502
LYT Architecture (Pty) Ltd	82 158
Hytronix (Pty) Ltd	1 691
	304 370

No class of asset other than goodwill was impaired.

* *Increase/(decrease) in the recoverable amount if the growth rate and the discount rate had been higher or lower by 100 basis points, with all other variables held constant.*

17. INTANGIBLE ASSETS *continued*

The contract-based intangible asset that arose on the acquisition of Sunset Bay Trading 282 (Pty) Ltd has been determined to have a finite life based on the expected duration of the property development. It is being amortised over a maximum period of 120 months, of which 50 months are remaining.

The amortisation charge has been included in "Depreciation, impairment and amortisation" in the income statement.

18. DEFERRED TAXATION

Deferred taxation is calculated on all temporary differences under the liability method using a principal tax rate of the fiscal authority as indicated below:

Botswana: 22% (2013: 22%)

Namibia: 34% (2013: 34%)

South Africa: 28% (2013: 28%)

Zambia: 35% (2013: 35%)

	2014 R'000	2013 R'000
The movement on the deferred taxation account is as follows:		
Balance at the beginning of the year	73 954	76 372
Movements during the year attributable to:		
Disposal of subsidiaries	–	6 518
Temporary differences	183 090	(7 644)
Transferred to assets held for sale	(205)	–
Foreign exchange differences	(299)	(1 292)
Balance at the end of the year	256 540	73 954

The movement in the group's deferred taxation asset during the year is as follows:

	Accelerated tax depreciation R'000	Provisions, accruals and retentions R'000	Assessed losses and other R'000	Total R'000
Balance as at 1 January 2013	(10 749)	94 223	41 727	125 201
Credited/(charged) to the income statement	2 547	(30 884)	22 818	(5 519)
Credited/(charged) to the statement of comprehensive income	–	–	940	940
Foreign exchange differences	14	–	–	14
Balance as at 31 December 2013	(8 188)	63 339	65 485	120 636
Credited/(charged) to the income statement	(6 435)	121 297	65 314	180 176
Credited/(charged) to the statement of comprehensive income	–	–	–	–
Transferred to assets held for sale	56	(895)	634	(205)
Foreign exchange differences	–	–	–	–
Balance as at 31 December 2014	(14 567)	183 741	131 433	300 607

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

18. DEFERRED TAXATION *continued*

The movement in the group's deferred taxation liability during the year is as follows:

	Accelerated tax depreciation R'000	Provisions, accruals and retentions R'000	Assessed losses and other R'000	Total R'000
Balance as at 1 January 2013	(44 092)	(6 901)	2 164	(48 829)
Credited/(charged) to the income statement	(3 633)	(3 066)	3 634	(3 065)
Disposal of subsidiaries	6 518	–	–	6 518
Foreign exchange differences	(1 389)	(214)	297	(1 306)
Balance as at 31 December 2013	(42 596)	(10 181)	6 095	(46 682)
Credited/(charged) to the income statement	**11 519**	**(2 552)**	**(6 053)**	**2 914**
Foreign exchange differences	**(339)**	**(56)**	**96**	**(299)**
Balance as at 31 December 2014	**(31 416)**	**(12 789)**	**138**	**(44 067)**
Combined balance as at 31 December 2013	(50 784)	53 158	71 580	73 954
Combined balance as at 31 December 2014	**(45 983)**	**170 952**	**131 571**	**256 540**

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Deferred tax has not been provided on estimated assessed losses of subsidiary companies amounting to R410,9 million (2013: R279,5 million).

	Accelerated tax depreciation R'000	Provisions, accruals and retentions R'000	Assessed losses and other R'000	Total R'000
2014: Deferred taxation reversal				
– Deferred taxation to be recovered after more than 12 months	**(9 122)**	**(43 959)**	**62 651**	**9 570**
– Deferred taxation to be recovered within 12 months	**(36 861)**	**214 911**	**68 920**	**246 970**
	(45 983)	**170 952**	**131 571**	**256 540**
2013: Deferred taxation reversal				
– Deferred taxation to be recovered after more than 12 months	(19 948)	6 620	57 288	43 960
– Deferred taxation to be recovered within 12 months	(30 836)	46 538	14 292	29 994
	(50 784)	53 158	71 580	73 954

		2014 R'000	2013 R'000
19.	**AVAILABLE-FOR-SALE FINANCIAL ASSETS**		
	Unlisted investments		
	At the beginning of the year	–	6
	Additions	–	–
	Mark-to-market adjustment through equity	–	–
	Disposals	–	(6)
	At the end of the year	–	–
	The following information relates to the group's interest in unlisted investments:		
	Desbel Sewe (Pty) Ltd	–	–
	Mvela Phanda Construction (Pty) Ltd held an investment in Desbel Sewe (Pty) Ltd, a hotel management company. The investment was disposed of during the prior year.		
	The directors value the unlisted investments at Rnil (2013: Rnil).		
	Listed investments		
	At the end of the year	477	572
	At the beginning of the year	572	5 615
	Additions	–	–
	Mark-to-market adjustment through equity	(95)	(5 043)
	Disposals	–	–
	The following information relates to the group's interest in listed investments: The group holds an investment in Bindura Nickel Corporation (BNC), a mining company listed on the Zimbabwean Stock Exchange and its operations are held in Zimbabwe.		
	The group holds an investment in African Eagle Resources plc, a UK-listed mineral exploration and development company operating in Zambia, Tanzania and Mozambique.		
		477	572
20.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**		
	Unlisted investments		
	At the beginning of the year	50 812	50 812
	Additions	–	–
	Mark-to-market adjustment through profit and loss	–	–
	At the end of the year	50 812	50 812
	The following information relates to the group's interest in unlisted investments:		
	Lehating Mining (Pty) Ltd		
	On 1 October 2012, the group acquired a 13,3% investment in Lehating Mining (Pty) Ltd, a mining company.	50 812	50 812
		50 812	50 812

The directors value the unlisted investments at R50 812 444 (2013: R50 812 444).

Financial assets at fair value through profit or loss are presented within "Investing activities" in the statement of cash flows.

Changes in fair values of financial assets at fair value through profit or loss are recorded in "Other (losses)/gains – net" in the income statement (note 8).

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

		2014 R'000	2013 R'000
21.	**INVENTORIES**		
	Consumables	18 843	27 569
	Finished goods	7 612	4 080
	Spares	6 612	10 309
		33 067	41 958
22.	**DEVELOPMENT LAND**		
	Development land	268 022	363 120

Development land relates to Rolling Hills Estate and Klipriver Business Park and is land typically held for the purposes of development and subsequent resale. The group purchases unserviced land, partitions the land into different size stands or erven, installs internal services such as electricity, water, sanitation and other civil works, and then disposes of the serviced stand to prospective buyers.

The buyers are responsible for the architecture and construction of any buildings on these stands. In the case of Rolling Hills Estate, the architectural design has to be approved by Basil Read's architects to ensure that it is in line with the estate's architectural guidelines.

Due to the nature of property developments, the full value of development land may not be realised in the coming 12-month period.

	2014 R'000	2013 R'000
Reconciliation of carrying value of development land		
Purchase consideration of land	40 994	42 611
Capitalisation of development costs and installation of bulk services	319 148	329 876
Capitalisation of borrowing costs	37 624	39 812
Write down of development land to net realisable value	(129 744)	(49 179)
	268 022	363 120
Movements in development land are as follows:		
Opening balance	363 120	402 375
Sale of erven	(14 776)	(17 005)
Sale consideration of land	(1 617)	(1 861)
Capitalisation of development costs and installation of bulk services	(10 971)	(12 626)
Capitalisation of borrowing costs	(2 188)	(2 518)
Capitalisation of development costs and installation of bulk services	243	322
Capitalisation of borrowing costs	–	–
Write down of development land to net realisable value	(80 565)	(22 572)
	268 022	363 120

The write down in the current and prior year relates to the group's investment in Rolling Hills Estate, a lifestyle residential development in the Mpumalanga Highlands, where no further sales have been recorded.

