BASIL READ

Integrated report 2016

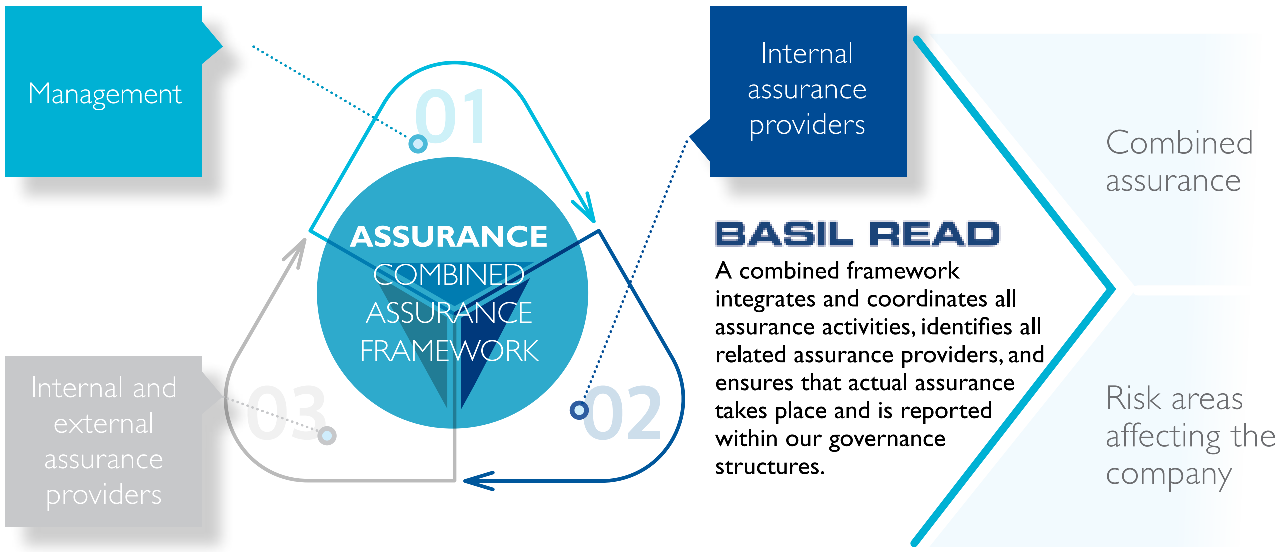
Contents

Basil Read is

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

For over **60 years**, the company has played its part in building the foundations of South Africa for all its citizens.

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



Basis of report preparation and presentation

Basil Read's integrated report for the reporting period ended 31 December 2016 combines our economic, social and governance performance for a company-wide understanding. It also sets out the challenges and opportunities ahead, and follows a similar report for the year to 31 December 2015. Although this report is primarily prepared for providers of financial capital, detailing our progress against strategic objectives, we trust it will be useful for all our stakeholders.

Integrated reporting is the cornerstone of our commitment to entrench global best practices in all operations. Basil Read therefore reports on all managed operations against the principles of the International Integrated Reporting Council (IIRC) framework, and guidelines of the Global Reporting Initiative (GRI) (G4 core application level).

Report content

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

Material risks and opportunities in the review period are detailed on page 13. Given that our business essentially depends on contracted projects, various external factors can significantly affect our ability to create value.

Significant changes

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

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

Supplementary information

The integrated report and summarised financial statements should be read in conjunction with the supplementary information and full annual financial statements on our website (www.basilread.co.za).

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

Board responsibility

The board acknowledges its responsibility for the integrity of Basil Read's integrated report. The audit committee reviewed the report and recommended its approval to the board. Although the process of integrated reporting is still evolving, Basil Read has integrated its financial and non-financial reporting and continuously strives to incorporate best practice and improve disclosure.

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

Paul Baloyi
Chairman

Neville Nicolau
Chief executive officer

31 March 2017

Key results

R5.1 billion

Revenue
(2015: R5.5 billion)

R63.7 million

Operating profit
(2015: R226.2 million)

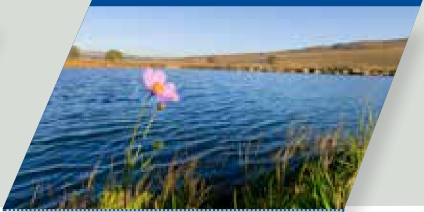
21.79 cents

Headline loss per share
(2015: headline profit per share of 120.28 cents)

Training

We invested over **R10 million** in developing our people through various training initiatives including proprietary management and supervisory development programmes. In 2016, 1 969 employees completed training.

Environmental



We are improving our management practices for energy and carbon footprint, water, waste and incident reporting to meet internal targets and best practice.

Health

Our in-house clinic conducted **3 930** medicals to help our employees remain healthy and assist in managing and controlling chronic diseases.

R53.6 million

Net loss
(2015: net profit of R171.2 million)

R12.3 billion

Order book
(2015: R10.7 billion)

Zero fatalities

Safety
(2015: 4 fatalities)

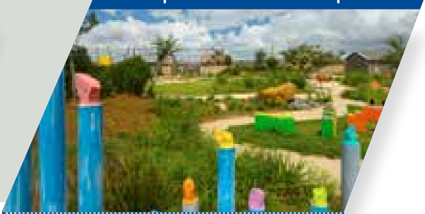
Transformation

Level 3 BBBEE rating against generic codes of Department of Trade and Industry. This will be reviewed once new construction sector codes are published.

Corporate social investment

We invested **R6.1 million** in corporate social investment projects that aim to transform people's lives and empower communities for a sustainable future.

Corporate citizenship



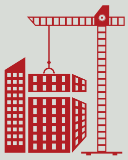
A commitment by all employees to **conduct business ethically** is demonstrated in the revised code of business ethics and conduct.

Organisational overview

With over six decades of construction expertise, Basil Read has become synonymous with quality, service excellence and integrity contributing towards building the foundations of South Africa for all its citizens.

