

# BASIL READ

Integrated report



2015

# Contents

● Overview	1 – 29
Basis of report preparation and presentation	1
Key results	2
Strategic overview	4
Organisational overview	6
Geographical footprint	8
Business model	9
Developing infrastructure	10
Governing bodies	12
Vision, mission and values	16
Operating model	17
Strategic context	18
Operating context	20
Stakeholder engagement	24
Material issues, risks and opportunities	25
Risk management	26
● Company performance	30 – 41
Chairman's statement	30
Chief executive officer's report	32
Financial director's report	35
Five-year review	38
Value added statement	41
● Sustainability review	42 – 57
Safety and health	44
Our people	46
Quality	51
Environment	52
Corporate social investment	55
● Divisional review	58 – 67
Construction	58
Mining	66
● Governance	68 – 83
Corporate governance	68
Board committee reports	74
● Summarised financial and shareholders' information	84 – 116
Summarised financial information	84
Notice of annual general meeting	110



For more information see our website:  
[www.basilread.co.za](http://www.basilread.co.za)

## pg 30



Steady progress has been made towards the goals of rightsizing and returning Basil Read to profitability. Processes are being entrenched to ensure it continues to build legacies throughout the natural cycles of the construction industry.

Chairman:  
**Paul Baloyi**

## pg 32



While conditions in the sector are undoubtedly challenging, we remain committed to our strategy: grow the company to smooth the impact of cyclical volatility, extract maximum value from our assets and divest of non-core assets, and develop the appropriate corporate culture for a focused, disciplined construction company.

Chief executive officer:  
**Neville Nicolau**

## pg 42



Understanding that our business depends as much on the skill of our people as it does on our equipment, we focus on maintaining a safe and healthy workplace, supported by ongoing training.

## pg 58



Through its divisions, Basil Read is active in building, civil engineering projects, road construction, mixed-use integrated housing developments, opencast mining and related services. Basil Read operates mainly in South Africa and selected African markets.



# Basis of report preparation and presentation

Basil Read's integrated report for the 12 months to 31 December 2015 combines our economic, social and environmental results for a company-wide understanding. It also sets out the challenges and opportunities ahead, and follows a similar report for the year to 31 December 2014. Although this report is primarily prepared for providers of capital, detailing our progress against strategic objectives, we trust it will be useful for all our stakeholders.

Integrated reporting remains a cornerstone of our commitment to entrench global best practices in all operations. Basil Read therefore reports on all managed operations against the principles of the International Integrated Reporting Council (IIRC) framework, and the guidelines of the Global Reporting Initiative (GRI) (G4 core application level). This report also complies with the disclosure requirements of International Financial Reporting Standards (IFRS), the King report on governance for South Africa (King III) and the Listings Requirements of the JSE.

## Report content

To present a complete view of our company's performance and strategy, and by considering feedback from stakeholders, we distil internal and external elements into a matrix of material issues, risks and opportunities.

Material issues in the review period are detailed on page 25. Given that our business essentially depends on contracted projects, we are also at risk from various external factors that can significantly affect our ability to create value.

## Significant changes

Corporate activity in recent years makes data comparability challenging in certain areas. Where practical, we are implementing common data standards. Once the company-wide reporting platform is more mature, this report may be externally assured for non-financial disclosure.

## Supplementary information

The integrated report and summarised financial statements should be read in conjunction with the supplementary information and complete annual financial statements on our website ([www.basilread.co.za](http://www.basilread.co.za)).

For further details, contact:  
 Jenny von Ehrenberg  
 Investor relations officer  
[jvonehrenberg@basilread.co.za](mailto:jvonehrenberg@basilread.co.za)  
 Tel: +27 11 418 6466

## Assurance

### Combined assurance framework

A combined framework integrates and coordinates all assurance activities, identifies all related providers, and ensures that actual assurance takes place and is reported within our governance structures.



## Board responsibility

The board acknowledges its responsibility for the integrity of Basil Read's integrated report. The audit committee reviewed the report and recommended its approval to the board. Although the process of integrated reporting is still evolving, Basil Read has integrated its sustainability and financial reporting. Continuous efforts are made to incorporate best practice and improve our level of reporting.

The board reviews and finally approves the content of the integrated report prior to publication.

Paul Baloyi  
 Chairman

Neville Nicolau  
 Chief executive officer

20 April 2016

## Key results

R5.5 billion

**Revenue** from continuing operations  
(2014: R6.3 billion)

15.2%

**Return on equity**  
(2014: (51.9%))

143.87 cents

**Headline earnings per share** from continuing operations  
(2014: headline loss per share of 298.08 cents)

R171.2 million

**Profit after tax**  
(2014: loss after tax of R820.9 million)

R10.7 billion

**Order book**  
(2014: R10.5 billion)

4 fatalities

**Safety**  
(2014: two fatalities)

4.1%

**Operating margin** from continuing operations  
(2014: (12.8%))

876.39 cents

**Tangible net asset value**  
(2014: 784.90 cents)



## Training

We invested more than **R11 million** in the development of our employees, through various **training initiatives** including our internally developed management and supervisory development programmes



## Environmental

Our 2015 response to the global carbon disclosure project was scored at 91C, indicating **improved disclosure and performance**



## Health

Our in-house clinic conducted **3 890 medicals** to help our employees remain healthy and assist in the management and control of chronic diseases



## Transformation

We maintained our **level 2 BBBEE** contributor rating and are addressing gaps against the Department of Trade and Industry's revised codes of good practice to limit the impact at our next verification date



## Corporate social investment

We invested **R7.5 million** in **corporate social investment** projects that aim to transform people's lives and empower communities for a sustainable future

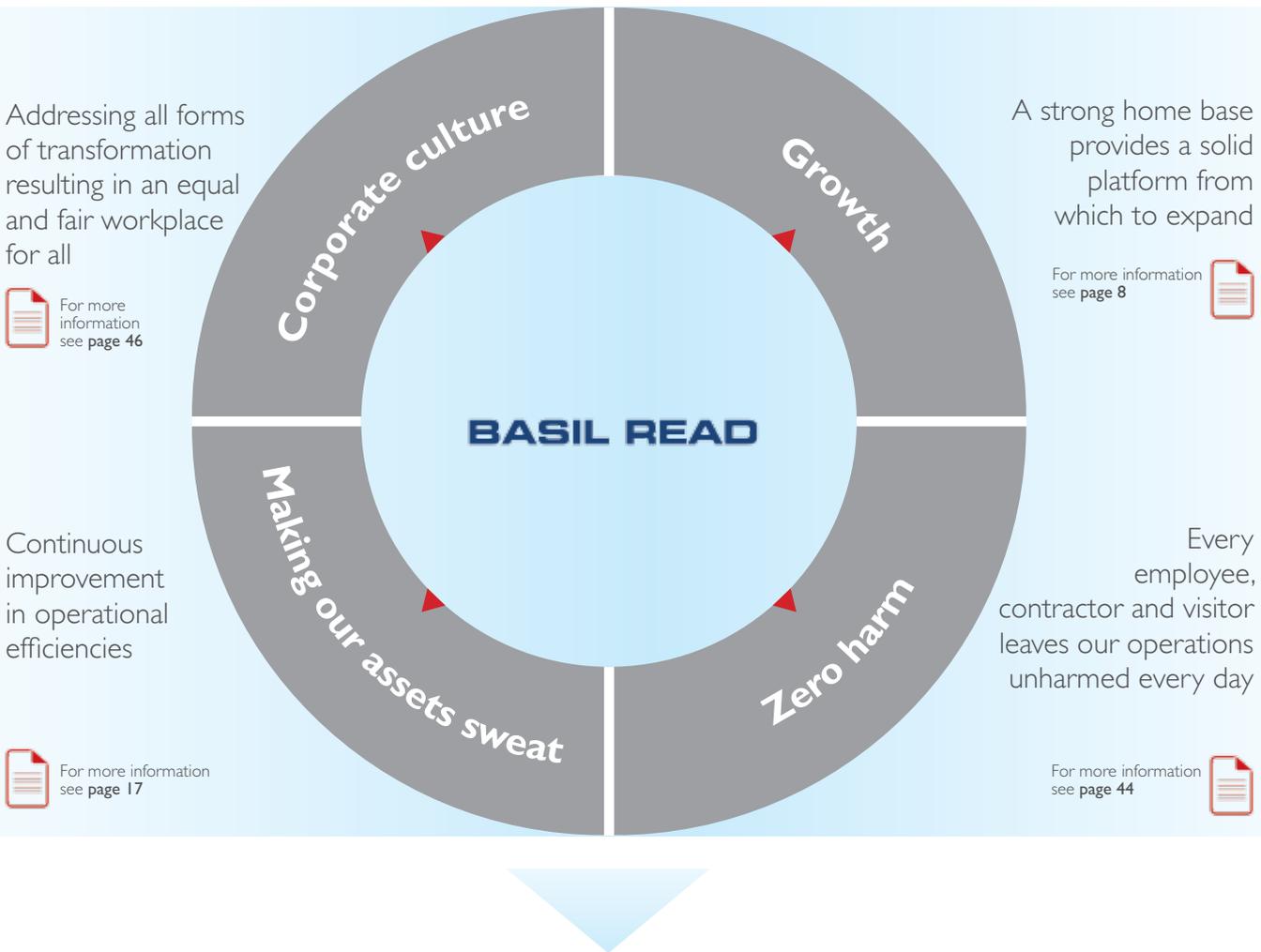


## Corporate citizenship

A commitment by all employees to **conduct business ethically** and portray strong moral principles is demonstrated in the revised code of business ethics and conduct

# Strategic overview

Basil Read is active in building, civil engineering, roads construction, mixed-use integrated housing developments, opencast mining and related services. For over 60 years, the company has played its part in building the foundations of South Africa for all its citizens.



## Strategic outcomes

### Safety

Two accidents tragically resulted in **four fatalities** during the year. Safety remains top of the company's agenda and nothing less than zero harm is acceptable.

### Financial

Basil Read **exceeded** all **financial targets** in the 2015 financial year, demonstrated by a return to profitability.

### Our people

Evaluation surveys undertaken across the organisation have given us the inputs required to **modernise our culture**.

## Key strategic initiatives supporting growth

- Disappointing safety performance resulting in four tragic fatalities
- All financial targets met in the review period
- Solid progress towards strategic initiatives

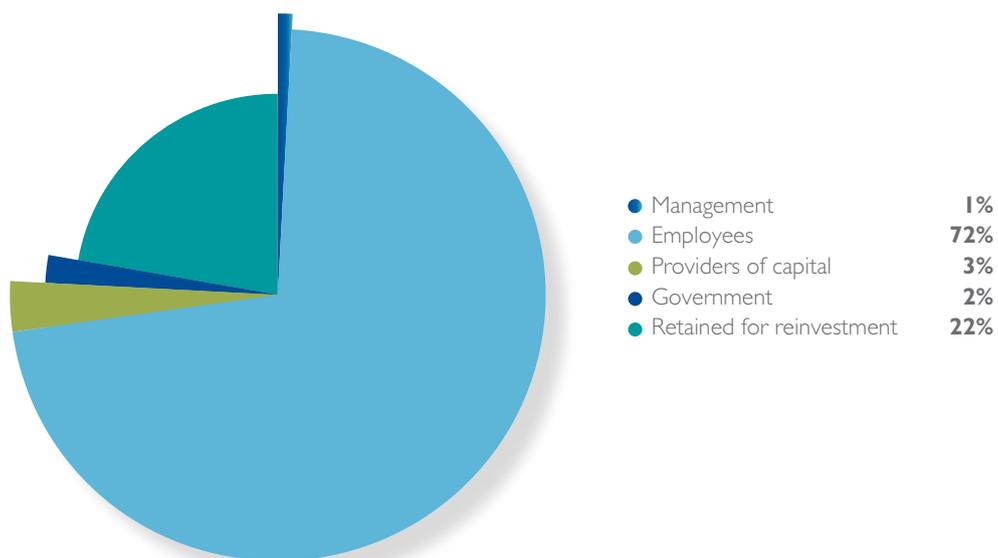
### Achieving our targets

Specific targets have been set for the executives responsible for each element of our strategy and we report on our progress at the half-year and full-year stages. In the interim, we measure progress towards our strategic targets at company level. Strategic material issues are detailed on page 25.

Performance measure	2015 target	2015 actual	Future
Profit	R 160 million	R 171.2 million	An increasing margin
Turnover	R5 billion	R5.5 billion	Growth at more than CPI
Order book	R 10 billion	R 10.7 billion	Improve to 2.5 times turnover
HEPS	120 cents per share	120.28 cents per share	Growth in proportion to profit
Return on equity	14%	15.2%	Growth in proportion to profit
Fatalities	Zero	Four	Zero

### Creating value for all our stakeholders

In 2015, we created total value of R1.9 billion, up from R810 million in 2014. While the bulk of this was distributed to employees as salaries and benefits, we are pleased that we were able to retain value to support future growth.



# Organisational overview

Backed by over six decades of construction expertise, Basil Read has become synonymous with quality, service excellence and professional integrity – playing its part in building the foundations of South Africa for all its citizens. The consolidated structure below is aligned to the critical strategic review on page 18.



## Construction 18% of order book

Basil Read is reshaping the construction sector in South Africa by packaging its expertise, innovation and quality into one integrated construction solution.

### Key operations

- Retail and office complexes
- Residential housing
- Bridges
- Harbour and marine works
- Infrastructural pipelines
- Apartment blocks
- Educational facilities
- Industrial plants
- Sliding
- Plant acquisition, disposal and maintenance
- Correctional facilities
- Specialised associated services
- Hospitals
- Stadiums



## Developments 2% of order book

This division focuses on large-scale mixed-use integrated housing developments and is an integral part of our licence to operate. Basil Read works with government at all levels, parastatals and non-governmental organisations to support national imperatives focused on improving the quality of life of all South Africa's people.

### Key operations

- Mixed-use integrated housing developments

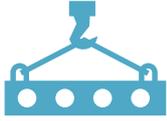


## Mining 43% of order book

Specialist skills and experience set this division apart in a competitive industry.

### Key operations

- Surface contract mining
- Mine spoils rehabilitation
- Bulk earthmoving
- Thin, thick and multiple-seam mining
- Hard-rock selective mining
- Materials handling
- Specialised drill and blast services



## Roads 25% of order book

The roads division offers clients specialised capabilities and services to ensure each project achieves world-class standards.

### Key operations

- Earthworks
- Township infrastructure
- Bridges
- Rail
- Roads and highways



## St Helena airport project 12% of order book

Basil Read is proving that effective risk management is critical in providing a turnkey service in the engineering, procurement and construction environments.

### Key operations

- St Helena is a prime example of company-wide discipline on a single project

## Support services

### Business development and commercial

- 1 Business development
- 2 Commercial
- 3 Estimating, planning and tendering



1 Olivier Giot



2 Norman Milne



3 Paul Viellard

### Shared services

- 1 Safety, health, environmental and quality (SHEQ)
- 2 Finance
- 3 Human resources
- 4 Information technology
- 5 Investor relations



1 Witness Kwaza



2 Francois Stock



3 Bernard Johnson



4 Duanne van der Merwe



5 Jenny von Ehrenberg

### Governance

- 1 Secretarial
- 2 Internal audit
- 3 Risk



1 Andiswa Ndoni



2 Siphon Makaringe



3 Chrystal Gumede

# Geographical footprint

Our entrenched presence in South Africa supports our ability to replicate this business model in similar markets that meet our stringent criteria.

## Flagship projects

- St Helena airport project
- Olifants River water resource development project
- Cosmo City
- Savanna City
- Tschudi copper mine
- Jwaneng diamond mine

**58**  
sites across six countries  
of operations

**5 325**  
employees



# Business model

Basil Read's business is to build the infrastructure on which our economy and society depend. Our impact, however, goes far beyond infrastructure. Throughout this report, we elaborate on the achievements, challenges and disappointments of our social and environmental performance for the review period in creating value for all our stakeholders.



# Developing infrastructure

Every South African has been touched by Basil Read in some form or another. Either by the roads they travel on, the houses they live in or the schools their children go to. This is how we build legacies.

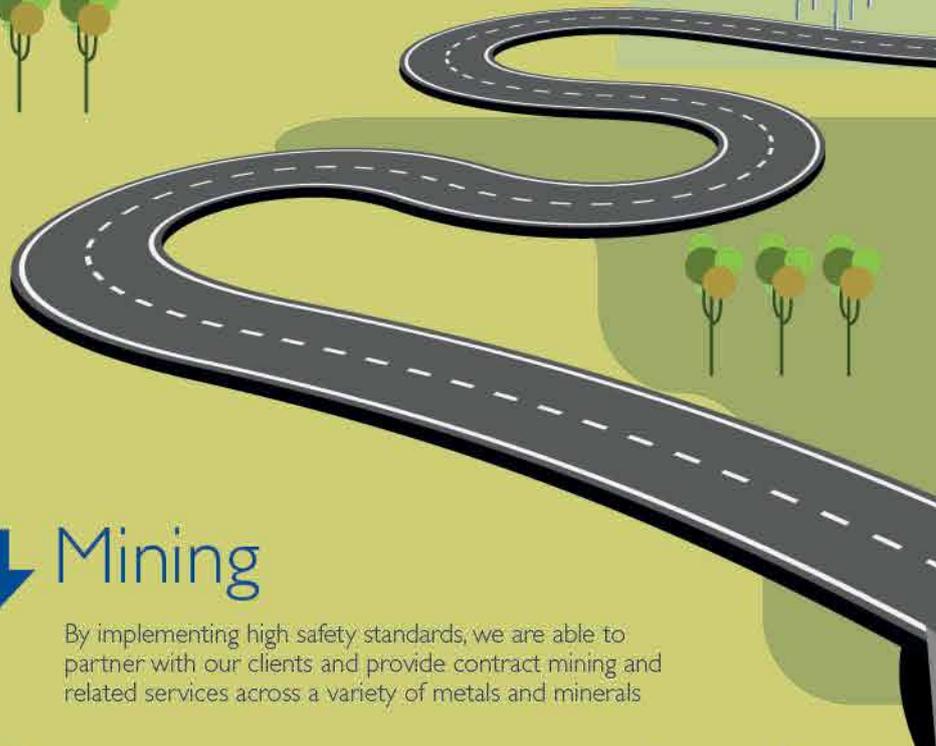
## ← St Helena

By utilising skills from every facet of our business, we are constructing a world-class airport on one of the most remote islands in the world



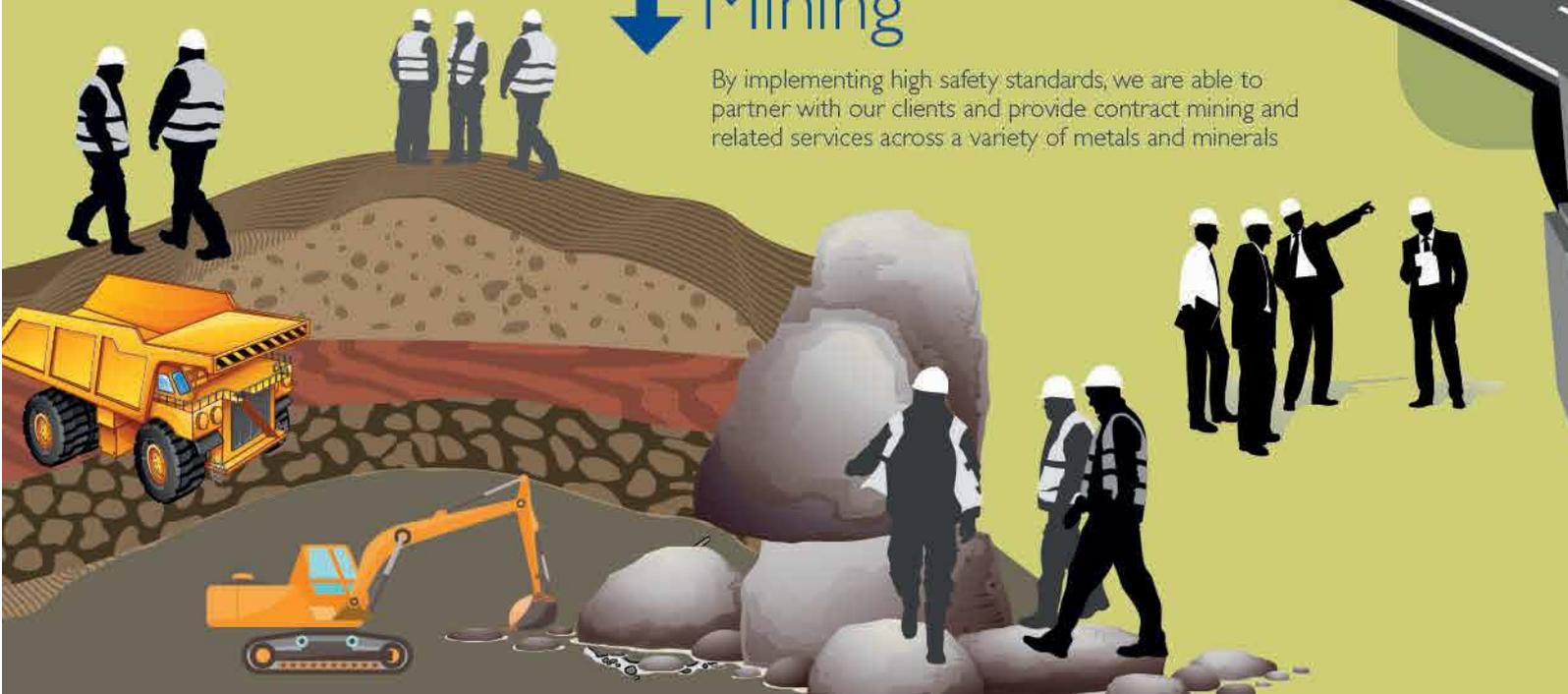
## Roads →

By building on our reputation as arguably South Africa's leading roads contractor, we are constructing the roads that transport essential goods while connecting our communities



## ↓ Mining

By implementing high safety standards, we are able to partner with our clients and provide contract mining and related services across a variety of metals and minerals





# Construction

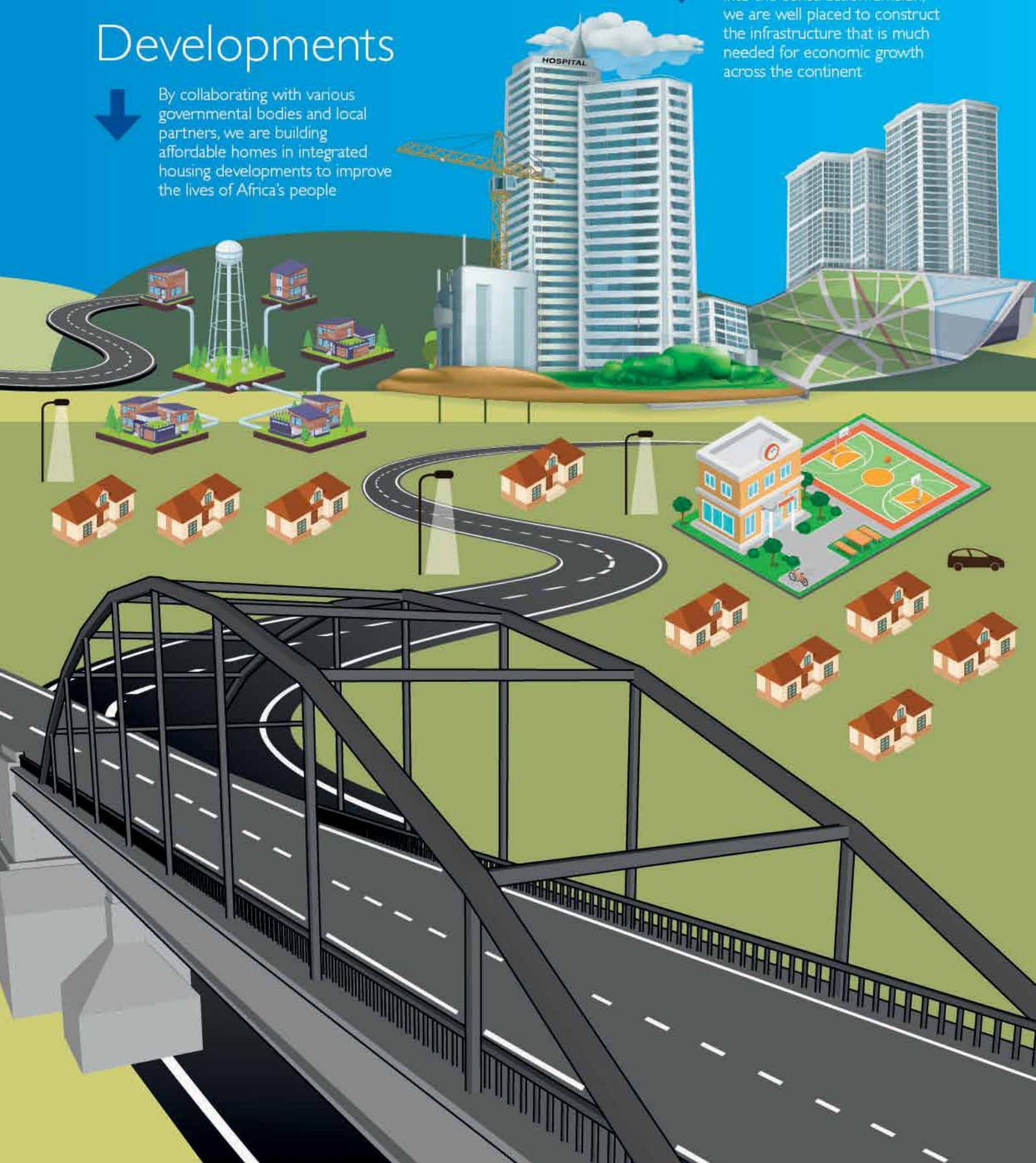


By combining our buildings, civils and pipelines disciplines into the construction division, we are well placed to construct the infrastructure that is much needed for economic growth across the continent.

# Developments



By collaborating with various governmental bodies and local partners, we are building affordable homes in integrated housing developments to improve the lives of Africa's people.



# Governing bodies

## Board of directors

The Basil Read board's role is to provide the leadership necessary to promote application of the principles of good corporate governance throughout the company. The board is committed to the highest standards of corporate governance contained in the King report on governance for South Africa (King III).

Board members elected at the annual general meeting					
<b>Name</b>	Paul Cambo Baloyi	Neville Francis Nicolau	Amanda Claire Wightman	Doris Liana Theresia Dondur	Mahomed Salim Ismail Gani
<b>Age</b>	60	56	42	49	63
<b>Function</b>	Independent non-executive chairman	Chief executive officer	Chief financial officer	Independent non-executive director	Independent non-executive director
<b>Qualifications</b>	MBA (University of Manchester), senior executive programme (Harvard Business School), management development programme (University of Stellenbosch)	BTech mining engineering (University of Johannesburg), MBA (Graduate School of Business, UCT), advanced management programme (Templeton College, Oxford)	BCompt, BCompt (Hons) (Unisa), CA(SA)	BAcc, BCompt (Hons), CA(SA), MBA (University of Stellenbosch Business School), international executive development programme (Wits)	BCompt, BCompt (Hons) (Unisa), CA(SA)
<b>Work experience</b>	Paul has over 25 years' banking experience and previously headed the Development Bank of Southern Africa (DBSA) and DBSA Development Fund. Prior to 2006, he was managing director of Nedbank Africa and a divisional director of Nedbank SA. He is a non-executive director on various boards.	Neville brings over 35 years of operating, company leadership and corporate experience, gained as CEO of Anglo American Platinum Limited and chief operating officer and executive director of AngloGold Ashanti Limited. He is also a non-executive director of ArcelorMittal South Africa.	Amanda has over 20 years' financial experience. She spent five years in AECI Limited's treasury department, progressing to treasury accountant. She worked for Standard Bank for seven years, where she completed her financial management (TOPP) articles and gained valuable experience in its Africa division. Amanda joined Basil Read in December 2005 as group financial manager and has been involved in the annual audited financial results for the past decade.	Doris has over 10 years' experience as a director in the public and private sectors. She is a fellow of the Institute of Directors (South Africa), member of the Institute of Chartered Accountants (South Africa), and a member of the Institute of Internal Auditors. Her experience includes corporate governance, financial management, auditing, IT, human resources, people management, leadership, change management, labour relations and business coaching. Doris manages her own independent consulting business, and serves as a director on various boards.	Mahomed has over 30 years of experience in the accounting and audit profession. He was a founding partner of MSGM Masuku Jeena Inc, partner at Saboor Gani & Co and a partner of PricewaterhouseCoopers Inc until 2013. He served as chief financial officer of Alert Steel Holdings Limited until April 2014.
<b>Committees</b>	Nominations and investment	Risk	Risk	Audit; risk	Audit
<b>Appointed</b>	Appointed to the board in October 2012 and as chairman in January 2015	Appointed to the board and as chief executive officer in September 2014	Appointed to the board and as chief financial officer in October 2014	Appointed to the board in June 2014	Appointed to the board in April 2015

				
<b>Terence Desmond Hughes</b>	<b>Dr Claudia Estelle Manning</b>	<b>Andrew Conway Gaorekwe Molusi</b>	<b>Sango Siviwe Ntsaluba</b>	<b>Thabiso Alexander Tlelai</b>
67	49	54	55	52
Non-executive director	Independent non-executive director	Non-executive director	Non-executive director	Non-executive director
PEng (UK) MSPE, PrCPM, MSE Civil	BA (Hons) (University of Natal), MPhil (University of Sussex), DPhil (University of Sussex)	MA (Notre Dame, USA), BJourn (Rhodes)	BCom, BCompt (Hons) (Unisa), CA(SA), HDip tax law (University of Johannesburg)	BCom (Memorial University, Newfoundland, Canada)
Des has over 40 years' experience in the construction industry, 18 of which were at Basil Read. He started his career at GT Hemingway Consulting Engineers – Cape, subsequently held various positions with ZMG Consulting Engineers – London (UK), Murray & Stewart – Cape, and LTA Building – Cape, before joining Basil Read Building – Cape in 1996. From 2004 until his retirement in 2014, he was managing director of the developments division, responsible for developing mixed-use, integrated new towns throughout South Africa.	Claudia has worked in the economic development field for over 20 years, managing and financing infrastructure projects, sourcing and closing investment transactions, and related consulting. She worked on the Department of Trade and Industry's development corridor programme, which originated priority infrastructure investment projects in South Africa and SADC. Claudia chairs the board of the enterprise development company, Mondi Zimele. She is also a non-executive director of the Public Investment Corporation (PIC).	Connie is chairman of the SIOC Community Development Trust and chief executive officer of Kabo Capital. He has 25 years' board experience and South African business knowledge, and served as group chief executive officer of Johnnic Communications Limited from 2000 to 2006. He is a director of African Media and Entertainment Limited (chairman), Caxton and CTP Publishers and Printers Limited, and Continental Coal Limited.	Sango is a founding member of Amabubesi Investments (Pty) Ltd, and serves on the boards of listed companies and public sector entities. He was a founding member of SizweNtsalubaGobodo and Neotel.	Thabiso is a founding member and director of Amabubesi Investments (Pty) Ltd. He has been chief executive officer of the Don Group since 2000, and has been in the hotel industry for over 15 years. He is also a founding member and chairman of the Tourism Business Council of South Africa.
	Audit; nominations and investment; remuneration; social, ethics and transformation	Remuneration; risk; social, ethics and transformation	Nominations and investment; risk	Remuneration; social, ethics and transformation
Appointed to the board in January 2015	Appointed to the board in August 2012	Appointed to the board in March 2013	Appointed to the board in July 2006	Appointed to the board in June 2006

# Governing bodies

## Executive management committee

The executive management team has taken decisive actions to improve the company's performance in a challenging construction sector.

				
<b>Name</b>	Neville Francis Nicolau	Amanda Claire Wightman	Andiswa Thandeka Ndoni	Antonie Fourie
<b>Age</b>	56	42	48	43
<b>Function</b>	Chief executive officer	Chief financial officer	Executive officer: corporate affairs and governance	Executive officer: construction
<b>Qualifications</b>	BTech mining engineering (University of Johannesburg), MBA (Graduate School of Business, UCT), advanced management programme (Templeton College, Oxford)	BCompt, BCompt (Hons) (Unisa), CA(SA)	BProc, LLB, global executive development programme (GIBS), certificate in corporate governance	NDip civil eng
<b>Work experience</b>	Neville brings over 35 years of operating, company leadership and corporate experience, gained as CEO of Anglo American Platinum Limited and chief operating officer and executive director of AngloGold Ashanti Limited. He is also a non-executive director of ArcelorMittal South Africa.	Amanda has over 20 years' financial experience. She spent five years in AECI Limited's treasury department, progressing to treasury accountant. She worked for Standard Bank for seven years, where she completed her financial management (TOPP) articles and gained valuable experience in its Africa division. Amanda joined Basil Read in December 2005 as group financial manager and has been involved in the annual audited financial results for the past decade.	Andiswa is an attorney of the High Court of South Africa. She was previously company secretary and legal counsel for Ubank Limited. She sits on the Judicial Services Commission and Competition Tribunal. Andiswa has over 20 years' experience as an attorney and seven as company secretary. She was appointed to Basil Read in January 2013 and as company secretary in March 2013. Her role was expanded in 2015 to include responsibility for all governance-related functions, including internal audit and risk management.	Antonie has 16 years' experience in construction, most of which has been at Basil Read. His expertise spans all areas of construction, including roads, civils, plant and mining activities.