	2014 R'000	2013 R'000
23. CONTRACT AND TRADE DEBTORS		
Contract debtors	626 181	762 562
Contract debtors	634 911	771 446
Provision for impairment of contract debtors	(8 730)	(8 884)
Trade receivables	116 795	27 939
Trade receivables	117 774	29 278
Provision for impairment of trade receivables	(979)	(1 339)
Retention debtors	47 669	54 045
Retention debtors	52 303	58 410
Provision for impairment of retention debtors	(4 634)	(4 365)
Work in progress	378 466	129 691
Costs incurred to date	5 011 498	8 667 324
Profit recognised to date	234 434	389 159
Progress payments received and receivable	(4 867 466)	(8 926 792)
	1 169 111	974 237

Contract debtors to the value of R12 million (2013: R12 million) of Blasting & Excavating (Pty) Ltd are ceded as security for the bank overdraft facilities in place. At year-end, the total utilised overdraft facility amounted to Rnil (2013: Rnil) (refer note 26).

The age analysis of contract debtors, trade receivables and retention debtors is as follows:

31 December 2014

Contract debtors

	Fully performing R'000	Past due but not impaired R'000	Impaired R'000	Total R'000
Government	252 761	31 970	–	284 731
Multinational mining companies	14 538	44	–	14 582
Listed companies	95 198	646	1 716	97 560
Unlisted companies	183 957	47 059	7 014	238 030
Individuals	8	–	–	8
	546 462	79 719	8 730	634 911

The age analysis for contract debtors balances that are considered past due is as follows:

	0 – 3 months R'000	4 – 6 months R'000	7 – 12 months R'000	Total R'000
Past due balances	31 392	19 612	28 715	79 719

No security is held against these balances.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

23. CONTRACT AND TRADE DEBTORS *continued*

Trade receivables

	Fully performing R'000	Past due but not impaired R'000	Impaired R'000	Total R'000
Government	96 056	–	–	96 056
Multinational mining companies	–	–	–	–
Listed companies	146	–	–	146
Unlisted companies	10 442	10 131	979	21 552
Individuals	20	–	–	20
	106 664	10 131	979	117 774

The age analysis for trade receivables balances that are considered past due is as follows:

	0 – 3 months R'000	4 – 6 months R'000	7 – 12 months R'000	Total R'000
Past due balances	4 352	5 394	385	10 131

No security is held against these balances.

Retention debtors

	Fully performing R'000	Past due but not impaired R'000	Impaired R'000	Total R'000
Government	26 370	7 494	2 274	36 138
Multinational mining companies	–	–	–	–
Listed companies	9 233	–	1 888	11 121
Unlisted companies	4 572	–	472	5 044
Individuals	–	–	–	–
	40 175	7 494	4 634	52 303

The age analysis for retention debtors that are considered past due is as follows:

	0 – 3 months R'000	4 – 6 months R'000	7 – 12 months R'000	Total R'000
Past due balances	–	–	7 494	7 494

No security is held against these balances.

23. CONTRACT AND TRADE DEBTORS *continued*

31 December 2013

Contract debtors

	Fully performing R'000	Past due but not impaired R'000	Impaired R'000	Total R'000
Government	439 326	1 734	–	441 060
Multinational mining companies	73 972	2 176	–	76 148
Listed companies	101 115	21 371	4 118	126 604
Unlisted companies	106 739	10 592	4 003	121 334
Individuals	5 407	130	763	6 300
	726 559	36 003	8 884	771 446

The age analysis for contract debtors balances that are considered past due is as follows:

	0 – 3 months R'000	4 – 6 months R'000	7 – 12 months R'000	Total R'000
Past due balances	13 560	14 932	7 511	36 003

No security was held against these balances.

Trade receivables

	Fully performing R'000	Past due but not impaired R'000	Impaired R'000	Total R'000
Government	1 034	–	–	1 034
Multinational mining companies	–	–	–	–
Listed companies	–	–	–	–
Unlisted companies	18 991	7 914	1 339	28 244
Individuals	–	–	–	–
	20 025	7 914	1 339	29 278

The age analysis for trade receivables balances that are considered past due is as follows:

	0 – 3 months R'000	4 – 6 months R'000	7 – 12 months R'000	Total R'000
Past due balances	–	4 569	3 345	7 914

No security was held against these balances.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

23. CONTRACT AND TRADE DEBTORS *continued*

Retention debtors

	Fully performing R'000	Past due but not impaired R'000	Impaired R'000	Total R'000
Government	36 706	1 500	2 236	40 442
Multinational mining companies	–	–	–	–
Listed companies	15 472	–	2 129	17 601
Unlisted companies	367	–	–	367
Individuals	–	–	–	–
	52 545	1 500	4 365	58 410

The age analysis for retention debtors balances that are considered past due is as follows:

	0 – 3 months R'000	4 – 6 months R'000	7 – 12 months R'000	Total R'000
Past due balances	–	–	1 500	1 500

No security was held against these balances.

The fair values of the group's contract debtors, trade receivables, retention debtors and work in progress approximate their carrying values due to their short-term nature and are denominated in the following currencies:

	2014 R'000	2013 R'000
South African rand	961 594	738 669
United States dollar	707	25 720
Botswana pula	136 574	172 710
Euro	–	1 541
British pound	4 297	16 188
Mozambican meticais	4 677	19 409
Sierra Leonean leone	8	–
Zambian kwacha	61 254	–
	1 169 111	974 237

Movements on the group provision for impairment of contract debtors are as follows:

	2014 R'000	2013 R'000
At the beginning of the year	8 884	7 625
Provision for impairment	1 428	2 756
Receivables written off during the year as uncollectable	–	(48)
Unused amounts reversed	(1 636)	(1 724)
Foreign exchange differences	54	275
	8 730	8 884

23. CONTRACT AND TRADE DEBTORS *continued*

Movements on the group provision for impairment of trade receivables are as follows:

	2014 R'000	2013 R'000
At the beginning of the year	1 339	739
Provision for impairment	–	600
Receivables written off during the year as uncollectable	–	–
Unused amounts reversed	(360)	–
	979	1 339

Movements on the group provision for impairment of retention debtors are as follows:

	2014 R'000	2013 R'000
At the beginning of the year	4 365	968
Provision for impairment	269	4 365
Receivables written off during the year as uncollectable	–	–
Unused amounts reversed	–	(968)
	4 634	4 365

The creation and release of provision for impaired contract debtors, trade receivables and retention debtors have been included in "Contracting and other costs" in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering amounts due.

The other classes within contract and trade debtors do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The group may hold payment guarantees from contract and trade debtors as security.

The group has the following amounts due from top five debtors:

	Number of customers	Value R'000	% of contract and trade debtors	% of total revenue
31 December 2014	5	503 731	43,1%	7,7%
31 December 2013	5	497 860	51,1%	7,9%

The group has the following credit risk per geographical segment:

Region	2014 R'000	2013 R'000
South Africa	882 302	585 702
Rest of Africa	246 078	226 151
Rest of world	40 731	162 384
	1 169 111	974 237

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

23. CONTRACT AND TRADE DEBTORS *continued*

The group has classified its contract and trade debtors into the following categories:

- Government
- Multinational mining companies
- Listed companies
- Unlisted companies
- Individuals.

Government debtors encompass all debtors to central governments, government institutions and parastatals across all geographies. Typically, government debt tends to have little or no risk as default on this type of debt indicates a failed state situation. Different countries' governments will have different levels of risk associated with them; however, depending on the credit rating of the country concerned. Examples of government debtors include the government of St Helena, Eskom and SANRAL.

Multinational mining companies refer to large mining corporations that operate across a variety of geographies and tend to be blue-chip organisations. Given their relative financial strength, they are generally considered to have a reasonably good credit rating. Examples include the De Beers group and Assmang Limited.

Listed companies encompass all companies that are listed on a registered stock exchange in any country. Typically, a listed company should have relatively good governance structures and be administered in terms of strict laws and regulations. While it is not impossible for a listed entity to fail, given the relative transparency required, it is likely that there would be indicators of distress that would allow the group to take corrective action in the event that it would be required.