We have operated under our new strategy (page 17) for a full year, with tangible benefits and certain adjustments made to achieve the optimal structure. This is an ongoing process. Our focus remains on the South African market, given the need for infrastructure to stimulate the economy, while positioning ourselves to partner with existing clients as they expand their operations in southern Africa.

Construction (incorporates buildings and civils) 21% of order book



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

Key operations

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

Developments 8% of order book

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

Key operations

- Mixed-use integrated housing developments

Mining 44% of order book

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

Key operations

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

Roads 20% of order book

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

Key operations

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

St Helena airport project 7% of order book

Basil Read proved that effective risk management is critical in providing a turnkey service in the engineering, procurement and construction environments. The St Helena airport project is a prime example of company-wide discipline on a single project.

Key operations

- Construct and maintain the airport

Support services

Business development and commercial

1 Business development

2 Commercial

3 Estimating, planning and tendering


1 Olivier Giot


2 Norman Milne


3 Paul Viellard

Governance

1 Secretarial

2 Internal audit

3 Risk


1 Andiswa Ndoni


2 Sipho Makaringe


3 Chrystal Gumede

Other support services

1 Safety, health, environmental, quality (SHEQ)

2 Corporate finance

3 Investor relations

4 Operational finance

5 Information technology

6 Human resources


1 Witness Kwaza


2 Henk Lindeque


3 Jenny von Ehrenberg


4 Francois Stock


5 Duanne van der Merwe


6 Bernard Johnson

Geographical footprint

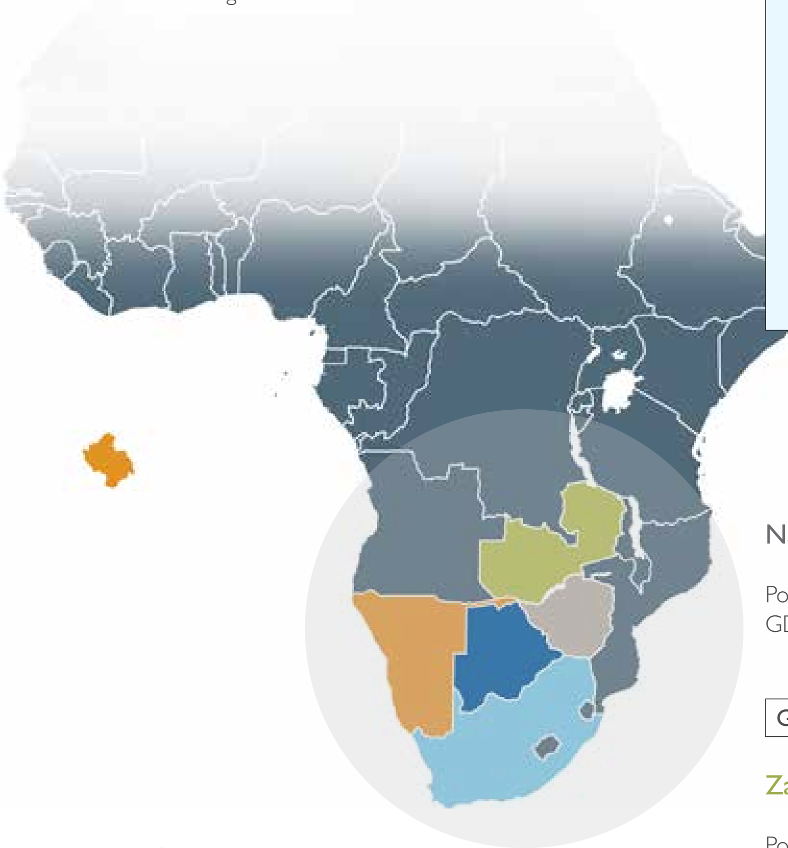
Flagship projects

- St Helena airport project (key components completed in 2016)
- Savanna City
- Tschudi copper mine
- Jwaneng diamond mine
- Ashton to Montagu
- Kusile power station
- Medupi power station
- Polokwane ring road

4 582
employees

44
active sites across six operating countries

20
projects were completed in the reporting period



A view of our operational areas

South Africa

Population: 54.9 million
GDP per capita: US$7 260

	2015	2016	2017(f)
GDP growth %	1.3	0.3	**0.8**

Botswana

Population: 2.3 million
GDP per capita: US$5 082

	2015	2016	2017(f)
GDP growth %	(0.1)	3.1	**4.0**

Namibia

Population: 2.2 million
GDP per capita: US$5 041

	2015	2016	2017(f)
GDP growth %	5.3	4.2	**5.3**

Zambia

Population: 16.2 million
GDP per capita: US$1 351

	2015	2016	2017(f)
GDP growth %	3.0	2.8	**3.5**

St Helena

Population: 4 536

Swaziland

Population: 1.3 million
GDP per capita: US$3 029

	2015	2016(e)	2017(f)
GDP growth %	1.7	0.5	**3.5**

(e) = estimate
(f) = forecast
Source: Coface and Global Edge

Business model

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

Strategy

Growth, optimise asset productivity, corporate culture

Inputs

Intellectual – proprietary knowledge, brand, systems and processes

Financial – debt funding of R438 million and equity funding of R1.1 billion

Human – ethical values, effective leadership, specialised skills. Investment of R10 million

Manufactured – raw materials, parts, products, plant and equipment. Capital expenditure of R185 million

Social – licence to operate, stakeholders' expectations

Natural – energy, water, and raw materials

Activities

Core – project execution across construction, earthworks, drilling and blasting, opencast mining and pipeline development

Supporting – managing finance and capital, business processes, strategic planning, human resources and SHEQ, suppliers and subcontractors, and stakeholder relations

Outputs

Services – turnkey approach from design to handover across construction and engineering fields

Impacts – waste water, solid and hazardous materials, noise, dust, carbon emissions and land disturbance

Revenue:
R5.1 billion

Projects completed:
20

Order book:
R12.3 billion

HLPS:
21.79 cents

Employees:
4 582

Outcomes

Intellectual – proprietary systems/solutions add value and help secure contracts

Human – effective leadership of well-trained, disciplined workforce. Safety: zero fatalities, DIFR of 0.17. Training and development: R4 389 per employee

Manufactured – cost of raw materials, parts, product, plant and equipment

Social – building solid relationships with all stakeholders.

