

# BASIL READ



INTEGRATED  
REPORT  
**2017**

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

# Basis of report preparation and presentation

Basil Read's integrated report for the reporting period ended 31 December 2017 combines our economic, social and governance performance 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 2016. Although this report is primarily prepared for providers of financial capital, detailing our progress against strategic objectives, we trust it will be useful for all our stakeholders.

Integrated reporting is the 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, guidelines of the Global Reporting Initiative (GRI) (G4 core application level), and requirements of the King Report on Corporate Governance for South Africa 2016 (King IV).

## Report content

This report covers Basil Read's South African, African and international activities, including construction, developments, mining, roads and the St Helena airport project. Refer to our annual financial statements (AFS) for a detailed list of our investments in subsidiary divisions.

We structured our report around the six capital models described in the International <IR> Framework. We believe that this reporting structure demonstrates our use and impact of these resources in a clear and concise manner.

The resources Basil Read utilises are:

- Financial capital (financial director's report): page 24
- Human capital: page 44
- Social and relationship capital: page 50
- Intellectual capital: page 54
- Manufactured capital: page 56
- Natural capital: page 57

## Assurance of information

Basil Read aims for high standards in disclosures to provide meaningful, accurate, complete, transparent and balanced information to stakeholders. The board, its committees and management were involved in finalising the disclosures made in this integrated report and assume responsibility for the information contained therein.

The financial information included in this report was prepared in accordance with IFRS. PwC has independently assured the AFS.

Non-financial information was not independently assured.



## 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.

In preparing the financial statements for the current reporting period, the group adopted the amendment to IAS 1 which clarified that materiality applies to the whole set of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. As a consequence of adopting the amendment, the group also undertook a project to assess the effectiveness of disclosures in the AFS and, where necessary, removed immaterial and unnecessary information. The result of this adoption, along with the project undertaken, has resulted in a more streamlined and concise set of financial statements. Refer to the full set of financial statements for further details of the changes made.

### Supplementary information

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

For further details, contact: [communications@basilread.co.za](mailto:communications@basilread.co.za)

### 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 financial and non-financial reporting and continuously strives to incorporate best practice and improve disclosure.

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



Paul Baloyi  
Chairman



Khathutshelo Mapasa  
Chief executive officer

28 March 2018

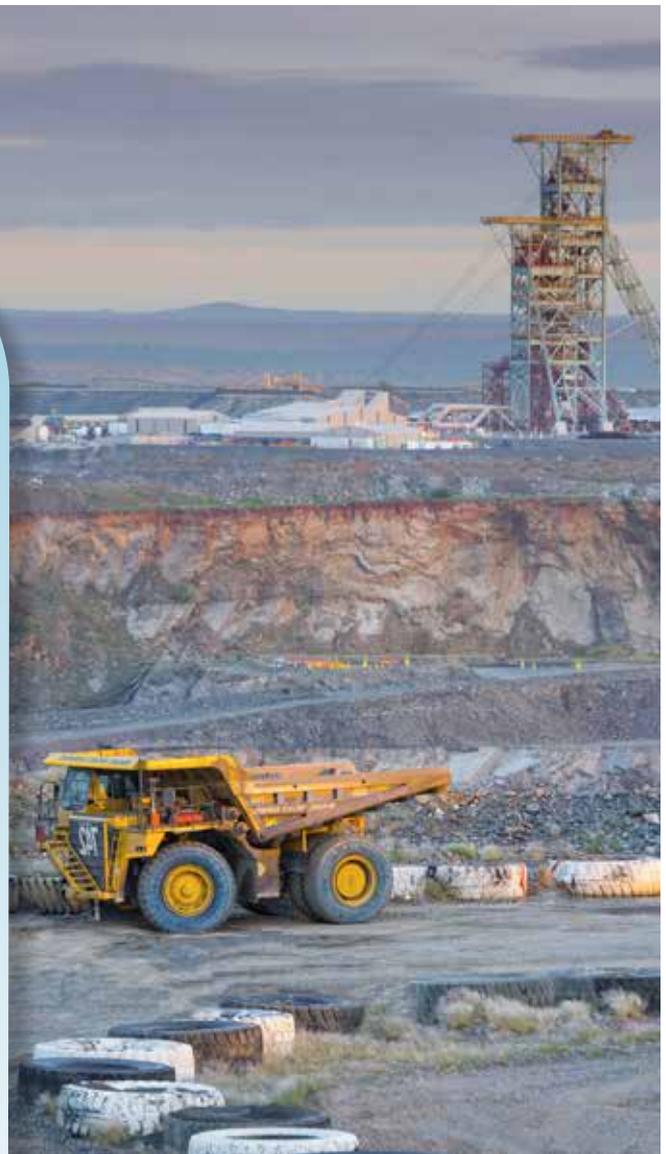
### Forward-looking information

This integrated report contains forward-looking statements that, unless otherwise indicated, reflect the group's expectations. Actual results may differ materially from the group's expectations if known and unknown risks or uncertainties affect its business, or if estimates or assumptions prove to be inaccurate. Basil Read cannot guarantee that any forward-looking statement will materialise. Readers are cautioned not to place undue reliance on any forward-looking statements. The group disclaims any intention and assumes no obligation to update or revise any forward-looking statement, even if new information becomes available because of future events, or for any other reason, other than as required by the JSE Listings Requirements.

## BASIL READ

**Basil Read is active in building, civil engineering, roads construction, mixed-use integrated housing developments, surface mining and related services.**

**For over 65 years, the company has played its part in building the foundations of South Africa for all its citizens.**



# Chairman's statement

The board responded by making changes to its own composition and that of executive management.

In 2017, South Africa's construction sector shed more value in a single year than at any time in decades. Industry players of all sizes were heavily impacted. Declining public and private investment into infrastructure, along with major public sector contracts that significantly overran budget and completion dates, has subdued the entire construction industry. Basil Read's losses result

primarily from the long-term legacy contracts that load substantial once-off provisioning funds into our year-end financials.

These losses were exaggerated due to having to account for the length of time typically required in South Africa to resolve claims arising from contestable clauses in contracts. The board decided



Paul Baloyi  
Chairman

that, in principle, Basil Read will not take the path of least resistance by seeking out-of-court settlements. Where we believe that our claims are justifiable and strong, we will apply pressure to win justified compensation and due recognition for the value of our contracted work. On the downside, taking this principled approach has absorbed liquidity that Basil Read needed for project working capital in 2017.

Certainly, the 2017 financial year was among the worst ever experienced by Basil Read, which only continued operating as a going concern through the direct intervention of shareholders. The significant impairment apparent in the balance sheet has considerably diluted shareholder value.

Problems arising within the roads division, along with mediocre contracting decisions and low margins, were the primary contributors to our R743 million loss on operations. Although consequent remedial steps taken by management did begin delivering results, the restructuring of our roads and construction division has caused some disruption.

The board responded to the challenge by making several changes to its own composition and that of executive management, including the appointment of a new CEO and CFO. Appointing Khathutshelo Mapasa, previously the company's mining executive, to the CEO role has motivated the new executive team, stabilised management and ensured that the Basil Read turnaround strategy, as approved by the board, is effectively carried out. Our incoming CFO, Pieter van Buuren, has taken firm control of the financial function.

Besides the CEO and CFO appointments, we further strengthened the executive team by recruiting Richard Simpson as executive officer of the construction division, with the positive impacts from his appointment already being seen.

Basil Read's mining division remains our top performer and its order book is healthy, with two contracts worth over R2 billion each awarded in 2017. Following Mr Mapasa's promotion to company CEO in May 2017, we contracted a respected industry professional to fill his shoes as divisional CEO.

### Key focus areas for the ensuing year

Initially, we prioritised bolstering executive management and ensuring that the team executes on the turnaround strategy. With this process now well under way, the board is now monitoring executive performance against strategic objectives.

A top priority at present is to proactively manage legacy contracts to minimise further losses. We are already seeing some positive results and have been advised that Basil Read has reasonable prospects for claw backs from certain of our provisioned contracts.

Throughout 2017, Basil Read struggled to obtain the liquidity to pay creditors, provide working capital and reduce debt. The debt standstill agreement and successful rights issue provides relief for the remainder of the year, though getting claims paid successfully and timeously is becoming increasingly relevant to stabilising cash flows.

Another source of liquidity is to dispose of non-core assets. In Basil Read's case, we have properties under development that can be sold off. These disposals are vital for normalising the company's liquidity and require direct board oversight. We anticipate that these disposals will be completed before year-end, 2018.

### Changes to the board

Shareholders taking up the recent rights issue demanded that a stronger and more effective board be appointed. We are delighted to have brought the

experience and skills of Bernard Swanepoel, Darryll Castle, Tshegofatso Sefolo, Shammy Luvhengo and Hlonela Lupuwana-Pemba onto the Basil Read board. In keeping with our principle of having 10 or fewer board members, Sango Ntsaluba, Thabiso Tlelai and Des Hughes will retire from the board at the forthcoming AGM.

As part of our commitment to shareholders, we established an independent oversight committee within the board to monitor all projects. Under the chairmanship of Bernard Swanepoel, this oversight committee evaluates contracts of various sizes and shapes spread across our roads, building, civil and development business units. It will also oversee Basil Read's recently established project management office (PMO), which monitors operations and risks at all our projects.

Similarly, we established an independent board for our construction division, to be chaired by Darryll Castle. This board is mandated to speed up the resolution of claims and unfinished legacy contracts.

### In appreciation

I would be remiss if I do not convey the gratitude of our management and staff to the shareholders for their support. We especially thank the Industrial Development Corporation (IDC) for its timely support, without which we would not have survived.

Finally, my appreciation to all our partners and clients who have continued supporting the company during this difficult period.



**Paul Baloyi**  
Chairman

28 March 2018

# Key performance highlights



**Zero**  
fatalities

**Safety**  
(2016: zero fatalities)



**717.35**  
cents

**Headline loss per share**  
(2016: 21.79 cents)



**R1**  
billion

**Net loss**  
(December 2016: R53.6 million)



**R743.1**  
million

**Operating loss**  
(2016: operating profit  
R63.7 million)



**R12.6**  
billion

**Order book**  
(2016: R12.3 billion)



**768.34**  
cents

**Loss per share**  
(2016: 48.70 cents)



**R4.6**  
billion

**Revenue from continuing operations**  
(2016: R5.1 billion)



**2 319**Mℓ

**Water consumption**  
(2016: 4 043Mℓ)

- Leading employer in skills development award (CETA)
- Legend of empowerment honorary award
- Second finalist in gender reporting by a JSE-listed company
- Govan Mbeki award for the best integrated development project
- SAFCEC presidential award for outstanding contribution to industry transformation



On 14 October 2017, St Helena Airport's first commercial passenger flight touched down with **72 passengers** and **six crew** on board



**R3.8** million

**CSI**  
(2016: R6.1 million)




**Level 3**

**BBBEE**

**BR Limited (csc)**  
(2016: Level 2)



**Level 2**

**BBBEE**

**BR Mining (dti)**  
(2016: Level 2)



**R488** million

**New assets**  
(2016: R185 million)

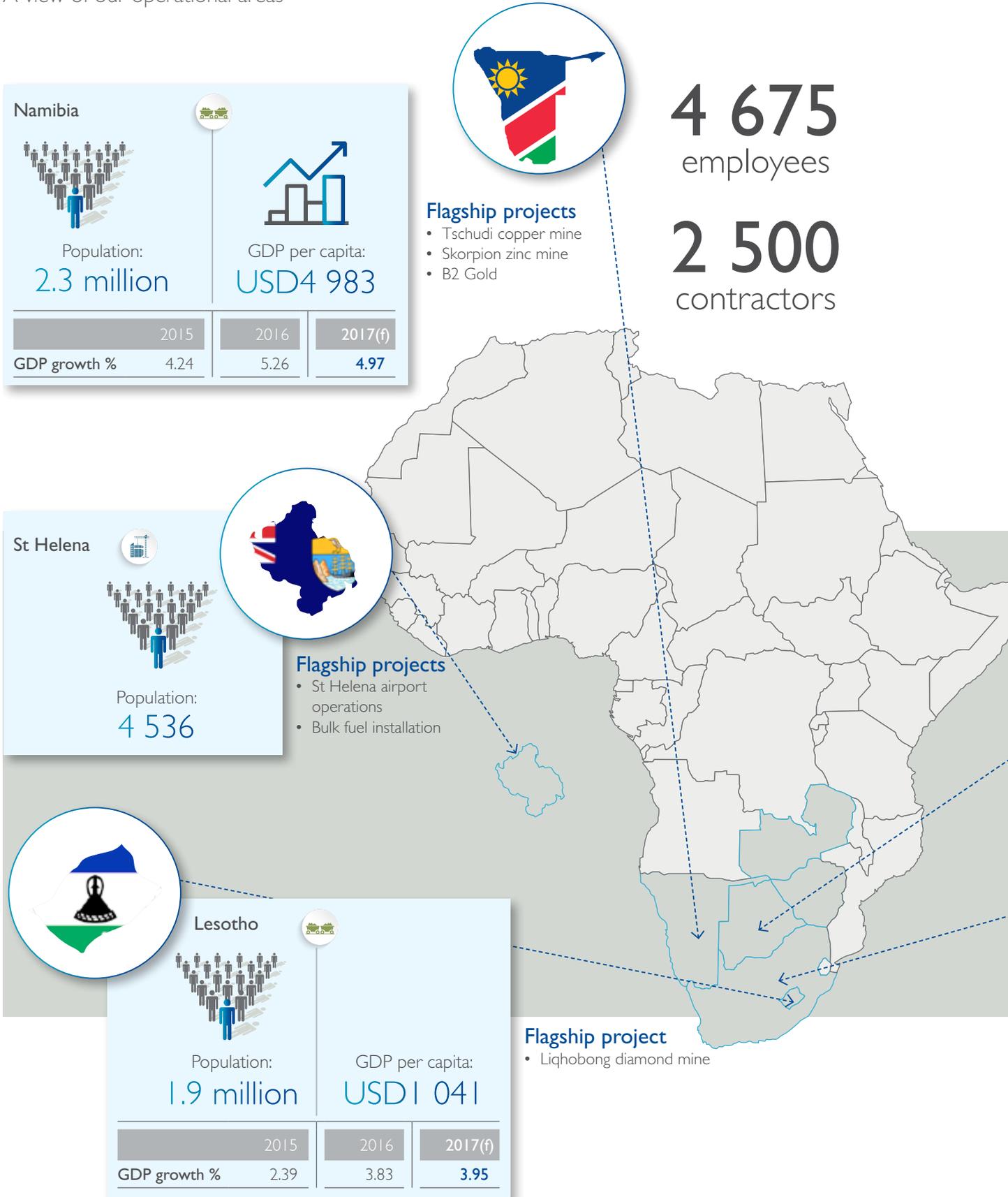


**R8.3** million

**Employee development**  
(2016: R9.8 million)

# Geographical footprint

A view of our operational areas



Source: IMF World Economic Outlook Database, October 2016.

43

active sites in five operating countries

16

projects were completed in the reporting period



**Botswana**

Population: **2.2 million**

GDP per capita: **USD5 338**

	2015	2016	2017(f)
GDP growth %	3.11	4.03	<b>4.34</b>

**Flagship project**  
 • Majwe Mining Joint Venture (MMJV)



**South Africa**

Population: **57.7 million**

GDP per capita: **USD5 167**

	2015	2016	2017(f)
GDP growth %	0.12	0.80	<b>1.60</b>

**Flagship projects**

- Savanna City – Gauteng
- Ashton to Montagu – Western Cape
- Kusile power station – Mpumalanga
- Medupi power station – Limpopo
- Polokwane ring road – Limpopo
- Musina ring road – Limpopo
- Nokuthula LSEN School – Gauteng
- Julius Sebolae Primary School – Gauteng

# Business model: Our activities and their impacts

## OUR VALUE CREATION PROCESS

Resource	Inputs
<p><b>Financial resources</b> The pool of funds available for use fuel the business model and value creation process.</p>	<ul style="list-style-type: none"> <li>Working capital R150 million</li> <li>Debt funding R815 million</li> <li>Equity funding R104 million</li> </ul>
<p><b>Manufactured resources</b> The tools, technology, machines, buildings and infrastructure owned, leased or controlled by Basil Read.</p>	<ul style="list-style-type: none"> <li>Development land, parts, products, plant and equipment</li> <li>Capital expenditure of R488 million</li> </ul>
<p><b>Human resources</b> The skills and experience invested in our employees that enable us to implement our strategy and deliver our products and services, thereby creating value for our stakeholders.</p>	<ul style="list-style-type: none"> <li>4 675 employees</li> <li>Engineering expertise and project management capabilities, spread across divisions</li> </ul>
<p><b>Social and relationship resources</b> The long-term relationships that Basil Read has cultivated with key stakeholders and service providers.</p>	<p>Relationships with:</p> <ul style="list-style-type: none"> <li>Employees</li> <li>Clients</li> <li>Shareholders and financiers</li> <li>Communities</li> <li>Regulators and authorities</li> </ul>
<p><b>Natural resources</b> The natural elements on which we depend to create value. We seek to reduce our use and impact on them as a key input into the continued viability of our business.</p>	<ul style="list-style-type: none"> <li>Land</li> <li>Energy</li> <li>Water</li> <li>Fuel</li> </ul>
<p><b>Intellectual resources</b> The intangibles that underpin and sustain the quality of our competitive advantage.</p>	<ul style="list-style-type: none"> <li>Skills and expertise</li> <li>Experienced board and executives</li> <li>Policies and standards</li> <li>IT systems</li> </ul>

### Our vision

**To be the leading construction company in southern Africa where we are:**

- THE PREFERRED CONSTRUCTOR
- THE PREFERRED EMPLOYER
- THE PREFERRED INVESTMENT

### Our mission

**To deliver safe, profitable projects and services**

### Construction (incorporates St Helena buildings and civils): 15% 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
- Plant acquisition, disposal and maintenance
- Power plants
- Correctional facilities
- Hospitals
- Stadiums
- Water treatment plants
- Specialised associated services



## Supporting activities

Set strategy	Allocate capital	Deliver shared services
<p><b>Give strategic direction to the business.</b> See our strategy on page 22.</p>	<p><b>Provide resources to support the business's strategies.</b> See financial director's report on page 24.</p>	<p><b>Align essential functions to the business's needs.</b> See standard division operating model on page 30.</p>

Our business is to build the infrastructure on which our economy and society depend, but our impact 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.

**OUR VALUE CREATION PROCESS**

**Developments: 26% of order book**



Basil Read's large-scale mixed-use integrated housing developments are an integral part of our licence to operate. We work 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: 49% 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

What we do

**Roads: 10% of order book**



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

**Key operations**

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

**Outputs**

**Outcomes**

- Revenue R4.6 billion
- Operating loss R743.1 million
- Headline loss per share 717.35 cents
- Order book R12.6 billion
- Taxes paid R30.4 million

- A recovering balance sheet and sufficient working capital to fund our operations supports long-term sustainability
- Successful rights offer

- Projects completed: 16
- New projects: 5

- Successful projects make capital available for investing into, maintaining or upgrading manufactured resources

- Training and development (R8.3 million)
- Safety DIFR (0.17)
- Talent management policy
- e-learning platform
- Bursary scheme
- Employment equity and transformation
- Salaries paid (fair remuneration)

- Creating a vibrant, diverse and flexible workforce, committed to the Basil Read imperative for high-quality works
- Improving effectiveness and expertise

- Community development
- Donations and sponsorships
- Reporting and communication

- Solid relationships with stakeholders underpins our social licence to operate
- Trusted, long-term partnerships with customers

- Impacts – wastewater solid and hazardous materials, noise, dust, carbon emissions and land disturbance

- A steady reduction of Basil Read's negative impacts on natural resources

- Quality management system
- Certifications
- End-product quality
- Analysis of trends and insight

- Creative solutions increase productivity, cost savings and synergies
- Proprietary systems/solutions add value and secure sophisticated contracts

**Supporting activities**

**Mitigate risk**

Identify and manage risks to our group strategy and business model. See risk management on page 20.

**Provide governance**

Ensure robust framework for strategic delivery. See governance on page 66.

# Operating context

The latest gross domestic product growth statistic reflects a consecutive decline in output in the construction sector. This outlook for activity in the sector is further clouded by the 2018 budget, which reiterated the reduction in expenditure away from capital and towards consumption expenditure.



In terms of macro-economics, 2017 was another in a succession of exceptionally challenging years for the construction industry, although a strengthening rand slowed headline inflation and stronger international commodity prices helped reduce the national current account deficit. GDP growth in South Africa was minimal and most industries took varying degrees of strain.

Policy uncertainty, slow economic growth and an underperforming rand led to confidence in South Africa's construction industry plummeting to 17-year lows. The industry experienced just 3% growth year-on-year and a contraction of around 1% in the value of spending.

Budget constraints and government's policy of dividing projects into smaller components to support BBBEE smaller enterprises led to a major shake out of the industry. Reduced capital expenditure intensified competition in the construction market, leading to company closures, restructuring of businesses and revised strategies. Given that the construction sector is a major provider of direct jobs and numerous upstream and downstream indirect jobs, subdued construction activity causes many jobs to be lost.

Fortunately, the advent of 2018 offers grounds for optimism. Despite low investor confidence, the industry's output value is expected to rise at a compound annual rate (CAGR) of 1.5% over the next four years.

The outcomes of the ANC December 2017 conference and consequent actions by its incoming leadership strengthened the rand, rallied the JSE and underpinned South Africa's business confidence index to rise from 95.1 in November 2017 to 96.4 in December 2017.

The construction industry typically lags general South African industrial activity by about six months. Green shoots appearing in the local economy now may well be early indicators of a more robust construction activity later in the year.

The South African economy is forecast to grow by 1.5% in 2018 and 1.8% in 2019. On average, this growth outlook is 0.4 percentage points higher than projected in October 2017, mainly due to expectations that investors will respond to improved business and consumer confidence.

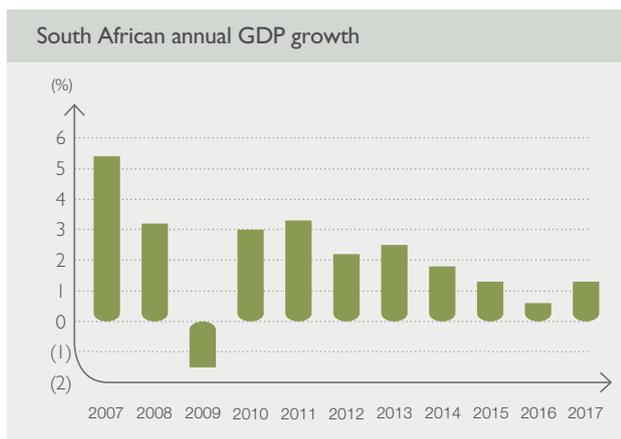
## Market review

### Economic growth higher than expectations

After several economically stagnant years, quickening GDP growth in South Africa provided some cause for optimism.

South Africa's economy grew by 1.3% in 2017, exceeding the National Treasury's forecast of 1.0% growth.

After a controversial start to 2017, with economic activity contracting in the first quarter; the economy recorded sustained growth for the remainder of the year. In the fourth quarter the economy grew by 3.1% quarter-on-quarter (seasonally adjusted and annualised).



Constant 2010 prices

Source: Gross domestic product (GDP), 4th quarter 2017, Statistics South Africa

GDP growth did not spread equally, with several sectors experiencing negative growth during 2017. These included manufacturing (-0.2%), construction (-0.3%), and wholesale and retail trade (-0.6%), which are all major contributors to job creation and the South African economy.

Although economic activity is on the upturn, we do not expect private sector investing to gain real momentum until regulatory and political certainty is bedded down. Public sector spending on infrastructure will remain constrained by a necessarily conservative national budget. If the new leadership in government has the vision to set regulatory and political roadblocks aside, South Africa's economy can recover swiftly over the next few years and long overdue public infrastructure can be financed and built.

### Public sector expenditure

In his 2018 national budget speech, the finance minister announced a 12% decrease in public sector infrastructure spending, which will impact all businesses involved in these projects.

Growth in infrastructure investment between 2017 and 2021 is expected primarily from the transport and logistics, energy, and low-cost housing sectors. These projects will be underpinned by the ever-increasing need for housing as urbanisation rates continue to rise.

Statistics South Africa (StatsSA) reports that the number of building plans passed in the 2016 financial year grew by 6% in nominal terms to R107.5 billion (2015: R101.4 billion). The total value of completed buildings grew by 8.3% in nominal terms to R61.4 billion (2015: R56.7 billion).

Urbanisation and semi-migration are also viewed as drivers of growth, with the demand for middle and high-income housing continuing unabated.

### Capital expenditure by Eskom, Transnet and Sanral

The bulk of public sector capital expenditure is channelled through Eskom, Transnet and the South African National Roads Agency (Sanral), which are all Basil Read clients. Capital spending by state-owned companies is projected to total R368.2 billion over the next three years, compared with R432.8 billion over the previous three. In some cases, government entities intend spending less on infrastructure as services become obsolete. Others are unable to raise finance at affordable rates or maturities.

Although the government remains committed to significant capital expenditure for completing the Medupi and Kusile power stations, over-expenditure on Eskom projects and the funding debate at Sanral have detracted from real growth in public sector investment.

### Private sector expenditure

The private sector is a major funder of capital expenditure in the construction industry, particularly the mining sector. After a contraction in 2016, mining output is recovering as commodities attract higher prices. In the first three quarters of 2017, mining sector real value grew by 4.3%. Mining contributed 0.3 percentage points to overall GDP growth in this period.

Should South Africa's mining regulatory deadlock be resolved, and commodity prices continue improving, the outlook for new mining-related contracts should brighten significantly.