Unlisted companies are typically smaller entities that are not listed on a registered stock exchange in any country, and are generally considered to be associated with higher levels of credit risk. Indicators of distress may be difficult to identify given the lack of public information available for these entities.

Individuals generally carry the highest level of credit risk. Certain of the group's smaller entities may perform work for individuals but this is typically not the group's core customer group, given the relatively high credit risk.

	2014 R'000	2013 R'000
24. RECEIVABLES AND PREPAYMENTS		
Prepayments	36 396	15 981
Staff debtors	47	416
Deposits	13 784	14 226
VAT receivable	30 489	15 308
Other receivables	34 133	51 477
	114 849	97 408

The following receivables are included as part of other receivables:

- An amount of R12,4 million (2013: n/a) due from BR-Tsima Construction (Pty) Ltd. BR-Tsima was disclosed as an associate in the prior year
- An amount of R8,4 million (2013: R5,2 million) due in respect of development funding provided to alternative energy developers, in which the group will ultimately obtain an equity investment
- Various sundry amounts due to the group for plant hire, transport recoveries and sale of formwork.

	2014 R'000	2013 R'000
25. DERIVATIVE FINANCIAL INSTRUMENTS		
Forward exchange contract		
Fair value gain	–	2 577
Interest rate swap	(223)	(1 395)
Fair value loss	10	(1 175)
Foreign exchange differences	(233)	(220)
	(223)	1 182

The forward exchange contract in the prior year related to the group's commitment to a Chinese supplier for the procurement of the turbines used in the construction of the Metrowind Van Stadens wind farm. The forward exchange contract outstanding at the 2013 financial year-end was for an amount of USD7,2 million. The forward exchange contract matured during the 2014 financial year.

The interest rate swap in place is in one of the group's subsidiaries in Botswana, whereby a floating interest rate on instalment sale agreements was swapped for a fixed interest rate.

Reconciliation of opening and closing balances

	2014 R'000	2013 R'000
Forward exchange contract		
At the beginning of the year	2 577	–
Fair value (loss)/gain	(2 577)	2 577
Foreign exchange differences	–	–
At the end of the year	–	2 577
Interest rate swap		
At the beginning of the year	(1 395)	(2 506)
Fair value gain	1 185	1 307
Foreign exchange differences	(13)	(196)
At the end of the year	(223)	(1 395)

	2014 R'000	2013 R'000
26. CASH AND CASH EQUIVALENTS		
Bank balances	907 606	1 255 541
Cash on hand	3 209	2 584
	910 815	1 258 125
Bank overdraft	(90 236)	(55 641)
	820 579	1 202 484

The group's policy is to hold deposits with banks and financial institutions that have a minimum short-term credit rating of "F2" as rated by Fitch Ratings. In certain instances, country regulations may require locally registered entities to operate banking accounts with local banking institutions, which may not meet the minimum rating requirement.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

	2014 R'000	2013 R'000
27. NON-CURRENT ASSETS HELD FOR SALE		
The assets and liabilities relating to LYT Architecture (Pty) Ltd (part of the engineering segment) were presented as held for sale in the current year following the approval of the board of directors to sell the company. The sale was concluded on 1 February 2015.		
ASSET AND LIABILITIES		
Assets of company classified as held for sale		
Property, plant and equipment	3 700	–
Intangible asset	8 352	–
Deferred income tax assets	205	–
Contract and trade debtors	21 310	–
Current income tax asset	860	–
Receivables and prepayments	3 514	–
Cash and cash equivalents	15 171	–
	53 112	–
Liabilities of company classified as held for sale		
Trade and other payables	9 933	–
Bank overdraft	86	–
	10 019	–
INCOME STATEMENT OF DISCONTINUED OPERATIONS		
Revenue	82 403	276 554
Expenses	(160 857)	(279 361)
Net finance income	892	846
Profit before taxation of discontinued operations	(77 562)	(1 961)
Taxation	(1 099)	(1 118)
Profit after taxation of discontinued operations	(78 661)	(3 079)
Movement in fair value adjustment reserve	–	–
Profit for the year from discontinued operations	(78 661)	(3 079)
CASH FLOWS OF DISCONTINUED OPERATIONS		
Operating cash flows	(7 857)	15 414
Investing cash flows	(1 425)	(3 259)
Financing cash flows	–	–
Total cash flows	(9 282)	12 155

28. STATED CAPITAL

Ordinary shares

Authorised

300 000 000 ordinary no par value shares
(2013: 300 000 000)

	Number of shares	No par value ordinary shares R'000	No par value "A" ordinary shares R'000	Treasury shares R'000	Total R'000
Issued					
Year ended 31 December 2013					
At the beginning and end of the year	131 685 899	1 047 701	–	(12)	1 047 689
Year ended 31 December 2014					
At the beginning and end of the year	**131 685 899**	**1 047 701**	**–**	**(12)**	**1 047 689**

"A" ordinary shares

Authorised

33 607 507 "A" ordinary no par value shares
(2013: 33 607 507)

	Number of shares	No par value ordinary shares R'000	No par value "A" ordinary shares R'000	Treasury shares R'000	Total R'000
Issued					
Year ended 31 December 2013					
At the beginning and end of the year	33 607 507	–	336	–	336
Year ended 31 December 2014					
At the beginning and end of the year	**33 607 507**	**–**	**336**	**–**	**336**
Total share capital					
Year ended 31 December 2013					
At the end of the year	165 293 406	1 047 701	336	(12)	1 048 025
Year ended 31 December 2014					
At the end of the year	**165 293 406**	**1 047 701**	**336**	**(12)**	**1 048 025**

All shares issued by the company are fully paid up.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

28. STATED CAPITAL *continued*

The unissued shares were not placed under the control of the directors by resolution of the shareholders until the forthcoming annual general meeting. The directors are not authorised, by resolution of the shareholders and until the forthcoming annual general meeting, to issue ordinary shares for cash.

Reconciliation of closing balance

	Number of shares	Total R'000
Year ended 31 December 2014		
Group issued share capital	**165 293 406**	**1 048 025**
Treasury shares held by the Basil Read Share Incentive Scheme (refer note 38)	**8 382**	**12**
	165 301 788	**1 048 037**

	Number of shares	Total R'000
Year ended 31 December 2013		
Group issued share capital	165 293 406	1 048 025
Treasury shares held by the Basil Read Share Incentive Scheme (refer note 38)	8 382	12
	165 301 788	1 048 037

	2014 R'000	2013 R'000
29. NON-CONTROLLING INTERESTS		
Balance at the beginning of the year	**(38 207)**	24 768
Transactions with non-controlling interests	**–**	(20 518)
Capital contribution from non-controlling interest parties	**(29 464)**	–
Disposal of subsidiary (refer note 42)	**1 777**	(15 272)
Total comprehensive income for the year	**(32 098)**	(24 788)
Dividends paid	**–**	(2 397)
Balance at the end of the year	**(97 992)**	(38 207)

