BASIL READ

Annual financial statements 2016

Contents

Annual financial statements

For more information see our website:
www.basilread.co.za

Certificate by company secretary

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

AT Ndoni
Company secretary
31 March 2017

Preparation of financial statements

The financial statements contained in this report, and also available on the company's website, have been prepared under the supervision of the chief financial officer, Talib Sadik, CA(SA). The annual financial statements have been audited in compliance with the applicable requirements of the Companies Act.

MT Sadik
Financial director
31 March 2017

Directors' report

for the year ended 31 December 2016

The directors have pleasure in presenting their report which forms part of the annual financial statements of the group for the year ended 31 December 2016.

The annual financial statements have been audited in compliance with the applicable requirements of the Companies Act.

Nature of business

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

Operating results

The financial position, results of operations and cash flows of the company and that of the group for the year ended 31 December 2016 are set out on pages 13 to 71. A summary of these is provided below.

Ratios	2016 R000	2015 R000	Year-on-year movement	% change year-on-year
Financial performance for the year				
Contract revenue	**5 126 085**	5 519 979	(393 894)	(7)
Contract execution costs	**(4 727 734)**	(5 000 034)	272 300	(5)
Operating profit	**63 737**	226 197	(162 460)	(72)
(Loss)/profit for the year from continued operations	**(20 818)**	191 638	(212 456)	(111)
Year-end financial position				
Borrowings	**438 138**	339 932	98 206	29
Contract income received in advance	**330 321**	715 432	(385 111)	(54)
Contracts in progress	**342 354**	433 237	(90 883)	(21)
Cash and cash equivalents	**458 476**	471 407	(12 931)	(3)
Return on equity (%)	**(2)**	15	(17)	(113)
Return on assets (%)	**(2)**	6	(8)	(133)
Earnings per share (cents) – continuing operations	**(23.77)**	152.78	(176.55)	(116)
Diluted earnings per share (cents) – continuing operations	**(23.77)**	152.78	(176.55)	(116)

Please refer to the financial directors' and the chief executive officer's report included in the Basil Read integrated report for detailed commentary and analysis of the operating results and financial position for the year.

Order book

	2016 R000	2015 R000
Construction	**2 607 458**	1 947 859
Developments	**1 015 154**	200 000
Mining	**5 456 323**	4 659 957
Roads	**2 412 156**	2 617 204
St Helena	**851 997**	1 316 173
Total order book	**12 343 088**	10 741 193

Material significant matters

The directors wish to bring the attention of the users to the following significant matters:

Going concern

As at the end of the reporting period, the total assets exceeds the total liabilities and the current assets exceed the current liabilities. Furthermore, management has prepared a five-year forecasted consolidated income statement as well as a two-year forecasted cash flow with a positive outcome. Management is therefore of the opinion that Basil Read Holdings Limited is solvent and liquid and the going concern assumption is appropriate in the preparation of the financial statements. For further information, refer to the estimates and judgements note in the financial statements.

Changes to the presentation and adoption of IAS 1 (amended)

During the current reporting period, the group and company adopted the amendment 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 and company undertook a project to assess the effectiveness of disclosures in the annual financial statements and, where necessary, removed immaterial and unnecessary information. The result of this project has been a set of financial statements that has a different look and feel to previous sets provided. For further information regarding this adoption, refer to the note titled IAS 1 adoption.

Disposal of SprayPave (Pty) Ltd

The disposal of SprayPave (Pty) Ltd was completed during the first half of 2016 at a loss of R32.8 million, impacting reported profit for the period. Further details regarding this disposal can be found in the note titled non-current assets held for sale in the financial statements.

Operational changes

During the current reporting period, management elected to discontinue the pipeline business as a separate segment and incorporated any remaining activities into the construction segment. Also refer to the segments' disclosure for other changes made to the operating segments.

Voluntary rebuilding programme

During the current reporting period, a present value charge of R41 million (R120 million payable over 12 years) was incurred for the expense pertaining to the settlement agreement concluded on 11 October 2016 with the South African government in terms of the voluntary rebuilding programme.

Additional borrowing facility – IDC loan

During the current reporting period, the group secured an additional debt funding facility from the Industrial Development Corporation (IDC) for an amount of R200 million, at the end of the reporting period approximately R60 million of this facility remains undrawn.

Olifants River water resource development project

The operating profit was negatively affected by the losses incurred on the Olifants River water resource development project for TCTA of R61 million. The full loss is the subject of a claims process and discussions with TCTA and their engineer are ongoing.

Shareholder interest

	Number of shareholdings	% of total shareholding	Number of shares	% of issued share capital
Non-public shareholders	4	0.12	19 003 152	11.49
Directors and associates	1	0.03	–	0
Share incentive scheme	1	0.03	20 096	0.01
Major black economic empowerment partners	2	0.06	18 983 056	11.48
Public shareholders	3 183	99.85	112 691 129	68.18
Total shareholders	3 187	99.97	131 694 281	79.67

Post-balance sheet events

No material events have occurred since the date of these consolidated financial statements and the date of approval thereof, the knowledge of which would affect the ability of the users of these statements to make proper evaluations and decisions.

Approval

The annual financial statements and group annual financial statements, which appear on pages 13 to 71, were approved by the board of directors on 31 March 2017 and are signed by:

PC Baloyi
Chairman
31 March 2017

NF Nicolau
Chief executive officer
31 March 2017

Audit committee report

The committee is pleased to present its report for the financial year ended 31 December 2016 as required by the South African Companies Act 71 2008 (the Act) and recommended by the King III Report on Governance Principles for South Africa 2009 (King III).

Terms of reference

The committee has adopted a formal detailed charter which is in line with King III 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 2 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:
- Ms Doris Dondur – independent non-executive director, chairman
- Mr Mahomed Gani – independent non-executive director
- Dr Claudia Manning – independent non-executive director

A brief profile of each member appears on the board of directors' page of the integrated report and the company's website.

The committee met nine times in the review period, with attendance shown on page 69 of the integrated report.

The chief executive officer, financial director, chief internal audit officer, group risk officer and 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 line with its mandate for the company's accounting, internal auditing, internal control and financial reporting practices.

Its key areas of responsibility include:
- Performing its statutory duties as prescribed by the Act and Listings Requirements of the JSE
- Considering the performance of the company each quarter
- Considering the solvency and liquidity of the company, quarterly, 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 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, approving the internal audit plan and monitoring adherence to this plan
- Recommending the appointment and remuneration of external auditors, reviewing the scope of their audit, their reports and pre-approving all non-audit services over 10% of the audit fees for a particular year in terms of the policy, confirming the independence and objectivity of the external auditors, ensuring the scope of additional services does not impair their independence
- Reports of the internal and external auditors
- Evaluating the experience, skills, qualifications and performance of the financial director
- Evaluating the effectiveness of the finance function
- 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 it has fulfilled its duty to the board and has assisted the board in carrying out related 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 2016 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 may not exceed 20% of the audit fees for the particular year, and non-audit work above 10% of the audit fees for that year is reviewed and pre-approved by the committee. Routine work assignments, including auditor letters required for tendering purposes, below the value of 10% of the audit fees for that year do not need to be approved by the committee, but the chairman 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 2017 financial year. Mr Sizwe Masondo was appointed in the year under review as the designated auditor for the 2016 financial year, effective from 2 June 2016. Due to a delay in Mr Sizwe Masondo's JSE registration process, Mr Jean-Pierre van Staden was appointed to fulfil this role as an interim measure and Mr Sizwe Masondo will resume this role for 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 is supplemented by a co-sourced internal audit model to ensure the optimal efficiency of this function.

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

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.

Financial 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, Talib Sadik, has the appropriate skills, expertise and experience to meet the responsibilities of this position. The committee has also in terms of King III assessed the expertise, resources and experience of the finance function. Due to company restructuring, 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 in the finance function.

Internal financial control

The committee is responsible for assessing the systems of internal financial controls, after considering:

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

Based on these processes and assurances 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, which approved these on 31 March 2017.

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

To provide stakeholders with further insights into its activities and considerations around key audit matters as reported by the external auditors, the committee elaborates on these important aspects, as detailed below.

Construction contract revenue recognition

The company has significant long-term contracts in the construction and services divisions. Recognising 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 material given the significant judgement involved in preparing suitable estimates of forecast costs and revenue on contracts.

The committee assessed the methodology and judgement applied by management, focusing on:
- Computation of the percentage of completion
- Provision for future losses on loss-making contracts
- Claims included in revenue that are required to be reliably measurable before recognition is supported by IFRS.

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

Recoverability of deferred tax assets
Basil Read has recognised deferred tax assets in the financial statements resulting from deductible temporary differences and cumulative assessed losses as disclosed in note 11 of the 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 and assessed losses can be utilised.

Due to the significant estimation uncertainty applied to cash flows, 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 1D of the annual financial statements and 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 quantum of deferred tax assets as accounted for in the annual financial statements.

Impairment of construction and roads cash-generating unit
The accounting standards require assets to be tested for impairment when there is an impairment indicator. The current year losses within the construction and roads cash-generating units (CGUs) are considered to be possible indicators of impairment.

The committee reviewed management's impairment assessment which incorporates judgements based on assumptions about future profitability for the roads and construction division, against which appropriate long-term growth rates and discount rates must be applied. This exercise is highly judgemental and was used to support the carrying value of the construction and roads cash-generating units, which includes goodwill of R88.9 million.

After careful consideration, the committee determined that the disclosure, assumptions and judgements applied are appropriate and concluded that no impairment was required in 2016.

Going concern
Management is required to assess the going concern assumption used in preparing the annual financial statements. This assessment involves making a judgement, at a particular point, about the future outcome of events or conditions that are inherently uncertain. Management has used all available information at the time of making the assessment.

Management believes the going concern assumption is appropriate in preparing the annual financial statements for the year ended 31 December 2016.

The committee considered the group's and company's status as going concerns in preparing the annual financial statements. The committee has reviewed the company's cash flow forecast for the 12 months ending 31 December 2017 and, based on this review, was able to provide its declaration to the board that the company is a going concern.

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

Doris Dondur

Doris Dondur
Chairman of the audit committee

31 March 2017

Independent auditor's report

To the shareholders of Basil Read Holdings Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Basil Read Holdings Limited (the company) and its subsidiaries (together the group) as at 31 December 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Basil Read Holdings Limited's consolidated and separate financial statements, set out on pages 13 to 71, comprise:
- the consolidated and separate statements of financial position as at 31 December 2016;
- the consolidated and separate statements of profit and loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of changes in cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

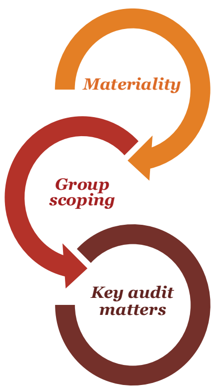
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Our audit approach

Overview



Overall group materiality
- Overall group materiality: R43 600 000, which represents 0.85% of the group revenue.

Group audit scope
- The group comprises of 57 components of which 21 are required to report on full scope audit procedures and 13 on specified procedures only.

Key Audit Matters
- Construction contract revenue recognition;
- Impairment assessment of the "Construction" and "Roads" Cash Generating Units; and
- Recoverability of deferred tax assets.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Independent auditor's report continued

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R43 600 000
How we determined it	0.85% of the group revenue
Rationale for the materiality benchmark applied	We have selected revenue as our materiality benchmark because, in our view, it reflects the activity levels of the group, and it is a benchmark against which the performance of the group can be consistently measured in circumstances of volatile year-on-year earnings. This benchmark has remained a key driver of the group's business. We chose 0.85% based on our professional judgement, after consideration of the range of qualitative materiality thresholds that we would typically apply when using revenue to compute materiality, and taking into account the level of debt within the group and the cyclical nature of the construction industry.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

The group consists of 57 subsidiaries, associates and joint ventures (referred to as "components"). We performed full scope audits on 21 components, specified procedures on 13 components and the remaining 23 components are considered to be insignificant to the group.

In establishing the overall approach to the group audit, we determined the extent of the work that needed to be performed by us, as the group engagement team, or component auditors from other PwC network firms, operating under our instruction, in order to issue our audit opinion on the consolidated financial statements of the group. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the group financial statements as a whole.

The audits undertaken for group reporting purposes are the key reporting components of the group.

Key audit matters

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

The following key audit matters relate to the consolidated financial statements. We have determined that there are no key audit matters in respect of the separate financial statements to communicate in our report.

Key audit matter	How our audit addressed the key audit matter
Construction contract revenue recognition	
The group has significant long-term contracts in the "construction", "roads" and "St Helena" operating segments. Revenue of R3.5 billion has been generated from these operating segments during year ended 31 December 2016 (refer to note 22 to the consolidated financial statements). The recognition of revenue and related profit/losses on construction and long-term services contracts are in accordance with the stage of completion principles outlined in IAS 11: Construction Contracts. The stage of completion of long term construction contracts is assessed by reference to actual contract costs incurred to date as a percentage of total estimated contract costs and physical completion based on survey of work performed. Forecasted contract losses are recognised in the accounting period which they become evident (refer to notes 1.B1, note 1.B3 and note 19 to the consolidated financial statements). In addition to the estimates described above, judgement is required in the determination of the expected recovery of costs arising from variation orders for additional works requested by customers as well as the recovery of claims made against the customer for delays or other additional costs for which the customer is considered to be liable (refer to note 1.B1 and note 2 to the consolidated financial statements). Construction contract revenue recognition is considered to be an area of most significance to our audit due to the significant judgement involved in preparing estimates of forecast costs and related revenue on long term contracts.	Our audit procedures comprised of a combination of internal control assessments and substantive audit procedures. We assessed internal financial controls over contract related procurement and payroll expenditure. We selected a sample of contracts on which detailed substantive testing procedures were performed. Our sample was selected based on a set of criteria which includes high value contracts, significant loss making contracts and contracts with significant claims. For the contracts selected, we agreed certified revenue to customer approved works certificates and subsequent cash receipts. We evaluated the stage-of-completion and related work in progress and income received in advance balances through a combination of recalculations and reliance on the survey of work determined by the group's survey experts. This was further corroborated through discussions held with the quantity surveyors of the group's customers. With respect to revenue recognised for variation orders and claims raised against customers, we inspected supporting documents in order to confirm that such revenue was recognised only once it could be reliably measured and considered to be at an advanced stage of negotiation. Where applicable, we also inspected correspondence with customers concerning variation orders and claims and obtained third-party assessments from legal experts contracted by the group in order to assess whether the information was consistent with the estimates made by management. We inspected selected signed contracts in order to identify and understand key clauses and relevant contractual mechanisms in relation to variation orders and claims and considered whether these key clauses have been appropriately applied in the amounts included in management's revenue forecasts. We also considered the historical success of claims of a similar nature. We examined the projected cost to complete the contracts in our selected sample, by comparing the actual costs to date to the approved contract budgets, obtaining an understanding of the costs required to complete the project through detailed discussions with the project managers and review of project progress documentation. Where applicable, we recalculated the provision for future losses. Based on the results of our work performed, we accepted management's assumptions used in the recognition of revenue on long term construction contracts as reasonably supported.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of the "construction" and "roads" Cash Generating Units ("CGUs")	
The accounting standards require assets to be tested for impairment when there is an impairment indicator. Goodwill is tested annually for impairment or whenever there is an impairment indicator. The carrying value of the existing goodwill is R88.9 million (refer to note 10 to the consolidated financial statements) and is allocated to the "Roads" CGU. The current year losses within the "construction" and "roads" CGUs (refer to note 22 to the consolidated financial statements) are considered to be possible indicators of impairment. Management determines the recoverable amount of the CGUs at the higher of fair value less cost of disposal and value in use. The recoverable amount is determined using a discounted cash flow model. Refer to note 1.E3 to the consolidated financial statements where the impairment of the CGUs has been discussed. The estimation of the recoverable amount is complex and significant judgement is required for estimates, specifically cash flow projections, discount rates and growth rates. Due to the inherent uncertainty involved in forecasting and discounting future cash flows this is a key judgemental area that was considered to be an area of most significance to our audit.	We obtained the discounted cash flow models supporting the recoverable amount of the "construction" and "roads" CGUs as prepared by management. We tested the mathematical accuracy of the cash flow model and discussed the basis for assumptions with management. As indicated in note 1.E3 to the consolidated financial statements, the discounted cash flow models are most sensitive to the following assumptions: • Base revenue; • Nominal growth rate; • Gross profit margins; and • Nominal pre-tax discount rate. We agreed the base revenue to the forecast revenue still to be earned for ongoing contracts and agreed the estimated revenue for new contracts to letters of award. The nominal growth rate and gross profit margins applied in the discounted cash flow model were compared to the company's five year strategic plan as approved by the board. We compared the budgeted gross margins and growth rates to gross margins realised on recent contracts, budgeted margins on secured work, as well as the margins and growth rates achieved by other companies in the construction sector. We used our valuation expertise to independently calculate a nominal discount rate, using independently obtained data. We found that the discount rate used by management fell within our acceptable range.
Recoverability of deferred tax assets	
A deferred tax asset is recognised to the extent that it is probable that taxable profit will be available against which a deductible temporary difference or unused tax losses or tax credits can be utilised. The carrying value of the existing deferred tax asset is R317 million (refer to note 11) to the consolidated financial statements. In order to recognise the deferred tax asset, management has made estimates based on assumptions in relation to the future taxable income of the relevant entities within the group (refer to note 1.D) to the consolidated financial statements. These judgements and assumptions include the forecasted contract cash flows, the nominal growth rate applied to those cash flows as well the entity's ability to execute these plans. Accordingly, due to the significant estimation uncertainty related to the cash flows, the assessments of the recoverability of deferred tax asset is considered to be an area of most significance to the audit.	We made use of our taxation expertise to evaluate the accuracy and completeness of the deferred tax asset computation. This involved obtaining the computation for the deferred tax asset and agreeing the underlying data to audited information and assessing the computation for completeness based on our understanding of the industry and the transactions entered into by the relevant entities within the group during the year. We evaluated the assumptions applied in the forecasted taxable income calculations by comparing management's assessments to supporting evidence, such as approved cash flow forecasts, the group's five year strategic plan, historical data and comparison to industry trends.