# Operating context continued

## Market review continued

### Common challenges identified by heavy construction companies

Challenges	Actions required by industry
<p><b>BBBEE and transformation</b> Transformation remains a key challenge in South Africa to balance income and social service inequalities.</p> <p>Non-compliance with employment equity could impact companies by:</p> <ul style="list-style-type: none"> <li>• reducing their ability to win tenders</li> <li>• increasing the likelihood of client sanctions and sanctions from the Department of Labour</li> <li>• increasing the possibilities of penalties being imposed on South African projects.</li> </ul>	<p>Amended sector codes may result in lower BBBEE ratings which impacts on the ability to tender for public infrastructure projects.</p> <p>Timely transformation strategies (or compliance plans) should follow to remain competitive and achieve transformation goals.</p> <p>Transformation commitments in the October 2016 settlement agreement clearly indicate the high importance attributed to transformation by both government and the industry.</p> <p>Construction companies are more actively participating in discussions about new BBBEE codes while adjusting business practices to comply. Other strategic responses include empowerment programmes, a focus on management control and skills development.</p>
<p><b>Health, safety and environmental sustainability</b> The construction industry's rate of compliance with health and safety standards is below 50%.</p>	<p>Although statistics have improved in recent years, these need to be monitored, and industry-wide reporting is required with a view to continuous improvement.</p>
<p><b>Industrial action</b> Ongoing industrial unrest in South Africa causes project delays and disruptions, affecting safety, productivity and profitability.</p> <p>It adds a further hurdle to the decision-making process on investing in new capital projects.</p>	<p>Open communication between unions and construction companies to monitor and resolve potential labour issues.</p> <p>Strike mitigation plans must be in place, along with a proactive labour relations strategy and allowances in tenders for labour unrest.</p> <p>Proactively engage with communities prior to project start to manage expectations.</p>

Challenges	Actions required by industry
<p><b>Liquidity risk</b> Insufficient working capital facilities increase the liquidity risk, affecting credit, acquisitions and growth opportunities.</p>	<p>Cash flow requirements over the life of a contract must be considered at tendering stage, along with robust working capital cash flow management during the lifecycle and critical path of the project.</p>
<p><b>Talent management and staff retention</b> South Africa's construction industry has grown significantly over the last decade, resulting in a skills shortage at all grades.</p>	<p>Remuneration policies focused on retaining key talent. Regular succession reviews to identify potential talent retention risks and career planning strategies, supported by in-house training, promotion and development initiatives.</p>
<p><b>Growth, expansion and operational performance</b> Ongoing delay in rolling out government's infrastructure plan has affected the entire sector.</p>	<p>Focus on effective contract negotiation on equitable terms, and efficient contract management. Align capacity with planned SA government spend. Focus on gaining a competitive edge in the market. Explore growth options in new and emerging markets.</p>
<p><b>Tender risk</b> The tendering process requires educated and highly judgemental views on pricing, mark-up, geological conditions, and the quality and availability of materials.</p>	<p>Extensive risk assessment procedures at the tendering stage of each project.</p>

# Chief executive officer's report

Basil Read's turnaround strategy is in full stride and our order book is filled with quality projects for years ahead.



Khathutshelo "K2" Mapasa  
Chief executive officer

**Overview**

I was appointed acting CEO on 31 May 2017 and was confirmed as CEO and managing director by the board on 23 October 2017, following the previous CEO's resignation.

My immediate mandate as CEO was to restructure Basil Read's balance sheet to improve the liquidity in the business, while also developing and implementing the turnaround strategy approved by the board in September 2017. In essence, I was tasked with leading Basil Read back to financial and operational health.

The first step was to negotiate a bridging loan with the IDC to enable us to complete the capital raise through the rights offer process and dispose of the non-core assets. The first tranche of the bridging loan was drawn in September 2017 with the last draw down in early December. At the same time we also negotiated a debt standstill agreement with our major lenders and guarantee providers to unlock sufficient liquidity to complete distressed contracts, deliver on our healthy order book and work the business back into sustainable profitability. The second step is to reconfigure and trim down the Basil Read company to best fit within current economic realities. We also launched the rights offer process and disposed of identified non-core assets.

In early December 2017 we concluded an 18-month debt standstill agreement, during which we will pay the interest portion of our debt, but not the capital amounts. Furthermore, our guarantee providers will continue to support us to enable us to trade and in the unlikely event of our guarantee being called, Basil Read is not required to provide the cash during the standstill period. The support from lenders and guarantee

providers are critical enablers of our turnaround plan. This highly favourable agreement enables Basil Read to finance the lucrative projects already listed in the company's order book. The CFO report that follows will provide more detail on this agreement.

**Turnaround strategy**  
**Why does Basil Read require a turnaround?**

South Africa's construction industry became increasingly constrained in recent years due to diminishing spend on public and private sector infrastructure. With our margins on projects awarded being slashed to the bone, there was no buffer for the unexpected obstacles and delays that complex developments can encounter. As a result, major projects that became distressed caused significant financial penalties and losses for Basil Read.

Projects stalled by operational difficulties and unanticipated obstacles drained enough liquidity to threaten the entire company.

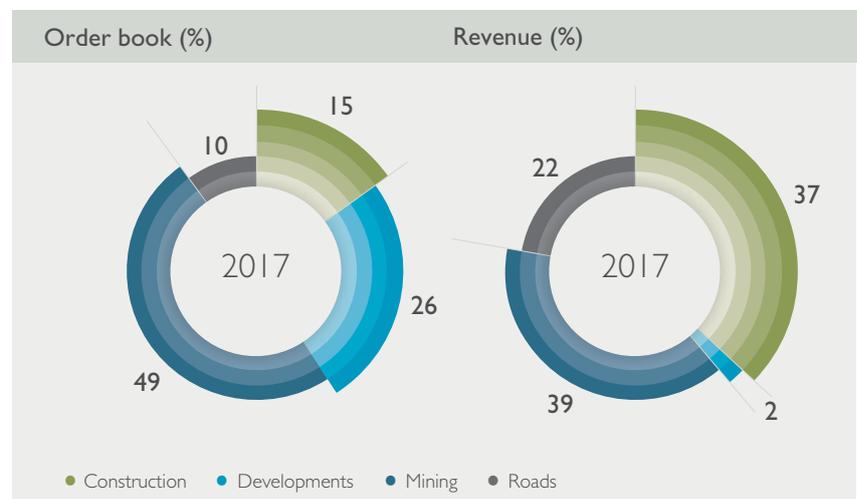
On the positive side, our mining, developments and civils divisions delivered solid returns and are managing a healthy order book for 2018. Despite the challenging operating environment, the mining industry in particular appears to be regaining momentum, with several new mines being planned. While by no means a 'super cycle' boom, rising commodity prices will attract continued investor interest.

The development division fulfils a critical need for integrated housing developments associated with the urbanisation trend.

**Building a stable platform for sustainable growth**

Repositioning Basil Read for the short and medium term requires focusing on the divisions and projects that offer sustainable margins, while closing out all remaining distressed undertakings. We are also restructuring the company for optimum efficiencies and reduced costs, while re-establishing a consistently high level of service and quality across all business units.

**Investing in profitable businesses**



# Chief executive officer's report continued

## Mining

In June 2017, we reported an order book of R10.7 billion, with R4.7 billion emanating from the mining division. We subsequently secured a R3 billion contract in Lesotho. Our proven expertise in mining positions Basil Read well for the commodities upswing that appears to be under way.

## Civils

Our civils division has already secured more than R1 billion worth of work for 2018.

## Developments

Due to the changing nature of infrastructure development, we integrated our related road and bulk infrastructure activities, previously executed under the roads division, into the developments division. Furthermore, we created Basil Read Homes, a new division, to enhance our capability to develop, market and sell houses in our own developments. In the past we outsourced this function but are now taking the vertical integration route of building residential homes ourselves. Housing is a proven and profitable construction business that Basil Read is well equipped to engage.

## Raising capital through the 2018 rights offer

Our rights offer which closed in February 2018, is aimed at repaying the bridging loan and improving our working capital to undertake Basil Read's turnaround strategy. At an extraordinary meeting held on 4 December 2017, Basil Read's shareholders overwhelmingly approved

the resolutions that would enable the company's rights offer to go ahead. We concluded a successful rights offer raising R300 million as part of our turnaround plan. Proceeds were used to repay the IDC bridging loan and fund working capital.

## Developing a high-performance business

As incoming CEO, I was tasked to build the right executive and management team to take Basil Read successfully through the turnaround strategy. To meet this brief, new appointments were made at all levels of the business.

Basil Read plans to establish a project management office to improve and sustain the way we execute projects from tendering through execution and closure of the projects, set consistent service levels and improve operational efficiencies. The project management office has responsibility for coordinating all projects and overseeing these from commencement to end. With access to all project information across the company, the project management office will continually reorganise processes for better efficiencies and margins. As part of this process we are selecting and recruiting highly regarded project managers who will be held accountable for their assignments and remunerated accordingly.

The project management office will capture the best practices from excellent project managers and disseminate these through all divisions. The board and management are determined to instil a

Basil Read-wide best practice methodology for undertaking all projects. This methodology will be driven by a highly competent and centralised project management office, led by a top-notch executive.

## Transformation

Transformation is indispensable to sustainable business in the construction sector. Basil Read will be contributing R120 million over a period of 10 years to the voluntary rebuild programme (VRP) for developing black contractors.

We are also seeking out black partners and investors to lift our black ownership to at least 51%.

After successful joint ventures with emerging and highly competent black contractors, several have expressed interest in buying parts of Basil Read businesses. I concur that certain of our divisions and business operations would perform better under black ownership, therefore look forward to selling intrinsically sound businesses that would help diversify South Africa's construction industry.

I am also seeing that resistance to employment equity is lessening as the tangible advantages of transformation becomes apparent to doubters. With sufficient skills and experience in place, a diversified workforce across race and gender is intrinsically more productive and resilient to change. Basil Read's future depends on developing the right workforce for the South Africa and Africa that is coming into being.

## Performance Developments

South Africa and the broader subcontinent are urbanising at a rapid pace, which drives the need for housing and infrastructure. The current lack of social infrastructure and efficient service delivery is causing civil protests across South Africa. In Gauteng alone, major urbanising projects were launched in 2017 at Daggafontein, Dube and Montrose. Much of sub-Saharan Africa lacks sufficient public and residential infrastructure. Developments across broader Africa can potentially sustain Basil Read for decades to come.

### Civils

While we are currently participating in a large build programme for Eskom, the company is looking actively for opportunities in mining, private sector or PPP projects and in other African countries.

### Mining

After years in the doldrums since the last commodity 'super cycle', commodity prices and the mining sector appear to be on the rise. Basil Read has developed a highly competitive mining strategy, supported by inhouse mining expertise that few competitors can offer. Our technical capacity includes being able to assemble heavy and sophisticated machinery on site, which is a major cost saving for clients.

## Future outlook

The Basil Read turnaround strategy is now in full stride. We have already made an excellent start by securing the debt standstill and a healthy order book, while the rights issue was fully subscribed. Though this year already looks more promising than for some time, the construction industry has changed, and we are repositioning Basil Read to be competitive based on our strengths, rather than taking on business packaged with one-sided risk.

Our order book is soundly filled with guaranteed work for some years ahead. I am especially pleased with the quality of the book, as 75% of our projects are in the mining and developments categories, which offer sustainable margins and fit well with our in-house capacity.

We have identified the opportunities to undertake construction work as an add-on to our mining services for clients. This is a 'win-win' for our mining clients and Basil Read. As we have existing relationships and are already on site at their mining operations, Basil Read can offer competitive pricing, while still making acceptable margins.

## Thanks

Many people at Basil Read worked really hard to keep the business operational during a particularly trying year. I thank them – and the families behind them for all the personal sacrifices they made over the past two years.

During this period the board was a pillar of strength, providing hands-on support and playing an active role when required to do so. I am also grateful to our debt standstill partners and major shareholders who have visibly shown such confidence that Basil Read will turn around.

With all this goodwill standing behind us, my management team must fulfil our mandate – which is to turn Basil Read into a lean and healthy competitor, fit to take on any challenge we engage.



**Khathutshelo 'K2' Mapasa**  
Chief executive officer

28 March 2018

# Stakeholder engagement

Basil Read unreservedly commits to candid communication with all material stakeholder groups. Our stakeholders are defined as those who affect or are affected by our activities. We regularly engage with stakeholder groups to gain informed insights and make business decisions guided by the best interests of all involved.

## Our key relationships

A core part of our sustainability management approach is listening and responding to our priority stakeholders. These are the people who affect our business or who are affected by it.

The feedback we receive from these stakeholders helps us understand their expectations, enables us to prioritise issues effectively and contributes to our overall sustainability strategy, as well as helping deliver against our value creation goals.

Each of Basil Read's stakeholder groups has distinct types and levels of involvement, often with diverse and sometimes conflicting interests and concerns. A relationship of trust and mutual understanding between all these groups and the company is therefore vital to our turnaround strategy.

We have identified five primary stakeholder groups, namely:

- Communities
- Shareholders and broader investment community
- Clients
- Employees
- Government and regulatory agencies.

## Understanding our stakeholders

Stakeholder management has been in the spotlight in recent years due to the ever-growing demands and expectations of stakeholders, including government, labour and communities. Government has expressed its demands in the various sector charters including the mining and construction charters that directly impact Basil Read.

Furthermore, labour strikes and community unrest have significant impacts on the production and operational sustainability of several Basil Read programmes and projects.

In our journey to improve stakeholder management, project steering committees are established to, among other things, proactively engage with stakeholder representatives and address their needs.

Monthly project steering committee meetings communicate with stakeholders at site level. Each project steering committee is made up of Basil Read representatives, client representatives, ward councillors and community liaison officers (CLOs).

Allowing communities at Basil Read sites to select their CLOs builds grassroots level stakeholder relationships.

Objective	Main methods of engagement	Key issues raised	Our response	Related risk
<b>Communities</b>				
Job creation, social upliftment and investing in our communities.	<ul style="list-style-type: none"> <li>• Face-to-face consultations</li> <li>• Meetings with local business and tribal leadership</li> <li>• Local media</li> </ul>	<ul style="list-style-type: none"> <li>• Employment opportunities for local developing contractors</li> <li>• Impact of developments on infrastructure and access for communities</li> </ul>	<ul style="list-style-type: none"> <li>• Consultations to discuss expectations and project deliverables</li> <li>• Project steering committee meetings</li> <li>• Enterprise development to ensure key skills transfer</li> <li>• CSI projects respond to identified community needs</li> </ul>	<ul style="list-style-type: none"> <li>• Political, social and fiscal instability in South Africa remains a concern for 2018</li> <li>• Transformation remains high on the political agenda of the government and industry, impacting our ability to tender for public projects</li> </ul>

Objective	Main methods of engagement	Key issues raised	Our response	Related risk
<b>Shareholders and broader investment community</b>				
Develop strong partnerships with financiers to support our strategy and enhance access to capital.	<ul style="list-style-type: none"> <li>• SENS announcements</li> <li>• Press releases</li> <li>• Roadshows</li> <li>• Results presentations</li> <li>• Analyst hosted events</li> </ul>	<ul style="list-style-type: none"> <li>• Return on investment</li> <li>• Loss-making contracts</li> <li>• Dividends and growth</li> </ul>	<ul style="list-style-type: none"> <li>• Securing a sustainable order book</li> <li>• Improving profitability of operations</li> <li>• Strengthening our capital base</li> <li>• Regular meetings with key investors and shareholders to keep them abreast of company developments</li> <li>• Participating in local business forums and industry organisations</li> </ul>	<ul style="list-style-type: none"> <li>• Economic and credit pressures result in decreasing access to funding, which in turn places financial constraints on the company and our ability to fund new projects</li> </ul>
<b>Clients</b>				
Retain and continue building relationships. Quality and speed of service delivery is enhanced through relationships of trust.	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Electronic communication</li> <li>• Industry forums</li> <li>• One-on-one meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Adequacy of security, debt serviceability, calibre of management, understanding our strategy</li> <li>• Adequate BBBEE level</li> </ul>	<ul style="list-style-type: none"> <li>• Participating in local business forums and industry organisations</li> </ul>	<ul style="list-style-type: none"> <li>• Many clients and suppliers are concerned about Basil Read's sustainability, due to poor financial results</li> <li>• This reputational risk directly impacts third parties and suppliers</li> </ul>
<b>Employees</b>				
To create a healthy organisational culture that motivates employees to perform, fosters collaboration and creates commitment to our values and strategic objectives.	<ul style="list-style-type: none"> <li>• Staff meetings</li> <li>• Intranet</li> <li>• Notice boards</li> <li>• Email</li> <li>• Staff events</li> <li>• Union representatives</li> </ul>	<ul style="list-style-type: none"> <li>• Management succession planning</li> <li>• Transformation</li> <li>• Health and safety</li> <li>• Fair remuneration</li> <li>• Training and development</li> </ul>	<ul style="list-style-type: none"> <li>• A robust succession plan is being developed. Temporary successors identified for key roles</li> <li>• Key strategic initiative to address transformation in the company, but sectoral transformation is a pressing issue</li> <li>• Safety remains a priority and continued vigilance is promoted</li> <li>• A human resources executive was appointed during 2017</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of succession planning, talent management and employee retention strategies may result in the company losing critical skills</li> </ul>
<b>Government and regulatory agencies</b>				
Harmonious communication on legislation and compliance.	<ul style="list-style-type: none"> <li>• Formal responses on policy and regulation</li> <li>• Joint initiatives for industry solutions</li> <li>• BBBEE scorecards</li> <li>• Employment equity reports</li> <li>• Tax returns</li> <li>• Workplace skills development plan</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to respond to government's economic growth agenda</li> <li>• Transformation</li> </ul>	<ul style="list-style-type: none"> <li>• Regular compliance reviews</li> <li>• Voluntary rebuilding programme with government and other construction companies</li> <li>• We remain committed to ensuring we have the highest levels of compliance regarding all legislation, including taxation legislation</li> </ul>	<ul style="list-style-type: none"> <li>• Non-compliance with legislation could: <ul style="list-style-type: none"> <li>– reduce our ability to win tenders</li> <li>– increase the likelihood of sanctions from the Department of Labour</li> <li>– increase the possibilities of penalties being imposed on South African projects</li> </ul> </li> </ul>

# Risk management

## Risk management approach

Prudent and effective risk management while pursuing our strategic objectives is required to grow our shareholder value sustainably. Proactive risk management is essential to sound corporate governance and a crucial enabler for realising opportunities.

During the year, we further evolved our risk management approach for flexibility and relevance in a changing operating environment, while facilitating appropriate standardisation across the group. We take

a holistic and forward-looking view of our risks, both current and emerging.

The group's enterprise-wide risk management framework was reviewed and updated to strengthen the link between risk and strategy. We incorporated the six capitals of value creation to further embed risk management into key decision-making processes and for reporting to the board. This revised framework enables our divisions to respond systematically and effectively to risks and opportunities.

As part of Basil Read's journey to become more proactive, we continuously monitor the external and our internal environment to identify developments relating to our significant risks. This process ensures timely and considered responses to emerging risks.

## Principal risks

Basil Read's top risks are determined through a review process that analyses the risks relating to our short to medium-term strategy and longer-term aspirations.

Top risks and opportunities are the main drivers of our risk appetite and tolerance metrics. These potentially can directly impact – positively or negatively – Basil Read's income, expenditure and reserves. The major risks identified for the period were as follows:

Risk description	Risk response	2017 trend
<p><b>Liquidity risk</b> Economic and credit pressures reduce access to funding, placing financial constraints on company operations and funding of new projects.</p>	<p>Optimise our capital requirements through funding solutions such as bridging finance, a rights offer and the sale of non-core assets and improved operations.</p> <p>Resolution of long-outstanding claims and onerous contracts.</p>	<p>Continuous monitoring</p>
<p><b>Operational risk</b> Project delivery failures result in delayed payments, settlement payments, reputational damage and reduced future work.</p>	<p>We plan to establish a group-wide project management office led by a newly recruited executive to address project delivery failures.</p> <p>The project management office tasked with ensuring effective project delivery through synergies, standardisation, process optimisation and deploying the correct mix of skills and experience to assignments.</p>	<p>Continuous monitoring</p>
<p><b>Strategic risk</b> A testing macro-economic environment demonstrated by a slowdown in infrastructure investment; the stringent construction sector code; limited public sector clients with challenging transformation conditions; and a constrained balance sheet.</p>	<p>Leveraging client relationships for projects secured through negotiation and reputation rather than tenders.</p>	<p>Increasing trend</p>
<p><b>Transformation</b> within the sector remains high on government's agenda. This stance heavily impacts Basil Read's ability to compete for tenders.</p>	<p>All executive performance contracts include employment equity targets and will be monitored accordingly.</p> <p>Basil Read is committed to achieving 51% black ownership at least and is actively engaging interested parties.</p> <p>The group is using the BBBEE online monitoring tool to identify opportunities to transform the Basil Read supply chain through targeted procurement.</p> <p>Our continuous commitment to enterprise development programmes will be upheld.</p>	<p>Increasing trend</p>

Risk description	Risk response	2017 trend
<b>People risk</b> The loss of key skills due to inadequate implementation of employee retention strategies.	Operating model changes will inform employee retention, succession, and talent management in 2018.	Increasing trend

### Basil Read risk profile

Basil Read's progressive three-year risk profile (2015 to 2017) shows that residual risk (risk after control) is rated lower than the inherent risk (risk before control). This indicates that risk mitigation is taking place within the organisation. Nevertheless, circumstances dictated that many of the group's activities crossed risk tolerance levels, due to inadequate risk responses.



The three-year profile shows how risk maturity advanced even in challenging times.

#### Risk appetite

Risk appetite measures the extent and types of risk that we are prepared to take in executing our strategy. It combines a top-down view of capacity to take risk, with a bottom-up view of the risk profile associated with each division.

Financial risk appetite metrics were reviewed and enhances the group's decision-making processes. Financial risk appetite metrics relate to profits, revenue, working capital and overhead costs.

#### Risk culture

The strength of our risk culture determines how effectively we manage risk at all company levels. Our steady risk culture improvement in recent years is founded on risk awareness, compliance with laws and regulations, and ethical behaviour. By embedding company values, related

policies and a whistleblowing programme, we have enabled meaningful behavioural changes and empowered our employees to manage risk with confidence. The three lines of defence model, which promotes transparency, accountability and consistency through clear identification and segregation of duties, has also reinforced our combined assurance model.

#### Combined assurance

Our developing combined assurance model is aligning assurance to the critical risk exposures. This process involves quarterly assurance reviews, two-way communication with key stakeholders and coordinated responses across the group.

#### Regulatory compliance

We remain abreast of all new regulatory requirements and circulate quarterly updates internally. Compliance is monitored through compliance risk management plans and during the year we commissioned an independent review

of the Competition Act, while training selected employees in South Africa's competition legislation.

The King IV Code became applicable during 2017 and we devoted considerable energy to implementing its principles throughout Basil Read.

#### Business continuity management

During the year we performed a disaster recovery test on our financial applications and successfully met our business recovery targets.

#### Key focus areas for 2018

- Implementing a revised ERM framework incorporating the six capitals of value creation
- Scenario analysis on financial risks relating to currency and interest rates
- Rolling out the business continuity programme
- Implementing our provisions for the Protection of Personal Information Act (POPI)

# Our strategy

Basil Read is realigning to the cyclic nature of South Africa's construction industry. To do so, we are working through a turnaround strategy for recovery and sustainably returning to financial prosperity.

## Strategic business context

The construction industry is cyclic and heavily influenced by prevailing economic circumstances. Although South Africa's National Development Plan has prioritised public infrastructure development as an economic and jobs creation accelerator, this initiative has been stalled for several years.

Over the past two years management realised that Basil Read's business strategy and organisational structure had become misaligned with South Africa's construction industry realities. As a consequence, the company absorbed considerable losses on certain legacy projects and urgently required recapitalisation.

Following months of high level debate and planning, a turnaround strategy was approved by the board in September 2017.

## Turnaround strategy at a glance

With a recapitalised balance sheet and the company's reconfiguration around our core strengths, we believe that Basil Read can steadily return to financial prosperity. Our order book is already of sufficient size and quality to support the turnaround over the medium term.

### Phase 1: Turnaround and recovery

- Bridge finance
- Debt standstill
- Rights offer
- Reposition BR strategy
  - Invest in strong divisions (developments, mining, power)
  - Shrink or exit division
- Sale of non-core assets
- Claims resolution
- Complete legacy contracts.

### Phase 2: Growth phase

- Pursue public private partnerships (PPP) and design, build and operate (DBO) opportunities
- Opportunities outside South Africa.

## Unpacking the turnaround strategy

### Funding

#### Bridge finance

The Industrial Development Corporation (IDC) approved a R150 million bridge facility (IDC Bridge Loan), which was drawn down in tranches between September and December 2017. The IDC Bridge Loan enabled the company to continue projects while management negotiated a longer-term debt standstill agreement with our major creditors.

#### Debt standstill

On 5 December 2017, Basil Read announced a debt standstill agreement with our major lenders and guarantors, being Aluwani Capital Partners, Credit

Guarantee, the IDC, Investec, Lombard Insurance and Standard Chartered Bank. These creditors agreed that for the next 18 months, they will not act on outstanding debt repayments, or cancel any relevant documents or unused credit.

The debt freeze provided liquidity to continue servicing a healthy order book and to prepare a rights offer:

#### Rights offer

The second phase of Basil Read's recapitalisation was the February 2018 Basil Read rights offer aimed at a capital raise of R300 million.

Rights offer outcome successfully raised R300 million.

### Strategic repositioning

Apart from recapitalising the balance sheet, Basil Read is undergoing a strategic repositioning that includes:

Reduction in loss-making projects	Focus on profitable sectors and new business
<ul style="list-style-type: none"> <li>• Rightsizing each division's overheads and restructuring the head office function to reduce costs</li> <li>• Fixing and closing distressed contracts, while pushing for faster resolution of claims</li> <li>• Selling certain non-core assets to reduce balance sheet risk and free up cash</li> <li>• Refocus primarily on private client projects</li> <li>• Be more selective in bidding for projects and revise our planning and pricing of tenders.</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on the higher margins available in the civils, developments, and mining sectors to strengthen operating cash flow</li> <li>• Use developments and mining to unlock associated contracts in civils, roads, and residential construction</li> <li>• Establish a residential development business, i.e. Basil Read Homes</li> <li>• Reduce our dependence on large-scale tenders and originate work through development of public private partnership (PPP) opportunities in ports, rail, housing, education, and health.</li> </ul>

### Anticipated outcomes

The turnaround strategy is designed to:

- enable the company to focus on higher margin projects
- enhance operational and financial efficiencies throughout the company
- raise net margins
- reduce borrowing costs and secure guarantees at more favourable rates
- settle overdue creditors and maintain sound working relationships with suppliers
- make early payments to earn discounts on settlements
- avoid penalties by paying contractors promptly, so that projects are completed on time
- schedule paying the maintenance of capital equipment to prevent emergency expenditure and equipment downtime later.

### Rebuilding for sustainability

#### Becoming black-owned

Basil Read is engaging black investors to purchase 51% or more of the company. A black majority shareholder should be able to unlock mutual benefits such as:

- more competitive tendering
- access to contracts and/or synergies through the majority shareholder's network
- addressing VRP requirements
- competing more successfully for government civils contracts
- becoming a viable BBBEE procurement partner for customers
- more cross-selling opportunities internally.