Natural – increasing consumption:
- Energy 20,8%
- Water 18%
- Carbon footprint 7.2%

(initiatives are under way to reduce our consumption)

Operating context

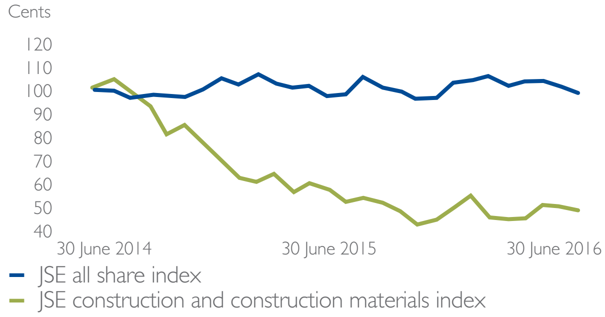
The listed construction sector has operated in a tough environment for the past seven years. Following the construction boom ahead of the 2010 FIFA Soccer World Cup in South Africa, revenue growth stalled and profitability was eroded by increased competition, resulting in marginal projects.

Market review

Gross domestic product (GDP) in South Africa grew by a paltry 0.3% in 2016. The construction industry, a significant contributor to employment and growth in the country, has been in a slump since 2009. Calendar 2016 was no different, with margins under pressure, tight liquidity and decreasing order books. Government's infrastructure plan, which aims to address South Africa's needs over the next few years, is a promising development but will require input from and coordination with the construction sector to succeed.

Despite the current slump, the industry remains well positioned to support the country's development goals

JSE all share vs construction and materials index



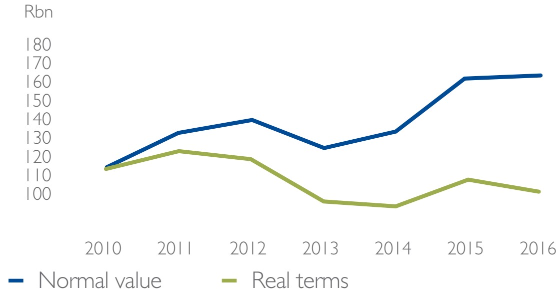
Source: INET BFA

The differential between the JSE all share index and the construction and materials index is clear. Since its September 2009 high, the construction sector has decreased by 68% while the JSE all share index grew by 129%. While the marginal recovery in the construction and materials index since June 2016 is encouraging, it is too early to predict a resurgence. Construction is generally a lagging industry and will require general economic growth before one can expect any real growth in the sector. A good indicator of industry performance is public-sector infrastructure expenditure.

Public-sector expenditure

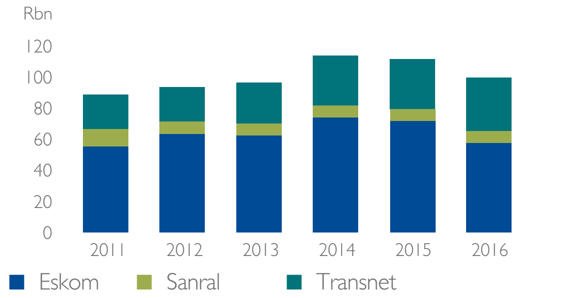
The latest figures from StatsSA show capital expenditure by public-sector institutions increased by 5% in 2015, with total expenditure of R258 billion. New construction works rose 20% to R157 billion, while expenditure on land and buildings, transport and equipment and plant, machinery and equipment decreased.

Public expenditure (new construction, property, development and major rejuvenation)



Source: Stats SA, PwC SA Construction 2016

Capital expenditure by Eskom, Transnet and Sanral



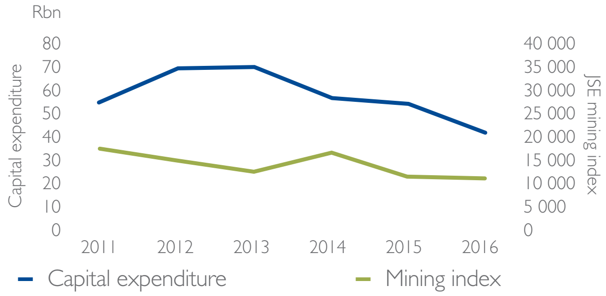
Source: PwC analysis, company annual reports

Most public-sector capital expenditure is undertaken by Eskom, Transnet and the South African National Roads Agency (Sanral) – all Basil Read clients. While these state-owned entities have been reliable sources of work over the years, their total capital expenditure in 2016 declined 14% to R98 billion.

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

Private-sector expenditure

Capital expenditure for the mining sector vs JSE mining index



Source: PwC analysis and INET BFA

The private sector is a significant contributor to capital expenditure in the construction industry, particularly the mining sector. Due to severe pressure in this sector, mining companies have reduced their capital expenditure by R22 billion (31%) over the past three years. Indications are that this may decline further over the next few years in a lower commodity price cycle. Significant development opportunities may emerge, however, once prices start increasing, mining companies will have to catch up to increase production.