			
<b>Olivier Jean-Paul Giot</b>	<b>James Stephen Johnston</b>	<b>Khathutshelo Mapasa</b>	<b>Bruce Seeton Morton</b>
51	63	38	38
Executive officer: developments	Executive officer: St Helena airport project	Executive officer: mining	Executive officer: roads
BCom (IFG Commercial School, Paris)	BSc civil eng (Heriot-Watt University, Edinburgh), PrEng, MICE, MSAICE	BSc chem eng (UCT), programme for management development (Harvard), management of mining and mineral policy (Wits)	PrEng, Master in engineering (UC – Berkeley)
Olivier has over 20 years of experience in the construction industry, with a particular focus on finance, human resources and strategy. He started his career with the Bouygues construction group in France and was seconded to Basil Read in 2003, where he has held various roles at executive management level.	Jimmy arrived in South Africa in 1975 to start work as an engineer with Basil Read. He has worked on many construction projects in southern and South Africa including Sasol 2, the initial works at Jwaneng diamond mine, Mmabatho Airport and projects in Mozambique, Zambia, Malawi, Botswana, Kenya and Sierra Leone. He is currently responsible for the R4.5 billion St Helena airport project.	Khathutshelo has over 15 years of experience in the mining sector gained through senior roles with the De Beers group. He has also served as a non-executive director on various boards and audit committees for companies providing mining-related services. He joined Basil Read in May 2014 in his current role.	Bruce is a transportation and engineering specialist with extensive experience in project and construction management, airport, road and rail design, transportation engineering and specialist auditing. Bruce has worked in over 20 countries across three continents in the transportation sector; delivering projects in excess of USD4 billion.

# Vision, mission and values

## Vision

To be the leading construction company in southern Africa, acknowledged as the:

- Preferred constructor
- Preferred employer
- Preferred investment.

## Mission

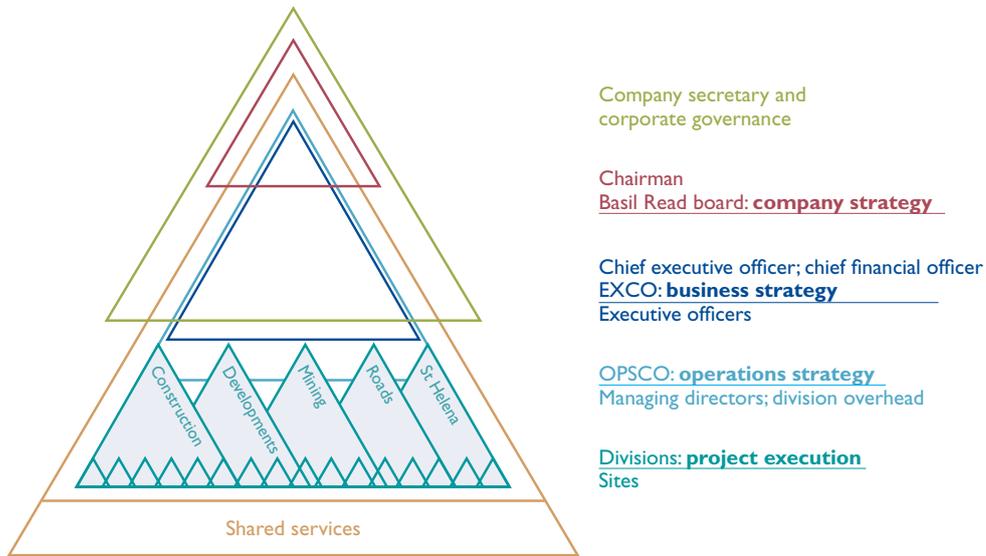
To deliver safe, profitable projects and services.

## Our values

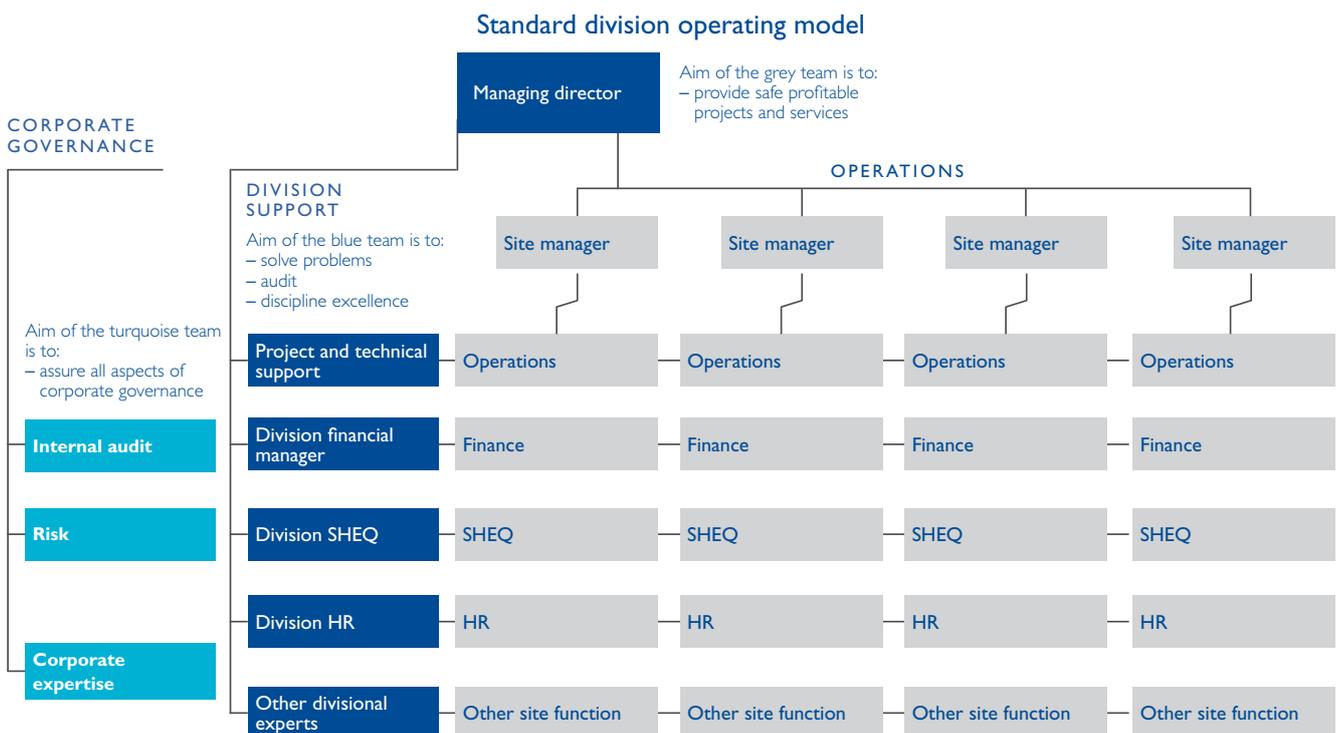
Value	Value statement	Behaviour indicators against which the value is measured
 <p>Safety</p>	The safety and health of our employees is first priority	<ul style="list-style-type: none"> <li>• Keep each employee <b>safe</b> and healthy</li> <li>• Provide a <b>safe, healthy</b> and effective <b>work environment</b></li> <li>• <b>Protect employees</b> at all cost</li> <li>• Ensure <b>zero</b> fatalities.</li> </ul>
 <p>Integrity</p>	We have high integrity	<ul style="list-style-type: none"> <li>• <b>Honest</b> and <b>trustworthy</b></li> <li>• <b>Strong moral principles</b></li> <li>• Do business <b>ethically</b></li> <li>• Stand up for what is <b>right</b>.</li> </ul>
 <p>Compassion</p>	We care for our employees	<ul style="list-style-type: none"> <li>• <b>Be kind</b> and <b>empathetic</b></li> <li>• <b>Respect</b> and <b>understand others</b></li> <li>• Authentic <b>care</b> for <b>employees</b>.</li> </ul>
 <p>Delivery</p>	We deliver on our promises	<ul style="list-style-type: none"> <li>• <b>Deliver</b> a <b>quality</b> product or <b>service on time</b></li> <li>• <b>Be responsible</b> and take <b>ownership</b></li> <li>• High <b>customer satisfaction</b>.</li> </ul>
 <p>Unity</p>	None of us is as strong as all of us	<ul style="list-style-type: none"> <li>• <b>Work together</b> as <b>one team</b></li> <li>• Aim to achieve the <b>same goals</b></li> <li>• Treat each other like <b>family</b>.</li> </ul>
 <p>Commitment</p>	We are proud to be part of Basil Read	<ul style="list-style-type: none"> <li>• <b>Loyal</b> to Basil Read</li> <li>• <b>Dedicated</b> and <b>hard working</b></li> <li>• Strive for excellence (do your <b>best</b> or put it to rest)</li> <li>• Initiate continuous <b>improvement</b>.</li> </ul>

# Operating model

Our simplified operating model of a company with divisions ensures that accountability is assigned at the appropriate level with fewer reporting layers and reduced complexity.



By ensuring that each site takes ownership of all aspects of the project, supported by centralised services, we are empowering our operations to deliver safe, profitable projects and services.



# Strategy context

Globally, construction is a cyclical industry. Basil Read's sustainability depends on our ability to manage the company at the top and bottom of economic cycles. Therefore, we critically reviewed the business in 2014 to restore profitability and build a stable platform for sustainable growth.

Our 18-month turnaround strategy (to end December 2015) followed intense management debates on the construction cycle over the next five years to identify key drivers and develop a new vision and mission (page 16) for the company based on our core strengths and aim of building legacies.

## Strategy

Progress on our three-pronged strategy in 2015 is summarised on page 5, while our near-term and longer-term targets are shown below:

Strategic thrust	Objective	Mitigates	Targets
<b>Growth</b> <ul style="list-style-type: none"> <li>Organic</li> <li>New business</li> <li>Financial performance.</li> </ul>	<b>Organic growth</b> <ul style="list-style-type: none"> <li>Doing more with what we have to improve returns</li> <li>Business development initiatives</li> <li>Vertical integration for improved business value.</li> </ul>	<ul style="list-style-type: none"> <li>Ability to secure new work</li> <li>Cost pressures for related services</li> </ul>	<ul style="list-style-type: none"> <li>Increasing operating margins</li> </ul>
	<b>Procure business</b> <ul style="list-style-type: none"> <li>Market intelligence</li> <li>Identify opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>Reliance on tendered work</li> </ul>	<ul style="list-style-type: none"> <li>Order book growth to 2.5 times revenue</li> </ul>
	<b>Improve financial performance</b> <ul style="list-style-type: none"> <li>Improve contract payments</li> <li>Settle legitimate claims speedily</li> <li>Structure balance sheet appropriately</li> <li>Align supplier-subcontractor payments to our payment receivables</li> <li>Arrest further losses on distressed projects.</li> </ul>	<ul style="list-style-type: none"> <li>Need for working capital facilities</li> <li>Volatility in earnings</li> </ul>	<ul style="list-style-type: none"> <li>Improvement in working capital cycle</li> <li>Reduction in lead times for claims resolution</li> </ul>
<b>Making our assets sweat</b>	<ul style="list-style-type: none"> <li>Deliver at a cheaper rate (outperform competitors and excel at winning tenders profitably)</li> <li>Manage scope of work (negotiate scope changes while maintaining positive relationships)</li> <li>Improve operational cost management</li> <li>Manage uncertainty better (flexible and responsive to change)</li> <li>Significantly improve productivity (on-site activity improvement).</li> </ul>	<ul style="list-style-type: none"> <li>Probability of loss-making contracts</li> <li>Reduction in order book</li> </ul>	<ul style="list-style-type: none"> <li>5% improvement in productivity on site</li> <li>Overhead cost reduction to 4% of revenue</li> </ul>
<b>Corporate culture</b>	<ul style="list-style-type: none"> <li>Review all businesses to determine their fit in the Basil Read strategy and develop clear action plans based on this analysis</li> <li>Assess policies and procedures against the requirements of the restructured company</li> <li>Transform corporate culture to align with strategy for a better and more valuable business.</li> </ul>	<ul style="list-style-type: none"> <li>Retraining of employees when redeployed internally</li> <li>Ability to attract talented individuals to the organisation</li> </ul>	<ul style="list-style-type: none"> <li>Common policies and procedures in key areas by end 2016</li> <li>Transformation barriers continuously eliminated</li> </ul>

## Key performance indicators

KPI	Strategic focus area	Target 2015	Actual 2015	Long-term target
Total revenue	Growth – organic	R5 billion	R5.5 billion	Growth at more than CPI
Net profit	Growth – organic	3%	3.1%	An increasing margin
Return on equity	Growth – organic Making our assets sweat	14%	15.2%	Growth in proportion to profit
Order book	Growth – new business	R10 billion	R10.7 billion	Improve to 2.5 times revenue
Cost management	Making our assets sweat	Overheads at 5.6% of revenue	Overheads at 5.4% of revenue	Operating sustainably on single-digit margins; overheads at 4% of revenue
Dividends per share	Growth – organic			Sustainable returns for shareholders
Safety and health	Corporate culture	Disabling injury frequency rate (DIFR): 0.1 Fatalities: zero	DIFR: 0.22 Fatalities: four	DIFR: < 0.1 Fatalities: zero
Employment equity	Corporate culture			A transformed company at all levels
Training and development	Corporate culture Making our assets sweat			Training spend of 6% of total payroll
CSI	Corporate culture			Minimum of 1% of net profit spend per year
Compliance with dti scorecard	Growth – organic			Level 4 on initial verification

Past performance indicators	2015	2014	2013	2012	2011
Return on equity (ROE)	15%	(52%)	17%	(9%)	8%
Return on assets (ROA)	5%	(16%)	7%	(3%)	7%
Order book value	R10.7 billion	R10.5 billion	R12.5 billion	R10.2 billion	R12.5 billion
Cash and cash equivalents	R471 million	R821 million	R1.2 billion	R1.0 billion	R654 million
Headline earnings/(loss) per share (HEPS)	120 cents	(362 cents)	87 cents	(131 cents)	40 cents
Revenue	R5.5 billion	R6.3 billion	R6.2 billion	R5.5 billion	R5.3 billion
Administrative and operating overheads	R296 million	R485 million	R500 million	R496 million	R413 million
Net profit/(loss) after tax (NPAT)	R171.2 million	(R820.9 million)	R281.5 million	(R169.1 million)	R134.7 million

# Operating context

## Market review

The South African construction sector again operated under challenging conditions in 2015. The country's gross domestic product (GDP) growth slowed to 0.6% in the final quarter, taking 2015 economic growth to a paltry 1.3%.

Growth was largely dragged down by a contracting agriculture sector, reflecting the impact of widespread drought, while the construction sector recorded marginal growth of 1.1% in the fourth quarter (from 0.5% in the prior quarter). According to the South African Reserve Bank, total fixed investment increased by 1.4% in 2015 after contracting 1.1% in 2014. Investment in buildings continued to contract, down 2.8% in 2015 from a decrease of 3.7% in the prior year. Construction works still managed growth of 4.6%, albeit slower than the 8.4% in 2014, largely supported by higher levels of investment by the private sector in renewable energy.

South Africa is facing serious structural constraints, with frustratingly little done to improve its ability to increase private sector participation, increase foreign direct investment, support industrialisation, increase global competitiveness, limit

debilitating energy constraints, and deal more effectively with rigid labour regulations.

### Industry-wide risks

With the downturn in the global economy and harsher operating conditions in South Africa, risk management remains a vital component of effective management in

the local construction industry. To be competitive, companies need to appropriately manage their risks and competitively price the risk element in their tenders for business. To remain sustainable over this difficult period, companies need to be proactive about potential risks to compete.

### Share price performance



## Common risks identified by heavy construction companies

Challenges	Actions required by industry	Rating
<p><b>BBBEE and transformation ↑</b></p> <p>In 2007, the Department of Trade and Industry gazetted the construction sector charter on black economic empowerment, with compliance being both socially and economically imperative.</p> <p>In May 2015, new BBBEE codes were gazetted that significantly changed the way in which a company's BBBEE status (or level) is calculated, affecting its transformation rating. Non-compliance with employment equity and BBBEE requirements could impact companies in several ways:</p> <ul style="list-style-type: none"> <li>• Reduce their ability to win tenders</li> <li>• Increase the likelihood of client sanctions</li> <li>• Increase the possibility of penalties being imposed on South African projects.</li> </ul>	<p>Increased participation in discussions on the new BBBEE codes while adjusting business practices to be compliant.</p>	<p>High</p>
<p><b>Industrial action – new</b></p> <p>Ongoing industrial unrest in South Africa is disrupting and delaying projects, and adding a further hurdle to decision making on investing in new capital projects, particularly in the mining sector.</p> <p>Strikes have reached a new level by number, duration and violence, inflicting significant damage to the economy in the short and medium term.</p> <p>This has had an impact on project and business performance. Recent wide-scale and prolonged industrial action has placed pressure on underlying contractual relationships.</p> <p>There is a risk of not being compensated for losses due to lost time and disruption.</p>	<p>To mitigate the risk of labour unrest and prevent significant project disruptions, open communication between unions and construction companies to monitor and resolve potential labour issues is essential.</p>	<p>High</p>
<p><b>Talent management and staff retention ~</b></p> <p>South Africa's construction industry has grown significantly over the last decade, resulting in a skills shortage at all grades. Loss of skills and expertise affects companies' ability to successfully complete contracts and undermines expansion. Growth strategies place high demands on companies to maintain appropriate leadership capacity.</p>	<p>A remuneration policy focusing on performance and retaining key talent is essential for business sustainability. Regular succession reviews to identify potential talent retention risks and career planning strategies are required, along with training and development initiatives.</p>	<p>High</p>

Source: extracted from PwC SA Construction 2015

↓ Risk rating decreased    ↑ Risk rating increased    ~ Risk rating maintained

# Operating context *continued*

## Market review *continued*

### Common risks identified by heavy construction companies *continued*

Challenges	Actions required by industry	Rating
<p><b>Growth and expansion ↓</b></p> <p>Growth in the South African construction industry has declined in recent years due to:</p> <ul style="list-style-type: none"> <li>• The decline in business confidence and the volatile labour market, which have reduced foreign investment in the country, especially in the construction industry</li> <li>• Government's reduced spending on infrastructure projects</li> <li>• Competition in the industry, which is driving down margins</li> <li>• Expansion into new markets, hampered by volatile commodity prices and exchange rates.</li> </ul>	<p>Implementing and monitoring project management procedures and policies over the life cycle of a project and assigning accountability are imperative in mitigating risks posed to project execution.</p>	<p>Medium</p>
<p><b>Liquidity risk ↓</b></p> <p>Cash constraints are a risk to companies' ability to make additional acquisitions and meet growth targets.</p> <p>The following factors have contributed to the liquidity problems experienced by construction companies:</p> <ul style="list-style-type: none"> <li>• The decline in margins and tough trading conditions across the industry</li> <li>• Significant initial cash investments required for new projects</li> <li>• Delays and disruptions in projects caused by industry unrest</li> <li>• Final commercial close-out of projects, resulting in significant amounts of cash being locked up in working capital.</li> </ul>	<p>It is essential that cash flow requirements over the life of a contract be considered at tendering stage. Close monitoring and management of outstanding claims and project overheads are essential to mitigate liquidity risk.</p>	<p>Medium</p>
<p><b>Health, safety and environmental sustainability ↓</b></p> <p>Construction is inherently a high-impact and dangerous industry. Any major incident (eg the pedestrian bridge collapse in Sandton in 2015) also has implications for the reputation and ability of that company to procure work in certain sectors.</p>	<p>Health, safety and environmental statistics have improved in recent years. However, regular monitoring and statistical reporting is required across the industry.</p>	<p>Medium</p>

Source: extracted from PwC SA Construction 2015

↓ Risk rating decreased   ↑ Risk rating increased   ~ Risk rating maintained

Common risks identified by heavy construction companies *continued*

Challenges	Actions required by industry	Rating
<p><b>Legislative and regulatory compliance ↑</b></p> <p>The increasingly complex regulatory landscape requires entities to meet new regulatory standards and stakeholder expectations while supporting performance objectives, sustaining value and protecting the brand.</p> <p>Following investigations by the Competition Commission, sanctions may be imposed by the Construction Industry Development Board. Amendments to the BBBEE scorecard for the construction industry pose a serious new risk.</p>	<p>Compliance with regulatory and legislative requirements is imperative in preventing loss to a business and maintaining a company's reputation in the industry.</p>	<p>Low</p>
<p><b>Tender risk ~</b></p> <p>The tendering process requires educated and highly subjective views to be taken on pricing, mark-up, geological conditions, and the quality and availability of materials.</p> <p>There is a risk of bidding for and winning contracts on onerous terms or under unacceptable commercial conditions.</p>	<p>To mitigate tender risk, extensive assessment of associated procedures needs to be undertaken at the tendering stage of each project.</p>	<p>Low</p>
<p><b>Credit risk management ~</b></p> <p>Challenging conditions continue to characterise the South African construction market, with an increasing number of customers showing signs of distress as a result of competitive pricing. These conditions mean higher levels of credit risk for companies in terms of their private customer base.</p>	<p>Companies need to implement strict credit management policies and procedures to minimise credit risk posed by customers.</p>	<p>Low</p>

Source: extracted from PwC SA Construction 2015

↓ Risk rating decreased    ↑ Risk rating increased    ~ Risk rating maintained

# Stakeholder engagement

Basil Read remains committed to open and honest communication with all its stakeholder groups, defined as those groups of people who affect and/or could be affected by our activities and performance. A relationship of trust and mutual understanding between all stakeholder groups and Basil Read is vital.

Each of these groupings has distinct types and levels of involvement, often with diverse and sometimes conflicting interests and concerns.

Stakeholder groups we regularly interact with	Main channels of interaction	Top concerns identified in 2015 by management (random order)	Response
<ul style="list-style-type: none"> <li>• Clients</li> <li>• Employees</li> <li>• Financial institutions</li> <li>• Government and local authorities</li> <li>• Local communities and non-governmental organisations (NGOs)</li> <li>• Media</li> <li>• Partners</li> <li>• Shareholders and the broad investment community</li> <li>• Suppliers</li> <li>• Trade unions.</li> </ul>	<ul style="list-style-type: none"> <li>• Face-to-face – individual meetings, roadshows, group and public meetings</li> <li>• Electronic – website, social media, intranet, email and SMS</li> <li>• Printed engagement – press releases, media briefings, newsletters, magazines and integrated reports</li> <li>• SENS announcements</li> <li>• Analyst hosted events</li> <li>• Results presentations</li> <li>• Notice boards (employees)</li> <li>• Training initiatives</li> <li>• Tenders (government)</li> <li>• Industry forums</li> <li>• Construction Industry Charter Council</li> <li>• Sponsorships</li> <li>• Donations.</li> </ul>	<ul style="list-style-type: none"> <li>• Management succession planning</li> <li>• Board composition (construction experience)</li> <li>• Safety of our employees</li> <li>• Financial performance</li> <li>• Loss-making contracts</li> <li>• Returns on investments</li> <li>• Remuneration policies</li> <li>• Health and safety of our employees</li> <li>• Productivity of operational teams</li> <li>• Transformation</li> <li>• Governance.</li> </ul>	<ul style="list-style-type: none"> <li>• A robust succession plan is in the process of being developed. Immediate successors, even if only temporary, have been identified for key employees</li> <li>• Following a return to profitability in 2015, focus now shifts to sustainable returns</li> <li>• Safety remains a priority but continued vigilance is required</li> <li>• Remuneration policies have been modernised (page 78)</li> <li>• A key strategic initiative is aimed at addressing transformation within the company. Transformation of the sector needs addressing and we are aiming to lead in this regard.</li> </ul>

## Case study: Measuring stakeholder perceptions

Our first perception survey in 2014 targeted a representative sample of key analysts and investors to gauge their views of Basil Read on predetermined measures, and establish a baseline for future comparison. This technique complements other qualitative feedback and contributes to a holistic perception of our reputation in financial markets.

Concerns raised were addressed in the 2015 stakeholder engagement plan while feedback was used to inform our strategy and the level of future disclosure.

Results from the 2015 survey highlight significant progress. Notably, performance perceptions improved dramatically on last year, especially “results expectations” and “management delivers on commitments” which both shifted from negative to highly positive. Only “operational performance”, which was the lowest in 2014, remained slightly negative but improved significantly on last year. Importantly, disclosure on strategy received the highest score, suggesting the market both understands and supports our strategy. We will continue to focus on areas where perceptions clearly indicate the need for improvement.

We believe this is a valuable tool in engaging with key stakeholders, one that reflects our corporate values of integrity and delivery. By meeting our strategic targets and communicating openly, we will in time restore the market's confidence in Basil Read as a sustainable and important role-player in the construction industry.

# Material issues, risks and opportunities

Our approach to determining materiality includes considering internal and external factors against the results of our top-down, bottom-up enterprise-wide risk management system. Stakeholder engagement is an integral element in this process, spanning feedback from analysts and investors to issues raised on specific sites.

Our risk management philosophy, framework and governance are detailed on page 26. The tables below set out key existing and emerging risks.

## Our material issues, risks and opportunities

### Existing issues

	Material issue	Risk category	Risk	Opportunity	Change from 2014
1	Insufficient access to funding	Liquidity	Ability to deliver on projects or fund new projects	Proactively engaging with clients to avoid claims Development of innovative funding solutions	↑
2	Over-reliance on government contracts (changing criteria and extended bid validity)	Strategic	Financial performance	Development of new markets	↑
3	Ineffective subcontractor management and compliance	Operational	Financial performance Reputational damage	Consistently meeting project standards will entrench Basil Read as the preferred partner	~
4	Uncompetitive tendering	Strategic	Working capital Reputational damage	Developing innovative solutions to meet complex and costly project specifications	↑
5	Community pressure, disruption, labour unrest and interference with operations	Project	Financial performance Reputational damage	Proactively engaging with communities prior to project commencement to manage expectations	↑
6	Lengthy claims settlements and protracted claims resolution processes	Operational	Working capital Reputational damage	Proactively engaging with clients to avoid claims	↓
7	Decreasing order book	Strategic	Ability to deliver on projects or fund new projects	Development of new markets	~
8	No formal governance on intercompany financial assistance	Operational	Working capital Non-compliance	Divisionalisation will simplify operational and compliance structures, resulting in greater efficiency	↑
9	Work-related incidents involving people and equipment resulting from work processes	Operational	Loss of productivity, skills and morale	By embedding world-class safety and health practices, Basil Read becomes a preferred employer	↓
10	Defaulting clients	Financial	Financial performance Working capital	Partnering with financial institutions to transfer risk	~

↓ Risk rating decreased    ↑ Risk rating increased    ~ Risk rating maintained

### Emerging issues

	Risk category	Risk	Opportunity
<b>South African water crisis</b> Assess impact and extent of threat posed by water scarcity to operations in the short term	Operational Financial	Operational performance Financial performance	Position the company as the preferred contractor of choice to upgrade deteriorating infrastructure
<b>Economic slowdown in South Africa</b> Insufficient funds committed to infrastructure spend (key requirement for economic growth), higher levels of unemployment, more frequent service delivery protests and social unrest and restricted growth of construction industry	Financial	Financial performance	Strong home base allows for expansion into cross-border markets
<b>Decline in BBBEE rating</b> Department of Trade and Industry mandated all sectors to align their sector codes by October 2015	Financial	Consensus not reached in construction industry, meaning companies will be rated against generic scorecard with an inevitable drop in levels	By embracing real transformation, we will obtain a competitive advantage

# Risk management

## Risk framework

Basil Read's enterprise risk management is an evolving process aimed at supporting decision making and adding value to the bottom line. It focuses on identifying and managing those key risks that could influence or prevent Basil Read from achieving its growth strategy and performance objectives. Risk and control considerations are an integral part of business decision making and project execution.

Basil Read has implemented various key building blocks of the risk management process, including a revised enterprise risk management (ERM) framework, an approved risk assessment and reporting approach, developing risk appetite models and a combined assurance model.

enterprise-wide risk management framework, the obstacles and strengths affecting their ability to achieve key business objectives and to decide on appropriate controls and actions to mitigate the risk.

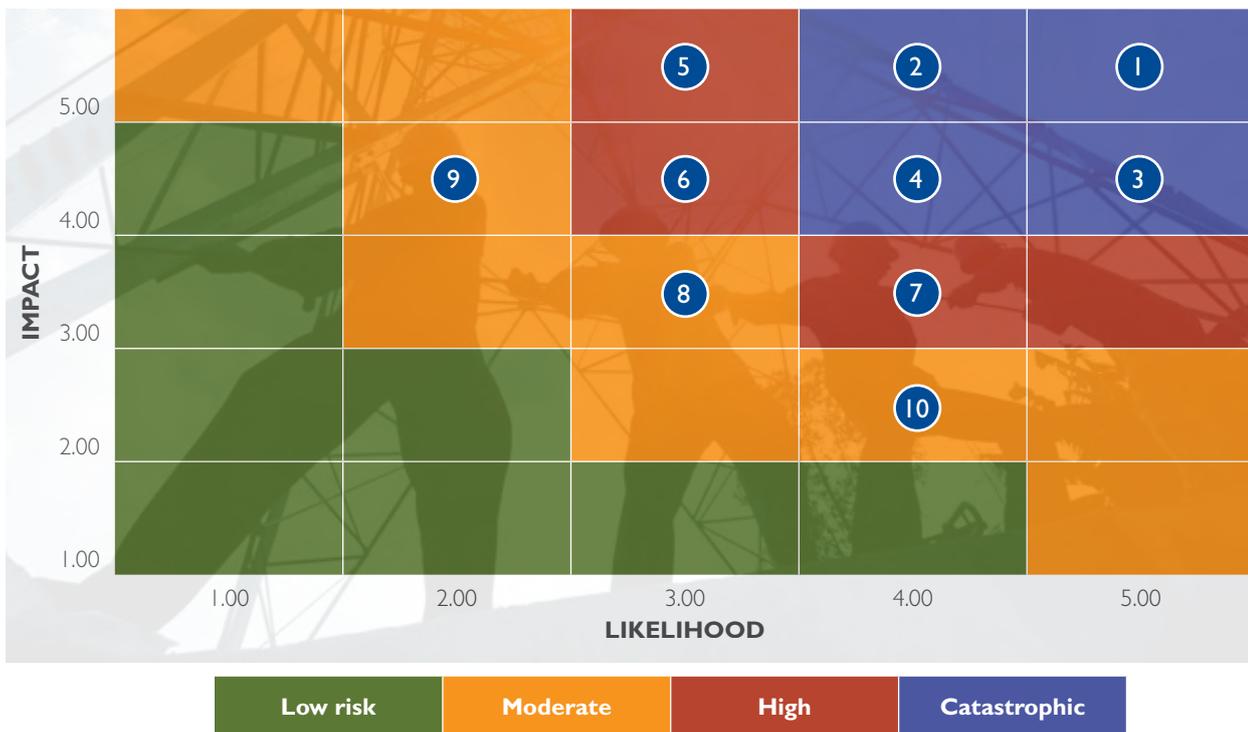
The results of risk assessments conducted among all divisions highlighted the top 10 residual risks, illustrated in the heat map.

## Risk assessment

The risk register is a self-assessment process that assists employee teams to analyse, within the parameters of the

## Risk matrix

### Material residual risk 2015



The heat map plots high-priority risks on a matrix, and each risk as numbered on the heat map is explained below:

### Material risks

Risk		Risk category	Mitigation
1	Access to funding	Liquidity risk	The board and executive team have been involved in several initiatives to improve liquidity.
2	Defaulting clients		Investigating acquisition of trade credit insurance on defaulting clients.
3	Protracted claims resolution		Strengthening internal processes to improve claims management.
4	Concentration risk: Government contracts	Strategic risk	An approved stakeholder relationship model has been designed to address tender risk.
5	Uncompetitive tendering		Increase private work. Develop new markets.
6	A decreasing order book		
7	Inadequate subcontractor management and compliance	Operational risk	Widely used software in the industry was implemented during the year to enhance processes for measuring and managing the performance of subcontractors and suppliers.
8	Safety – work-related incidents involving people and equipment, mainly due to unsafe acts		Continuous improvement and training on all procedures, safe working processes and risk assessments were effected during the year.
9	Project overruns		Initiatives include developing the site agent's manual and training and development, such as the management development programme and supervisory training with emphasis on project management and costing.
10	Community pressure and interference with operations		A guidance note was developed to assist site operations in dealing with incidents related to surrounding communities.

The trend in risks identified as material was constant during the year, with new initiatives developed to improve the effectiveness of controls. The risk committee monitors mitigation measures quarterly to determine whether risks are being reduced.

# Risk management *continued*

## Effectiveness of risk management processes

### Audit review of enterprise-wide risk management

An independent quality assurance review on current risk management processes was conducted in 2015 to test their robustness against King III principles (chapter 4). Our risk management process was rated as meeting the principles and recommendations, with improvement opportunities identified. Recommendations

for improvement will be addressed in the current year's risk implementation plan.

### Combined assurance

A combined assurance framework was approved during the year. The integrated assurance model is primarily based on risks identified and enables consolidated reporting of Basil Read's activities. Responsibility for assurance activities – traditionally shared among management, internal audit, risk management, compliance,

safety, health, environment and quality – will now be coordinated to ensure resources are used most effectively to avoid duplication or missing/misjudging key risks.

The implementation of the model includes a combined assurance assessment, conducted twice each year to keep the risk profile relevant to the business and consistently managed.

Our approach to integrated assurance is illustrated below.