Other information

The directors are responsible for the other information. The other information comprises the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the Integrated Report which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent auditor's report continued

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that, based on available statutory records, PricewaterhouseCoopers Inc. has been the auditor of Basil Read Holdings Limited for 46 years.

The main business of Basil Read Holdings Limited is transacted through Basil Read Limited, of which PricewaterhouseCoopers Inc. and its predecessor firms have been the auditor for 46 years.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: Jean-Pierre van Staden
Registered Auditor
2 Eglin Road Sunninghill
2157

31 March 2017

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2016

	Notes	2016 R000	2015* R000
CONTINUING OPERATIONS			
Contract revenue	2	5 126 085	5 519 979
Contract execution costs		(4 727 734)	(5 000 034)
Purchased materials, subcontractors and other input costs		(3 118 560)	(3 551 793)
Staff costs	3	(1 322 196)	(1 153 784)
Depreciation		(243 543)	(266 017)
Other contract execution costs		(43 435)	(28 440)
Other income		3	66
Other administrative and operating overheads		(334 617)	(293 814)
Staff costs	3	(257 028)	(203 366)
Capital items	5	(5 481)	11 731
Administrative costs and overheads		(72 108)	(102 179)
Operating profit		63 737	226 197
Financing income	4	8 868	21 077
Net foreign exchange movements	4	31 882	(9 728)
Financing expense	4	(50 117)	(46 740)
Non-trading items	5	(40 788)	–
Share of profits/(losses) of associates and joint ventures	9	(8 981)	40 536
(Loss)/profit before taxation		4 601	231 342
Taxation	6	(25 419)	(39 704)
(Loss)/profit for the year from continuing operations		(20 818)	191 638
DISCONTINUED OPERATIONS			
Result for the year from discontinued operations		–	(45 066)
Result on disposal of discontinued operations		(32 828)	24 641
Net (loss)/profit for the year		(53 646)	171 213
OTHER COMPREHENSIVE INCOME FOR THE YEAR – NET OF TAX			
Items that may be subsequently reclassified to profit or loss		(35 813)	16 787
Movement in foreign currency translation reserve		(35 813)	16 811
Movement in fair value adjustment reserve		–	(24)
Foreign exchange difference		–	(24)
Total comprehensive income for the year		(89 459)	188 000
(Loss)/profit attributable to:			
Owner of the company		(64 128)	180 761
Non-controlling interests		10 482	(9 548)
Net (loss)/profit for the year		(53 646)	171 213
Total comprehensive income attributable to:			
Owner of the company		(103 750)	198 738
Non-controlling interests		14 291	(10 738)
Total comprehensive income for the year		(89 459)	188 000

		Cents	Cents
CONTINUED OPERATIONS			
Basic earnings per share	7	(23.77)	152.78
Diluted earnings per share	7	(23.77)	152.78
DISCONTINUED OPERATIONS			
Basic earnings per share	7	(24.93)	(15.51)
Diluted earnings per share	7	(24.93)	(15.51)

* *Reclassified*

Consolidated statement of financial position

as at 31 December 2016

	Notes	2016 R000	2015* R000	2014* R000
ASSETS				
Non-current assets		**1 390 758**	1 500 501	1 669 708
Property, plant and equipment	8	**799 092**	915 856	1 080 248
Investment property		**6 112**	6 590	5 826
Investments	9	**177 524**	187 689	183 089
Goodwill and intangible assets	10	**90 782**	91 640	99 938
Deferred taxation	11	**317 248**	298 726	300 607
Current assets		**1 883 907**	2 017 657	2 552 957
Contract work in progress	12.1	**342 354**	433 237	378 466
Trade and other receivables	13	**699 900**	766 701	905 494
Inventories	14.1	**35 229**	25 939	33 067
Development land	14.2	**259 607**	262 679	268 022
Derivative financial instrument		**623**	2 885	–
Taxation		**28 681**	19 371	57 093
Cash and cash equivalents	15	**517 513**	506 845	910 815
Non-current assets held for sale	16	**–**	104 203	53 112
Total assets		**3 274 665**	3 622 361	4 275 777
LIABILITIES AND EQUITY				
Non-current liabilities		**348 166**	221 087	259 965
Borrowings and other liabilities	17	**300 378**	182 134	215 898
Deferred taxation	11	**47 788**	38 953	44 067
Current liabilities		**1 792 406**	2 155 388	2 970 241
Contract income received in advance	12.2	**330 321**	715 432	1 102 385
Trade and other payables	18	**934 327**	734 163	1 180 026
Borrowings and other liabilities	17	**137 760**	157 798	273 594
Derivative financial instruments		**–**	–	223
Provisions	19	**299 167**	497 523	318 766
Taxation		**31 794**	15 034	5 011
Bank overdraft	15	**59 037**	35 438	90 236
Non-current liabilities held for sale	16	**–**	22 334	10 019
Total liabilities		**2 140 572**	2 398 809	3 240 225
Equity		**1 141 978**	1 245 728	1 133 544
Stated capital		**1 048 025**	1 048 025	1 048 025
Other reserves		**2 361**	41 983	24 006
Retained earnings		**91 592**	155 720	61 513
Non-controlling interest		**(7 885)**	(22 176)	(97 992)
Total liabilities and equity		**3 274 665**	3 622 361	4 275 777

** Reclassified*

Consolidated statement of changes in equity

for the year ended 31 December 2016

	Stated capital		Other reserves					
	Share capital R000	Treasury shares R000	Foreign currency translation reserve R000	Fair value adjustment reserve R000	Retained earnings R000	Attributable to equity holders of the company R000	Non-controlling interest R000	Total equity R000
Balance as at 1 January 2015	1 048 037	(12)	27 853	(3 847)	61 513	1 133 544	(97 992)	1 035 552
Total comprehensive income	–	–	18 001	(24)	180 761	198 738	(10 738)	188 000
Profit for the year	–	–	–	–	180 761	180 761	(9 548)	171 213
Other comprehensive income	–	–	18 001	(24)	–	17 977	(1 190)	16 787
Transactions with minorities	–	–	–	–	(86 554)	(86 554)	86 554	–
Balance as at 31 December 2015/ 1 January 2016	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)
Profit for the year	–	–	–	–	(64 128)	(64 128)	10 482	(53 646)
Other comprehensive income	–	–	(39 622)	–	–	(39 622)	3 809	(35 813)
Balance as at 31 December 2016	1 048 037	(12)	6 232	(3 871)	91 592	1 141 978	(7 885)	1 134 093

Movements are reflected net of taxation.

Consolidated statement of changes in cash flows

for the year ended 31 December 2016

	Notes	2016 R000	2015* R000
Cash flows from operating activities			
Cash received from customers		5 108 449	5 529 929
Cash paid to suppliers and employees		(4 978 399)	(4 906 536)
Interest paid		(48 239)	(57 074)
Interest received		8 863	21 205
Taxation paid		(27 655)	1 265
Dividends paid		–	(32)
Cash flow from operating activities before changes in operating assets and liabilities		63 019	588 757
Changes in:		(32 764)	(739 448)
– Contracts in progress		170 701	50 617
– Trade and other receivables		53 443	21 866
– Inventories		(17 357)	1 517
– Development land		191	5 343
– Trade and other payables		204 253	(438 570)
– Income received in advance		(443 995)	(380 221)
Net cash from operating activities		30 255	(150 691)
Cash flows from investing activities			
Acquisitions of property, plant and equipment		(128 975)	(68 794)
Proceeds from disposal of property, plant and equipment		42 392	77 459
Disposal of subsidiaries		64 785	82 517
Advances made to joint ventures and jointly controlled entities		(19 254)	(22 407)
Advances recovered from joint ventures and jointly controlled entities		–	3 040
Advances made to associates		(3 390)	(3 401)
Advances recovered from associates		7 455	7 440
Dividends received from associates and joint ventures		14 926	28 912
Net cash from investing activities		(22 061)	(104 766)
Cash flow from financing activities			
Proceeds borrowings raised		200 855	205 318
Repayments of borrowings		(196 524)	(530 774)
Net cash from financing activities		4 331	(325 456)
Effect of exchange rate changes on cash and cash equivalents		(28 725)	10 393
Movement in cash and cash equivalents		(16 200)	(360 988)
Cash and cash equivalents at the beginning of the reporting period		474 676	835 664
Cash and cash equivalents at the end of the reporting period		458 476	474 676
Cash included in the assets of the disposal group		–	3 269

* *Reclassified*

Changes to the presentation and adoption of IAS 1 (amended)

The group and company adopted the amendment 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 and to enhance the financial statements, the group and company undertook a project to assess the effectiveness of disclosures in the annual financial statements and, where necessary, removed immaterial and unnecessary information.

The following key enhancements resulted in a more streamlined and concise set of annual financial statements:

- The application of materiality to items resulting in the aggregation or deletion of immaterial items
- The removal of duplicated information and disclosures
- An updated sequence of information presented in the financial statements
- An updated format of notes and disclosures so as to make these clearer, more concise and easier to understand to the user
- Aggregating/disaggregating the following items:
  - Investments and loans to investments accounted for using the equity method and investments at fair value were combined into a single line named investments
  - Contract debtors and other receivables were split into contract work in progress and trade and other receivables
  - Trade and other payables were split into contract income received in advance and trade and other payables
- The previously individually presented income statement and statement of comprehensive income were merged into a single statement
- Various lines in the income statement were disaggregated to display their constituent parts this was done to better reflect the underlying cost drivers of the business
- The method used to prepare the cash flow statement was changed from the indirect method to the direct method. The change in accounting policy was applied in order to provide more relevant information.

These enhancements had no impact on the underlying disclosed amounts or earnings. To enable the comparability of information the 2015 and 2014 comparatives were similarly enhanced and where applicable are shown as reclassified.

1. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the consolidated and company financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures and the disclosure of contingent liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations and future events that are believed to be reasonable under the circumstances. Actual results may differ from the estimates made by management from time to time.

In the process of applying the group's accounting policies, the directors have made the following estimates and judgements that have the most significant effects on the amounts recognised and disclosed in the annual financial statements.

A. GOING CONCERN

At the statement of financial position date, the current assets of the group exceeded the current liabilities by R91.5 million. The group has R67 million in undrawn borrowing facilities and as well as a net cash position of R458 million as at 31 December 2016. The company has R581.9 million in guarantees with various financial institutions as at 31 December 2016.

The order book for the 2017 financial year is largely secure and the group expects to remain profitable. Operating cash flows in the 2017 year are expected to be cash generative and provide a positive indicator of the group's ability to continue as a going concern.

The directors have also considered the following factors in assessing the future prospects of the business:
- The solvency position of the company, in particular its order pipeline, revenue, gross margin and net margin
- The liquidity needs of the company including the level of debt facilities and associated covenants to ensure the company can meet its foreseeable cash requirements
- The strategy to broaden the company's shareholder base with the inclusion of a BBBEE partner to ensure the black ownership and control will strengthen the company's balance sheet and in the medium to long term, position it favourably to secure opportunities
- The improvement of project management and conclusion of legacy contracts will help sustainably improve gross margins, overall profitability and general business performance
- The implementation of five tactical projects to embed the strategic objectives of grow the business, optimise asset productivity and modernise the corporate culture.

The above factors are considered to be positive and supportive of the future prospects of the business.

To further support liquidity, the following actions are being undertaken:
- Resolution of outstanding claims – management is advancing the claims resolution process where applicable in order to resolve claims as speedily as possible while ensuring that the company is fairly rewarded for actual work done
- Negotiation of banking facilities – the review of banking facilities is under way with a view to securing additional facilities to support liquidity
- Possible debt issue – management is investigating the possibility of raising cash through the issue of a debt instrument. This will not only support working capital liquidity but also aims to provide funding for growth.

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

B. CONSTRUCTION CONTRACTS

B.1 Revenue and other income

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

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

When the outcome of the construction contract cannot be determined reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Furthermore, when management estimates, based on the cost of the work performed to date in relation to the total work to be performed, that the total costs to be incurred to complete a contract will be in excess of the estimated total revenue from the contract, the full expected work to be incurred is recognised immediately.

1. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued
B. CONSTRUCTION CONTRACTS continued
B.1 Revenue and other income continued

The group is, from time to time, involved in various claims against customers for delays or other additional costs for which the customer is considered to be liable and recovery of variation orders. In estimating the outcome of a claim process, management considers historic outcomes of similar claims, stage of negotiation of the claim, advances received against the claim and in house legal opinions.

Where claims and variations are recognised as revenue, management determines the quantum of these claims by reference to each contract and its specific facts and circumstances. When management elect to recognise claims as revenue, these are recognised to the extent that it is probable that the claims will realise and once they are capable of being reliably measured.

B.2 Impairment of contract debtors

The following are factors that are considered when assessing whether trade receivables from construction contracts may be impaired:

- Significant financial difficulties of the customer determined through customer interactions and industry knowledge obtained
- Managements estimate of the probability that customer will enter bankruptcy or financial reorganisation
- Default or delinquency in payments from the customer.

Should these factors be present, management assesses the amount of the impairment of the receivable as the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

B.3 Provisions

Provisions are raised when deemed necessary by management and an estimate of the expected outflows is made based on the information available at the time, managements prior knowledge and experience from previous projects. These provisions are expected to be utilised within the next 12 months. The following provisions are raised:

B3.1 Contract-related provisions

These provisions include the following:

- Warranties – raised in terms of construction contracts entered into by the group. These contracts impose an obligation on the group to correct defects and errors on construction sites post completion and de-establishment from the site. Warranties usually run for 12 months from the point at which the site is accepted by the client. These provisions are raised based on managements best estimate of the costs expected to be incurred based on similar projects and sites in the past, adjusted for any site specific factors or warranties, and are not discounted due to the short-term nature thereof.
- Other construction contract related – raised in terms of construction contracts entered into by the group where management estimates that the cost to the group to fulfil its obligation's under the contract exceed the benefits expected to be received from the contract. These provisions are raised based on management's best estimate of the anticipated outcome based on past experience and knowledge gained from previous similar projects as well as factoring in contract specific factors. These provisions are short term in nature.

B.3.2 Employee-related provisions

These provisions consist mainly of employee incentive awards based on individual performance also taking into account group performance and other factors yet to be finalised at year-end. These provisions are normally paid within six months of the financial year-end.

C. GROUP ACCOUNTING
C.1 Subsidiaries

Subsidiaries are entities controlled by the group. Control is achieved when the group is exposed or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The group also considers the following facts and circumstances in assessing whether it has power over an entity:
(a) Rights arising from contractual arrangements
(b) The groups' voting rights and potential voting rights.

The group reassesses whether or not it controls an entity if facts and circumstances indicate changes to the elements of control.

1. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued
C. GROUP ACCOUNTING continued
C.2 Joint arrangements
C.2.1 Joint arrangements
A joint arrangement is an arrangement over which two or more parties have joint control.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

In determining the classification of joint arrangements, management considered the following:
(a) Contractual agreements with respect to sharing control
(b) Whether parties are jointly and severally liable for the joint arrangement's rights and obligations.