Operating context continued

Market review continued

Common challenges identified by heavy construction companies

Challenges	Actions required by industry
BBBEE and transformation Transformation remains a key challenge in South Africa to balance income and social service inequalities. Non-compliance with employment equity could impact companies by: • Reducing their ability to win tenders • Increasing the likelihood of client sanctions and sanctions from the Department of Labour • Increasing the possibilities of penalties being imposed on South African projects.	Proactively monitoring compliance with BBBEE codes and employment equity targets as well as changes to legislation. Timely transformation strategies (or compliance plans) should follow to remain competitive and achieve transformation goals. Transformation commitments in the October 2016 settlement agreement clearly indicate the high importance attributed to transformation by both government and the industry. Construction companies are more actively participating in discussions about new BBBEE codes while adjusting business practices to comply. Other strategic responses include empowerment programmes, a focus on management control and skills development.
Health, safety and environmental sustainability The construction industry's rate of compliance with health and safety standards is below 50%.	Although statistics have improved in recent years, these need to be monitored, and industry-wide reporting is required with a view to continuous improvement.
Industrial action Ongoing industrial unrest in South Africa causes project delays and disruptions, affecting safety, productivity and profitability. It adds a further hurdle to the decision-making process on investing in new capital projects.	Open communication between unions and construction companies to monitor and resolve potential labour issues. Strike mitigation plans must be in place, along with a proactive labour relations strategy and allowances in tenders for labour unrest. Proactively engage with communities prior to project start to manage expectations.
Liquidity risk Insufficient working capital facilities increases the liquidity risk, affecting credit, acquisitions and growth opportunities.	Cash flow requirements over the life of a contract must be considered at tendering stage, along with robust working capital cash flow management.
Talent management and staff retention South Africa's construction industry has grown significantly over the last decade, resulting in a skills shortage at all grades.	Remuneration policies focused on retaining key talent. Regular succession reviews to identify potential talent retention risks and career-planning strategies, supported by in-house training, promotion and development initiatives.
Growth, expansion and operational performance Ongoing delay in rolling out government's infrastructure plan has affected the entire sector.	Focus on effective contract negotiation on equitable terms, and efficient contract management. Align capacity with planned SA government spend. Focus on gaining a competitive edge in the market. Explore growth options in new and emerging markets.
Tender risk The tendering process requires educated and highly judgemental views on pricing, mark-up, geological conditions, and the quality and availability of materials.	Extensive risk-assessment procedures at the tendering stage of each project.

Voluntary rebuilding programme – landmark agreement with the South African government

In October 2016, the South African government concluded an agreement with seven construction companies (Basil Read, WBHO, Aveng, Murray & Roberts, Group Five, Raubex and Stefanutti Stocks) on a programme of initiatives that is expected to significantly accelerate transformation in the local construction sector. Known as the voluntary rebuilding programme (VRP), this will also address the companies' exposure to potential claims for damages arising primarily from the fast-track settlement process launched by the South African competition authorities in February 2011.

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

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

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

The settlement agreement comprises three elements:

Financial contribution for development projects

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

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

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

This financial contribution is in addition to existing annual socio-economic development investments by these companies.

In summary, the settlement agreement stipulates that:

- Over the next 12 years, the construction companies will be required to make a collective, annual payment of R125 million into the fund, which will be constituted as a trust
- The effective date will be the date on which the condition precedent, that Sanral withdraws its claims against the construction companies, is fulfilled.

The trust will use payments from the construction companies to:

- Implement initiatives to develop the construction industry, in line with the government's transformation objectives
- Promote the development of emerging contractors and suppliers in South Africa.

The trust will be cooperatively governed by a board of trustees appointed by the government, the construction companies and the South African Forum of Civil Engineering Contractors.

Total payments to the trust from construction companies may be reduced by any claims or potential claims for damages that identified public entities have made, or may be entitled to make, for projects listed in the settlement agreement.

The agreement does not address or eliminate any outstanding claims by the Competition Commission on administrative penalties levied on any of the construction companies.

Transformational commitments in the sector

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

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

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

Integrity commitment by CEOs

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

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

Source: Extracted from PwC, SA construction, 4th edition, November 2016

Stakeholder engagement

Basil Read is committed to frank communication with all its stakeholder groups, defined as those who affect and could be affected by our activities. We conducted our second stakeholder perception survey in the review period for better insight to inform future business initiatives.

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

Stakeholder groups we regularly interact with	Main channels of communication	Top concerns identified in 2016	Response
Communities	• Face-to-face consultations • Meetings with local business and tribal leadership • Local media	• Employment • Business opportunities for local developing contractors	• Consultations to discuss expectations and project deliverables • Project steering committee meetings • Enterprise development to ensure key skills transfer
Shareholders and broader investment community	• SENS announcements • Press releases • Roadshows • Results presentations • Analyst hosted events	• Return on investment • Loss-making contracts • Dividends and growth	• Securing a sustainable order book • Improving profitability of operations • Strengthening our capital base • Regular meetings with key investors and shareholders to keep them abreast of company developments
Clients	• Meetings • Electronic communication • Industry forums	• General lack of awareness on Basil Read services and social responsibility initiatives	• Raise awareness of full portfolio and our CSI programme • Participating in local business forums and industry organisations
Employees	• Staff meetings • Intranet • Notice boards • Email • Staff events • Union representatives	• Management succession planning	• A robust succession plan is being developed. Temporary successors identified for key roles
		• Transformation	• Key strategic initiative is addressing transformation in the company, but sectoral transformation is a pressing issue
		• Health and safety of our employees	• Safety remains a priority and continued vigilance is promoted

Material risks and opportunities

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

Our risk management philosophy, framework and governance are detailed on page 14. The table below sets out the top five existing risks for Basil Read as well as emerging macro-economic risks. Key risks per division are included in the operational review from page 46.

Risks	Risk description	Risk response	Opportunities
Adequate facilities	**Access to funding** may impact our ability to fund new projects.	• Address operational inefficiencies and improve throughput • Reduce overheads • Secure adequate funding and guarantee facilities • Optimise working capital and cash management	• Innovative funding solutions • Improved cash flow management
Tender market	Due to the competitive landscape in the construction industry, **profit margins** have eroded over the last five years.	• Target new markets • Build client relationships	• Diversify geographically • Target empowerment deal to become black-owned
Business sustainability	A testing macro-economic environment demonstrated by: • Stagnant economic growth • Rising cost of finance • Political uncertainty • Low commodity prices Results in increasing pressure on client spending, affecting prospects for future projects and ultimately the long-term sustainability and growth of the company.	• Proactive stakeholder management, ensuring sustainable value is responsibly created for stakeholders • Rightsizing • Optimising the cost base and enhancing operational efficiencies • Closing non-core business lines	• Asset optimisation and positioning • Focus will remain on South African market, mindful of opportunities across the African continent
Transformation	**Transformation** in the sector remains high on the political agenda of the government and industry, and affects our ability to tender for public projects.	• Employment equity committee initiatives implemented to address race, gender and disability opportunities • Voluntary rebuilding programme with government and other construction companies	• Transform Basil Read into a black-owned company via private placement of shares • Voluntary rebuilding programmme
Project delivery	**Project delivery failures** resulting in delayed payments, settlement payments, reputational damage and reduced future work.	• Effective project delivery through synergy and standardisation to eliminate duplication, process optimisation, risk review and the correct mix of skills and experience	• Consistently meeting project standards will entrench Basil Read as the preferred partner • Supply-chain efficiencies

Risk management

By following a systematic and integrated approach, Basil Read has gained a better understanding of its strategic goals, culture, marketplace, regulatory requirements and financial sensitivity to risk. This understanding in turn supports the implementation of our strategy.