### Public private partnerships

Among the most effective mechanisms for financing and developing public infrastructure is through public private partnerships (PPP). With public infrastructure sorely lacking in South Africa and across the African continent, there is immense upside potential for long-term work based on PPP.

A PPP is a contract between a public sector institution and a private party, where the private party performs a function that is usually provided by the public sector and/or uses state property in terms of the PPP agreement. Much of the project risk (technical, financial and operational) is transferred to the private party.

The public sector pays for a full set of services, including new infrastructure, maintenance and facilities management, through monthly or annual payments. In a traditional government project, the public sector pays for the capital and operating costs, and carries the risks of cost overruns and late delivery.

PPPs that have been most successful in Africa have been characterised by:

- thorough planning and good communication
- firm commitments from all parties
- effective monitoring, regulation and enforcement by government
- accurate pricing to avoid political fall-out from impacting project viability.

### Expanding beyond South Africa

Our growing presence in broader Africa has proven that Basil Read can operate successfully in other geographies.

The recently completed St Helena airport project demonstrates that Basil Read can successfully execute complex projects to high standards. As a result, two African countries have approached Basil Read to bid for airport projects.

# Chief financial officer's report

Basil Read's financial results for 2017 reflect the realities of a company working through major shifts in its business model and strategy. We are emerging from our most challenging period in decades and our turnaround will take time to actualise in the numbers.

Fortunately, our board, funders and shareholders recognise Basil Read's intrinsic long-term value and have provided the time, support and funding to take the necessary steps to restore the business to robust profitability.

We are restructuring for efficiencies and refocusing on the most profitable segments of infrastructure development in Africa.



Pieter van Buuren  
Chief financial officer

In South Africa – where we still do most of our business – the economy is slowly gaining momentum and commodity prices are rising from the bottom of a multiyear depressed cycle. We are hopeful that new political leadership will start opening doors for fixed investments into urgently needed infrastructure projects, as outlined in the stalled National Development Plan (NDP) and other public initiatives.

The demand for infrastructure in Africa is there – schools, roads, residential townships – but investors have been reluctant to commit. We are confident that the return of international GDP

growth will encourage fresh investment into built infrastructure – which is the lifeblood of Basil Read and the construction industry.

### Financial performance: review and outlook

Although 2018 may be the start of a prosperous new cycle for construction, our financial results for 2017 will reflect the difficulties that Basil Read is working to eliminate.

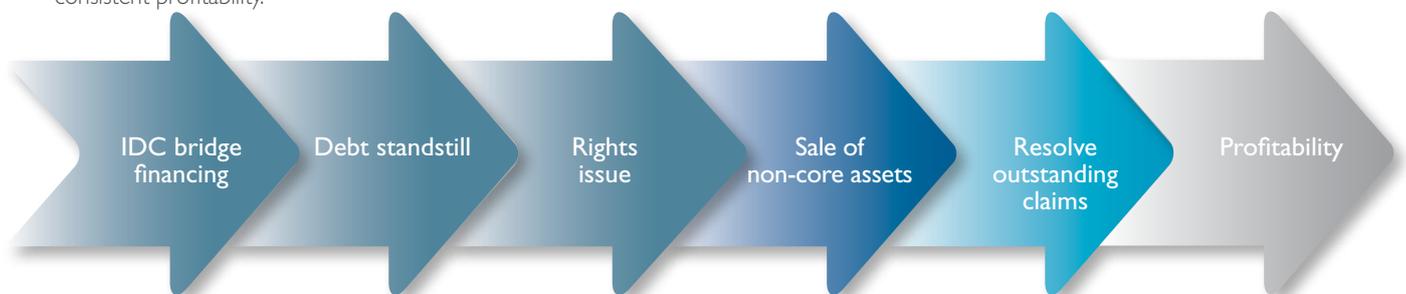
In 2017 the company's turnover declined, and our profits were impacted by the fiscal drag of incomplete and overbudget legacy projects, penalties incurred due to

our lack of working capital and our unresolved legal claims against certain clients.

One of the main reasons for the reduction in after-tax profit is the impairment to the deferred tax asset as a result of reduced future profitability in loss-making divisions. With our clear stated intent as part of our turnaround plan to only accept profitable roads, buildings and civils work going forward, it is anticipated that the contribution from these divisions will be insufficient to utilise the current deferred tax asset and hence, had to be impaired. In the current year, this is a non-cash correction of an intangible asset.

### Restructuring Basil Read's balance sheet

In support and execution of the board-approved turnaround plan, we have taken a phased approach to steering Basil Read back to consistent profitability.



The first phase was the **cash injection of working capital** of R150 million provided by the IDC bridge loan, which enabled us to continue funding projects that are earning revenue.

Our second step was negotiating a **debt standstill** with lenders and guarantors, which was signed in November 2017. This agreement means that Basil Read will not have to repay any capital borrowings for 18 months and will only service the interest during that time. In addition, guarantors undertake to honour original contract guarantees during this

period. The debt standstill agreement cleared the way for a **successful rights offer** concluded on 26 February 2018 raised R300 million, which was used to repay the IDC bridging loan and provide working capital for ongoing projects.

The next phase is the **sale of non-core assets**, which we have already identified. Our current head office property and buildings are far too large for a slimmed down Basil Read. Selling these and other properties is expected to raise about R150 million for paying down debt and funding operations. Sold property, plant,

equipment and development land will move off the balance sheet, with a portion of the cash received utilised as working capital.

We are also working to resolve **long-outstanding claims** on projects that overran budgets due to scope of work adjustments or operational challenges that had not been factored into contracts at tender stage. These claims are likely to considerably improve our balance sheet as and when they are resolved.

# Chief financial officer's report continued

Basil Read has a healthy order book and is close to completing troubled legacy projects. As the company finalises projects, we will continue to reduce the R1.5 billion of guarantees for contingent liabilities, which then lessens the contingent risk on the balance sheet.

## Profitable margins

As part of the strategic turnaround plan, Basil Read only tenders for projects that offer acceptable margins, which often was not the case in earlier years. All projects are now overseen by a new project management office (PMO) staffed by a crack team of construction industry experts. They review projects continuously to find snags early, while also assessing processes and costs along the way.

## Outlook

We are at the bottom of the construction cycle and see a recovery on the horizon. South Africa is behind the curve in terms of infrastructure spending

and housing development. If policy certainty follows South Africa's recent change of political leadership, then there will be attractive investment opportunities everywhere.

As South Africa approaches the 2019 general election year – which will be heavily contested – we can anticipate increased public sector activity in our sector.

I believe that Basil Read is now correctly structured for efficiency and flexibility, while being more selective in projects we take on. We are now into another challenging year, but we have a turnaround strategy that is well under way and working.

Basil Read employs 4 675 employees, while over 2 500 contractors are dependent on us. We owe it to our people and investors to ensure that their faith in the company is not misplaced.

## Appreciation

So many people made it possible for Basil Read to work through a disappointing period in our history. I particularly want to thank the IDC for the bridge financing, the consortium of lenders who took a far-sighted approach to negotiating the 'debt standstill', and the shareholders who had the faith in Basil Read to participate in the rights offer. We also appreciate how Basil Read's board provided astute advice and support in getting over the various hurdles along the way.



**Pieter van Buuren**  
*Chief financial officer*

28 March 2018

# Six-year review

## Income statement

	31 Dec 2017 R000	31 Dec 2016 R000	31 Dec 2015 R000	31 Dec 2014 R000	31 Dec 2013 R000	31 Dec 2012 R000
<b>Revenue</b>	<b>4 581 144</b>	5 126 085	5 519 979	6 261 441	6 304 580	5 493 465
<b>Contract execution costs</b>	<b>(4 789 878)</b>	(4 727 734)	(5 000 034)	(6 566 668)	(5 723 663)	(5 193 260)
Other income	752	3	66	(13 052)	7 207	25 230
Other admin overheads	(535 150)	(334 617)	(293 814)	(659 753)	(339 591)	(469 258)
<b>Operating profit</b>	<b>(743 132)</b>	63 737	226 197	(978 032)	248 533	(143 823)
Financing income	14 615	8 868	21 077	28 520	45 701	20 162
Net foreign exchange movements	12 541	31 882	(9 728)	1 686	33 374	(5 823)
Financing expense	(92 245)	(50 117)	(46 740)	(52 705)	(65 405)	(99 022)
Non-trading and capital items	–	(40 788)	–	–	–	–
Share of profits/losses of associates and JV	33 644	(8 981)	40 536	31 736	45 166	44 812
<b>Loss/profit before taxation</b>	<b>(774 577)</b>	4 601	231 342	(968 795)	307 369	(183 694)
Taxation	(236 326)	(25 419)	(39 704)	147 916	(25 899)	14 593
Result on disposal of discontinued operation	–	(32 828)	(20 425)	–	–	–
<b>(Loss)/profit for the year</b>	<b>(1 010 903)</b>	(53 646)	171 213	(820 879)	281 470	(169 101)
<b>Statistics</b>						
EPS	(768.34)	(48.70)	137.27	(599.87)	235.97	(136.54)
HEPS	(717.35)	(21.79)	120.28	(362.08)	88.16	(130.84)
Interest cover	(11.13%)	1.22	4.39	(12.33)	–	–
Operating margin	(16.22%)	1.24%	4.10%	(15.62%)	3.94%	(2.62%)
VRP	43 336	40 788	–	–	–	–
Write down of development land	22 948	2 881	–	80 565	22 572	26 607
Overhead as % of contract revenue	11.7%*	6.5%	5.3%	10.5%	5.4%	8.5%
Gross profit	(208 734)	398 351	519 945	(305 227)	580 917	300 205
Gross profit % of contract revenue	(4.6%)	7.8%	9.4%	(4.9%)	9.2%	5.5%
Profit before tax % of revenue	(16.9%)	0.1%	4.2%	(15.5%)	4.9%	(3.3%)

\* Overheads as a percentage to revenue of 11.7% is high as a result of once-off anomalous corrections including goodwill write off, impairments to investments and bad debt write offs. Excluding these events the percentage of overheads to revenue is reported as 7.8% which is comparable to prior years

# Six-year review continued

## Financial position

	31 Dec 2017 R000	31 Dec* 2016 R000	31 Dec* 2015 R000	31 Dec 2014 R000	31 Dec 2013 R000	31 Dec 2012 R000
<b>ASSETS</b>						
<b>Non-current assets</b>	<b>1 264 725</b>	1 390 758	1 500 501	1 669 708	1 908 383	1 995 324
Property, plant and equipment	956 795	799 092	915 856	1 080 248	1 138 147	1 272 127
Investment property	4 328	6 112	6 590	5 826	5 730	–
Investments in associates and joint ventures	123 946	126 234	136 399	131 800	180 752	134 018
Investment at fair value	41 813	51 290	51 290	51 289	51 289	51 289
Goodwill and intangible assets	1 003	90 782	91 640	99 938	411 829	412 689
Deferred taxation	136 839	317 248	298 726	300 607	120 636	125 201
<b>Current assets</b>	<b>1 430 434</b>	1 830 617	1 975 671	2 552 957	2 804 193	2 598 877
Contract work in progress	324 071	289 064	391 251	378 466	129 691	202 461
Trade and other receivables	632 859	699 900	766 701	905 494	941 954	780 354
Inventories	39 670	35 229	25 939	33 067	41 958	81 236
Development land	231 258	259 607	262 679	268 022	363 120	402 375
Derivative financial instrument	–	623	2 885	–	2 577	–
Taxation	24 818	28 681	19 371	57 093	66 768	53 764
Cash and cash equivalents	177 758	517 513	506 845	910 815	1 258 125	1 078 687
Non-current assets held for sale	53 823	–	104 203	53 112	–	773 540
<b>Total assets</b>	<b>2 748 981</b>	3 221 375	3 580 375	4 275 777	4 712 576	5 367 741
<b>LIABILITIES AND EQUITY</b>						
<b>Non-current liabilities</b>	<b>510 982</b>	348 166	221 087	259 965	309 768	376 266
Long-term borrowings	433 370	300 378	182 134	215 898	263 086	327 437
Deferred taxation	77 612	47 788	38 953	44 067	46 682	48 829
<b>Current liabilities</b>	<b>2 133 580</b>	1 739 116	2 113 402	2 970 241	2 531 550	2 971 490
Contract revenue received in advance	338 559	330 321	715 432	1 102 385	1 095 096	1 079 113
Trade and other payables	907 122	934 327	734 163	1 180 026	1 043 180	1 120 153
Short-term borrowings	381 846	137 760	157 798	273 594	163 314	562 980
Derivative financial liabilities	1 118	–	–	223	1 395	2 506
Provisions	429 427	245 877	455 537	318 766	134 651	162 915
Taxation	24 171	31 794	15 034	5 011	38 273	11 970
Bank overdraft	51 336	59 037	35 438	90 236	55 641	31 853
Non-current liabilities held for sale	–	–	22 334	10 019	–	195 663
<b>Total liabilities</b>	<b>2 644 561</b>	2 087 282	2 356 823	3 240 225	2 841 318	3 543 419
<b>Equity</b>	<b>111 406</b>	1 141 978	1 245 728	1 133 544	1 909 465	1 799 554
Stated capital	1 048 025	1 048 025	1 048 025	1 048 025	1 048 025	1 048 025
Other reserves	(16 420)	2 361	41 983	24 006	9 989	875
Retained earnings	(920 199)	91 592	155 720	61 513	851 451	750 654
Non-controlling interest	(6 986)	(7 885)	(22 176)	(97 992)	(38 207)	24 768
<b>Total liabilities and equity</b>	<b>2 748 981</b>	3 221 375	3 580 375	4 275 777	4 712 576	5 367 741

\* Restated.

	31 Dec 2017 R000	31 Dec* 2016 R000	31 Dec* 2015 R000	31 Dec 2014 R000	31 Dec 2013 R000	31 Dec 2012 R000
Operating profit return on equity	<b>(667.0%)</b>	5.6%	18.2%	(86.3%)	13.0%	(8.0%)
JSE 100-year benchmark return	<b>15.0%</b>	15.0%	15.0%	15.0%	15.0%	15.0%
Operating profit return on total assets	<b>(27.0%)</b>	2.0%	6.3%	(22.9%)	5.3%	(2.7%)
Contract work in progress – days	<b>25.8</b>	24.4	28.6	22.1	7.5	13.5
Days' inventory – days	<b>3.0</b>	2.7	1.9	1.8	2.7	5.7
Debtors' collection days	<b>50.4</b>	49.8	50.7	52.8	54.5	51.8
Creditors' settlement days	<b>(92.4)</b>	(96.2)	(71.5)	(87.5)	(88.7)	(105.0)
Cash-to-cash cycle	<b>(13.2)</b>	(23)	7	(10.8)	(24.0)	(34.0)
Total asset turnover	<b>1.7</b>	1.6	1.5	1.5	1.3	1.0
Debt ratio	<b>31.5%</b>	15.4%	10.5%	13.6%	10.2%	17.2%
Debt to equity	<b>731.8%</b>	38.4%	27.3%	43.2%	22.3%	49.5%
Interest cover – times	<b>(8.1)</b>	1.3	4.8	(18.6)	3.8	(1.5)
Share price	<b>0.60</b>	3.54	4.28	8.50	10.85	13.50
Return to shareholder	<b>(490.0%)</b>	(20.9%)	(98.6%)	(27.6%)	(24.4%)	–
Earnings yield	<b>(127 416.7%)</b>	(1 375.7%)	3 207.2%	(7 057.3%)	2 174.8%	(1 011.4%)
Price to earnings ratio	<b>–</b>	(0.1)	–	–	–	(0.1)

\*Restated.

# Operational review



Since its founding in 1952, Basil Read has been integral to building the foundations of South Africa for all its citizens. We have arguably built more roads across South Africa than any other constructor, as well as many of the region's iconic buildings and structures. The year 2017 was one of the most challenging years in the company's long history, but we have made it through and are restructuring the business for current realities. Our best performers were the mining and the developments divisions, which have well-stocked order books for 2018 and onwards.



### Divisional performance at a glance

	Construction (includes St Helena) R000	Developments R000	Mining R000	Roads R000	Total R000
<b>PERFORMANCE MEASURES</b>					
Total segment revenue	1 701 679	79 551	1 813 630	1 014 285	4 609 144
Intersegment revenue	–	–	(1 345)	(26 655)	(28 000)
External revenue	1 701 679	79 551	1 812 285	987 630	4 581 144
Operating profit/(loss)	(248 796)	19 215	76 129	(589 740)	(743 132)
<b>MEASURES OF FINANCIAL POSITION</b>					
<b>Total segment assets</b>	484 566	6 924	898 818	107 986	1 498 294
<b>Total segment liabilities</b>	985 178	13 239	433 299	151 486	1 583 202
Order book	1 899 115	3 244 191	6 146 851	1 287 359	12 577 516

# Construction



The construction division houses our civil engineering, building operations and St Helena airport project. While 2017 posed various challenges, the division nevertheless saw satisfactory progress on major works. In line with Basil Read's turnaround strategy, the roads division was merged with the construction division.

The division's order book contains a range of civil engineering and building projects that include earthworks, bridges, infrastructure, retail and office complexes. These are commissioned by private and public sector clients.

## Civils

The civils division develops and commissions civil contracts for private and public sector clients throughout southern Africa.

## Buildings

The buildings division can execute all manner of building projects, from schools to high-rise retail and commercial office buildings. We have a particularly good reputation for delivery on public sector projects.

## Performance

### Salient features

	2017	2016*
Revenue (R000)	1 701 678	2 361 533
Operating loss (R000)	(248 796)	(21 850)
Operating margin (%)	(14.62)	(6.57)
Order book (R000)	1 899 115	3 459 455
Disabling injury frequency rate	0.13	0.22

\* Restated. Includes St Helena.

## 2017 performance highlights

- We made satisfactory progress towards closing out various distressed contracts, including construction work for the Trans Caledon Tunnel Authority and Eskom's Kusile power project
- R1 billion in work secured for 2018 and beyond at reporting date
- Civils made up about R1.7 billion of Basil Read's 2017 revenue and we secured over a R1 billion worth of additional work during the year
- We have decided to be more strategic in selecting the projects we target and there are a number of opportunities that are in line with this.

## Completed projects

- The Nokuthula School for learners with special needs was officially handed over to the Gauteng Minister of Education in the last quarter of 2017
- The construction work at the Olifants River water resource development project was completed during 2017 and the project is now in the commissioning phase
- We also signed over the Kusile buildings project to our JV partner Stefanutti Stocks in September 2017.



Includes St Helena.



# Construction continued

## New contracts awarded in 2017

- Basil Read **gained additional work worth R1 billion** over the next two years at Eskom Medupi and Kusile power stations.

### Risks/challenges and opportunities

#### Olifants River water resource development project approaching completion

In 2012, Basil Read was commissioned by the TCTA to build 40km of pipeline, a pump station and fibre-optic cables crossing underneath the Olifants River. Due to access delays, community unrest, riots and other disruptions, the TCTA overran its budget and programme and has had a significant financial impact on our company in terms of its cash flow.

This project will be handed over in March 2018 in terms of operations and ongoing claims and disputes are expected to continue to mid-2018.

#### Macro-economic environment

South Africa's construction sector remains depressed due to stagnant economic growth and low business confidence. This has caused investors to delay investment spending, which is reducing the number of available projects and tender opportunities. Eskom, for example, is under financial pressure and, because of this, has been considering options for scaling down its two power stations presently under construction.

### Strategy

#### Capital adequacy

In order for Basil Read to improve its financial position we are focusing on access to funding for new projects and optimising our access and use of capital through:

- continually working to improve operational efficiencies and promoting operational excellence
- improving profitability (margin enhancement) of our projects and focusing on closing out profit eroding contracts
- increased focus on improved cash from our contracts
- reducing overheads
- developing innovative funding solutions
- effectively managing cash and working capital
- reducing future exposure to low margin, high risk projects by being more selective in taking on future work.

We signed an agreement with Stefanutti Stocks in September 2017 for our erstwhile partner to fully take over the Kusile power station buildings project.

### Risks and opportunities

The Olifants River water resource development project is approaching completion.

Basil Read has completed this loss-making project, freeing it to move on to other projects, which we hope will be more lucrative.

Access delays, community unrest, riots and other disruptions meant that the project overran its budget and programme, which significantly affected Basil Read's cash flow.

Basil Read's last remaining building project is the Kazerne Taxi Rank in the Johannesburg CBD, which is scheduled for completion by June 2018.

### Outlook

Capital expenditure on badly needed infrastructure is needed to return the construction industry to robust health.

At this time other African countries such as Botswana, Lesotho, Namibia and Zimbabwe may present better opportunities than available in South Africa.

An amalgamation of the segments within construction is under way to streamline overheads and enhance project execution.

Performance is being measured against project delivery based on reworked targets and tight deadlines while resolving long overdue claims.

# Roads



The roads division incorporates earthworks, bridges, roads and highways, township infrastructure and rail. This division's performance was muted due to numerous competitors, limited public sector infrastructure funds and diminished business confidence. As Basil Read becomes more selective in accepting contracts, the roads division merged with the construction division.

## Overview

In terms of our order book, the roads division is the largest business in the company and includes earthworks, bridges, roads and highways, township infrastructure and rail. This sector has

since become hyper-competitive, featuring aggressive tendering practices and paper-thin margins that provide cash flow, but are unsustainable in the medium term.

In 2017, we completed our portion of the Gauteng Freeway Improvement Project (GFIP), which is the largest contract to date that Basil Read has been awarded.

# Roads continued

## Performance

### Salient features

	2017	2016*
Revenue (R000)	987 630	1 115 291
Operating loss (R000)	(589.7)	(41.9)
Operating margin (%)	(59.71)	(3.76)
Order book (R000)	1 287 359	2 412 156
Disabling injury frequency rate	0.43	0.36

\* Restated.

### 2017 performance highlights

- Completion of our portion of the GFIP
- SAICE Award for Bruma Lake Rehabilitation Project – third place technical excellence category (in 2016 we were awarded winner in Construction World Best Projects Awards for this project)
- Possible opportunities for lake rehabilitation projects of similar nature being pursued
- Completion of distressed contracts – Gonubie/Platrand/Greylingstad
- Musina bypass – relocation of baobab trees.

- Award of our first routine road maintenance contract in a JV with empowerment partner Mokgotsi Construction. Having tendered with this partner since the beginning of 2016, we were awarded the Vereeniging RRM contract from Gauteng Department of Roads and Transport in January 2017
- Award of the N3 Cedara to Mooi River contract from N3 Toll Concession, which is a strategic private client in the road sector. We have been tendering for them for four years now and this will be our first contract award. This tender included 75% black-owned surfacing company, Tzoneva Asphalt
- Average audit scores of 95% on quality management system from resident engineer survey.



# R589.7

## million

**Operating loss**  
(2016: R41.9 million)



# R1.3

## billion

**Order book**  
(2016: R2.4 billion)



# R99.2

## million

**Property, plant and equipment**  
(2016: R131.9 million)



# R4.9

## million

**Work in progress**  
(2016: R35.9 million)



# R2.0

## million

**Advanced payments received from contract work**  
(2016: R103.1 million)

## Completed projects

The Admin Craft Basin Coega project overran due to poor weather conditions, which eventually led to a partial redesign to allow construction to be completed.

### New contracts awarded in 2017

- A **R7 million road maintenance project** in Vereeniging, Gauteng
- The **R12 million rehabilitation of Route 3 between Cedara and Mooi River, KwaZulu-Natal**
- **Awaiting award of tender for the partial reconstruction of National Road R511 Section 3 leading into Beestekraal.**

## Risks and opportunities

### Saturated market

Much like the construction division, our roads business was muted by numerous competitors chasing too little work due to limited public sector infrastructure spend and low business confidence. Tenders are being awarded at minimal margins and with little space to manoeuvre should unforeseen operational circumstances arise.

### Delays and claims

Unpredicted weather and sea conditions continuously hampered the Coega project, eventually requiring a redesign of the breakwater. Basil Read is in discussions with Transnet regarding the relaxation of penalties due to delays caused by unpredictable natural events.

Claims for delays to work on the Ashton bridge have been referred to adjudication, supported by an internal investigation conducted by an independent consultant. Claims for delays amount to R28 million, while an additional R40 million in claims is being assessed.

## Strategy

With an eye on turning around Basil Read's fortunes in a difficult market, the board has decided we will focus our attention on tenders and projects that offer realistic and achievable profit margins. More focus will be given to pursuing projects where we have a strategic advantage and where we know we are capable of delivering profits.

Independent consultants are auditing our loss-making roads projects to forecast end-of-job costs and identify associated risks.

## Outlook

With our profit-seeking strategy in mind, the roads division was combined with the overall construction business in January 2018 to improve operational efficiencies and reduce costs.

This consolidation enabled the vertical and horizontal integration of all our construction operations. This realignment is well suited to the new direction and focus for Basil Read for public infrastructure projects and the private sector investment anticipated in the next 12 to 18 months.

# Developments



This division focuses on large scale mixed-income housing developments that feature an integrated living model of housing, shopping centres, schools, churches and small businesses. Although revenue dropped in 2017, our order book has filled since, with the growing urbanisation trend across Africa ramping up demand for quality housing that is affordable.

## Overview

Our developments division is a Basil Read contributor to densifying the urban fabric of South Africa. We can and do create mixed-use integrated housing developments that are the foundation of entry-level to middle-class housing, combined with shopping centres, schools, churches and small businesses in an integrated living model.

Our developments business focuses on large scale mixed-income integrated housing developments partnering with government and the private sector while starting with smaller scale private developments.

The package that our mixed-use integrated housing development proposes is a real solution to combine

entry-level to middle-class housing with commercial components in an integrated living model that supports all income levels.

The integrated development model also generates work for our construction and roads divisions, allowing us, in time, to control our own order book.

The integrated housing model developed by Basil Read is an opportunity to differentiate the company in this competitive market, as well as being perfectly aligned with government's intention to accelerate housing delivery significantly and quickly.

It also offers numerous opportunities for a roll out across southern Africa, where similar housing shortages and community empowerment issues are prevalent.

The integrated housing developments provide opportunities for housing structure development, which proves to be very profitable for any developer and development company, as well as allowing us to venture into smaller-scale private, infill developments to build an order book for Basil Read Homes.

## Performance

### Salient features

	2017	2016*
Revenue (R000)	79 551	81 263
Operating profit (R000)	19 274	15 873
Operating margin (%)	24.23	19.53
Order book (R000)	3 244 191	1 015 154
Disabling injury frequency rate	0.00	0.00

\* Restated.

## 2017 performance highlights

- Increased profits were due to further sales in Cosmo City and additional sales at the Kliprivier Business Park light industrial serviced stands
- The launch of Basil Read Homes
- Growth in order book includes construction and roads activities incorporated into the division.