## Risk appetite

In 2015, the board approved the risk appetite framework, which governs the risk the company is willing to take in pursuing its strategic objectives, with built-in escalations to ensure board oversight. The risk appetite will be reviewed annually to determine its adequacy. Basil Read's well-defined risk appetite is used as a:

- Benchmark with the board in evaluating the impact of pursuing unexpected market opportunities
- Vehicle for ensuring key managers with business unit and functional responsibilities understand all elements of our appetite for risk
- Tool for circumventing off-strategy behaviour and containing strategic drift before a significant problem arises
- Baseline for monitoring the risk profile and driving strategic decisions to rightsize if it is out of line with board and management expectations
- Way of setting expectations for divisional, regional or business unit strategic reviews and regular discussions on how to manage unexpected economic or market events
- Means to enhance communication with the investor community.

## Risk appetite model



### Emerging risks

The economic slowdown in South Africa has been identified as an emerging risk that may restrict the growth of our industry and delay clients settling claims. In addition to slow growth, we recognise that a depreciating currency, rising inflationary risks, electricity and water supply constraints are painting a new landscape, with tighter margins and less room for error. The board, with the assistance of the risk committee, will ensure these risks are constantly monitored, properly managed and mitigated.

Another emerging risk is delayed finalisation of discussions between the construction sector and the Department of Trade and Industry on sector codes. This

could impact the BBBEE scorecard and affect the company's sustainability if its rating deteriorates relative to competitors as a result of verification scheduling. Measures are in place to mitigate this risk.

### Claims

The company has enhanced its claims management process to reduce the claim resolution period and improve its success rate.

### Compliance disclosure

During the year, the compliance manual was approved and now forms an important part of effective compliance. It is the basis for establishing an enhanced compliance culture in the organisation and sets

standards and norms to be complied with. Compliance risk management plans were developed on core legislation, and formal compliance reviews will be conducted in the current year.

### Business continuity management (BCM)

Basil Read has a disaster management framework. The ISO certification audit conducted in 2015 indicated that the required disaster management plans and emergency response plans are in place and tested. BCM processes will be enhanced based on a gap analysis. Continuous development and testing of our readiness for an occurrence beyond our control is a priority for the current year.

# Chairman's statement

- Transform corporate culture to align with strategy for a better and more valuable business
- Zero tolerance of all forms of discrimination including race and gender
- Provide a safe, healthy and effective work environment where we demonstrate authentic care for all employees.

Corporate culture



Paul Cambo Baloyi  
Chairman

I am pleased to report that Basil Read made solid progress towards its strategic goals of rightsizing and returning to profitability. It is also entrenching processes that will ensure it continues to build legacies throughout the natural cycles of the construction industry. These are detailed by the chief executive officer.

The collective effort is evident in much improved results. Profit after tax of R171 million is a decided swing from an after tax loss of R821 million in 2014. Equally, headline earnings recovered to 120 cents per share from a headline loss of 362 cents in the prior year. Importantly, from the board's perspective, this performance is underpinned by stronger governance structures as the required disciplines are incorporated into a modernised corporate culture, supported by a strengthened board with the necessary skills.

### Key challenges

Commendably, this solid turnaround was achieved in a depressed industry, characterised by fewer tenders and awards, intense competition and heightened community pressure as well as labour unrest. In addition, the financial pressure imposed by a lacklustre economy is exacerbating already long periods taken to settle claims and protracted processes to resolve disputed claims.

The construction sector continues to bear much of the impact of the slowdown in infrastructure roll out. Although our industry has shed around 15% of its workforce over the past two years, Basil Read was able to limit the impact of job losses during its strategic rightsizing.

For most construction companies, community pressure became a key issue in 2015, as service delivery protests escalated. These regularly interfered with operations, putting pressure on already tight schedules. In most cases, root causes lay outside the industry's control or ability to resolve. To mitigate the potential impact, we are partnering with our clients and their professional teams to proactively engage communities to address their concerns, with an encouraging level of success. Under this revised approach, we aim to gain the

support of residents by detailing processes, timelines and possible labour or procurement opportunities upfront. We believe this more consultative approach will highlight the available benefits and secure community cooperation from the outset. The case study on page 56 is one example of Basil Read's cumulative beneficial impact on a community, particularly on longer contracts.

Basil Read's safety record for the review period was unacceptable with four reported fatalities. We deeply regret the impact on the families, colleagues and friends concerned. Our target of zero harm is more than a target. It is our moral duty and one we consider achievable by enforcing robust safety systems. The board is encouraging collective responsibility for safety, and we expect significant improvements in the new year.

### Board developments

The board approved Basil Read's long-term strategy after a restructuring exercise that included disposing of certain non-core assets. This was completed early in 2016. The strategy also included improving the broad-based black economic empowerment (BBBEE) status of the company.

Following changes to the board in 2014 and into the review period, the board concentrated on stabilising corporate leadership structures to promote continuity. The board was further strengthened by the appointment of Mr Des Hughes as a non-executive director from 1 January 2015 and Mr Mahomed Gani as an independent non-executive director from 15 April 2015.

The board's focus during the review period, and its future focus areas, are detailed on page 69. The annual board assessment was performed internally, with satisfactory results.

### Compliance and transformation

The Department of Trade and Industry's (dti) revised codes of good practice came into effect on 1 May 2015, reducing seven elements in the prior scorecard to five (conditions for the three priority elements\* were also revised):

- Ownership\*
- Management control
- Skills development\*
- Enterprise and supplier development\*
- Socio-economic development.

The construction sector charter council is still meeting with members to reach agreement on a new scorecard in line with the revised dti codes but, at the time of writing, this had not been achieved. In the interim, we are focused on addressing gaps against the new codes, particularly enterprise and supplier development, to limit the impact on our current status.

### Appreciation

The challenges facing the industry, and indeed most companies in South Africa, are expected to persist for the ensuing year. The board looks forward to continually engaged teams and commits to ensuring they receive our full support. We know Basil Read has a formidable and committed group of people, ably led by Neville Nicolau, CEO. On behalf of the board, our sincere appreciation goes to Neville, his executive team and all the people of Basil Read for a great set of results.



**Paul Baloyi**  
 Chairman

20 April 2016

# Chief executive officer's report

- A simplified operating model has refocused the business on its core competency of heavy construction
- By focusing on our strengths, we are better positioned to drive growth through targeted market intelligence and project pipeline identification
- Improving our working capital cycle, through payment management and speedy claims resolution will allow us to appropriately structure the balance sheet for growth.



Neville Francis Nicolau  
Chief executive officer

Basil Read's highlight for 2015 was a return to stability and profitability. Tragically, these achievements were offset by the significant lowlight of four fatalities in two accidents during the year.

**Three people died when a trench collapsed, and one person died in a heavy vehicle accident. Two of our team members died in incidents involving members of the public who ignored road safety rules at stop-go points although these are not classified as work-related fatalities. We again extend our sympathy to all involved with these terrible events and promise to continue to work to eliminate death and injury from our workplace. Our work often interfaces with the public, significantly increasing the risk of accident, injury and death. We undertake to place the safety of all first on our agenda and hope society will do the same.**

The review period was the first full year after the significant restructuring, rightsizing and refocus of Basil Read in 2014. The financial outcome was a significant improvement from last year and we achieved all the financial objectives we set at the start of the year. Profit after tax at R171 million was a massive turnaround from the R821 million loss of the previous year; and above our forecast of R160 million. Turnover at R5.5 billion was higher than the R5.0 billion forecast.

While conditions are undoubtedly challenging, we are committed to our strategy: grow the company to smooth the impact of cyclical volatility, extract maximum value from our assets and divest of non-core assets, and develop the appropriate corporate culture for a focused, disciplined construction company.

The 2015 year started with a new operating model of a company with divisions that replaced the previous model of a group with subsidiaries. The new model made considerable progress in returning Basil Read to its core business – heavy construction. This simplified

organisation model has reduced overheads and removed reporting layers, in turn reducing complexity.

In addition, a streamlined executive management team is in place to address business strategy and matters relating to running the company. The introduction of an operations committee at company level started a monthly focus on operations on each site.

The divisions form the core of the operating model and, during the year, the introduction of standard shared services in safety, health and environment, human resource, and accounting systems on an improved IT base contributed to better operations management. This improved operating performance and significantly reduced distressed contracts.

By the end of the year, all but two distressed contracts had been fixed or closed out. The refocus on our core business of heavy construction allowed for the disposal or closure of non-core assets. Over the past year, we have disposed of LYT Architecture, Basil Read Energy and, more recently, SprayPave for a total of R191 million, and closed the loss-making engineering business, Basil Read Matomo.

This improved company model and better operating performance started with a brutal self-evaluation, from site level up, of what worked well and what failed. The lessons learnt – good, bad and ugly – are built into our continually improving operating model. We are fortunate in Basil Read to have truly excellent examples of how to do things well and we have examples of how not to do things. So, perhaps, the most important decision we have made is to be critical of our own performance, learn from this, and take control of our destiny.

Basil Read is now well placed for any improvement in the construction environment and any acceleration in government spending on infrastructure projects.

## Socio-economic development and sustainability

We understand the importance of a focused approach to maximising the benefits of corporate social investment (CSI) and the attendant multiplier effect.

Basil Read's CSI strategy was formalised during the year: we are committed to spending 1% of net profit after tax on socio-economic development, with a minimum of R3 million if we record a loss in any financial year. Geographically, we are focusing on Limpopo, Eastern Cape and Northern Cape, which receive the least CSI funding nationally, and on:

- Education: capacity building for educators and officials, leadership development in young learners
- Job creation: skills development for youth, income generation
- Health: community outreach, particularly for orphans and vulnerable children.

We also launched an enterprise development programme this year, beginning with a needs analysis of identified small enterprises in partnership with the South African Forum of Civil Engineering Contractors (SAFCEC) and Aurik to customise development programmes.

## Preferred employer

An intrinsic part of our strategy is to modernise the corporate culture to be the preferred employer. Our assessment of the corporate culture in Basil Read and the outcome of four evaluation surveys across the company in the first half of 2015 indicated both the need and required focus in modernising this culture.

In a competitive industry, skills underpin our ability to succeed – attracting and retaining these skills was at the forefront of significant changes to our remuneration systems during the year. Training and development, particularly frontline supervisors and site level management, was started last year and continues. Equally, working with common values – determined by the entire Basil Read

# Chief executive officer's report *continued*

team – ensures we are all focused on common objectives in an environment we are happy to work in.

In parallel, our company contribution to industry transformation is key to fostering a collaborative relationship with society. Following the recent public storm about racism that erupted after some misguided comments on social media, we critically reviewed the status of our strategic thrust to modernise the corporate culture in Basil Read. So, rather than participate in the social tit-for-tat ping-pong going on at the time, we accepted that there are real issues in our society that could only be addressed if they were recognised. Although we believe the journey of corporate culture transformation is well under way, we are trying to identify and address any latent issues on race and gender.

We aim to be a representative and values-based organisation, one that truly embraces diversity, ensures fair treatment and offers equal opportunity for all through a comprehensive human resources development plan. Embracing diversity increases the talent pool in Basil Read which, in turn, contributes directly to improved operating performance and financial results.

## Outlook

In the short term, consensus expectations are that the industry will continue to face challenges, with margins under pressure and real liquidity pressures. In the long term, however, infrastructural needs in South Africa and the African continent, as a whole, should support growth in the sector. We believe that to be successful in the current market, we need to grow our skills

base and develop geographical diversification to capitalise on these opportunities.

At R10.7 billion, the order book is satisfactory and we will focus on at least maintaining it at over R10 billion. Given the strong need for infrastructure development, we believe South Africa still offers opportunities for growth and Basil Read will seek to capitalise on this, while being mindful of opportunities across the African continent.

Going forward, the structure of our order book will change because of two significant events this year: in 2016, the bulk of work on the St Helena airport project phase 1 (design and construct) as well as the Olifants River water resources development project will end. Plans are already in place to grow our other divisions to maintain our turnover at current levels. Encouraging growth is already evident in new projects awarded to our mining and roads divisions. Given its growth prospects, roads will be separated into a full division, with other organisation structure changes detailed below.

As part of the 2016 areas of focus, we decided to separate the buildings and developments division into two separate reporting units. The developments division is viewed as a strategic differentiator due to the package proposed by the Basil Read mixed-use housing development model for an integrated society. This model also generates work for our other divisions via bulk infrastructure, road infrastructure, civil works and building works, and is perfectly aligned with government's intention to accelerate housing delivery over the next five years.

Our civils and plant, pipelines and buildings units will be consolidated into one construction division. The civils division is core to Basil Read and includes plant that can be used across the company. The pipelines division has shrunk over the last year but is still a business we want to grow, given the opportunities in water infrastructure development. Buildings maintains a healthy order book and has the opportunity to grow with the integrated housing development model.

## Appreciation

Basil Read has weathered an extremely difficult period with a great deal of change, but results for 2015 prove the calibre of our people. Our hard work over the past year will become a way of life this year, underpinning safe, profitable projects. Thank you all for your commitment and support, and thank you to our loyal clients, suppliers and stakeholders. We realise the delivery of safe, profitable projects is the foundation of our mutual success.



**Neville Nicolau**  
Chief executive officer

20 April 2016

# Financial director's report

Basil Read reported a much improved performance for the 2015 financial year, despite a competitive market and weak economy. Our restructuring, initiated in 2014, continued during the review period and contributed to a return to profitability, underpinned by improved results reported by most operating divisions.

Amanda Claire Wightman  
Chief financial officer



Making our assets sweat

- Improve operational efficiencies and productivity to enhance competitiveness at both the tender and execution stages
- Implementation of common systems with improved functionality to reduce reliance on manual work, leading to improved financial and operational cost management
- Reduce the number of legal entities through a divisionalisation process to alleviate administrative and regulatory burdens.

# Financial director's report *continued*

## Financial performance

	2015	2014	% change
<b>KEY RESULTS</b>			
<b>Continuing operations</b>			
Revenue (R000)	5 519 979	6 261 441	(12)
Operating profit/(loss) (R000)	226 197	(803 289)	128
Earnings/(loss) per share (cents)	152.78	(467.16)	133
Headline earnings/(loss) per share (cents)	143.87	(298.08)	148
<b>Discontinued operations</b>			
Net loss (R000)	(20 425)	(174 743)	88
Loss per share (cents)	(15.51)	(132.70)	88
Headline loss per share (cents)	(23.59)	(64.00)	63

Although revenue contracted by 12%, driven by reductions across most construction disciplines, operating profit increased to R226 million at a margin of 4%. This reflected improved operating performances in our core disciplines of buildings and developments, civils, roads and mining as well as a significant reduction in overhead costs. This is a direct result of the restructuring process that streamlined operating structures and introduced shared support services across the company. With limited opportunity to significantly grow revenue in current macro-economic conditions, our focus remains on operational efficiency and cost containment. Much progress has already been made and these initiatives will continue in 2016 as we seek further opportunities to reduce our overhead base.

Our strategy to dispose of or close non-core assets was substantially completed in the review period, resulting in a loss from discontinued operations of R20.4 million. The sale of SprayPave (Pty) Ltd was completed on 1 February 2016.

### Financial position

The reduction in plant and equipment was largely driven by the disposal of plant items acquired for the St Helena airport project that are no longer required. Capital expenditure was predominantly in support

of the growing order book in the mining division. The age of our plant remains a key concern, particularly as capital expenditure in recent years has been less than the depreciation charge for the year. Much work has been done on developing a capital replacement and management programme to maintain our fleet of equipment, as a minimum, and allow for growth. Implementing this programme will depend on the availability of asset-backed finance facilities and cash resources. Alternative funding arrangements are also being explored.

Unwinding advance payments for the St Helena contract, which has operated on a pre-funded basis, has contributed to a significant reduction in available cash resources. This has been exacerbated by the continued funding of loss-making contracts and, despite some success in the latter part of 2015, resolving claims remains key.

Liquidity management is a priority for the company, with several initiatives under way to improve the cash position. These include the possible disposal of land held for development in both the Rolling Hills Leisure Estate and Klipriver Business Park, where a significant amount of our cash remains tied up. Despite continued interest in the Klipriver Business Park development, sales have been slow, with only another three stands sold in 2015. Equally, given the continued lack of sales at the Rolling Hills Leisure Estate, we are critically reviewing the development plan to explore other avenues of unlocking the value of this asset. Both developments are valued annually by an independent valuator, and their carrying values substantiated at December 2015.

With the construction sector in a prolonged downturn, most financial institutions are being cautious and increasing existing facilities proved challenging in the review period. The annual credit review process with most of our major banking partners is under way after releasing our annual results. As part of these negotiations, we aim to increase facilities to support liquidity and growth.

Debt levels reduced by R150 million to R340 million, largely as a result of repaying notes issued under the domestic medium-term note programme. At the request of the noteholder, notes valued at R205 million were refinanced in June 2015, of which R120 million was repaid in the review period. At the reporting date, there

	2015	2014	% change
<b>KEY RESULTS</b>			
Property, plant and equipment (R000)	915 856	1 080 248	(15)
Capital expenditure (R000)	247 503	339 074	(27)
Depreciation (R000)	(269 523)	(342 404)	21
Cash and cash equivalents – net (R000)	474 676	835 664	(43)
Tangible net asset value (cents)	876.39	784.90	12
Return on equity (%)	15.2	(51.9)	129
Total debt to tangible equity (%)	29.5	47.4	38

were two notes in issue – BSR16 for R35 million at an interest rate of three-month JIBAR plus 3.85%, maturing on 17 June 2016 and BSR17 for R50 million at an interest rate of three-month JIBAR plus 4.50%, maturing on 19 June 2018. Given the current low level of debt, we will seek additional investors for a possible fresh issue of notes under this programme, or consider a possible equity raise.

### Corporate activity

On 1 February 2015, the company concluded the disposal of LYT Architecture for R42 million, and recognised a loss on disposal of R3 million.

On 25 September 2015, we concluded the disposal of Basil Read Energy for R70 million, recognising a profit on disposal of R27.7 million.

### Financial systems update

Following a critical review of our financial systems, we identified the urgent need to improve existing systems to ensure that accurate information was available timeously to support decision making at all levels in the company. The need to implement common systems across all subsidiary companies and divisions was a key element in our initiatives to simplify operating structures in the company. We therefore focused much of our attention in the review period on implementing company-wide systems in three key areas – payroll and human resource management, accounting and consolidation. We successfully implemented the payroll and human resource management system company-wide and the accounting system in the construction divisions during the year. Implementation of the consolidation system is well advanced. Migrating the mining division to the new accounting system was completed in the first quarter of 2016.

Regrettably, we underestimated the complexities of integrating these three systems and the additional time required

### Progress against 2015 financial targets

	Target for 2015	Actual for 2015	
Revenue (R000)	5 000 000	5 519 979	↑
Profit after taxation (R000)	160 000	171 213	↑
Headline earnings per share (cents)	120.00	120.28	↑
Return on equity (%)	14.0	15.2	↑
Order book (R000)	10 000 000	10 741 193	↑

### Order book

The order book below reflects our revised organisational structure against which we will provide segment information from the 2016 financial year:

	2015 Rm
Construction	1 948
– Buildings	1 102
– Civils	797
– Pipelines	49
Developments	200
Mining	4 660
Roads	2 617
St Helena airport project	1 316
<b>Total</b>	<b>10 741</b>

for our auditors to complete the audit process, particularly on data migration, which delayed the release of our annual results from planned targets. We are working closely with representatives from our implementation partners to overcome these difficulties. We are confident that expected benefits will improve during 2016.

### Dividends

Due to the difficult trading environment and need to retain working capital, the board of directors has resolved not to declare a dividend.

### Appreciation

I thank every member of the Basil Read team for contributing to the company's success in the 2015 financial year. I look forward to your continued commitment and support. Special thanks to the human resources, finance and IT teams – the long

hours you continue to work to improve the financial systems we use, are deeply appreciated. To the board, particularly Neville and my executive committee colleagues, thank you for your support, guidance and leadership in a challenging time for the industry as a whole. I look forward to our continued deliberations in 2016.



Amanda Wightman  
 Chief financial officer

20 April 2016

# Five-year review

for the year ended 31 December 2015

	2015# R000	2014# R000	2013# R000	2012# R000	2011# R000
<b>INCOME STATEMENT</b>					
Revenue	5 621 409	6 584 810	6 304 580	6 834 146	6 230 456
Contracting	5 400 015	6 255 718	6 086 729	6 608 258	6 000 764
Other	221 394	329 092	217 851	225 888	229 692
Contracting and other costs	(4 827 467)	(6 244 609)	(5 398 511)	(5 768 021)	(5 044 751)
Other admin and operating overheads*	(342 698)	(664 206)	(520 570)	(902 422)	(651 556)
Depreciation and impairment of fixed assets	(269 523)	(342 404)	(324 292)	(307 488)	(267 039)
Other income/(expenses)	27 592	(13 052)	252 342	25 230	24 621
Amortisation of intangible assets	(860)	(860)	(860)	(1 990)	(10 785)
<b>Operating profit/(loss)</b>	<b>208 453</b>	<b>(680 321)</b>	<b>312 689</b>	<b>(120 545)</b>	<b>280 946</b>
Impairment of goodwill	(7 438)	(304 370)	–	–	(32 403)
Net finance (costs)/income	(35 869)	(25 310)	13 670	(77 133)	(36 007)
<b>Profit/(loss) before share of investments accounted for using the equity method</b>	<b>165 146</b>	<b>(1 010 001)</b>	<b>326 359</b>	<b>(197 678)</b>	<b>212 536</b>
Share of profit of investments accounted for using the equity method	39 636	39 539	45 166	44 812	3 751
<b>Profit/(loss) before taxation</b>	<b>204 782</b>	<b>(970 462)</b>	<b>371 525</b>	<b>(152 866)</b>	<b>216 287</b>
Taxation	(33 569)	149 583	(90 055)	(16 235)	(81 580)
<b>Net profit/(loss) for the year</b>	<b>171 213</b>	<b>(820 879)</b>	<b>281 470</b>	<b>(169 101)</b>	<b>134 707</b>
<b>Net profit/(loss) for the year attributable to:</b>					
<b>Equity shareholders of the company</b>	<b>180 761</b>	<b>(789 938)</b>	<b>310 742</b>	<b>(170 384)</b>	<b>140 979</b>
Non-controlling interests	(9 548)	(30 941)	(29 272)	1 283	(6 272)
<b>Net profit/(loss) for the year</b>	<b>171 213</b>	<b>(820 879)</b>	<b>281 470</b>	<b>(169 101)</b>	<b>134 707</b>
<b>STATISTICS</b>					
Earnings/(loss) per share (cents)	137.27	(599.87)	235.97	(136.54)	113.88
Diluted earnings/(loss) per share (cents)	137.27	(599.87)	235.97	(136.54)	113.88
Headline earnings/(loss) per share (cents)	120.28	(362.08)	86.99	(130.84)	139.65
Diluted headline earnings/(loss) per share (cents)	120.28	(362.08)	86.99	(130.84)	139.65
Dividend per share (cents)	–	–	175.00	–	30.00
Interest cover (times)	4.39	(12.33)	4.78	(1.16)	4.04
Operating margin (%)	3.71	(10.33)	4.96	(1.76)	4.51
Provision for Competition Commission	–	–	19 936	65 000	10 000
Share-based payment	–	–	–	60 539	–
Write down of development land	–	80 565	22 572	26 607	–
	–	80 565	42 508	152 146	10 000

\*The following non-recurring charges have been included in "Other admin and operating overheads" in the current year:

# Includes the combined results of continued and discontinued operations.

	2015 R000	2014 R000	2013 R000	2012 R000	2011 R000
<b>STATEMENT OF FINANCIAL POSITION</b>					
<b>Assets</b>					
<b>Non-current assets</b>	<b>1 500 501</b>	1 669 708	1 914 321	2 016 019	2 152 469
Property, plant and equipment	915 856	1 080 248	1 138 147	1 272 127	1 166 213
Intangible assets	91 640	99 938	411 829	412 689	799 995
Other non-current assets	493 005	489 522	364 345	331 203	186 261
<b>Current assets</b>	<b>2 017 657</b>	2 552 957	2 804 193	2 598 877	2 680 501
Inventories	25 939	33 067	41 958	81 236	42 857
Development land	262 679	268 022	363 120	402 375	398 686
Contract debtors and retentions	1 073 355	1 169 111	974 237	883 617	1 308 188
Other current assets	148 839	171 942	166 753	152 962	214 733
Cash and cash equivalents	506 845	910 815	1 258 125	1 078 687	716 037
Non-current assets held for sale	104 203	53 112	–	773 540	66 767
	<b>3 622 361</b>	4 275 777	4 718 514	5 388 436	4 899 737
<b>Equity and liabilities</b>					
Capital and reserves	1 245 728	1 133 544	1 909 465	1 799 554	1 814 820
Non-controlling interests	(22 176)	(97 992)	(38 207)	24 768	22 901
<b>Non-current liabilities</b>	<b>221 087</b>	259 965	309 768	376 266	592 847
Interest-bearing borrowings	182 134	215 898	263 086	314 187	519 234
Other borrowings	–	–	–	13 250	19 649
Other non-current liabilities	38 953	44 067	46 682	48 829	53 964
<b>Current liabilities</b>	<b>2 155 388</b>	2 970 241	2 537 488	2 992 185	2 469 062
Trade and other payables	734 163	1 180 026	1 043 180	1 120 153	1 079 938
Amounts due to customers	715 432	1 102 385	1 095 096	1 079 113	513 315
Interest-bearing borrowings	157 798	273 594	163 314	562 980	508 071
Other current liabilities	512 557	324 000	180 257	198 086	305 430
Bank overdraft	35 438	90 236	55 641	31 853	62 308
Liabilities directly associated with non-current assets classified as held for sale	22 334	10 019	–	195 663	107
	<b>3 622 361</b>	4 275 777	4 718 514	5 388 436	4 899 737

### Revenue from continuing operations and operating margin



### Headline earnings per share and dividend per share



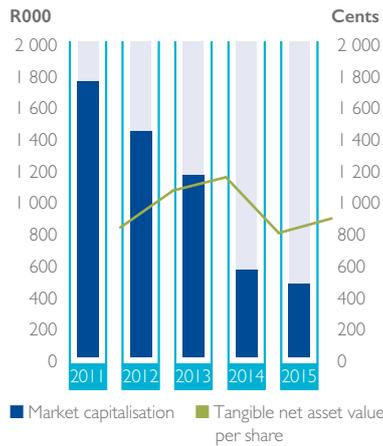
# Five-year review *continued*

for the year ended 31 December 2015

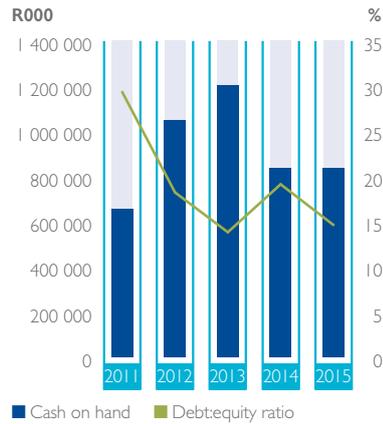
	2015	2014	2013	2012	2011
<b>STATEMENT OF FINANCIAL POSITION</b>					
<i>(continued)</i>					
<b>STATISTICS</b>					
Number of ordinary shares in issue (000)	<b>131 686</b>	131 686	131 686	131 686	123 798
Number of "A" ordinary shares in issue (000)	<b>33 608</b>	33 608	33 608	33 608	–
Net asset value per share (cents)	<b>945.98</b>	860.79	1 450.01	1 366.55	1 465.95
Tangible net asset value per share (cents)	<b>876.39</b>	784.90	1 137.28	1 053.16	819.74
Current ratio (times)	<b>0.94</b>	0.86	1.11	0.87	1.09
Return on shareholders' interests (%)	<b>15.19</b>	(51.92)	16.76	(9.43)	8.00
Return on total average tangible assets (%)	<b>5.41</b>	(16.04)	6.74	–	7.36
Average price per share (cents)	<b>358</b>	693	837	1 216	1 265
Debt:equity ratio (times)*	<b>0.15</b>	0.19	0.14	0.18	0.29

\* Debt:equity ratio is calculated using total non-current borrowings.

## Market capitalisation and tangible net asset value per share



## Cash on hand and debt:equity ratio



# Value added statement

for the year ended 31 December 2015

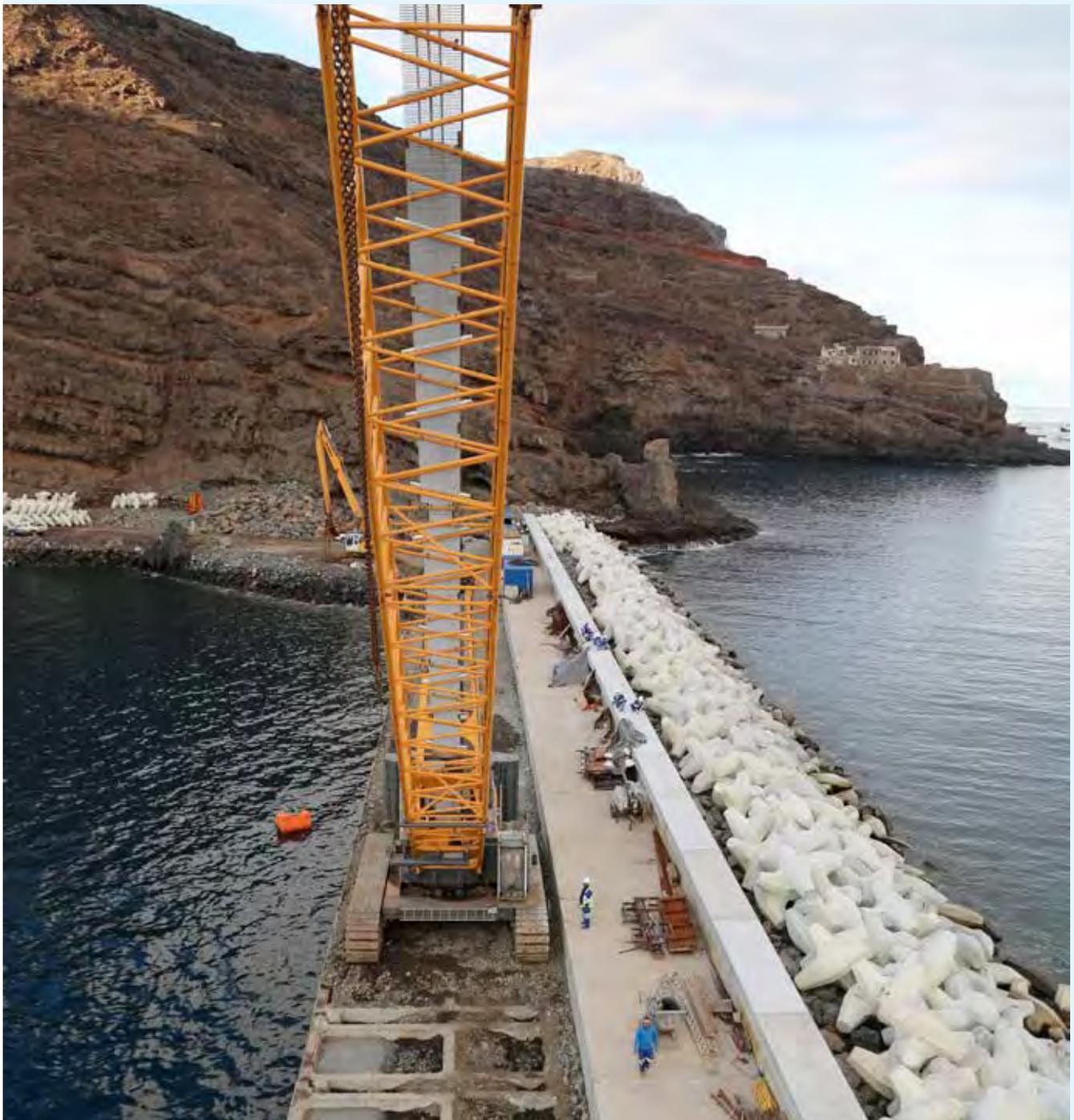
The value added statement measures performance in terms of value added by the group through the collective efforts of management, employees and the providers of capital. The statement shows how value added has been distributed to those contributing to its creation.

	2015 R000	2015 %	2014 R000	2014 %
<b>VALUE ADDED DURING THE YEAR</b>				
<b>Total revenue</b>	<b>5 621 409</b>		6 584 810	
Contract revenue	5 400 015		6 255 718	
Other revenue	221 394		329 092	
Cost of materials, subcontractors and other services	(3 759 254)		(5 803 897)	
<b>Value added from trading operations</b>	<b>1 862 155</b>	98.88	780 913	96.35
Interest income	21 133	1.12	29 605	3.65
<b>Total value added</b>	<b>1 883 288</b>	100.00	810 518	100.00
<b>DISTRIBUTIONS DURING THE YEAR</b>				
<b>Management</b>				
Salaries, retirement and other benefits	12 056	0.64	21 477	2.65
<b>Employees</b>				
Salaries, retirement and other benefits	1 349 493	71.66	1 361 980	168.04
<b>Providers of capital</b>				
Interest on borrowings and dividends paid	47 434	2.52	55 119	6.80
<b>Government</b>				
Taxation	33 569	1.78	(149 583)	(18.46)
<b>Total distributions</b>	<b>1 442 552</b>	76.60	1 288 993	159.03
<b>Retained for reinvestment</b>				
Depreciation	269 523		342 404	
Income retained in the business	171 213		(820 879)	
<b>Total distributions</b>	<b>1 883 288</b>	100.00	810 518	100.00

# Sustainability in action

## Case study: St Helena airport project

The St Helena project has proven itself a flagship contract in more ways than one. Beyond the specific challenges of logistically equipping a multifaceted project on a very remote site – over 2 000 km off the coast of Africa – the Basil Read team has literally become part of the island's fabric over recent years.



The industry adage is “no major airport was ever delivered on time”. St Helena just disproved that.



While we have covered project-specific details in prior reports, this year we focus on societal contributions.