	2014 R'000	2013 R'000
30. INTEREST-BEARING BORROWINGS		
Instalment sale agreements		
Total amount outstanding	262 484	301 099
The instalment sale agreements for plant and equipment bear interest between the prime overdraft rate plus 3% and prime less 2% per annum and are repayable in monthly instalments of between R2 857 and R1 588 183 over a period of between one and five years.		
The agreements are secured by plant and equipment with a book value of R378 175 627 (2013: R386 702 181). Refer to note 15 for further details.		
Domestic medium-term note programme		
Total amount outstanding	227 008	125 301
On 17 December 2013, the group raised R125 million under this programme. The unlisted note, BSR11U, was settled on 20 December 2013 and bears interest at the three-month ZAR-JIBAR-SAFEX rate plus 2,10%. Interest is payable quarterly and the capital sum is payable on 20 June 2015. The interest rate applicable at year-end was 8,183%.		
On 23 July 2015, the group raised R60 million under this programme. The listed note, BSR12, was settled on 25 July 2014 and bears interest at the three-month ZAR-JIBAR-SAFEX rate plus 2,65%. Interest is payable quarterly and the capital sum is payable on 25 January 2016. The interest rate applicable at year-end was 8,725%.		
On 23 July 2015, the group raised R40 million under this programme. The listed note, BSR13, was settled on 25 July 2014 and bears interest at the three-month ZAR-JIBAR-SAFEX rate plus 2,90%. Interest is payable quarterly and the capital sum is payable on 25 July 2016. The interest rate applicable at year-end was 8,975%.		
	489 492	426 400
Less: current portion transferred to current liabilities	(273 594)	(163 314)
Instalment sale agreements	(146 586)	(163 013)
Domestic medium-term note programme	(127 008)	(301)
Total non-current interest-bearing borrowings	215 898	263 086
The present value of future minimum payments on instalment sale agreements is as follows:		
Due within the next 12 months	146 586	163 013
Due between one and five years	115 898	138 086
Thereafter	–	–
	262 484	301 099
The present value of future minimum payments on the domestic medium-term note programme is as follows:		
Due within the next 12 months	127 008	301
Due between one and two years	100 000	125 000
Thereafter	–	–
	227 008	125 301
The fair value of interest-bearing borrowings is as follows:		
Instalment sale agreements	262 484	301 099
Domestic medium-term note programme	227 008	125 301
	489 492	426 400
The carrying amounts of interest-bearing borrowings are denominated in the following currencies:		
South African rand	454 394	349 909
Botswana pula	35 098	76 491
	489 492	426 400

The group has R0,9 billion (2013: R1,1 billion) undrawn facilities at the end of the year. These facilities are annual facilities and are subject to review at various dates during 2015.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

		2014 R'000	2013 R'000
31.	**PROVISIONS FOR OTHER LIABILITIES AND CHARGES**		
	Employee provisions		
	Balance at the beginning of the year	27 744	47 058
	Provisions created	50 600	92 581
	Provisions reversed	(11 901)	(72 132)
	Provisions utilised	(52 277)	(40 336)
	Foreign exchange differences	85	573
	Balance at the end of the year	14 251	27 744
	Employee provisions consist mainly of employee incentives which are awarded based on individual performance and are paid within three months of the financial year-end.		
	Contract provisions		
	Balance at the beginning of the year	106 907	115 857
	Provisions created	327 182	328 980
	Provisions reversed	(62 552)	(234 859)
	Provisions utilised	(67 387)	(104 764)
	Foreign exchange differences	365	1 693
	Balance at the end of the year	304 515	106 907
	Contract provisions consist mainly of provision for losses to end-of-site and provision for end-of-site maintenance period.		
	Balance at the end of the year – current provisions	318 766	134 651
32.	**TRADE AND OTHER PAYABLES**		
	Trade creditors and accruals	1 179 226	1 042 376
	Shareholders for dividends	800	804
	Advance payments received for contract work	1 102 385	1 095 096
		2 282 411	2 138 276

	2014 R'000	2013 R'000
33. CASH GENERATED BY OPERATING ACTIVITIES		
Operating (loss)/profit	(984 691)	324 886
Adjustment for non-cash items:	740 358	81 884
Depreciation	342 404	324 292
Impairment loss	304 370	–
Write down of development land	80 565	22 572
Profit on sale of property, plant and equipment	(897)	(1 807)
Loss/(profit) on sale of subsidiary	1 818	(288 514)
Loss on sale of jointly controlled entity	–	31 182
Loss on sale of associate	9 846	–
Fair value adjustment	1 392	(6 701)
Amortisation of intangible assets	860	860
Operating cash flow	(244 333)	406 770
Movements in working capital:	126 003	(122 343)
Inventories	8 891	39 278
Development land	14 533	16 683
Contract and trade debtors	(213 866)	(90 620)
Receivables and prepayments	(21 027)	1 790
Trade and other payables	153 357	(61 210)
Provisions for other liabilities and charges	184 115	(28 264)
Cash generated by operating activities	(118 330)	284 427

Excluded from the cash flow statement are additions to fixed assets amounting to R150,1 million (2013: R42,7 million) which were funded by instalment sale agreements.

	2014 R'000	2013 R'000
34. DIVIDENDS PAID		
Dividends due at the beginning of the year	(804)	(584)
Dividends declared per the statement of changes in equity	–	(232 860)
Dividends due at the end of the year	800	804
Dividends paid	(4)	(232 640)
35. TAXATION PAID		
Net taxation due at the beginning of the year	28 495	41 794
Normal taxation charged to the income statement	(33 507)	(17 315)
Capital gains taxation charged to the income statement	–	(64 156)
Acquisition of subsidiaries (note 41)	(57)	–
Transferred to assets held for sale	(860)	–
Net taxation due at the end of the year	(52 082)	(28 495)
Taxation paid	(58 011)	(68 172)

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

	2014 R'000	2013 R'000
36. GUARANTEES AND CONTINGENT LIABILITIES		
Guarantees		
The group has the following guarantees and suretyships outstanding at the year-end:		
Payment guarantees	155 655	135 183
Performance and construction guarantees	1 546 365	1 850 060
Bond retention guarantees	425 854	743 831
Bid and other bonds	39 540	306 288
	2 167 414	3 035 362

It is not expected that any loss will arise out of the issue of the above guarantees.

Contingent liability

The group has identified a number of instances where subsidiaries in Botswana have not fully complied with the time of submission requirements as prescribed by the Value Added Tax Act in Botswana. The Botswana entities have made voluntary submissions to the Botswana Unified Revenue Service (BURS) setting out these instances and requesting BURS to issue revised assessments.

No provision for additional taxes has been raised in relation to this VAT issue as legal advice indicates that it is not probable that a significant liability will arise. It is likely, however, that penalties and interest will be levied by BURS due to late submission and payments and the group accrued for these costs in the 2013 financial year.

	2014 R'000	2013 R'000
37. CAPITAL AND OPERATING LEASE COMMITMENTS		
Capital expenditure contracted for at the statement of financial position date	–	–
Capital expenditure approved and not yet contracted for	254 419	315 495
The above capital expenditure will be financed from funds generated from operations and borrowings.		
Operating lease commitments contracted for at the statement of financial position date:		
Due within the next 12 months	18 483	24 645
Due between one and two years	19 925	21 486
Thereafter	236 294	234 782
	274 702	280 913

The operating leases for office equipment are payable in monthly instalments of between R5 758 and R10 236, escalating annually by between 0% and 15%, over a period of five years.

The operating leases for office space are payable in monthly instalments of between R296 197 and R1 158 553. The longest lease expires in 10 years.

Included in operating leases for office space is the rental of the Basil Read head office campus in Boksburg, which is with Thunderstruck Investments 136 (Pty) Ltd, a related party. The leases expire in 10 years.

	2014 R'000	2013 R'000
38. EMPLOYEE BENEFITS		
(a) Staff costs	1 378 723	1 251 821
Salaries and wages	1 222 900	1 150 567
Termination benefits	37 951	–
Pension costs – defined contribution plans	69 093	65 360
Social security costs	48 779	35 894

Segment employees analysis	Number	Number
Number of employees employed by the group: geographical	6 426	6 311
Local	5 060	5 059
International	1 366	1 252

(b) Defined contribution and defined benefit plan

The Basil Read Group Pension Fund, the Basil Read Group Provident Fund and the Construction Industry Retirement Benefit Plan covers permanent employees of the group and its subsidiary companies. The pension fund is a defined benefit plan while the provident fund and Construction Industry Retirement Benefit Plan are both defined contribution plans. All three funds are registered under the Pension Funds Act of 1965 as privately administered funds.

The Basil Read Group Pension Fund was actuarially valued on 30 September 2007 and subsequently rolled forward to 31 December 2009. The surplus apportionment, as required by the Pension Funds Second Amendment Act 2001, was approved by the Financial Services Board during January 2007.

The pensioners of the fund were outsourced on a GN18 basis in 2013. The outsource removed all risk from the fund in respect of the pensioners as it extinguished the fund liability.

The trustees are looking into closing the fund in the near future. The pensioners have been outsourced and the majority of the liabilities are made up of defined contribution type liabilities. No further reporting will be required under IAS 19 once the closure of the fund takes place.