## Key contracts

Major current projects include more than 18 000 homes under construction in Savanna City and Malibongwe Ridge, north of Randburg. Savanna City is one of the largest privately initiated urban lifestyle developments of its kind in South Africa, while the units at the Malibongwe Ridge development implemented in partnership with the City of Johannesburg are designated for government housing.



**R19.3**  
million  
**Operating profit**  
(2016: R15.9 million)



**R3.2**  
billion  
**Order book**  
(2016: R1 billion)



**R4.9**  
million  
**Property, plant and equipment**  
(2016: R4.5 million)



**Zero**  
**Work in progress**  
(2016: zero)



**R7 000**  
**Advanced payments**  
(2016: zero)

# Developments continued

## New contracts awarded in 2017

- 44 new top structures to be developed by BR Homes at Savanna City.

### Risks and opportunities

The mixed-use, integrated development model for urban development is perfectly aligned with government's intention to accelerate housing delivery and can be rolled out across southern Africa, where similar housing shortages and community upliftment issues are prevalent. Integrated developments can also provide work for our construction and roads businesses.

The next looming crisis for South Africa is water scarcity and deteriorating or inadequate water infrastructure.

Project delays due to lack of funding, limited bulk services, market conditions and community expectations are the key risks for the developments division.

### Strategy

The new 'Basil Read Homes' unit was established to construct urban developments in line with mixed-income needs and trends. We have commenced a project of 44 affordable housing units at Savanna City. Another vital aspect of affordable housing is to create realistic funding options, which we are exploring with reputable financial institutions.

### Outlook

The division's potential pipeline is limited at present to Malibongwe Ridge and Savanna City in terms of housing.

Top structure development will commence in 2018 with BR Homes. The houses will be built in Savanna City, but also in other smaller scale infill

developments with stock available in Cosmo City and from other partners wanting joint ventures.

Developments is absorbing the roads division to create full turnkey opportunities for all future developments.

Migration into urban areas is a trend across the world, which drives the need for efficient and affordable housing. In Gauteng alone, major urban projects include the likes of Cosmo City, Daggafontein, Dube and Montrose. Urban migration is likely to continue in the medium and long term, with housing demand rising in metropolitan areas.

# Mining



Specialising in surface contract mining, our mining division remains a proven leader in the industry and Basil Read's biggest generator of income. As the mining sector commences a long overdue comeback, mining division orders make up close to half of Basil Read's total order book.

## Overview

Our mining division is well-established, with sought-after skills in excavation and equipment mechanics. Our value proposition is further enhanced by being able to assemble machinery on site, rather than having it transported in. The Basil Read mining division specialises in surface disciplines that include:

- drill and blasting
- load, haul and dump
- material handling
- in-pit water management
- bulk earthmoving
- thin, thick and multiple seam mining
- mine spoils rehabilitation
- mobile plant maintenance
- management services to the mining, quarrying and construction industries.
- infrastructure development
- operations and project management
- surveying and optimisation services.

We also provide support services across sub-Saharan Africa, such as:

- mine design
- scheduling and mine planning

Basil Read's mining division is well proven in the industry and grew our market share exceptionally well, considering the prevailing mining climate. In June 2017, our order book of R10.7 billion included R4.7 billion for mining projects, which was almost 43% of the company's total order book.

# Mining continued

## Performance

### Salient features

	2017	2016*
Revenue (R000)	1 812 285	1 567 998
Operating profit (R000)	76 129	111 652
Operating margin (%)	4.20	7.12
Order book (R000)	6 146 851	5 456 323
Disabling injury frequency rate	0.04	0.00

\* Restated.

### 2017 performance highlights

- Revenue improved to R1.8 billion, which is a 13% increase from 2016. This encouraging result was due to new contracts awarded within a muted yet highly competitive market
- The current year result was affected by unusual rain in the region at the beginning of the year, start-up costs for new projects, provisions for bad debts, higher depreciation

and finance costs due to the upgrade of the fleet and additional equipment required for new contracts

- New contracts exceeding R4 billion were awarded in the current reporting period.

### Completed contracts

- Basil Read contracted a fleet of mobile plant equipment to Otjikoto mine to improve productivity
- Extension of contracts were granted for Venetia, Voorspoed and the Cut 8 Majwe Mining Joint Venture during 2017.



**R76.1**  
million

**Operating profit**  
(2016: R111.7 million)



**R6.1**  
billion

**Order book**  
(2016: R5.5 billion)



**R781.2**  
million

**Property, plant and equipment**  
(2016: R558.6 million)



**R53.9**  
million

**Work in progress**  
(2016: zero)



**R414 000**

**Advanced payments**  
(2016: R5.8 million)

### New contracts awarded in 2017

- In 2017 we announced a joint venture between Basil Read and Majwe Mining to service the Cut 8 project. We hope our joint venture will have been **awarded the 'Cut 9' diamond mining project** by the time this report is published
- Contracted by Shumba Energy to provide mining **solutions for all its coal projects in Botswana**
- **Secured an additional R3 billion** contract in Lesotho and a **R1.2 billion contract in Namibia**
- **Awarded full operational responsibility** for the Skorpion mine in Namibia.

### Risks and opportunities

Workers at Skorpion zinc mine in Namibia held a peaceful protest in December 2017 regarding safety standards at the mine.

Extreme weather conditions at the Lqhobong mine in Lesotho makes logistics very challenging.

Reductions in fleet capacity at Venetia creates excess labour.

### Strategy

We are leveraging established relationships in the mining sector to secure construction contracts at their mines. This strategy is rolling out more extensively in 2018 as a value-add to

miners and a new revenue stream for Basil Read.

Another aspect of the strategy is to secure long-term extensions or expansions of existing contracts by improving cost-efficiency and safety through our asset optimisation project.

We are pursuing opportunities through selected potential clients, particularly in new geographies. The company is also reaching out to large international contractors seeking to establish footprints in sub-Saharan Africa.

### Outlook

The mining sector is showing encouraging signs of returning to growth, despite a challenging operating environment.

Several new mining projects being planned in sub-Saharan Africa will create more opportunities for new work than has been experienced in recent years.

# Human capital

## Our people

A five-year strategic plan for the human resources (HR) function was implemented in 2016 to support the company's vision, mission and strategy. Specific HR projects for each strategic goal were identified. In 2017, HR aimed to achieve the following goals:

 Vision	Preferred investment	Preferred contractor	Preferred employer		
 Strategy	Grow the business	Optimise asset productivity	Modernise corporate culture		
 People strategic goals	Prepare, grow and protect talent	Improve competence to enhance operational performance	Improve effectiveness and performance	Create an effective and sustainable organisational and leadership culture	Unite a diverse workforce
 2017	<ul style="list-style-type: none"> <li>Develop and implement a talent management process</li> </ul>	<ul style="list-style-type: none"> <li>Develop an e-learning management development programme</li> <li>Continue with a professional registration programme</li> <li>Setup an e-learning platform for the company</li> </ul>	<ul style="list-style-type: none"> <li>Review and update job profiles</li> <li>Maintain and improve the performance management system</li> <li>Review and update people management policies and procedures</li> </ul>	<ul style="list-style-type: none"> <li>Instil new values</li> <li>Deploy a leadership development programme</li> <li>Develop a digital induction programme</li> </ul>	<ul style="list-style-type: none"> <li>Establish a transformation plan and employment equity targets for each division</li> <li>Host diversity awareness workshops</li> </ul>

## Strategic HR goals

### Prepare, grow and protect talent

A new talent management policy and procedure was developed and approved. A pilot project was implemented within the mining division to test the effectiveness of the new talent management process and system. Final improvements will be made once completed, and full implementation will start in 2018.

Basil Read also sponsored 21 public individuals for educational bursaries, with a committed work-back period of one year for each year of study. The purpose of this bursary scheme is to attract and retain core and critical skills over the long term. The demographic profile of these bursars is provided in the table below.

Intervention	African	Indian	Coloured	White	Total
BEng Civil Engineering	7	1	0	3	11
BSc Environmental Sciences (BRM CSI)	1	0	0	0	1
BSc Quantity Surveying	3	0	0	0	3
BSc Hons Quantity Surveying	0	0	1	0	1
BSc Geology (BRM CSI)	1	0	0	0	1
Nat Dip Mining Engineering	2	0	0	1	3
Nat Dip Civil Engineering	0	0	1	0	1
<b>Total</b>	<b>14</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>21</b>

### Improve employee competence to enhance operational performance

Basil Read invested approximately R8.3 million in the growth and development of its people. A total of 1 941 individuals were trained during the 2017 financial year at an average cost of R4 276 per individual. An expenditure breakdown is provided in the following graph:



A new electronic-learning platform was developed for Basil Read, and several electronic-learning short courses and programmes were launched on this platform during 2017. Courses on offer included code of business ethics, induction, company values, safety, health, environment, HIV/Aids and TB awareness, as well as training courses on various company systems.

A leadership development programme was developed in conjunction with the University of Stellenbosch Business School for Executive Development (USB-ED). This programme equips managers with the strategic and operational servant leadership competencies to:

- set, translate and execute a higher purpose vision
- become role models and ambassadors for a higher purpose vision
- align, care for and grow talent
- monitor performance continuously
- improve products, services, processes, policies and systems.

During the reviewed period, 86 managers completed the programme.

Basil Read also commissioned an electronic management development programme, again with the USB-ED.

This programme will be launched in 2018 once the talent management system is implemented.

For lower occupational level employees, seven different learnership or skills programmes were deployed. In total, 267 individuals participated in these programmes.

Learnership/skills programme	Total individuals
NQF 3 Underground Blasting Learnership	1
NQF 3 Opencast Blasting Learnership	18
Internal Audit Learnership	2
NQF 5 Construction Management Learnership	17
NQF 4 Foreman Learnership	1
NQF 4 Business Administration Learnership	16
Information Technology Learnership (D)	15
Bricklaying/Plastering Skills Programme	111
Leadership Development Programme	86
<b>Total</b>	<b>267</b>

The Construction SETA (CETA) awarded the Leading Employer Award to Basil Read in October 2017. This award recognises employers with the best training and development practices in the construction industry.

### Improve employee effectiveness and performance

Most job profiles were reviewed and updated during 2017 to ensure they are well aligned with the company's vision, strategy, values and positional requirements. As employee performance is reviewed against job profiles, our overall performance management system was enhanced.

People management policies were also reviewed and updated in 2017. The people management function strives to review people-related policies and procedures at least every second year to ensure these support the company's vision, strategy and values. These policies are also aligned with functional best practices and national people management standards as published by the South African Board of People Practices (SABPP).

### Creating an effective organisational and leadership culture

The implementation of company values continued throughout 2017. The company values programme involves a 12-week process in which managers facilitate four modules:

- Module 1 – why company values are important and the processes behind establishing new company values
- Module 2 – Understanding the new company values
- Module 3 – Employees accept the values by signing individual and team pledges
- Module 4 – Committing employees to the values by sharing real-life success stories.

We also developed a values programme as part of the health and safety toolbox talks given on project sites. An industrial theatre team performed a series of shows to build awareness of Basil Read's new values.

# Human capital continued

All new employees now undergo a digital induction course that provides a general company overview to new employees and introduces our values, disciplinary code of conduct, policies, procedures and systems.

## Unite a diverse workforce

Basil Read fully endorses South Africa's broad-based black economic empowerment (BBBEE) initiatives. This is done by firstly transforming the company in terms of the national economically active population and secondly to unite a diverse workforce.

Transformation is being rolled out through employment equity targets set for each division and driven by divisional managements and employment equity committees. Slow business growth, however, limited our ability to transform the company in 2017 as planned. Management agreed to a more realistic one-year employment equity plan for 2018. Barriers hindering transformation were also identified and corrective methods will be applied in 2018.

## Basil Read's current employment equity profile

Occupational levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	1		1	1	1				1		5
Senior management	4		1	25		1		1	1		33
Professionally qualified and experienced specialists and mid-management	36	1	13	124	12		1	17	2		206
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	422	28	13	147	72	5	8	79	18	2	794
Semi-skilled and discretionary decision making	1 238	7	1	16	67		2	6	9		1 346
Unskilled and defined decision making	914	42	1	3	271	8		1	4		1 244
<b>Total</b>	<b>2 615</b>	<b>78</b>	<b>30</b>	<b>316</b>	<b>423</b>	<b>14</b>	<b>11</b>	<b>104</b>	<b>35</b>	<b>2</b>	<b>3 628*</b>

\* Excludes international employees.

Initial discussions are under way with service providers to customise a diversity and inclusion programme for Basil Read. This programme will be finalised in the first quarter of 2018 and be implemented in the second quarter of next year.

## Staff turnover

Basil Read is committed to creating a harmonious workplace culture that unites diverse people and can reduce employee turnover. In 2017 employee turnover rose slightly to 8.6% (2016: 7.2%), primarily due to a restructuring process.

We conduct organisational diagnostic surveys to analyse employee experiences within Basil Read. Survey results help identify areas where workplace

interactions can be improved and employee turnover reduced. Exit interviews also help identify employee turnover trends.

## Employee relations

Basil Read commits to fair labour practices and cultivating effective relationships with labour institutions, unions and other related stakeholders. We have a dedicated employee relations team that oversees the effective implementation of fair labour practices.

During 2017, Basil Read achieved a success rate of 76% in defending Bargaining Council or CCMA cases. This demonstrates that Basil Read's labour practices are fair and accord with labour law.

Of the total workforce, 36% are union members, of which 6% are with AMCU, 0.1% with BAMCWU, 9% with BCAWU, 0.1% with MB Allied Worker, 19% with NUM, 0.3% with NUMSA, 0.1% with Solidarity, and 2% with UASA.

Our business depends equally on the skill of our people and on our equipment. As such, we focus on maintaining a safe and healthy workplace, supported by ongoing training.

Safety, health, environment and quality (SHEQ) policies are implemented through a SHEQ management system that integrates hazard identification and risk analysis and management into all our activities. The company's annual SHEQ plan is designed for continuous improvement and aligned with business strategy.

Basil Read's board, executive committee, and management keep the company focused on the ultimate goal of zero harm by monitoring progress against annual SHEQ targets at monthly and quarterly meetings.

Following a recertification audit in November 2017, Basil Read retained its OHSAS 18001 certification for occupational health and safety.

## Safety and health

To maintain our international certification for safety and health (OHSAS 18001), we set specific targets in 2017.

	Policy	Objective	Performance indicator	Target 2016	Actual 2017	Target 2018
Safety	Aspiring for all our operations to be zero-harm workplaces	To eliminate fatalities in our operations	Number of fatalities	Zero	Zero	Zero
		To continuously reduce the number of disabling injuries in our operations	Disabling injury frequency rate (DIFR)	<0.17	0.17 (target = 0.15)	0.15
	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	50% (target = 50% by end 2017)	75%
Health	Create and maintain a supportive culture	Entrench visible felt leadership (VFL) throughout Basil Read	Number of visible felt leadership (VFL) visits per site per manager/supervisor	One VFL visit per week per manager/supervisor	Under way	One VFL visit per month per manager/supervisor
	Implement a comprehensive health and wellness programme	Prevent new cases of occupational illnesses resulting from exposure to our activities	Number of new cases	Zero	Zero (target = 0)	Zero
		Promote the use of the primary health clinic to manage chronic illnesses	Number of awareness sessions	One session every three months at corporate office	Seven (7) awareness sessions (target = 4)	One session every three months at corporate office, and a session for every site visited by the mobile clinic

# Human capital continued

Our business depends equally on the skill of our people and on our equipment. As such, we focus on maintaining a safe and healthy workplace, supported by ongoing training.

This commitment is defined in our safety, health, environment and quality (SHEQ) policies. These are implemented via a SHEQ management system that integrates hazard identification, risk analysis and risk management into all our activities, while our annual SHEQ plan is aligned with our business strategy and ensures continuous improvement.

Our board, executive committee and management keep the company focused on the ultimate goal of zero harm by monitoring progress against annual SHEQ targets at monthly and quarterly meetings.

Following a surveillance audit in November 2017, Basil Read retained its OHSAS 18001 certification for occupational health and safety.

### Safety

Our aim is to proactively reduce the frequency and severity of injuries by reviewing our strategic safety objectives every year. In addition to complying with safety regulations and entrenching the necessary systems, policies and corporate standards, we also promote individual responsibility for safety throughout the organisation.

We are making good progress in rolling out the visible felt leadership (VFL) process, where leaders of all levels are required to visit and converse with employees at their workplaces to

understand the day-to-day safety challenges they face. A process of training VFL coaches throughout Basil Read is under way. The presence of these coaches at every project site will ensure continuous coaching of leaders in the correct VFL approach. Our SHEQ department has launched a campaign to promote safe behaviour by finding people doing the right things and publishing their stories to encourage other employees to follow suit. In addition, every meeting starts with a safety moment, highlighting an at-risk behaviour and emphasising controls to stay safe.

Unfortunately, the Basil Read disabling injury frequency rate (DIFR) target of 0.15 set for 2017 was not achieved. Our DIFR performance for 2017 was 0.17, a failure that is attributed to the increase in the number of lost-time injuries related to insufficient identification of hazards and risks as revealed through our internal incident investigation process. Although DIFR is a lagging performance indicator, it is a tangible demonstration of management's commitment in the journey towards zero harm. Executive management has committed to a 12% DIFR improvement target for 2018.

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 2017

Firstly, resulting from the continuous effort aimed at improving the health and safety of its employees, Basil Read retained its OHSAS 18001 international certification, after a surveillance audit conducted in November 2017.

Secondly, to further ensure that there is a common understanding of the safety value at Basil Read, a number of industrial theatre shows with emphasis on desired behaviours critical to every employee to live the safety value, were staged at a number of sites in 2017.

Thirdly, to equip all legal appointees, appointed in terms of the applicable occupational health and safety legislation, with a clear understanding of their responsibilities, a series of legal liability training sessions were rolled out in 2017. These will continue in 2018.

### Occupational health

Targets	2017 actual	2018 target
Zero new cases of occupational illness	Zero new cases of occupational illnesses	0
One health promotion session per quarter	7	4

As Basil Read, our first value is safety, which drives us to keep our employees safe and healthy at all times. We believe that health is the cornerstone of a highly effective individual, not only as a Basil Read employee but also as a member of the community.

Our employees' health is monitored and maintained through the implementation of a risk-based medical surveillance programme, which focuses on early detection and management of occupational and non-occupational health conditions in order to timeously treat, control and stop the disease progression. The risk-based medical surveillance programme also focuses on determining the employees' psychological and physical fitness to perform assigned duties as well as giving recommendation on minimising hazards that exist in our daily operational activities.

In 2017, medical examinations were performed on 3 433 employees with 94% fit for duty as compared to 3 930 employees with 94.8% fit for duty in 2016.

Basil Read exercises its value of compassion by continuously providing free primary healthcare (PHC) services to its employees. The company cares about the general health and wellbeing of its employees and not only concentrating on ill health caused by exposure to workplace activities. The PHC services are aimed at managing chronic conditions, less serious injuries, medical ailments as well as medical emergencies, to improve the general health of our employees and reduce absenteeism.

The use of PHC services increased from 485 visits in 2016 to 702 in 2017.

### Employee wellness

In 2017, one of the occupational health targets was to conduct one health promotion session per quarter, of which seven sessions were conducted by the end of the year. Health awareness was based on the trending medical conditions found during primary healthcare consultations, the Department of Health awareness calendar for 2017 with more emphasis on HIV/Aids and TB.

Through the implementation of HIV/Aids and life-threatening diseases policy, Basil Read is committed to ensuring that the implications of HIV/Aids are effectively addressed in the workplace by providing HIV screening through voluntary counselling and testing (VCT). A compulsory HIV/Aids and TB education programme was launched in 2017 and made available on Moodle in order to continuously promote the awareness of HIV/Aids and TB.

Basil Read understands that the employee is a significant part of the community; it has joined hands with the South African National Blood Service in saving the nation through blood donation. As a result, four blood donation sessions were conducted at Basil Read corporate office in 2017.

For 2018, Basil Read will focus on promoting HIV/Aids awareness by rolling out the 'Know Your Status' campaign at corporate office and at sites visited by the mobile clinic. This drive will also incorporate VCT in the medical surveillance programme.

# Social and relationship capital

## Maintaining key relationships

Continually developing trust relationships with our stakeholders is key to the ongoing viability of our business. Listening and responding to our stakeholder needs enables us to build our brand and entrench our social licence to operate.

Each stakeholder group has a distinct type and level of involvement, often with diverse and at times conflicting interests and concerns. Trust and mutual understanding between all these interests and Basil Read is vital to our long-term sustainability.

Further details regarding our stakeholder engagement are available on pages 18 and 19.

## Our performance 2017

In 2017, we continued addressing the gaps identified during the stakeholder perception survey conducted in 2016. Gaps identified were lack of awareness of the full Basil Read offering or services; lack of awareness of Basil Read's transformation efforts; and not responding to government's economic growth agenda.

In terms of shifting any perceptions of lack of performance, the year 2017 kicked off on a positive note. Basil Read received an honorary award 'Legend of Empowerment' at the 16th Annual Oliver Top Empowerment Awards. Basil Read was also named the second finalist in the category 'gender reporting by a JSE listed company' at the Gender Mainstreaming Awards hosted by Business Engage and Brand South Africa.

We also received the 2017 Construction Education and Training Authority (CETA) Award for being a leading provider of skills development for employees and contractors.

Basil Read's management participated in the Vision 2030 Summit in 2017, which aimed at working toward realising South Africa's National Development Plan goals from the perspectives of the country's private and public sectors.

## 2018 outlook

In 2018 we are implementing an integrated marketing and communications plan to deepen our engagement with all stakeholders and influencer channels.

## Brand and reputation

Over 60 years of construction expertise has made Basil Read synonymous with quality, service excellence and integrity in helping build the infrastructure that serves all South Africa's residents. Basil Read has a superb reputation for our ability to tackle technical challenges head-on and fast-track projects, while consistently upholding the highest standards in safety, quality and environmental best practices. Further details regarding our quality management system are available on pages 54 and 55.

## Enterprise development

Basil Read has embraced enterprise development as a means to build our black and small business involvement in developing infrastructure in South Africa and sub-Saharan Africa.

In 2017 we supported five emerging enterprises through the following channels:

- **South African Forum of Civil Engineering Contractors (SAFCEC) programme**

This programme transfers knowledge and skills to emerging enterprises through mentoring, coaching and training.

In this period Basil Read supported three enterprises through the SAFCEC programme, namely Triple E Construction, Baobab Drilling & Blasting and Thibogang Solutions. All Triple E Construction development plan targets were achieved.

- **Aurik programme**

Aurik, a business accelerator company partnered with Basil Read to provide a range of tools and mentoring support to enhance entrepreneurs' business management skills.

The two Basil Read nominated beneficiaries were Traffic Barricade and Cassidy Solutions. This programme concluded during the second half of 2017.

- Both supplier development beneficiaries still provide services to Basil Read.
- Basil Read wrote up and publicised a profile of Traffic Barricade.

## 2018 outlook

- Our developments division is rolling out the SAFCEC programme to nine beneficiaries in Savanna City.
- Basil Read Mining has signed a partnership agreement with Tausadi Mining & Engineering, a black women-owned business. This SAFCEC enterprise development programme will form part of future commercial contracts.
- Basil Read continued working with De Beers on the identification and development of local suppliers to the Venetia mine. In 2017 the two companies identified and developed a local supplier that provides a bussing service for Basil Read employees.
- Basil Read is utilising the BBBEE online monitoring tool to identify other opportunities for transforming its supply chain.

### Voluntary rebuilding programme

In October 2016, the South African government concluded an agreement with seven construction companies (Basil Read, WBHO, Aveng, Murray & Roberts, Group Five, Raubex and Stefanutti Stocks) on a programme of initiatives that is expected to significantly accelerate transformation in the local construction sector. The voluntary rebuilding programme (VRP) is also intended to redress any potential damage to the industry resulting from alleged industry collusion up to 2010 and investigated by the South African competition authorities shortly after.

The agreement comprises a financial contribution by these companies into a jointly administered trust, as well as certain transformation commitments over and above current broad-based black economic empowerment sector requirements.

The arrangement will focus on developing and transforming the industry by:

- increasing investment in the sector to promote developmental, educational and upliftment opportunities for all, especially for black people
- creating employment and entrepreneurial opportunities, especially for young South Africans
- promoting and supporting black-owned construction companies and small business development and assisting them to be competitive and sustainable
- identifying opportunities for South African companies in infrastructure projects elsewhere on the African continent
- building deeper partnerships with regulators and other key stakeholders such as government and organised labour.

### The settlement agreement comprises three elements:

#### Financial contribution for development projects

The construction companies will collectively contribute R1.5 billion to the fund over 12 years, which will be established for socio-economic development. The objective of the fund will be to develop, enhance and transform the construction industry, while promoting social infrastructure for all South Africans.

Initiatives will include developing and promoting construction companies owned and managed by black people, providing bursaries for black students and support for learning institutions through bursary programmes and infrastructure development.

It also includes funding the appointment of professionals to provide the government with engineering, project management and other services to strengthen its capacity to deliver the required public infrastructure. Where necessary, skilled personnel from organisations operating in South Africa will be seconded to state departments and entities.

#### Transformational commitments in the sector

In addition to existing enterprise development programmes, each construction company will commit to mentoring up to three emerging black-owned enterprises. The aim is for these emerging enterprises to develop the skills, systems, status and quantity of work to generate cumulative combined annual revenue equal to at least 25% of the mentor company's annual revenue by 2024. Aligned to this obligation are fixed interim transformation targets for each construction company, as well as set

penalties for failing to meet these targets. The referenced revenue is from civil engineering and building works delivered in South Africa.

Development of these emerging black-owned enterprises will be broadly in line with construction charter codes on enterprise development.

The settlement agreement also stipulates that the company will be released from its responsibility for developing emerging contractors if it disposes of at least a 40% economic interest in its South African civil engineering and general building construction business to an enterprise that is over 51% black-owned, managed and controlled.

#### Integrity commitment by CEOs

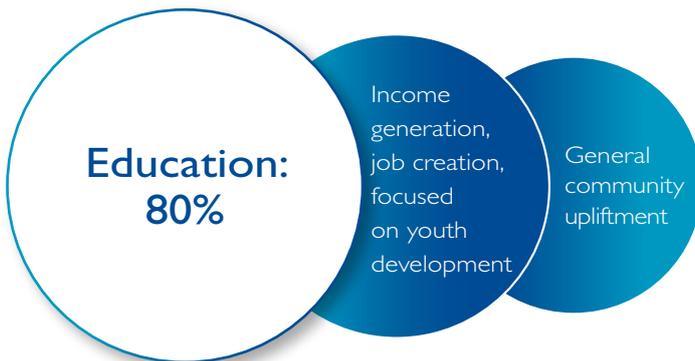
The construction companies, as leaders in the industry, and the government have committed to business practices based on integrity, transparency and fair competition. Each company has signed a declaration to promote ethical and legal operations, free of collusion or corruption, and to confirm that they will expose, confront and eradicate any sign of wrongdoing in the industry.