C.2.2 Joint operations and joint ventures
Management assesses whether a joint arrangement can be classified as a joint operation or joint venture. This assessment depends on whether the joint arrangement has rights to the assets and obligations for the liabilities, relating to the arrangement. The group recognises its investment as joint operations when the operations are performed through unincorporated arrangements such as partnerships and contracts, and the group has rights to the assets, and obligations for the liabilities. Other investments are recognised as joint ventures when the group only has rights to the net assets of the arrangement.

D. TAXATION
Management assesses the extent to which it is probable that taxable profit will be available against which deductible temporary differences can be utilised. All companies with deferred tax asset balances are currently trading and expect to make profits which will enable them to recover the deferred tax assets.

The group is subject to income taxes in numerous jurisdictions and the calculation of the group's tax charge and provision for income taxes necessarily involves a degree of estimation and judgement. There are transactions and tax computations for which the ultimate tax treatment or result is uncertain, or in respect of which the relevant tax authorities may or could indicate disagreement with the group's treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority.

The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due after taking into account external advice where appropriate. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the reporting period in which such determination is made.

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

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

Management has utilised financial budgets approved by management and the five-year strategic plan, which has been approved by the executive committee and the board of directors, to determine the recoverability of the deferred tax asset balance.

In determining the recoverability of the deferred tax asset, the following key assumptions were used:

Base revenue (R billion)	**4.6**
Nominal growth rate (%)	**4 – 7**
Average gross profit (%)	**6 – 11**

E. OPERATING ASSETS AND LIABILITIES
E.1 Development land
Development land is stated at the lower of cost and net realisable value. Net realisable value is determined based on management's best estimate of the development plan, which includes estimated future sales volumes and prices. Future outcomes may differ from these estimates.

1. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

E. OPERATING ASSETS AND LIABILITIES continued

E.1 Development land continued

Net realisable value tests are performed annually by independent valuators and represent the estimated future sales price of development land, based on prevailing prices, less estimated costs of completion and sale.

In assessing future sales prices, past sales are used by management to give an indication of achievable future selling prices as well as directionality of pricing in developing an estimate of future prices. Management also take into account the selling price under forced sales conditions. The prices are then discounted to present value at a discount rate which takes into account the specific risks of the development, among other factors.

E.2 Property, plant and equipment

E.2.1 Useful lives

Land is not depreciated as it is deemed to have an indefinite useful life.

The useful life of an asset is the period in which the group expects to utilise the benefits embodied in the assets, and not necessarily the assets' economic life. Useful lives of assets are reviewed annually. The group uses the following indicators to determine useful life:

- Expected usage of assets
- Expected physical wear and tear
- Technical and commercial obsolescence

The estimated useful lives assigned to the categories of property, plant and equipment are as follows:

Owned buildings	20 years
Major plant and equipment	2 – 15 years
Other plant and equipment	3 – 5 years
Leased plant and equipment	Lower of useful life or lease term
Furniture and fittings	3 – 5 years

E.2.2 Residual values

An estimate is made of the amount the group would expect to receive currently for the asset if the asset were already of the age and condition expected at the end of its useful life. Residual values are reviewed annually.

E.2.3 Impairment

Management assesses changes in interest rates, currency exchange rates as well as the state of affairs in the construction sector, as indicators that impairment testing may need to be performed.

E.3 Goodwill and intangible assets

At the acquisition date, goodwill is allocated to each of the cash-generating units expected to benefit from the synergies of the business combination.

The estimated useful lives assigned to the categories of amortisable intangible assets are as follows:

Contract based intangibles	1 – 10 years

E.4 Impairment of construction and roads cash-generating units (CGUs)

The accounting standards require assets to be tested for impairment when there is an impairment indicator. Management also considers changes in interest rates, currency exchange rates, loss-making operations as well as the state of affairs in the construction sector in determining if there are indications of impairment.

Goodwill is assessed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

In the current year the construction and roads cash-generating units (CGU) generated losses from their operations. These losses in combination with other factors were assessed to be indicators of possible impairment of the construction and roads CGU and an impairment assessment was performed on the roads and construction CGU.

1. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued
E. OPERATING ASSETS AND LIABILITIES continued
E.4 Impairment of construction and roads CGUs continued

The carrying value of goodwill in the group is R88.9 million. Impairment assessment over goodwill is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. The goodwill has been allocated to the roads CGU.

The group determines the recoverable amount of the CGUs on the higher of the fair value less cost to sell and the value in use. The recoverable amount for the roads and construction CGU was based on the value in use.

The recoverable amount is determined by estimating the expected future cash flows in each unit and determining a suitable discount rate in order to calculate the present value of those cash flows.

The pre-tax cash flow projections were based on financial budgets approved by management and company's five-year strategic plan that has been approved by the executive committee and the board.

In determining the forecasted revenue management took into consideration the secured work from ongoing contracts, new work that has been recently awarded as well as historical revenues achieved by the business. Based on the above factors a base revenue was calculated. This was adjusted in subsequent periods for nominal growth, management's plans and growth incentives as reflected in the five-year strategic plan as well as trends noted from recent contract awards. Forecasted gross profit margins were based on financial budgets approved by management. These were similarly adjusted for management's ongoing cost management initiatives, budgeted growth on new work awarded and close out of loss-making contracts. The gross profit margins were compared to historical margins achieved by other companies in the construction sector.

In determining the recoverable amount the group made key assumptions on forecasted revenue, nominal growth rate, gross profit margins and nominal pre-tax discount rate. The key assumptions used for value-in-use calculations are as follows:

E.4.1 *Impairment assessment of construction – cash-generating unit*

The key assumptions used for value-in-use calculation:

	Construction 2016
Base revenue (R000)	1 800 000
Nominal growth rate (%)	4 – 7
Gross profit/(loss) (%)	5 – 7
Nominal pre-tax discount rate (%)	20.3

There is significant headroom in the construction cash-generating unit. There was no impairment loss recognised in the current year.

E.4.2 *Impairment assessment of roads – cash-generating unit*

The key assumptions used for value-in-use calculation:

	Roads 2016
Base revenue (R000)	1 600 000
Nominal growth rate (%)	4 – 7
Gross profit/(loss) (%)	6 – 9
Nominal pre-tax discount rate (%)	20.3

Sensitivity analysis

Sensitivity analysis in respect of the most significant assumptions applied in the impairment model

- 0.5% decrease in the nominal growth rate.
  If all assumptions remain unchanged, a 0.5% decrease in the nominal growth rate results in a decrease in the recoverable amount of R4.9 million, this will not result in an impairment.
- 1% increase in the discount rate.
  If all assumptions remain unchanged, a 1% increase in the discount rate results in a decrease in the recoverable amount of R22.2 million, this will result in a potential impairment of R10.7 million.
- 0.5% decrease in the gross profit.
  If all assumptions remain unchanged, a 0.5% decrease in the gross profit results in a decrease in the recoverable amount of R49.5 million, this will result in a potential impairment of R37.9 million. An average gross profit of 7.6% will result in a breakeven position.

There was no impairment loss recognised in the current year.

	2016 R000	2015 R000
2. REVENUE		
Contract revenue	5 044 822	5 393 621
Other revenue – development revenue	81 263	126 358
Total revenue	5 126 085	5 519 979
Included in total revenue above are claims revenue amounting to:		
Claims revenue	228 000	115 000

The claims revenue represents amounts that management has recognised as revenue as these claims are at a far advanced stage of negotiation and can be reliably measured.

3. STAFF COST

3.1 Staff cost

	2016 R000	2015 R000
Defined contribution plan expense	70 665	66 416
Salaries, wages and social security contributions	1 493 564	1 290 734
Termination benefits	14 995	–
	1 579 224	1 357 150

3.2 Defined contribution plan and defined benefit plan

Defined contribution plan

The Basil Read Group Provident Fund and the Construction Industry Retirement Benefit Plan covers permanent employees of the group and its subsidiary companies. The funds are both defined contribution plans and are registered under the Pension Funds Act of 1965 as privately administered funds. The liabilities of the funds were last valued on 31 August 2014 and has been rolled forward.

Defined benefit plan

The Basil Read Group Pension Fund covers permanent employees of the group and its subsidiary companies. The fund is a defined benefit plan and is registered under the Pension Funds Act of 1965 as privately administered fund. The liabilities of the fund was last valued on 31 August 2014 and has been rolled forward.

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

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

	2016 R000	2015 R000
Present value of funded obligation	(25 925)	(26 325)
Fair value of plan assets	39 368	36 321
Surplus	13 443	9 996
Unrecognised due to par 65 limit	(13 443)	(9 996)

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

	2016 R000	2015 R000
4. NET FINANCE COSTS		
Interest received from financial instruments held at amortised cost	**8 868**	21 077
Bank accounts	**5 546**	20 445
Customers and other interest	**3 322**	632
Net foreign exchange gain/loss	**31 882**	(9 728)
Foreign exchange gains	**205 926**	46 141
Foreign exchange losses	**(174 044)**	(55 869)
Interest paid on financial instruments held at amortised cost	**(50 117)**	(46 740)
Bank loans and other borrowings	**(6 377)**	(7 929)
Finance leases	**(20 917)**	(19 457)
Domestic medium-term note programme	**(9 309)**	(17 456)
Other	**(13 514)**	(1 898)
Net finance costs recognised in profit or loss	**(9 367)**	(35 391)

5. NON-TRADING AND CAPITAL ITEMS

5.1 Capital items

The below items represent the result of activities which are non-core (transaction costs, restructuring costs, settlements of litigation and penalties, and other impairments, acquisition and disposal-related gains or losses on assets) to the key operating objectives of the Basil Read group and are thus separately disclosed to enhance clarity of reporting.

	Continuing operations		Discontinued operation		Total	
	2016 R000	2015 R000	2016 R000	2015 R000	2016 R000	2015 R000
Impairment of fixed assets	**(2 900)**	–	**–**	–	**(2 900)**	–
Impairment of goodwill	**–**	–	**–**	(7 438)	**–**	(7 438)
Impairment of associate	**–**	(165)	**–**	–	**–**	(165)
Write down of development land	**(2 881)**	–	**–**	–	**(2 881)**	–
Profit on sale of fixed assets	**778**	11 896	**–**	(1 970)	**778**	9 926
Profit on sale of subsidiary	**–**	–	**–**	20 046	**–**	20 046
Fair value adjustment on investment property	**(478)**	–	**–**	–	**(478)**	–
	(5 481)	11 731	**–**	10 638	**(5 481)**	22 369

5.2 Non-trading items

Voluntary rebuilding programme cost					**(40 788)**	–

During the current reporting period, a present value charge of R41 million (R120 million payable over 12 years) was incurred for the expense pertaining to the settlement agreement concluded on 11 October 2016 with the South African government in terms of the construction industry voluntary rebuilding programme.

	South African normal taxation		Foreign taxation		Total	
	2016 R000	2015 R000	2016 R000	2015 R000	2016 R000	2015 R000
6. TAXATION						
Current tax expense	(11 377)	(999)	(23 719)	(45 064)	(35 096)	(46 063)
Current year	(11 831)	(4 369)	(23 719)	(31 581)	(35 550)	(35 950)
Under/(over)provision previous year	454	3 370	–	(13 483)	454	(10 113)
Deferred tax expense	(2 551)	12 220	12 228	(5 861)	9 677	6 359
Current year	(5 244)	23 853	8 062	(9 496)	2 818	14 357
Under/(over)provision previous year	2 693	(11 633)	4 166	3 635	6 859	(7 998)
Taxation attributable to the group	(13 928)	11 221	(11 491)	(50 925)	(25 419)	(39 704)

	2016 %	2015 %
Reconciliation of tax charge		
South African normal rate of taxation	28.0	28.0
Effect of foreign tax rate differentials	(2 058.5)	(22.1)
Adjusted for:		
Timing differences:	1 163.3	11.0
Assessed losses not recognised	1 163.3	11.0
Non-deductible expenses:	1 208.2	(4.7)
Share of profits in investments accounted for using the equity method	195.2	(4.9)
Voluntary rebuilding programme	886.6	–
Other	126.4	0.2
Capital gains tax	170.6	(3.5)
Prior year under/(over)provision	40.9	8.5
Effective tax	552.5	17.2

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

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

The movement in the recognised and unrecognised estimated tax losses has been reconciled below:

	2016 R000	2015 R000
Estimated tax losses		
Balance as at 1 January	987 783	833 435
Additional losses incurred	655 171	154 348
Balance as at 31 December	1 642 954	987 783

Deferred tax assets have been recognised only to the extent that the realisation thereof is probable.

7. BASIC AND HEADLINE EARNINGS PER SHARE

7.1 Summary of earnings per share and headline earnings per share

		Earnings attributable		Weighted average number of shares		Cents per share	
		2016 R000	2015 R000	2016	2015	2016	2015
Total operations							
Earnings per share (EPS)	– Basic	(64 128)	180 761	131 686	131 686	(48.70)	137.27
EPS	– Diluted	(64 128)	180 761	131 686	131 686	(48.70)	137.27
Headline earnings per share (HEPS)	– Basic	(28 700)	158 392	131 686	131 686	(21.79)	120.28
HEPS	– Diluted	(28 700)	158 392	131 686	131 686	(21.79)	120.28
Continued operations							
EPS	– Basic	(31 300)	201 186	131 686	131 686	(23.77)	152.78
EPS	– Diluted	(31 300)	201 186	131 686	131 686	(23.77)	152.78
HEPS	– Basic	(28 700)	189 455	131 686	131 686	(21.79)	143.87
HEPS	– Diluted	(28 700)	189 455	131 686	131 686	(21.79)	143.87
Discontinued operations							
EPS	– Basic	(32 828)	(20 425)	131 686	131 686	(24.93)	(15.51)
EPS	– Diluted	(32 828)	(20 425)	131 686	131 686	(24.93)	(15.51)
HEPS	– Basic	–	(31 063)	131 686	131 686	–	(23.59)
HEPS	– Diluted	–	(31 063)	131 686	131 686	–	(23.59)

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

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

	Total		Continuing operations		Discontinued operations	
	2016 R000	2015 R000	2016 R000	2015 R000	2016 R000	2015 R000
Basic and diluted earnings/(loss)	(64 128)	180 761	(31 300)	201 186	(32 828)	(20 425)
(Profit)/loss on sale of subsidiary	32 828	(20 046)	–	–	32 828	(20 046)
(Profit)/loss on sale of property, plant and equipment	(778)	(9 926)	(778)	(11 896)	–	1 970
Impairment of associate	–	165	–	165	–	–
Impairment of goodwill	–	7 438	–	–	–	7 438
Impairment of property, plant and equipment	2 900	–	2 900	–	–	–
Fair value adjustment on investment property	478	–	478	–	–	–
Headline earnings/(loss)	(28 700)	158 392	(28 700)	189 455	–	(31 063)

	Land and buildings R000	Plant and equipment R000	Furniture and fittings R000	Total R000
8. PROPERTY PLANT AND EQUIPMENT				
Balance as at 1 January 2015				
Cost	33 386	2 609 671	44 810	2 687 867
Accumulated depreciation and impairment	(341)	(1 576 512)	(30 766)	(1 607 619)
Net book value	33 045	1 033 159	14 044	1 080 248
Movements during the year				
Additions	–	242 739	4 764	247 503
Disposals	(4 000)	(58 570)	(2 688)	(65 258)
Depreciation	–	(265 692)	(3 831)	(269 523)
Exchange differences	22	179	–	201
Transferred to assets held for sale	(16 648)	(58 259)	(2 408)	(77 315)
Balance as at 31 December 2015/1 January 2016				
Cost	12 765	2 563 435	37 493	2 613 693
Accumulated depreciation and impairment	(346)	(1 669 879)	(27 612)	(1 697 837)
Net book value	12 419	893 556	9 881	915 856
Movements during the year				
Additions	–	180 466	4 735	185 201
Disposals	(112)	(38 160)	(3 342)	(41 614)
Depreciation	(298)	(246 046)	(2 429)	(248 773)
Impairment	–	(2 900)	–	(2 900)
Exchange differences	(14)	(8 664)	–	(8 678)
Reclassifications	11 142	(11 142)	–	–
Balance as at 31 December 2016				
Cost	24 083	1 721 295	44 870	1 790 248
Accumulated depreciation and impairment	(946)	(954 185)	(36 025)	(991 156)
Net book value	23 137	767 110	8 845	799 092
Assets under construction included in 2015	–	3 000	–	–
Assets under construction included in 2016	–	4 397	–	–
Book value of plant and equipment subject to instalment sale agreements are as follows:				
31 December 2015				
Cost	–	551 349	–	551 349
Accumulated depreciation and impairment	–	(227 488)	–	(227 488)
Net book value	–	323 861	–	323 861
31 December 2016				
Cost	–	187 928	–	187 928
Accumulated depreciation and impairment	–	(22 507)	–	(22 507)
Net book value	–	165 421	–	165 421

	Notes	2016 R000	2015 R000
9. INVESTMENTS			
Statement of financial position			
Investments at fair value	9.1	51 289	51 289
Listed investments held as available for sale through OCI		477	477
Unlisted investments held at fair value through profit or loss		50 812	50 812
Investments in associates and joint ventures		126 235	136 400
Investments accounted for using the equity method	9.1	16 364	41 719
Loans to associates and joint ventures	9.2	111 012	98 862
Loans from associates and joint ventures	9.2	(1 141)	(4 181)
Total investments		177 524	187 689
Statement of comprehensive income			
Profit/(loss) from investments in associates and joint ventures		(8 981)	40 536

The listed investments held by the group is in African Eagle Resources plc, a UK-listed mineral exploration and development company operating in Zambia, Tanzania and Mozambique.