	2014 R'000	2013 R'000
Present value of funded obligations	(24 947)	(26 808)
Fair value of plan assets	34 036	33 968
Surplus	9 089	7 160
Unrecognised due to paragraph 64 limit:	(9 089)	(7 160)
The principal actuarial assumptions used for valuation purposes were as follows:		
Discount rate	6,70%	5,80%
Expected return on assets	6,70%	5,80%
Future salary increases	n/a	n/a
Future pension increases	n/a	n/a

The group has not recognised any portion of the pension fund surplus in its statement of financial position. The directors do not expect a significant portion of this surplus to be allocated to the group once the final apportionment has been approved by the trustees of the fund.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

38. EMPLOYEE BENEFITS *continued*

(b) Defined contribution and defined benefit plan *continued*

	2014 R'000	2013 R'000
Reconciliation of present value of funded obligations		
Balance at the beginning of the year	26 808	25 546
Service cost	294	350
Member contributions	–	–
Interest cost	1 387	1 276
Actuarial (gain)/loss	(3 022)	35
Benefits paid	(226)	(49)
Risk premiums	–	–
Expenses	(294)	(350)
Curtailment loss	–	–
Balance at the end of the year	24 947	26 808
Reconciliation of fair value of plan assets		
Balance at the beginning of the year	33 968	32 405
Expected return on assets	1 794	1 610
Contributions	–	–
Risk premiums	–	–
Benefits paid	(226)	(49)
Expenses	(294)	(350)
Actuarial (loss)/gain	(1 206)	352
Amount settled	–	–
Balance at the end of the year	34 036	33 968
The assets of the Basil Read Pension Fund were invested as follows:		
Cash	70,3%	74,1%
Bonds	29,7%	25,9%
Total	100,0%	100,0%

Five-year analysis

	Present value of funded obligations R'000	Fair value of plan assets R'000
As at 31 December 2010	46 772	46 602
As at 31 December 2011	59 188	64 678
As at 31 December 2012	25 546	32 405
As at 31 December 2013	26 808	33 968
As at 31 December 2014	24 947	34 036

Sensitivity analysis

No sensitivity analysis is presented as the liabilities that remain in the fund are not dependent on the economic assumptions. The liabilities therefore do not change for a change in the discount or inflation rates.

38. EMPLOYEE BENEFITS *continued*

(c) Company contribution

The company, on the advice of the Actuary, determines the company contribution rate in respect of the Basil Read Group Pension Fund.

(d) Medical aid

The company continuously reviews its contribution and benefit structures in its various medical aid schemes to ensure that these are well positioned against steeply rising healthcare costs. The group has no current exposure to post-retirement medical aid costs.

(e) Share incentive scheme

In terms of the Basil Read Share Incentive Scheme, the group's share incentive trust holds the right to issue options to directors and qualifying employees. The exercise price of the granted options is equal to the market price of the shares less a maximum discount of 10%. Options are conditional on the employee being in the service of the group on the vesting date. The group has no legal or constructive obligation to repurchase or settle the options in cash.

Grant – September 2002

In terms of the first issue of share options, the group's share incentive trust holds the right to issue shares to employees who exercised this option in September 2002. The qualifying employees are able to acquire such shares at a price of R1,40 per share when the group issues these shares at the vesting periods indicated below. The scheme is administered through the Basil Read Share Trust. The fair value of these unissued shares amounted to R37 842 (2013: R78 747) based on the group's year-end share price.

The movement in the rights to acquire Basil Read shares in terms of issue one is as follows:

	2014 Number '000	2013 Number '000
Rights outstanding at the beginning of the year	9	9
Rights exercised during the year	–	–
Lapsed during the year due to resignations	–	–
Rights outstanding at the end of the year	9	9
The maturity date and maximum amount of shares that can be purchased are limited to the following vesting periods:		
September 2005	8	8
September 2006	–	–
September 2007	1	1
	9	9

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

38. EMPLOYEE BENEFITS *continued*

(e) Share incentive scheme *continued*

Grant – November 2007

In terms of the third issue of share options, the group's share incentive trust holds the right to issue shares to employees who exercised this option in November 2007. The qualifying employees are able to acquire such shares at a price of R13,95 per share when the group issues these shares at the vesting periods indicated below. The scheme is administered through the Basil Read Share Trust. The fair value of these unissued shares amounted to R5 101 425 (2013: R15 584 513) based on the group's year-end share price.

	2014 Number '000	2013 Number '000
Rights outstanding at the beginning of the year	1 783	1 843
Rights exercised during the year	–	–
Lapsed during the year due to resignations	(568)	(60)
Rights outstanding at the end of the year	1 215	1 783
The maturity date and maximum amount of shares that can be purchased are limited to the following vesting periods:		
November 2008	596	881
November 2009	305	447
November 2010	314	455
	1 215	1 783
The following share options allocated to executive directors are still outstanding at year-end:		
Vested	12	250
Non-vested	–	–
	12	250
The following share options allocated to key management are still outstanding at year-end:		
Vested	380	515
Non-vested	–	–
	380	515

38. EMPLOYEE BENEFITS *continued*

(e) Share incentive scheme *continued*

Grant – April 2009

In terms of the fourth issue of share options, the group's share incentive trust holds the right to issue shares to employees who exercised this option in April 2009. The qualifying employees are able to acquire such shares at a price of R13,95 per share when the group issues these shares at the vesting periods indicated below. The scheme is administered through the Basil Read Share Trust. The fair value of these unissued shares amounted to R4 158 210 (2013: R13 492 375) based on the group's year-end share price.

	2014 Number '000	2013 Number '000
Rights outstanding at the beginning of the year	1 544	1 589
Rights exercised during the year	–	–
Lapsed during the year due to resignations	(554)	(45)
Rights outstanding at the end of the year	990	1 544
The maturity date and maximum amount of shares that can be purchased are limited to the following vesting periods:		
April 2010	494	771
April 2011	247	385
April 2012	249	388
	990	1 544
The following share options allocated to executive directors are still outstanding at year-end:		
Vested	20	130
Non-vested	–	–
	20	130
The following share options allocated to key management are still outstanding at year-end:		
Vested	357	622
Non-vested	–	–
	357	622

(f) Directors' and prescribed officers' emoluments

Full details of audited directors' and prescribed officers' emoluments are provided in the directors' report, under the following sections:

- ➜ Directors' and prescribed officers' emoluments (page 4)
- ➜ Directors' and prescribed officers' equity-settled instruments (page 7)
- ➜ Interests of directors and officers in share capital (page 9)
- ➜ Interests of directors and officers in share incentive scheme (page 10)

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

39. SEGMENT REPORT

The group mainly operates in South Africa and sub-Saharan Africa. The group's client base consists mainly of government and mining institutions.

Management has determined the operating segments based on the reports reviewed by the strategic executive committee that are used to make strategic decisions.

The committee manages the business in terms of four segments: construction, developments, engineering and mining. Assets and liabilities are allocated to each of these segments and are managed accordingly.

In terms of revenue and profitability, the construction segment has been further broken down into buildings, civil engineering and roads to be consistent with the internal reporting reviewed by the committee.

Although the developments segment does not meet the qualitative thresholds required by IFRS 8, management has concluded that this segment should be reported, as it is closely monitored by the strategic executive committee as a growth area with a unique risk profile.

Intersegment revenue is charged at market rates prevailing at the time of the transaction. The revenue from external customers reported to the strategic executive committee is measured in a manner consistent with that in the income statement.