At its various stages, the scale of St Helena’s first airport meant that Basil Read was the largest private employer on the island and a major economic stimulus. Ancillary benefits from constructing the airport extended to infrastructure – from electricity and water issues to landfill sites and bases for future wind farms.

Basil Read expats became part of St Helena community life, becoming involved in various sporting activities such as cricket, soccer and golf. Involvement in cultural and other social activities were also part of the integration with the community. Several children of Basil Read expats attended schools on the island and many now have a distinct Saint accent.

The Basil Read team even used its chartered ship for evacuation purposes at one point. That same ship effectively completed four global circumnavigations over the four years – 48 voyages transporting 60 000 tonnes of cargo from China, Singapore, India, Sweden, Italy, South Africa, the UK and USA from its dedicated bond facility in Walvis Bay, Namibia.

Over the same period, and despite exceedingly difficult terrain and working environment, hundreds of workers racked up more than four million working hours and only lost 390 hours to injury. The project reached the significant milestone of one million lost-time injury-free hours on three occasions.

St Helena was an integrated project and arguably one of the largest mass earthworks fills in the world – moving 16 million tonnes of material to create a runway of 116 m high fill to support the end of the runway without any significant settlements.

But it took place on an island with a rich historical heritage as well as unique environmental considerations that fell under stringent UK and US regulations.

The natural environment around the airport is being rehabilitated and protected under formal plans, managed by the St Helena government with an in-kind contribution from Basil Read. Over the past year, new nurseries have propagated almost 50 000 plants for restoration planting, including over 20 species either endemic or native to St Helena, rabbit-proof fencing has been installed and a larger local team is being built to manage conservation activities.

Four years of hard work paid off in September 2015 when history was made as the first aircraft landed at St Helena airport – the first in a series of calibration flights ahead of airport certification in 2016 that will open the island to the world.

The industry adage is “no major airport was ever delivered on time”. St Helena just disproved that.



# Safety and health

To maintain our international certification for safety and health (OHSAS 18001), we set specific targets in 2015.

Discipline	Policy	Objective	Performance indicator	Target
Safety	Aspiring for all our operations to be zero-harm workplaces	Eliminate fatalities and disabling injuries in our operations	Number of fatalities	Zero
			Disabling injury frequency rate (DIFR)	<0.1
	Implement systematic processes of hazard identification, risk assessment and risk treatment	Instil a proactive risk management approach for safety, health and environment (SHE), focused on engineering risks out	Risk and critical controls register	100% completion
	Create and maintain a supportive culture	To entrench visibly felt leadership (VFL) throughout Basil Read	Number of VFL visits per site per manager/supervisor	One VFL visit per week per manager/supervisor
Health	Implement a comprehensive health and wellness programme	Implement primary health clinic	Number of employees visiting the clinic	Improvement on absenteeism rate resulting from day-to-day illnesses
		Managing chronic diseases (HIV/Aids, diabetes and hypertension, etc)	Number of visits to clinic	100% management of all known cases

Understanding that our business depends as much on the skill of our people as it does on our equipment, we focus on maintaining a safe and healthy workplace, supported by ongoing training.

At Basil Read, our intent and commitment is defined in our SHE policies. This is practically implemented via a SHE management system that integrates hazard identification, risk analysis and risk management into all our activities, while our annual SHE plan is aligned with our business strategy and ensures continuous improvement of the system.

Our board, executive committee and managers at all levels keep the company focused on the ultimate goal of zero harm by monitoring progress against annual SHE targets at monthly and quarterly meetings. Following a recertification audit in November 2015, Basil Read retained its OHSAS 18001 certification for occupational health and safety.

## Safety

At Basil Read, we continue to aim at proactively reducing the frequency and severity of injuries by reviewing our strategic safety objectives every year.

In addition to complying with safety regulations and putting necessary systems, policies and corporate standards in place, we also promote individual responsibility for safety throughout the organisation.

Regrettably, our safety performance in 2015 deteriorated. We missed our DIFR target of 0.1 to record 0.22, despite the commendable performance of the mining division. Although the DIFR is a lagging performance indicator, it is a tangible demonstration of management's commitment in the journey towards zero harm.

Regrettably, Basil Read recorded four fatalities in two accidents in 2015:

- **Civils:** Three employees (Simon Tsehla, Simon Ratau and Johannes Madigoe) died after being engulfed by soil when the side of the trench they were working in collapsed

- **Roads:** One employee (Nokuzola Magangqa) lost her life after being knocked down by a reversing concrete spinner truck.

We extend our sincere condolences to their families, friends and colleagues. All incidents, regardless of the severity of the injury sustained, are exhaustively investigated and lessons learned are communicated to all sites across the company to prevent similar incidents.

## Safety highlights for 2015

### Mining

The mining division recorded a DIFR of 0.10, achieving the company target for 2015. Between 2012 and 2015, this division has decreased both its all-injury frequency rate (AIFR) and DIFR from 2.60 and 0.17 to 0.92 and 0.10 respectively.

The following sites recorded notable safety performances in 2015:

- Jwaneng achieved over 2.5 million hours without a lost-time injury (LTI)
- Venetia achieved over 1.2 million hours without an LTI.

## Construction

The construction division recorded a DIFR of 0.22 for 2015. A project aimed at improving the quality of risk assessments and better understanding the risks and controls is being rolled out across Basil Read's projects (see table below).

The Kusile miscellaneous buildings project achieved first place in the Master Builders regional and national safety competition in the R500+ million category for the third year in succession. Other notable safety performances include:

- Medupi ash dumps project achieved 4 million LTI-free hours
- Medupi buildings achieved 1.5 million LTI-free hours.

The following sites and divisions recorded outstanding safety performances in 2015 (500 000+ LTI-free hours):

- Medupi clarifiers
- Kusile miscellaneous buildings
- Redhouse Chelsea
- Medupi buildings.

The following sites and divisions recorded zero LTIs in 2015:

Civils:

- Port of Saldanha
- Prasa Bombardier.

Roads:

- Montagu to Ashton
- Port of Ngqura
- Haldon.

Pipelines:

- Wallmansthal.

Buildings:

- Nissan incubator – Rosslyn
- Protea Hotel – Umhlanga
- Port Shepstone
- Nokuthula schools
- ACJ Phakade School
- Dunoon School
- Nalिकamva School.

## Occupational health

At Basil Read, we believe that protecting our employees is not just about keeping

them safe at work. It is about helping them remain healthy by understanding their health risks as well as ensuring they understand the safety and environmental risks.

In its second year, the Basil Read in-house clinic conducted 3 890 medical examinations to determine fitness for work, and a medical surveillance programme comprising:

- Pre-employment
- Periodic/annual
- Exit medicals.

In May 2015, a primary health clinic was launched at the Basil Read corporate office, with the number of employees using this service rising monthly. Importantly, the clinic is assisting employees in managing and controlling chronic diseases.

For 2016, the Basil Read occupational health clinic has scheduled a number of educational sessions at the corporate office to promote the benefits of using its services.

Basil Read's approved safety and health objectives for 2016 are summarised below:

Discipline	Policy	Objective	Performance indicator	Target
Safety	Aspiring for all our operations to be zero-harm workplaces	To eliminate fatalities in our operations	Number of fatalities	Zero
		To continuously reduce the number of disabling injuries in our operations	Disabling injury frequency rate (DIFR)	<0.17
	Implement systematic processes of hazard identification, risk assessment and risk treatment	Review of all baseline, issue-based risk assessments for all divisions	Number of divisions with complete risk and controls registers	50% by end 2016
	Create and maintain a supportive culture	Entrench visibly felt leadership (VFL) throughout Basil Read	Number of VFL visits per site per manager/supervisor	One VFL visit per week per manager/supervisor
Health	Implement a comprehensive health and wellness programme	Prevent new cases of occupational illnesses resulting from exposure to our activities	Number of new cases	Zero
		Promote the use of the primary health clinic to manage chronic illnesses	Number of awareness sessions	One awareness session every three months at corporate office

# Our people

## HR strategy 2015

The strategy of the human resource (HR) function was critically reviewed to align it to the company's strategy.



The HR strategy consisted of four strategic objectives:

- Prepare and grow talent to ensure the company has the capacity and capability to deliver as it grows
- Improve competence to enhance operational performance via tailored management development and supervisory development programmes
- Integrate disparate HR systems into a core database supporting informed decision making
- Create an effective and sustainable organisational and leadership culture based on common values, and supported by a new leadership development programme focused on equipping leaders with the required strategic and operational competencies.

### Organisational development

The main focus of the organisational development function in 2015 was to:

- Conduct organisational diagnostic assessments
- Establish new values for the company
- Improve current HR systems.

### Organisational diagnostics

Three organisational diagnostic surveys were conducted in 2015. The first measured the current climate and culture in the company, with positive findings overall. Corrective actions were implemented to mitigate identified risks.

The second survey measured the state of diversity with action plans developed to address areas identified for further improvement.

The third survey measured the state of values by evaluating employees' personal values, current organisational values and desired values with behavioural indicators in the Basil Read context.

In summary, the surveys identified five areas of focus:

- Leadership development
- Performance management
- Training and development
- Recruitment and selection
- Communication.

### New Basil Read values

A new values framework was established after a comprehensive bottom-up process that involved employees taking part in two values surveys. In 2016, a top-to-bottom approach will be used to embed these values (page 16) and monitor behavioural shifts in the organisation.

### HR information system

A new system was successfully implemented in 2015. All HR processes such as payroll, job profiling, training and development, performance management and employee administration are now administered on one company-wide system.

## Training and development

In 2015, Basil Read invested over R11 million in the growth and development of its people. In total, 1 325 employees (25%) were trained at an average spend of R8 380 per employee.

Type	Spend R000
Competency-related training (training needs analysis)	702
Special needs training (learnerships, management and supervisor development programmes)	2 947
Operator training	297
Study assistance (bursaries and professional registrations)	2 511
Project-related training	2 088
Operational costs	2 559
<b>Total</b>	<b>11 104</b>

## Bursary scheme

Basil Read sponsored 20 students with educational bursaries in 2015. Nine students completed their degrees in the reporting period and will be considered for employment at Basil Read. An additional six students will be recruited and sponsored for education in 2016. The breakdown of current bursars is shown below:

Study field	Gender		Race			
	Male	Female	African	White	Coloured	Indian
Civil engineering	5	4	3	2	1	3
Quantity surveying	2		2			
Construction management	4		3	1		
Building science	1	1	2			
Industrial engineering	1			1		
Architecture		1		1		
Law		1				1
<b>Total</b>	<b>13</b>	<b>7</b>	<b>10</b>	<b>5</b>	<b>1</b>	<b>4</b>

We also sponsored five scholars in the Go for Gold initiative. This prepares scholars from disadvantaged communities to work in the construction industry by giving them an opportunity to gain industry experience at construction companies after completing Grade 12, as well as possible sponsorship for further studies.

# Our people *continued*

## Learnerships and skills programmes

We implemented several skills programmes and learnerships in 2015 to enhance operational competence and performance, summarised below:

Programme	Focus
Project management learnerships	Equipping junior managers with fundamental project management skills: 10 junior managers successfully completed this learnership.
Learner blaster skills programme	Blasters are a scarce skill in the mining division. This programme created a talent pipeline internally: 20 employees were trained as blasters in 2015.
Diesel mechanic programme	Diesel mechanics are also a scarce skill for the mining division. This programme created a talent pipeline of diesel mechanics internally: eight employees completed this qualification in 2015.
Professional registration programme	Due to the shortage of professional registered engineers, construction managers and quantity surveyors, this programme aims to have 41 employees professionally registered in the next two years.
Management development programme	Training operational managers on core managerial competencies. In 2016, 58 managers will complete this programme.
Supervisory development programme	Equipping foremen with the supervisory skills of planning, organising, leading and control. In 2016, 140 foremen will complete this programme.

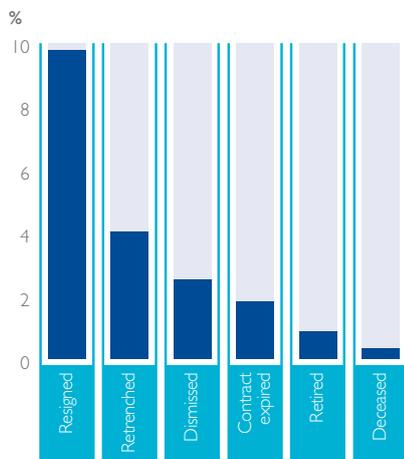
The demographic breakdown of employees in training programmes is shown below:

Training programme	Race				Total learners
	Black	White	Coloured	Indian	
Project management learnerships	5	4		1	10
Learner blaster skills	13	7			20
Diesel mechanic	4	4			8
Professional registration	5	33		3	41
Management development	13	42	2	1	58
Supervisory development	77	54	9		140
<b>Total</b>	<b>117</b>	<b>144</b>	<b>11</b>	<b>5</b>	<b>277</b>

## Staff turnover

Despite strategic organisational and management changes, as well as streamlining our operations and support services, total staff turnover in the review period was lower at 9.8% (2014: 13%). Regular communication from the CEO's office is instilling a sense of security and appreciation among employees.

### Staff turnover



## Employee relations

Basil Read aims to foster good working relationships with organised labour structures and monitor and resolve employee issues before they lead to industrial action.

The company enjoyed a relatively stable year from an industrial relations perspective, and three-year wage

negotiations were successfully concluded in 2015. Labour disruptions on mega projects (ie Medupi and Kusile) had a limited impact on Basil Read.

We respect our employees' right to union affiliation. Accordingly, management strives to develop productive partnerships with trade unions on collective bargaining and other issues. Notable developments during the year included:

- Bargaining council**  
 The civils sector bargaining council was enacted in December 2013. Basil Read plays an active role in the council and its committees
- South African Federation of Civil Engineering Contractors (SAFCEC)**  
 Basil Read is actively involved in industry initiatives, with the employee relations manager on the negotiations team representing employers at SAFCEC national wage negotiations
- Labour law amendments**  
 Basil Read complies with all labour law amendments as stipulated from time to time.

Training staff on related matters and managing disciplinary processes to ensure procedurally and substantively fair outcomes remains a focal area. This contributed to a stable environment over the past year, minimising the number of matters referred to arbitration. The employee relations team has a very high success rate at the Council for Conciliation, Mediation and Arbitration (CCMA),

confirming that these matters are dealt with fairly and correctly within the parameters of labour law in South Africa.

## Employee wellness

Two years ago, we established an in-house occupational health clinic that provides basic medical evaluations for all employees. This allows individuals to monitor their health indicators regularly and seek medical assistance where necessary.

We take a holistic approach to employee wellness and, through our healthcare brokers and medical aid administrators, we provide various services, from employee wellness days, HIV/Aids testing and support, to trauma and other counselling.

The gym facilities and restaurant in the corporate office also give employees the opportunity to follow a balanced lifestyle while at work.

## Transformation and employment equity

### Employment equity profiles

We continue to support South Africa's broad-based black economic empowerment (BBBEE) initiatives aimed at growing the economy by empowering designated groups.

Basil Read is actively addressing the targets of employment equity. Significant progress has been made across all occupational levels in meeting legislative stipulations.

# Our people *continued*

## Employment equity profile for Basil Read Limited (key construction operations only)

Occupational levels	Male				Female				Foreign nationals		Total
	B	C	I	W	B	C	I	W	Male	Female	
Top management	1			2	1			1	1		6
Senior management	10		2	37	1	2		1	1		54
Professionally qualified and experienced specialists and mid-management	20		3	59	2	2		6	1		93
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	699	28	9	195	62	8	7	82	25		1 115
<b>Grand total</b>	<b>730</b>	<b>28</b>	<b>14</b>	<b>293</b>	<b>66</b>	<b>12</b>	<b>7</b>	<b>90</b>	<b>28</b>		<b>1 268</b>

### Broad-based black economic empowerment

#### Construction sector and dti generic scorecard

The Department of Trade and Industry (dti) mandated all sectors to align their sector codes by the end of October 2015. Given the failure by member organisations in our industry to reach agreement, the construction charter was repealed in February 2016.

Implications for Basil Read:

- The amended BBBEE codes of good practice (1 May 2015) will be used for verification purposes from February 2016
- Under the new codes, Basil Read is likely to drop from its current level 2 status, possibly to level 4 of the codes. This poses a major risk to our ability to successfully tender for business.

### Enterprise development

Basil Read's enterprise development is an essential tool to address economic growth, unemployment, gender equality, health and other poverty-related issues. With proper financial and infrastructure support in the form of mentorship programmes, skills transfer, loans, integrated support systems, and increased accessibility to finance or job

creation, poverty reduction strategies will be achieved.

Given that enterprise development is the key to economic growth, our related initiatives concentrate on investing time and capital in assisting people to establish, expand or improve businesses or income-generating activities that contribute to the local economy.

#### Basil Read enterprise development beneficiaries 2015

Beneficiary	Black ownership %	Black women ownership %	BBBEE recognition level
BR-Tsima Construction	90.6	20.86	Level 3
Medja Construction	100	0	Level 3
Makali Plant and Construction	65	15	Level 2
Triple E Construction	100	50	Level 3
Makgetsi Construction Enterprise	100	60	Level 2
Anquet Construction Solution	100	10	Level 2

# Quality

The focus for 2015 was to develop and implement a new quality management system, in line with the new corporate structure and strategies, and to ensure that Basil Read operating divisions achieved their ISO 9001:2008 recertifications from a new external certification body. These audits took place in August and November 2015, and the company retained its ISO 9001:2008 certifications.

Key changes to the system stemmed from the decision in late 2014 to separate the quality discipline from the traditional Basil Read SHEQ (safety, health, environmental and quality) integrated system, given that this discipline contributed not only to operations, but more specifically to business improvement. As such, related efforts at company level are focused on improving business processes and operational efficiencies – spanning training, human resources, finance, safety, environmental, and more.

Key milestones in 2015 included:

- The Basil Read ISO 9001:2008 quality management system has been developed, and aligned with our vision, mission and strategy statements. Following management approvals, this system was implemented throughout the company, supported by appropriate training
- The system operates on a centralised SharePoint database, ensuring only current procedures and standards are used
- A new certification body, British Standards Institution (BSI), has been appointed to conduct ISO 9001:2008 certification audits to align all Basil Read divisions under one certification body, and to have our new system reviewed and audited from a fresh viewpoint.
- In 2015, our internal team attended workshops on the requirements of the ISO 9001:2015 standard. As a result, all procedures and standards currently being developed include a risk-based philosophy.

In 2016, the quality department will focus on a number of areas:

- While we have successfully retained our certification, our system is still in its infancy, and will be updated and modified as areas for improvement are identified. The expected roll-out of the ISO 9001:2015 standard will need to be implemented and existing procedures and standards amended accordingly. This includes aligning all divisional procedures and standards
- Internal communications between auditors and business unit executives, more specifically the reporting and rectification of observations and findings after internal project and departmental audits
- Management and control of outsourced processes, including those for suppliers, consultants and subcontractors
- End-product quality, relating to both actual quality and the cause and impact of any required rework.

# Environment

## Environmental policy statement

Our mission is to minimise harm to the environment by conducting our activities in an environmentally responsible manner.

In delivering on our duty of care to future generations, it is our priority to encourage our stakeholders to practice good environmental behaviour and operate sustainably. This requires that all should conserve and protect environmental resources through efficient use of energy and water, minimising waste and preventing pollution.

Basil Read is committed to managing its operations in an environmentally responsible way by:

- Complying with all applicable legal requirements
- Preventing pollution
- Recycling waste materials for reuse where possible
- Setting objectives and targets to monitor our environmental performance and continually improve.

## Environmental strategy

Flowing from the Basil Read environmental policy, we have refined and quantified our strategy for the next two years to minimise our impact on the natural environment.



In addition, we set specific targets in 2015 to maintain our international certification for environmental management (ISO 14001).

Policy	Objective	Performance indicator	Target	Achieved
Comply with applicable legislation and other requirements	Maintain compliance with relevant legislation and other requirements	Compliance evaluation audits	100%	✘
Continual improvement of the environmental management system	Continually improve environmental performance	Audit scores	>85%	✔

## Key activities during the year

Our 2015 response to the global carbon disclosure project (CDP) was scored at 91C (2014: 86D), indicating both improved disclosure and performance. Our disclosure compared favourably with industry group average scores.

## Performance

### Carbon emissions

Our carbon emission report was compiled according to ISO 14064:1, ENCORD (the construction CO<sub>2</sub>(e) measurement protocol), as well as the greenhouse gas (GHG) protocol guidelines, and covered only activities over which we have control. By applying these principles, the GHG inventory is a fair representation of the company's related emissions.

In line with international best practice, data was collected on direct emissions (scope 1), indirect emissions (scope 2) and other indirect emissions (scope 3). Direct emissions are those from sources owned or controlled by the company. An indirect emission is the result of Basil Read's activities, but occurs at sources owned or controlled by another company. While the boundaries of scope 1 and 2 emissions are clearly defined, scope 3 presents more of a challenge. This additional voluntary disclosure requires surveying an organisation's entire supply chain, as well as those of its suppliers. Basil Read elected to include scope 3 emissions in its carbon footprint in the interest of transparent reporting.

Our carbon footprint quantifies and reports emissions associated with the following activities:

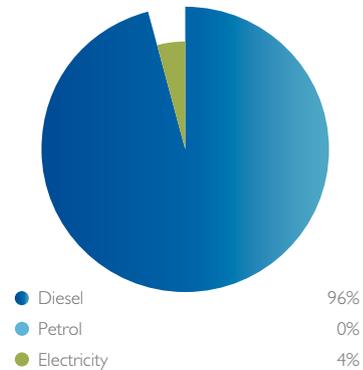
- Scope 1: fossil fuel consumption – diesel and petrol
- Scope 2: use of national electricity grid
- Scope 3: business travel (road and air).

### Operations – scope 1 and 2

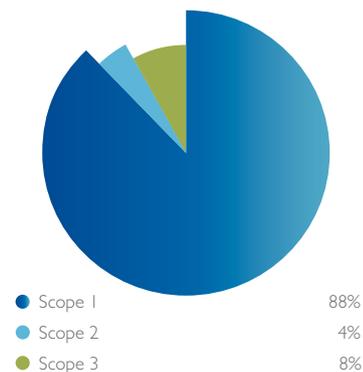
tCO<sub>2</sub>(e)



### Carbon emissions (scope 1 and 2)



### All emissions (scope 1, 2 and 3)



The 2015 carbon footprint has increased to 93 261 tonnes CO<sub>2</sub>(e) from 75 209 tonnes in 2014.

Emission intensity	2015	2014	2013
Employee intensity	<b>18.5</b>	13.84	11.54
Financial intensity	<b>0.017</b>	0.012	0.012

Energy consumption for 2015 was 1 019 041 GJ compared to 836 104 GJ in 2014.

# Environment *continued*

## Water

Water affects the triple bottom line of many businesses. Its availability has an impact on economic development, social upliftment and the wellbeing of the environment. As a business, our risk lies in stricter controls on water access for use.

Basil Read monitors water consumption at its operations. The company used 21 777 kℓ of water in its activities for 2015.

To save water, rainwater from building roofs and groundwater from the subsoil drainage system is collected in storage tanks and used for irrigation, alleviating pressure on the municipal water supply.

## Waste

A detailed plan ensures waste management is properly implemented. We continue to separate our waste to comply with legislation, and reduce our impact on the environment. In managing our waste, we follow the waste hierarchy, namely:

- Prevention (most favoured option)
- Minimisation
- Reuse
- Reduce
- Recycle
- Energy recovery
- Disposal (least favoured option).

## Key challenges

### Climate change

Global climate change (caused by GHG) has been identified as a risk, where detrimental weather events and temperature extremes will have a direct effect on our construction operations, rendering sites unworkable (flood events) and affecting the health and safety of our workforce. The company has identified its risks (below), and we continue to monitor our carbon emissions to assist us in reaching our carbon emission reduction target.

Our risks include:

- Carbon tax – driven by changes in regulation
- Delays in projects, damage to sites, concrete pouring hampered by extreme temperatures – driven by physical climate parameters
- Irreversible damage to projects, lack of availability of water – driven by changes in precipitation (flash flooding, drought).

### Environmental incidents

Basil Read has implemented an electronic system where environmental incidents are reported to better manage incidents, and prevent recurrence. It is a system requirement that an investigation be conducted for every incident reported. The most common environmental incidents are minor spillages.

We are aiming for continuous improvement in managing environmental incidents, in line with our objective of preventing pollution.

### Environmental awareness

Our developments business unit believes that planting trees is one of the most practical ways to preserve South Africa's natural heritage. In our integrated mixed-use developments, such as Savanna City, it is critical to optimise environmental awareness among community residents. In partnership with Food and Trees for Africa, a non-governmental organisation, and Johannesburg City Parks, we will be planting and distributing trees in these communities.

We also started an earthworm farm to produce our own environmentally friendly organic fertiliser. We established nurseries at Mallibongwe Ridge and Savanna City to propagate trees.

### Looking ahead

Across the company, we continue to improve on the following environmental management practices:

- Energy and carbon footprint
- Water
- Waste
- Incident reporting.

At all times and on every site, we strive to use natural resources conservatively and protect the environment to the best of our ability.

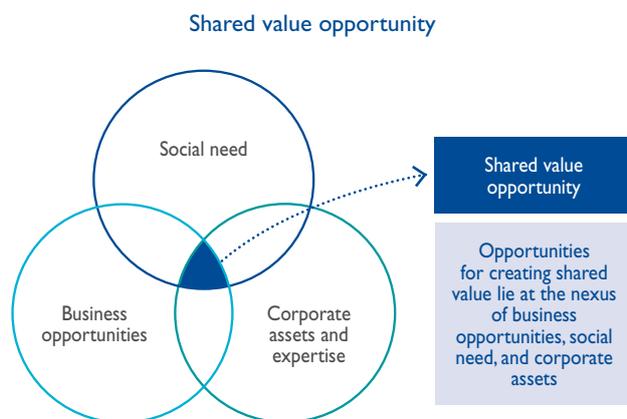
# Corporate social investment (CSI)

In 2015, our CSI policy, strategy and initiatives were refined to better reflect our operating environment and social obligations. CSI encompasses projects external to the business or outward looking, projects to uplift communities in general and those with a strong developmental approach. It also includes projects focused on social, developmental or community aspects where the investment is not primarily driven as a marketing initiative.

CSI projects aim to support disadvantaged communities in becoming more sustainable and functional in both social and economic development.

While CSI is a business imperative for companies in South Africa, Basil Read takes a broader view of its role in society and therefore realises the importance of socio-economic development in the growth of the South African economy. Given the nature of our business, Basil Read builds legacies and, equally, intends to build a legacy through CSI.

We believe strategic CSI offers an opportunity for shared value between our businesses and the communities they intend to serve.



Shared value allows collaborations that assist in meeting development objectives of:

- **Life sustenance:** basic needs
- **Self-esteem:** self-worth
- **Freedom from servitude:** choice.

## CSI strategy

Against this background, our new CSI strategy has been approved and Basil Read is committed to spending 1% of net profit after tax on socio-economic development (or a minimum of R3 million if the company records a loss in that financial year). In 2015, we invested R7,5 million, representing 4% of net profit after tax.

Our geographical focus areas are Limpopo, the Eastern Cape and the Northern Cape, based on research conducted that these provinces receive the least CSI funding.

The CSI spend will also concentrate on:

- **Education:** capacity building for educators and officials, and leadership development in young learners
- **Job creation:** skills development for youth, and income generation
- **Health:** community outreach, particularly for vulnerable children.

## 2015 initiatives

Basil Read aims to leave a legacy where we operate through infrastructure enhancement with lasting benefits for communities. This was embodied through various CSI initiatives in 2015:

- Basil Read launched various initiatives in the Blouberg municipality in Limpopo, detailed below
- The Malibongwe Ridge development team supported the local community by selecting 10 disabled people as beneficiaries to receive winter-warmer gifts
- On Mandela Day, the Savanna City development team spent time at the Precious Place of Hope (disability home) and donated gym mats for each child, as well as musical instruments
- The Basil Read Nelson Mandela Day volunteer afternoon focused on giving Kids Haven Village in Benoni the opportunity to become self-sustainable by creating income through the garden initiative and supporting their existing feeding schemes. Over and above this, our workshop teams assisted with general maintenance including basic plumbing, plastering, electrical and painting work.

## Blouberg municipal district projects

Basil Read has invested some R7.4 million in the Blouberg municipal district over the past year. These projects are part of the client's (De Beers Venetia mine) mining licence requirements.

We are also building an old-age support facility near Kromhoek Village, with a small bathroom, kitchen and utility room, which will be kitted to produce clean drinking water for the village. The municipality has agreed to supply the land, water and electricity at cost and Basil Read will build the facility. The drinking water is supplied via a purification system and Basil Read will assist in the production of bottled drinking water for the first year to help them make a sustainable business in supplying water to the mine and Alldays community. The company will also assist in project and financial management, training and business development.

We have made the necessary arrangements that the mine and shop owners in the district will support the drinking water initiative by purchasing bottled water from the community to ensure the project generates cash flow to support the elderly in the area and becomes sustainable.

This non-profit organisation will generate its own income and, even if Basil Read withdraws, the project will be sustainable.

## Kids Haven garden project

The Basil Read garden initiative in partnership with Reel Gardening has to date invested over R18 000 in the Kids Haven garden project (see case study on page 57).

## Donations and sponsorships

Basil Read also participated in the 702 Sun International CEO Sleepout initiative to empower vulnerable youth by contributing R100 000 to Boys and Girls Town South Africa.

# Corporate social investment (CSI) *continued*

## Case study: The benefit of integrated CSI

Spearheaded by our mining division, Basil Read launched the Madiba Sports Complex in Blouberg municipality, Limpopo, in July 2015. As part of the project, we also refurbished the surrounding area and buildings.

With its soccer field and other training facilities, as well as braai facilities, the complex is a welcome addition to the area as it provides a platform for sports and recreation.

The installation of this social infrastructure is part of Basil Read's CSI initiatives in the area, highlighting our commitment to making a difference through meaningful initiatives that transform people's lives and empower communities for a sustainable future.

The launch of the Madiba Sports Complex follows the recent opening of another sports complex in the same area by Basil Read. This complex has a swimming pool with toilets and showers.

The mining division has a number of integrated CSI initiatives in the area including:

- **Alldays Combined School**

We have employed four permanent teachers at this school to assist learners in reaching their potential in mathematics, accounting and science. We have also supplied the school's grade 10, 11 and 12 learners with textbooks, as well as scientific calculators for Grade 12 learners.

One of these teachers encouraged learners to enter an international essay competition for the opportunity of attending a science fair in Canada for a week. Two learners, Tshelo Semata and Marble Stuurman, were selected (as part of 42 learners worldwide) to represent the school at the University of Waterloo in Canada.

- **Winter school**

Since 2014, Basil Read has sponsored Grade 12 learners in the Alldays community to attend a winter school



programme to prepare for year-end exams. This initiative was extended to all learners in the municipality and was well received, with learners from nine schools participating in June 2015.

- **Bus stops**

We built four new bus stops on the main route to the De Beers Venetia mine for the convenience of local employees. The routes are used by all locals employed in the area, not just Basil Read employees.

- **Landfill site**

Respect for the environment is crucial for our business. We, therefore, sponsored the clean-up and upgrading of the local landfill area. New fencing was erected, a guardhouse and sorting area built, and the pathway paved.

This was done to facilitate recycling of waste to minimise the environmental impact.

- **Community hall**

In 2015, the community centre received much needed basic building repairs and security upgrades, enabling the community to host their first matric farewell dance locally.

- **University students**

Each year, we assist university students with tuition, study, accommodation and book fees at various universities. The company is currently assisting three full-time university students and we employ an experiential learner at the De Beers Venetia mine who is studying for a diploma in safety management through Unisa.



## Case study: Reel Gardening at Kids Haven

As a part of Basil Read's ongoing commitment to social and economic development in its communities, the company teamed up with Reel Gardening to launch an income-generating project at Kids Haven Village for Nelson Mandela Day. Volunteers spent the afternoon giving Kids Haven residents the means to become self-sustainable by creating income through the garden initiative that will also support their existing feeding schemes.

Reel Gardening provided a 200 m<sup>2</sup> Garden in a Box, comprising four individual 50 m<sup>2</sup> vegetable gardens. This garden will supplement up to 30 meals per day over the two-month harvesting period, with surplus vegetables being sold to create income to plough back into the garden, creating sustainability. As part of the project, Kids Haven received training

and guidance on staggered planning for a sustainable harvest of vegetables throughout the year.

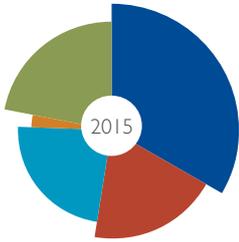
Reel Gardening seed strips encase organically fertilised vegetable and herb seeds at the correct distance apart in a biodegradable custom-made paper tape that anchors the seed at the correct depth for improved germination. The Garden in a Box concept, in turn, was designed as a prepacked community development solution using the same technology and encompassing the Reel Gardening philosophy of creating an empowering and effective "I Can" experience. The layout simplifies complex planting knowledge such as companion planting for maximum success of the garden. In addition, by showing the user where seeds are once planted, localised watering enables a potential saving of 80% in water consumption. The paper absorbs the water and keeps the seed in a moist environment that aids germination. Once it decomposes, it adds to the nutrient level of the soil.

The Basil Read volunteers donated an afternoon to prepare the garden for planting in September 2015. After that, a trainer visited the centre to conduct the first training and implementation session. Over the next three months, post implementation, the trainer returned to assist the garden caregivers with any challenges they had encountered in growing green beans, peas, butternut, carrots, green peppers, tomatoes and gem squash.