The unlisted investments held by the group is a 13.3% interest in Lehating Mining (Pty) Ltd, a mining company. The directors valued the unlisted investments at R50 812 444 (2015: R50 812 444).

Investments at fair value are presented within investing activities in the statement of cash flows.

Changes in fair values of investments at fair value classified as financial assets at fair value through profit or loss are recorded in other gains/(losses) – net in the income statement.

9.1 Reconciliation of summarised financial information

	Investments at fair value		Investments accounted for using the equity method	
	2016 R000	2015 R000	2016 R000	2015 R000
Balance as at 1 January	51 289	51 289	41 719	24 532
Profit/(loss) for the period	–	–	(8 981)	40 536
Dividends received by the group	–	–	(14 926)	(28 912)
Foreign exchange differences	–	–	(1 448)	5 748
Impairment of investments accounted for using the equity method	–	–	–	(169)
Disposal of investments accounted for using the equity method	–	–	–	(16)
Balance as at 31 December	51 289	51 289	16 364	41 719

9.2 Loans to/(from) associates and joint ventures

	2016 R000	2015 R000	2016 R000	2015 R000
Majwe Mining Joint Venture (Pty) Ltd	22 655	3 401	–	–
Savanna City Developments (Pty) Ltd	57 505	63 604	–	–
Thunderstruck Investments 136 (Pty) Ltd	30 502	31 857	–	–
Other associates and joint ventures	350	–	(1 141)	(4 181)
	111 012	98 862	(1 141)	(4 181)

The above loans are unsecured, interest free and have no fixed payment terms.

9. INVESTMENTS continued

9.3 Summarised financial information for material associates and joint ventures

	Associates	Joint ventures		
	Majwe Mining Joint Venture (Pty) Ltd R000	Savanna City Developments (Pty) Ltd R000	Thunderstruck Investments 136 (Pty) Ltd R000	Total R000
Primary place of business	Botswana	South Africa	South Africa	
% of shares	28	50	50	
2016				
Statement of financial position				
Current				
Cash and cash equivalents	58 674	6 976	521	66 171
Other current assets (excluding cash)	231 131	538 722	63 588	833 441
Total current assets	289 805	545 698	64 109	899 612
Financial liabilities (excluding trade payables)	(93 767)	(46 709)	(27 054)	(167 530)
Other current liabilities (including trade payables)	(496 366)	(121 200)	(870)	(618 436)
Total current liabilities	(590 133)	(167 909)	(27 924)	(785 966)
Non-current				
Assets	129 552	111	247 897	377 560
Financial liabilities	–	(373 674)	(110 439)	(484 113)
Other liabilities	(96 247)	–	(85 326)	(181 573)
Total non-current liabilities	(96 247)	(373 674)	(195 765)	(665 686)
Net assets	(267 023)	4 226	88 317	(174 480)
Statement of comprehensive income				
Revenue	1 819 915	120 536	44 582	1 985 033
Costs	(1 898 707)	(113 894)	–	(2 012 601)
Interest expense	–	–	(15 949)	(15 949)
Profit/(loss) from continuing operations	(78 792)	6 642	28 633	(43 517)
Income tax expense	–	(1 373)	(8 017)	(9 390)
Post-tax profit/(loss) from continuing operations	(78 792)	5 269	20 616	(52 907)
Total comprehensive income	(78 792)	5 269	20 616	(52 907)
Dividends paid	53 308	–	–	53 308

9. INVESTMENTS continued

9.3 Summarised financial information for material associates and joint ventures continued

	Associates	Joint ventures			
	Majwe Mining Joint Venture (Pty) Ltd R000	Savanna City Developments (Pty) Ltd R000	Thunderstruck Investments 136 (Pty) Ltd R000	Other R000	Total R000
2015					
Statement of financial position					
Current					
Cash and cash equivalents	120 383	3 457	1 388	74	125 302
Other current assets (excluding cash)	642 534	456 843	58 389	10 447	1 168 213
Total current assets	762 917	460 300	59 777	10 521	1 293 515
Financial liabilities (excluding trade payables)	(657 983)	–	(92 158)	–	(750 141)
Other current liabilities (including trade payables)	(184 633)	(15 857)	(74 765)	(80)	(275 335)
Total current liabilities	(842 616)	(15 857)	(166 923)	(80)	(1 025 476)
Non-current					
Assets	204 488	548	252 813	195	458 044
Financial liabilities	–	(444 108)	(143 404)	(222)	(587 734)
Total non-current liabilities	–	(444 108)	(143 404)	(222)	(587 734)
Net assets	124 789	883	2 263	10 414	138 349
Statement of comprehensive income					
Revenue	1 865 927	231 783	48 968	61 168	2 207 846
Costs	(1 762 527)	(230 558)	(5 085)	(55 768)	(2 053 938)
Interest income	1 744	–	–	1 366	3 110
Interest expense	–	–	(13 639)	–	(13 639)
Profit/(loss) from continuing operations	105 144	1 225	30 244	6 766	143 379
Income tax expense	(19 925)	(343)	(8 469)	–	(28 737)
Post-tax profit/(loss) from continuing operations	85 219	882	21 775	6 766	114 642
Total comprehensive income	85 219	882	21 775	6 766	114 642
Dividends paid	103 257	–	–	–	103 257

	Goodwill R000	Contract-based intangible assets R000	Total R000
10. GOODWILL AND INTANGIBLE ASSETS			
Balance as at 1 January 2015			
Cost	350 970	80 177	431 147
Accumulated amortisation and impairment	(254 615)	(76 594)	(331 209)
Net book value	96 355	3 583	99 938
Movements			
Amortisation	–	(859)	(859)
Impairment	(7 438)	–	(7 438)
Balance as at 31 December 2015/1 January 2016			
Cost	350 970	80 177	431 147
Accumulated amortisation and impairment	(262 053)	(77 453)	(339 506)
Net book value	88 917	2 724	91 641
Movements			
Amortisation	**–**	**(859)**	**(859)**
Balance as at 31 December 2016			
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**

The carrying amount of goodwill has been allocated to the roads cash-generating unit. The recoverable amount of a cash-generating unit is determined based on value-in-use calculations, refer to note 1.E.4 (impairment of construction and roads cash-generating unit).

The contract-based intangible asset that arose on the acquisition of Sunset Bay Trading 282 (Pty) Ltd has been determined to have a finite life based on the expected duration of the property development. It is being amortised over a period of 120 months, of which 26 months are remaining.

The amortisation charge has been included in other administrative and operating overheads in profit or loss.

		Tax rate %	%
11.	**DEFERRED TAXATION**		
	Country		
	Botswana	**22**	22
	Namibia	**32**	33
	Zambia	**35**	35
	South Africa	**28**	28

		2016 R000	2015 R000
11.1	**Reconciliation of net deferred tax asset**		
	Balance as at 1 January	**259 773**	256 540
	Current year charge through profit or loss	**9 456**	4 449
	Effect of rate change	**15**	–
	Effect of foreign currency movement	**216**	(1 216)
	Balance as at 31 December	**269 460**	259 773

		Accelerated tax depreciation R000	Provisions, accruals and retentions R000	Assessed losses and other R000	Total R000
11.2	**Net deferred taxation asset**				
	Balance as at 1 January 2015	(45 983)	170 952	131 571	256 540
	Credited/(charged) to the income statement	(17 551)	(13 358)	43 820	12 911
	Transferred to assets held for sale	180	(448)	(9 410)	(9 678)
	Balance as at 31 December 2015/1 January 2016	**(63 354)**	**157 146**	**165 981**	**259 773**
	Credited/(charged) to the income statement	**4 906**	**(31 931)**	**36 496**	**9 471**
	Foreign exchange differences	**–**	**216**	**–**	**216**
	Balance as at 31 December 2016	**(58 448)**	**125 431**	**202 477**	**269 460**
	Deferred taxation asset	**(13 648)**	**138 669**	**192 227**	**317 248**
	Deferred tax liability	**(44 800)**	**(13 238)**	**10 250**	**(47 788)**
	Net deferred taxation asset	**(58 448)**	**125 431**	**202 477**	**269 460**

		2016 R000	2015 R000
11.3	**Deferred tax closures**		
	Deferred taxation expected to be recovered within 12 months	**(11 531)**	1 815
	Deferred taxation expected to be recovered after 12 months	**280 991**	257 958
	Net deferred taxation asset	**269 460**	259 773
	Deferred tax has not been provided on deductible temporary differences amounting to	**899 350**	499 000

		2016 R000	2015 R000
12.	**CONSTRUCTION CONTRACTS**		
12.1	**Contract work in progress**	**342 354**	433 237
	Costs incurred to date	**5 301 484**	3 854 688
	Profit and losses recognised to date	**(642 607)**	301 522
	Work certified to date	**(4 316 523)**	(3 722 973)
12.2	**Contract income received in advance**	**330 321**	715 432
	Payments received in advance	**324 133**	645 042
	Excess billing on contracts in progress	**6 188**	70 390
13.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	**634 542**	640 118
	Trade receivables from contract customers	**552 073**	610 989
	Retention debtors	**101 826**	43 506
	Allowance for doubtful debts	**(19 357)**	(14 377)
	Other receivables	**65 358**	126 583
	Prepayments	**39 916**	12 783
	Staff debtors	**228**	124
	Deposits	**2 882**	14 092
	Value added tax	**–**	53 262
	Other receivables	**22 332**	46 322
	Trade and other receivables	**699 900**	766 701
	Movement in allowance for doubtful debts		
	Balance as at 1 January	**14 377**	14 343
	Provision for impairment	**24 953**	764
	Amounts written off as uncollectible	**(17 999)**	–
	Transferred to assets held for sale	**–**	(979)
	Foreign currency	**(1 070)**	1 160
	Unused amounts reversed	**(904)**	(911)
	Balance as at 31 December	**19 357**	14 377

		2016 R000	2015 R000
14.	**INVENTORIES AND DEVELOPMENT LAND**		
14.1	**Inventory**		
	Spares	11 293	4 003
	Consumables	17 617	19 990
	Finished goods	6 319	1 946
	Inventories	35 229	25 939
14.2	**Development land**		
	Movement in development land for the reporting period		
	Balance as at 1 January	262 679	268 022
	Sale of erven	(7 896)	(5 343)
	Capitalisation of development costs and installation of bulk services	7 705	–
	Write down of development land to net realisable value	(2 881)	–
	Balance as at 31 December	259 607	262 679

During the 2016 financial year, four stands in Klipriver Business Park were sold for a gross profit of R10.65 million. Rolling Hills Estate was written down to its net realisable value resulting in a writedown of R2.8 million.

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

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

Development land has been classified as a current asset as it falls within the operational cycle of the entity.

		2016 R000	2015 R000
15.	**CASH AND CASH EQUIVALENTS**		
	Cash at banks and on hand	517 513	506 845
	Current accounts	247 196	204 396
	Money markets	270 317	302 449
	Bank overdrafts	(59 037)	(35 438)
	Cash and cash equivalents – cash flow statement	458 476	471 407

	2016 R000	2015 R000
16. NON-CURRENT ASSETS HELD FOR SALE		
16.1 Non-current assets held for sale reconciliation		
Balance as at 1 January	81 869	43 093
Assets	104 203	53 112
Liabilities	(22 334)	(10 019)
Transfers into non-current assets held for sale	16 561	81 869
Assets	16 561	104 203
Liabilities	–	(22 334)
Disposals	(98 430)	(43 093)
Balance as at 31 December	–	81 869

Assets and liabilities of a disposal group

At 31 December 2015, a disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities:

Property, plant and equipment	77 315
Deferred tax assets	8 462
Contract debtors	9 458
Trade and other receivables	88
Inventories	5 611
Cash and cash equivalents	3 269
Interest-bearing borrowings	(2 813)
Trade and other payables	(14 160)
Provisions	(5 361)
Net assets as at 31 December 2015	81 869

16.2 Disposal of subsidiary

During the first half of 2016, the group disposed of 100% of the interest in SprayPave (Pty) Ltd. The company is a manufacturer, supplier and applicator of bituminous road binders and emulsions.

Details of net assets disposed are as follow:

	2016 R000
Net cash consideration received on sale	65 602
Carrying value of net assets disposed	(98 430)
Profit/(loss) on sale	(32 828)

16.3 Cash inflow on disposal

Details of the cash inflow on disposal are as follows:

Net assets on disposal	98 430
Purchase consideration received in cash	65 602
Cash and cash equivalents in subsidiary disposed	(817)
Cash inflow on disposal	64 785

16. NON-CURRENT ASSETS HELD FOR SALE continued

16.4 Income statement of discontinued operations

The discontinued operation included a loss on the sale of SprayPave (Pty) Ltd.

	2016 R000	2015 R000
Revenue	–	101 430
Expenses	–	(119 174)
Impairment of goodwill	–	(7 438)
Share of profit of investments accounting for using the equity method	–	(900)
Net finance (income)/costs	–	(478)
Result before taxation of discontinued operations	–	(26 560)
Taxation	–	6 135
Result on disposal of discontinued operations	**(32 828)**	(20 425)

	Current		Non-current		Total	
	2016 R000	2015 R000	2016 R000	2015 R000	2016 R000	2015 R000
17. BORROWINGS AND OTHER LIABILITIES						
Instalment sale agreement	97 827	122 480	84 687	132 134	182 514	254 614
Domestic medium-term note programme	195	35 318	50 000	50 000	50 195	85 318
Banking loans/loans from IDC	38 042	–	128 599	–	166 641	–
Total borrowings	136 064	157 798	263 286	182 134	399 350	339 932
Voluntary rebuilding programme	1 696	–	37 092	–	38 788	–
Total borrowings and other liabilities	137 760	157 798	300 378	182 134	438 138	339 932

17.1 Reconciliation of borrowings

	Instalment sale agreement R000	Domestic medium-term note programme R000	Banking loans/ loans from IDC R000	Total borrowings R000	Voluntary rebuilding programme R000
Balance as at 1 January 2015	262 484	227 008	–	489 492	–
Proceeds borrowings raised	254 853	85 318	–	340 171	–
Interest paid	(19 457)	(17 456)	–	(36 913)	–
Interest accrued	19 457	17 456	–	36 913	–
Repayments of borrowings	(263 635)	(227 008)	–	(490 643)	–
Foreign exchange differences	912	–	–	912	–
Balance as at 31 December 2015	254 614	85 318	–	339 932	–
Proceeds borrowings raised	90 440	–	166 641	257 081	40 788
Interest paid	(20 917)	(9 309)	(2 362)	(32 588)	–
Interest accrued	20 917	9 504	2 362	32 783	–
Repayments of borrowings	(159 207)	(35 318)	–	(194 525)	(2 000)
Foreign exchange differences	(3 333)	–	–	(3 333)	–
Balance as at 31 December 2016	182 514	50 195	166 641	399 350	38 788

Included in banking loans/loans from IDC is a R140 million loan from the IDC and R26.6 million loan from Rand Merchant Bank.

17.2 Terms and conditions

	Instalment sale agreement	Domestic medium-term note programme	Loans from IDC	Voluntary rebuilding programme	Banking loans
Period	One to five years	Three years	Three years	12 years	Two months
Rate	Prime rate minus 2% – 3%	Three-month ZAR-JIBAR-SAFEX plus 3.85% – 4.5%	Prime rate plus 1.2%	17.91%	Two-month JIBAR
Frequency of payments	Payable monthly	Various	Various	Annually	Various

The voluntary rebuilding programme pertains to the settlement agreement concluded on 11 October 2016 with the South African government. This was contractually agreed to in the last quarter of the year and accordingly has been raised as a liability.