The amounts provided to the strategic executive committee with respect to assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

The amounts provided to the strategic executive committee with respect to liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The segment information provided to the strategic executive committee for the reportable segments for the year ended 31 December 2014 is as follows:

	Operating profit %	Construction R'000	Develop-ments R'000	Engineering R'000	Mining R'000	Intersegment elimination R'000	Total R'000
Revenue		4 984 123	223 810	168 178	1 261 574	(135 278)	6 502 407
Buildings		1 125 220	–	–	–	–	1 125 220
Civil engineering		1 340 651	–	–	–	(426)	1 340 225
Roads		2 518 252	–	–	–	(56 519)	2 461 733
Mining		–	–	–	1 261 574	(60 833)	1 200 741
Developments		–	223 810	–	–	–	223 810
Engineering		–	–	168 178	–	(17 500)	150 678
Operating profit	(13,94)	(732 931)	(64 088)	(103 059)	(6 159)	–	(906 237)
Buildings	(21,37)	(240 404)	–	–	–	–	(240 404)
Civil engineering	(30,19)	(404 603)	–	–	–	–	(404 603)
Roads	(3,57)	(87 924)	–	–	–	–	(87 924)
Mining	(0,51)	–	–	–	(6 159)	–	(6 159)
Developments	(28,64)	–	(64 088)	–	–	–	(64 088)
Engineering	(68,40)	–	–	(103 059)	–	–	(103 059)
Depreciation		(144 141)	(112)	(4 498)	(193 653)	–	(342 404)
Impairment of goodwill		(185 742)	–	(82 158)	(36 470)	–	(304 370)
Net finance income/(costs)		3 842	(12 258)	(523)	(17 263)	–	(26 202)
Property, plant and equipment		563 287	3 073	7 480	506 408	–	1 080 248
Additions to property, plant and equipment		144 466	167	3 107	191 334	–	339 074
Goodwill		96 355	–	–	–	–	96 355
Inventories		15 034	–	–	18 033	–	33 067
Cash and cash equivalents		698 638	9 370	1 380	111 191	–	820 579
Interest-bearing borrowings		292 569	–	–	196 923	–	489 492
Order book		6 665 274	100 000	–	3 773 675	–	10 538 949

39. SEGMENT REPORT *continued*

The segment information for the year ended 31 December 2013 is as follows:

	Operating profit %	Construction R'000	Develop-ments R'000	Engineering R'000	Mining R'000	Intersegment elimination R'000	Total R'000
Revenue		4 685 474	69 897	603 726	956 958	(97 903)	6 218 152
Buildings		921 795	–	–	–	–	921 795
Civil engineering		1 373 307	–	–	–	–	1 373 307
Roads		2 390 372	–	–	–	(62 528)	2 327 844
Mining		–	–	–	956 958	(21 597)	935 361
Developments		–	69 897	–	–	–	69 897
Engineering		–	–	603 726	–	(13 778)	589 948
Operating profit	0,89	12 057	(16 311)	618	58 864	–	55 228
Buildings	0,68	6 286	–	–	–	–	6 286
Civil engineering	(2,40)	(32 998)	–	–	–	–	(32 998)
Roads	1,67	38 769	–	–	–	–	38 769
Mining	6,29	–	–	–	58 864	–	58 864
Developments	(23,34)	–	(16 311)	–	–	–	(16 311)
Engineering	0,10	–	–	618	–	–	618
Depreciation		(157 441)	(117)	(214)	(166 520)	–	(324 292)
Impairment of goodwill		–	–	–	–	–	–
Net finance income/(costs)		47 111	(13 585)	3 614	(24 470)	–	12 670
Property, plant and equipment		614 208	3 018	–	520 921	–	1 138 147
Additions to property, plant and equipment		195 080	117	–	59 751	–	254 948
Goodwill		282 097	–	90 510	34 779	–	407 386
Inventories		19 690	–	–	22 268	–	41 958
Cash and cash equivalents		1 037 413	2 672	73 813	88 586	–	1 202 484
Interest-bearing borrowings		204 582	–	–	221 818	–	426 400
Order book		8 165 000	100 000	280 000	3 919 000	–	12 464 000

Geographic information

	2014 %	2013 %
Revenue		
South Africa	77	74
Rest of Africa	10	11
Rest of world	13	15
	100	100

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

40. RELATED PARTY TRANSACTIONS

The following transactions have been entered into with related parties during the year:

Costs incurred by the group

Nature of relationship/amounts paid to	Nature of transaction	2014 R'000	2013 R'000
Shareholders			
Amabubesi Investments (Pty) Ltd	Directors' fees	934	981
Directors			
Amounts paid to other non-executive directors	Directors' fees	3 731	3 754
Amounts paid to executive directors	Remuneration and incentives	16 734	19 935
Prescribed officers			
Amounts paid to prescribed officers	Remuneration and incentives	17 379	11 173
Management			
Amounts paid to key management#	Cash portion of package	12 001	20 510
Amounts paid to key management#	Benefits	1 961	2 922
Amounts paid to key management#	Incentive bonus	–	3 350
Associate companies and joint ventures			
Savanna City Developments (Pty) Ltd	Loan*	42 497	26 436
Siascan (Pty) Ltd	Loan*	–	5 234
Thunderstruck Investments 136 (Pty) Ltd	Loan*	30 557	30 500
Vhumbanani Projects (Pty) Ltd	Loan*	(1 141)	(1 141)
3Energy Renewables (Pty) Ltd	Loan*	771	610
Beaufort West Energy Holding (Pty) Ltd	Loan*	–	51
BR-Tsima Construction (Pty) Ltd	Loan*	–	8 360
Majwe Mining Joint Venture (Pty) Ltd	Loan*	–	(49 631)
Metrowind (Pty) Ltd	Loan*	–	34 477
Mmila Projects (Pty) Ltd	Loan*	107	195
Rubicept (Pty) Ltd	Loan*	34 477	–

#Details of share options awarded to key management can be found in note 38.
**Refer note 11 for further details. No security was held against these balances.*

41. BUSINESS COMBINATIONS

For the year ended 31 December 2014

Hytronix (Pty) Ltd

On 1 April 2014, the group acquired 100% of the share capital of Hytronix (Pty) Ltd. Hytronix's core business is the construction of mining equipment. The acquired businesses contributed revenues of R10,1 million and net profit of Rnil. If the acquisition had been effective 1 January 2014, the acquired business would have contributed revenues of R13,7 million and net profit of R0,3 million. These amounts have been calculated using the group's accounting policies. No transaction costs were incurred.

Hytronix (Pty) Ltd has been included as part of the mining segment.

Details of net assets acquired and goodwill are as follows:

	R'000
Purchase consideration:	
– Cash paid	4 243
Carrying value of net assets acquired	(2 552)
Goodwill	1 691

The goodwill is attributable to the workforce of the acquired business and the significant synergies expected to arise following the acquisition of Hytronix (Pty) Ltd.

The assets and liabilities as of 1 April 2014 arising from the acquisition are:

	Acquiree's carrying amount R'000
Cash and cash equivalents	396
Property, plant and equipment (note 15)	1 009
Contract and trade debtors	2 318
Interest-bearing borrowings	(331)
Trade and other payables	(783)
Current income tax liabilities	(57)
Net assets	2 552
Purchase consideration settled in cash	4 243
Cash and cash equivalents in subsidiary acquired	(396)
Cash outflow on acquisition	3 847

For the year ended 31 December 2013

There were no business combinations in the year under review.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2014

42. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2014

AngloAfrican Insurance Brokers (Pty) Ltd

On 1 December 2014, the group disposed of 51% of the share capital of AngloAfrican Insurance Brokers (Pty) Ltd to the minority partner. The company is a financial services provider specialising in insurance.

AngloAfrican Insurance Brokers (Pty) Ltd was included as part of the construction segment.

Details of net assets disposed are as follows:

	R'000
Sale consideration:	
– Cash received	–
Net sale consideration	–
Carrying value of net assets disposed	(41)
Derecognition of non-controlling interest	(1 777)
Loss on sale (note 8)	(1 818)

The assets and liabilities as of 1 December 2014 disposed of are:

	Disposee's carrying amount R'000
Cash and cash equivalents	37
Receivables and prepayments	72
Trade and other payables	(68)
Net assets	41
Purchase consideration received in cash	–
Cash and cash equivalents in subsidiary disposed	(37)
Cash outflow on disposal	(37)

42. DISPOSAL OF SUBSIDIARIES *continued*

For the year ended 31 December 2013

TWP Holdings (Pty) Ltd

During March 2013, the group disposed of 100% of the share capital of TWP Holdings (Pty) Ltd. The company is an engineering, procurement and construction management company.

TWP Holdings (Pty) Ltd was included as part of the engineering segment.