In line with the Kids Haven mission of providing love and shelter in a nurturing, safe environment, a garden is the perfect setting for sharing these ideals with young residents at the centre. Even more fitting, given its latest application in a children's centre, the clever system was invented by a 16-year-old, Claire Reid, in 2002. Reel Gardening has won numerous awards for its water-saving potential and gets people excited about vegetable gardening.



# Construction



- Roads 26%
- Civils 15%
- Buildings and developments 18%
- Pipelines 2%
- St Helena airport project 17%

In 2015, this division incorporated Basil Read’s civil engineering, roads, building operations, pipelines and property developments. Proven technical and financial engineering skills have reinforced our position among the leaders in this industry.

Salient features	2015	2014	% change
Revenue (R000)	<b>4 284 441</b>	5 065 718	(15)
Order book (R000)	<b>6 081 236</b>	6 765 274	(10)
Disabling injury frequency rate	<b>0.22</b>	0.20	(10)

Major works for private and public sector clients include earthworks, bridges, pipelines, infrastructure, harbour and marine works, industrial plants, sports facilities, roads, highways, airports and related industrial activities. The division also adds value through innovative packaging: build-operate-transfer (BOT) contracts, design and construction, and alternative solutions tailored to meet client requirements.

# 78%

of company turnover in 2015

### 2015 performance

- Total turnover of R4.3 billion, with R6.1 billion in work secured for 2016 at reporting date
- Operating profit of R142.6 million
- The St Helena airport project is on track and profitable (page 63)
- Good progress in closing out remaining distressed contracts, but protracted claims process has affected working capital
- Disappointing deterioration in safety performance (page 44)
- Community disruptions cost Basil Read (as subcontractor) 230 days in lost production.

### Progress on strategy

Basil Read is making progress with its focus on returning to its core business: heavy construction. Any acceleration in government spend on infrastructure projects will support this focus and the division is actively positioning itself to participate in these projects.

During the year, we completed an important element of our company strategy (making our assets sweat) by consolidating certain companies and service functions to streamline operating costs. Ongoing work on this element includes negotiating contracts to accommodate changes to the scope of work, which will avoid claims and improve relationships with clients.



## Roads

	2015	2014
Revenue (R000)	<b>1 358 923</b>	1 500 312
Operating profit/(loss) (R000)	<b>49 198</b>	(181 791)
Operating margin (%)	<b>3.62</b>	(12.12)
Order book (R000)	<b>2 617 204</b>	2 245 750

### Salient features

Despite an improved core operating performance, results were affected by losses on historically poor-performing contracts. Improved processes and oversight at operational management level meant that corrective measures were timeously implemented to limit these losses. No further losses are expected on current contracts, with only one of these contracts extending into 2016.

The limited roll-out of work by key national and provincial clients was offset by successful tendering to maintain the order book at prior year levels, with two new projects extending into 2018. Encouragingly, the size of projects has generally increased, with project durations exceeding three years regularly coming to tender. Issues with toll roads in the country are still of major concern, with no mega roads projects expected to come to the market in 2016.

An emerging risk, given the nature of this work, is growing community disruption as local residents become more frustrated with the lack of service delivery and employment opportunities. This is particularly pronounced in rural areas, where the need for basic services is high. To mitigate the potential impact, we are partnering with our clients and their professional teams to proactively engage with communities to address their concerns, with an encouraging level of success.

Two deaths on our roads sites – accidents involving members of the public – highlight a concerning trend where public road users are increasingly ignoring traffic control measures such as stop-go points, risking their own lives and those of our employees. We are urgently instituting ways to improve safety on our sites for all.

### Key contracts

- The roads team finalised nine historical projects in 2015, including four distressed contracts
- The Marburg and Kroonstad road rehabilitation projects, as well as Haldon and Redhouse Chelsea interchange projects, were completed on schedule with excellent results
- Projects at Mthatha and Greylingstad were affected by protracted community disruptions and material specification issues respectively.

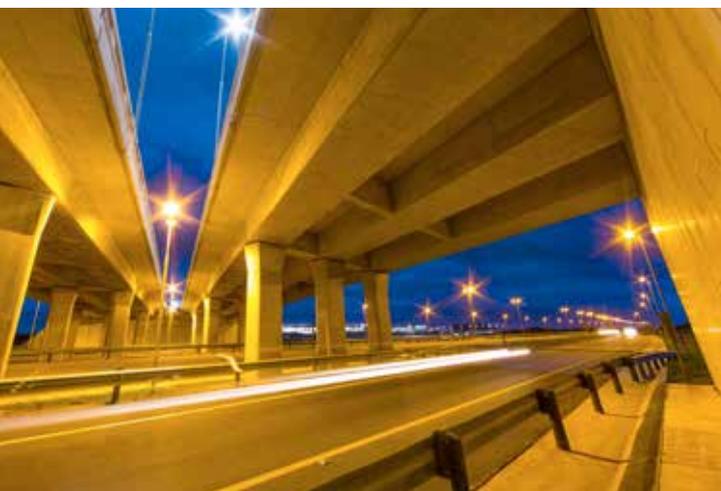
### New contracts awarded in 2015

- R376 million Admin Craft Basin at the Port of Ngqura for Transnet – 20 months from January 2015
- R583 million Montagu/Ashton road rehabilitation for Western Cape government – 36 months from August 2015, including a signature concrete arch bridge
- R641 million Polokwane eastern ring road for SANRAL – 36 months from December 2015, involving both civils and roads disciplines
- R566 million Musina ring road for SANRAL – 30 months from March 2016.

### Outlook

As road construction is considered an area of excellence for Basil Read, we will continue to aggressively pursue these projects while ensuring we price at sensible margins. The immediate focus is on strengthening the division's position in the South African market and securing targeted projects beyond our borders.

The scope of services offered is being enhanced to incorporate additional activities in the value chain and related transportation modes. We are also pursuing projects that generate business for the broader construction division, particularly traditional transport projects that offer both roads and civil works.



# Construction *continued*

## Civils and plant

	2015	2014
Revenue (R000)	852 423	1 309 926
Operating profit/(loss) (R000)	503	(388 942)
Operating margin (%)	0.06	(29.69)
Order book (R000)	796 740	1 064 616

### Salient features

Performance improved year on year despite the impact of late contract awards, community disruptions at the Olifants River water resources development project and a three-month strike at Medupi power station.

During the year, we focused on entrenching initiatives to raise safety awareness and ensure compliance with legislative changes. Tragically, three employees died and two were injured on 11 September 2015 when an excavation sidewall collapsed at the Olifants River water resources development project. We extend our deepest condolences to their families, friends and colleagues. More positively, the Kusile civils team reached 10 million hours without a lost-time injury in July 2015.

A key environmental issue was developing appropriate mitigation measures to deal with contaminated storm water flowing through one of our sites.

### Key contracts

- Durban Prasa (Transnet's passenger rail agency) – fixed-price design-and-build project is behind schedule due to delays in design approvals, particularly finalisation of the track design. Work on the CTC building was scheduled to begin in January 2016, but we are awaiting access to the site
- At Medupi, industrial action on Eskom-specific issues spilled over to contractors, resulting in a three-month strike. We are still negotiating on claims after the bulk of contracted work was completed in the prior year, and therefore adopting a cautious approach to taking on additional work at Medupi, given Eskom's budgetary constraints

- At Kusile power station, Basil Read and its joint-venture partners have almost completed the main civils works, and settlement differences are pending with Eskom. The completion work contract runs over the next three years
- The Olifants River water resources development project for TCTA was scheduled for completion in June 2015 after significant delays. Community disruptions targeted at mines in the area and service delivery protests delayed operations, with associated costs increasing on repeated start-up procedures. Additional resources are on site to complete the 40 km pipeline (with all associated mechanical and structural works), pump station and housing. The accumulated loss on this project is around R458 million, including delay damages and agreed claims, and it remains one of our biggest distressed projects
- The Venetia project was completed at a loss of R38 million. Basil Read management has discussed challenges on this contract with the employer; but a final resolution is still outstanding.

### New contracts awarded in 2015

- The Mmamashia-Kanye water pipeline in Botswana is on track. This is a joint venture between a Botswana-based company, a Chinese company and Basil Read
- Zuikerbosch lime handling/pump station for Rand Water – design-and-build contract with a joint-venture partner
- Saldanha maintenance quay for Transnet
- Savanna City reservoir – 10 million litre structure and associated infrastructure for the Midvaal municipality. By year-end, below-ground structures were almost complete.

### Outlook

As the majority of civils projects will be complete or nearing completion in the year ahead, securing new work is a priority. The civils team is targeting areas where a significant amount of work is expected to be generated over the longer term, such as water and sanitation projects.

While the current lack of new project opportunities is a concern, we are deploying excess capacity to assist other Basil Read divisions with civils-related work.



## Buildings and developments

	2015	2014
Revenue (R000)	1 016 635	1 349 030
Operating profit/(loss) (R000)	18 847	(304 492)
Operating margin (%)	1.85	(22.57)
Order book (R000)	1 301 715	1 667 075

### Salient features

Amalgamating the activities of our buildings and developments into a single operating unit has improved the performance of this division, with good results from our integrated housing developments.

Our developments business focuses on large-scale mixed-income integrated housing developments. These also generate construction work for the company. This is an integral part of our social licence to operate and we work with government at all levels, parastatals and non-governmental organisations to support national imperatives focused on improving the quality of life of South Africa's people. Key current projects include Savanna City (over 18 000 planned housing opportunities) and Malibongwe Ridge, as an extension to Cosmo City (about 5 500 planned housing opportunities).

On the safety front, the Kusile team was awarded first place in the MBA North Safety Competition for 2015 – the third consecutive year – and retained its five-star rating.

### Key contracts

- In 2015, the division completed five projects, spanning education, health and infrastructure, valued at R1.3 billion
- Work on the Kusile and Medupi contracts for Eskom continued. The Medupi contract is expected to be complete by mid-2016 and the claims process is under way. Work on miscellaneous buildings at Kusile is scheduled to continue until 2019, and the claims process is ongoing
- Savanna City – unit sales continue to exceed expectations, underscoring the demand for affordable housing. We are installing internal services to support the continued roll-out of stands. Along with our partner, Old Mutual's Housing Impact

Fund of South Africa, we are working with the Gauteng Department of Human Settlements and Midvaal local municipality to ensure this 1 400 ha project sets a benchmark in economic development and housing. Over the next decade, the entire project will create tens of thousands of jobs, with thousands of permanent jobs post-construction

- Malibongwe Ridge – servicing for the first phase (486 fully subsidised residential stands) is complete, and top structures were completed in 2015
- Klipriver Business Park – stand sales to date have exceeded forecasts, reflecting rising interest in this vibrant work node, south of Johannesburg.

### New contracts awarded in 2015

- Nokuthula School in Alexandra, a R248 million, 27-month contract for the Gauteng Department of Infrastructure Development
- R70 million Julius Sebolae School in Marshalltown for the Gauteng Department of Infrastructure Development design-and-construct project of 18 months
- R52 million Nissan incubation centre, for the Automotive Industry Development Centre.

### Outlook

With a subdued private sector and a lack of large public projects, focus is shifting to social housing and building opportunities in our own developments, where we have historically acted as developer only. Given the increasing need for social housing and associated infrastructure, reflected in the government's announced plans to build 1.2 million homes over 10 years in mega mixed-use integrated developments countrywide, this is a growth opportunity for which the company is ideally positioned.



# Construction *continued*

## Pipelines

	2015	2014
Revenue (R000)	95 444	30 112
Operating loss (R000)	(21 563)	(2 554)
Operating margin (%)	(22.59)	(8.48)
Order book (R000)	49 404	87 495

### Salient features

The pipeline division struggled during the reporting period to secure new contracts and was challenged by community disruptions and access to site. We have reviewed our mitigation measures and impact prediction processes to deal with these challenges more effectively in future.

Given that this is a specialised field requiring specific skills, we are focused on training and development, capitalising on a deep pool of existing experience in transferring skills to a growing team.

### Key contracts

- Augmentation of the Wallmansthal and Cullinan bulk water supply scheme
- Malibongwe Ridge bulk water supply
- Savanna City bulk water supply
- Marapong-Biokarabelo main effluent transfer.

### New contracts awarded in 2015

- Savanna City bulk water supply.

### Outlook

Although currently our smallest division, this is considered a key growth area for the company. With water scarcity being influenced by the effects of climate change and an increasing need for water resources due to population growth and ongoing urbanisation, we are positioning the company to effectively participate in the anticipated roll-out of water infrastructure.



## St Helena airport project

	2015	2014
Revenue (R000)	961 016	876 338
Operating profit (R000)	95 654	101 120
Operating margin (%)	9.95	11.54
Order book (R000)	1 316 173	1 700 338

### Salient features

Widely considered our current flagship project, the St Helena contract proves we have the internal operational capacity and capabilities to successfully execute a design-build-operate project of this magnitude, on time and within budget (see case study, page 42). Given the scale of this project, we report on it separately: phase 1 of this GBP240 million (R5.3 billion) contract began in December 2011 and is due for completion by mid-2016. Phase 2 will run to 2026.

The highlight of 2015 was undoubtedly the historic landing in September of the first flight to St Helena, one of the most isolated islands in the world and 2 000 km off the coast of Africa. This marked the start of calibration flights ahead of the airport certification process and the first commercial flights scheduled for May 2016.

Despite the significant safety hazards presented by earthmoving equipment in difficult terrain, this contract has accumulated 4.7 million working hours, with only 391 hours lost to injury. In the past four years, it has reached the milestone of one million lost-time injury-free hours on three occasions.

### Key contracts

- The airfield and runway are complete, including the installation of navigational aids and aerodrome ground lighting
- Construction of the combined building was completed in November 2015 and the terminal building was completed by the end of February 2016. Operational staff were employed from May 2015 and have been working towards operational readiness since June 2015
- Work on the permanent wharf was hampered by adverse weather earlier in the year, but is on track for completion by early 2016
- Bulk fuel installation – facilities to store 6 million litres of fuel including diesel, petrol and JetA1. Progress has been hampered by numerous design changes requested by the employer and a 12-month delay is expected
- Refurbishment works in the Jamestown hospital facility are almost complete
- The hotel project has been put on hold by the employer.

### Outlook

We expect to have the airport certified during April 2016, with the first commercial flights arriving in May 2016. We will be on site for approximately another 12 months to complete non-airport-related works in Rupert's Valley due to design changes requested by the employer.



## Case study



### St Helena airport project

#### Challenging St Helena project earns Basil Read official stamp of approval

The task of building and delivering a new airport on the island of St Helena, a British territory 2 000 km west of Angola, has been uniquely and officially acknowledged by a series of new postage stamps. One of these stamps features the *NP Glory 4* vessel with the Basil Read brand clearly visible on the side of the vessel while at anchor off the island – the first time a South African company has featured on a British postal stamp.



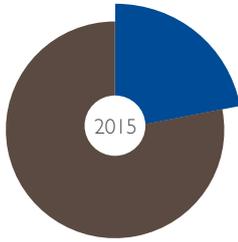


Basil Read has drilled, blasted and filled

# 8 million

cubic metres of rock, and filling to a maximum height of 100 metres to provide a flat airstrip in a former valley in the island's rugged interior

# Mining



● Mining 22%

The mining division specialises in surface contract mining, which includes drill, blast, load, haul, dump, material handling and processing services to the mining, quarrying and construction industries to clients across sub-Saharan Africa.

Salient features	2015	2014	% change
Revenue (R000)	<b>1 235 538</b>	1 195 723	3
Order book (R000)	<b>4 659 957</b>	3 773 675	23
Disabling injury frequency rate	<b>0.10</b>	0.05	(100)

# 22%

of company turnover in 2015

The division offers complete mining services with decades of experience in hard and soft-rock mining, selective mining, and material handling in remote and challenging locations. It owns and maintains a fleet of mobile mining equipment that can be deployed to meet clients' requirements.

### 2015 performance

- Turnover improved to R1.2 billion
- Division returned to profitability
- 23% increase in order book.

### Progress on strategy

The mining division continues to pursue growth opportunities through tendering and negotiated work in sub-Saharan markets. The process engineering subsidiary, Basil Read Matomo, was closed in March 2015 as part of Basil Read's strategy to dispose of or close non-core businesses.



	2015	2014
Revenue (R000)	<b>1 235 538</b>	1 195 723
Operating profit/(loss) (R000)	<b>83 558</b>	(26 630)
Operating margin (%)	<b>6.76</b>	(2.23)
Order book (R000)	<b>4 659 957</b>	3 773 675

### Salient features

2015 was another challenging period for resource companies and, therefore, the contract mining services sector in sub-Saharan Africa. Low commodity prices have reduced the number of opportunities coming to market, with some existing projects scaled back, delayed or stopped. As a result, competition for work intensified dramatically and margins were under pressure.

The mining division, however, continued to perform in this market and has produced solid results, despite the closure of Matomo and two major clients entering business administration processes. While turnover rose by 3%, the sharp reversal to an operating profit of R83.6 million reflects ongoing productivity improvements, a relatively stable labour environment, and the effective management of our mobile plant. This is a critical success factor given the age of our fleet. Prudent cash management needs to be balanced with scheduling replacement capex and our maintenance strategy remains a key area of focus to keep the mechanical availability and reliability of plant above targeted levels.

The division reported another fatality-free year, maintaining its strong focus on safety through visibly felt leadership. The deterioration in the disabling injury frequency rate to 0.1 (2014: 0.05) is receiving attention. The division had reached 5 million lost-time injury-free hours by June 2015 when it recorded its first LTI in over a year. International certifications on safety (OHSAS 18001), environment (ISO 14000) and quality systems (ISO 9000) were retained.

The benefits of integrated and collaborative community development initiatives are reaching thousands of residents, strengthening stakeholder relationships and building trust (see case study, page 56).

### Key contracts

- In South Africa, the business partnership with De Beers Consolidated Mines (Venetia and Voorspoed mines) remains strong. The Venetia contract was extended for the third time for the remaining life of open-pit work (60 months). The contract at the Voorspoed mine has been extended to 2018
- The Majwe Mining joint venture (MMJV) for Jwaneng mine, in Botswana, cut 8 phase 2 project continued to perform, exceeding the client's target of 80 million tonnes of waste removal. The

project is now entering its final contractual year. Due to geotechnical concerns in the north-eastern corner of the cut 8 pit, however, the area has been quarantined for safety reasons while the mining process is redesigned. MMJV is in discussions with the client to extend the cut 8 project beyond the current contractual period into 2017 to complete waste removal, including the redesigned north-east corner

- In Botswana, we continued to provide specialist percussion drilling services at all Debswana mines (Orapa, Letlhakane, Damtshaa and Jwaneng)
- In Namibia, ramp-up on the Tschudi copper mine project exceeded expectations. This is a long-term contract, with completion scheduled for December 2019
- In Angola, we finalised a contract to provide drill-and-blast management services at Catoca diamond mine
- The significant drop in the iron ore price affected the feasibility of Beeshoek mine, our joint venture with Concor, and the client has elected to owner-mine and de-establish this operation
- In South Africa, we established and ramped up our drilling and blasting services at Kalgold mines, owned by Harmony Gold, in the North West province.

Our plant department has performed extremely well, despite a number of items of equipment having exceeded their life expectancy. The expertise of our plant teams will enable the company to schedule replacement capex more favourably by executing our world-class maintenance management strategy.

### New contracts awarded in 2015

- Botswana – 60-month contract for Lerala diamond mine, owned by Kimberley Diamond Limited. Following site establishment in 2016, the aim is for mining operations to start in April 2016
- South Africa – 36-month drilling contract at Pilanesberg Platinum began in December 2015
- Namibia – 18-month contract at Swakop Uranium Mine from January 2015 to provide engineering expertise to assist with commissioning the processing plant.

### Outlook

The deterioration in commodity prices has pressured clients to reduce costs, in turn putting pressure on our margins. The competitive tender market is also contributing to margin compression, although the division has secured a healthy order book for 2016 and beyond.

The growth of this division is therefore being balanced against its capital intensive nature. For now, the focus is on business improvement initiatives aimed at further improving maintenance and operational capabilities for enhanced productivity.

# Corporate governance

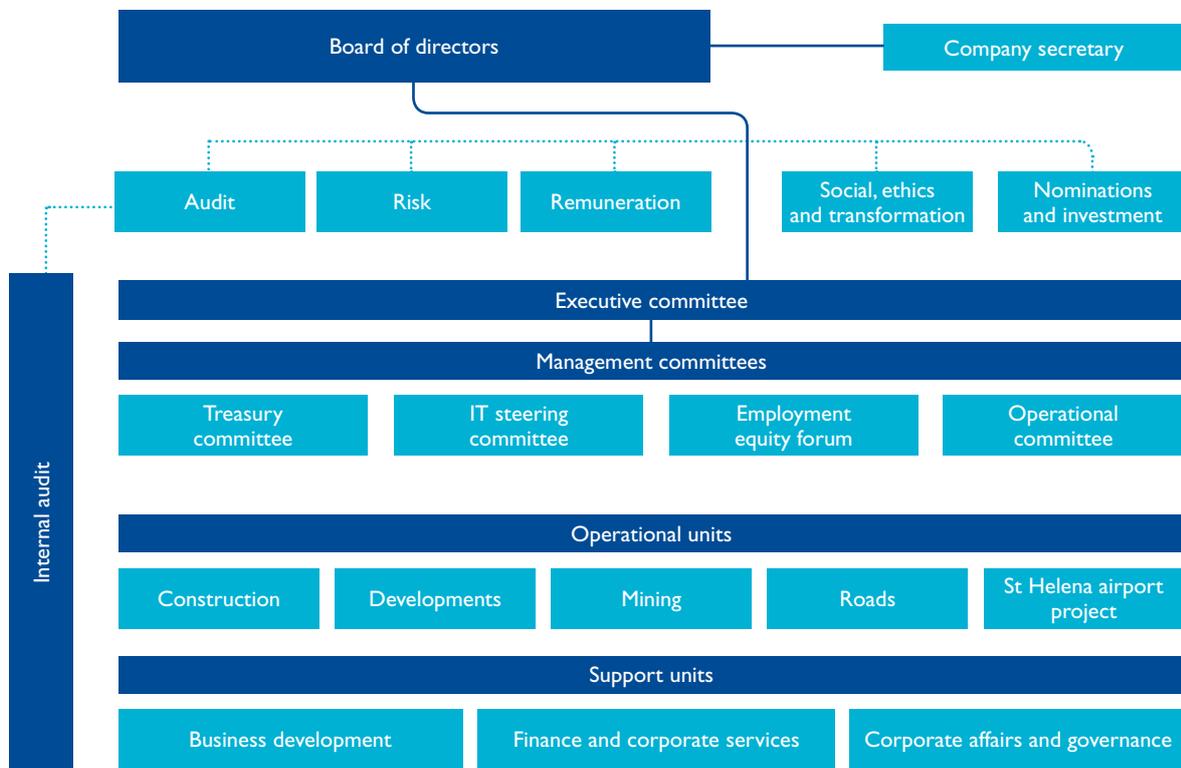
## Introduction

Basil Read is managed under the guidance of a board of directors appointed by shareholders. The board is committed to the highest standards of corporate governance contained in the Code of Governance Principles for South Africa 2009 (known as King III), the Companies Act 71 2008, as amended (the Act), the JSE Listings Requirements (Listings Requirements) and other regulations.

The board provides the leadership necessary to promote the application of the principles of good corporate governance throughout the company, and appreciates that upholding these principles is key to business sustainability. The key focus of the company's business is to create value for shareholders; however, the board ensures that in doing so the interests of all stakeholders are satisfied.

Basil Read's board is responsible for the strategic direction of the company and monitoring its progress against the business strategy. In executing its mandate, the board is assisted by formally constituted committees. The chief executive officer (CEO) is accountable to the board for implementing the strategy, assisted by an executive committee.

## Governance structure



### Application of King III principles

The board is satisfied that the company adheres to the principles and recommendations of King III, most of which are entrenched in its internal controls, policies and procedures.

A detailed report on the extent to which the company adheres to all 75 principles of King III is available on our website ([www.basilread.co.za](http://www.basilread.co.za)).

### JSE Listings Requirements

The board has considered amendments and guidance notes issued by the JSE on the Listings Requirements in 2015, and is satisfied that the company fully complies with these.

The annual compliance certificate for the review period was submitted to the JSE with this report.

### Corporate governance framework

Basil Read has a corporate governance framework setting out the relationship between the holding company and its subsidiaries.

It also has a framework outlining how various authorities are delegated to board committees, the CEO and other individuals. The framework is reviewed annually to ensure it is relevant to changing business needs.

## Responsible and ethical leadership

Basil Read's senior management focuses on effective, ethical leadership and corporate citizenship. The board ensures that the company's ethics management programme is effectively implemented. During the year, the anti-bribery, fraud and corruption policy and whistleblowing policy were reviewed to embed a strong ethical culture in the organisation.

An independent fraud and corruption hotline is available to all staff to report unethical behaviour on 0800 212 524.

In line with the strategic objective of modernising the company's corporate culture, we have decided to conduct a diversity survey every two years to measure progress in embedding the desired corporate culture and to identify areas that require focus for improvement.

## 2015 focus areas for the board

- The board approved the company's long-term strategy after a restructuring exercise that included disposing of certain non-core assets. This was effected in 2015. The strategy also included improving the broad-based black economic empowerment (BBBEE) status of the company
- Following various changes to the board in 2014 and the review period, including the appointment of a new chairman, new non-executive directors and the appointment of a new CEO and chief financial officer (CFO), the board concentrated on stabilising corporate leadership structures to promote continuity
- Various ways of improving working capital are being considered
- The company's profitability and liquidity were closely monitored by the board throughout the year
- Monitoring general performance and risks, particularly key business risks including non-performing contracts
- Ensuring the new in-house internal audit function fits into the organisation and becomes effective.

## Future focus areas

The board will focus on:

- Strengthening the company's capital base
- Improving the company's BBBEE status
- Modernising the corporate culture

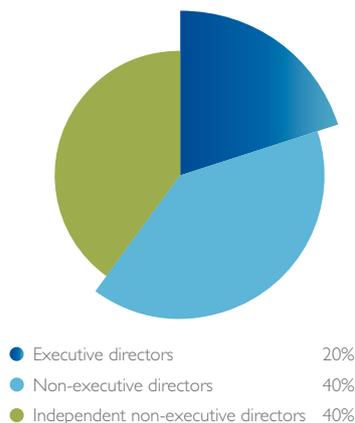
- Promoting gender representation across the company
- Managing safety risks with particular focus on preventing fatalities
- Ensuring overall compliance particularly in high-risk areas.

## Board composition

The board is a unitary body, with a majority of non-executive directors, and a strong element of independence. Board members have diverse experience, skills and qualifications that include engineering, finance, auditing, enterprise risk management, business and accounting.

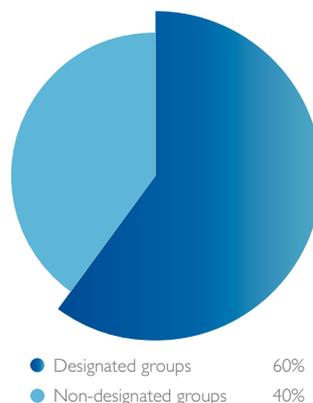
Currently the board has 10 directors: two executive directors and eight non-executive directors, four of whom are independent.

### Board composition

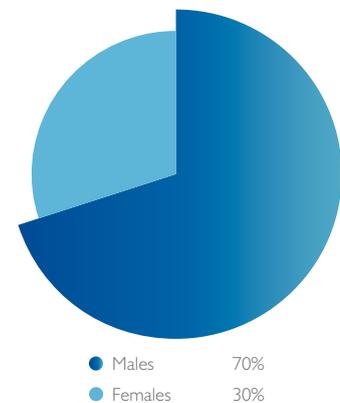


The board is diverse, with six members from designated groups, including one female. The board has seven male and three female members.

### Race diversity



## Gender diversity



## Roles of chairman and CEO

The board is led by a chairman who is an independent non-executive director. The roles of the chairman and CEO are separated to ensure that no individual board member has unfettered power in the decision making process.

The chairman is responsible for leading the board, ensuring it works effectively as a unit. He is responsible for promoting an environment where individual directors express their views for the benefit of the board. He also ensures open deliberations, prioritising strategic matters.

The CEO is responsible for executing the company's strategy as approved by the board. He is supported by an experienced executive committee in managing the day-to-day business towards achieving strategic goals and reports progress at least quarterly to the board.

## Board appointment process

The board has a formal directors' appointment policy and process that is regularly reviewed. The nominations and investment committee is charged with selecting suitable candidates after a rigorous process that considers the board's current and future needs on skills mix, experience, knowledge and regulatory requirements. All nominations by the committee are recommended for board approval.

## Changes to the board

The only changes to the board were the appointment of Mr TD Hughes as a non-executive director from 1 January 2015, and Mr MSI Gani as an independent non-executive director from 15 April 2015.

# Corporate governance *continued*

Members	Independent	Date of appointment
<b>Executive directors</b>		
NF Nicolau (CEO)	–	1 September 2014
AC Wightman (CFO)	–	13 October 2014
<b>Non-executive directors</b>		
PC Baloyi (chairman)	yes	19 October 2012
CE Manning	yes	23 August 2012
DLT Dondur	yes	24 June 2014
MSI Gani	yes	15 April 2015
SS Ntsaluba	no	5 July 2006
TA Tlelai	no	5 June 2006
ACG Molusi	no	14 March 2013
TD Hughes	no	1 January 2015

## Independence

The nominations and investment committee assessed the independence of non-executive directors against the criteria of King III, the Listings Requirements and the Act. This confirmed that four non-executive directors were independent. There are no independent non-executive directors who have served on the board for more than nine years. The names of directors at the date of this report, and their status and tenure are shown above.

## Conflict of interest

Basil Read has a mechanism designed to assist directors in identifying situations that could present conflicts of interest. A comprehensive register of directors' interests is maintained and regularly updated.

## Board assessment

Board assessments are performed annually, with an internal assessment and externally facilitated assessment rotating every year. The nominations and investment committee and company secretary facilitate and manage this process. Assessments are aimed at improving board effectiveness and directors' training needs are identified during the assessment.

Annual assessment for the year under review was performed internally and results were satisfactory. An externally facilitated assessment will be conducted and reported in 2016.

## Director induction, ongoing training and independent advice

On appointment, directors participate in an induction programme. Directors' ongoing training and development is a standard board agenda item, including updates on various training and development initiatives. The company secretary liaises with the board to source relevant seminars and conferences for directors to attend, funded by Basil Read.

The board and its committees are entitled to seek independent professional advice on matters that relate to their duties at the expense of Basil Read and the advice is shared among board or committee members.

## Election and rotation of directors

Directors are subject to rotation in line with the provisions of the company's memorandum of incorporation and the Act. At least one-third of directors retire and can offer themselves for re-election at every annual general meeting (AGM).

Executive directors are not required to retire by rotation.

The nominations and investment committee assists the board in recommending re-election of retiring directors at the following AGM, based on the required balance of skills, knowledge and experience for the board's effectiveness and regulatory demands.

Mr S Ntsaluba, Mr T Tlelai and Ms D Dondur will retire by rotation at the AGM on 2 June 2016 but offer themselves for re-election. Their abridged résumés are on page 12.

## Board charter

The Basil Read board charter, which sets out the responsibilities of the board, is closely aligned with the recommendations of King III and forms the basis of the board's responsibilities and duties by:

- Regulating the parameters within which the board operates
- Setting out specific responsibilities to be discharged by board members.

The charter specifically reserves the following matters for the board:

- Determining and reviewing the company's strategic direction and exercising prudent control over the company and its affairs
- Approving financial objectives, including budgets, and non-financial objectives and policies proposed by management
- Overseeing the company's performance against agreed objectives
- Ensuring there is an effective risk-based internal audit function
- Delegating appropriate authority to the CEO
- Appointing the CEO, executive and non-executive directors on recommendation from the nominations and investment committee
- Approving succession planning for the board
- Ensuring the integrity of financial reporting and the full and timely disclosure of material matters.

## Board meetings and attendance

The attendance of members at board and committee meetings is shown below:

Members	Board	Audit	Risk	Remune-ration	Social, ethics and trans-formation	Nominations and investment
PC Baloyi	5/5					4/4
SS Ntsaluba (audit committee member until 15 April 2015)	5/5	4/7	5/5			4/4
TA Tlelai	4/5			3/3	3/4	
DLT Dondur	5/5	7/7	4/5			
ACG Molusi	5/5		4/5	3/3	4/4	
CE Manning (appointed to the audit committee on 10 March 2015)	5/5	6/7		3/3	4/4	3/4
NF Nicolau	5/5		5/5			
AC Wightman	5/5		3/5			
TD Hughes	5/5					
MSI Gani (appointed on 15 April 2015)	4/5	5/7				

### Board committees

The board has five committees to which it delegates some of its duties. Committee members are appointed by the board, except for the audit committee whose members are recommended to shareholders for approval and appointment at the AGM.

Each committee works against board-approved terms of reference that detail duties, responsibilities, powers, reporting requirements, meeting procedures and composition. All terms of reference and membership profiles are reviewed annually by the board.

The board recognises that it is ultimately responsible for the performance and affairs of the company and that delegating duties to committees and management in no way dissipates the discharge by the board and its directors of their duties and responsibilities. The board and its committee work transparently, with full

disclosure of committee discussions to the board. Committee meeting minutes are provided to the board and committee chairmen provide verbal reports to the board after every committee meeting.

#### Audit committee

The audit committee is established in terms of section 94 of the Act and its members are appointed annually by shareholders. All members are independent non-executive directors who are financially literate.