The settlement signifies the commitment of all parties to promoting growth, investment, sustainability, inclusivity and transformation in the construction sector.

# Social and relationship capital continued

## Corporate social investment

Taking a holistic approach to building lasting legacies in our communities, with education as a key focus area



# R3.8 million

spent in 2017 on:

### Education

- Refurbishing schools
- Installing interactive boards in classrooms
- Sponsoring winter school
- Improving access to internship programme
- Enhancing teaching skills, particularly maths and science
- Maintaining sports facilities
- Building self-esteem (from providing school uniforms to matric dance dresses and sporting kit).

### Income generation (particularly youth development)

- Youth skills development
- Training for unemployed youth
- Brick manufacturing.

### Community development

- Water donations
- Community park
- Community hall.

### The benefits of a coordinated approach to social responsibility

We have made good progress in transforming our approach to corporate social investment into a strategic marketing tool, spanning our divisions and projects, all focused on ensuring meaningful and lasting benefits for our stakeholder communities.

We believe real stakeholder engagement must address real needs. However, the scale of needs in South Africa is beyond the means of a single company. As such, a coordinated approach to social

responsibility that harnesses the resources and skills of our people, our partners, government stakeholders and even our competitors is most likely to leave a lasting legacy – one with tangible benefits for entire communities.

### Performance 2017

The focus for 2017 was to continue the coordinated approach to CSI that started last year. We aim to harness the limited resources of our projects, our people and partners to ensure that initiated CSI projects remain sustainable, and new projects respond to verified community needs while aligning to our policy.

Education remains a focus for communities near Basil Read sites. In the review period, over 80% of our investment of R3.8 million (2016: R6.1 million) was allocated to education at primary and high-school level.

### CSI highlights 2017

- The Medupi Civics project team donated a mobile library to Moabi Primary School. The books were in English and SePedi and ranged from books for grade 0 to grade 7.
- The employees of the Kazerne Buildings Project also donated to Uthando Centre, a non-profit organisation that runs on donations. The employees donated R5 or more each, as well as purchasing snacks for the children. Basil Read and Umso employees spent time talking to the children about road safety (pedestrian, cars, crossing roads, etc.).

- Basil Read also participated for the first time in the Cell C 'Take a Girl Child to Work' initiative by partnering with Siyabonga Secondary School in Braamfischerville, the feeder secondary school to our primary school project Julius Sebolae.
- Employees also participated in the Avon Justine iThemba Walkathon, in support of the crusade against breast cancer.
- For Nelson Mandela Day the focus was on women violence and abuse. A workshop was held at the community hall in Lakeside, Midvaal municipality and the women from the Savanna RDP section were invited to attend. The workshop entailed a self-defence class hosted by Women INpowered (WIP) and also a sanitary gift bag supplied by Dignity Dreams.
- A partnership between the Medupi site and Eskom resulted in the collection and delivery of perishable food items to child-headed households and crèches in Lephalale.
- The Polokwane roads site, together with the Polokwane municipality, renovated classrooms at the Mothimako High School and planted new trees.

### 2018 outlook

- The career expo that was to be undertaken at the Mthatha roads site was postponed to 2018, to ensure that all key partners such as CETA are on board.
- The Early Childhood Development Centre proposed by the developments division for the Malibongwe Ridge Development was put on hold due to rezoning issues and ongoing planning with partners.
- The mining division will continue contributing to projects in the Blouberg district in Limpopo.

# Intellectual capital

## Our key skills and competencies

Basil Read has extensive experience in building, civil engineering, road construction, mixed-use integrated housing developments, opencast mining and related services. The group can offer private and public project solutions on any scale within varied geographies.

In this information age, intellectual capital can be the key to an enterprise prospering or failing. Intellectual capital dovetails with human capital through employee competence, skills, training and development, which includes knowledge of work procedures, work ethics and values, and experience.

The cumulative value of the intellectual capital that Basil Read has refined over six decades informs and drives our evolving business strategy. Building onto the other five capitals, it enables the group to remain sustainable and ahead of our competitors.

Basil Read's intellectual capital includes:

- our turnkey approach from design to handover across construction and engineering fields
- understanding our customers and markets
- project execution
- managing strategic planning, suppliers and subcontractors
- corporate culture
- our human resources
- safety, health, environmental and quality (SHEQ) policies.

## Intellectual capital and value creation

The building and construction industry is fiercely competitive, with profit margins eroding over the last five years. Basil Read needs to understand industry trends to stay relevant in future while delivering to high standards in the present.

The group's intellectual capital is refined through a continual improvement process based on:

- operational efficiencies and cost management
- asset optimisation and positioning
- supply chain efficiencies
- growth in new and emerging markets

- identifying and mitigating risks
- upskilling and motivating our workforce.

## Delivering quality projects

Basil Read is reinforcing an internal culture of delivering projects of high quality, with zero defects and to the requirements of our customers.

We continuously evaluate and recalibrate our quality management system through management review meetings.

An independent audit authority, the British Standards Institution (BSI), has accredited Basil Read with an integrated ISO 9001, ISO 14001 and OHSAS 18001 certification throughout all divisions. As part of implementing the certification, a SHEQ helpdesk was established on SharePoint to assist all sites and divisions with quality concerns. Having immediate access to information on quality challenges improves our operations outputs and strategic decision-making processes.

Our quality framework is managed through three focus areas, being quality assurance, quality control and quality risk and improvement.

## Quality assurance

Our quality assurance unit checks that products and services reliably meet client requirements. By monitoring materials and service we ensure the end result flawlessly fulfils its intended purpose.

Practically, cultivating a culture of quality entails:

- defining operational procedures
- ensuring that employees are competent
- conducting internal and external audits
- generating checklists and method statements.

Quality assurance follows up when quality issues occur and implements or improves processes where necessary.

## Quality control

Quality control ensures that Basil Read's outputs meet agreed client requirements. All Basil Read divisions must produce goods and services to meet specifications,

be delivered on time and at the stipulated cost. Clients must be satisfied with our work first time out. Quality control processes are also designed to identify substandard performance that may slip through.

## Quality risks and improvement

Quality risks and improvement processes are applicable to product delivery, process control and human resources. This unit audits programmes for manufacturing enhancements, performance improvement and increasing customer satisfaction. We also re-examine current business practices. Basil Read utilises the plan-do-check (Study)-Act model to solve quality concerns and systematically improve quality processes. We also established a quality risks management unit to study the risks implicit in processes and their impact on outputs.

## Key milestones in 2017

- Retaining our ISO 9001:2008 certification. Basil Read's management systems were assessed by BSI, which found that our systems were continually improving and were compliant with the ISO standard.
- We updated Basil Read's quality management system to comply with the new ISO 9001:2015 requirements.
- The mining and construction divisions integrated the new quality management system into their operations.
- We implemented a risk framework as part of the upgrade to ISO 9001:2015.
- A SHEQ helpdesk was set up by the SHEQ department to support the quality management system.
- A benchmark for the cost of non-conformance related to product quality was established. This includes establishing a benchmark for cost of non-conformance.
- The SHEQ responsibility metrics and reporting structure update in conjunction with HR department.

## Strategic focus for 2018

Quality risk management is tasked with protecting Basil Read's core values and reputation. To be effective, quality risk management needs management buy-in and implementation at all levels, so that it features in all decision-making processes.

Quality focus points for 2018						
More consistent competitor	Increase customer satisfaction	Increase business opportunities	More effective way of working	Less wastage	Efficient internal processes	Improved performances
Recognise obstacles and risk at start of projects	Set, understand and measure customer satisfaction and expectations	Being proactive by demonstrating up-to-date compliance	Saving time, money and resources by portioning responsibilities into manageable pieces, supported by effective communication and delegating skills	Errors on construction sites occur frequently and can be costly. A high % of construction cost is found to be wasted due to rework of defective components detected late during construction. Most site defects have their roots in errors arising during the construction phase and can be attributed to human factors like unskilled workers or insufficient supervision of construction work. This suggests that a thorough inspection of construction sites is needed and that current site inspection approaches need to be improved in identifying defects on construction sites effectively	Improve business processes by: <ul style="list-style-type: none"> <li>• mapping processes</li> <li>• continuous process analytics</li> <li>• redesign processes if required</li> <li>• acquire correct skills and resources</li> <li>• implement and communicate change</li> </ul>	Cutting errors and increase the profit margin by identifying root causes of underperformance and by implementing effective solutions
Continually update quality risk profile and mitigate risks where possible	Effective communication with customers	Live the Basil Read values and brand in all customer and colleague interaction	Ensure that tasks match skills in achieving clearly defined goals	Resource optimisation by 'sweating our assets'	Reduce distraction points such as emails, mobile devices and dysfunctional workspaces	Make Basil Read a stimulating place to work for by creating a positive work environment and rewarding improvements, while acting on the lack of improvements
Consistent and continual improvement on planning and delivery	Focus on treating employees right so they willingly treat customers right	Ensure that customers are aware of capabilities and specialities	Train and develop employees	Work towards achieving the principle of zero waste	Get to the root causes of employee related productivity challenges	Know when to walk away

**IT and technology**

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, and report to the IT steering committee which, in turn, reports to the audit and risk committees. The year 2017 was dedicated to consolidating systems and technology implemented in 2016.

**IT disaster recovery (DR)**

Basil Read's DR plans address the recovery of business-critical IT assets, including systems, applications, databases, storage and network assets. A comprehensive DR plan test was conducted under the supervision of our external auditors.

**Business continuity plan or recovery plan**

Business continuity plans for critical business functions are in the process of being documented and tested. These plans support and are aligned to both the enterprise business continuity plan as well as the IT DR plan.

**2018 focus areas**

- IT systems integration across all divisions in the company.
- Enterprise reporting and analytics tools.
- IT governance complying with King IV.
- IT business continuity and back-up strategies.
- Provide technologies to enhance communications with internal and external stakeholders.
- Enhance system functionality in various key areas to support the business.

# Manufactured capital

Basil Read's manufactured capital forms a vital part of our value creation process. Delivery of projects and services to deadline is fundamental to our sustainability and depends on the optimal use of our property, plant and equipment. Our assets must be optimally managed and maintained to reduce costs and maximise earnings through them.

Basil Read's mining division owns a fleet of mobile mining equipment that can be deployed in remote and challenging locations. We can also assemble machinery on site to save on transport costs. The company's wide selection of specialised equipment enables the company to be flexible in response to client requirements.

## Our assets

	Construction R000	Developments R000	Mining R000	Roads R000	Total R000
Total segment assets	484 566	6 924	898 818	107 986	1 498 294
Total segment liabilities	985 178	13 239	433 299	151 486	1 583 202

### Plant equipment and machinery

Our operations are heavily reliant on equipment and machinery, as the bulk of our operations are conducted through their use and application.

Due to the vast differences in application and use, the Basil Read mining and construction divisions each hold a plant division dedicated to the asset management function. Each plant division acts as the custodian of equipment and ensures alignment with company strategies while satisfying individual divisional requirements, through our comprehensive asset management strategy based on industry best practices. This ensures sustainability and cost-effective execution of projects through the creation, acquisition, operation and maintenance, renewal and disposal of assets to provide for present and future operational requirements.

Our substantial financial investment in the purchase, development and maintenance of property, plant and equipment has given us the capacity to generate longer-term returns. Examples of our extensive plant and equipment asset base include:

- load and haul equipment – rigid dump trucks, excavators, loaders, dozers
- drill and blast equipment – drill rigs, compressors
- earthmoving plant – dozers, graders, excavators, TLBs, ADTs
- road construction and surfacing plant – chip spreaders, pavers, rollers, milling machines, recyclers, water carts
- transport equipment – rigid trucks, low bed trucks, crew trucks, crane trucks, LDVs, vehicles, forklifts
- civil construction equipment – tower cranes, formwork and staging, material handlers, concrete batch plants, mixers, ready mix trucks, concrete pavers, mobile cranes
- support plant – service trucks, fuel bowlers.

### Infrastructure

Basil Read operates from a central corporate office campus purposefully designed and constructed to reduce the size of our footprint on the environment and induce a pleasant work atmosphere that promotes efficiency. Workshop and civil yard facilities form part of the corporate office campus, specifically designed and fully equipped to suit the maintenance requirements of our plant equipment, tools and machinery.

### Investment property

Certain key investment properties form part of the Basil Read property portfolio. Kliprivier Business Park, managed by our developments division, is a prime example of how investment properties support growth. Other investment properties includes the Rolling Hills estate (Mpumalanga) and premises in Francistown, Botswana.

# Natural capital

## Environmental strategy

Flowing from the Basil Read environmental policy, last year we refined and quantified our strategy for 2018 to minimise our impact on the natural environment.

<b>Vision</b>	Minimise harm to the environment by conducting our business in an environmentally responsible manner		
<b>Mission</b>	Become a company with continuously lower environmental impacts and a leader in environmental good practice in the construction industry		
<b>Strategic focus</b>	Grow Basil Read by conducting business in an environmentally sustainable way	Proactive environmental risk management	Entrench a culture of zero harm
<b>Strategic targets (2016 baseline)</b>	Reduce carbon emission intensity by 5% (✖) Reduce energy consumption by 5% (✖)	Reduce environmental incidents by 5% (✖)	Continuously empower staff on environmental issues (→)

✓ Target met ✖ Target not met → Ongoing

In addition, we set specific targets in 2017 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	Internal audit scores	90%	✓

✓ Target met ✖ Target not met → Ongoing

## Key activities during the year

Our 2017 response to the global carbon disclosure project (CDP) was scored at C (2016: B-), which compared favourably with industry averages.

Our environmental focus areas included:

- establishing a waste recycling station to promote recycling
- environmental awareness campaigns throughout the year
- promoting the use of green products
- sourcing environmentally friendly products or companies committed to environmental sustainability, where possible, in partnership with the procurement department.

## 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 Basil Read'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.

# Natural capital continued

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).

The 2017 carbon footprint has increased to 143 954 tonnes CO<sub>2</sub>(e) from 99 960 tonnes CO<sub>2</sub>(e) in 2016.

Emission intensity	2017	2016	2015
Employee intensity measurement	30.0	21.8	18.5
Financial intensity (tCO <sub>2</sub> e/'000)	0.032	0.020	0.017

Energy consumption for 2017 was 1 873 568GJ compared to 1 231 388GJ in 2016.

## Water

The availability of water impacts 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 all operations. The company used 2 319Mℓ (2016: 4 043Mℓ) in the review period.

Water figures	2017 Mℓ	2016 Mℓ	2015 Mℓ
Construction and roads	307	258	234
Mining	2 011	3 785	3 145
<b>Total Basil Read water figures</b>	<b>2 319</b>	<b>4 043</b>	<b>3 403</b>

To conserve 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 is an identified major risk. Detrimental weather events such as flooding and temperature extremes can render operational sites unworkable and affect the health and safety of our workforce. We have identified our major climate change risks and are monitoring our carbon emissions on the way to reaching our carbon emission reduction targets.

Climate change risks include:

- the introduction of a carbon tax in South Africa
- extreme temperatures delaying projects due to site damage and construction processes such as concrete pouring and road surfacing
- water availability changes such as flash flooding and drought halting or causing major damage to projects.

### Environmental initiatives

As a company we continuously promote recycling and try minimising waste destined for the landfill. Plastics are disposed of in specific bins and sent for recycling. We now recycle high-density polyethylene (HDPE) liners at one of our sites.

Basil Read's policy is to reuse water where practically possible. Some sites have installed filter systems at workshops so that water can be reused.

We have initiated a process of turning our food waste into compost. In addition, we are in the process of recycling as much waste as we possibly could, therefore reducing waste that otherwise would have gone to the landfill. Basil Read also recycles e-waste bi-annually to save on disposal costs.

At one of our coastal sites we perform fauna search and rescue missions to catch injured or endangered animals and take them to SAMREC (African Penguin Rehabilitation Centre). Rehabilitated animals are released back into the wild. Bird nests in work areas have been successfully relocated by conservationists. Eggs recovered from unsuccessful relocations were incubated and the chicks released at the appropriate age. By relocating nests and eggs from construction sites, the survival rate of hatchlings has increased dramatically.

In Arbour Week 2017 we donated indigenous trees to a primary school and helped educate learners about taking care of the environment.

#### Reporting of incidents with potential environmental impacts

These incidents are reported through a digital platform that supports incident tracking and prevention of recurrence. Although minor spillages are the most frequent incidents reported, we investigate every incident reported to ensure continuous improvement in reducing and managing environmental incidents.

#### Working with nature

Planting trees is one of the most practical ways to preserve South Africa's natural heritage. In Savanna City and other mixed-use developments, we are planting trees in partnership with Food and Trees for Africa, a non-governmental organisation, and Johannesburg City Parks.

The group established an earthworm farm to produce organic fertiliser and we established tree nurseries at Malibongwe Ridge and Savanna City.



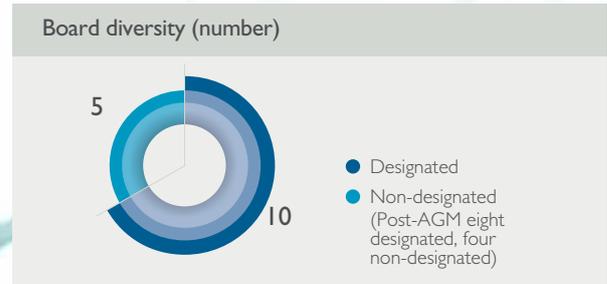
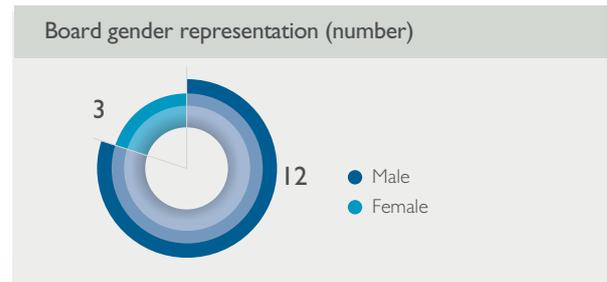
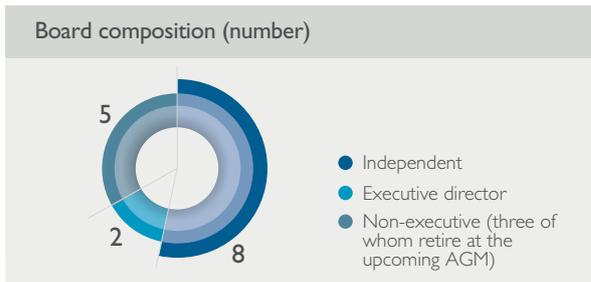
# Governance structures

## Board of directors

Our board is committed to a governance philosophy that advocates high standards of leadership, ethics, integrity, accountability and responsibility. Our governance philosophy is underpinned by our values, purpose and vision as the foundation. We then build on the regulatory, legal and governance requirements of the various jurisdictions within which we operate, always seeking to evolve and mature our governance practices beyond simply legislative compliance.



	Paul Cambo Baloyi (62)	Khathutshelo "K2" Mapasa (40)	Pieter van Buuren (48)
Function	Independent non-executive chairman	Chief executive officer	Chief financial officer
Qualifications	MBA (University of Manchester), senior executive programme (Harvard Business School), management development programme (University of Stellenbosch)	BSc Chem Eng (UCT), programme for management development (Harvard), management of mining and mineral policy (Wits)	BCom Accounting (Hons), Certificate in the Theory of Accountancy, CA(SA) ACMA, EDP (US)
Experience	Over 25 years' banking experience, previously headed Development Bank of Southern Africa (DBSA) and DBSA Development Fund. Prior to 2006, he was managing director of Nedbank Africa and divisional director of Nedbank SA.	Khathutshelo Mapasa was appointed as the CEO and managing director of the company on 23 October 2017. He began his career at Basil Read in 2014 as executive officer of the mining division and an executive committee member. Prior to joining Basil Read, Khathutshelo held several domestic and international senior positions within the De Beers group. In his 16 years in the mining industry he has spearheaded various projects. Khathutshelo serves on the board of directors of Argent Industrial Limited, a JSE-listed industrial company, as well as a privately owned South African Original Equipment Manufacturing company called Kwatani (formerly Joest).	Mr van Buuren brings 23 years of financial leadership experience, having previously been the chief financial officer for York Timber Holdings Limited, project finance manager for Murray & Roberts Projects and general manager: finance for Bell Equipment Company. He holds BCom Accountancy, BCom (Hons) Accountancy from the University of Johannesburg, CIMA from the University of Pretoria, Mastering Strategy from GIBS and Executive Development Programme from the University of Stellenbosch. He is a chartered accountant with more than 23 years of experience.
External roles	Non-executive director on various boards	Non-executive director on Argent and Kwatani	
Committees	 100%	 50%	 100%
Appointed	Board, October 2012; chairman in January 2015	Board, October 2017, CEO, October 2017	Board, 23 February 2018 CFO, 2 January 2018



Doris Liana Theresia Dondur (51)	Mahomed Salim Ismail Gani (65)	Terence Desmond Hughes (69)	Dr Claudia Estelle Manning (51)
Independent non-executive director	Independent non-executive director	Non-executive director	Independent non-executive director
BAcc, BCompt (Hons), CA(SA), MBA (University of Stellenbosch Business School), international executive development programme (Wits)	BCompt (Hons) (Unisa), CA(SA)	PEng (UK) MSPE, PrCPM, MSE Civil	BA (Hons) (University of Natal), MPhil (University of Sussex), DPhil (University of Sussex)
Over 10 years' experience as director in the public and private sectors. Fellow of the Institute of Directors (South Africa), member of the Institute of Chartered Accountants (South Africa), and 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. Own independent consulting business.	Over 30 years' experience in accounting and auditing. Founding partner of MSGM Masuku Jeena Inc, partner at Saboor Gani & Co and partner at PwC Inc. until 2013.	Over 40 years' experience in construction industry, 18 of these at Basil Read. From 2004 until retiring in 2014, he headed our developments division, responsible for developing mixed-use, integrated new towns throughout South Africa.	Over 20 years in economic development field, managing and financing infrastructure projects, sourcing and closing investment transactions, and related consulting. Worked on Department of Trade and Industry's development corridor programme for priority infrastructure investment projects in South Africa and SADC.
Director on various boards	Non-executive director on a number of boards including Tsogo Sun Holdings Limited and serves on the investigating committee of the Independent Regulatory Board of Auditors (IRBA)		Chairs the board of enterprise development company, Mondi Zimele, and non-executive director of Public Investment Corporation (PIC)
June 2014	April 2015	Board, January 2015	August 2012

Committee key

- Board of directors
- Nominations and investment
- Audit
- Social, ethics and transformation
- Risk
- Remuneration

Meeting attendance

\* Zero meetings attended in 2017.

# Governance structures continued

## Board of directors continued



	Andrew Conway Gaorekwe Molusi (56)	Sango Siviwe Ntsaluba (57)	Thabiso Alexander Tlelai (54)
<b>Function</b>	Non-executive director	Non-executive director	Non-executive director
<b>Qualifications</b>	MA (Notre Dame, USA), B Journ (Rhodes)	BCom, BCompt (Hons) Unisa, CA(SA), HDip tax law (University of Johannesburg), MCom: Development Finance University of Cape Town	BCom (Memorial University, Newfoundland, Canada)
<b>Experience</b>	CEO of Kabo Capital. Over 25 years' board experience and South African business knowledge, including group CEO of Johnnic Communications Limited (2000 to 2006).	Founding member of Amabubesi Investments, SizweNtsalubaGobodo and Neotel.	Founding member Amabubesi Investments and Tourism Business Council of South Africa. CEO of the Don Group since 2000, and in the hotel industry for over 15 years.
<b>External roles</b>	Chairs SIOC Community Development Trust. Chairman of African Media and Entertainment Limited, director of Caxton and CTP Publishers and Printers, and Continental Coal	Director of listed companies and public sector entities	Director of Amabubesi Investments, chairman of Tourism Business Council of South Africa
<b>Committees</b>	3/3, 4/4, 3/3, 5/8	7/8, 4/4, 4/4	7/8, 3/3, 2/3
<b>Appointed</b>	March 2013	July 2006	June 2006



Hlonela Nelisa Lupuwana-Pemba (49)	Darryll John Castle (48)	Bernard Swanepoel (56)	Tshogfatso Benedict Sefolo (39)	Shammy Arewanga Luvhengo (43)
Non-executive director	Independent non-executive director	Independent non-executive director	Independent non-executive director	Independent non-executive director
BScSc, Associate in Management and Master's in Business Administration	BSc (Eng; Civil Engineering, BCom, MBA)	BSc (Eng, Mining Engineering) BCom Hons	BCom Accounting, BCom (Hons) CTA; CA MBA	BSc (Hons) (Geology), Graduate Diploma Mining Engineer MBA (Finance)
17 years of management experience coupled with leadership skills; having worked at institutions such as First National Bank, Deloitte, the dti, SEDA and currently Anglo American. Ms Lupuwana-Pemba is currently the managing director and head of Anglo American Zimele (Anglo Zimele), a R2 billion equity and debt fund aimed at SME and BBBEE development specifically in the mine operating and labour-sending areas of Anglo American. She currently chairs the credit and investment committee.	Darryll has extensive experience in the mining industry having served as chief executive officer of Trafigura Mining Group and Anvil Mining Limited. He also occupied the position of chief operations officer at Metorex Group Limited and CEO of PPC.	Bernard has extensive mining and commercial. He currently serves as director of Sanlam, African Rainbow Minerals (ARM), Impala Platinum, Zimplats, Alphamin and eXtract Limited.  He owns and chairs the Joburg Indaba as well as the Junior Indaba, two very successful and influential mining conferences. He was the 2017 President of the Small Business Institute (previously the AHI) and currently is chairman of the board of the SBI.  He retired as the CEO from Afrisam in March 2017.	Tshogfatso has been a transactor at Ethos Private Equity, dealmaker with Standard Bank Private Equity; MD of Zico Group and is now founder and CEO of Agile Capital a black owned mid-market private equity business. His expertise also include private equity, mergers and acquisitions and corporate finance.	Shammy Luvhengo is a qualified investment banker who started his career as a geologist with Exxaro Resources before moving into the investment world. Shammy worked for Investec Bank and Nedbank Capital, structuring and implementing project finance and BEE deals within the resources industry. Prior to joining Universal Coal, he worked at Nkwe Platinum Ltd as head of business development and investor relations.  He is an executive director for business development at Universal Coal.
Chairman and non-executive director of SEFA.		Director of ARM, Impala Platinum, Zimplats, Alphamin and eXtract.		
				