Risk management is embedded in our management processes, with managers being accountable for risk management in their operational areas. Ongoing processes for identifying, evaluating and managing risks that threaten corporate, departmental and project objectives are in place and operational throughout the year to continuously mitigate risks.

The risk management objectives for 2016 were to partner with business by:
- Increasing the value of business through a systematic approach to managing risk
- Protecting the business
- Instilling the culture of collective responsibility, where anticipation and management of risk is everyone's concern.

Basil Read's enterprise risk management is an evolving process that is being steadily integrated into day-to-day operations as we build our risk culture.

2016 risk management plan

The 2016 risk management plan focused mainly on project operations, by ensuring that related risks are managed through the project lifecycle. Project risk registers are initiated and evaluated prior to bid submissions and maintained throughout the project.

Project risk categories cover a wide range: construction, estimating and scheduling, external, financial, technical, regulatory and environmental, as well as project-specific issues.

Project risk registers are a management tool to ensure risks are being addressed and managed timeously and that project time and cost objectives are met. All project risks are reported at the respective divisional operations' committees monthly and aggregated quarterly for management and board reporting.

The project risk categories, as assessed by all projects in Basil Read, provide an overview of major residual risks on site.

Project risk category	Risk	Description	Assessment	Risk rating
Financial risks	Payment delays	Late issue of payment certificates, late payments by clients as well as upfront payment claims from subcontractors and suppliers	Impact is major with a moderate probability of occurrence	H
External risks	Community unrest	Inflated community expectations of benefit from projects resulting in disruptions and delays not necessarily recovered by contracts	Impact is considered moderate with a likely probability of occurrence	H
Project risks	Ageing fleet of plant and equipment	Reliability of haul trucks and support equipment during operations	Impact is major with a moderate probability of occurrence	H
Technical risks	Design changes	Constant changes in the scope of work and issuing of variation orders as well as design changes, affecting productivity and standing time	Impact is considered moderate with a moderate probability of occurrence	M
Regulatory and environmental risks	Safety, health and environmental risk: Work-related incidents that may result in damage to property or injury to staff	Work-related incidents involving people and equipment, mainly due to unsafe acts by not adhering to procedures, or substandard methods	Impact is considered moderate with a moderate probability of occurrence	M

C = catastrophic risk   H = high risk   M = moderate risk   L = low risk

Basil Read risk profile

The risk management structure is based on corporate support functions and project risks, establishing the overall risk profile for the company. All risks are evaluated by management and the board, and a database of all risks identified is maintained by the risk department.

The risk profile below shows that the company risk profile has been managed down. This is an indicator of operational efficiencies through risk control instead of a symptom of risk aversion.

Risk profile

IR	Inherent risk	The probability of loss arising out of circumstances or existing in an environment, in the absence of any action to control or modify the circumstances (risk before controls are implemented)
RR	Residual risk	A risk that remains after all efforts have been made to mitigate or eliminate risks associated with a business process (risk after controls are implemented)

During the year, we conducted a comparative analysis of risks raised internally and risks reported by organisations in the same or similar industry. There appears to be consensus in the industry on the following risks we are facing:

- A challenging and testing macro-economic environment makes the industry highly competitive with low profit margins
- Construction sites are faced with ongoing community disruptions where expectations created in these communities result in project delays and increased costs
- Non-compliance with the broad-based black economic empowerment act poses a risk to organisations, and transformation in the sector remains high on the political agenda of the government and the industry
- Safety, liquidity and the quality execution of projects.

Risk appetite

The Basil Read risk appetite is expressed through our actions or inactions, and provides context to our strategic choices. It is inherent in our strategy and executing that strategy, in the form of both risks taken and risks avoided. The selected parameters indicate whether we remain on strategy, given our financial impact levels. The risk appetite and tolerance levels for 2016 indicate our pursuit of growth informed by our strategy.

Combined assurance

During the year, we implemented a value driver-based integrated assurance plan. This gives management and the board confidence that key risks are being mitigated to acceptable levels of tolerance. The combined assurance framework and assessment provides oversight on forward-looking assurance plans across the business and takes into account management assurance, internal assurance and various sources of external assurance. A key benefit of this approach is to identify assurance redundancies and duplications to save costs.

Combined assurance assessments were undertaken twice during the year to measure the level of assurance throughout the company among all assurance providers. The process considered assurance coverage as well as overall results among all three defence lines (management assurance, risk and compliance and SHEQ and internal and external audit).

Regulatory compliance

Compliance reviews were conducted throughout the year to test the level of compliance to specific legislation using compliance risk management plans.

Business continuity management and disaster recovery

Business continuity management in Basil Read entails developing strategies, plans and actions that provide protection or alternative modes of operation for activities or business processes which, if interrupted, might cause serious damage or significant loss. Evolving core elements of business continuity management include:

- **Crisis management and communications plan** – a process designed to enable an effective response to an event. During the year, senior management completed media training to prepare the business for effective planning, leadership and communication protocols.

Risk management continued

- **IT disaster recovery (DR)** – addresses recovering business critical IT assets, including systems, applications, databases, storage and network assets. The function was modernised during the year by the implementation of a leading hyper converged technology and migration of hosting and DR services to a tier I data centre. The new disaster recovery plan was tested and audited during the reporting period.
- **Business continuity plan or recovery plan** – recovering critical business functions and processes that affect delivery of core services to our clients. As a component of business continuity management, emergency response plans are documented and tested regularly. These include immediate actions to preserve lives and safeguard property and assets.