#### Composition

- DLT Dondur (chairman) – independent non-executive director
- SS Ntsaluba – non-executive director (until 15 April 2015)
- Dr CE Manning – independent non-executive director
- MSI Gani – independent non-executive director (from 15 April 2015).

Internal and external audit have unrestricted access to the committee,

ensuring these functions remain independent of management in discharging their duties. The committee's key duties include ensuring effectiveness of internal financial controls, risk management processes for internal audit, safeguarding the company's assets, reviewing its financial position, IT governance, compliance with all legal requirements and accounting standards, preparation of timely and accurate financial reports and statements.

#### Frequency and attendance at meetings

In addition to committee members, the CEO, CFO, chief risk officer, internal auditors and external auditors attend meetings by invitation.

The committee meets separately with management, internal auditors and external auditors at least once a year. During the review period, the committee met seven times, including three special meetings. Attendance is shown above.

# Corporate governance *continued*

## Risk committee

The risk committee was established to assist the board with its responsibilities for risk governance. Its terms of reference include:

- Reviewing total risk management and procedures, including the effectiveness of systems and processes
- Reviewing processes for risk identification, analysis and quantification, including the systematic, documented, formal risk assessment to be undertaken
- Advising the board on the company's overall risk appetite, tolerance and strategy
- Monitoring that risks taken are within tolerance and appetite levels
- Reviewing the adequacy of the company's insurance programme.

## Composition

- SS Ntsaluba – non-executive director (chairman)
- ACG Molusi – non-executive director
- DLT Dondur – independent non-executive director
- NF Nicolau – chief executive officer
- AC Wightman – chief financial officer.

## Frequency and attendance at meetings

Attendance at meetings during the year is shown on page 71. The report on page 83 provides further details on the governance of risk in the company.

## Remuneration committee

The remuneration committee (Remco) is constituted as a board committee and its terms of reference include:

- Assisting the board by ensuring the company's remuneration strategies and policies are designed to attract, motivate and retain quality employees, directors and senior management, committed to achieving corporate goals
- Making recommendations to the board and shareholders for their consideration and final approval of the remuneration strategy and policy

- Assisting the board by ensuring that directors and executives are remunerated fairly and responsibly and that their remuneration is aligned with shareholders' interests
- Ensuring disclosure on remuneration of directors and prescribed officers is accurate, complete and transparent.

## Composition

- Dr CE Manning – independent non-executive director (chairman)
- TA Tlelai – non-executive director
- ACG Molusi – non-executive director.

## Frequency and attendance of meetings

In addition to committee members, the head of human resources and CEO attend meetings by invitation. Attendance at meetings during the year is shown on page 71.

## Social, ethics and transformation committee

Constituted as a statutory committee in terms of the Act, this committee is responsible for developing policies and guidelines to manage social, economic and sustainability development, safety, ethics, health and environmental matters. The committee's terms of reference cover statutory and board-delegated duties that include monitoring the company's activities in light of relevant legislation, regulatory requirements, best practice and codes on:

- Marketplace
  - Preventing corruption
  - BBBEE
- Social development
  - Community development
  - Donations and sponsorship
  - Public health and safety
  - Consumer protection
  - Consumer relations
- Workplace
  - Employment equity
  - Employee safety and health
  - Education of employees
- Natural environment
  - Environmental impact
- Ethics.

## Composition

- ACG Molusi – non-executive director (chairman)
- TA Tlelai – non-executive director
- Dr CE Manning – independent non-executive director.

## Frequency and attendance of committee meetings

In addition to committee members, the chief risk officer, legal adviser, SHE manager and head of human resources attend meetings by invitation. During the period, the committee met four times, with attendance disclosed on page 71.

The sustainability report contains further information on company activities overseen by this committee.

## Nominations and investment committee

In line with its terms of reference, the committee makes recommendations on the composition of the board and board committees and ensures the board comprises suitably qualified individuals. In consultation with other directors, the committee evaluates the chairman of the board and individual directors. It also serves as an investment committee responsible for considering acquisitions, mergers and disposals.

## Composition

- PC Baloyi – independent non-executive director (chairman)
- Dr CE Manning – independent non-executive director
- SS Ntsaluba – non-executive director.

## Frequency and attendance of committee meetings

Members' attendance is shown on page 71.

**Non-executive director representation on board committees (at the date of this report)**

Members	Independent	Audit	Risk	Remuneration	Social, ethics and transformation	Nominations and investment
PC Baloyi (chairman)	yes					chair
CE Manning	yes	✓		chair	✓	✓
SS Ntsaluba	no		chair			✓
TA Tlelai	no			✓	✓	
ACG Molusi	no		✓	✓	chair	
DLT Dondur	yes	chair	✓			
TD Hughes	no					
MSI Gani	yes	✓				

**Dealing in securities**

Basil Read has a policy for dealing in its securities. During prohibited and closed periods as defined in the Listings Requirements, directors, their associates and designated employees are prohibited from dealing in the company's securities. Prior to the start of each closed period, a formal notification is circulated to all directors and employees advising them of the closed period.

**Company secretary**

Andiswa Ndoni is the company secretary of Basil Read. All directors have direct access to the company secretary for guidance and assistance in line with the requirements of King III and the Listings Requirements. Andiswa is not a director and therefore maintains an arm's length relationship with the board of directors. She is responsible for the flow of information to the board and its committees and for ensuring compliance with board procedures. Her appointment and removal is a board matter.

In compliance with the JSE Listings Requirements, the board has considered and is satisfied that the company secretary is competent, and has the relevant qualifications and experience.

**Construction sector BBBEE scorecard**

As a company, we believe the Codes of Good Practice on BBBEE for the construction sector (referred to as the construction charter) implemented in 2009 are addressing inequalities in the sector. In time, this will unlock potential and enhance growth – for the ultimate benefit of the entire population.

Basil Read is committed to the transformation of the South African construction industry to be more representative of national demographics. We acknowledge that transformation is a journey and will not be achieved overnight. The critical areas are skills development, employment equity and management control and we are pleased with the improvement shown in these areas. The building blocks we put down today will form the path to a transformed company in future.

**IT governance**

A steering committee effectively manages all information technology (IT) infrastructure and information system functions. Related management committees manage the day-to-day maintenance and enhancement of IT infrastructure and

systems. This committee reports to the IT steering committee which in turn reports to the audit and risk committees.

Two years ago, various financial and payroll systems were assessed against the emerging requirements of different business units and an appropriate strategy developed. This highlighted two primary areas of activity:

- Medium-term exercises to develop or enhance business processes to fit the information systems
- A longer-term project to define, procure and implement an integrated enterprise resource planning (ERP) system to more optimally support the wider needs of the company.

Other areas of focus in 2015 included:

- IT systems integration across the company
- Improved software asset management to ensure licensing compliance
- IT business continuity planning
- Review of procurement channels and strategies
- Improvements to Basil Read's wide area network (WAN)
- Enhanced system functionality in various key areas to support the business.

# Audit committee report

The committee is pleased to present its report for the financial year ended 31 December 2015 as required by the South African Companies Act 71 2008 (the Act) and recommended by the King III Report on Governance Principles for South Africa 2009 (King III).

## Audit committee terms of reference

The committee has adopted a formal detailed charter that is in line with King III and the Act, is reviewed at least annually and is approved by the board as it is amended. A work plan is drawn up annually, outlining its statutory obligations and progress is monitored to ensure these are fulfilled. The committee has discharged all its responsibilities as set out in that charter.

## Membership

The audit committee was appointed by the shareholders at the annual general meeting on 23 June 2015. The members are all independent non-executive directors, who collectively have the necessary financial skills and experience to fulfil their responsibilities on this committee.

In the review period, membership of the audit committee comprised the following non-executive directors:

- Ms Doris Dondur – independent non-executive director, chairman
- Mr Mahomed Gani – independent non-executive director (appointed 15 April 2015)
- Dr Claudia Manning – independent non-executive director (appointed 10 March 2015)
- Mr Sango Ntsaluba – non-executive director (resigned 15 April 2015).

Details of attendance at meetings are on page 71.

In addition, the chief executive officer, chief financial officer, chief internal audit officer, group risk officer, heads of finance and the external auditors are permanent invitees to the meeting.

Mr Sango Ntsaluba continues to attend committee meetings as an invitee. Sango is a chartered accountant with over 20 years' experience, bringing a wealth of knowledge to the committee.

The appointment of Mr Mahomed Gani as an independent non-executive director to the board and member of the audit committee on 15 April 2015, further enhances the experience and financial skills of the committee.

## Responsibilities

The responsibilities of this committee include monitoring and reviewing of the following:

- Annual financial statements, ensuring fair presentation and compliance with International Financial Reporting Standards (IFRS) and the Act, and recommending these to the board for approval
- Compilation of the integrated report, ensuring that content is accurate and reliable, and includes all relevant material operational, financial and non-financial information
- Accounting policies of Basil Read, ensuring they are consistently applied
- Critical accounting estimates and judgements
- Effectiveness of the internal control environment
- Effectiveness of the internal audit function, including approval of the internal audit plan and monitoring adherence of internal audit to this plan



- Recommendation of the appointment and remuneration of external auditors, reviewing the scope of their audit, their reports and pre-approving all non-audit services in excess of R250 000 in terms of the policy
- Independence and objectivity of the external auditors, ensuring that the scope of additional services does not impair their independence
- Reports of the internal and external auditors
- Evaluation of the performance of the chief financial officer
- The governance of information technology and effectiveness of the company's information systems
- Solvency and liquidity position of Basil Read to ensure that the going concern basis of reporting is appropriate
- Policies and procedures for preventing fraud.

## External audit

The committee has satisfied itself through enquiry that the auditor of Basil Read Holdings Limited is independent as defined by the Act. The committee, in consultation with executive management, agreed to an audit fee for the 2015 financial year. The fee is considered appropriate for the work that could reasonably have been expected at

that time. Audit fees are disclosed in note 9 to the financial statements, which are available on the company's website, ([www.basilread.co.za](http://www.basilread.co.za)), or on request from the company secretary.

A formal procedure governs the process by which the external auditor is considered for providing non-audit services. Each engagement letter for non-audit work above R250 000 is reviewed by the committee in advance. Routine work assignments, including auditor letters required for tendering purposes, below the value of R250 000 do not need to be approved by the committee.

Meetings were held with the external auditor without management present, and no matters of concern were raised. The committee has reviewed the performance of the external auditors and has nominated, for approval at the annual general meeting, PricewaterhouseCoopers Inc as the external auditor for the 2016 financial year. In terms of the rotation requirements of the Act, Mr F Lombard, the designated auditor for the 2015 financial year audit, cannot continue as designated auditor. Accordingly Mr S Masondo will assume the role of designated auditor for the 2016 financial year, effective from 2 June 2016.

### Internal audit

The internal audit function is a key element of the integrated assurance structure. Basil Read appointed a chief internal audit officer in February 2015 to establish an in-house department with a direct reporting responsibility to the committee. An in-house internal audit structure and co-sourcing internal audit model approach

was approved to ensure the efficiency of the internal audit function.

KPMG was appointed as the internal audit co-source partner. The work of the internal audit function is guided by the company's risk register and previous internal and external audit reports, including management and audit committee inputs. The committee approves the annual internal audit assurance plan and monitors progress against the plan on a quarterly basis.

The committee determines the purpose, authority and responsibility of the internal audit function in a charter that is reviewed periodically.

The internal control systems of the company are designed to provide reasonable assurance on the maintenance of proper accounting records and reliability of financial information. These systems are monitored by internal audit which reports its findings and recommendations to the committee and to senior management. Where weaknesses in specific controls are identified, management undertakes to implement appropriate corrective actions.

Both internal and external audit have unrestricted access to the committee, its chairman and the chairman of the board, ensuring that auditors are able to maintain their independence. Both internal and external auditors report at audit committee meetings. The committee also meets with both internal and external auditors separately, at least annually, and as required without other invitees being present.

### Finance director and finance function review

The committee has considered and is satisfied that, in terms of section 3.84(h) of the JSE Listings Requirements, the chief financial officer, Amanda Wightman, has the appropriate expertise and experience to meet the responsibilities of this position. The committee has also in terms of King III assessed the expertise, resources and experience of the finance function. Due to the restructuring of the company, the finance function is still in the process of being aligned to the new operating model and has some vacancies that are in the process of being filled.

### Annual financial statements

The annual financial statements were prepared using appropriate accounting policies that conform to IFRS. The committee therefore recommended the approval of the annual financial statements to the board and the board approved these on 20 April 2016.

### Integrated annual report

The committee has evaluated the integrated report for its consistency with operational and other information known to the committee. It has recommended the approval of the integrated report, which was formally given.



**Doris Dondur**  
 Chairman of the audit committee

20 April 2016

# Social, ethics and transformation committee report

The committee is constituted as a statutory committee of the company in terms of section 72(4) and regulation 43 of the Companies Act. Despite being a statutory committee, it is constituted by the Basil Read board of directors and fulfils the function on behalf of all divisions. The board has delegated oversight of ethics management to this committee and holds the CEO accountable for ethics performance. The committee operates under formal board-approved terms of reference, reviewed annually, and regularly submits reports on business discussed at its meetings to the board.

## Members

The committee, which met four times in the year with attendance disclosed on page 71, comprises four members:

- Mr Connie Molusi (chairman): non-executive director
- Mr Thabiso Tlelai: non-executive director
- Dr Claudia Manning: non-executive director
- Mr Neville Nicolau (CEO): executive director

In addition to statutory duties and responsibilities, the board assigns additional responsibilities that are best dealt with by this committee. It works according to a structured annual plan that is reviewed each year. The board is required to ensure that Basil Read's overall governance is effective, appropriate and within the bounds of sound corporate governance practices and that the company is a responsible corporate citizen. The board ensures compliance with legislation/legal requirements and codes on: social and economic development; good corporate citizenship; environment, health and public safety; consumer relationships; and labour and employment. The committee assists the board in maintaining business ethics and ensures the organisation's ethics are managed effectively; and that compliance

with laws, rules, codes and standards is incorporated in the code of conduct.

## Focus areas during the year

To ensure effective discussion, focus areas were reviewed during the year and grouped as set out below:

### Good corporate citizenship

Ethical conduct and values are vital to Basil Read's business. During the year the code of business ethics and conduct was revised, and included a commitment by all staff to conduct business ethically and portray strong moral principles. The code is promoted through various campaigns and incorporated into induction training for all new employees.

Basil Read has an online registration (mailbox) to declare all gifts and hospitalities given or received, and enables employees to declare conflicts of interest. These are reported quarterly to the committee for oversight. All employees have a duty to report any suspected breaches of the code and other company policies or procedures.

Surveys on values, diversity and culture were conducted throughout the company in early 2015. Revised organisational values were identified in this process and a values framework formalised which aligns to the code of business ethics and conduct. The new values of safety, integrity, compassion, delivery, unity and commitment will be launched in 2016 and embedded in performance reviews, value-assessment benchmarks during recruitment, selection and promotion processes, a business social platform as well as the Read Creed.

Basil Read is committed to the highest standards of integrity, transparency and accountability in all business dealings. The organisation has zero tolerance for all forms or acts of dishonesty and unethical behaviour. It recognises the fact that acts of



dishonesty and other irregular practices are detrimental to the effective, accountable and transparent governance of the organisation. Every employee therefore has a responsibility to disclose unethical behaviour and irregular practices. The committee monitors employee misconduct quarterly and an anonymous tip-off line is available to employees for reporting suspected corrupt activities involving the company or employees.

The organisation is committed to complying with all applicable legislation included in the regulatory universe framework of Basil Read and various measures are in place to raise awareness of the laws.

### Social and economic development

The corporate social investment (CSI) strategy was formalised during the year and Basil Read is committed to spending 1% of net profit after tax on socio-economic development or a minimum of R3 million per year if it records a loss in that financial year. The geographical focus areas are Limpopo, Eastern Cape and Northern Cape, based on research showing these provinces receive the least CSI funding nationally. The CSI spend also concentrates on the following interventions:

- Education: capacity building for educators and officials, leadership development in young learners
- Job creation: skills development for youth, income generation
- Health: community outreach, particularly for orphans and vulnerable children.

The committee is responsible for promoting black economic empowerment in Basil Read. Its main focus is to ensure compliance with the Broad-Based Black Economic Empowerment (BBBEE) Act. The company is focused on instituting measures to ensure compliance with the revised BBBEE codes.

A formal enterprise development programme was launched in the year, beginning with a needs analysis of identified small enterprises. Basil Read partnered with the South African Forum of Civil Engineering Contractors (SAFCEC) and Aurik in conducting the needs analysis to customise development programmes.

The Basil Read talent management strategy is about harnessing the potential and performance of people, balancing the needs of the individual and the organisation's requirement for sustainability and growth. Skills development initiatives launched during the year include the management development programme (MDP) and supervisory development programme (SDP). Mentorship and coaching are incorporated in these programmes. Administrative learnerships for disabled employees were also implemented during the year.

These initiatives position the company well in complying to the revised generic codes of good practice; however, the impasse between the established construction sector and the dti on sector codes could impact the BBBEE scorecard negatively.

#### Labour and employee engagement

The committee monitors all employee relations matters and has oversight on agreements reached in the negotiating framework of the bargaining council.

Employee wellness is key to creating a productive and supportive working

environment and all employee wellness campaigns and results are presented to the committee. Monthly wellness communiqués are distributed throughout the organisation, creating awareness by promoting healthy behaviour to improve health outcomes. Basil Read also subscribes to the wellness programme offered by the medical scheme to promote healthy living to employees.

At the annual wellness day in April 2015, all corporate office employees were offered free health screenings, with 62 staff members participating. On World Aids Day 2015, the Basil Read corporate office offered voluntary counselling and HIV testing to all employees and 78 employees were tested.

Demonstrating to employees that we have their interests at heart, training and recognition programmes are presented to the committee quarterly.

#### Safety, health and environment

Employee safety and health is critically important and Basil Read has zero tolerance for occupational fatalities.

Regrettably, we recorded four fatalities in two accidents during the year in our civils and roads divisions. In September 2015, Simon Tsehla, Simon Ratau and Johannes Madigoe were fatally injured in a trench that collapsed in which they were working and, in October, Nokuzola Magangqa died after being knocked down by a reversing concrete spinner truck.

Occupational deaths and injuries are thoroughly investigated to determine the cause, and measures are taken to prevent recurrence.

Basil Read promotes greater environmental responsibility and follows the precautionary approach to environmental challenges. Basil Read sites were commended for their

good housekeeping practices and general environmental awareness during an environmental assessment conducted in September 2015 by Ecopartners.

#### Stakeholder relations

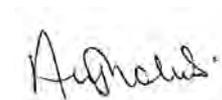
The stakeholder engagement policy and matrix formalised during the year prescribes to all employees the reasons for engagement, frequency of engagement and methods of engagement with all identified stakeholders.

The committee also reviews all investor perception reports conducted during the year as well as equity research reports. The committee has oversight on all media coverage related to Basil Read.

#### Ethical purchasing and partners

Basil Read procurement practices align to the standard for uniformity in construction procurement as prescribed by the Construction Industry Development Board. The committee monitors any irregular procurement practices.

Basil Read continues to drive transformation in its supply chain and efforts to improve preferential procurement are reflected in the positive results achieved for this scorecard pillar of the BBBEE Act.



**Connie Molusi**

*Chairman of the social, ethics and transformation committee*

20 April 2016

# Remuneration committee report

We believe pay for performance is the cornerstone of the term “variable remuneration” (remuneration that is varied to reflect performance), from withholding variable remuneration where performance has been unacceptable, to awarding appropriate stretch levels where performance has been excellent. In this way, we use our short-term incentive (STI) and other tools at our disposal to drive a performance culture – benefiting the company, our shareholders and our employees.

With this objective in mind, and in line with our indication in last year’s report that we would consider new incentive schemes, in 2015 we initiated a vigorous redesign process for the STI. We engaged independent consultants in the final stages to ensure our proposed structure was market competitive, and incorporated both best practice and Basil Read’s unique needs in its design.

In redesigning the STI, we considered:

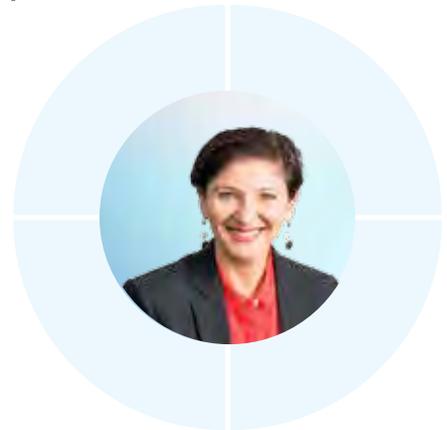
- **Market competitiveness:** This will ensure that Basil Read is able to attract and retain highly qualified and motivated executives and employees, and maintain its status as a preferred employer
- **Simplicity:** Ensuring the STI can be communicated effectively to employees, and is understood by all. For this reason, we use a simple formula that applies to all employees who participate in the STI, including executive directors and prescribed officers
- **Transparency:** This will be in the form in which the STI is communicated – employees should be able to compute their expected STI, and ascertain how their personal performance, and company performance, can affect their ultimate outcomes

- **Driving superior performance:** Performance on a personal level, which translates to performance at a company level, is vital to ensure Basil Read grows sustainably and creates value for all stakeholders. By incorporating company performance conditions we ensure that, as a component of variable pay, our STI outcome is strongly modified by metrics our shareholders care about – thus creating stronger alignment between management and our shareholders
- **Affordability:** To ensure the STI remains affordable to the company, and is acceptable to you, the shareholders, we considered affordability in designing the formula and targets for the performance condition

We believe the outcome of this process is an STI that is robust and fair, one that will contribute measurably to our company’s success.

The changes to our STI were a direct result of concerns raised by our stakeholders. Our commitment to ongoing stakeholder engagement reflects the importance we attribute to input from our stakeholders. We will continue to actively maintain open channels of communication to ensure our remuneration policies and practices remain fair and responsible, and aligned with best market practice.

The 2015 financial year, under the new leadership, reflects a marked improvement in the business in line with its strategic vision to be the leading construction company in southern Africa, acknowledged as the preferred constructor, employer and investment.



We continue to segment the remuneration report into two parts, with part I detailing the company’s remuneration policy, and part II its implementation in the review period. As in prior years, our remuneration policy will be put to shareholders for a non-binding advisory vote at the AGM and proposed fees for non-executive directors will be put to a vote by special resolution at the AGM.

A handwritten signature in black ink, appearing to read 'C Manning'.

**Dr Claudia Manning**  
*Chairman of the remuneration committee*

20 April 2016

## Remuneration report framework – 2015

### Part I: Remuneration philosophy and policy

Basil Read's philosophy is to encourage sustainable long-term performance across all operations. As such, the purpose of our total rewards package is to attract, retain, motivate and reward staff, in a competitive environment, to achieve our objectives. We are acutely aware of our dependence on appropriately qualified, trained and experienced specialists to achieve our goals, particularly when demand for scarce skills is continually increasing.

Accordingly, our remuneration policy strives to reward corporate and individual performance through an appropriate balance of fixed pay and short and long-term variable components. A significant portion of total remuneration is performance-related, based on a mixture of internal and external targets linked to key corporate performance indicators.

On the following pages we summarise the function of our remuneration committee (Remco) and the remuneration policies and practices of Basil Read for directors and prescribed officers.

#### Governance and the remuneration committee

##### Role of Remco

The board is responsible for ensuring Basil Read's remuneration structures are equitable and aligned with the long-term interests of the company and its stakeholders. To ensure compliance, the board has tasked Remco to assist it in making decisions affecting employee remuneration. The committee was established to ensure remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of executives and employees at all levels, while complying with all requirements of law and regulation.

The composition and scope of Remco are set out in written terms of reference, approved by the board.

As recommended by King III, Remco is chaired by an independent non-executive director, and the other two members are non-executive directors.

##### Members of Remco and meeting attendance

Members and meeting attendance are disclosed in the corporate governance section on pages 71 and 73.

#### Activities for the year

For the year under review, Remco:

- Reviewed the remuneration policy to ensure the framework remains effective to support the company's business objectives, aligned with best practice, and fairly rewards employees for their contribution to the business, considering the size and complexity of our operations
- Reviewed and recommended executive remuneration for board approval
- Reviewed and recommended non-executive directors' fees for board and final shareholder approval at the AGM
- Considered and recommended an annual increase in the company's salary bill for approval by the board
- Received feedback on the analysis of the annual salary review process for monitoring purposes
- Monitored the organisation's transformation and employment equity targets
- Reviewed employee retirement funding and healthcare benefits
- Received feedback on executive succession planning
- Monitored and commented on the internal talent audit process
- Approved a new short-term incentive plan
- Reviewed and considered recommendations for a revised long-term incentive plan.

#### Current components of remuneration

Fixed/variable	Element	Detail and link to strategic objectives
Fixed	<b>Total guaranteed package</b> <ul style="list-style-type: none"> <li>• Base salary</li> <li>• Benefits</li> <li>• Allowances</li> </ul>	<ul style="list-style-type: none"> <li>• Basil Read uses a total guaranteed package (TGP) approach which encompasses a cash component, fixed car allowance, retirement funding and employer contributions to employee benefits.</li> <li>• The company uses the Paterson job-grading system. It also participates in and subscribes to external online benchmarking remuneration surveys that facilitate reliable comparisons of remuneration for executive and other job descriptions.</li> <li>• Our aim is to remunerate all competent performing employees between the 50th and 75th percentiles of the national all-industries market, ensuring they are properly benchmarked in their respective disciplines. Our policy also makes provision to reward above the 75th percentile for exceptional performance and to retain scarce skills.</li> <li>• Basil Read provides for employee retirement funding via a defined contribution fund, which is compulsory for all salaried employees. It is also compulsory for all new salaried employees to belong to the company's medical aid scheme. Where applicable, employees can remain on their spouse's medical aid after providing proof of membership. Basil Read makes a 16% employer contribution to the retirement fund, as well as employer contribution to group life (1.85%) and employee disability cover (0.96%).</li> <li>• Our approach to TGP enables us to attract and retain key employees by ensuring we are both internally and externally competitive in the way that we pay. We also believe our benefits demonstrate our integrated approach to wellness, driving employee effectiveness and engagement, and our commitment to complying with legislative, negotiated and contractual commitments.</li> </ul>

# Remuneration committee report *continued*

## Remuneration report framework – 2015 *continued*

### Current components of remuneration *continued*

Fixed/variable	Element	Detail and link to strategic objectives
Variable	Short-term incentive (STI) (<12 months)	<ul style="list-style-type: none"> <li>The STI has been revised, with the new STI based on a combination of:                             <ul style="list-style-type: none"> <li>Company performance against profit before tax targets</li> <li>Personal performance</li> </ul> </li> <li>The STI is multiplicative, with payments determined by the formula: TGP x on-target STI % x business score x personal score</li> <li>Through the balanced scorecards of employees, we can address transformation, project financial control, operational management and execution, safety and other important strategic focus areas. These will have an impact on the STI outcome through incorporation of the personal score.</li> <li>The new STI will also assist us in developing and retaining a world-class construction and engineering team, by ensuring STI outcomes are based on solid market benchmarks, modified for affordability and performance.</li> <li>Through transparent communication of components in the STI, where employees will be able to calculate their expected STI and ascertain how both company and personal performance can affect their final outcome, we hope to assure our employees that hard work and superior performance result in fair and deserved reward, while encouraging them to continue striving to perform to their fullest.</li> </ul>
	Long-term incentive (LTI) (>12 months)	<p>The purpose of the new LTI will be to:</p> <ul style="list-style-type: none"> <li>Attract and retain senior employees, with the majority of awards linked to company performance targets.</li> <li>Direct alignment with shareholders' interests by linking the level of rewards to achieving performance targets.</li> </ul> <p>Two instruments are being considered for the new LTI, namely bonus shares and performance shares.</p>

### Variable remuneration

#### Short-term incentive scheme (STI)

Remuneration component	Strategic intent and drivers														
Purpose	The STI is one of the components of remuneration underpinning the “pay for performance” element. It aims to ensure that employees' total reward packages are both market competitive and contain enough variability to ensure excellence on a personal and company level can be encouraged and rewarded.														
Operation	<p>STI payments for executives are calculated in the same way as for all employees, by the following formula:</p> <ul style="list-style-type: none"> <li>TGP x on-target STI % x business score x personal score</li> </ul> <p>Due to this multiplicative formula, the business score and personal score act as modifiers to the on-target STI, which is a function of the executive's TGP and relevant on-target STI percentage</p> <p>The on-target STI percentage is determined by grade, shown below:</p> <table border="1"> <thead> <tr> <th>Paterson job grade</th> <th>Target incentive</th> </tr> </thead> <tbody> <tr> <td>F upper</td> <td>50%</td> </tr> <tr> <td>F lower</td> <td>45%</td> </tr> <tr> <td>E upper</td> <td>35%</td> </tr> <tr> <td>E lower</td> <td>25%</td> </tr> <tr> <td>D band</td> <td>15%</td> </tr> <tr> <td>C band</td> <td>10%</td> </tr> </tbody> </table> <p>As a result of modifying the on-target STI by the business and personal scores, if actual profit before tax is below the threshold, no STI will be paid. Similarly, if the personal score for an executive is 1, no STI will be paid. The maximum that can be paid to any executive is 180% of his/her on-target STI (150% maximum business score x 120% maximum personal score).</p>	Paterson job grade	Target incentive	F upper	50%	F lower	45%	E upper	35%	E lower	25%	D band	15%	C band	10%
Paterson job grade	Target incentive														
F upper	50%														
F lower	45%														
E upper	35%														
E lower	25%														
D band	15%														
C band	10%														

## Current components of remuneration *continued*

Remuneration component	Strategic intent and drivers														
Performance measures	The business score is determined by achieving profit before tax (PBT) targets, as follows:														
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;">R000</th> <th style="width: 20%;">Threshold</th> <th style="width: 20%;">Target</th> <th style="width: 20%;">Stretch 135% of budget</th> </tr> </thead> <tbody> <tr> <td>Profit before tax</td> <td style="text-align: center;">1 63 200</td> <td style="text-align: center;">204 000</td> <td style="text-align: center;">275 400</td> </tr> </tbody> </table>	R000	Threshold	Target	Stretch 135% of budget	Profit before tax	1 63 200	204 000	275 400						
	R000	Threshold	Target	Stretch 135% of budget											
	Profit before tax	1 63 200	204 000	275 400											
	The personal score of executives, determined by individual performance against their balanced scorecards, will also act as a modifier:														
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;">Rating</th> <th style="width: 60%;">Resulting performance score</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">120%</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">110%</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">100%</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">50%</td> </tr> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">0%</td> </tr> </tbody> </table>	Rating	Resulting performance score	5	120%	4	110%	3	100%	2	50%	1	0%		
Rating	Resulting performance score														
5	120%														
4	110%														
3	100%														
2	50%														
1	0%														
Maximum value of cash incentive (annual or subject to deferral)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;">Paterson job grade</th> <th style="width: 60%;">Target incentive</th> </tr> </thead> <tbody> <tr> <td>F upper</td> <td style="text-align: center;">90%</td> </tr> <tr> <td>F lower</td> <td style="text-align: center;">81%</td> </tr> <tr> <td>E upper</td> <td style="text-align: center;">63%</td> </tr> <tr> <td>E lower</td> <td style="text-align: center;">45%</td> </tr> <tr> <td>D band</td> <td style="text-align: center;">27%</td> </tr> <tr> <td>C band</td> <td style="text-align: center;">18%</td> </tr> </tbody> </table>	Paterson job grade	Target incentive	F upper	90%	F lower	81%	E upper	63%	E lower	45%	D band	27%	C band	18%
Paterson job grade	Target incentive														
F upper	90%														
F lower	81%														
E upper	63%														
E lower	45%														
D band	27%														
C band	18%														
Discretion of Remco	<p>Remco retains ultimate discretion in terms of paying the STI and considers a number of factors in exercising this discretion, particularly whether the company is cash positive.</p> <p>This discretion is intended to guard against unintended outcomes from applying the formula.</p>														
Changes for 2016	No further changes are proposed for the STI for 2016.														

### Long-term incentives (LTI)

The LTI arrangements for executives and senior managers are currently under review.

### Executive and prescribed officer contracts of service

Executive directors and prescribed officers have contracts of employment with notice periods of up to three months. The normal retirement age for executive directors is 65 years. The company is not bound by any employment contracts to make balloon payments or severance payments in terminating employment. In the event of early termination, the company does not automatically award incentives to executives or prescribed officers, and any incentives awarded on early termination are at Remco's discretion. Executives and prescribed officers are not subject to restraint of trade agreements.

# Remuneration committee report *continued*

## Remuneration report framework – 2015 *continued*

### Non-executive directors

#### Appointment of non-executive directors

Non-executive directors are subject to election by shareholders at the first annual general meeting following their appointment, after which they must retire according to the board-rotation plan.

#### Non-executive director fees

Non-executive directors' fees are paid in the form of a retainer fee for membership of the board or committee, and a per meeting fee.

A 5% increase was proposed during the year for non-executive directors whose fees were found to be below the benchmark, with no increases for non-executive directors whose fees were found to be above the benchmark.

When determining the proposed level of non-executive directors' fees, Remco considers market practices and norms as well as additional responsibilities imposed by new legislation and corporate governance principles. As suggested by King III, board fees comprise both a base fee and an attendance fee which, in the committee's view, are sufficient to attract board members with the appropriate level of skill and expertise. Fees are not

automatically increased but, as a principle, are aimed at the median of the selected comparator group. Non-executive directors' fees are recommended to the board by Remco, and then proposed to shareholders for approval at the AGM.