16 March 2018	20 December 2017	16 February 2018	20 December 2017	20 December 2017

## Committee key

 Board of directors

 Nominations and investment

 Audit

 Social, ethics and transformation

 Risk

 Remuneration

 Meeting attendance

\* Zero meetings attended in 2017.

# Governance structures continued

## Executive management committee



	Khathutshelo Mapasa	Pieter van Buuren	Andiswa Thandeka Ndoni (50)	Esther Mohube (47)
Function	Chief executive officer See page 60	Chief financial officer See page 60	Executive officer: corporate affairs and governance	Executive officer: people management
Qualifications			BProc, LLB, global executive development programme (GIBS), certificate in corporate governance	BA (Psychology) Post-graduate diploma in management leadership development certificate
Experience			Attorney of the High Court of South Africa. Former company secretary and legal counsel for Ubank Limited, former member of the Judicial Services Commission and sits on the Competition Tribunal as a part-time member. Over 20 years' experience as attorney and eight as company secretary. Appointed to Basil Read in January 2013 and as company secretary in March 2013. Now responsible for all governance-related functions, including internal audit and risk management.	Esther has more than 20 years' experience in human resource management and worked for several major enterprises such as Telkom, FNB, Vodacom, Aveng and Bridgestone in managerial and executive leadership roles.



Basil Read's revamped executive management is a synergistic blend of comprehensive industry experience and proven business leadership.

Olivier Jean-Paul Giot (54)	Richard Simpson (47)
Executive officer: developments	Executive officer: construction
BCom (IFG Commercial School, Paris)	Chartered engineer and member of the Institution of Civil Engineers (ICE) and a Professional Engineer (Pr. Eng) registered with the Engineering Council of South Africa (ECSA), Honours degree in Civil Engineering from Queens University, Kingston, Canada. Professionally registered with Professional Engineers of Ontario PEO (Canada); the Engineering Council of the UK (EC); the South African Institution of Civil Engineers (SAICE); the South African Council of Project and Construction Management Professionals (SACPCMP) and an associate member of the Association of Arbitrators; a member of the Construction Adjudication Association of South Africa (CAASA)
Over 20 years' experience in construction industry, with 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 executive roles. In 2014 he was appointed as a permanent employee in his current role.	Richard has over 20 years' experience in the construction industry, involved in major construction, mining and projects in the underground space. He worked for major construction companies in South Africa and abroad including Group Five, Aveng, Murray and Roberts and Basil Read.

# Corporate governance

## Importance of good and effective governance

Basil Read is run 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 (known as King IV), the Companies Act 71 2008, as amended (the Act), the JSE Listings Requirements (Listings Requirements), and other regulations.

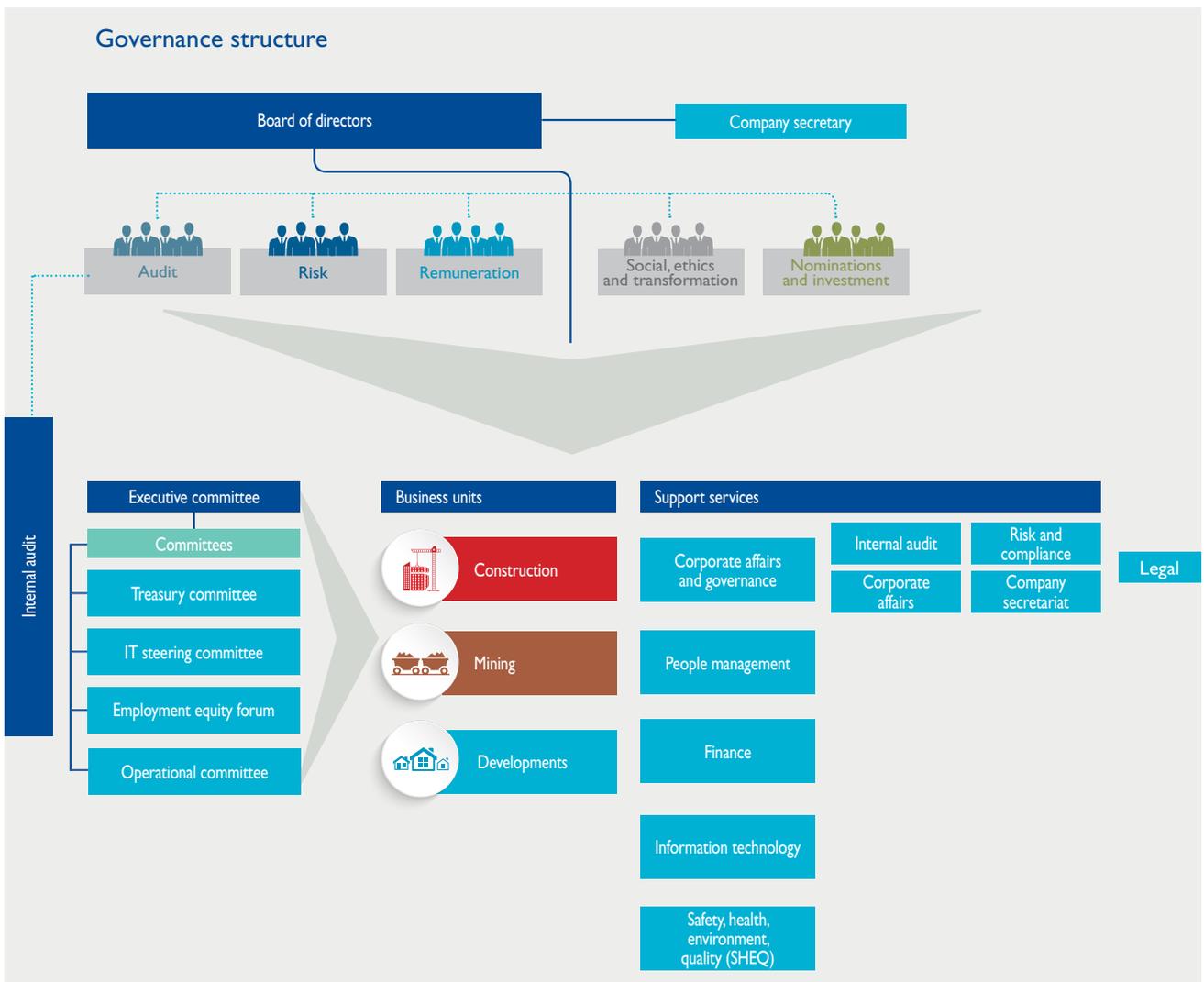
The board acknowledges that sound and good corporate governance is beneficial and provides a critical foundation for protecting stakeholder value and

achieving strategic growth objectives, as a well governed organisation inspires the confidence of its stakeholders. The focus of the board is on long-term value creation by cultivating a culture of leadership, capability, accountability, sustainability, and integrity.

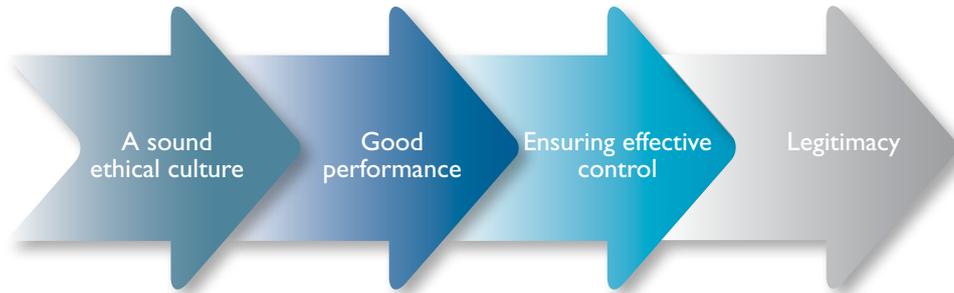
As custodians of good corporate governance, our aim is to keep abreast of regulatory developments, continuously enhance our governance standards, monitor and ensure compliance with relevant laws and regulations and cultivate a thriving ethical culture in all the areas that we operate. We always seek to evolve and mature our

governance practices beyond mere legislative compliance.

We also aim to maintain a high standard of reporting and disclosure, keeping in mind the best interests of our stakeholders. To this end, board training was provided on the impact and implementation of the principles as set out in King IV, to ensure continued application of the core fundamentals of ethical effective leadership, as envisaged in the King IV Code. A gap analysis was conducted, and an implementation plan developed that addresses all the principles of King IV, and ensures that Basil Read adopts and aligns to the code.



As envisaged by King IV, the board is committed to steering the company to achieve its strategic objectives:



Basil Read's board is responsible for the strategic direction of the company and monitoring its progress against the business strategy. The chief executive officer (CEO), assisted by an executive committee, is accountable to the board for implementing the strategy. The board is committed to continuously reviewing policies, procedures, processes, and systems against the changing needs of the company to ensure that sound corporate

governance standards and high ethical standards are maintained at all times.

Responsible and ethical leadership  
Basil Read's senior management focuses on effective, ethical leadership and good corporate citizenship. The board ensures that the company's ethics management programme is effectively implemented. The company has anti-bribery, fraud and

corruption, and whistleblowing policies to guide its employees on ethical conduct.

An independent fraud and corruption hotline is available to all staff to report unethical behaviour (0800 212 524). We maintain a corporate gifts register for all gifts received. Gifts can only be accepted if within the threshold defined by our gifts policy.

### Application of and approach to King IV principles

The Institute of Directors in Southern Africa NPC released the King IV Report on Corporate Governance for South Africa 2016 (King IV) on 1 November 2016. Disclosure on applying King IV is effective from 1 April 2017. The company has adopted the new code.

A detailed King IV application register on how Basil Read adheres to the 16 principles of King IV is available on our website ([www.basilread.co.za](http://www.basilread.co.za)).

### JSE Listings Requirements

An annual assessment of the JSE Listings Requirements was performed during the year. The board has considered amendments and guidance notes issued by the JSE on its Listings Requirements in 2017, and is satisfied that the company is fully compliant.

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 every two years to ensure it remains relevant to changing business needs.



# Corporate governance continued

## Board composition

The board is a unitary body, with a majority of non-executive directors, and a strong element of independence.

Currently the board has 15 directors, comprising two executive directors and 13 non-executive directors, eight of whom are independent. Two of the non-executive directors are representatives of our majority shareholders. In addition, the board appointed Mr Shammy Luvhengo, Mr Tshegofatso Sefolo and Mr Darryll Castle on 20 December 2017, Mr Bernard Swanepoel on 16 February 2018 and Ms Hlonela Lupuwana-Pemba on 12 March 2018.

Board members have diverse experience, skills, industry knowledge, and academic qualifications that include engineering, finance, development finance, accounting and auditing, enterprise risk management and business.

The board has approved a diversity policy, which addresses general diversity attributes, and sets specific voluntary targets for race and gender. The targets have been set at maintaining a minimum of 40% female and 75% black representation. Currently, 12 members of the board are from designated groups, including two females. However, in terms of gender representivity, there are 12 male members and only three females.

During the end of 2017 the board refreshed its skills set by making five new appointments. Three non-executive directors will retire at the AGM in June 2018. Post the AGM the board will comprise 12 members (including executive directors) 10 members will be from the designated group, including two females. In terms of gender presentation there will be nine male members and three females.

### Independence

The nominations committee has adopted the practice of annually assessing the independence of non-executive directors against the criteria as set out in King IV, the Listings Requirements and the Act.

Best practice requires that the board considers whether a director continues to be independent if that director has served for a period of more than nine years.

The eight non-executive directors, who are classified as independent non-executive directors, have not served on the board for more than nine years.

### Board meetings and attendance

The board meets at least four times per year, or more as required. Non-executive directors meet at least once annually, without the chief executive officer and chief financial officer; to discuss the performance of these individuals. The company secretary acts as secretary to the board and its committees and attends all meetings.

## Board appointment process

The board has a formal policy and process in place for appointing the directors, and these are regularly reviewed. Such appointments are formal, transparent and considered by the entire board. The nominations committee is charged with selecting suitable candidates through a rigorous process that considers the board's current and future needs regarding skills mix, experience, race and gender diversity knowledge, and regulatory requirements.

All nominations by the committee are recommended for board approval. Our shareholders make the final approval of director appointments.

### Changes to the board

Following the resignation of Mr Neville Francis Nicolau with effect from 30 May 2017, Mr Khathutshelo Mapasa was appointed as the group acting chief executive officer on 31 May 2017. Mr Mapasa was formally appointed as chief executive officer and managing director on 23 October 2017.

Following the resignation of Mr Talib Sadik with effect from 31 December 2017, Mr Pieter van Buuren was appointed as CFO and finance director on 20 February 2018.

### Election and rotation of directors

Directors are subject to rotation in line with the provisions of the company's memorandum of incorporation (Mol) 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 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 PC Baloyi, Ms DLT Dondur, Mr MSI Gani will retire by rotation at the AGM on 1 June 2018, but offer themselves for re-election. Their abridged résumés are on pages 60 and 61.

### Conflict and declaration of interest

Basil Read has a conflict of interest policy designed to assist directors in identifying situations that could present conflicts of interest. Directors and officers are also required to timeously inform the board of conflicts, or potential conflicts of interest that they may have, in relation to particular items of business, contracts with the company or other directorships.

Potential conflicts are appropriately managed to ensure candidates and existing directors have no conflicting interests between their obligations to the company and their personal interests.

## Board composition

### Board charter

The board charter sets out the roles and responsibilities of the board and individual directors, including composition and relevant procedures of the board. The board charter is aligned with the provisions of all relevant statutory and regulatory requirements, including the Act, Listings Requirements, King IV, and the company's MoI.

The board is satisfied that it has discharged its duties in accordance with its charter for the year under review.

## Board appointment process

Comprehensive registers are maintained of individual director's interests, and these are updated and signed annually. Declarations are further noted by the board at each board and committee meeting and, where a conflict arises, directors recuse themselves from discussions. Directors must also adhere to a policy on trading in securities of the company.

### Roles of chairman and chief executive officer

The board is led by a chairman who is an independent non-executive director. As such, there is no requirement for the appointment of a lead independent 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, and that an appropriate balance of power and authority exists on the board.

The chairman is responsible for leading the board, ensuring that integrity is maintained and that the board 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, and the prioritising of strategic matters.

The CEO is responsible for the effective management and running of the company, while executing the company's strategy and objectives as approved by the board. The CEO is supported by an experienced executive committee in managing day-to-day business to achieve strategic goals, and reports progress to the board at least once per quarter.

### Dealing in securities

Basil Read has a policy regulating dealing in its securities by directors, officers, and employees. 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.

### Director induction, ongoing training, and independent advice

A formal induction process is in place. On appointment, directors participate in an induction programme, and receive an induction pack with recent board and committee documents, information on legal and governance obligations, the company's MoI, and recent reports. Ongoing training and development for directors, including updates on various training and development initiatives, is a standard board agenda item. The company secretary liaises with the board to source relevant seminars and conferences for directors. This training is funded by Basil Read.

Individual directors may, after consulting with the chairperson or CEO, seek independent professional advice at the expense of the company on any matter connected with discharging their responsibilities as directors.

# Corporate governance continued

## Board evaluation

Board assessments are performed to review the performance, appropriateness and effectiveness of the board's procedures and processes, with an internal assessment and externally facilitated assessment rotating every year. The nominations committee and company secretary facilitate and manage this process. Assessments are aimed at improving board effectiveness and are used to assess director training needs. In line with King IV, individual director assessments are being introduced and committee assessments will be conducted every second year.

An externally facilitated assessment was conducted during the year under review. The board evaluation process commenced in December 2016 and went through two phases before being completed on 15 March 2017. The first phase entailed completion of the questionnaire, and the second phase consisted of one-on-one interviews. The participation rate in both phases was 90%. The evaluation measured the following dimensions:

- board structure and composition
- board roles and responsibilities
- corporate culture
- board committees
- board meetings
- information flow and presentations
- stakeholder management
- organisational structure, capacity building, and remuneration
- corporate governance
- strategic objectives and performance management
- board and corporate secretary
- individual board members
- chairman
- general observations.

Most of the participants were confident that the board and its committees are well governed. The highest score in some of the dimensions was 100%, while dimensions that scored below 60% were highlighted for board consideration and action.

General observations and future board intentions from the evaluation are as follows:

- focus on strategy and shareholder value drivers, and track the progress thereof
- develop a clear, decisive plan to deal with the non-performing areas of the business
- develop a policy for retaining, supporting and developing management
- implement effective systems, and appoint adequately skilled and experienced individuals
- receive input from management on high-risk issues
- put a cash management strategy into place
- invite selected stakeholders to present their views of the company
- visit large project sites.

## Board committees

While the board remains accountable for the performance and affairs of the company, it delegates certain functions to committees and management to assist in discharging its duties. Appropriate structures for those delegations are in place, accompanied by monitoring and reporting systems. The board has five committees to which it delegates certain 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 operates within board-approved terms of reference that detail duties, responsibilities, powers, reporting requirements, meeting procedures and composition. The board annually reviews all terms of reference and membership profiles. The board charter and the terms of reference of the various

committees were reviewed to incorporate King IV principles and were approved by the board in November 2017.

The board and its committees work transparently, with full disclosure of committee discussions provided to the board. Committee meeting minutes are sent to the board, and committee chairmen give 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. The committee comprises independent non-executive directors who are financially literate and have business and financial acumen.

Both internal and external auditors have unrestricted access to the committee, ensuring these functions remain independent of management in discharging their duties. The committee's main responsibilities, in addition to its responsibilities in terms of the Companies Act, are as follows:

- reviewing and approving the company's integrated annual report, interim and annual financial statements, and SENS announcements. Final approval rests with the board
- reviewing the viability of the company and the group on an ongoing basis by considering solvency and liquidity
- reviewing all audit reports
- annually reviewing and reporting on the quality and effectiveness of the audit process, including assessing the external auditor's independence
- presenting the committee's conclusions on the external auditor to the board, preceding the annual request to shareholders to approve the appointment of the external auditor
- obtaining confirmation that the external audit firm and individual auditor is accredited by the JSE
- approving the external auditor's terms of engagement and remuneration
- approving the non-audit services provided by the external auditor
- evaluating the effectiveness of internal audit, including its purpose, activities, scope, and adequacy, and approving the annual internal audit plan and any material changes
- ensuring that the internal audit function is subject to an external, independent quality review at least once every five years
- reviewing compliance with the requirements of the JSE Limited
- annually evaluating the performance and appropriateness of the expertise and experience of the financial director and the finance function, and disclosing results in the integrated annual report
- ensuring a combined assurance model is applied to provide a coordinated approach to all assurance activities, monitoring the relationship between external providers and the company
- evaluating coordination between internal and external auditors
- reporting to shareholders at the annual general meeting on fulfilling its duties in terms of the Companies Act during the financial year
- executing assignments commissioned by the board
- annually assessing its charter and recommending any required amendments for approval by the board
- performing an annual self-assessment of its effectiveness and reporting these findings to the board.

### 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. The committee must further recommend diversity targets for race and gender representation on the board.

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.

# 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 internal audit's assurance on the effectiveness of compliance management
- approving a policy setting direction on the management of technology and information, and overseeing management's implementation thereof
- ensuring that the executive team has identified and assessed all the risks and opportunities (IT, strategic and emerging, legal, project, people, ethical and reputational, stakeholder management and treasury risks)
- reviewing the adequacy of the company's insurance programme
- issuing a formal opinion to the board on the effectiveness of the system and process of risk management
- reviewing reporting on risk management that is to be included in the integrated annual report
- reviewing its charter annually
- performing an annual self-assessment of the effectiveness of the committee and reporting these findings to the board.

## 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
- reviewing the performance and further determining and recommending to the board-specific and appropriate remuneration packages of the group's executive committee members (excluding CEO) against agreed performance measures and targets
- making recommendations to the board and shareholders for their consideration and final approval of 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 shareholder interests
- ensuring disclosure on remuneration of directors and prescribed officers is accurate, complete and transparent.

## Social, ethics and transformation committee

Constituted as a statutory committee in line with regulation 43 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, considering relevant legislation, regulatory requirements, best practice and codes on:

- marketplace, including preventing corruption and BBBEE
- social development, which encompasses community development, donations and sponsorship, public health and safety, consumer protection and consumer relations
- workplace, including employment equity, employee health and safety, and education of employees
- natural environment in terms of Basil Read's environmental impacts
- implementing and monitoring compliance with our code of conduct to ensure the company remains true to its values and complies with policies and standards within the code.

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

### Company secretary

Andiswa Ndoni is the company secretary of Basil Read, and all directors have direct access to the company secretary for guidance and assistance in line with the requirements of King IV and the Listings Requirements. Ndoni plays a key role in providing guidance to the board on the execution of its duties, while also keeping the board aware of relevant changes in legislation and corporate governance best practice.

Ndoni 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 are board matters. The company secretary monitors director dealings in securities and ensures adherence to closed periods.

In compliance with the JSE Listings Requirements, the board has considered and is satisfied that the company secretary has the requisite competence, knowledge and experience to carry out the duties of a secretary of a public company.

### Construction sector BBBEE scorecard

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. 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. In terms of the BEE annual compliance certificate, as part of the periodical returns provided for in JSE Listing Rule 16.20, issuers are required to submit to the JSE, in writing, their BEE annual compliance report or certificate prepared pursuant to section 13G(2) of the BEE Act (with effect from 19 June 2017). Basil Read has submitted its certificate for the reporting period to the JSE and has published it on the company website.

### Compliance governance

The board assumes responsibility for governance and compliance with applicable laws. The board also approves non-binding rules, codes and standards for how compliance should be addressed in Basil Read.

Each quarter the risk officer reports to the risk committee on how Basil Read is complying with applicable legislation, regulations, standards, best practices and codes. The risk officer also reports on legislative developments that may affect compliance.

### Focus areas

In 2018 the board will focus on:

- recapitalising the balance sheet
- investing in and growing the higher margin businesses in the civils, developments and mining divisions, enabling the company to generate more operating cash flow
- enhancing operational and financial efficiency across the group, supported by improved net margins
- selling selected non-core assets to derisk the balance sheet and generate free cash
- fixing and closing distressed contracts
- resolving claims timeously
- improving the company's BBBEE status
- promoting transformation across the company
- ensuring overall compliance, particularly in high risk areas.

# Audit committee report

Deferred tax assets were recognised to the extent that future taxable profits will probably be available to allocate against temporary differences.



Doris Dondur  
Chairman of the audit committee

The committee is pleased to present its report for the financial year ended 31 December 2017 as required by the South African Companies Act 71 2008 (the Act) and recommended by the King IV Report on Corporate Governance for South Africa 2016 (King IV).

### Terms of reference

The committee has adopted a formal detailed charter which is in line with King IV and the Act. The charter is reviewed at least annually and is approved by the board as it is amended. Annually, a work plan is drawn up outlining the committee's 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 1 June 2016. 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
- Dr Claudia Manning – independent non-executive director
- Mr Tshagofatso Benedict Sefolo – independent non-executive director.

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

During the year, closed sessions were also held for committee members only, as well as with internal audit, external audit, risk, finance and management.

### Execution of responsibilities

The committee has executed its duties and responsibilities during the financial year in accordance with its mandate as it relates to the group's accounting, internal auditing, internal control and financial reporting practices.

The key areas of responsibility of this committee include monitoring and reviewing of the following:

- Performing its statutory duties as prescribed by the Companies Act 71 2008, as amended and the Listing's Requirements of the JSE
- Considering the performance of the company on a quarterly basis
- Considering the solvency and liquidity of the company, on a quarterly basis, for recommendation to the board
- 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 10% of the audit fees for a particular year 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
- Annual assessment of the finance function and the finance director
- The governance of information technology and effectiveness of the company's information systems
- Policies and procedures for preventing fraud.

In carrying out these responsibilities, the committee is satisfied that it has fulfilled its duty to the board and has assisted the board in carrying out the related areas of duties to all stakeholders. Areas of specific focus are listed below:

### 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, reviewed and accepted the audit fee for the 2017 financial year. The fee is considered appropriate for the work that could reasonably have been expected at that time.

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 shall not exceed 20% of the audit fees for the particular year. Each engagement letter for non-audit work above 10% of the audit fees for a particular year is reviewed and pre-approved by the committee in advance. Routine work assignments, including auditor letters required for tendering

# Audit committee report continued

purposes, below the value of 10% of the audit fees for a particular year do not need to be approved by the committee but the chairman of the audit committee is notified.

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, PwC Inc. as the external auditor for the 2018 financial year. Mr Sizwe Masondo was appointed as the designated auditor from the 2017 financial year.

## Internal audit

The internal audit function is a key element of the integrated assurance structure. Basil Read has a well-established in-house internal audit department with a direct reporting responsibility to the committee. An in-house internal audit structure and co-sourcing internal audit model approach is implemented to ensure the optimal efficiency of the internal audit function.

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 financial director, Pieter van Buuren, has the appropriate skills, expertise and experience to meet the responsibilities of this position. The committee has also in terms of King IV assessed the expertise, resources and experience of the finance function. Due to the restructuring of the company, the finance function is being aligned to the new operating model and vacancies have been filled to ensure efficiency, thereby enabling the committee to express its satisfaction with the experience, expertise and adequacy of resources within the finance function.

## Internal financial control

The committee is responsible for assessing the systems of internal financial controls. In assessing the system of internal financial controls, the committee has considered the following:

- Reports from the internal audit, external auditors and management
- Significant issues raised by the internal and external audit process including how the issues were resolved.

Based on these processes and the assurances obtained from the various assurance providers in the three lines of defence as basis, the committee is satisfied with the adequacy and effectiveness of the system of internal financial controls.

## 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 28 March 2018.

## Comments on key audit matters, as addressed by PwC in its external auditor's report

In order to provide stakeholders with further insights into its activities and considerations around key audit matters as reported by the external auditors, the committee wishes to elaborate on these important aspects; as detailed below.

## Impairment assessment of the 'roads' cash-generating units (CGUs)

Goodwill must be tested annually and the committee again focused on this area in reviewing the annual financial statements for the financial year ended 31 December 2017. The committee reviewed management's annual impairment test which incorporates judgements based on assumptions about future profitability for the roads division against which appropriate long-term growth rates and discount rates must be applied. Following the losses generated in the roads division, management has recalculated the recoverable amount of the roads division as at 31 December 2017. An impairment loss of R88.9 million was recognised for the roads division, reducing the carrying amount of the goodwill for this division to zero as at 31 December 2017. The impairment assessment of the roads division was

performed based on the value-in-use methodology using a five-year discounted cash flow model. The post-tax cash flows were discounted using a post-tax discount rate in line with valuations methodology and the requirements of accounting standards. The impairment assessment of the construction CGU was assessed with reference to the individual fair value less costs to sell of the assets.