17. BORROWINGS AND OTHER LIABILITIES continued

17.3 Instalment sale liabilities

	Future minimum instalments payable R000	Interest R000	Present value of minimum payments R000
2016			
Minimum instalment sale payables due			
Less than one year	114 919	(17 092)	97 827
Later than one year and not later than five years	107 296	(22 609)	84 687
	222 215	(39 701)	182 514
2015			
Minimum instalment sale payables due			
Less than one year	174 153	(51 673)	122 480
Later than one year and not later than five years	199 587	(67 453)	132 134
	373 740	(119 126)	254 614

	2016 R000	2015 R000
18. TRADE AND OTHER PAYABLES		
Trade payables and other accruals	930 001	644 022
VAT payable	3 558	89 373
Unclaimed dividends	768	768
Trade and other payables	934 327	734 163

	Employee R000	Contract provisions R000	Total provisions R000
19. PROVISIONS			
2016			
Balance as at 1 January	94 833	402 690	497 523
Additions	6 941	169 969	176 910
Utilisations	(85 539)	(222 709)	(308 248)
Reversals	(5 146)	(58 025)	(63 171)
Other movements	(8 478)	9 116	638
Foreign exchange differences	(1 266)	(3 219)	(4 485)
Balance as at 31 December	1 345	297 822	299 167

Included within contract provisions is R62.96 million related to onerous contracts.

Employee provision consists mainly of employee incentive awards. Owing to the economic performance of the business during the year no incentive awards have been raised.

	Number of shares			
	Ordinary shares 000	"A" ordinary shares 000	Ordinary treasury shares 000	Total 000
20. STATED CAPITAL				
Authorised shares	300 000	300 000		
Issued shares	131 686	33 608	8	165 302

There were no movements in ordinary shares, "A" ordinary shares or treasury shares during the current or prior reporting periods.

Ordinary shares have no par value and are fully paid.

"A" ordinary shares have no par value and are fully paid.

Treasury shares are the shares that are held by Basil Read Share Incentive Trust for the share incentive scheme.

21. NON-CONTROLLING INTEREST (NCI)

The following table summarises the information relating to the group's subsidiaries which have material NCI.

	2016		2015	
	Basil Read Mozambique Limitada	Newport Construction (Pty) Ltd	Basil Read Mozambique Limitada	Newport Construction (Pty) Ltd
Primary place of business	Mozambique	South Africa	Mozambique	South Africa
% of shares	49%	30%	49%	30%
	R000	R000	R000	R000
Statement of financial position				
Non-current assets	–	5 362	–	5 523
Current assets	47 927	24 596	52 228	21 176
Current liabilities	(47 737)	(68 592)	(78 213)	(61 697)
Total net current assets	190	(43 996)	(25 985)	(40 521)
Net assets	190	(38 634)	(25 985)	(34 998)
Carrying amount of non-controlling interest	93	(11 590)	(12 733)	(10 499)
Statement of profit or loss and other comprehensive income				
Revenue	–	–	–	95 048
Profit/(loss) before income tax	18 400	(3 636)	(10 942)	658
Income tax (expense)/income	–	–	(4 905)	–
Post-tax profit/(loss) from continuing operations	18 400	(3 636)	(15 847)	658
Total comprehensive income	18 400	(3 636)	(15 847)	658
Dividends paid to non-controlling interest	–	–	–	–
Statement of cash flows				
Cash flows from operating activities	(2 379)	873	(2 858)	(302)
Cash flows from investing activities	–	1	590	–
Cash flows from financing activities	–	–	–	–
Net movement in cash and cash equivalents	(2 379)	874	(2 268)	(302)

The information above is the amount before intercompany eliminations.

22. OPERATING SEGMENTS

The group comprises five operational segments namely construction, developments, mining, roads and the St Helena airport project, based on the management of the segments by the chief operating decision maker. The construction segment consists of buildings and civils. Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee, which is responsible for allocating resources and assessing performance of the operating segments and has been identified as the chief operation decision maker (CODM).

Changes to segments

During the reporting period, management elected to make changes to the composition and structure of the operating segments to better reflect the underlying business. This resulted in the creation of two new segments namely the roads and developments segments. The comparative figures for the previous reporting period have been restated accordingly.

Intersegment transfers

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

Segment revenue and expenses

All segment revenue and expenses are directly attributable to the segments and are disclosed at the operating profit level. Intersegment revenue is charged at market rates prevailing at the time of the transactions. Revenue from external customers is measured in a manner consistent with that of the statement of profit or loss and other comprehensive income while assets and liabilities are measured in a manner consistent with that of the statement of financial position.

Segment assets and liabilities

Segment assets include all operating assets and consist principally of property, plant and equipment, inventory, trade receivables from contract debtors, retention debtors and prepayments. Segment liabilities include all operating liabilities and consist principally of interest-bearing borrowings, trade and other payables and taxation.

Description of operating segments

Construction	This segment incorporates Basil Read's civil engineering, building operations and remaining pipelines divisions. Major works for private and public sector clients cover a broad spectrum of engineering and building projects including earthworks, bridges, pipeline, infrastructure, harbour and marine works, industrial plants, sports facilities, roads, highways, airports and related activities.
Developments	Our development segment focuses on large-scale mixed income integrated housing developments. They also generate construction work for the company. This is an integral part of our social licence and we work with government at all levels, parastatals and non-government organisations to support national imperatives focused on improving the quality of life of South Africa's people.
Mining	The mining segment specialises in surface contact mining, which includes drill, blast, load, haul, dump, material handling and processing services to the mining, quarrying and construction industries. It also provides mine design, infrastructure development, planning, scheduling, operations management, surveying and optimisation services to clients across sub-Saharan Africa.
Roads	The roads segment offers exceptional capabilities and specialised services to ensure each project is a world-class achievement.
St Helena	The St Helena airport project, which is to design, build and operate an international airport on the island of St Helena is a UK government funded project and is a partnership between Basil Read, the St Helena government and the UK governments' department for international development.

	2016				2015*			
	Total segment revenue R000	Inter-segment revenue R000	External revenue R000	Operating profit R000	Total segment revenue R000	Inter-segment revenue R000	External revenue R000	Operating profit R000
Construction	1 645 506	(5 923)	1 639 583	(107 704)	1 807 903	(4 000)	1 803 903	(17 654)
Developments	81 263	–	81 263	15 873	160 599	–	160 599	15 441
Mining	1 701 724	(133 726)	1 567 998	111 652	1 402 190	(166 652)	1 235 538	83 558
Roads	1 166 765	(51 474)	1 115 291	(41 938)	1 508 577	(149 654)	1 358 923	49 198
St Helena	721 950	–	721 950	85 854	961 016	–	961 016	95 654
Corporate	–	–	–	–	–	–	–	–
Total	**5 317 208**	**(191 123)**	**5 126 085**	**63 737**	5 840 285	(320 306)	5 519 979	226 197

* *Restated*

22. OPERATING SEGMENTS continued

	2016					
	Construction R000	Developments R000	Mining R000	Roads R000	St Helena R000	Total R000
Other profit and loss disclosures						
Depreciation	(17 205)	20	(185 717)	(33 096)	(12 775)	(248 773)
Net finance income/(expense)	15 833	(10 616)	(19 894)	(3 875)	9 185	(9 367)
Share of profit/(loss) of associates and joint ventures	13 081	–	(22 062)	–	–	(8 981)
Income tax expense	13 627	(666)	(32 416)	(2 262)	(3 702)	(25 419)
Assets						
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	273 500	–	31 141	37 713	–	342 354
Cash and cash equivalents	151 052	18 633	112 454	22 470	153 867	458 476
Liabilities						
Borrowings and other liabilities	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	51 533	37 772	52 591	33 966	123 305	299 167

22. OPERATING SEGMENTS continued

	2015*					
	Construction R000	Developments R000	Mining R000	Roads R000	St Helena R000	Total R000
Other profit and loss disclosures						
Depreciation	(56 300)	(291)	(166 341)	(12 811)	(33 781)	(269 523)
Net finance income/(expense)	(14 307)	2 724	(31 917)	(15 828)	23 937	(35 391)
Share of profit/(loss) of associates and joint ventures	16 675	–	23 861	–	–	40 536
Income tax expense	(7 844)	246	(30 103)	4 463	(6 466)	(39 704)
Assets						
Property, plant and equipment	194 382	3 903	587 854	53 987	75 730	915 856
Goodwill	88 917	–	–	–	–	88 917
Inventories	4 747	–	19 895	–	1 297	25 939
Work in progress	412 420	890	12 758	7 169	–	433 237
Cash and cash equivalents	134 772	23 322	112 929	31 932	168 452	471 407
Liabilities						
Borrowings and other liabilities	115 910	–	223 331	691	–	339 932
Advance payments received for contract work	464 368	–	5 648	(495)	245 911	715 432
Provisions for other liabilities and charges	257 848	73 858	8 900	34 326	122 591	497 523

** Restated*

The group discloses finance income and expense on a net basis as the chief operating decision maker relies primarily on net finance income to assess the performance of the segment and make decisions about resources to be allocated to the segment.

Geographic information

	2016 R000	2015 R000
Revenue		
South Africa	**3 504 699**	3 941 096
Rest of Africa	**899 437**	617 867
Rest of world	**721 949**	961 016
Number of employees		
Local	**3 790**	4 225
International	**792**	1 100

23. FAIR VALUE CLASSIFICATION AND FINANCIAL INSTRUMENTS

23.1 Categories and analysis of assets and liabilities

23.1.1 Assets

	Loans and receivables R000	Available for sale R000	Held at fair value through profit or loss R000	Other assets at fair value through profit or loss R000	Total R000	Fair value level
2016						
Investments	–	477	50 812	–	51 289	
Listed investments	–	477	–	–	477	Level 1
Unlisted investment	–	–	50 812	–	50 812	Level 3
Loans to associates and joint ventures	111 012	–	–	–	111 012	–
Investment property	–	–	–	6 112	6 112	Level 3
Trade and other receivables	699 900	–	–	–	699 900	–
Derivative financial instrument	–	–	623	–	623	Level 2
Cash and cash equivalents	517 513	–	–	–	517 513	–
2015						
Investments	–	477	50 812	–	51 289	
Listed investments	–	477	–	–	477	Level 1
Unlisted investment	–	–	50 812	–	50 812	Level 3
Loans to associates and joint ventures	98 862	–	–	–	98 862	–
Investment property	–	–	–	6 590	6 590	Level 3
Trade and other receivables	766 701	–	–	–	766 701	–
Derivative financial instrument	–	–	2 885	–	2 885	Level 2
Cash and cash equivalents	506 845	–	–	–	506 845	–

23.1.2 Liabilities

	At amortised cost R000	At fair value through profit or loss R000	Total R000	Fair value level
2016				
Borrowings	399 350	–	399 350	–
Loans from associates and joint ventures	1 141	–	1 141	–
Trade and other payables	1 264 648	–	1 264 648	–
Derivative financial liability	623	–	623	Level 2
Bank overdraft	59 037	–	59 037	–
2015				
Borrowings	339 932	–	339 932	–
Loans from associates and joint ventures	4 181	–	4 181	–
Trade and other payables	1 449 594	–	1 449 594	–
Derivative financial liability	2 885	–	2 885	Level 2
Bank overdraft	35 438	–	35 438	–

The carrying values of all other financial assets and financial liabilities not carried at fair value approximate their fair value.

23.2 Movement in level 3 instruments

	2016		2015	
	Unlisted instruments R000	Investment property R000	Unlisted instruments R000	Investment property R000
Balance as at 1 January	50 812	6 590	50 812	5 826
Foreign exchange differences	–	(478)	–	764
Balance as at 31 December	50 812	6 112	50 812	6 590

23. FAIR VALUE CLASSIFICATION AND FINANCIAL INSTRUMENTS continued

23.3 Valuation technique and significant unobservable inputs

23.3.1 *Derivative financial instruments*

Description	Valuation technique	Significant observable inputs	Interrelationship between key unobservable inputs and fair value measurement
Consists of a forward exchange contract	Discounted cash flow method	Spot prices, interest rates and/or volatility	Estimated fair value would increase/(decrease) if: • Exchange rates increased/(decreased)

23.3.2 *Investment property*

Description	Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
Consists of property held in Francistown, Botswana currently rented out to a third party for office use	Discounted cash flow method	Property vacancy rates Realised yields on comparative sales	Estimated fair value would increase/(decrease) if: • Vacancy rate was higher/(lower) • Realised yields on comparative sales were higher/(lower)

23.3.3 *Unlisted investments*

Description	Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
Consists of investment in Lehating Mining (Pty) Ltd	Discounted cash flow model	Forward exchange rates Manganese prices	Estimated fair value would increase/(decrease) if: • Forward exchange rates were higher/(lower); and • Manganese prices were higher/(lower)

Significant unobservable inputs for unlisted investments

The fair value of the investment in Lehating Mining is based on a discounted cash flow model over the life of the mine. The key inputs to this model are as follows:

	2016	2015
Discount rate (real) (%)	11.0	10.5
Long-term forecast exchange rate (real) – USD/ZAR	12.00 – 15.00	14.23 – 15.46
Manganese price in USD/DMTU (real)	3.40 – 4.30	3.05 – 3.37

Sensitivity analysis of valuation of unlisted investment

The base manganese long-term price used in the valuation of Lehating mine was USD4/ton and the long-term forecast exchange rate was 13.52.

If all assumptions remain unchanged a USD0.50 increase/(decrease) in the long-term forecast exchange rate results in an increase/(decrease) in the attributable value to R73 million/(R48 million).

If all assumptions remain unchanged a USD0.50 increase and a USD0.40 decrease in manganese long-term price results in an increase to R97 million and a decrease to R34 million respectively.

24. FINANCIAL RISK MANAGEMENT

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

The group's activities expose it to a variety of financial risks. Market risk (include currency risk, interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

24.1 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The group considers total equity and interest-bearing borrowings to comprise capital.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. During 2016, the group's strategy remained unchanged from 2015 which was to maintain the gearing ratio of below 50%, the long-term credit rating at BBB+ and the short-term credit rating at A2. Both the long term and short-term credit ratings are reviewed annually in June. The long-term credit rating was downgraded to BBB- and the short-term credit rate was downgraded to A3. The strategy for 2017 is to maintain these ratings as a minimum.

The gearing ratios at 31 December 2016 and 2015 were as follows:

	2016 R000	2015 R000
Total borrowings	**399 350**	339 932
Less: Cash and cash equivalents – net of bank overdraft	**458 476**	471 407
Net debt	**(59 126)**	(131 475)
Total equity	**1 134 093**	1 223 552
Total capital	**1 074 967**	1 092 077
Gearing ratio (%)	**(5.50)**	(12.04)

The group further monitors the capital ratio on the basis of the debt-to-equity ratio and manages interest-bearing long-term debt with reference to the assets they are used to finance.

	2016 R000	2015 R000
Total debt	**263 285**	182 134
Total equity	**1 134 093**	1 223 552
Debt:equity ratio (%)	**23**	15

The group considers the debt:equity ratio of less than 100% to be acceptable, which is unchanged from 2015. This is reviewed annually after considering market conditions and the growth goals of the group.

The ratio of total borrowings to the net book value of property, plant and equipment and development land is calculated as follows:

	2016 R000	2015 R000
Total interest-bearing borrowings	**399 350**	339 932
Total assets financed	**1 058 699**	1 178 537
Property, plant and equipment	**799 092**	915 857
Development land	**259 607**	262 680
Ratio of total borrowings to assets financed (%)	**38**	29
Borrowings to EBITDA ratio (%)	**127**	68

24. FINANCIAL RISK MANAGEMENT continued

24.1 Capital risk management continued

The group considers a ratio of 80% or less to be acceptable which is unchanged from 2015. This is reviewed annually considering market conditions and the growth goals of the group.

The loan covenants that are in place relates to certain subsidiaries within the mining division. The loan covenants require the subsidiaries to ensure that the following are met:

- Debt service coverage ratio in respect of any relevant period is not less than 1.50:1
- Borrowings to EBITDA ratio at the end of any relevant period shall not be more than 3.00:1
- Borrowings to equity ratio for the reporting period ending 31 December 2016 and 31 December 2017 (and thereafter) shall not be more than 4.00:1 and 3.00:1 respectively.

The IDC loan covenants require Basil Read Limited to ensure that the following are met:

- Debt service coverage ratio in respect of all calculation periods are not less than 1.50:1
- Shareholders' interest ratio in respect of all calculation periods are not less than 40%.