The company's policy is that fees for non-executive directors are market-related but not linked to share performance. No bonuses or share incentives are awarded as these can create a potential conflict of interest. Non-executive directors are reimbursed for expenses incurred in performing their duties on behalf of the company.

## Part II: Implementation

### Guaranteed pay adjustments for 2015

In 2015, base salaries were benchmarked against market data using the method described in part I, and confirmed that our guaranteed pay package remains competitive. Average salary increases for executives and general staff in March 2015, for that financial year, were linked to inflation. Executives received an increase of 5.1% compared to an average increase of 4.8% for general staff.

### 2015 STI payments

No STI payments are disclosed as possible STI awards are still under consideration and had not been approved by Remco at the date of this report.

### LTI awards made in 2015

No LTI awards were made in 2015, as there was no LTI plan in place.

### LTI awards vesting in 2015

No LTI awards vested in 2015, and no LTI awards remain outstanding.

### Executive directors and prescribed officers' emoluments

Total emoluments paid to executive directors and prescribed officers for the year ended 31 December 2015 appear in the directors' report on pages 89 and 91.

### Non-executive director fees

Total emoluments paid to non-executive directors for the year ended 31 December 2015 are shown on page 89, while proposed fees for the 2016 financial year appear in the directors' report on page 90.

# Risk committee's report

The Basil Read board understands and takes accountability for all risks that could affect achieving the company's strategic priorities. The board has delegated responsibility for reviewing and monitoring risks across the company to the risk committee, but remains responsible for approving risk appetite.

The chief risk officer presents a quarterly report to the risk committee summarising developments in the risk environment and performance trends in key risk portfolios. The committee oversees management of the most significant risks by regularly reviewing risk exposures and related key controls.

Executive management is responsible for assessing, controlling and mitigating all categories of risk, and fostering a culture that will adhere to the philosophy and principles set out in the enterprise-wide risk management (ERM) framework.

All employees participate in the company's risk management, regardless of position, function or location. Basil Read employees are familiar with risk management policies relevant to their activities, know how to escalate actual or potential risk issues, and have an appropriate level of awareness of the ERM framework, risk management process and governance structures. Various risk-training initiatives during the year have raised awareness on changes to risk processes.

## Membership

- Mr Sango Ntsaluba (chairman) – non-executive director
- Mr Connie Molusi – non-executive director
- Ms Doris Dondur – independent non-executive director
- Mr Neville Nicolau (CEO) – executive director
- Ms Amanda Wightman (CFO) – executive director

Attendance at meetings is detailed in the governance report on page 71.

## Material existing and emerging risks

Material risks highlighted during the year which will remain focus areas in 2016:

- Liquidity risk as a result of access to funding, defaulting clients and protracted claims resolution

- Strategic risk where we have concentration in the public sector; uncompetitive tendering and a decreasing order book
- Operational risks due to work-related incidents involving people and equipment, mainly due to unsafe acts as well as ineffective subcontractor management and compliance.

These risks are described in detail in the risk report on page 26.

## Emerging risks

### Economic slowdown

The economic slowdown in South Africa has been identified as an emerging risk that may restrict the growth of the industry and delay clients in settling claims. In addition to slow growth, Basil Read recognises a depreciating currency, rising inflationary risks, electricity and water supply constraints are painting a new landscape, with tighter margins and less room for error.

### Broad-based black economic empowerment compliance

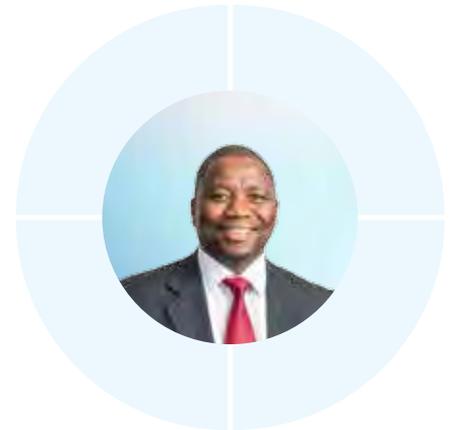
The delayed finalisation of sector codes between the construction sector and Department of Trade and Industry could affect Basil Read's BBBEE scorecard, affecting the company's sustainability if its rating deteriorates relative to competitors as a result of verification scheduling.

## Risk strategy

The focus will remain on continuously improving risk management practices in Basil Read, with the following objectives for 2016:

- Increasing the value of business by continuously embedding a systematic approach to managing risk and enhancing risk management capabilities and reporting
- Protecting the business by ensuring risk response strategies are in line with tolerance levels and risk appetite
- Instilling the culture of collective responsibility, with the anticipation and management of risk being everyone's concern, thus improving risk awareness and communication throughout the organisation.

The 2016 risk strategy is about evolving our approach to risk management and thinking about it differently. This will allow



Basil Read to protect itself better and offer the potential for increasing value and identifying additional margin by embracing and managing appropriate risks.

## Business continuity management

Business continuity management is based on the disaster management framework. The ISO certification audit conducted in 2015 indicated that the required disaster management plans and emergency response plans are in place and tested in the company. Business continuity management processes will be enhanced based on a gap analysis. Continuous development and testing of the company's readiness for an occurrence beyond its control is a priority for the current year.

## Safety

Regrettably 2015 was an extremely challenging year for our construction division, which recorded four fatalities. Details are disclosed in the safety section on pages 44 and 45 of this report. Our safety targets are not negotiable and continuous improvement and training on safe working procedures and risk assessments were effected during the year.

Sango Ntsaluba  
 Chairman of the risk committee

20 April 2016

## Summarised financial information

### Contents

85 – 106	<b>Summarised consolidated annual financial statements</b>
	Directors' responsibility statement
	Certificate by company secretary
	Summarised consolidated annual financial statements
	Directors' report
	Summarised consolidated income statement
	Summarised consolidated statement of comprehensive income
	Summarised consolidated statement of financial position
	Summarised consolidated statement of changes in equity
	Summarised consolidated statement of cash flows
	Summarised notes to the consolidated financial statements
107 – 116	<b>Shareholders' information</b>
	Notice of annual general meeting
	Form of proxy
	Notes to form of proxy
	Administration
	Shareholders' diary

## Directors' responsibility statement

The directors have pleasure in presenting the summarised consolidated financial statements for the year ended 31 December 2015 and the complete consolidated and company annual financial statements for the same period (included in the 2015 financial report) (collectively the financial statements). The consolidated and company annual financial statements were audited by PricewaterhouseCoopers Inc, that expressed an unmodified opinion thereon. The audited consolidated and company annual financial statements and the auditors' report thereon are available on the company's website, ([www.basilread.co.za](http://www.basilread.co.za)), or are available for inspection at the company's registered office. The summarised consolidated financial statements are extracted from audited information, but are not itself audited.

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 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 financial statements were approved by the board of directors on 20 April 2016 and are signed on its behalf by:



**PC Baloyi**  
 Chairman

20 April 2016



**NF Nicolau**  
 Chief executive officer

20 April 2016

## Certificate by company secretary

In terms of section 88(2)(e) of the Companies Act 71 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 abovementioned Act and that all such returns are true and up to date.



**AT Ndoni**  
 Company secretary

20 April 2016

## Summarised consolidated annual financial statements

These consolidated annual financial statements comprise a summary of the audited consolidated annual financial statements of the group for the year ended 31 December 2015 that were approved by the board on 20 April 2016.

The summarised consolidated annual financial statements are not the group's statutory accounts and do not contain all the disclosures required by IFRS. Reading the summarised consolidated annual financial statements, therefore, is not a substitute for reading the audited consolidated annual financial statements of the group, as they do not contain sufficient information to allow for a complete understanding of the results and state of affairs of the group. The audited consolidated annual financial statements are available online at ([www.basilread.co.za](http://www.basilread.co.za)), or are available for inspection at the company's registered office. The annual financial statements have been audited by the group's auditors, PricewaterhouseCoopers Inc. The summarised consolidated financial statements are extracted from audited information, but are not itself audited.

### Basis of preparation

The summarised consolidated financial statements are prepared in accordance with JSE Limited's (JSE) requirements for summarised financial statements, and the requirements of the Companies Act applicable to summarised financial statements. The JSE requires summarised financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34 *Interim financial reporting*. The accounting policies applied in the preparation of the consolidated financial statements, from which the summarised consolidated financial statements were derived, are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements.

The summarised consolidated annual financial statements have been prepared on the historical cost basis, except for certain items, including derivatives and investment property that are stated at fair value, and are presented in South African rand, which is the parent company's presentation currency.

The significant accounting policies and methods of computation are consistent in all material respects with those applied in the previous period. The summarised consolidated annual financial statements should be read with the full set of annual financial statements as available on the company's website.

The financial statements were prepared by the chief financial officer, Amanda Wightman CA(SA), and approved by the board of directors on 20 April 2016 and are signed on its behalf by:



**PC Baloyi**  
Chairman

20 April 2016



**NF Nicolau**  
Chief executive officer

20 April 2016

# Directors' report

for the year ended 31 December 2015

The directors present the 31st integrated report for the 2015 financial year.

## Nature of business

Basil Read is one of the top construction companies in South Africa. The company is listed on JSE Limited and its subsidiary companies are active in the areas of civil engineering, road construction, building, mixed-use 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 years ended 31 December 2015 and 31 December 2014.

## Share capital

There was no change to the issued share capital of the company in the 2015 and 2014 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 2015 are set out on pages 96 to 106.

The group made a profit after taxation from continuing operations of R192 million (2014: loss after taxation of R646 million) during the year under review.

The group made a loss after taxation from discontinued operations of R20 million (2014: loss after taxation of R175 million) during the year under review.

## Going concern

At the statement of financial position date, the current liabilities of the group exceeded the current assets by R138 million. The group has R1.4 billion in undrawn facilities with various financial institutions as at 31 December 2015.

The order book for the 2016 financial year is largely secure and the group expects to remain profitable. Operating cash flows in the 2016 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:

- 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
- Negotiation of banking facilities – following the group's return to profitability, the review of banking facilities is under way with a view to securing additional facilities to support liquidity
- Possible debt issue – management is investigating the possibility of raising cash through the issue of a debt instrument. This will not only support working capital liquidity but also aims to provide funding for growth.

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 R248 million (2014: R339 million) during the year.

## Directors' report *continued*

for the year ended 31 December 2015

### Investments

#### Subsidiaries

On 1 February 2015, the group disposed of the entire issued share capital of LYT Architecture (Pty) Ltd and its subsidiaries, Facets Interiors (Pty) Ltd and TPS.P Arquitectos Limitada for a purchase consideration of R42 million, resulting in the recognition of a loss on disposal of R3.0 million. The core business of LYT Architecture is architectural and interior design.

On 25 September 2015, the group disposed of its 100% stake in Basil Read Energy (Pty) Ltd for a purchase consideration of R70 million, resulting in the recognition of a profit on disposal of R27.7 million. The company is an investor in energy producing assets in the renewable energy sector.

#### Associates

On 25 September 2015, as part of the disposal of Basil Read Energy (Pty) Ltd, the group disposed of its 23% stake in Rubicept (Pty) Ltd and its 25% stake in 3Energy Renewables (Pty) Ltd.

### Borrowings

Interest-bearing borrowings comprise instalment sale agreements and a domestic medium-term note programme. During the year borrowings decreased due to repayments of notes issued under the domestic medium-term note programme and repayments of instalment sale agreements entered into for capital expenditure purposes.

### Events subsequent to the statement of financial position date

Basil Read concluded the disposal of SprayPave (Pty) Ltd on 1 February 2016 for a maximum purchase consideration of R78.6 million.

### Shareholder spread

Details of shareholder categories are set out on page 107 of this report.

### Directorate

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

Paul Cambo Baloyi*	Independent non-executive director; chairman
Neville Francis Nicolau	Chief executive officer; managing director
Amanda Claire Wightman	Chief financial officer; financial director
Terence Desmond Hughes~	Non-executive director
Andrew Conway Gaorekwe Molusi	Non-executive director
Sango Siviwe Ntsaluba	Non-executive director
Thabiso Alexander Tlelai	Non-executive director
Doris Liana Theresia Dondur	Independent non-executive director
Mahomed Salim Ismail Gani!	Independent non-executive director
Claudia Estelle Manning	Independent non-executive director

\* Appointed as chairman 1 January 2015

~ Appointed 1 January 2015

! Appointed 15 April 2015

## 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
<b>2015</b>					
<i>Paid by Basil Read Limited</i>					
Neville Francis Nicolau	4 394 734	623 035	–	–	5 017 769
Amanda Claire Wightman	2 252 490	386 407	–	–	2 638 897
	<b>6 647 224</b>	<b>1 009 442</b>	<b>–</b>	<b>–</b>	<b>7 656 666</b>
<b>2014</b>					
<i>Paid by Basil Read Limited</i>					
Marius Lodewucus Heyns <sup>#</sup>	1 253 327	208 797	12 324 775	–	13 786 899
Terence Desmond Hughes <sup>^</sup>	701 471	13 498	–	–	714 969
Neville Francis Nicolau <sup>~</sup>	1 459 513	224 552	–	–	1 684 065
Amanda Claire Wightman <sup>@</sup>	482 435	74 141	–	–	556 576
	<b>3 896 746</b>	<b>520 988</b>	<b>12 324 775</b>	<b>–</b>	<b>16 742 509</b>

\* Benefits include the group's contribution towards medical aid and provident fund

<sup>#</sup> Retired 30 May 2014. The incentive bonus for Mr Heyns refers to the long-term incentive bonus that 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

<sup>^</sup> Appointed 1 June 2014; resigned 31 August 2014

<sup>~</sup> Appointed 1 September 2014

<sup>@</sup> Appointed 13 October 2014

Non-executive directors	Services as director R	Total R
<b>2015</b>		
Paul Cambo Baloyi	915 000	915 000
Terence Desmond Hughes <sup>\$</sup>	266 000	266 000
Andrew Conway Gaorekwe Molusi	627 000	627 000
Sango Siviwe Ntsaluba <sup>#</sup>	606 000	606 000
Thabiso Alexander Tlelai <sup>#</sup>	381 500	381 500
Doris Liana Theresia Dondur	644 000	644 000
Mahomed Salim Ismail Gani <sup>!</sup>	276 500	276 500
Claudia Estelle Manning	683 000	683 000
	<b>4 399 000</b>	<b>4 399 000</b>
<b>2014</b>		
Sindile Lester Leslie Peteni <sup>*</sup>	1 198 000	1 198 000
Andrew Conway Gaorekwe Molusi	470 000	470 000
Sango Siviwe Ntsaluba <sup>#</sup>	490 000	490 000
Thabiso Alexander Tlelai <sup>#</sup>	444 000	444 000
Paul Cambo Baloyi	620 000	620 000
Charles Peter Davies <sup>^</sup>	383 500	383 500
Doris Liana Theresia Dondur <sup>~</sup>	262 500	262 500
Nopasika Vuyelwa Lila <sup>^</sup>	266 000	266 000
Claudia Estelle Manning	530 500	530 500
	<b>4 664 500</b>	<b>4 664 500</b>

<sup>\$</sup> Appointed 1 January 2015

<sup>#</sup> Paid to the companies that these directors represent

<sup>!</sup> Appointed 15 April 2015

<sup>\*</sup> Retired 31 December 2014

<sup>^</sup> Retired by rotation 26 June 2014

<sup>~</sup> Appointed 24 June 2014

## Directors' report *continued*

for the year ended 31 December 2015

Directors' fees for the 2015 financial year were paid according to the following table:

<b>With effect from 1 January 2015</b>	<b>Member</b>	<b>Chairman</b>
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 be increased as follows:

<b>With effect from 1 January 2016</b>	<b>Member</b>	<b>Chairman</b>
Board – retainer	215 000	700 000
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.

Prescribed officers	Cash portion of package R	Benefits* R	Incentive bonus R	Gain on share options exercised R	Total R
<b>2015</b>					
Antonie Fourie <sup>#</sup>	2 348 766	298 207	–	–	2 646 973
Olivier Jean-Paul Giot	3 033 632	–	–	–	3 033 632
Khathutshelo Mapasa <sup>#</sup>	2 270 972	312 494	–	–	2 583 466
Andiswa Thandeka Ndoni	1 966 165	343 579	–	–	2 309 744
James Stephen Johnston <sup>#</sup>	2 606 879	448 423	–	–	3 055 302
	<b>12 226 414</b>	<b>1 402 703</b>	<b>–</b>	<b>–</b>	<b>13 629 117</b>
<b>2014</b>					
Christopher John Erasmus <sup>#!</sup>	1 417 181	249 465	–	–	1 666 646
Antonie Fourie <sup>#</sup>	2 119 823	267 861	–	–	2 387 684
Olivier Jean-Paul Giot	2 706 213	–	–	–	2 706 213
Guenther Hellhoff <sup>@</sup>	977 409	133 793	–	–	1 111 202
Terence Desmond Hughes <sup>\$</sup>	935 295	17 997	–	–	953 292
James Stephen Johnston <sup>#</sup>	2 133 424	336 653	–	–	2 470 077
Khathutshelo Mapasa <sup>##</sup>	1 219 939	180 147	–	–	1 400 086
Avinash Naidoo <sup>&amp;</sup>	1 116 954	155 862	–	–	1 272 816
Andiswa Thandeka Ndoni	1 489 095	252 297	–	–	1 741 392
Amanda Claire Wightman <sup>#&gt;</sup>	1 447 303	222 421	–	–	1 669 724
	<b>15 562 636</b>	<b>1 816 496</b>	<b>–</b>	<b>–</b>	<b>17 379 132</b>
<b>Three next highest earners</b>					
<b>2015</b>					
Employee A	2 021 970	344 883	–	–	2 366 853
Employee B	1 910 643	339 365	–	–	2 250 008
Employee C	1 929 789	319 235	–	–	2 249 024
	<b>5 862 402</b>	<b>1 003 483</b>	<b>–</b>	<b>–</b>	<b>6 865 885</b>
<b>2014</b>					
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
	<b>5 228 821</b>	<b>744 745</b>	<b>–</b>	<b>–</b>	<b>5 973 566</b>

\* Benefits include the group'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

## Directors' report *continued*

for the year ended 31 December 2015

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 2015:

	Number	Average strike price	Average exercise price
<b>Amanda Claire Wightman</b>			
Equity-settled instruments at 1 January 2015	32 000	13.95	–
Equity-settled instruments granted during the year	–	–	–
Equity-settled instruments exercised during the year	–	–	–
Equity-settled instruments at 31 December 2015	32 000	13.95	

All of these options vested in previous financial periods.

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

	Number	Average strike price	Average exercise price
<b>Marius Lodewucus Heyns</b>			
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	
<b>Amanda Claire Wightman</b>			
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 vested in previous financial periods.

### Prescribed officers

The following prescribed officers held the following equity-settled instruments at 31 December 2015:

	Number	Average strike price	Average exercise price
<b>Antonie Fourie</b>			
Equity-settled instruments at 1 January 2015	90 000	13.95	–
Equity-settled instruments granted during the year	–	–	–
Equity-settled instruments exercised during the year	–	–	–
Equity-settled instruments at 31 December 2015	90 000	13.95	
<b>Olivier Jean-Paul Giot</b>			
Equity-settled instruments at 1 January 2015	105 000	13.95	–
Equity-settled instruments granted during the year	–	–	–
Equity-settled instruments exercised during the year	–	–	–
Equity-settled instruments at 31 December 2015	105 000	13.95	
<b>James Stephen Johnston</b>			
Equity-settled instruments at 1 January 2015	90 000	13.95	–
Equity-settled instruments granted during the year	–	–	–
Equity-settled instruments exercised during the year	–	–	–
Equity-settled instruments at 31 December 2015	90 000	13.95	

All of these options vested in previous financial periods.

## Directors' report *continued*

for the year ended 31 December 2015

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

	Number	Average strike price	Average exercise price
<b>Christopher John Erasmus</b>			
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	–
<b>Antonie Fourie</b>			
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	–
<b>Olivier Jean-Paul Giot</b>			
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	–
<b>James Stephen Johnston</b>			
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 vested in previous financial periods.

### 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	
	2015 Number	2014 Number	2015 Number	2014 Number
<b>Beneficial</b>				
Sango Siviwe Ntsaluba	6 986	6 986	2 776 939	2 776 939
Alexander Thabiso Tlelai	–	–	2 774 953	2 774 953
Neville Francis Nicolau	–	–	100 000	100 000
	6 986	6 986	5 651 892	5 651 892
<b>Shares held by associates</b>	–	–	–	–
	6 986	6 986	5 651 892	5 651 892

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

## 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
<b>2015</b>			
<b>Direct</b>			
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
<b>2014</b>			
<b>Direct</b>			
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

The right to the unissued shares are in terms of the Basil Read Share Incentive Scheme.

## Special resolutions passed by subsidiary companies

The following special resolutions were passed by subsidiary companies during the year ended 31 December 2015:

- Special resolution by Basil Read Ltd, in its capacity as shareholder of Basil Read Mining (Pty) Ltd, authorising Basil Read Mining (Pty) Ltd to provide financial assistance to its subsidiaries and other group companies in accordance with section 45 of the Companies Act 71 2008, as amended.
- Special resolution by Basil Read Mining (Pty) Ltd, in its capacity as shareholder of Basil Read Mining SA (Pty) Ltd, authorising Basil Read Mining SA (Pty) Ltd to provide financial assistance to its subsidiaries and other group companies in accordance with section 45 of the Companies Act 71 2008, as amended.

## 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 reappoint PricewaterhouseCoopers Inc as the group's auditors for the 2016 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

## Summarised consolidated income statement

for the year ended 31 December 2015

	Notes	2015 R000	2014 R000
<b>CONTINUING OPERATIONS</b>			
<b>Revenue</b>		<b>5 519 979</b>	6 261 441
Contracting and other costs		(5 000 296)	(6 566 668)
Other administrative and operating overheads		(296 437)	(485 010)
Other gains/(losses) – net		2 951	(13 052)
<b>Operating profit/(loss)</b>		<b>226 197</b>	(803 289)
Finance costs – net		(35 391)	(22 499)
Interest received		21 077	28 520
Foreign exchange		(9 728)	1 686
Interest paid		(46 740)	(52 705)
Share of profit of investments accounted for using the equity method		40 536	31 736
<b>Profit/(loss) before taxation</b>		<b>231 342</b>	(794 052)
Taxation		(39 704)	147 916
<b>Net profit/(loss) for the year from continuing operations</b>		<b>191 638</b>	(646 136)
<b>DISCONTINUED OPERATION</b>			
Net loss for the year from discontinued operations	1	(45 066)	(174 743)
Profit on disposal of discontinued operations		24 641	–
<b>Net profit/(loss) for the year</b>		<b>171 213</b>	(820 879)
<b>Attributable to</b>			
Equity shareholders of the company		180 761	(789 938)
Non-controlling interests		(9 548)	(30 941)
<b>Net profit/(loss) for the year</b>		<b>171 213</b>	(820 879)
Earnings/(loss) per share (cents)	2	137.27	(599.87)
Diluted earnings/(loss) per share (cents)	2	137.27	(599.87)
Earnings/(loss) per share from continuing operations (cents)	2	152.78	(467.17)
Diluted earnings/(loss) per share from continuing operations (cents)	2	152.78	(467.17)
Loss per share from discontinued operations (cents)	2	(15.51)	(132.70)
Diluted loss per share from discontinued operations (cents)	2	(15.51)	(132.70)

# Summarised consolidated statement of comprehensive income

for the year ended 31 December 2015

	2015 R000	2014 R000
<b>Net profit/(loss) for the year</b>	<b>171 213</b>	<b>(820 879)</b>
<b>Other comprehensive income for the year – net of tax</b>		
<b>Items that may be subsequently reclassified to profit or loss</b>	<b>16 787</b>	<b>12 860</b>
Movement in foreign currency translation reserve	16 811	12 936
Movement in fair value adjustment reserve	(24)	(76)
Fair value adjustment	–	(95)
Foreign exchange difference	(24)	19
<b>Total comprehensive income/(expense) for the year</b>	<b>188 000</b>	<b>(808 019)</b>
<b>Total comprehensive income/(expense) for the year attributable to the following:</b>		
Equity shareholders of the company	198 738	(775 921)
Non-controlling interests	(10 738)	(32 098)
<b>Total comprehensive income/(expense) for the year</b>	<b>188 000</b>	<b>(808 019)</b>

## Summarised consolidated statement of financial position

as at 31 December 2015

	2015 R000	2014 R000
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>1 500 501</b>	<b>1 669 708</b>
Property, plant and equipment	915 856	1 080 248
Investment property	6 590	5 826
Intangible assets	91 640	99 938
Investments accounted for using the equity method	41 719	24 532
Loans to investments accounted for using the equity method	94 681	107 268
Deferred income tax assets	298 726	300 607
Investments at fair value	51 289	51 289
<b>Current assets</b>	<b>2 017 657</b>	<b>2 552 957</b>
Inventories	25 939	33 067
Development land	262 679	268 022
Contract debtors and other receivables	1 199 938	1 283 960
Derivative financial instruments	2 885	–
Current income tax assets	19 371	57 093
Cash and cash equivalents	506 845	910 815
Non-current assets held for sale	104 203	53 112
<b>Total assets</b>	<b>3 622 361</b>	<b>4 275 777</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>	<b>1 245 728</b>	<b>1 133 544</b>
Stated capital	1 048 025	1 048 025
Retained earnings	155 720	61 513
Other reserves	41 983	24 006
Non-controlling interests	(22 176)	(97 992)
<b>Total capital and reserves</b>	<b>1 223 552</b>	<b>1 035 552</b>
<b>Non-current liabilities</b>	<b>221 087</b>	<b>259 965</b>
Interest-bearing borrowings	182 134	215 898
Deferred income tax liabilities	38 953	44 067
<b>Current liabilities</b>	<b>2 155 388</b>	<b>2 970 241</b>
Trade and other payables	1 449 595	2 282 411
Current income tax liabilities	15 034	5 011
Current portion of interest-bearing borrowings	157 798	273 594
Derivative financial instruments	–	223
Provisions for other liabilities and charges	497 523	318 766
Bank overdraft	35 438	90 236
Liabilities directly associated with non-current assets classified as held for sale	22 334	10 019
<b>Total equity and liabilities</b>	<b>3 622 361</b>	<b>4 275 777</b>

## Summarised consolidated statement of changes in equity

for the year ended 31 December 2015

	Share capital R000	Treasury shares R000	Foreign currency translation reserve* R000	Fair value adjustment reserve R000	Retained earnings R000	Total attributable to owners of the parent R000	Non-controlling interests R000	Total equity R000
<b>Balance at 1 January 2014</b>	1 048 037	(12)	13 760	(3 771)	851 451	1 909 465	(38 207)	1 871 258
Disposal of subsidiary	–	–	–	–	–	–	1 777	1 777
Capital contribution 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
<b>Balance at 31 December 2014</b>	<b>1 048 037</b>	<b>(12)</b>	<b>27 853</b>	<b>(3 847)</b>	<b>61 513</b>	<b>1 133 544</b>	<b>(97 992)</b>	<b>1 035 552</b>
Transactions with minorities	–	–	–	–	(86 554)	(86 554)	86 554	–
Net profit for the year	–	–	–	–	180 761	180 761	(9 548)	171 213
Other comprehensive income for the year	–	–	18 001	(24)	–	17 977	(1 190)	16 787
<b>Balance at 31 December 2015</b>	<b>1 048 037</b>	<b>(12)</b>	<b>45 854</b>	<b>(3 871)</b>	<b>155 720</b>	<b>1 245 728</b>	<b>(22 176)</b>	<b>1 223 552</b>

\*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

## Summarised consolidated statement of cash flows

for the year ended 31 December 2015

	Note	2015 R000	2014 R000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>(150 691)</b>	<b>(201 655)</b>
Cash generated by operating activities	3	(116 055)	(118 330)
Net finance income		21 205	30 354
Net finance costs		(57 074)	(55 664)
Dividends paid		(32)	(4)
Taxation received/(paid)		1 265	(58 011)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>104 766</b>	<b>(45 593)</b>
Acquisitions of property, plant and equipment		(68 794)	(188 939)
Proceeds on disposal of property, plant and equipment		77 459	62 908
Acquisition of subsidiaries		–	(3 847)
Disposal of subsidiaries		82 517	(37)
Advances made to jointly controlled entities		(22 407)	(16 118)
Advances recovered from jointly controlled entities		3 040	5 234
Disposal of associate		–	86
Advances made to associates		(3 401)	(161)
Advances recovered from associates		7 440	8 499
Dividend received from associate		28 912	86 782
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>(325 456)</b>	<b>(116 838)</b>
Proceeds from interest-bearing borrowings		205 318	100 000
Repayments of interest-bearing borrowings		(530 774)	(187 374)
Capital distribution to non-controlling interest parties		–	(29 464)
Effects of exchange rates on cash and cash equivalents		10 393	(2 734)
<b>Movement in cash and cash equivalents</b>		<b>(360 988)</b>	<b>(366 820)</b>
<b>Cash and cash equivalents – at the beginning of the year</b>		<b>835 664</b>	<b>1 202 484</b>
<b>Cash and cash equivalents – at the end of the year</b>		<b>474 676</b>	<b>835 664</b>
<b>Included in cash and cash equivalents as per statement of financial position</b>		<b>471 407</b>	<b>820 579</b>
<b>Included in the assets of disposal group</b>		<b>3 269</b>	<b>15 085</b>
		<b>474 676</b>	<b>835 664</b>

# Summarised notes to the consolidated financial statements

for the year ended 31 December 2015

**2015**  
**R000**

2014  
 R000

## I. NON-CURRENT ASSETS HELD FOR SALE

The assets and liabilities relating to SprayPave (Pty) Ltd (part of the roads 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 2016 for a maximum purchase consideration of R78.6 million.

In terms of IFRS 5 *Non-current assets held for sale and discontinued operations*, disposal groups or assets held for sale must be tested for impairment. The carrying amount of SprayPave, disclosed as a discontinued operation, exceeds the fair value of the discontinued operation and goodwill of R7.4 million has been impaired as a result.

The assets and liabilities relating to LYT Architecture (Pty) Ltd (part of the engineering segment) were presented as held for sale in the prior 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	77 315	3 700
Intangible asset	–	8 352
Deferred income tax assets	8 462	205
Contract debtors and other receivables	9 546	24 824
Inventories	5 611	–
Current income tax asset	–	860
Cash and cash equivalents	3 269	15 171
	<b>104 203</b>	<b>53 112</b>

#### Liabilities of company classified as held for sale

Interest-bearing borrowings	2 813	–
Trade and other payables	14 160	9 933
Provisions for other liabilities and charges	5 361	–
Bank overdraft	–	86
	<b>22 334</b>	<b>10 019</b>

#### INCOME STATEMENT OF DISCONTINUED OPERATIONS

Revenue	101 430	323 369
Expenses	(119 174)	(422 612)
Impairment of goodwill	(7 438)	(82 158)
Share of (loss)/profit of investments accounted for using the equity method	(900)	7 802
Net finance costs	(478)	(2 811)
<b>Profit before taxation of discontinued operations</b>	<b>(26 560)</b>	<b>(176 410)</b>
Taxation	6 135	1 667
<b>Profit after taxation of discontinued operations</b>	<b>(20 425)</b>	<b>(174 743)</b>
Movement in fair value adjustment reserve	–	–
<b>Profit for the year from discontinued operations</b>	<b>(20 425)</b>	<b>(174 743)</b>

#### CASH FLOWS OF DISCONTINUED OPERATIONS

Operating cash flows	(26 409)	(101 794)
Investing cash flows	267	(21 538)
Financing cash flows	(5 145)	(3 316)
Effects of exchange rates on cash and cash equivalents	–	–
<b>Total cash flows</b>	<b>31 287</b>	<b>(126 648)</b>

## Summarised notes to the consolidated financial statements

continued

for the year ended 31 December 2015

	2015 cents	2014 cents
<b>2. EARNINGS PER SHARE</b>		
<b>Earnings/(loss) per share</b>	<b>137.27</b>	(599.87)
The calculation of earnings/(loss) per share is based on the consolidated profit after taxation of R180 761 118 (2014: loss of R789 937 994) and the weighted average number of shares in issue during the year of 131 685 904 (2014: 131 685 904) shares.		
<b>Headline earnings/(loss) per share</b>	<b>120.28</b>	(362.08)
The calculation of headline earnings/(loss) per share is based on the consolidated headline profit after taxation of R158 392 425 (2014: loss of R476 809 019) and the weighted average number of shares in issue during the year of 131 685 904 (2014: 131 685 904) shares.		
<b>Diluted earnings/(loss) per share</b>	<b>137.27</b>	(599.87)
The calculation of diluted earnings/(loss) per share is based on the consolidated profit after taxation of R180 761 118 (2014: loss of R789 937 994) and the weighted average number of shares in issue during the year of 131 685 904 (2014: 131 685 904) shares.		
<b>Diluted headline earnings/(loss) per share</b>	<b>120.28</b>	(362.08)
The calculation of diluted headline earnings/(loss) per share is based on the consolidated headline profit after taxation of R158 392 425 (2014: loss of R476 809 019) and the weighted average number of shares in issue during the year of 131 685 904 (2014: 131 685 904) shares.		
<b>CONTINUING OPERATIONS</b>		
<b>Earnings/(loss) per share</b>	<b>152.78</b>	(467.17)
The calculation of earnings/(loss) per share is based on the consolidated profit after taxation of R201 186 495 (2014: loss of R615 194 794) and the weighted average number of shares in issue during the year of 131 685 904 (2014: 131 685 904) shares.		
<b>Headline earnings/(loss) per share</b>	<b>143.87</b>	(298.08)
The calculation of headline earnings/(loss) per share is based on the consolidated profit after taxation of R189 455 467 (2014: loss of R392 524 794) and the weighted average number of shares in issue during the year of 131 685 904 (2014: 131 685 904) shares.		
<b>Diluted earnings/(loss) per share</b>	<b>152.78</b>	(467.17)
The calculation of diluted earnings/(loss) per share is based on the consolidated profit after taxation of R201 186 495 (2014: loss of R615 194 794) and the weighted average number of shares in issue during the year of 131 685 904 (2014: 131 685 904) shares.		
<b>Diluted headline earnings/(loss) per share</b>	<b>143.87</b>	(298.08)
The calculation of diluted headline earnings/(loss) per share is based on the consolidated profit after taxation of R189 455 467 (2014: loss of R392 524 794) and the weighted average number of shares in issue during the year of 131 685 904 (2014: 131 685 904) shares.		
<b>DISCONTINUED OPERATIONS</b>		
<b>Loss per share</b>	<b>(15.51)</b>	(132.70)
The calculation of loss per share is based on the consolidated loss after taxation of R20 425 477 (2014: loss of R174 743 000) and the weighted average number of shares in issue during the year of 131 685 904 (2014: 131 685 904) shares.		
<b>Headline loss per share</b>	<b>(23.59)</b>	(64.00)
The calculation of headline loss per share is based on the consolidated loss after taxation of R31 063 355 (2014: loss of R84 284 000) and the weighted average number of shares in issue during the year of 131 685 904 (2014: 131 685 904) shares.		
<b>Diluted loss per share</b>	<b>(15.51)</b>	(132.70)
The calculation of diluted loss per share is based on the consolidated loss after taxation of R20 425 477 (2014: loss of R174 743 000) and the weighted average number of shares in issue during the year of 131 685 904 (2014: 131 685 904) shares.		
<b>Diluted headline loss per share</b>	<b>(23.59)</b>	(64.00)
The calculation of diluted headline loss per share is based on the consolidated loss after taxation of R31 063 355 (2014: loss of R84 284 000) and the weighted average number of shares in issue during the year of 131 685 904 (2014: 131 685 904) shares.		