2017 risk management plan

Key focus areas for 2017 include:

- Further analysis of inter-related causes and impacts on principal risks
- Testing key business disruption scenarios and single points of failure
- Enhancing loss incident-recording standard
- Developing and monitoring optimal and robust risk responses by reviewing annual risk response plans and control self-assessments
- Leveraging and incorporating lessons learnt to enhance contract principles and project management standards
- Monitoring and enhancing key risk indicators
- Further aligning and integrating sustainable strategy, risk and performance management processes.

Strategic overview

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

OUR VISION	**To be the leading construction company in southern Africa where we are the:** **PREFERRED CONSTRUCTOR • PREFERRED EMPLOYER • PREFERRED INVESTMENT**
OUR MISSION	To deliver safe, profitable projects and services
OUR MOTTO	BUILDING LEGACIES
VALUES	Safety · Integrity · Compassion · Delivery · Unity · Commitment
OUR DIVISIONS	Construction Developments Mining Roads St Helena airport project
OUR STRATEGIC OBJECTIVES	Grow the business · Optimise asset productivity · Modernise our corporate culture
OUR STRATEGIC TARGETS	Revenue Operating margin Profit Order book Cash flow management Zero fatalities

Progress on strategic objectives

Grow the business

- Disposal strategy completed early 2016, focus now on organic growth in all divisions
- Embedding the operating model
- Reinvent business development
- Strengthening the balance sheet and improving liquidity

Optimise asset productivity

- Implemented new operating model with operational committee and site meetings
- Improve project management through the project lifecycle
- Rationalise support functions to improve operating margin
- Supply chain management for sustainable cost reduction

Modernise our corporate culture

- Implemented improved HR management system
- Introduced management development programme and supervisor training programme
- Formalised performance management system
- Implementing high-performance culture through new corporate values and developing effective organisational culture in terms of leadership, employee engagement and diversity

Safe, profitable projects and services

Strategic overview continued

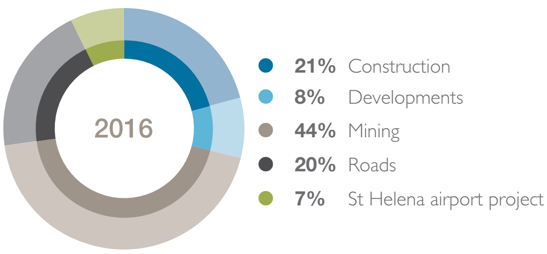
Achieving our targets

Specific targets have been set for the executives responsible for each element of our strategy and we report on our progress at the half-year and full-year stages. In the interim, we measure progress towards our strategic targets at company level. Strategic material risks and opportunities are detailed on page 13.

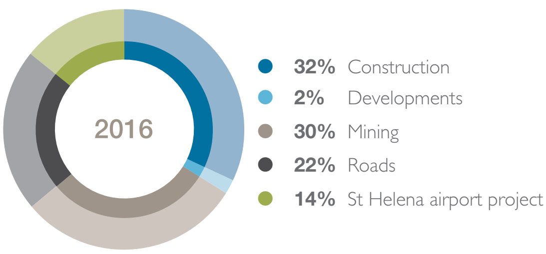
Performance	2016 target	2016 actual	Future
Revenue	R5 billion	R5.1 billion	Growth at more than CPI
Operating profit	R160 million	R63.7 million	An increasing margin
HEPS/(HLPS)	120 cents per share	(21.79 cents) per share	Growth in proportion to profit
Order book	R10 billion	R12.3 billion	Improve to 2.5 times revenue
Safety	Zero fatalities	Zero fatalities	Zero fatalities

In challenging markets, the diversity of Basil Read's order book underpins our ability to respond to opportunity, always focused on safe, profitable projects and services.

Order book



Revenue



Strategy context

Globally, construction operates within a cyclical industry. Basil Read's sustainability depends on our ability to manage through these cycles. During 2016, management critically reviewed the business in order to balance these risks, restore profitability and build a stable platform for sustainable growth.

The implementation of the turnaround strategy followed intense management debates on the construction cycle over the next five years to identify key drivers and develop and implement a vision and mission (page 17) for the company, based on our core strengths.

Strategy

Progress on our three-tiered strategy in 2016 is summarised on page 17, while our near-term and longer-term targets are shown below:

Strategic focus	Objective	Mitigates	Targets 2017
Growth • Organic • Procure new business • Improve financial performance.	**Organic growth** • Doing more with what we have to improve returns • Business development initiatives • Vertical integration for improved business value.	• Ability to secure new work • Cost pressures for related services.	• Increasing operating margins.
	Procure new business • Market intelligence • Identify opportunities.	• Reliance on tendered work.	• Order book growth to 2.5 times revenue.
	Improve financial performance • Improve customer cash receipt cycle • Settle legitimate claims speedily • Structure balance sheet appropriately • Align supplier-subcontractor payments to our customer receivable cycle • Arrest further losses on distressed projects.	• Need for working capital facilities • Volatility in earnings.	• Optimise the working capital cycle • Reduction in lead times for claims resolution.
Asset productivity	• Deliver at a better rate (outperform competitors and excel at winning tenders profitably) • Manage scope of work (negotiate scope changes while maintaining positive relationships) • Improve operational cost management • Improve agility (flexible and responsive to change) • Significantly improve productivity (on-site activity improvement).	• Probability of loss-making contracts • Reduction in order book.	• 5% improvement in productivity on site • Overhead cost reduction to 4% of revenue.
Corporate culture	• Review all businesses to determine their fit in the Basil Read strategy and develop clear action plans based on this analysis • Assess policies and procedures against the requirements of the restructured company • Transform corporate culture to align with strategy for a better and more valuable business.	• Retraining employees when redeployed internally • Ability to attract and retain talented individuals. • Teamwork, empower staff, trust, respect and lead by example.	• Common policies and procedures in key areas by end 2017 • Transformation barriers continuously eliminated.