Details of net assets disposed are as follows:

	R'000
Sale consideration:	
– Cash received	877 709
– Interest component of sale consideration	(8 112)
– Cash costs of disposal	(31 495)
Net sale consideration	838 102
Carrying value of net assets disposed	(559 162)
Derecognition of foreign currency translation reserve	(4 989)
Derecognition of non-controlling interest	15 272
Derecognition of fair value adjustment reserve	(709)
Profit on sale	288 514
Closure of TWP Australia (TWSP (Pty) Ltd)	(31 182)
Profit on disposal of discontinued operations	257 332

The assets and liabilities as of March 2013 disposed of are:

	Fair value R'000	Disposee's carrying amount R'000
Cash and cash equivalents	10 827	10 827
Property, plant and equipment	33 941	33 941
Intangible asset	385 316	385 316
Deferred income tax asset	1 221	1 221
Available-for-sale financial asset	1 903	1 903
Contract and trade debtors	310 492	310 492
Current income tax asset	8 729	8 729
Receivables and prepayments	21 111	21 111
Deferred income tax liability	(8 984)	(8 984)
Trade and other payables	(156 755)	(156 755)
Current income tax liability	(773)	(773)
Provisions for other liabilities and charges	(35 927)	(35 927)
Bank overdraft	(11 939)	(11 939)
Net assets	559 162	559 162
Purchase consideration received in cash		838 102
Cash and cash equivalents in subsidiary disposed		1 112
Cash inflow on disposal		839 214

43. POST-STATEMENT OF FINANCIAL POSITION EVENTS

Basil Read concluded the disposal of LYT Architecture on 1 February 2015 for a purchase consideration of R42 million. Further details regarding the disposal entity can be found in note 27.

Company income statement

for the year ended 31 December 2014

	Notes	2014 R'000	2013 R'000
CONTINUING OPERATIONS			
Dividends received		5 000	–
Admin and operating overheads		360	(102 471)
Operating profit/(loss)		5 360	(102 471)
Interest received	44	28	8 710
Interest paid	44	(7)	(490)
Profit/(loss) before taxation		5 381	(94 251)
Taxation		(136)	97
Profit/(loss) for the year from continuing operations		5 245	(94 154)
DISCONTINUED OPERATIONS			
Net profit for the year from discontinued operations		–	–
Profit on disposal of discontinued operations	53	–	309 888
Tax on disposal		–	(63 346)
Net profit for the year		5 245	152 388

Company statement of comprehensive income

for the year ended 31 December 2014

	2014 R'000	2013 R'000
Net profit for the year	5 245	152 388
Other comprehensive income for the year, net of tax	–	–
Total comprehensive income for the year	5 245	152 388

Company statement of financial position

as at 31 December 2014

	Notes	2014 R'000	2013 R'000
ASSETS			
Non-current assets		1 129 493	1 135 561
Investments in subsidiaries	45	257 144	257 144
Loans to subsidiaries	45	872 347	878 415
Available-for-sale financial assets	46	2	2
Current assets			
Cash and cash equivalents	47	492	521
Total assets		1 129 985	1 136 082
EQUITY AND LIABILITIES			
Capital and reserves		1 063 076	1 057 831
Stated capital	48	1 048 037	1 048 037
Retained earnings		15 039	9 794
Current liabilities		66 909	78 251
Trade and other payables	49	66 909	51 064
Current income tax liabilities		–	27 187
Total equity and liabilities		1 129 985	1 136 082

Company statement of changes in equity

for the year ended 31 December 2014

	Share capital R'000	Retained earnings R'000	Total R'000
Balance at 1 January 2013	1 048 037	87 871	1 135 908
Total comprehensive income for the year	–	152 388	152 388
Dividend paid	–	(230 465)	(230 465)
Balance at 31 December 2013	1 048 037	9 794	1 057 831
Total comprehensive income for the year	–	5 245	5 245
Balance at 31 December 2014	1 048 037	15 039	1 063 076

Company statement of cash flows

for the year ended 31 December 2014

	Notes	2014 R'000	2013 R'000
CASH FLOW FROM OPERATING ACTIVITIES		(6 097)	(312 725)
Cash generated by operating activities	50	21 209	(54 638)
Net finance income		21	8 220
Dividends paid	51	(4)	(230 245)
Taxation paid	52	(27 323)	(36 062)
CASH FLOW FROM INVESTING ACTIVITIES		6 068	313 087
Disposal of subsidiary		–	838 102
Loans repaid by/(advanced to) subsidiaries		6 068	(525 015)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		–	–
Movement in cash and cash equivalents		(29)	362
Cash and cash equivalents – at the beginning of the year		521	159
Cash and cash equivalents – at the end of the year	47	492	521

Notes to the company financial statements

for the year ended 31 December 2014

		2014 R'000	2013 R'000
44.	**NET FINANCE INCOME/(COSTS)**		
	Interest paid		
	Bank loans and other borrowings	(7)	(490)
	Interest received	28	8 710
	Bank	28	598
	Other	–	8 112
	Net finance income	21	8 220
45.	**INVESTMENTS IN SUBSIDIARIES**		
	Unlisted investments		
	Shares at cost	170 297	170 297
	Share-based payments	86 847	86 847
		257 144	257 144
	Loans to subsidiaries	872 347	878 415
		1 129 491	1 135 559
	Details of the company's investments in subsidiaries are as follows:		
	Basil Read Ltd	951 429	957 497
	Shares at cost	1	1
	Share-based payment	79 081	79 081
	Interest-free loans to subsidiary	872 347	878 415
	BSR Engineering (Pty) Ltd	178 062	178 062
	Shares at cost	170 296	170 296
	Share-based payment	7 766	7 766
		1 129 491	1 135 559

Unless indicated, the above loans are interest free.

At 31 December 2014, the net asset value of the group was R1,0 billion (2013: R1,9 billion) and the market capitalisation was R553,1 million (2013: R1,2 billion), based on the group's year-end share price.

		2014 R'000	2013 R'000
46.	**AVAILABLE-FOR-SALE FINANCIAL ASSETS**		
	Listed investments		
	At the beginning and the end of the year	2	2
47.	**CASH AND CASH EQUIVALENTS**		
	Bank balances	492	521

Notes to the company financial statements *continued*

for the year ended 31 December 2014

48. STATED CAPITAL

Ordinary shares

Authorised

300 000 000 ordinary no par value shares
(2013: 300 000 000)

	Number of shares	No par value ordinary shares R'000	No par value "A" ordinary shares R'000	Total R'000
Issued				
Year ended 31 December 2013				
At the beginning and end of the year	131 694 281	1 047 701	–	1 047 701
Year ended 31 December 2014				
At the beginning and end of the year	**131 694 281**	**1 047 701**	**–**	**1 047 701**

"A" ordinary shares

Authorised

33 607 507 "A" ordinary no par value shares
(2013: 33 607 507)

	Number of shares	No par value ordinary shares R'000	No par value "A" ordinary shares R'000	Total R'000
Issued				
Year ended 31 December 2013				
At the beginning and end of the year	33 607 507	–	336	336
Year ended 31 December 2014				
At the beginning and end of the year	**33 607 507**	**–**	**336**	**336**
Total share capital				
Year ended 31 December 2013				
At the end of the year	165 301 788	1 047 701	336	1 048 037
Year ended 31 December 2014				
At the end of the year	**165 301 788**	**1 047 701**	**336**	**1 048 037**

The unissued shares were not placed under the control of the directors by resolution of the shareholders until the forthcoming annual general meeting. The directors are not authorised, by resolution of the shareholders and until the forthcoming annual general meeting, to issue ordinary shares for cash.