	2015 R000	2014 R000
<b>2. EARNINGS PER SHARE</b> <i>continued</i>		
<b>Reconciliation between basic earnings/(loss), diluted earnings/(loss) and headline earnings/(loss) is as follows:</b>		
Basic and diluted earnings/(loss)	180 761	(789 938)
Adjusted by the after tax effect of the following:		
(Profit)/loss on sale of subsidiary	(20 046)	1 479
Loss on sale of associate	–	8 010
Profit on sale of property, plant and equipment	(9 926)	(730)
Impairment of goodwill	7 438	304 370
Impairment of associate	165	–
Headline earnings/(loss)	158 392	(476 809)
<b>Reconciliation between basic earnings/(loss), diluted earnings/(loss) and headline earnings/(loss) from continuing operations is as follows:</b>		
Basic and diluted earnings/(loss) from continuing operations	201 186	(615 195)
Adjusted by the after tax effect of the following:		
Loss on sale of subsidiary	–	1 479
Profit on sale of associate	–	(567)
Profit on sale of property, plant and equipment	(11 896)	(454)
Impairment of goodwill	–	222 212
Impairment of associate	165	–
Headline earnings/(loss) from continuing operations	189 455	(392 525)
<b>Reconciliation between basic loss, diluted loss and headline loss from discontinued operations is as follows:</b>		
Basic and diluted loss from discontinued operations	(20 425)	(174 743)
Adjusted by the after tax effect of the following:		
Profit on sale of subsidiary	(20 046)	–
Loss on sale of associate	–	8 577
Profit/(loss) on sale of property, plant and equipment	1 970	(276)
Impairment of goodwill	7 438	82 158
Impairment of associate	–	–
Headline loss from discontinued operations	(31 063)	(84 284)
	<b>Number</b>	<b>Number</b>
	<b>000</b>	<b>000</b>
<b>Reconciliation between weighted average number of shares and diluted weighted average number of shares:</b>		
Weighted average number of shares	131 686	131 686
Adjusted by: "A" ordinary shares	–	–
Adjusted by: Basil Read Share Incentive Scheme	–	–
Diluted weighted average number of shares	131 686	131 686

## Summarised notes to the consolidated financial statements

continued

for the year ended 31 December 2015

	2015 R000	2014 R000
<b>3. CASH GENERATED BY OPERATING ACTIVITIES</b>		
Operating profit/(loss)	201 015	(984 691)
Adjustment for non-cash items:	238 260	740 358
Depreciation	269 523	342 404
Impairment loss	7 604	304 370
Write down of development land	–	80 565
Profit on sale of property, plant and equipment	(12 201)	(897)
(Profit)/loss on sale of subsidiary	(24 641)	1 818
Loss on sale of associate	–	9 846
Fair value adjustment	(2 885)	1 392
Amortisation of intangible assets	860	860
Operating cash flow	439 275	(244 333)
Movements in working capital:	(555 330)	126 003
Inventories	1 517	8 891
Development land	5 343	14 533
Contract debtors and other receivables	72 483	(234 893)
Trade and other payables	(818 791)	153 357
Provisions for other liabilities and charges	184 118	184 115
Cash generated by operating activities	(116 055)	(118 330)

Excluded from the cash flow statement are additions to fixed assets amounting to R178.7 million (2014: R150.1 million) which were funded by instalment sale agreements.

**4. 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.

The executive committee, supported by the operations committee, is the group's chief operating decision maker. Management has determined the operating segments based on the reports reviewed by the executive committee that are used to make strategic decisions, for the purposes of allocating resources and assessing performance.

The committee manages the business in terms of three operational segments: construction, mining and St Helena. Assets and liabilities are allocated to each of these segments and are managed accordingly.

In terms of revenue and operating profit, the construction segment has been further broken down into buildings and developments, civils and plant and roads to be consistent with the internal reporting reviewed by the committee.

During the 2014 financial year, the operating reporting structure was reviewed and revised to better reflect the way the business is managed. These changes were implemented effective 1 January 2015 and the segment information presented has been aligned to the new structure of the internal organisation. The comparative information has been restated for all periods presented.

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.

#### 4. SEGMENT REPORT *continued*

	Total segment revenue R000	Intersegment revenue R000	Revenue from external customers R000
<b>For the year ended 31 December 2015</b>			
<b>Revenue</b>			
Construction	3 477 079	(153 654)	3 323 425
Buildings and developments	1 020 635	(4 000)	1 016 635
Civils and plant	852 423	–	852 423
Pipelines	95 444	–	95 444
Roads	1 508 577	(149 654)	1 358 923
Mining	1 402 190	(166 652)	1 235 538
St Helena	961 016	–	961 016
	<b>5 840 285</b>	<b>(320 306)</b>	<b>5 519 979</b>

#### **For the year ended 31 December 2014**

Construction	4 246 325	(56 945)	4 189 380
Buildings and developments	1 349 030	–	1 349 030
Civils and plant	1 310 352	(426)	1 309 926
Pipelines	30 112	–	30 112
Roads	1 556 831	(56 519)	1 500 312
Mining	1 274 056	(78 333)	1 195 723
St Helena	876 338	–	876 338
	<b>6 396 719</b>	<b>(135 278)</b>	<b>6 261 441</b>

	2015		2014	
	R000	Margin %	R000	Margin %
<b>Operating profit</b>				
Construction	46 985	1.41	(877 779)	(20.95)
Buildings and developments	18 847	1.85	(304 492)	(22.57)
Civils and plant	503	0.06	(388 942)	(29.69)
Pipelines	(21 563)	(22.59)	(2 554)	(8.48)
Roads	49 198	3.62	(181 791)	(12.12)
Mining	83 558	6.76	(26 630)	(2.23)
St Helena	95 654	9.95	101 120	11.54
	<b>226 197</b>	<b>4.10</b>	<b>(803 289)</b>	<b>(12.83)</b>

#### **Other profit and loss disclosures**

	Construction R000	Mining R000	St Helena R000	Total R000
<b>For the year ended 31 December 2015</b>				
Depreciation	(69 401)	(166 341)	(33 781)	(269 523)
Impairment of goodwill	–	–	–	–
Net finance income/(costs)	(27 411)	(31 917)	23 937	(35 391)
<b>For the year ended 31 December 2014</b>				
Depreciation	(75 607)	(193 653)	(62 282)	(331 542)
Impairment of goodwill	(185 741)	(36 471)	–	(222 212)
Net finance income/(costs)	(27 570)	(16 714)	21 785	(22 499)

## Summarised notes to the consolidated financial statements

continued

for the year ended 31 December 2015

4. SEGMENT REPORT *continued*

Assets For the year ended 31 December 2015	2015			2014
	Construction R000	Mining R000	St Helena R000	Total R000
Property, plant and equipment	252 272	587 854	75 730	915 856
Goodwill	88 917	–	–	88 917
Inventories	4 747	19 895	1 297	25 939
Work in progress	420 479	12 758	–	433 237
Cash and cash equivalents	190 026	112 929	168 452	471 407

## For the year ended 31 December 2014

Property, plant and equipment	402 552	513 888	163 808	1 080 248
Goodwill	96 355	–	–	96 355
Inventories	11 925	18 033	3 109	33 067
Work in progress	327 957	21 476	28 033	377 466
Cash and cash equivalents	134 406	112 571	573 602	820 579

## Liabilities

## For the year ended 31 December 2015

Interest-bearing borrowings	116 600	223 332	–	339 932
Advance payments received for contract work	463 873	5 648	245 911	715 432
Provisions for other liabilities and charges	366 032	8 900	122 591	497 523

## For the year ended 31 December 2014

Interest-bearing borrowings	292 569	196 923	–	489 492
Advance payments received for contract work	303 345	1 960	797 080	1 102 385
Provisions for other liabilities and charges	210 299	31 123	77 344	318 766

## Order book

	2015 R000	2014 R000
Construction	4 765 063	5 064 936
Buildings and developments	1 301 715	1 667 075
Civils and plant	796 740	1 064 616
Pipelines	49 404	87 495
Roads	2 617 204	2 245 750
Mining	4 659 957	3 773 675
St Helena	1 316 173	1 700 338
	10 741 193	10 538 949

## Geographic information

	2015 %	2014 %
<b>Revenue</b>		
South Africa	72	77
Rest of Africa	11	10
Rest of world	17	13
	100	100

# Shareholders' information

as at 31 December 2015

## ANALYSIS OF ORDINARY SHAREHOLDERS AS AT 31 DECEMBER 2015

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
<b>Shareholder spread</b>				
1 – 1 000	1 135	43.37	468 039	0.36
1 001 – 10 000	1 025	39.17	3 795 281	2.88
10 001 – 100 000	317	12.11	10 425 773	7.92
100 001 – 1 000 000	117	4.47	37 501 604	28.48
Over 1 000 000	23	0.88	79 503 584	60.36
<b>Total</b>	<b>2 617</b>	<b>100.00</b>	<b>131 694 281</b>	<b>100.00</b>
<b>Distribution of shareholders</b>				
Assurance companies	17	0.65	1 715 359	1.30
BEE entities	2	0.08	18 983 056	14.41
Close corporations	32	1.22	744 485	0.57
Collective investment schemes	37	1.41	32 626 621	24.77
Custodians	13	0.50	5 241 836	3.98
Foundations and charitable funds	13	0.50	589 511	0.45
Hedge funds	5	0.19	568 057	0.43
Insurance companies	3	0.11	2 322 958	1.76
Investment partnerships	12	0.46	85 941	0.07
Managed funds	5	0.19	105 013	0.08
Medical aid funds	5	0.19	299 605	0.23
Organs of state	3	0.11	9 596 678	7.29
Private companies	51	1.95	6 315 065	4.80
Public companies	2	0.08	1 559	0.00
Public entities	2	0.08	9 315 617	7.07
Retail shareholders	2 183	83.41	11 196 520	8.50
Retirement benefit funds	102	3.90	19 664 015	14.93
Scrip lending	1	0.04	20 000	0.02
Stockbrokers and nominees	18	0.69	4 501 318	3.42
Treasury	1	0.04	18 511	0.01
Trusts	107	4.09	7 776 389	5.90
Unclaimed scrip	3	0.11	6 167	0.01
<b>Total</b>	<b>2 617</b>	<b>100.00</b>	<b>131 694 281</b>	<b>100.00</b>

Shareholders' information *continued*

as at 31 December 2015

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
<b>Shareholder type</b>				
Non-public shareholders	4	0.15	25 497	0.02
Directors and associates (excluding employee share schemes)	3	0.11	6 986	0.01
Treasury	1	0.04	18 511	0.01
<b>Public shareholders</b>	<b>2 613</b>	<b>99.85</b>	<b>131 668 784</b>	<b>99.98</b>
<b>Total</b>	<b>2 617</b>	<b>100.00</b>	<b>131 694 281</b>	<b>100.00</b>
<b>Fund managers with a holding greater than 3% of the issued shares</b>				
Allan Gray			30 326 235	23.03
Prudential Investment Managers			11 985 852	9.10
PSG Asset Management			9 923 602	7.54
Public Investment Corporation			7 798 500	5.92
Argon Asset Management			4 033 969	3.06
<b>Total</b>			<b>64 068 158</b>	<b>48.65</b>
<b>Beneficial shareholders with a holding greater than 3% of the issued shares</b>				
Allan Gray			13 822 730	10.50
NMT Capital (Pty) Ltd (previously Amabubesi Investments (Pty) Ltd)			11 099 813	8.43
Government Employees Pension Fund			9 596 678	7.29
Industrial Development Corporation			9 090 909	6.90
PSG			8 582 130	6.52
SIOC CDT Investment Holdings (RF) (Pty) Ltd			7 883 243	5.99
<b>Total</b>			<b>60 075 503</b>	<b>45.63</b>
<b>Total number of shareholdings</b>	<b>2 617</b>			
<b>Total number of shares in issue</b>			<b>131 694 281</b>	

### Share price performance

Opening price 2 January 2015	R4.20
Closing price 31 December 2015	R3.54
Closing high for the period	R5.25
Closing low for the period	R2.31
Number of shares in issue	131 694 281
Volume traded during the period	26 845 521
Ratio of volume traded to shares issued (%)	20.38%
Rand value traded during the period	95 920 902
Price/earnings ratio as at 31 December 2015	(1.98)
Earnings yield as at 31 December 2015	(50.62)
Dividend yield as at 31 December 2015	–

### Analysis of "A" ordinary shares as at 31 December 2015

	Number of shareholders	% of total shareholdings	Number of shares	% of issued capital
<b>Shareholder spread</b>				
1 – 1 000 shares	–	–	–	–
1 001 – 5000 shares	–	–	–	–
5 001 – 10 000 shares	–	–	–	–
10 001 – 50 000 shares	–	–	–	–
50 001 – 100 000 shares	–	–	–	–
Over 100 001 shares	1	100.00	33 607 507	100.00
	1	100.00	33 607 507	100.00

### Beneficial shareholders with a holding greater than 3% of the issued shares

	Number of shares	% of issued capital
SIOC CDT Investment Holdings (RF) (Pty) Ltd	33 607 507	100.00
	33 607 507	100.00
Total number of shareholdings	1	
Total number of shares in issue	33 607 507	

## Notice of annual general meeting

### **BASIL READ HOLDINGS LIMITED**

Incorporated in the Republic of South Africa  
(Registration number: 1984/007758/06  
Share code: BSR ISIN: ZAE000029781  
(Basil Read or the company)

Notice is hereby given that the 31st annual general meeting (AGM) of shareholders of Basil Read will be held at 10:00 on Thursday, 2 June 2016 at Basil Read Campus, 7 Romeo Street, Hughes Extension, Boksburg, to consider and, if deemed fit, pass with or without modification the resolutions set out below.

If you are in any doubt on the action you should take for the following resolutions, please consult your central securities depository participant (CSDP), broker, banker, attorney, accountant or other professional adviser immediately.

The board of directors of the company has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act 71 of 2008 (Companies Act), as amended:

- This notice has been sent to shareholders of the company who were recorded as such in the securities register on Tuesday, 26 April 2016, being the notice record date for determining which shareholders are entitled to receive notice of the AGM.
- The record date for determining which shareholders of the company are entitled to participate in and vote at the AGM is Thursday, 26 May 2016. Accordingly, the last day to trade in Basil Read shares to be recorded in the register to be entitled to vote will be Thursday, 19 May 2016.

### **PRESENTATION OF ANNUAL FINANCIAL STATEMENTS**

To present the audited annual financial statements of the company and the group, for the year ended 31 December 2015, including the directors' report, audit committee report and report of the independent auditors, and to confirm all matters and actions undertaken and discharged by the directors on behalf of the company. The annual financial statements are available on the company's website: ([www.basilread.co.za](http://www.basilread.co.za)).

### **ORDINARY RESOLUTIONS**

#### **Percentage of voting rights – ordinary resolutions**

Ordinary resolutions numbers 1 to 4, contained in the notice of AGM, require the approval of a minimum of 50% plus one vote of votes exercisable on resolutions by shareholders present or represented by proxy at the AGM for the resolution to be adopted.

Ordinary resolution number 4 is proposed for a non-binding advisory vote only and failure to pass this resolution will not have an effect on the company's existing arrangements, but the outcome of the vote will be considered when determining the company's remuneration policy.

Special resolutions 1 and 2 require a 75% majority of votes exercised on the resolution by shareholders present or represented by proxy at the AGM for the resolution to be adopted in terms of the Listings Requirements of the JSE Limited (JSE Listings Requirements).

#### **I. ORDINARY RESOLUTION NUMBER 1**

##### **Reappointment of independent auditors**

Resolved to reappoint PricewaterhouseCoopers Inc (PwC) as independent auditors of the company, and to appoint Mr Sizwe Masondo as the individual designated auditor; to hold office until the conclusion of the next AGM in terms of section 90(1) of the Companies Act, on recommendation of the audit committee, and to authorise the directors to determine the auditors' remuneration.

##### **Motivation**

PwC has indicated its willingness to continue in office and ordinary resolution 1 proposes reappointing the firm as Basil Read's auditor until the conclusion of the next AGM.

At the meeting on 7 March 2016, the audit committee considered the independence of PwC in accordance with section 94(8) of the Companies Act and as prescribed by the Independent Regulatory Board for Auditors established by the Auditing Profession Act and was satisfied that PwC is independent.

The audit committee nominates PwC for reappointment as registered auditor of the group.

Furthermore, the audit committee has, in terms of paragraph 3.86 of the JSE Listings Requirements, considered and satisfied itself that PwC is accredited to appear on the JSE list of auditors and advisers, in compliance with section 22 of the JSE Listings Requirements.

## 2. ORDINARY RESOLUTION NUMBER 2

### Rotation of non-executive directors

To elect, by way of separate resolutions, the following non-executive directors retiring by rotation in terms of the provisions of article 28.8 of the memorandum of incorporation (Mol) of the company:

- 2.1 Resolved that SS Ntsaluba, who retires in accordance with the company's Mol and, being eligible, offers himself for re-election, be re-elected as a director of the company with immediate effect.
- 2.2 Resolved that TA Tlelai, who retires in accordance with the company's Mol and, being eligible, offers himself for re-election, be re-elected as a director of the company with immediate effect.
- 2.3 Resolved that DLT Dondur, who retires in accordance with the company's Mol and, being eligible, offers herself for re-election, be re-elected as a director of the company with immediate effect.

### Motivation

In terms of the Mol of the company, one-third of non-executive directors are required to retire at each AGM of the company. There are currently 10 directors (two of whom are executives and disregarded when determining the number of directors to retire by rotation) on the board and, accordingly, three directors are required to retire at the AGM.

The directors to retire are selected from those who have served longest since their last election or re-election. Mr Ntsaluba, Mr Tlelai and Ms Dondur have served the longest since their election and therefore retire by rotation. They are entitled to and have offered themselves for re-election. The board recommends their re-election and their résumés appear on page 12 of the integrated report 2015.

## 3. ORDINARY RESOLUTION NUMBER 3

### Election of audit committee members

To elect, by way of separate resolutions, non-executive directors as members of the audit committee in terms of section 94 of the Companies Act. The board has determined that each of the members standing for appointment has the required qualifications and experience. The following non-executive directors, each being eligible, offer themselves for election:

- 3.1 Resolved that DLT Dondur, who offers herself for election to the audit committee, be elected as a member of the audit committee of the company with immediate effect.
- 3.2 Resolved that CE Manning, who offers herself for election to the audit committee, be re-elected as a member of the audit committee of the company with immediate effect.
- 3.3 Resolved that MSI Gani, who offers himself for election to the audit committee, be re-elected as a member of the audit committee of the company with immediate effect.

### Motivation

In terms of section 94(2) of the Companies Act, the audit committee is elected by shareholders at each AGM. King III likewise requires shareholders of a public company to elect members of an audit committee at each AGM.

The board recommends to shareholders the election of these directors (résumés are on page 12 of the integrated report 2015).

## 4. ORDINARY RESOLUTION NUMBER 4

### Approval of remuneration policy

Resolved that in accordance with principle 2.27 of King III, shareholders approve the company's remuneration policy by way of a non-binding advisory vote. The non-binding vote enables shareholders to express their views on the remuneration policy adopted by the company and on its implementation.

### Motivation

In terms of King III recommendations, by tabling the company's remuneration policy for a non-binding advisory vote at the AGM, shareholders are able to express their views on these policies. The detailed remuneration policy, for which approval is sought, is included in the remuneration report on pages 78 to 82 of the integrated report 2015 to which this notice is attached. Accordingly, shareholders are requested to endorse the company's remuneration policy.

## SPECIAL BUSINESS

### Percentage of voting rights

Special resolutions numbers 1 and 2 in this notice of AGM require approval of a minimum of 75% of the votes exercised on the resolution by shareholders present or represented by proxy at the AGM for the resolution to be adopted.

## 5. SPECIAL RESOLUTION NUMBER 1

### Remuneration of non-executive directors

Resolved that, in terms of the provisions of sections 66(8) and (9) of the Companies Act, and on the recommendation of the remuneration committee of the company, the annual remuneration payable to non-executive directors of the company for their services as directors for the financial year ending 31 December 2016, be and is hereby approved as set out on page 90 of the integrated report to which this notice is attached.

### Motivation

In terms of sections 66(8) and (9) of the Companies Act, the company is required to obtain approval of shareholders by way of special resolution to remunerate its non-executive directors for services rendered.

The board conducted an independent benchmark exercise during the year and found that some directors' fees are below the market benchmark. These were last increased in 2011.

## Notice of annual general meeting *continued*

### 6. SPECIAL RESOLUTION NUMBER 2

#### Approval to grant financial assistance to related or inter-related companies and others

Resolved that: the company be and is hereby authorised, in terms of a general authority contemplated in section 45(3)(a)(ii) of the Companies Act for a period of two years from the date of this resolution, to provide direct or indirect financial assistance (as defined in section 45(1) of the Companies Act) (financial assistance) to the following categories of persons:

- Related or inter-related company or corporation; and/or
- Member of a related or inter-related corporation.

Subject to, in relation to each grant of financial assistance to the categories of persons of such financial assistance, the board of directors of the company being satisfied that:

- Pursuant to section 45(3)(b)(i) of the Companies Act, immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as defined in section 4(1) of the Companies Act); and
- Pursuant to section 45(3)(b)(ii) of the Companies Act, the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

#### Motivation

The reason for special resolution number 2 is to grant the board authority to permit the company to provide financial assistance as contemplated in section 45 of the Companies Act to any one or more related or inter-related companies or corporations of the company and/or to any more members of any such related or inter-related company or corporation and/or to any one or more persons related to any such company or corporation.

The board will pass a resolution every time it considers providing financial assistance to a related or inter-related party provided it is satisfied that: (i) immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Act; and that (ii) the terms under which such financial assistance is to be given are fair and reasonable to the company as referred to in section 45(3)(b)(ii).

### 7. ANY OTHER BUSINESS

To transact such other business as may be transacted at the AGM of the company.

#### VOTING AND PROXIES

A shareholder entitled to attend and vote at the AGM is entitled to appoint a proxy or proxies to attend and act in his/her stead. A proxy need not be a member of the company. For the convenience of registered members of the company, a form of proxy is attached.

The form of proxy is only to be completed by those ordinary shareholders who:

- Hold ordinary shares in certificated form; or
- Are recorded on the subregister in "own-name" dematerialised form.

Ordinary shareholders who have dematerialised their ordinary shares through a CSDP/broker without "own-name" registration and who wish to attend the AGM, must instruct their CSDP/broker to provide them with the relevant letter of representation to attend the meeting in person or by proxy and vote. If they do not wish to attend in person or by proxy, they must provide the CSDP/broker with their voting instructions in terms of the relevant custody agreement between them and the CSDP/broker.

Proxy forms should be forwarded to reach the transfer secretaries, Link Market Services South Africa Proprietary Limited, at least 48 hours, excluding Saturdays, Sundays and public holidays, before the time of the meeting.

Kindly note that meeting participants, including proxies, are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, driver's licences and passports.

By order of the board



**Andiswa Ndoni**  
Company secretary

20 April 2016

Boksburg

# Form of proxy

## BASIL READ HOLDINGS LIMITED

Incorporated in the Republic of South Africa  
 (Registration number: 1984/007758/06  
 Share code: BSR ISIN: ZAE000029781  
 (Basil Read or the company)

For use only by ordinary shareholders who:

- Hold ordinary shares in certificated form (certificated ordinary shareholders); or
- Have dematerialised their ordinary shares (dematerialised ordinary shareholders) and are registered with "own name" registration at the 31st annual general meeting (AGM) of shareholders of the company to be held at Basil Read Campus, 7 Romeo Street, Hughes Extension, Boksburg, at 10:00 on Thursday, 2 June 2016 and any adjournment.

Dematerialised ordinary shareholders holding ordinary shares other than with "own name" registration who wish to attend the AGM must inform their central securities depository participant (CSDP) or broker of their intention to attend the AGM and request their CSDP or broker to issue them with the relevant letter of representation to attend the AGM in person or by proxy and vote. If they do not wish to attend the AGM in person or by proxy, they must provide their CSDP/broker with their voting instructions in terms of the relevant custody agreement between them and the CSDP or broker.

**These ordinary shareholders must not use this form of proxy.**

Name of beneficial shareholder \_\_\_\_\_

Name of registered shareholder \_\_\_\_\_

Address \_\_\_\_\_

Telephone work \_\_\_\_\_

Telephone home \_\_\_\_\_

Cell \_\_\_\_\_

being the holder/custodian of \_\_\_\_\_ ordinary shares in the company, hereby appoint (see note):

1. \_\_\_\_\_ or failing him/her

2. \_\_\_\_\_ or failing him/her

3. the chairperson of the meeting

as my/our proxy to attend and act for me/us on my/our behalf at the AGM of the company convened for the purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed at that meeting and at each postponement or adjournment, and to vote for/against such resolutions, and/or abstain from voting, in respect of the ordinary shares in the issued share capital of the company registered in my/our name/s in accordance with the following instructions:

		Number of ordinary shares		
		For	Against	Abstain
1.	<b>Ordinary resolution number 1</b> To reappoint PricewaterhouseCoopers Inc as auditors of the company together with Mr Sizwe Masondo as the registered auditor for the ensuing financial year			
2.	<b>Ordinary resolution number 2</b>			
	2.1 To approve the re-election of SS Ntsaluba who retires by rotation			
	2.2 To approve the re-election of TA Tlelai who retires by rotation			
	2.3 To approve the re-election of DLT Dondur who retires by rotation			
3.	<b>Ordinary resolution number 3</b>			
	3.1 To approve the re-election of DLT Dondur to the audit committee			
	3.2 To approve the re-election of CE Manning to the audit committee			
	3.3 To approve the re-election of MSI Gani to the audit committee			
4.	<b>Ordinary resolution number 4</b> Approval of remuneration policy			
5.	<b>Special resolution number 1</b> Approval of non-executive directors' remuneration for the financial year ending 31 December 2016			
6.	<b>Special resolution number 2</b> Approval to grant financial assistance to related or inter-related companies and others			

Please indicate instructions to proxy in the space provided above by inserting the relevant number of exercisable votes.

A member entitled to attend and vote at the AGM may appoint one or more proxies to attend and act in his stead. A proxy so appointed need not be a member of the company.

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2016

Signature \_\_\_\_\_

Assisted by (if applicable) \_\_\_\_\_

## Notes to the form of proxy

1. The form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the subregister in electronic form in own name.
  2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the AGM must provide the CSDP/broker with their voting instructions in terms of the relevant custody agreement between them and the CSDP/broker.
  3. A shareholder entitled to attend and vote at the AGM may insert the name of a proxy or the names of two alternate proxies (none of whom need be a shareholder of the company) of the shareholder's choice in the space provided, with or without deleting "the chairperson of the meeting". The person whose name is first on this form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those proxies(ies) whose names follow. Should this space be left blank, the proxy will be exercised by the chairperson of the meeting.
  4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote for each ordinary share held. A shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by that shareholder in the space provided. If an X has been inserted in one of the blocks to a particular resolution, it will indicate voting of all shares held by that shareholder. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she deems fit in respect of the shareholder's entire exercisable votes. A shareholder or proxy is not obliged to use all the votes exercisable by the shareholder or proxy, but the total of votes cast and in respect of which abstention is recorded may not exceed the total of votes exercisable by the shareholder or proxy.
  5. A vote given in terms of an instrument of proxy will be valid for the AGM despite the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares for which the proxy is given, unless notice of any of these matters has been received by the transfer secretaries not less than 48 hours before the start of the AGM.
  6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the AGM be proposed, such proxy will be entitled to vote as he/she thinks fit.
  7. The chairperson of the AGM may reject or accept any form of proxy that is completed and/or received other than in compliance with these notes.
  8. A shareholder's authorisation to the proxy, including the chairperson of the AGM, to vote on such shareholder's behalf will be deemed to include the authority to vote on procedural matters at the AGM.
  9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person to the exclusion of any proxy appointed.
  10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached, unless previously recorded by the company's transfer secretaries or waived by the chairperson of the AGM.
  11. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the company.
  12. Where there are joint holders of ordinary shares:
    - Any one holder may sign the form of proxy; and
    - The vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which names of ordinary shareholders appear in the company's register of ordinary shareholders) who tender a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
  13. Forms of proxy should be lodged with or mailed to Link Market Services South Africa Proprietary Limited
    - Hand deliveries to:**  
13th Floor  
Rennie House  
19 Ameshoff Street  
Braamfontein
    - Postal deliveries to:**  
PO Box 4844  
Johannesburg  
2000
- to be received by no later than 10:00 on Tuesday, 31 May 2016 (or 48 hours before any adjournment of the AGM which date, if necessary, will be notified on SENS).
14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

## Summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Companies Act

A proxy appointment must be in writing, dated and signed by the shareholder appointing the proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the relevant shareholders' meeting.

A proxy may delegate his/her authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.

The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in exercising any rights as a shareholder.

The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the company as required in the first sentence of this paragraph.

If the instrument appointing the proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the company's memorandum of incorporation to be delivered by the company to the shareholder, must be delivered by the company to (a) the shareholder; or (b) the proxy or proxies, if the shareholder has (i) directed the company to do so in writing; and (ii) paid any reasonable fee charged by the company for doing so.

Attention is also drawn to the notes to the proxy form on page 114.

Completing a form of proxy does not preclude any shareholder from attending the AGM.

## Administration

### BASIL READ HOLDINGS LIMITED

Registration number: 1984/007758/06  
Share code: BSR  
ISIN: ZAE000029781

### REGISTERED OFFICE

Basil Read Campus  
7 Romeo Street  
Hughes Extension  
Boksburg, 1459

Private Bag X170, Bedfordview, 2008  
Tel: +27 11 418 6300  
Fax: +27 11 418 6334  
Email: [communications@basilread.co.za](mailto:communications@basilread.co.za)

### COMPANY SECRETARY

Andiswa Ndoni

### SPONSOR

Grindrod Bank  
4th floor; Grindrod Tower  
8A Protea Place  
Sandton, 2146

### BANKERS

Nedbank Corporate Banking – Gauteng  
1st floor  
Corporate Place Nedbank  
135 Rivonia Road  
Sandown, 2196

First National Bank of Southern Africa Limited  
5th floor  
No 3 First Place  
Bank City  
Harrison Street  
Johannesburg, 2001

### TRANSFER SECRETARIES

Link Market Services  
13th floor; Rennie House  
19 Ameshoff Street, Braamfontein

## Shareholders' diary

Financial year-end	31 December
Annual general meeting	2 June 2016
<b>REPORTS</b>	
Half-year interim report	August 2016
Audited results	March 2017

---

**Disclaimer**

Opinions expressed in this report are, by nature, subject to known and unknown risks and uncertainties. Changing information or circumstances may cause the actual results, plans and objectives of Basil Read to differ materially from those expressed or implied in any forward looking statements. Financial forecasts and data in this report are estimates which at times are based on reports prepared by experts who, in turn, may have relied on management estimates. Undue reliance should not be placed on such opinions, forecasts or data. No representation is made on the completeness or correctness of opinions, forecasts or data in this report. Neither the company nor any of its affiliates, advisers or representatives accept any responsibility for any loss arising from the use of any opinion expressed, forecast or data in this report. Forward looking statements apply only as of the date on which they are made and the company does not undertake any obligation to publicly update or revise any of its opinions or forward looking statements, whether to reflect new data or future events or circumstances. The financial information on which the forward looking statements are based has not been audited nor reported on by the company's independent external auditors.

Certain St Helena photographs used courtesy of What The Saints Did Next ([www.whatthesaintsdidnext.com](http://www.whatthesaintsdidnext.com)).



[www.basilread.co.za](http://www.basilread.co.za)