Strategy context continued

Key performance indicators

KPI	Strategic focus area	Target 2016	Actual 2016	Long-term target
Total revenue	Growth – organic	R5 billion	R5.1 billion	Growth at more than CPI
Net profit	Growth – organic	Net margin of 3%	(R53.6 million)	Increasing margin through improved efficiencies and sound project execution
Order book	Growth – procure new business	R10 billion	R12.3 billion	Improve to 2.5 times revenue
Cost management	Asset productivity	Overheads at 5.6% of revenue	6.2%	Operating sustainably on single-digit margins; overheads at 4% of revenue
Safety and health	Corporate culture	Disabling injury frequency rate (DIFR): <0.17 Fatalities: zero	0.17 Zero fatalities	DIFR: <0.06 Fatalities: zero
Employment equity	Corporate culture	Lower staff turnover	HR strategy aligned with employment equity plan to enhance transformation	A transformed company at all levels
Training and development	Corporate culture	Develop and implement talent management process	Invested R10 million in training and development	Training spend of 6% of total payroll
Employee engagement	Corporate culture Asset productivity	Improve work engagement levels of employees	Improved training and development, communication, performance management and leadership culture	30% of employees experiencing high work engagement levels (employee engagement survey)
CSI	Corporate culture	Implement a coordinated CSI strategy	40% of R6.1 million in CSI spend, allocated to education at primary and high school level	Minimum of 1% of net profit spend per year
Compliance with dti scorecard	Growth – organic	Renewal of BBBEE certificate, audited under the dti's Codes of Good Practice	Obtained a level 3 grading	Improving our score to at least level 2 to facilitate our competitiveness

Awards

Construction World Best Projects awards

- These awards recognise excellence in planning and executing projects and are an industry highlight. Best Projects is the only award that recognises excellence across the South African construction world, from civil engineering and building contractors, to specialist contractors and suppliers, to professional services. This year, 58 entries were received in seven categories.
- Basil Read's roads division won two awards for its Bruma Lake rehabilitation project.
  - The Bruma Lake project was judged the overall winner in the sustainable projects category and received the highest commendation for civil engineering contracts. The client for this contract was the Johannesburg Development Agency, on behalf of the City of Johannesburg.
  - Our Savanna City reservoir project received a special mention in the public-private partnership award category.

IMESA/CESA awards

- Our Redhouse Chelsea interchange and arterial roads project (client Sanral) was placed first for excellence in municipal engineering in the roads and stormwater category, and third in the structures and buildings category.

Govan Mbeki awards

- Our Savanna City development won the provincial (Gauteng) and national award for best finance-linked individual subsidy programme (FLISP) project, government's highest accolade for the best performing housing contractors in all provinces and South Africa as a whole.

Chartered Secretaries integrated reporting awards

- Basil Read's 2015 integrated report received a merit award in the fledgling category.

Chairman's statement

Paul Baloyi | Chairman

The lack of quality projects and growth points continued to dog the construction sector in the year to 31 December 2016, as reflected in results across the industry.

In Basil Read's case distressed legacy projects had a greater impact on results. Pleasingly, by finishing the Olifants River project, we will remove the last legacy costs from our system.

Our key focus for the period was successfully bedding down divisions under the new operating model. The introduction of a new financial system is already delivering better efficiencies.

A bigger concern for the company is the depletion of value at shareholder level due to a mix of factors. Basil Read was a significant participant in resolving the voluntary rebuilding programme or VRP with government (see page 11). While this was finalised at a significant cost to the company, we believe it sends the right message to industry participants on bad practice and should serve as an effective deterrent.

The directors and senior management endorse the Code of Governance Principles and Report on Governance, referred to as King III. Considering the size of the company, the board believes it complies with King III as well as the Listings Requirements of the JSE Limited. The company regularly reviews its corporate governance policies and practices, striving for continued

Zero fatalities
in the reporting period

improvement. The directors have noted the implementation of King IV in April 2017, and a process to ensure compliance is under way.

We continue to monitor the effectiveness of policies and actions to ensure the right behaviour is inculcated in the way Basil Read does business. We believe the way parties contract in the sector requires ongoing monitoring, particularly the current contract dispute-resolution mechanism. The impact this may have on emerging contractors is unlikely to be nurturing.

Given the construct and spirit within which the VRP was agreed to, we are cautiously optimistic that we may see some progress in rolling out infrastructure projects, as this is the single-biggest success factor to achieving the desired outcomes of agreed programmes. While there is little we can do about the state of the construction sector, a number of strategic options are being explored that should have a positive impact on the company's performance.

In the year ahead, community unrest is expected to remain a significant issue across the industry. We have increased our stakeholder engagement to ensure we continue to meet expectations.

We are cautiously optimistic about the year ahead, despite sector issues. We ended 2016 with an increased order book; more importantly, our order book spans several years at increased operating margins. While this will stretch the available resources, we have budgeted carefully for project execution on planned resources.

After a challenging year for Basil Read, my sincere appreciation goes to the executive and staff for navigating through the many pitfalls.

Amanda Wightman resigned as executive director and chief financial officer on 30 September, and Talib Sadik was appointed to those roles on 1 October 2016. On behalf of the board, I thank Amanda for her valuable contribution to the company over many years and wish her well in her future endeavours. Talib has a strong track record in financial management, and we look forward to his contribution.

To the board members, I continue to value their collective wisdom in assisting the company in the ensuing year.

Paul Baloyi
Chairman
31 March 2017

Chief executive officer's report

Neville Nicolau | Chief executive officer

We are proud to announce zero work-related fatalities and an improved safety performance for the reporting period, reflecting our unwavering commitment to the safety of our people. However, three employees died in two road accidents on our sites that were not work-related, and we extend our condolences to their friends, families and colleagues. These incidents were mainly due to the carelessness of road users on our sites.