#### Recoverability of deferred tax assets

The group has recognised deferred tax assets in the financial statements resulting from deductible temporary differences (provisions, accruals and retentions raised through operations of the companies) and cumulative assessed losses as disclosed in note 11 of the annual financial statements.

Deferred tax assets have been recognised to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

During the year, a significant impairment to the deferred tax asset was made as a result of management's assessment that future taxable profits will reduce to such an extent that insufficient utilisation of the tax asset held will be achieved. An impairment of R172.2 million was done as a result.

Due to the significant estimation uncertainty applied to the cash flows, the assessments of the recoverability of deferred tax assets are considered to be an area of significance to the audit.

The committee assessed the methodology, assumptions and judgements applied by management as set out in note 11 of the annual financial statements and furthermore the committee discussed this matter with the external auditors to understand their related audit processes and views. After this comprehensive assessment, the

committee is satisfied with the reasonability of the remaining amount of deferred tax assets as accounted for in the annual financial statements.

#### Construction contract revenue recognition

The group has significant long-term contracts in the construction, roads and civils divisions. The recognition of profit on construction and long-term services contracts in accordance with International Accounting Standards (IAS) 11 *Construction Contracts* is based on the stage of completion of contract activity.

This matter is considered to be of significance due to the significant judgement involved in preparing suitable estimates of the forecast costs and revenue on contracts. An error in the contract forecast could result in a material variance in the amount of profit or loss recognised to date.

The committee assessed the methodology and judgement applied by management focusing on:

- the computation of the percentage of completion
- future losses that are computed based on the final estimated revenue and final estimated costs.

The committee discussed the matter with the external auditors to understand their related audit procedures and the evidence obtained to support the judgements. Subsequent to this review of the committee, the committee concluded that the methodology and judgement applied by management is in accordance to IFRS.

#### Going concern

Management is required to make an assessment of the going concern assumption used in the preparation of the annual financial statements. This assessment involves making a judgement, at a particular point in time, about the

future outcome of events or conditions which are inherently uncertain.

Management has used all available information at the time of making the assessment including considering the impact of the debt standstill agreement, conclusion of the successful rights offer process subsequent to financial year-end, as well as short and long-term cash flow forecasts. The committee interrogated management's key assumptions used for determining the cash flow forecasts used in the going concern assessment as more fully explained in note 1A to the financial statements. The committee noted the group's liquidity constraints and management has put in plans to mitigate this position. These plans, if successfully implemented, indicate that the group will raise sufficient cash resources for the foreseeable future.

Management's plans are an important element of securing adequate liquidity for the business going forward. If not concluded successfully, cash flow resources available to the group will be impacted materially.

The auditor explained their audit procedures to test management's going concern assessment and considered the group's disclosures on the subject. The committee considered the conclusions reported by the auditor based on the finding of their work as set out in the audit report.



**Doris Dondur**  
Chairman

28 March 2018

# Risk and opportunity committee report

In 2018 we have prioritised the review and overhaul of our IT risk in line with King IV.



Sango Ntsaluba  
Chairman of the risk and opportunity committee

The risk committee presents its report for the financial year ended 31 December 2017. A full risk report is included on page 20.

There were no changes to the composition of the risk committee during the period, which met four times in the year.

King IV recommends that the governing body should manage risk in a way that supports the organisation in setting and achieving its strategic objectives. The board and management also appreciate that Basil Read's core purpose, risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

### Role, purpose and principal functions

The committee operates within approved terms of reference, which are reviewed annually. The committee's responsibilities, among others, include the following:

- Reviewing the company's risk framework and policy
- Overseeing all risks and opportunities that have been identified and assessed
- Advising the board on the company's overall risk appetite, tolerance and strategy
- Reviewing reports of material breaches of risk limits, and the adequacy of proposed actions.

Basil Read takes an enterprise-wide view of material risks, which are monitored, managed, and mitigated according to the three lines of defence model. Operating divisions are primarily accountable for identifying and addressing their respective risks, and the group risk function provides oversight and challenges business units when necessary to uncover potential risk failings.

The committee's key focus areas during the year included:

- A review of the interrelated causes and impacts of the principal risks on the business
- Oversight on the project controls through combined assurance provided by 90-day and ad hoc project reviews specifically to address project performance
- Consistent scanning of the internal and external environments to identify emerging risk themes. These may include unpredictable and external events over which Basil Read has no control, but that could significantly impact the business
- Oversight on the performance of each division against set risk appetite and tolerance limits
- Review of financial risks and related scenarios in terms of forecasting
- A review of the enterprise risk management (ERM) framework to align with the King IV principles
- Overview of our insurance programmes and insurable and uninsurable risks.

### In 2018

The focus in 2018 will remain on financial risk management and project performance, as well as the review and overhaul of IT risk to ensure we apply King IV diligently.



**Sango Ntsaluba**  
Chairman

28 March 2018

# Social, ethics and transformation committee report

An independent compliance review of our operations determined if any Basil Read employees had contravened the Competition Act recently. This review found that all our employees were compliant and that none had breached any form of competition regulation.



**Connie Molusi**  
Chairman of the social, ethics and transformation committee

The social, ethics and transformation committee presents its report for the financial year ended 31 December 2017.

The committee has discharged all its responsibilities and carried out all the functions assigned to it in terms of regulation 43 made under the Companies Act and as stipulated in the committee's charter.

There were no changes to the composition of the social and ethics committee during the year, which met three times during the year of review.

### Role, purpose and principal functions

The committee operates within written terms of reference that are reviewed annually. The committee's responsibilities include the following:

- Social and economic development guided by the principles of the United Nations Global Compact, BBBEE, Employment Equity and the Organisation for Economic Co-operation and Development's (OECD) recommendations on corruption
- Good corporate citizenship, which includes promotion of equality and prevention of unfair discrimination
- Corporate social responsibility, ethical behaviour, and managing environmental impacts
- Investor and stakeholder relations
- Labour and employment, including skills development
- Safety, health, and environmental issues.

### The committee's key focus areas during the year included:

#### Market conduct

The Department of Labour conducted a compliance review of Basil Read's

implementation of the Employment Equity Act during the year. Basil Read also conducted an internal survey of employees for their views on employment equity (EE) compliance. These will assist Basil Read's EE committee to address obstacles that individuals from designated groups may encounter as employees.

An independent compliance review of our operations was conducted in this period to determine if Basil Read operations had contravened any aspect of the Competition Act. The review found that employees were compliant with the requirements of the Act. Designated employees underwent refresher training in the Competition Act's requirements.

A gap analysis was undertaken to ensure that Basil Read's corporate governance complies with the recently introduced King IV Code, leading to a review of all internal policies and charters to ensure alignment with the code.

#### Code of conduct

Basil Read has a code of conduct and business ethics, which is strictly enforced. All directors, managers and employees in every country where Basil Read operates is obligated to comply honestly with our code and maintain the highest ethical standards. In 2017 the entire workforce had to work through a compulsory e-learning module on the code and attest to their compliance with it.

Basil Read maintains an anonymous tip-off line, and all whistleblowing cases are reported to the committee, along with the relevant outcomes of related investigations.

### Enterprise development

Basil Read continues to seek opportunities to sustainably increase our participation in enterprise development activities. In 2017 we supported emerging enterprises through the South African Forum of Civil Engineering Contractors (SAFCEC) programme, which transfers knowledge and skills to emerging enterprises through mentoring, coaching and training. We also partnered with Aurik, a business accelerator company which provides a range of tools and mentoring support to enhance entrepreneurs' business management skills.

### Broad-based black economic empowerment

We obtained a BBBEE Level 3 rating for this reporting period based on current codes of good practice. Initiatives are under way to attract a black majority shareholder and accelerate the transformation of the construction sector.

### Social impact on community development

Our 2017 focus was to continue the coordinated approach to corporate social investment (CSI) that commenced in 2016. We aim to ensure that our CSI projects remain sustainable, and that new CSI projects are aligned to identified community needs and our CSI policy.

The mining division invested in education, water provision, infrastructure upgrades and the building and maintenance of the sports complex in Alldays, the Blouberg district in Limpopo. Mining's 2017 goal is to ensure continuity and sustainability of ongoing projects by making the winter school accessible to more learners and providing roof structures for the stands at the Alldays sports complex.

# Social, ethics and transformation committee report continued

Our Medupi civics team donated a mobile library to Moabi Primary School, containing mostly English and Sepedi books appropriate to grade 0 to grade 7. The Kazerne project team donated to the Uthando Centre in the Johannesburg CBD, with employees taking the time to personally talk to children about the importance of road safety. The Afrika Tikkun Uthando Centre is a non-profit organisation that provides amenities and an early childhood development programme for less privileged children.

We participated for the first time in the Cell C 'Take a Girl Child' to work initiative by partnering with Siyabonga Secondary School in Braamfischerville, which is the feeder secondary school to our primary school project, the Soweto-based Julius Sebolae Primary School.

For Nelson Mandela Day, Basil Read's development division focused on women violence and abuse. We held a workshop with the Lakeside Midvaal Municipality community, to which we invited the women from the Savanna RDP section. They participated in a self-defence class hosted by WIP (Women INpowered), and received a sanitary gift bag supplied by Dignity Dreams. Other Nelson Mandela Day initiatives around the country included collecting and delivering food items to child-headed households

and crèches in Lephalale, as well as renovating classrooms at the Mothimako High School in Polokwane.

## Stakeholder management

Stakeholder management is a growing priority. Basil Read is determined to improve stakeholder management by establishing project steering committees to proactively engage with stakeholder representatives.

Monthly project steering committee meetings at each site engage with local stakeholders. Project steering committees are made up of Basil Read representatives, client representatives, ward councillors and community liaison officers (CLOs).

CLOs are selected by their communities to enable authentic stakeholder relationships at grassroots level.

In 2017 we continued addressing the gaps identified during the stakeholder perception survey conducted in 2016 with our key stakeholders. The major gaps identified were the lack of awareness of the full Basil Read offering or services; lack of awareness of Basil Read's transformation efforts; and not understanding how we were responding to government's economic growth agenda.

Basil Read's contribution to transforming the construction industry were recognised when we received an honorary award, Legend of Empowerment, at the 16th Annual Oliver Top Empowerment Awards event. At the Gender Mainstreaming Awards, hosted by Business Engage and Brand South Africa, Basil Read was named the second finalist in the category of gender reporting by a JSE listed company.

We also received the Construction Education and Training Authority (CETA) award in 2017 for being a leading employer in skills development. Management also participated in the Vision 2030 Summit aimed at realising the National Development Plan goals from private and public sector perspectives.

## Employee education

We spent R8.3 million in employee development for 2017. A total of 1 941 individual interventions were provided, with the average spend per intervention being R4 276.

Basil Read received a discretionary grant from the Mining Qualifications Authority for hosting five experiential learners at the Venetia site.

In 2017 we launched a leadership development programme in conjunction with the University of Stellenbosch.

### Health, safety and environment

Safety is a core value and integral to how we conduct business. We are delighted to report that zero work-related fatal incidents were reported in 2017.

Our 2017 response to the global carbon disclosure project (CDP) was scored at C (2016: B-) This disclosure compares favourably with industry averages. Other environmental focus areas included establishing a waste recycling station to promote recycling.

### 2018 prospects

In this year we are implementing an integrated marketing and communications plan that will feature specific brand activation programmes. Our intention is to continuously improve on our stakeholder and community engagement strategies, public relations and communications, employee engagement, as well as our social media strategy.

All the other elements related to Basil Read's value creation process in terms of the six capitals (human, social and relationship, intellectual, financial, manufactured and natural), as well as our roles and responsibilities as a committee, will be on our agenda during 2018.



**Connie Molusi**  
*Chairman*

28 March 2018

# Remuneration committee report

As Basil Read did not achieve its financial targets for 2017, no STI bonuses were paid, nor were LTIs vested or awarded.



Dr Claudia Manning  
Chairman of the remuneration committee

Our remuneration philosophy at Basil Read is to reward high performance, improvement and sustainability over the short and long term. Our short-term incentive (STI) scheme is utilised to remunerate individual and company performance annually and the long-term incentive (LTI) scheme aims to remunerate and retain individuals over the long term, using performance-based shares. Both these schemes are based on individual as well as company performance and linked to strategic targets.

In the 2017 financial year, no STI cash bonuses were paid and no LTIs have been vested or awarded to employees as the company did not achieve its financial strategic targets.

The remuneration committee will nonetheless continue to review the remuneration structures and policies of the company and ensure continuous improvement thereof to drive operational performance and sustainability in the company. The remuneration committee will also continue to ensure open and transparent communication to all stakeholders, including employees and shareholders.

During 2017, a new chief executive officer was appointed and a new company strategy was approved. The remuneration committee will ensure that remuneration structures and policies are aligned to this new strategy. In this way, remuneration and award will be used to drive employee and company performance in line with the strategic intent of the company.



**Dr Claudia Manning**  
Chairman

28 March 2018

## Part I: Remuneration philosophy and policy

### Governance and the remuneration committee (Remco)

#### Role of Remco

The board is accountable for ensuring Basil Read's remuneration structures are fair, consistent and supportive of the short and long-term interests of the company and its employees and shareholders. Remco was appointed by the board to oversee remuneration policies, structures and activities within the company, to advise on remuneration matters, to ensure sustainable executive and employee capacity, and to comply with statutory requirements to ultimately achieve the vision, mission and strategic aim of the company.

The composition and scope of Remco is detailed in its terms of reference which have been approved by the board and appear on our website: [www.basilread.co.za](http://www.basilread.co.za).

In line with corporate governance standards, 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 60 to 63.

#### Activities for the year

For the review period, the committee:

- 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
- considered an appropriate executive and management succession plan which will be implemented accordingly
- reviewed and considered recommendations on a revised long-term incentive plan
- reviewed the company's internal wage gap relative to the market.

#### Remuneration policy and components of remuneration Policy

Basil Read's philosophy is to encourage sustainable long-term performance across all operations.

Remco reviewed the remuneration policy to ensure remuneration structures and activities support the vision, mission, values and strategic mandate of the company comply with the King IV governance framework and best practice standards, and serve the best interest of employee, the company and its shareholders.

Basil Read recognises people as its core advantage to deliver safe profitable projects and therefore aims to recruit, recognise, retain and reward the best talent available and to remunerate talent fairly and competitively.

Accordingly, Basil Read's 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 job-related and company-related performance indicators. For full details on the staff remuneration policy, please visit our website: [www.basilread.co.za](http://www.basilread.co.za).

# Remuneration committee report continued

## Components of remuneration

Basil Read uses fixed and variable remuneration approaches, which includes a total guaranteed package, short-term incentive scheme and a long-term incentive scheme.

## Total guaranteed package (TGP)

TGP is divided into a base salary, benefits and allowances and includes a cash component, fixed car allowance, retirement fund and medical aid. Basil Read also contributes to employee benefits. We subscribe to external remuneration benchmark surveys and compare all positional grading and remuneration packages against market-related data. Basil Read aims to remunerate employees against the 50th and 75th percentile of the national all industries market. Our policy also makes provision to reward above the 75th percentile for exceptional performance and to retain scarce skills. The Paterson grading system is utilised in the company to grade positions.

Basil Read provides for employee retirement funding through 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. Where applicable, employees can remain on their spouse's medical aid and provide proof of membership. Basil Read makes a 16% employer contribution to the retirement fund and employer contribution to group life (1.85%) as well as to employee disability cover (0.96%).

We believe our benefits demonstrate our integrated approach to wellness, driving employee effectiveness and engagement, and our commitment to comply with legislative, negotiated and contractual commitments.

## Short-term incentive (STI)

The purpose of the STI scheme is to incentivise high-performing employees in the short term. The STI scheme is based on a combination of company

performance targets and positional (employee) performance over a 12-month period. Company performance targets are set by the executive committee and the board and positional (employee) performance is based on five key performance areas (balance scorecard elements), namely customer relations, SHEQ management, people management, financial management and business processes. These key performance areas are interpreted relevantly to each position. The STI is transparently communicated and employees can determine their short-term bonus once the company targets are announced.

## Long-term incentive plan (LTIP)

A new LTIP was reviewed and approved by shareholders at the AGM this year. The purpose of the LTIP is to incentivise and retain senior employees. The LTIP is based on achieving company performance targets. Incentives are made in bonus and performance shares forfeitable within a fix term after award when leaving the company.

## 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. 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.

## Non-executive directors Appointment of non-executive directors

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

There were no new appointments in the financial year.

## Non-executive directors' fees

Non-executive directors' fees comprise a retainer fee for membership of the board or committee and a fee per meeting.

When determining the proposed level of non-executive directors' fees, Remco considers market practices and norms as well as additional responsibilities placed on board members by new legislation and corporate governance principles. Board fees comprise a base fee and 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 conflict of interest. Non-executive directors are reimbursed for expenses incurred in performing their duties on behalf of the company.

A 5% increase was proposed in 2017 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 at or above the benchmark.

## Part II: Implementation

Disclosure of executive directors and prescribed officers' short and long-term incentives paid in the 2017 financial year.

### STI awards in 2017

No STIs were made to executive directors and prescribed officers as company performance targets were not achieved.

### LTI awards made in 2017

No LTI awards were made in the 2017 financial year.

### LTI awards vesting in 2017

No LTI awards vested in 2017.

## Disclosure of 2017 executive directors' and prescribed officers' remuneration

### Guaranteed pay adjustments for 2017

In the review period, base salaries were benchmarked against market data using the methodology described in Part II, confirming that our guaranteed pay package remains competitive. Average salary increases for executives and general staff in March 2017, for that financial year, were linked to inflation. Executives received an increase of 5.2% compared to an average increase of 4.04% for general staff.

### Executive directors' and prescribed officers' emoluments

Remuneration paid to executive directors and prescribed officers in 2017 is presented in the table below.

#### Short-term employee benefits

Director/prescribed officer	Total shareholding %	Salaries R	Bonus and performance-related payments R	Short-term benefits R	Total R
<b>Paid by Basil Read Limited 2017</b>					
<b>Executive directors</b>					
Neville Francis Nicolau <sup>1</sup>	0.08	2 152 000	–	50 000	2 202 000
Khathutshelo Mapasa <sup>2</sup>	–	2 692 241	–	550 759	3 243 000
Talib Sadik <sup>3</sup>	–	2 831 214	–	668 790	3 500 004
<b>Subtotal executives</b>	<b>0.08</b>	<b>7 675 455</b>	<b>–</b>	<b>1 269 549</b>	<b>8 945 004</b>
<b>Prescribed officers</b>					
Antonie Fourie	–	1 681 466	–	401 035	2 082 501
Bruce Morton <sup>4</sup>	–	2 293 090	–	581 910	2 875 000
Olivier Jean-Paul Giot	–	3 350 000	–	–	3 350 000
Andiswa Thandeka Ndoni	–	2 424 686	–	450 314	2 875 000
James Stephen Johnston	–	433 510	–	102 490	536 000
<b>Subtotal prescribed officers</b>	<b>–</b>	<b>10 182 752</b>	<b>–</b>	<b>1 535 749</b>	<b>11 718 501</b>
<b>Total key management personnel compensation</b>	<b>–</b>	<b>17 858 207</b>	<b>–</b>	<b>2 805 298</b>	<b>20 663 505</b>

<sup>1</sup> Resigned 31 May 2017.

<sup>2</sup> Appointed chief executive officer 23 October 2017.

<sup>3</sup> Included in Talib Sadik's salary is a once-off payment of R1.8 million, resigned 31 December 2017.

<sup>4</sup> Included in Bruce Morton's salary is a once-off payment of R1.7 million, resigned 31 December 2017.

### Non-executive directors' fees

No proposed increase for the next financial year. Fees for the next financial year appear in the directors' report on page 56 of the annual financial statements.

Total emoluments paid to non-executive directors for the year ended 31 December 2017 are disclosed on page 55 of the annual financial statements.

### Non-binding advisory vote

#### 2016 voting

The group's remuneration policy received the support of 53.16% of shareholders who voted at the 2016 AGM.

Prior to the voting at the AGM, the chairman of Remco engaged with shareholders and institutional investors regarding components of the remuneration policy and took into account concerns raised. Attempts to engage with the shareholders that voted against the policy were unsuccessful.

We extend our appreciation to those shareholders that have engaged with us on our remuneration policy during the year.

#### 2017 voting

In line with King IV, we will table our remuneration report for a non-binding advisory vote at the upcoming AGM. If 25% or more of the shareholders vote against the resolution at the AGM, the board will invite dissenting shareholders to engage with the committee on their issues.

The committee remains confident that the group's remuneration philosophy and policies are aligned to its strategy. The committee is pleased to present the remuneration philosophy and policy on pages 85 and 86 and the implementation report on page 87 to shareholders for a separate non-binding advisory vote.

We invite shareholders to engage with us prior to the 2017 AGM on any concerns/queries they may have regarding our remuneration policy. Shareholders can submit these requests to [secretariat@basilread.co.za](mailto:secretariat@basilread.co.za).

## Basis of presentation

The summary consolidated financial statements are prepared in accordance with the JSE's requirements for summary financial statements, and the requirements of the Companies Act of South Africa applicable to summary financial statements. The Listings Requirements of the JSE require the summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and 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 summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

This summary consolidated financial statements do not include the information required pursuant to paragraph 16A(j) of IAS 34. The consolidated annual financial statements are available on the issuer's website, at the issuer's offices and upon request. The directors take full responsibility for the summary consolidated financial statements and confirm that this information has been correctly extracted from the consolidated annual financial statements.

### Forward-looking statement

Statements made throughout this announcement on the future financial performance of the company have been audited by the company's external auditors. The company cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on any forward-looking statements. The company disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason, other than as required by the JSE Listings Requirements.

## Auditor's report

The summary consolidated financial statements have not been audited but are extracted from the underlying audited information.

The annual financial statements were audited by PricewaterhouseCoopers Inc., whose opinion included an emphasis of matter in relation to material uncertainty over going concern. The audited consolidated annual financial statements and the auditor's report thereon are available for inspection at the company's registered office.

The directors take full responsibility for the preparation of the summary consolidated financial statements and that the financial information has been correctly extracted from the underlying consolidated annual financial statements.

# Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the group and company can continue in operational existence for the foreseeable future.

The group and company's results in the current year were significantly impacted by onerous loss making legacy contracts, write-off of goodwill in the roads division and reversal of deferred tax assets in loss making entities. As a result, the group reported a net loss after tax of R1 billion for the 2017 financial year.

The following are significant items included in the loss for the year:

- Provisions for onerous contracts of R208.7 million
- Impairment of goodwill and reversal of deferred tax assets relating to the roads division of R261.1 million
- Write down of debtors and development land of R84.7 million.

The trading conditions in the construction sectors continue to be challenging as reflected in the group's results. The group's balance sheet has been negatively impacted by the loss realised from operations. At year-end, the group's current liabilities (R2.1 billion) exceeded current assets (R1.4 billion) and group's cash had decreased to R126.4 million.

In order to ensure the future sustainability of the group, the board approved a turnaround plan in September 2017. A number of initiatives have been implemented by the group under this plan which includes a debt standstill agreement with funders and guarantors, the sale of non-core assets, renegotiating terms with funders, raising new capital and securing new profitable projects.

In order to provide more liquidity, the group has successfully managed to perform the following during the year:

- The group renegotiated terms with six of its major funders and guarantors providing an extension on repayments of long-term financing and securing guarantees on contracts
- The group disposed of surplus plant and equipment and generated a cash inflow of R80 million into the business
- Bridge funding of R150 million was obtained from the Industrial Development Corporation (IDC) which has subsequently been repaid in March 2018
- The mining division has been successfully securing new projects in Namibia and Lesotho, which are expected to yield good margins.

In addition to the above, subsequent to the current financial year-end, the group has managed to successfully raise additional funds amounting to R300 million through a rights offer process. The proceeds from the rights offer have been used to improve working capital and settle the IDC bridge loan.

Despite the progress made, group cash flows remain critically tight and the group is continuing efforts to improve liquidity within the group. Based on the turnaround plan, management has prepared a budget for the 2018 financial year and cash flow forecasts covering a minimum of 12 months. This budget and cash flow forecast, if successfully implemented, indicates that the group will raise sufficient cash resources for the foreseeable future.

In compiling its cash flow forecasts, the group has made a number of key judgements and assumptions. The judgements and estimates are based on the turnaround plan and include the following

- Accelerating the resolutions of legacy claims
- Negotiations to extend repayment of long-term financing
- Sale of non-core assets and development land
- Completion of process of disposing of surplus plant and equipment.

## Going concern continued

The group has taken a number of steps to complete the plans above which have been summarised below:

- Resolution of outstanding claims – marked progress has been made towards the resolution and the agreed methodology for quantification. These processes, however, require time to complete and ensure the group is fairly rewarded for work done
- Negotiations to extend repayment of long-term financing – the group has successfully concluded negotiations to extend repayment of loans by 18 months
- Sale of non-core assets – the group has commenced with the process of disposing of development land. A mandate has been signed with a selling agent to accelerate the process of disposal of these assets
- Completion of process of disposing of surplus plant and equipment – the group has continued the process of disposing of surplus equipment. Subsequent to year-end, the group has contracted or received offers on equipment to the value of R70 million.

The conclusion and settlement of claims is by its nature a lengthy and drawn out process. As a result, the timing of the receipt of the claims cannot be forecast with sufficient reliability.

The company is negotiating to extend the repayment of long-term financing and obtain additional working capital funding and facilities. These negotiations by their nature are dependent on the agreement of the external funding parties.

Management is advancing the process of disposing of the development land as speedily as possible. Due to the significant size of these assets, a prolonged period may be required to complete the planned disposals.

The above plans are important elements of securing adequate liquidity for the business going forward. If not concluded successfully, cash flow resources available to the group will be impacted materially.

As a result of the events and conditions described above, there is a material uncertainty on the timing of the cash flows that may cast significant doubt on the group's ability to continue as a going concern and, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course.