24.2 Credit risk

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt in accordance with the contractual terms. Credit risk encompasses both the direct risk of default and the risk of a deterioration of creditworthiness as well as concentration risks.

Credit risk arises from cash and cash equivalents, credit exposures to customers and other outstanding receivables. Credit risk is managed on a group basis, except for credit risk relating to trade and other receivables.

The group's policy is to hold deposits with banks and financial institutions that have a minimum short-term credit rating of "A-". For local South African counterparties, the local South African ratings are required. In certain instances, country regulations may require locally registered entities to operating banking accounts with local banking institutions which may not meet the minimum rating requirements.

Where available, the group utilises the independent credit ratings of customers when assessing their creditworthiness. If customers are independently rated, these ratings are used. Where no independent rating is available, the risk committee assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. In cases where the risk committee deems the risk level to be unacceptable, payment guarantees issues by the customer are insisted upon.

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

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

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

24. FINANCIAL RISK MANAGEMENT continued

24.2 Credit risk continued

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

Individuals

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

Unlisted companies

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

Multinational mining companies

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

Listed companies

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

Government

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

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

	2016				2015			
	Gross maximum exposure R000	Fully performing R000	Past due but not impaired R000	Impaired R000	Gross maximum exposure R000	Fully performing R000	Past due but not impaired R000	Impaired R000
Government	228 477	188 346	40 111	20	218 258	169 297	48 961	–
Multinational mining companies	830	–	830	–	11 005	11 005	–	–
Listed companies	49 284	44 988	4 296	–	152 703	140 248	10 558	1 897
Unlisted companies	271 612	94 518	100 988	76 106	227 858	64 774	155 311	7 773
Individuals	1 879	43	1 836	–	–	–	–	–
Trade receivables from contract customers	552 082	327 895	148 061	76 126	609 824	385 324	214 830	9 670
Government	80 517	80 517	–	–	29 278	29 278	–	–
Unlisted companies	21 309	8 950	830	11 529	14 228	9 521	–	4 707
Retention debtors	101 826	89 467	830	11 529	43 506	38 799	–	4 707

The analysis of debtors past due but not impaired is as follows:

	2016			2015		
	0 – 3 months	4 – 6 months	7 – 12 months	0 – 3 months	4 – 6 months	7 – 12 months
Trade receivables from contract debtors	20 015	29 909	98 137	39 810	86 018	89 002
Retention debtors	–	830	–	–	–	–

24. FINANCIAL RISK MANAGEMENT continued

24.2 Credit risk continued

No security is held against these balances.

Each local entity is responsible for managing and analysing the credit risk for each of their potential new clients before standard payment and delivery terms and conditions are offered.

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

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

24.3 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, both under normal and stressed conditions without incurring unacceptable losses or risking damage to the group's reputation.

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

Borrowings issued at variable rates expose the group to liquidity risk which is partially offset by cash held at variable interest rates. Surplus cash held over and above balances required for working capital management is invested in interest-bearing current accounts, money market deposits and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom by the abovementioned forecasts. The major sources of funds for the group are undrawn facilities and available cash.

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

- Undrawn facilities
- Available cash

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

	2016				
	Carrying amount R000	0 – 3 months R000	4 – 12 months R000	1 – 5 years R000	Total R000
Non-derivative financial instruments					
Interest-bearing borrowings	**399 350**	**71 671**	**129 676**	**300 514**	**501 861**
Other liabilities	**38 788**	**1 696**	**10 458**	**26 634**	**38 788**
Trade and other payables	**1 264 646**	**935 116**	**329 530**	**–**	**1 264 646**

	2015				
	Carrying amount R000	0 – 3 months R000	4 – 12 months R000	1 – 5 years R000	Total R000
Non-derivative financial instruments					
Interest-bearing borrowings	339 932	37 867	136 286	199 587	373 740
Trade and other payables	1 449 595	1 224 352	225 243	–	1 449 595

24. FINANCIAL RISK MANAGEMENT continued

24.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity will affect the group's income, cash flows or the value of its holdings of financial statements. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in the foreign exchange rates. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The group is subject to transaction and translation exposure due to fluctuations in foreign currency exchange rates.

The group operates mainly in sub-Saharan Africa and on St Helena Island and is exposed to foreign currency risk arising from various currency exposures, through foreign entities which conduct business in various currencies. The group is subject to transaction and translation exposure due to fluctuations in foreign currency exchange rates.

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

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

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

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

During the 2015 and 2016 financial years, the group's exposure to foreign currency risk arose primarily due to the group's construction contract to construct the airport on St Helena Island. In terms of the contract, the group receives revenue in four currencies: South African rand, US dollar, British pound and euro. The revenue in foreign currency is received to cover the forecast expenses in those currencies. To the extent that these expenses do not materialise or are higher than forecast, the group will be exposed to foreign currency risk. The receipt of foreign currency also gives rise to cash and cash equivalents in those currencies.

Foreign currency exposure at the end of the reporting period:

	2016				2015			
	USD R000	GBP R000	BWP R000	ZMK R000	USD R000	GBP R000	BWP R000	ZMK R000
Trade and other receivables	74	2 368	940	–	–	–	–	–
Contract debtors	2 286	7 743	41 317	68 635	28 317	1 718	19 154	69 930
Cash and cash equivalents	16 702	84 328	39 051	626	26 037	49 369	41 916	1 139
Trade and other payables	9 019	278 000	48 620	57 429	(2 513)	36 711	43 491	803
Net statement of financial position exposure	28 081	372 439	129 928	126 690	51 841	87 798	104 561	71 872
Net exposure	28 081	372 439	129 928	126 690	51 841	87 798	104 561	71 872

Trade and other receivables are also denominated in the following currencies: euro, Mozambique metical, Swaziland lilangeni and Namibian dollar.

24. FINANCIAL RISK MANAGEMENT continued

24.4 Market risk continued

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonable possible change in exchange rate, with all other variables held constant, of profit before taxation:

	2016		2015	
	% change	Profit or loss increase/ decrease R000	% change	Profit or loss increase/ decrease R000
USD	10/(10)	2 800/(2 800)	10/(10)	13 100/(13 100)
GBP	10/(10)	37 240/(37 240)	10/(10)	2 300/(2 300)
BWP	10/(10)	12 990/(12 990)	10/(10)	6 900/(6 900)
ZMK	10/(10)	12 670/(12 670)	10/10	3 900/(3 900)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in the market interest rates.

The group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates expose the group to interest rate risk. The group maintains its borrowings at variable interest rates.

The interest rate profile or interest-bearing financial instruments as reported to the management of the group is as follows:

	Variable rate instruments	
	2016 R000	2015 R000
Financial assets		
Cash and cash equivalents	517 513	506 845
Financial liabilities		
Bank overdraft	59 037	35 438
Interest-bearing borrowings	399 350	339 932

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonable possible change in interest rate, with all other variables held constant, of profit before taxation:

	2016		2015	
	% change	Profit or loss increase/ decrease R000	% change	Profit or loss increase/ decrease R000
Rand	1/(1)	591/(591)	1/(1)	1 314/(1 314)

24. FINANCIAL RISK MANAGEMENT continued

24.4 Market risk continued

(iii) Price risk

Price risk is the risk that the market value of a security or commodity will fluctuate due to changes in the market price.

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

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

- All Share Index as quoted by the Johannesburg Stock Exchange (JSE)
- AltX Index as quoted by the JSE.

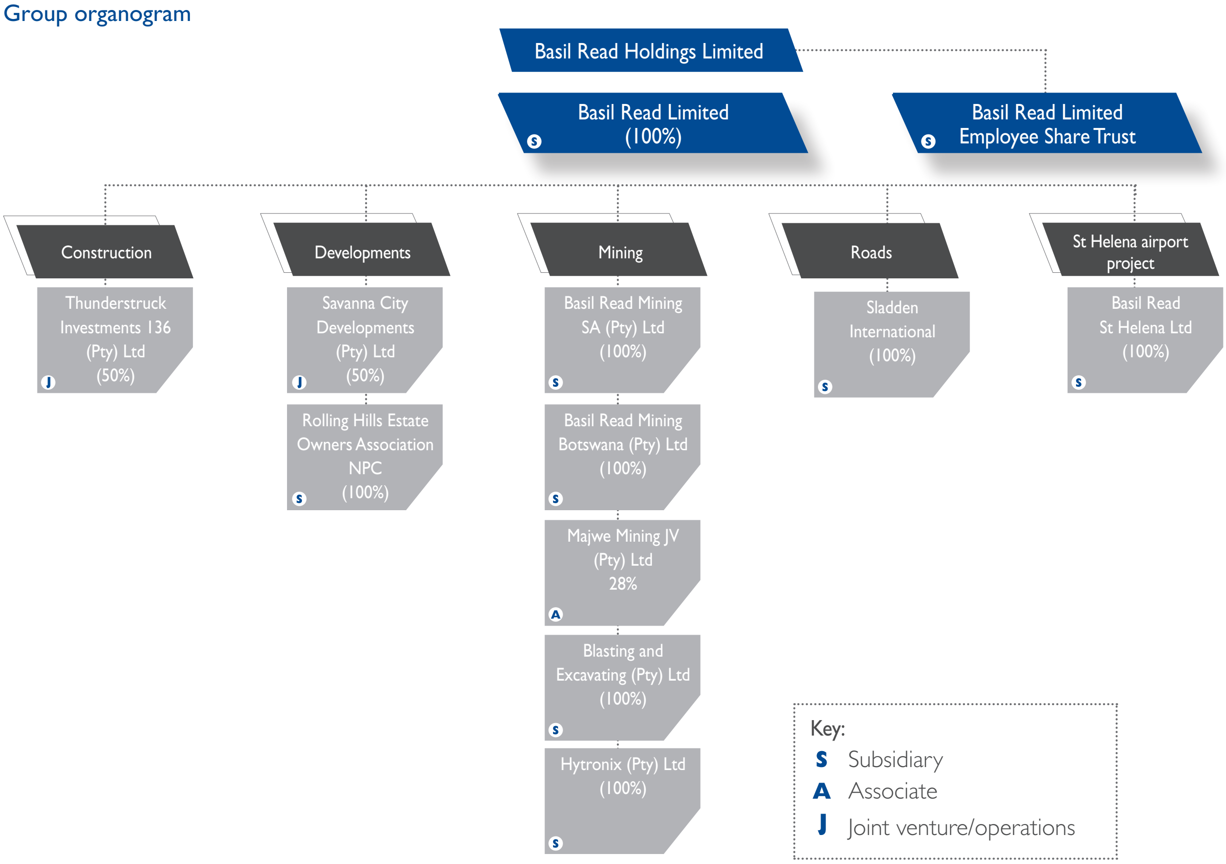
The group is exposed to materials price risk because of the fluctuation in the price of various raw materials, including diesel, steel, cement and rubber. More than 80% of the contracts that the group enters into provide for escalation in the prices of raw materials. In these cases, the price risk is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

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

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

25. RELATED-PARTY TRANSACTIONS

25.1 Group organogram



The above organogram includes only material subsidiaries, joint ventures and associates. A full list of Basil Read Holdings subsidiaries, joint ventures and associates, is available on request.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both. This definition includes subsidiaries, associates, joint ventures and the group's pension schemes.

25. RELATED PARTY TRANSACTIONS continued

25.2 Related party transactions

Various transactions were entered into between related parties. These transactions were entered into at market-related terms.

	2016 Receivables R000	2016 Payables R000
Basil Read Umso JV	297	–
Basil Read Roadcrete Dip Civils Joint Venture	109	439
Basil Read Goldfields Tsima Joint Venture	5 483	1 104
Mvela Natalspruit Hospital JV	12 716	12 873
Valente Brothers Strata JV	9 332	1 089
Valente Brothers JV	64 184	25 145

	2015 Receivables R000	2015 Payables R000
Basil Read Umso JV	315	–
Basil Read Roadcrete Dip Civils Joint Venture	440	–
Basil Read Goldfields Tsima Joint Venture	6 593	2 344
Steffanuti Stocks Basil Read Kusile Joint Venture	21 511	–

Details pertaining to loans between related parties are disclosed in note 9, titled investments.

26. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

26.1 Emoluments

Director/prescribed officer	Total shareholding %	Short-term employee benefits: Salaries R	Bonus and performance-related payments R	Short-term benefits R	Total R
Paid by Basil Read Limited					
2016					
Executive directors					
Neville Francis Nicolau	0,08	4 862 513	2 750 000	311 887	7 924 400
Amanda Claire Wightman[1]	–	7 235 506	–	343 154	7 578 660
Mahomed Talib Sadik	–	712 751	–	162 250	875 001
Subtotal executives	0,08	12 810 770	2 750 000	817 291	16 378 061
Prescribed officers					
Antonie Fourie	–	2 276 730	2 542 373	524 590	5 343 693
Bruce Morton	–	2 021 566	1 041 300	486 494	3 549 360
Olivier Jean-Paul Giot	–	3 189 160	1 374 750	–	4 563 910
Khathutshelo Mapasa	–	2 327 049	1 295 044	476 991	4 099 084
Andiswa Thandeka Ndoni	–	2 205 973	1 190 475	388 467	3 784 915
James Stephen Johnston	–	2 629 114	7 250 000	549 206	10 428 320
Subtotal prescribed officers	–	14 649 592	14 693 942	2 425 748	31 769 282
Total key management personnel compensation	–	27 460 362	17 443 942	3 243 039	48 147 343
2015					
Executive directors					
Neville Francis Nicolau	0,08	4 394 734	–	623 035	5 017 769
Amanda Claire Wightman	–	2 252 490	–	386 407	2 638 897
Subtotal executives	0,08	6 647 224	–	1 009 442	7 656 666
Prescribed officers					
Antonie Fourie	–	2 348 766	–	298 207	2 646 973
Olivier Jean-Paul Giot	–	3 033 632	–	–	3 033 632
Khathutshelo Mapasa	–	2 270 972	–	312 494	2 583 466
Andiswa Thandeka Ndoni	–	1 966 165	–	343 579	2 309 744
James Stephen Johnston	–	2 606 879	–	448 423	3 055 302
Subtotal prescribed officers	–	12 226 414	–	1 402 703	13 629 117
Total key management personnel compensation	–	18 873 638	–	2 412 145	21 285 783

[1] *Included in salary paid to Amanda Claire Wightman is a once off payment of R5.5 million.*

The group's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Basil Read Holdings Limited (directly or indirectly) and comprise of the board of directors and the heads of the major business units and functions.

26.2 Fees to non-executive directors

	Directors' fees for services as a director 2016 R	2015 R
Non-executive directors		
Paul Cambo Baloyi	929 100	915 000
Terence Desmond Hughes	251 125	266 000
Andrew Conway Gaorekwe Molusi	524 875	627 000
Sango Siviwe Ntsaluba	544 892	606 000
Thabiso Alexander Tlelai	486 509	381 500
Doris Liana Theresia Dondur	745 500	644 000
Mahomed Salim Ismail Gani	450 800	276 500
Claudia Estelle Manning	803 600	683 000
Total	4 736 401	4 399 000

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

26. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS continued

26.3 Interests of directors and officers in share capital of Basil Read Holdings Limited

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

	Direct		Indirect	
	2016 Number	2015 Number	2016 Number	2015 Number
Beneficial				
Sango Siviwe Ntsaluba	6 986	6 986	2 776 939	2 776 939
Thabsio Alexander Tlelai	–	–	2 774 953	2 774 953
Neville Francis Nicolau	–	–	100 000	100 000
	6 986	6 986	5 651 892	5 651 892
Right to unissued shares				
Amanda Claire Wightman	–	32 000	–	–
Antonie Fourie	–	90 000	–	–
Olivier Jean-Paul Giot	–	105 000	–	–
James Stephen Johnston	–	90 000	–	–
	–	317 000	–	–

Directors' fees for 2016 financial year were paid and the 2017 proposed directors' fees are increased according to the following table:

	With effect from 1 January 2016	
	Member R	Chairman R
Board – retainer	157 789	563 535
Board – per meeting	17 500	33 000
Audit committee – retainer	70 000	140 000
Audit committee – per meeting	7 000	14 000
Risk committee – retainer	70 000	130 000
Risk committee – per meeting	7 000	14 000
Remuneration committee – retainer	70 000	130 000
Remuneration committee – per meeting	7 000	14 000
Social, ethics and transformation committee – retainer	70 000	130 000
Social, ethics and transformation committee – per meeting	7 000	14 000
Nominations and investment committee – per meeting	7 000	14 000
Ad hoc meetings – per meeting	7 000	14 000

26. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS continued

26.4 Share incentive scheme

Reconciliation of equity-settled instruments

	Balance as at 1 January	Instruments lapsed during the year	Balance as at 31 December
2016			
Executive directors			
Mahomed Talib Sadik[1]	–	–	–
Amanda Claire Wightman[2]	32 000	32 000	–
Prescribed officers			
Antonie Fourie	90 000	90 000	–
Olivier Jean-Paul Giot	105 000	105 000	–
James Stephen Johnston	90 000	90 000	–
2015			
Executive directors			
Amanda Claire Wightman	32 000	–	32 000
Prescribed officers			
Antonie Fourie	90 000	–	90 000
Olivier Jean-Paul Giot	105 000	–	105 000
James Stephen Johnston	90 000	–	90 000

All of these options vested in previous financial periods.