		2014 R'000	2013 R'000
49.	**TRADE AND OTHER PAYABLES**		
	Trade creditors and accruals	66 109	50 260
	Shareholders for dividends	800	804
		66 909	51 064
50.	**CASH GENERATED BY OPERATING ACTIVITIES**		
	Operating profit	5 360	(102 471)
	Adjustment for non-cash items:	–	–
	Operating cash flow	5 360	(102 471)
	Movements in working capital:		
	Trade and other payables	15 849	47 833
	Cash generated by operating activities	21 209	(54 638)
51.	**DIVIDENDS PAID**		
	Dividends due at the beginning of the year	(804)	(584)
	Dividends declared per the statement of changes in equity	–	(230 465)
	Dividends due at the end of the year	800	804
	Dividends paid	(4)	(230 245)
52.	**TAXATION PAID**		
	Taxation due at the beginning of the year	(27 187)	–
	Normal taxation charged to the income statement	(136)	97
	Capital gains taxation charged to the income statement	–	(63 346)
	Taxation due at the end of the year	–	27 187
	Taxation paid	(27 323)	(36 062)

Notes to the company financial statements *continued*

for the year ended 31 December 2014

53. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2014

No subsidiaries were disposed of during the 2014 financial year.

For the year ended 31 December 2013

TWP Holdings (Pty) Ltd

During March 2013, the company disposed of 100% of the share capital of TWP Holdings (Pty) Ltd. The company is an engineering, procurement and construction management company.

Details of net assets disposed are as follows:

	R'000
Sale consideration:	
– Cash received	877 709
– Interest component of sale consideration	(8 112)
– Cash costs of disposal	(31 495)
Net sale consideration	838 102
Carrying value of subsidiary disposed	(528 214)
Profit on sale	309 888

54. BORROWING POWERS

The company has unlimited borrowing powers in terms of its constitutional documents.

55. GUARANTEES AND CONTINGENT LIABILITIES

The company has issued sureties for unlimited amounts in respect of amounts advanced to and sureties issued on behalf of subsidiary companies. It is not expected that any loss will arise out of the issue of these guarantees.

56. POST-STATEMENT OF FINANCIAL POSITION EVENTS

No material events have occurred between the statement of financial position date and the date of these results that would have a material effect on the financial statements of the company.

Shareholders' information

as at 31 December 2014

SHAREHOLDERS' ANALYSIS

Analysis of ordinary shareholders as at 31 December 2014

	Number of shareholders	% of total shareholdings	Number of shares	% of shares in issue
SHAREHOLDER SPREAD				
1 – 1 000 shares	1 167	42,64	498 048	0,38
1 001 – 10 000 shares	1 124	41,07	4 101 231	3,11
10 001 – 100 000 shares	302	11,03	10 033 569	7,62
100 001 – 1 000 000 shares	117	4,27	34 910 977	26,51
1 000 001 shares and over	27	0,99	82 150 456	62,38
Total	2 737	100,00	131 694 281	100,00
DISTRIBUTION OF SHAREHOLDERS				
Assurance companies	14	0,51	1 599 530	1,21
Close corporations	34	1,24	686 227	0,52
Collective investment schemes	38	1,39	30 421 763	23,10
Custodians	23	0,84	6 948 186	5,28
Foundations and charitable funds	13	0,47	633 569	0,48
Hedge funds	1	0,04	111 000	0,08
Insurance companies	2	0,07	1 325 736	1,01
Investment partnerships	13	0,47	58 301	0,04
Managed funds	7	0,26	239 496	0,18
Medical aid funds	6	0,22	348 671	0,26
Organs of state	3	0,11	11 439 034	8,69
Private companies	55	2,01	24 324 128	18,47
Public companies	2	0,07	1 559	0,00
Public entities	3	0,11	9 202 983	6,99
Retail shareholders	2 255	82,39	10 817 029	8,23
Retirement benefit funds	108	3,95	21 485 687	16,32
Scrip lending	3	0,11	385 033	0,29
Share scheme	1	0,04	1 667	0,00
Stockbrokers and nominees	14	0,51	2 751 299	2,09
Treasury	1	0,04	18 511	0,01
Trusts	139	5,08	8 894 870	6,75
Unclaimed scrip	2	0,07	2	0,00
Total	2 737	100,00	131 694 281	100,00
PUBLIC AND NON-PUBLIC SHAREHOLDERS				
Basil Read Share Incentive Scheme	1	0,04	20 096	0,02
Major black economic empowerment partners	2	0,07	18 983 056	14,41
Directors (direct and indirect)	2	0,07	106 986	0,08
Non-public shareholders	5	0,18	19 110 138	14,51
Public shareholders	2 732	99,82	112 584 143	85,49
Total	2 737	100,00	131 694 281	100,00

Shareholders' information *continued*

as at 31 December 2014

	Number of shares	% of shares in issue
BENEFICIAL SHAREHOLDINGS (>2%)		
Allan Gray	12 227 824	9,29
Government Employees Pension Fund	11 439 034	8,69
Amabubesi Investments	11 099 813	8,43
Industrial Development Corporation	9 090 909	6,90
SIOC CDT Investment Holdings (RF) (Pty) Ltd	7 883 243	5,99
PSG	5 325 782	4,04
Prudential	3 820 349	2,90
Sentinel Mining Industry Retirement Funds	3 488 458	2,65
Pictet et cie Banquiers (custodian)	3 414 592	2,59
Sanlam Group	2 974 565	2,26
Cedar Falls Properties 204 (Pty) Ltd	2 783 211	2,11
Total	73 547 780	55,85
TOP FIVE FUND MANAGERS		
Allan Gray	27 406 775	20,81
Prudential Portfolio Management	12 741 134	9,67
Argon Asset Management	8 428 371	6,40
Public Investment Corporation	7 798 500	5,92
PSG Alphen Asset Management	6 303 275	4,79
Total	62 678 055	47,59

	Number of shareholders	% of total shareholdings	Number of shares	% of shares in issue
SHAREHOLDER ANALYSIS ACCORDING TO COUNTRY				
South Africa	2 688	98,20	123 618 000	93,87
Switzerland	3	0,11	3 441 492	2,61
United Kingdom	13	0,47	2 579 180	1,96
United States	4	0,15	726 758	0,55
Swaziland	3	0,11	724 745	0,55
Namibia	14	0,51	380 641	0,29
Luxembourg	2	0,07	76 412	0,06
Belgium	1	0,04	56 898	0,04
Netherlands	1	0,04	33 146	0,03
Germany	1	0,04	23 000	0,02
Botswana	4	0,15	15 729	0,01
France	1	0,04	15 000	0,01
Zimbabwe	2	0,07	3 280	0,00
Total	2 737	100,00	131 694 281	100,00
Total number of shareholdings	2 737			
Total number of shares in issue	131 694 281			

JSE SHARE PRICE PERFORMANCE

Opening price 2 January 2014	R8,50
Closing price 31 December 2014	R4,20
Closing high for the period (24 April 2014)	R9,44
Closing low for the period (15 and 17 December 2014)	R3,95
Number of shares in issue	131 694 281
Volume traded during period	50 450 484
Total deals	11 898
Rand value of shares traded	R348 957 852
Ratio of volume traded to shares issued (%)	38,31%
PE ratio	(4,15)
Earnings yield (%)	(24,11)

Analysis of "A" ordinary shareholders as at 31 December 2014

	Number of shareholders	% of total shareholdings	Number of shares	% of shares in issue
SHAREHOLDER SPREAD				
1 – 1 000 shares	0	0,00	0	0,00
1 001 – 10 000 shares	0	0,00	0	0,00
10 001 – 100 000 shares	0	0,00	0	0,00
100 001 – 1 000 000 shares	0	0,00	0	0,00
1 000 001 shares and over	1	100,00	33 607 507	100,00
Total	1	100,00	33 607 507	100,00

	Number of shareholders	Number of shares	% held
BENEFICIAL SHAREHOLDINGS (>2%)			
SIOC CDT Investment Holdings (RF) (Pty) Ltd	1	33 607 507	100,00
Total	1	33 607 507	100,00
Total number of shareholdings	1		
Total number of shares in issue	33 607 507		

Administration

BASIL READ HOLDINGS LIMITED
Registration number: 1984/007758/06
Share code: BSR
ISIN: ZAE000029781

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TRANSFER SECRETARIES
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Shareholders' diary

Financial year-end	31 December
Annual general meeting	23 June 2015
REPORTS	
Half-year interim report	August 2015
Audited results	March 2016

DISCLAIMER

BASTION GRAPHICS

BASIL READ

www.basilread.co.za