# Condensed consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2017

	2017 R000	2016 R000
<b>CONTINUING OPERATIONS</b>		
Revenue	4 581 144	5 126 085
<b>Operating (loss)/profit</b>	<b>(743 132)</b>	63 737
Non-trading items	–	(40 788)
Finance income	14 615	8 868
Net foreign exchange movements	12 541	31 882
Finance cost	(92 245)	(50 117)
Share of profits/(losses) of associates and joint ventures	33 644	(8 981)
<b>(Loss)/profit before taxation</b>	<b>(774 577)</b>	4 601
Taxation	(236 326)	(25 419)
<b>Loss for the year from continuing operations</b>	<b>(1 010 903)</b>	(20 818)
<b>DISCONTINUED OPERATIONS</b>		
Result on disposal of discontinued operations	–	(32 828)
<b>Net loss for the year</b>	<b>(1 010 903)</b>	(53 646)
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR – NET OF TAX</b>		
Items that may be subsequently reclassified to profit or loss	(18 770)	(35 813)
<b>Total comprehensive loss for the year</b>	<b>(1 029 673)</b>	(89 459)
<b>Loss attributable to:</b>		
Owner of the company	(1 011 791)	(64 128)
Non-controlling interests	888	10 482
<b>Net loss for the year</b>	<b>(1 010 903)</b>	(53 646)
<b>Total comprehensive loss attributable to:</b>		
Owner of the company	(1 030 572)	(103 750)
Non-controlling interests	899	14 291
<b>Total comprehensive loss for the year</b>	<b>(1 029 673)</b>	(89 459)
	Cents	Cents
<b>CONTINUING OPERATIONS</b>		
Basic earnings per share	(768.34)	(23.77)
Diluted earnings per share	(768.34)	(23.77)
<b>DISCONTINUED OPERATIONS</b>		
Basic earnings per share	–	(24.93)
Diluted earnings per share	–	(24.93)

# Condensed consolidated statement of financial position

as at 31 December 2017

	2017 R000	2016* R000	2015* R000
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>1 264 725</b>	1 390 758	1 500 501
Property, plant and equipment	956 795	799 092	915 856
Investment property	4 328	6 112	6 590
Investments in associates and joint ventures	123 946	126 234	136 399
Investment at fair value	41 814	51 290	51 290
Goodwill and intangible assets	1 003	90 782	91 640
Deferred taxation	136 839	317 248	298 726
<b>Current assets</b>	<b>1 430 434</b>	1 830 617	1 975 671
Contract work in progress	324 071	289 064	391 251
Trade and other receivables	632 859	699 900	766 701
Inventories	39 670	35 229	25 939
Development land	231 258	259 607	262 679
Derivative financial instrument	–	623	2 885
Taxation	24 818	28 681	19 371
Cash and cash equivalents	177 758	517 513	506 845
Non-current assets held for sale	53 823	–	104 203
<b>Total assets</b>	<b>2 748 982</b>	3 221 375	3 580 375
<b>LIABILITIES AND EQUITY</b>			
<b>Non-current liabilities</b>	<b>510 982</b>	348 166	221 087
Borrowings and other liabilities	433 370	300 378	182 134
Deferred taxation	77 612	47 788	38 953
<b>Current liabilities</b>	<b>2 133 580</b>	1 739 116	2 113 402
Contract income received in advance	338 559	330 321	715 432
Trade and other payables	907 122	934 327	734 163
Borrowings and other liabilities	381 846	137 760	157 798
Derivative financial instrument	1 118	–	–
Provisions	429 427	245 877	455 537
Taxation	24 171	31 794	15 034
Bank overdraft	51 336	59 037	35 438
Non-current liabilities held for sale	–	–	22 334
<b>Total liabilities</b>	<b>2 644 561</b>	2 087 282	2 356 823
<b>Equity</b>	<b>111 406</b>	1 141 978	1 245 728
Stated capital	1 048 025	1 048 025	1 048 025
Other reserves	(16 420)	2 361	41 983
Retained earnings	(920 199)	91 592	155 720
Non-controlling interest	(6 986)	(7 885)	(22 176)
<b>Total liabilities and equity</b>	<b>2 748 981</b>	3 221 375	3 580 375

\* Restated.

# Condensed consolidated statement of changes in equity

for the year ended 31 December 2017

	Stated capital		Other reserves		Retained earnings R000	AEHC <sup>3</sup> R000	NCI <sup>4</sup> R000	Total equity R000
	Share capital R000	Treasury shares R000	FCTR <sup>1</sup> R000	FVR <sup>2</sup> R000				
<b>Balance as at 1 January 2016</b>	1 048 037	(12)	45 854	(3 871)	155 720	1 245 728	(22 176)	1 223 552
Total comprehensive income	–	–	(39 622)	–	(64 128)	(103 750)	14 291	(89 459)
Loss for the year	–	–	–	–	(64 128)	(64 128)	10 482	(53 646)
Other comprehensive income	–	–	(39 622)	–	–	(39 622)	3 809	(35 812)
<b>Balance as at 31 December 2016/1 January 2017</b>	<b>1 048 037</b>	<b>(12)</b>	<b>6 232</b>	<b>(3 871)</b>	<b>91 592</b>	<b>1 141 978</b>	<b>(7 885)</b>	<b>1 134 093</b>
Total comprehensive income	–	–	(18 438)	(343)	(1 011 791)	(1 030 572)	899	(1 029 673)
Loss for the year	–	–	–	–	(1 011 791)	(1 011 791)	888	(1 010 903)
Other comprehensive income	–	–	(18 438)	(343)	–	(18 781)	11	(18 770)
<b>Balance as at 31 December 2017</b>	<b>1 048 037</b>	<b>(12)</b>	<b>(12 206)</b>	<b>(4 214)</b>	<b>(920 199)</b>	<b>1 111 406</b>	<b>(6 986)</b>	<b>104 420</b>

<sup>1</sup> Foreign currency translation reserve.

<sup>2</sup> Fair value adjustment reserve.

<sup>3</sup> Attributable to equity holders of the company.

<sup>4</sup> Non-controlling interest.

Movements are reflected net of taxation.

# Condensed consolidated statement of changes in cash flows

for the year ended 31 December 2017

	2017 R000	2016* R000
<b>Cash flows from operating activities</b>		
Cash received from customers	4 527 716	4 888 598
Cash paid to suppliers and employees	(4 844 095)	(4 791 312)
Cash (utilised)/generated from operations	(316 379)	97 286
Interest paid	(58 338)	(48 239)
Interest received	14 615	8 863
Taxation paid	(30 412)	(27 655)
<b>Net cash flows from operating activities</b>	<b>(390 514)</b>	<b>30 255</b>
<b>Cash flows from investing activities</b>		
Acquisitions of property, plant and equipment	(65 595)	(128 975)
Proceeds from disposal of property, plant and equipment	80 099	42 392
Proceeds from disposal of investment property	1 628	–
Disposal of subsidiaries	–	64 785
Proceeds from disposal of joint operations	35 000	–
Advances made to joint ventures	–	(19 254)
Advances recovered from joint ventures	12 583	–
Advances made to associates	(35 438)	(3 390)
Advances recovered from associates	4 203	7 455
Dividends received from associates and joint ventures	–	14 926
<b>Net cash flows from investing activities</b>	<b>32 480</b>	<b>(22 061)</b>
<b>Cash flow from financing activities</b>		
Proceeds borrowings raised	277 528	200 855
Repayments of borrowings	(252 148)	(196 524)
<b>Net cash flow from financing activities</b>	<b>25 380</b>	<b>4 331</b>
Effect of exchange rate changes on cash and cash equivalents	600	(28 725)
Movement in cash and cash equivalents	(332 054)	(16 200)
Cash and cash equivalents at the beginning of the reporting period	458 476	474 676
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>126 422</b>	<b>458 476</b>

\* Restated.

# Additional information to the condensed consolidated financial statements

## (LOSS)/EARNINGS PER SHARE AND HEADLINE (LOSS)/EARNINGS PER SHARE

Summary of (loss)/earnings per share and headline (loss)/earnings per share

	Earnings attributable		Weighted average number of shares		Cents per share	
	2017 R000	2016 R000	2017 000	2016 000	2017	2016
<b>Total operations</b>						
Earnings per share (EPS)						
– Basic	(1 011 791)	(64 128)	131 686	131 686	(768.34)	(48.70)
– Diluted	(1 011 791)	(64 128)	131 686	131 686	(768.34)	(48.70)
Headline earnings per share (HEPS)						
– Basic	(944 655)	(28 700)	131 686	131 686	(717.35)	(21.79)
– Diluted	(944 655)	(28 700)	131 686	131 686	(717.35)	(21.79)
<b>Continuing operations</b>						
EPS – Basic	(1 011 791)	(31 300)	131 686	131 686	(768.34)	(23.77)
EPS – Diluted	(1 011 791)	(31 300)	131 686	131 686	(768.34)	(23.77)
HEPS – Basic	(944 655)	(28 700)	131 686	131 686	(717.35)	(21.79)
HEPS – Diluted	(944 655)	(28 700)	131 686	131 686	(717.35)	(21.79)
<b>Discontinued operations</b>						
EPS – Basic	–	(32 828)	131 686	131 686	–	(24.93)
EPS – Diluted	–	(32 828)	131 686	131 686	–	(24.93)
HEPS – Basic	–	–	131 686	131 686	–	–
HEPS – Diluted	–	–	131 686	131 686	–	–

There was no difference between weighted average number of shares and diluted average number of shares during the current reporting period.

# Additional information to the condensed consolidated financial statements continued

## Reconciliation between basic earnings/(loss), diluted earnings/(loss) and headline earnings/(loss)

	Total		Continuing operations		Discontinued operations	
	Gross of tax amount R000	Net of tax amount R000	Gross of tax amount R000	Net of tax amount R000	Gross of tax amount R000	Net of tax amount R000
<b>2017</b>						
Basic and diluted loss	(1 011 791)	(1 011 791)	(1 011 791)	(1 011 791)	–	–
(Profit)/loss on sale of joint operation	(202)	(202)	(202)	(202)	–	–
(Profit)/loss on sale of property, plant and equipment	(30 579)	(30 579)	(30 579)	(30 579)	–	–
Impairment of goodwill	88 917	88 917	88 917	88 917	–	–
Impairment of investment at fair value	9 000	9 000	9 000	9 000	–	–
Headline loss	<b>(944 654)</b>	<b>(944 654)</b>	<b>(944 654)</b>	<b>(944 654)</b>	–	–
<b>2016</b>						
Basic and diluted loss	(64 128)	(64 128)	(31 300)	(31 300)	(32 828)	(32 828)
Loss on sale of subsidiary	32 828	32 828	–	–	32 828	32 828
(Profit) on sale of property, plant and equipment	(778)	(778)	(778)	(778)	–	–
Impairment of property, plant and equipment	2 900	2 900	2 900	2 900	–	–
Fair value adjustment on investment property	478	478	478	478	–	–
Headline loss	<b>(28 700)</b>	<b>(28 700)</b>	<b>(28 700)</b>	<b>(28 700)</b>	–	–

The above line items have no NCI consequences. Based on the tax computation, the above tax effects are unrecognised due to assessed losses within the group.

## GOODWILL AND INTANGIBLE ASSETS

	Goodwill R000	Contract- based intangible assets R000	Total R000
<b>Balance as at 1 January 2016</b>			
Cost	343 532	80 177	423 709
Accumulated amortisation and impairment	(254 615)	(77 453)	(332 068)
Net book value	88 917	2 724	91 641
Movements			
Amortisation	–	(859)	(859)
<b>Balance as at 31 December 2016/1 January 2017</b>			
Cost	343 532	80 177	423 709
Accumulated amortisation and impairment	(254 615)	(78 312)	(332 927)
Net book value	88 917	1 865	90 782
Movements			
Amortisation	–	(862)	(862)
Impairment	(88 917)	–	(88 917)
<b>Balance as at 31 December 2017</b>			
Cost	343 532	80 177	423 709
Accumulated amortisation and impairment	(343 532)	(79 174)	(422 706)
Net book value	–	1 003	1 003

An impairment loss of R88.9 million was recognised for the roads CGU, reducing the carrying amount of the goodwill for this CGU to zero as at 31 December 2017. There are no other goodwill recoverable amounts for the group as at 31 December 2017.

## PROVISIONS

	Employee R000	Contract provisions R000	Total provisions R000
<b>2017</b>			
Opening balance	1 345	244 532	245 877
Additions	10 173	248 488	258 661
Utilisations	(431)	(54 826)	(55 257)
Reversals	(754)	(3 625)	(4 379)
Disposal through business combination	(1 472)	(13 163)	(14 635)
Foreign exchange differences	6	(846)	(840)
<b>Closing balance</b>	<b>8 867</b>	<b>420 560</b>	<b>429 427</b>

Included in contract provisions is R123.7 million related to onerous contracts.

Employee provision consists mainly of retrenchment provisions amounting to R6.3 million.

# Additional information to the condensed consolidated financial statements continued

## OPERATING SEGMENTS

The group comprises five operational segments namely construction, developments, mining, roads and St Helena, based on the management of the segments by the chief operating decision maker. The construction segment consists of buildings and civils.

	2017					
	Construction R000	Developments R000	Mining R000	Roads R000	St Helena R000	Total R000
<b>Performance measures</b>						
Total segment revenue	1 398 901	79 551	1 813 630	1 014 285	302 778	4 609 144
Intersegment revenue	–	–	(1 345)	(26 655)	–	(28 000)
External revenue	1 398 901	79 551	1 812 285	987 630	302 778	4 581 144
Operating profit/(loss)	(224 860)	19 215	76 129	(589 740)	(23 936)	(743 132)
<b>Measures of financial position</b>						
<b>Assets</b>						
Property, plant and equipment	46 145	4 903	781 177	99 282	25 288	956 795
Inventories	3 089	–	26 949	–	9 632	39 670
Work in progress	265 182	–	53 971	4 918	–	324 071
Cash and cash equivalents	128 575	2 021	36 721	3 786	6 655	177 758
<b>Liabilities</b>						
Interest-bearing borrowings	457 489	–	357 727	–	–	815 216
Advance payments received for contract work	309 399	7	414	2 011	26 728	338 559
Provisions for other liabilities and charges	50 938	13 232	75 158	149 475	140 624	429 427

	2016					
	Construction R000	Developments R000	Mining R000	Roads R000	St Helena R000	Total R000
<b>Performance measures</b>						
Total segment revenue	1 645 506	81 263	1 701 724	1 166 765	721 950	5 317 207
Intersegment revenue	(5 923)	–	(133 726)	(51 474)	–	(191 123)
External revenue	1 639 583	81 263	1 567 998	1 115 291	721 950	5 126 085
Operating profit	(107 704)	15 873	111 652	(41 938)	85 854	63 737
<b>Measures of financial position</b>						
<b>Assets</b>						
Property, plant and equipment	58 474	4 454	558 568	131 974	45 622	799 092
Goodwill	–	–	–	88 917	–	88 917
Inventories	6 083	–	16 112	–	13 034	35 229
Work in progress	221 967	–	31 141	35 956	–	289 064
Cash and cash equivalents	151 052	18 633	112 454	22 470	153 867	458 476
<b>Liabilities</b>						
Interest-bearing borrowings	272 199	–	165 939	–	–	438 138
Advance payments received for contract work	114 005	–	5 826	103 121	107 369	330 321
Provisions for other liabilities and charges	–	37 772	52 591	32 209	123 305	245 877

**RESTATEMENT****Classification of provision for onerous contracts**

The group has recognised provisions for onerous commitments on identified loss making contracts. In the comparative period, all onerous contract provisions were presented in the provision line under current liabilities. The comparative information has been updated to reallocate onerous contract provisions against contract work in progress, under current assets, on all contracts on which work in progress has been recognised.

The effect of the restatement in the statement of financial position is as follows:

	2016 R000	2015 R000
<b>Contract work in progress</b>		
Previously stated as	342 354	433 237
Effect	(53 290)	(41 986)
After restatement	289 064	391 251
<b>Provisions</b>		
Previously stated as	299 167	497 523
Effect	(53 290)	(41 986)
After restatement	245 877	455 537

**Investment**

The group holds investments in associates and joint ventures, which are equity accounted and other investments, which are carried at fair value. In the comparative period these investments were presented on a consolidated basis in the investment line on the group's statement of financial position. The group has updated comparative information and separately disclosed the investment in associates and joint ventures from the investments at fair value to reflect the measurement basis.

The effect of the restatement in the statement of financial position is as follows:

	Previously presented as R000	Decrease effect R000	After restatement R000
2016			
Investments	177 524	(177 524)	–
Investments in associates and joint ventures	–	126 234	126 234
Investment at fair value	–	51 290	51 290

**Reallocation of working capital**

The group presented its cash flow statement on the direct method. In the comparative period changes in working capital was incorrectly disclosed separately below the cash generated from operations line.

These comparatives working capital movements were reallocated which resulted in R32.7 million being incorporated into the cash and cash paid to suppliers and employees line above the cash generated from operations line.

No impact was identified on the total cash flows from operating activities.

The effect of the restatement in the statement of cash flow is as follows:

	Previously presented as R000	Decrease effect R000	After restatement R000
2016			
Cash received from customers	5 108 449	(219 851)	4 888 598
Cash paid to suppliers and employees	(4 978 399)	187 087	(4 791 312)
Changes in working capital	(32 764)	32 764	–

These reallocations had no impact on the profit and loss disclosure. To enable the comparability of information the 2016 and 2015 comparatives were similarly enhanced and where applicable are shown as restated.

# Shareholders' information

as at 31 December 2017

	Number of holders	% of total shareholders	Number of shares	% of total issued share capital
<b>ANALYSIS OF SHAREHOLDINGS</b>				
1 – 1 000	1 116	44.48	419 953	0.32
1 001 – 10 000	926	36.91	3 435 770	2.61
10 001 – 100 000	332	13.23	10 423 683	7.92
100 001 – 1 000 000	113	4.50	33 555 266	25.48
1 000 001 and over	22	0.88	83 859 609	63.67
	2 509	100.00	131 694 281	100.00
<b>FUND MANAGERS WITH A HOLDING GREATER THAN 3% OF THE ISSUED CAPITAL</b>				
<b>MAJOR SHAREHOLDERS</b>				
Allan Gray			14 567 319	11.06
PSG Asset Management			11 961 848	9.08
Public Investment Corporation			7 798 500	5.92
Old Mutual Multi-managers			6 580 000	5.00
<b>SHAREHOLDER SPREAD</b>				
Non-public	3	0.12	32 791	0.02
Directors	2	0.08	14 280	0.01
Treasury	1	0.04	18 511	0.01
Public	2 506	99.88	131 661 490	99.98
<b>Totals</b>	2 509	100.00	131 694 281	100.00
<b>BENEFICIAL SHAREHOLDERS WITH A HOLDING GREATER THAN 3% OF THE ISSUED SHARES</b>				
NMT Capital (Pty) Ltd			6 459 844	6.90
Allan Gray			6 427 969	5.99
Industrial Development Corporation			9 090 909	5.92
SIOC CDT Investment Holdings (RF) (Pty) Ltd			7 883 243	5.00
Government Employees Pension Fund			7 798 500	4.91
SBSA ITF Old Mutual Multi-managers			6 580 000	4.88
PSG Asset Management			5 800 400	4.40
Amabubesi BSR Holdings (Pty) Ltd			4 639 969	3.52
<b>DISTRIBUTION OF SHAREHOLDERS</b>				
Individuals	2 195	87.49	19 634 004	14.91
Close corporations	35	1.39	3 689 987	2.80
Investment companies	15	0.60	272 141	0.21
Nominees and trusts	84	3.35	10 818 725	8.22
Pension funds and medical aid societies	73	2.91	38 472 833	29.21
Other corporate bodies	107	4.26	58 806 591	44.65
<b>Totals</b>	2 509	100.00	131 694 281	100.00

## Analysis of "A" ordinary shares as at 31 December 2017

	Number of holders	% of total shareholders	Number of shares	% of total issued share capital
<b>SHAREHOLDER SPREAD</b>				
1 – 1 000	–	–	–	–
1 001 – 5 000	–	–	–	–
5 001 – 10 000	–	–	–	–
10 001 – 50 000	–	–	–	–
50 001 – 100 000	–	–	–	–
100 001 and over	1	100.00	33 607 507	100.00
<b>Totals</b>	<b>1</b>	<b>100.00</b>	<b>33 607 507</b>	<b>100.00</b>
<b>Beneficial shareholders with a holding greater than 3% of the issued shares</b>				
SIOC CDT Investment Holdings (RF) (Pty) Ltd			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 OF ANNUAL GENERAL MEETING

Notice is hereby given that the 33rd annual general meeting (AGM) of shareholders of Basil Read will be held at 10:00 on Friday, 1 June 2018 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, Friday, 20 April 2018, 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 Friday, 25 May 2018. Accordingly, the last day to trade in Basil Read shares to be recorded in the register to be entitled to vote will be Tuesday, 22 May 2018.

## PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

To present the audited annual financial statements of the company and the group, for the year ended 31 December 2017, 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 5, 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 5 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 designated by PwC, 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 19 March 2018, 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 3.84(g)(iii) 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****Election of directors**

To elect, by way of separate resolutions, a director in terms of the provisions of article 28.2 of the memorandum of incorporation (MoI) of the company. The following director, being eligible, offers himself for election:

- 2.1 **Resolved that** SA Luvhengo be elected as a director of the company.
- 2.2 **Resolved that** DJ Castle be elected as a director of the company.
- 2.3 **Resolved that** TB Sefolo be elected as a director of the company.
- 2.4 **Resolved that** ZB Swanepoel be elected as a director of the company.
- 2.5 **Resolved that** HN Lupuwana-Pemba be elected as a director of the company.
- 2.6 **Resolved that** JPF van Buuren be elected as a director of the company.

**Motivation**

In terms of the Companies Act and clause 28.5 of the company's MoI, directors who are appointed by the board (as opposed to being elected by shareholders) serve as directors of the company temporarily until elected by shareholders at the next AGM following appointment by the board. Mr SA Luvhengo, Mr DJ Castle and Mr TB Sefolo were appointed by the board during the year ended 31 December 2017 and Mr ZB Swanepoel, Mr JPF van Buuren and Ms HN Lupuwana-Pemba were appointed by the board during the 2018 financial period and are accordingly obliged to retire at this annual general meeting. The board recommends their election. Their résumés are set out on page 63 of the integrated report 2017.

**3 ORDINARY RESOLUTION NUMBER 3****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 MoI of the company:

- 3.1 **Resolved that** PC Baloyi, who retires in accordance with the company's MoI and, being eligible, offers himself for re-election, be re-elected as a director of the company with immediate effect.
- 3.2 **Resolved that** DLT Dondur, who retires in accordance with the company's MoI and, being eligible, offers herself for re-election, be re-elected as a director of the company with immediate effect.
- 3.3 **Resolved that** MSI Gani, who retires in accordance with the company's MoI and, being eligible, offers himself for re-election, be re-elected as a director of the company with immediate effect.

# Notice of annual general meeting continued

## Motivation

In terms of the company's MoI, one-third of non-executive directors are required to retire at each AGM. There are currently 15 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 Baloyi, Ms Dondur and Mr Gani have served 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 pages 60 and 61 of the integrated report 2017.

## 4 ORDINARY RESOLUTION NUMBER 4

### 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:

- 4.1 **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.
- 4.2 **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.
- 4.3 **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.
- 4.4 **Resolved that** TB Sefolo, 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.

The board recommends to shareholders the election of these directors (résumés are on page 61 of the integrated report 2017).

## 5 ORDINARY RESOLUTION NUMBER 5

### Approval of remuneration policy and implementation report

**Resolved that** in accordance with principle 14 of the King Report on Corporate Governance for South Africa, 2016 (King IV), the company's remuneration policy and remuneration implementation report should be tabled to shareholders for separate non-binding advisory votes at the AGM.

## Motivation

In terms of King IV 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 and implementation report, for which approval is sought, is included in the remuneration report on pages 84 to 87 of the Basil Read Holdings Limited integrated report 2017 to which this notice is attached, which is available on the company's website: [www.basilread.co.za](http://www.basilread.co.za).

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.

## 6 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 with effect from 1 June 2018 be and is hereby approved as set out on page 87 of the integrated report to which this notice is attached.

### Motivation

In terms of section 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.

Given prevailing market conditions, the board has decided not to increase directors' fees.

## SPECIAL RESOLUTION NUMBER 2

### 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 one or 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 Companies 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.

# Notice of annual general meeting continued

## 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 their 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 their custody agreement with 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*

28 March 2018  
Johannesburg

# 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 and are registered with "own-name" registration at the 33rd 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 Friday, 1 June 2018 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/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 custody agreement with their CSDP/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 to consider and, if deemed fit, pass 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
<b>1 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			
<b>2 Ordinary resolution number 2</b>			
2.1 To elect SA Luvhengo as a director of the company in terms of clause 28.5 of the MoI			
2.2 To elect DJ Castle as a director of the company in terms of clause 28.5 of the MoI			
2.3 To elect TB Sefolo as a director of the company in terms of clause 28.5 of the MoI			
2.4 To elect ZB Swanepoel as a director of the company in terms of clause 28.5 of the MoI			
2.5 To elect HN Lupuwana-Pemba as a director of the company in terms of clause 28.5 of the MoI			
2.6 To elect JPF van Buuren as a director of the company in terms of clause 28.5 of the MoI			
<b>3 Ordinary resolution number 3</b>			
3.1 To approve the re-election of PC Baloyi who retires by rotation			
3.2 To approve the re-election of DLT Dondur who retires by rotation			
3.3 To approve the re-election of MSI Gani who retires by rotation			
<b>4 Ordinary resolution number 4</b>			
4.1 To approve the re-election of DLT Dondur to the audit committee			
4.2 To approve the re-election of CE Manning to the audit committee			
4.3 To approve the re-election of MSI Gani to the audit committee			
4.4 To approve the re-election of TB Sefolo to the audit committee			
<b>5 Ordinary resolution number 5</b> Approval of remuneration policy			
<b>6 Special resolution number 1</b> Non-executive directors' remuneration			
<b>6 Special resolution number 2</b> 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 their stead. A proxy so appointed need not be a member of the company.

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2018

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 their custody agreement with 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 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 deemed 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 for 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 their 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) that may properly be put before the AGM be proposed, such proxy will be entitled to vote as they think 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 their 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 a parent or guardian, as applicable, unless the relevant documents establishing their 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
  - 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 (Pty) Ltd:

**Hand deliveries to:**                      **Postal deliveries to:**

13th Floor  
Rennie House  
19 Ameshoff Street  
Braamfontein

PO Box 4844  
Johannesburg  
2000

to be received by no later than 10:00 on Thursday, 31 May 2018 (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 their 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 directed the company to do so in writing, and paid any reasonable fee charged by the company for doing so.

Attention is also drawn to the notes to the proxy.

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

# Administrative information

## 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 South 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, 2001

# Shareholders' diary

Shareholders' diary	
Audited results	28 March 2018
Annual general meeting	1 June 2018
Half-year interim report	30 August 2018



**BASIL READ**

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