	2016 R	2015 R
Average strike price of an instrument	–	13.95

[1] *Appointed 1 October 2016*
[2] *Resigned 30 September 2016*

		2016 R000	2015 R000
27.	**COMMITMENTS**		
	Capital expenditure approved for maintenance of operations	**432 875**	270 000
		432 875	270 000

Capital expenditure will be financed from cash generated from operations as well as sale of fixed assets that have surpassed their useful lives.

The capital commitments relate primarily to maintaining property, plant and equipment.

At the reporting date the group had the following outstanding commitments for operating leases:

	2016 R000	2015 R000
Less than one year	**44 958**	41 562
Later than one year but not later than five years	**48 643**	44 958
Later than five years	**340 821**	387 860
	434 422	474 380

The operating leases for office equipment are payable in monthly instalments of R133 777 and is up for renewal in February 2018.

The operating leases for office space are payable in monthly instalments of between R348 691 and R1 363 878, escalating annually at 8.5%. The longest lease expires in nine years.

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

	2016 R000	2015 R000
Guarantees and suretyships		
Payment guarantees	**16 245**	46 450
Performance and construction guarantees	**1 229 616**	1 945 344
Bond retention guarantees	**154 462**	410 705
Bid and other bonds	**61 000**	1 012
	1 461 323	2 403 511

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

Contingent liability

A foreign domiciled subsidiary of Basil Read Holdings Limited, is currently engaged in a tax administration query with the authorities of that country relating to a query of a tax matter in relation to the basis upon which VAT was calculated and paid. The management of Basil Read Holdings Limited is in the process of seeking guidance from in-country tax practitioners on possible mechanisms to resolve this matter. Although no provision has been raised for this matter, management is of the opinion that the maximum potential exposure to the group arising from the matter is approximately R29 million.

Sladden International (Pty) Ltd, a subsidiary of Basil Read Holdings Limited is defending a legal claim from a subcontractor, Landwards (Pty) Ltd. Management has been advised by legal counsel that if the defence of the claim were to be unsuccessful the potential liability is approximately R61 million.

28. SIGNIFICANT ACCOUNTING POLICIES

These accounting policies represent a summary of the significant accounting policy elections of Basil Read Holdings Limited. They are not intended to be a complete list of all policies, a list of the full detailed accounting policies of the Group is available at the head office of the Group.

Corporate information

Reporting entity	Basil Read Holdings Limited (BRHL, the company) is the holding company of the Basil Read group. The consolidated financial statements comprise the consolidated financial statements of BRHL and its subsidiaries (collectively the group and individually group companies).
Reporting period end	Financial year ending 31 December
Domicile	The Republic of South Africa

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of available-for-sale investments and fair instruments valued through profit or loss.

Prepared in accordance with

International Financial Reporting Standards (IFRS), SAICA Financial Reporting Guides, International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) standards and interpretations	The JSE Listings Requirements and the Companies Act 71 of 2008	The principle of going concern	The historical cost and fair value basis of accounting, where applicable.

These financial statements have been prepared on a basis consistent with that of the prior year, unless otherwise indicated

Functional – and presentation currency

South African rand

Rounding policy

- All amounts are presented in rand thousand (R000)
- The group has a policy of rounding in increments of R500. Amounts less than R500 will therefore be round down to Rnil and are presented as a dash.

Foreign currency transactions

Procedures followed to translate to presentation currency

- Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.
- Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.
- Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.
- Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.
- Foreign exchange gains or losses are recognised in profit or loss within net financing costs.

28. SIGNIFICANT ACCOUNTING POLICIES continued

Included below is a summary of the significant accounting policies applicable to the group and company financial statements. These accounting policies include only the areas in IFRS where elections have been made or policy choices exercised (including the choice or election made) as well as measurement criteria applied. The accounting policies also include information where it will assist users in understanding how transactions, other events and conditions are reflected in reported financial performance and financial position and was included based on the materiality as determined by management.

28.1 Summary of significant accounting policies

Construction contracts
- Revenue and other income
- Contract assets/liabilities

Employee benefits
- Short term
- Post-employment benefits
- Share-based payments

Operating assets
- Property, plant and equipment
- Goodwill and intangible assets
- Leases
- Inventories and development land

Capital and reserves
- Share capital and equity
- Reserves
- Treasury shares

Other income and expense items
- Net finance income/expense
- Non-trading items
- Capital items

Group accounting
- Subsidiaries
- Joint arrangements
- Translation of foreign operations

Financial instruments
- Financial assets
- Impairment
- Financial liabilities

28.2 New accounting standards and IFRIC interpretations

Standards, amendments and interpretations adopted by the group

There were a number of new standards, amendments and interpretations effective and adopted in the current year, none of which had a significant impact on the group or the company other than the adoption of the amended IAS 1. Details regarding this adoption have been provided in the financial statements in the note titled changes to the presentation and adoption of IAS 1 (amended).

Standards, amendments and interpretations to existing standards that are not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2017 or later periods.

	Accounting standard	Type	Effective date	Impact on the financial statements
IFRS 9	FINANCIAL INSTRUMENTS Classification and measurement of financial assets • All financial assets are initially measured at fair value • Debt instruments are subsequently measured at fair value through profit or loss • Amortised cost or fair value through other comprehensive income • Equity instruments are measured at fair value through profit or loss.	New	1 January 2018	The group's business model is to hold and collect; and the group only collects capital and interest, therefore our financial instruments are unlikely to change.

28. SIGNIFICANT ACCOUNTING POLICIES continued

28.2 New accounting standards and IFRIC interpretations continued

	Accounting standard	Type	Effective date	Impact on the financial statements
IFRS 9	**FINANCIAL INSTRUMENTS** continued			
	Classification and measurement of financial liabilities For liabilities measured at fair value through profit and loss, the change in the fair value of the liability attributable to changes in credit risk is presented in other comprehensive income. The remainder of the change in fair value is presented in profit and loss; and all other classification and measurement requirements in IAS 39 have been carried forward into IFRS 9.			No expected change as the group does not classify liabilities at fair value through profit or loss.
	Impairment The impairment requirements are based on an expected credit loss (ECL) model. Entities are generally required to recognise 12-month ECL on initial recognition and thereafter, as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL.			Impairment requirement might result in earlier recognition of credit losses.
	Hedge accounting Hedge effectiveness testing is prospective and depending on the hedge complexity, can be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedge item if the risk component is separately identifiable and reliably measurable. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.			The group does not apply hedge accounting, therefore no expected effect. Various additional disclosures are anticipated as a result of IFRS 9.
IFRS 15	**REVENUE FROM CONTRACTS WITH CUSTOMERS** New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers.	New	1 January 2018	Expected to result in a restatement of revenue recognised may also change the pattern of revenue recognition affecting margins presented. Also expected to result in numerous additional disclosures.
IFRS 16	**LEASES** New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.	New	1 January 2019	Expected to result in a restatement of our operating leases to recognising the "right of use assets" together with the related lease liabilities. Also expected to result in additional disclosures.

28. SIGNIFICANT ACCOUNTING POLICIES continued

Construction contracts

Revenue and other income

		Include	Recognition	Measurement
Contract revenue	Local	South Africa	Based on: • Fair value of consideration received or receivable • Including variations and claims • Excluding value added tax	Percentage of completion measured by reference to the contract costs incurred up to the statement of financial position date as a percentage of total estimated costs for each contract or where appropriate for the type of contract, physical completion based on surveys of work performed.
	Foreign	Rest of Africa and St Helena		
Other revenue	Dividend income		On right of receipt	Fair value
	Development revenue	Amounts both received or accrued	When services are rendered	Fair value net of discounts, value added tax and sales-related taxes.
	Construction materials and services			

Contract assets and liabilities

	Measurement
Contract work in progress	Cost plus profit recognised to date less cash received or receivable.
Contract income received in advance	The amount by which progress billing exceed costs incurred plus recognised profit less recognised losses.
Contract provisions	Estimates are made of the expected cash outflows relating to contracts from either warranty obligations or onerous contracts and provisions raised accordingly, refer to the critical estimates and judgements note for further details.

	Measurement	Impairment
Trade receivables from contract customers	Measured at progress billing certified less payments received	Provision for impairment of receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original term of receivables.
Retention debtors	Raised as part of debtors at same time as contract debtors are recognised	

Order book	Included in the order book is future work relating to future projects as well as the remaining work on current projects that has been secured by the group.

28. SIGNIFICANT ACCOUNTING POLICIES continued

Net finance income/expense

	Include	Recognition	Measurement
Finance income	Finance income is earned on positive cash balances.	Using the effective interest method	At the rate that exactly discounts the estimated future cash receipts through the expected life of the underlying financial instrument. Where the financial instrument has been impaired finance income continues to be recognised on the impaired value based on the original effective interest rate.
Finance expense	Finance expense represents the interest charges on loans and borrowings, finance leases, the medium-term note programme and non-deductible interest paid to SARS.		At the interest rate that exactly discounts the estimated future cash payments through the expected life of the underlying financial instrument.
Foreign exchange gains and losses	Refer to foreign currency transactions in the basis of preparation.		

Non-trading and capital items

Included within non-trading and capital items are the following:

	Description of movement included
IFRS 3 – *Business Combinations*	• Goodwill impairment • The recognised gain from a bargain purchase • Gains or losses on deemed disposals, where the disposal is of an asset previously accounted for as a: – Joint venture – Associate – IAS 39 financial asset classified as an available for sale.
IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*	• Discontinued operations: The post-tax gain or loss recognised on the measurement to fair value, less costs to sell. • Gains or losses on non-current assets or disposal groups (as a whole) held for sale (which include subsidiaries, joint ventures, joint operations and equity-accounted associates). • The impairment recognised where an asset or group of assets is no longer considered to be held for sale because there is a change in plan and there is no longer the intention to sell the asset or group of assets.
IFRS 10 – *Consolidated Financial Statements*	• Gains/losses on the loss of control of a subsidiary.
IAS 12 – *Income Taxes*	• Changes in the deferred tax balance resulting from the use of a different tax rate that relates to items that were excluded from headline earnings in the current or prior period(s).
IAS 16 – *Property, Plant and Equipment*	• Impairment/subsequent reversal of impairment. • Disposal gains/losses. • Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up.

28. SIGNIFICANT ACCOUNTING POLICIES continued

Non-trading and capital items continued

	Description of movement included
IAS 17 – *Leases*	• Operating leases: Profit or loss from the sale and operating leaseback transaction itself.
IAS 21 – *The Effects of Changes in Foreign Exchange rates*	• Translation of the net investment in a foreign operation and monetary assets/liabilities treated as part of the net investment accounted for initially in other comprehensive income (in the foreign currency translation reserve) and subsequently reclassified to profit or loss.
IAS 27 – *Separate Financial Statements*	• Gains/losses on the loss of control of the subsidiary.
IAS 28 – *Investments in Associates and Joint Ventures*	• Gains/losses on the disposal of the associate/joint venture.
IAS 36 – *Impairment of Assets*	Any impairment/subsequent reversal of an impairment covered in this standard.
IAS 38 – *Intangible Assets*	• Impairment/subsequent reversal of impairment • Disposal gains/losses • Compensation from third parties for intangible assets that were impaired, lost or given up.
IAS 39 – *Financial Instruments: Recognition and Measurement*	• The reclassification of gains and losses on available-for-sale financial assets upon impairment or disposal and subsequent impairment losses • The reclassification of all other measurements from other comprehensive income to profit or loss.
IAS 40 – *Investment Property*	• Remeasurements to fair value at date of transfer from investment property to another category of asset.
Non-trading items	The items represent the result of activities which are non-core (transaction costs, restructuring costs, settlements of litigation and penalties, and other impairments, acquisition and disposal-related gains or losses on assets) to the key operating objectives of the Basil Read group and are thus separately disclosed to enhance clarity of reporting. All specifically items noted above are included in capital items while the remaining transactions are included in non-trading.

Employee benefits

	Short-term employee benefits
Includes	Salaries and wages, paid vacation leave, sick leave, bonuses, as well as non-monetary benefits such as medical care.
Accounting treatment	These benefits are recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance. Accruals are raised for the estimated liability for annual leave and long-service leave as a result of services rendered by employees. Provisions are raised for bonus payments to employees.
	Termination benefits
	Termination benefits are recognised when it is demonstrably committed to either terminate the employment or current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Post-employment benefits

	Defined contribution plan
Includes	The Basil Read Group Provident Fund and the Construction Industry Retirement Benefit Plan covers permanent employees of the group and its subsidiary companies.
Accounting treatment	Obligations for contributions to defined contribution pension plans are recognised as an expense in staff costs in profit or loss as incurred in the periods during which services are rendered by employees.

28. SIGNIFICANT ACCOUNTING POLICIES continued

Group accounting

Subsidiaries

	Recognition and measurement
Company	Investments in subsidiaries are initially recognised at cost and are subsequently measured at cost less any accumulated impairment.
Group	Business combinations are accounted for using the acquisitions method. When the group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the group's accounting policies as well as the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Acquisition-related costs are expensed as incurred. Subsidiaries are consolidated from the date of acquisition, which is the date on which the group obtains control of the subsidiary and continue to be consolidated until the date that control ceases. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Non-controlling interest

Non-controlling interests are measured at their proportionate share of the acquirees' identifiable net assets at the date of acquisition.

Goodwill

Goodwill arises from business combinations and is initially measured at cost. Subsequently, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is tested annually for impairment or when there is an indicator for impairment with any impairment recognised in other operating expenses within profit or loss.

Intercompany transactions

All intercompany balances, transactions, income and expenses are eliminated in full in the consolidated financial statements.

Changes in ownership without change in control

Transactions with non-controlling interests that do not result in a change in control are accounted for as equity transactions with the relating difference in fair value of consideration paid and the relevant share acquired and gains or losses on disposal also being recorded in equity.

Joint arrangements

Associates and joint ventures	Joint operations
Initial recognition and measurement	
Associates and joint ventures are accounted for using the equity method. Interest in equity-accounted investees are initially recognised at cost. Goodwill recognised on the acquisition of a joint venture as well as an associate company is included in the carrying amount of the investment.	Results of joint operations are included when two or more parties combine their operations, resources and expertise in order to manufacture or build a particular product.
Derecognition	
On the date that the equity-accounted investments are disposed of, the entity ceased to equity account the investments.	When the combined operation ceases, the group's share of the assets and liabilities held jointly as well as its share of profits or losses is derecognised.
Subsequent measurement	
Subsequent to initial recognition, the group recognises its share of the profit or loss and other comprehensive income until the date on which joint control ceases.	The group has rights to the assets and obligations for its liabilities in a joint operation and therefore recognises in relation to its interest in a joint operation the following: (a) Its assets, including its share of assets held jointly (b) Its liabilities, including its share of any liabilities incurred jointly (c) Its share of the revenue from the sale of the output by the joint operation (d) Its expenses, including its share of any expenses incurred jointly.

28. SIGNIFICANT ACCOUNTING POLICIES continued

Impairment

The group assesses whether there is any indication that an equity-accounted investee may be impaired at each reporting date. An impairment is recognised when there is objective evidence that the equity-accounted investment is impaired. Impairment losses are deducted from the carrying amount of these investments. Any impairment is calculated after application of the equity method. Losses resulting from transactions with equity-accounted investees are recognised only to the extent of unrelated investor interests in the equity-accounted investees.

Unrealised gains or losses

Unrealised gains or losses on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in them, except where unrealised losses provide evidence of an impairment of the asset. When the groups' share of losses in an associate or joint venture equals or exceeds its interest therein, the group does not recognise further losses, unless the group has incurred obligations or made payments on behalf of the associates or joint ventures.

Translation of foreign operations

Procedures followed to translate to presentation currency

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into rand at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into rand at the exchange rates at the dates of the transactions.

The difference in translation between these rates is recognised in the foreign currency translation reserve.

Property, plant and equipment

Categories	Initial measurement	Subsequent measurement	Depreciation method	Impairment
Land and buildings Plant and equipment Furniture and fittings	Cost	Cost less accumulated depreciation and impairment	Land is not depreciated. All other assets are depreciated on a straight-line basis over their useful lives	Assets that are subject to depreciation are reviewed for impairment at the end of each reporting period when events indicate that the carrying amount may not be recoverable. Assets are considered to be impaired when the higher of the assets' fair value less cost to sell or value in use is less than the carrying amount. An impairment loss is recognised for in profit or loss within non-trading and capital items.

Intangible assets

	Categories	Initial recognition and measurement	Subsequent measurement	Amortisation method	Impairment
Intangible assets	Contract based	Initially measured at cost including transactions costs	Cost less accumulated amortisation and impairment	Amortised over straight-line method over useful life	Management uses value in use method to determine the recoverable amount of goodwill and when there are impairment indicators for intangible assets as there is no active market for these assets.
Acquired through business combinations	Goodwill	Initially measured at fair value on the date of the business combination	Cost less accumulated impairment	Goodwill is not amortised	

28. SIGNIFICANT ACCOUNTING POLICIES continued

Leases

Finance lease

Initial measurement	Subsequent measurement	Depreciation
Assets leased under a finance lease are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased asset or, is lower, the present value of the future minimum payments.	Assets are depreciated, liabilities are measured at amortised cost	Depreciated over the expected useful lives on the same basis as owned assets, or, where shorter, the term of the lease.

Operating lease

Rentals payable and receivable under operating leases are recognised in the profit loss on a straight-line basis over the term of the relevant lease.

Inventory

Spares, consumables and finished goods	Inventories consist of spares, consumables and finished goods. These inventories will be used in the normal operating cycle. Cost is determined on a weighted average basis. Inventories are subsequently measured at the lower of cost or net realisable value.
Development land	Development land is classified as inventory. Cost is assigned by specific identification and includes the cost of acquisition, development and finance costs incurred during development. Development land is subsequently measured at the lower of cost or net realisable value.

Financial instruments

Financial assets, financial liabilities and equity instruments are recognised in the group's statement of financial position when the group becomes a party to the controlled provisions of the instrument.

Financial assets

Classification	Instruments included in the classification	Initial measurement	Subsequent measurement
Fair value through profit or loss	Unlisted investments	Fair value	Fair value through profit or loss
Loans and receivables	Trade receivables and cash and cash equivalents	Fair value plus direct transaction costs	Amortised cost using the effective interest rate method, less impairment
Available for sale	Listed investments	Fair value plus direct transaction costs	Fair value through other comprehensive income

Cash and cash equivalent

Cash and cash equivalent comprises cash on hand, demand deposits and cash equivalents which are highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less.

Impairment

Criteria the entity uses to determine that there is objective evidence that an impairment loss has occurred (including measurements)	**Loans and receivables: Trade and other receivables** An estimate of any impairment is made to an allowance account on individual receivables. Objective evidence that the collection of the full amount under the original terms of the invoice is no longer probable would include indicators such as probable insolvency or significant difficulties in the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

28. SIGNIFICANT ACCOUNTING POLICIES continued

Impairment continued

Contract receivables (contract and retention debtors)

The impairment calculation recognise an allowance, measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition. In determining the estimate of any impairment, less any collateral held against contract receivables where applicable. To minimise the risks related to contract receivables, management may, at its discretion, request collateral in the form of payment guarantees and builders' liens for such receivables. The impairment calculation takes into account the existence of any collateral held against contract receivables, where applicable.

Loans to group companies

Significant financial difficulties, probability that the company will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered objective evidence of impairment.

Financial liabilities

Classification	Instruments included in the classification	Initial measurement	Subsequent measurement
Loans and borrowings and payables	Borrowings, loans from group companies, trade and other payables and bank overdrafts	Fair value plus direct transaction costs	Amortised cost using the effective interest rate method

Capital and reserves

Share capital

Share capital issued by the company is recorded at the proceeds received, net of issue costs.

Reserves

Retained earnings comprise accumulated profits or losses from prior years less dividends to equity holders. Dividends are included in the statement of changes in equity in the year in which they are declared.

Foreign currency translation reserve comprises the translation effect of foreign subsidiaries, joint ventures and joint operations to the reporting currency.

Fair value adjustment reserve comprises movements in fair value classified through other comprehensive income.

Treasury shares

When shares are held in the group, through subsidiary companies, reducing the group's share capital, those equity instruments, held at cost (treasury shares), are presented as a deduction against the group's equity. No gain or loss is recognised in the statement of profit or loss and other comprehensive income. The share capital is reduced for the par value of the shares and the balance against the share premium.

Company statement of profit and loss and other comprehensive income

for the year ended 31 December 2016

	2016 R000	2015 R000
Operating income	150 555	–
Other administrative and operating overheads	(169 451)	(4 998)
Impairment	(55 250)	
Operating loss	(74 146)	(4 998)
Finance income	39	14
Finance expense	–	(3)
Non-trading items	(40 788)	–
Loss before taxation	(114 895)	(4 987)
Taxation	–	–
Loss and total comprehensive loss for the year	(114 895)	(4 987)

Company statement of financial position

as at 31 December 2016

	Notes	2016 R000	2015 R000
Assets			
Non-current assets		977 900	1 121 305
Investments in subsidiaries	1	941 922	257 144
Loans to subsidiaries	1	35 976	864 159
Available-for-sale financial assets		2	2
Current assets		128 623	662
Trade and other receivables		128 019	
Current income tax assets		27	144
Cash and cash equivalents		577	518
Total assets		1 106 523	1 121 967
Non-current liabilities		36 788	–
Other liabilities	2	36 788	–
Current liabilities		126 541	63 878
Trade and other payables		124 541	63 878
Other liabilities	2	2 000	–
Equity		943 194	1 058 089
Stated capital		1 048 037	1 048 037
Retained earnings		(104 843)	10 052
Total liabilities and equity		1 106 523	1 121 967

Company statement of changes in equity

for the year ended 31 December 2016

	Share capital R000	Retained earnings R000	Total R000
Balance as at 1 January 2015	1 048 037	15 039	1 063 076
Total loss and comprehensive loss for the year	–	(4 987)	(4 987)
Balance as at 31 December 2015/1 January 2016	**1 048 037**	**10 052**	**1 058 089**
Total loss and comprehensive loss for the year	**–**	**(114 895)**	**(114 895)**
Balance as at 31 December 2016	**1 048 037**	**(104 843)**	**943 194**

Company statement of changes in cash flows

for the year ended 31 December 2016

	2016 R000	2015* R000
Cash flows from operating activities		
Cash paid to suppliers and employees	**(257)**	(4 998)
Interest paid	**–**	(3)
Interest received	**38**	14
Dividends paid	**–**	(32)
Taxation paid	**117**	(144)
Cash flow from operating activities before changes in operating assets and liabilities	**(102)**	(5 163)
Changes in:	**(3 839)**	(2 999)
– Trade and other payables	**(3 839)**	(2 999)
Net cash from operating activities	**(3 941)**	(8 162)
Cash flows from investing activities		
Advances made to subsidiaries	**–**	(8 892)
Advances recovered from subsidiaries	**4 000**	17 080
Net cash from investing activities	**4 000**	8 188
Movement in cash and cash equivalents	**59**	26
Cash and cash equivalents at the beginning of the reporting period	**518**	492
Cash and cash equivalents at the end of the reporting period	**577**	518

** Reclassified*

Notes to the company financial statements

for the year ended 31 December 2016

	2016 R000	2015 R000
1. INVESTMENTS IN SUBSIDIARIES		
Unlisted investments		
Shares at cost	910 325	170 297
Impairment of investments	(55 250)	–
Shares at carrying value	855 075	170 297
Share-based payments	86 847	86 847
	941 922	257 144
Loans to subsidiaries	35 976	864 159
	977 898	1 121 303

Details of the group's investments in subsidiaries

	Shares at carrying value		Share-based payments		Interest-free loan	
	2016 R000	2015 R000	2016 R000	2015 R000	2016 R000	2015 R000
Basil Read Ltd	740 029	1	79 081	79 081	36 288	855 267
BSR Engineering (Pty) Ltd	115 046	170 296	7 766	7 766	–	–
Basil Read Roads (Pty) Ltd					(243)	–
Newport Construction (Pty) Ltd					(69)	–
Hytronix (Pty) Ltd					–	(342)
Basil Read Mining Botswana (Pty) Ltd					–	(248)
Basil Read Mining SA (Pty) Ltd					–	6 675
Blasting and Excavating (Pty) Ltd					–	4 503
Sladden International (Botswana) (Pty) Ltd					–	14
Matomo (Pty) Ltd					–	(1 710)
	855 075	170 297	86 847	86 847	35 976	864 159

At 31 December 2016, the net asset value of the group was R1.1 billion (2015: R1.2 billion) and the market capitalisation was R293.6 million (2015: R466.2 million) based on the group's year-end share price.

The investment in BSR Engineering (Pty) Ltd was impaired during the current reporting period by R55.25 million, based on the carrying value of the underlying assets of BSR Engineering.

2. OTHER LIABILITIES

The other liabilities represents the group obligations in respect of the group's voluntary rebuilding programme, refer to note 17 of the group financial statements.

3. RELATED PARTY TRANSACTIONS

Please refer to note 25 titled related parties in the group financial statements for the group organogram.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both. This definition includes subsidiaries, associates, joint ventures and the group's pension schemes.

3.1 Related party transactions

Various transactions were entered into between related parties. These transactions were entered into at market-related terms.

	2016	
	Receivables R000	Payables R000
Basil Read Limited	127 452	67 439
Basil Read Mining SA (Pty) Ltd	–	2 107
Blasting and Excavating (Pty) Ltd	5	–
Sladden International (Pty) Ltd	14	–
Phambili Pipelines (Pty) Ltd	17	–
Valente Brothers Joint Venture	5	–
Umso Joint Venture	35	–
	127 528	69 546

3.2 Key management personnel

The group's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Basil Read Holdings Limited (directly or indirectly) and comprise of the board of directors and the heads of the major business units and functions.

	2016	2015
Key management personnel compensation		
Short-term employee benefits	1 205 758	1 353 021
	1 205 758	1 353 021

For further details regarding the key personnel compensation, please refer to note 26.

4. FAIR VALUE CLASSIFICATION AND FINANCIAL INSTRUMENTS

Categories and analysis of assets and liabilities.

	Loans and receivables R000	Held at fair value through profit or loss R000	Total R000	Fair value Level
Assets				
2016				
Investments	–	2	2	
Unlisted investment	–	2	2	Level 3
Cash and cash equivalents	577	–	577	–
2015				
Investments	–	2	2	
Unlisted investment	–	2	2	Level 3
Cash and cash equivalents	518	–	518	–

	At amortised cost R000	Total R000
Liabilities		
2016		
Other liabilities	38 788	38 788
Trade and other payables	124 540	124 540
2015		
Trade and other payables	63 878	63 878

Movement in level 3 instruments

	2016 Unlisted instruments R000	2015 Unlisted instruments R000
Opening and closing balance	2	2

The carrying value of unlisted investments approximates their fair value.

Shareholders' information

as at 31 December 2016

	Number of holders	% of total shareholders	Number of shares	% of total issued share capital
ANALYSIS OF SHAREHOLDINGS				
1 – 1 000	1 124	43.92	440 075	0.33
1 001 – 10 000	989	38.65	3 708 699	2.82
10 001 – 100 000	315	12.31	9 513 688	7.22
100 001 – 1 000 000	107	4.18	31 604 852	24.00
1 000 001 and over	24	0.94	86 426 967	65.63
Totals	2 559	100.00	131 694 281	100.00
FUND MANAGERS WITH A HOLDING GREATER THAN 3% OF THE ISSUED CAPITAL MAJOR SHAREHOLDERS				
Allan Gray			18 091 318	13.74
PSG Asset Management			11 981 846	9.10
Public Investment Corporation			8 357 570	6.35
Old Mutual Multi-managers			6 580 000	5.00
SHAREHOLDER SPREAD				
Non-public	2	0.08	25 497	0.02
Directors	1	0.04	6 986	0.01
Treasury	1	0.04	18 511	0.01
Public	2 557	99.92	131 668 784	99.98
Totals	2 559	100	131 694 281	100
BENEFICIAL SHAREHOLDERS WITH A HOLDING GREATER THAN 3% OF THE ISSUED SHARES				
NMT Capital (Pty) Ltd			11 099 813	8.43
Allan Gray			10 736 982	8.15
Industrial Development Corporation			9 090 909	6.90
SIOC CDT Investment Holdings (RF) (Pty) Ltd			7 883 243	5.99
Government Employees Pension Fund			7 798 500	5.92
SBSA ITF Old Mutual Multi-managers			6 580 000	5.00
PSG			5 800 400	4.40
DISTRIBUTION OF SHAREHOLDERS				
Individuals	2 179	85.15	15 502 546	11.77
Close corporations	32	1.25	2 606 707	1.98
Investment companies	14	0.55	136 733	0.10
Nominees and trusts	104	4.06	8 168 998	6.20
Pension funds and medical aid societies	89	3.48	30 350 230	23.05
Other corporate bodies	141	5.51	74 929 067	56.90
Totals	2 559	100.00	131 694 281	100.00

Analysis of "A" ordinary shares as at 31 December 2016

	Number of shareholders	% of total shareholdings	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000 shares	–	–	–	–
1 001 – 5 000 shares	–	–	–	–
5 001 – 10 000 shares	–	–	–	–
10 001 – 50 000 shares	–	–	–	–
50 001 – 100 000 shares	–	–	–	–
100 001 shares and over	1	100.00	33 607 507	100.00
	1	100.00	33 607 507	100.00

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

	Number of shares	% of issued capital
SIOC CDT Investment Holdings (RF) (Pty) Ltd	33 607 507	100.00
	33 607 507	100.00

Total number of shareholdings	1
Total number of shares in issue	33 607 507

Definitions and abbreviations

The Companies Act	The Companies Act, No 71 of 2008 of South Africa
King III	King Code of Governance for South Africa 2009
Company website	www.basilread.co.za
IAS	International Accounting Standards
PwC	PricewaterhouseCoopers Inc.
IRBA	Independent Regulatory Board for Auditors
OCI	Other comprehensive income
NCI	Non-controlling interest
IFRS	International Financial Reporting Standards
SARS	South African Revenue Service
VAT	Value added tax
Gearing ratio	Net debt divided by total capital
Net debt	Total borrowings less cash and cash equivalents
Total borrowings	Total interest-bearing borrowings
Total capital	"Equity" as shown in the consolidated statement of financial position plus net debt
Debt:equity ratio	Total long-term debt divided by total equity
Total equity	"Equity" as shown in the consolidated statement of financial position
Total long-term debt	Non-current portion of interest-bearing borrowings
The company	Basil Read Holdings Limited
The group	Basil Read Holdings Limited, its subsidiaries, associates, joint ventures and joint operations collectively
IDC	Industrial Development Corporation
ISA	Instalment sale agreements
CGU	Cash-generating unit

Administration

Basil Read Holdings Limited

Registration number: 1984/007758/06
Share code: BSR
ISIN: ZAE000029781
Tel: +27 11 418 6300
Fax: +27 11 418 6334
Email: communications@basilread.co.za

Registered office

Basil Read Campus, 7 Romeo Street
Hughes Extension, Boksburg, 1459

Private Bag X170, Bedfordview, 2008

Transfer secretaries

Link Market Services
13th floor, Rennie House
19 Ameshoff Street, Braamfontein, 2001

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

Directorate

Name and surname	Designation	Appointments, resignations and terminations
Paul Cambo Baloyi	Independent non-executive director, chairman of the board of directors, chairman of the nominations and investment committee	
Neville Francis Nicolau	Executive, chief executive officer	
Amanda Claire Wightman	Executive, chief financial officer	30 September 2016 (resigned)
Mahomed Talib Sadik	Executive, chief financial officer	1 October 2016 (appointed)
Sango Siviwe Ntsaluba	Non-executive director, chairman of risk committee	
Terence Desmond Hughes	Non-executive director	
Andrew Conway Gaorekwe Molusi	Non-executive director, chairman of social, ethics and transformation committee	
Thabsio Alexander Tlelai	Non-executive director	
Doris Liana Theresia Dondur	Independent non-executive director, chairman of audit committee	
Mahomed Salim Ismail Gani	Independent non-executive director	
Claudia Estelle Manning	Independent non-executive director, chairman of the remuneration committee	

Shareholders' diary

Audited results	March 2017
Annual general meeting	2 June 2017
Half-year interim report	August 2017

BASTION GRAPHICS

www.basilread.co.za