As a company, we are concerned about the prevalence of road traffic incidents in South Africa. Given that we have a number of road-construction projects, the general public as well as our employees and contractors are subject to the hazards these present. We therefore proactively monitor these incidents and we again appeal to the public to adhere to all safety signage, speed limits and other instructions given when driving in demarcated operational areas.

Strategic progress

Basil Read Holdings Limited has been restructured from a group of companies with subsidiaries, to a company with divisions. We have made steady progress in consolidating the business into operating divisions, reducing and aligning overheads with the underlying business, eliminating non-core and loss-making units and implementing a standard financial, commercial and human resource system.

To increase the focus on our developments business, this was segmented into a separate division under the leadership of the executive for business development at the start of 2016. Similarly, given its growth prospects, the roads business was separated into a standalone division.

In a related development, Basil Read and other major construction companies entered into an agreement with the government of South Africa on a programme of initiatives to accelerate transformation of the local construction sector. The financial impact for Basil Read is detailed on page 24, while the transaction is discussed on page 3 of the annual financial statements.

Order book of

R12.3 billion

2016 performance

Results for the year reflect disciplined progress in implementing our new operating model, managing costs and finally clearing the impact of legacy projects. Our major loss-making contract, the Olifants River water resource development project for client, TCTA, will be complete in early 2017 and final claims submitted. The case study on pages 50 and 51 is an honest reflection of the impact this has had on our company.

Three of our divisions (developments, mining divisions and St Helena airport project) produced healthy contributions, underpinned by good operating performances and profitable new work.

Our mining division produced strong results, despite a subdued sector, reflecting the benefits of strong client relationships and cost management. The division closed the year with an order book above budget.

Our St Helena airport project continues to pass important milestones, such as airport certification. The facility is making a real difference to the lives of residents on this remote island, with several emergency medical evacuations undertaken in 2016. Apart from managing the airport for another nine years, our team is negotiating further work with the client.

Our developments division made good progress with existing developments during the year, and has a strong pipeline of future projects at various stages.

As noted, our construction division was affected by the loss on the Olifants River project, and site-specific challenges, most notably community disruption.

Losses in our roads division reflect the delayed start of new projects, additional costs from remaining distressed contracts and the suspension of works on a project in Zambia.

By concentrating on cash management during the year, as detailed by the financial director, we largely maintained our cash balances.

In line with our strategy to dispose of non-core assets, we concluded the sale of SprayPave (Pty) Ltd on 1 February 2016 for R65.6 million, realising a loss of R32.8 million, and closed the pipelines business.

In 2016, we implemented financial systems (Buildsmart and Hyperion) as well as an HR and payroll system (Sage People) to enable better information management and reporting from operational level to the corporate level. This has facilitated decision-making and Basil Read now has a single accounting and procurement system throughout the organisation. Benefits include increased efficiency and reduced overheads through more effective shared services, while the availability of timely and accurate information supports better cost management across all areas of operation. The Sage People system provides a global view of information on the entire workforce and skills available, while employees have a single point for all pay, leave and performance management records in a user-friendly system.

Given that managing overheads is key to a sustainable business, the corporate office salaried staff complement is being reduced to bring the overhead cost in line with turnover. To support this, we are critically examining structures to centralise

Chief executive officer's report continued

support functions such as supply chain, SHE (safety, health, environment), quality, finance and HR to remove duplication, share resources and create a cost-effective, scalable overhead model. With the process 80% complete at the report date, the annual overhead saving will be around R41 million at a once-off cost of R14 million.

Socio-economic development

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

Under our formal CSI strategy, we are committed to spending 1% of net profit after tax on socio-economic development, with a minimum of R3 million if we record a loss in any financial year.

Geographically, we focus on the provinces of Limpopo, Eastern Cape and Northern Cape, which receive the least CSI funding nationally, and on:

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

Despite recording a loss in 2016, we spent over R6 million on CSI, 41% of which was invested in education.

Prospects

Our focus remains on the southern African market, including South Africa, given the need for infrastructure to stimulate the economy, while positioning ourselves to partner with existing clients as they expand their operations in southern Africa.

Our order book has increased to R12.3 billion (2015: R10.7 billion), at a gross profit level of R1.4 billion and gross margin of 11.4%. It is a good balance between the construction, roads and developments divisions and St Helena airport project (R6.9 billion) and mining division (R5.4 billion) and reflects our ability to trade despite challenging market conditions. The potential profit of the order book is reasonable and should allow Basil Read to significantly improve its profitability in a difficult environment.

With the Olifants River project nearing final handover, our operations will be significantly more efficient as this is the final highly distressed contract, and associated cash drain, in Basil Read.

We continue to implement our three-tiered strategy. We are focused on growing the company to minimise the impact of cyclical volatility by reinventing business development, increasing our order book and transformation to make our company more demographically representative. Discussions are under way on a transaction that could result in Basil Read becoming a black-owned company.

We are also concentrating on extracting maximum value from our assets. This includes rightsizing overheads, improving project execution, driving supply-chain efficiencies and improving cash flow management. After eliminating non-core and distressed contracts, Basil Read can now continually improve operating performance by strengthening on-site project teams, improving project delivery and productivity, driving efficiencies and seeking higher-margin projects in the private sector and outside South Africa.

The third strategic pillar is developing a strong corporate culture. Our new corporate values are aligned with our strategy and allow us to harness the collective and disciplined efforts of a representative Basil Read team in building a significantly better and more valuable business. In addition, industry transformation remains a key state and sector objective to foster a collaborative relationship with government bodies. We are prioritising this as a strategic initiative, as is evident in the recent settlement agreement between government and the construction sector.

Appreciation

Basil Read has weathered another difficult period, characterised by much change but made possible by the calibre of our people. I thank you for your hard work and focus on making safe, profitable projects a way of life in Basil Read. We pay special tribute to Jimmy Johnston, who most recently spearheaded our St Helena airport project but has devoted a 40-year career to Basil Read. We will miss his expertise and his personality – we wish you a long and healthy retirement Jimmy.

I also thank our loyal clients, suppliers and stakeholders whose support underpins our success, and our board of directors for ongoing counsel and commitment.

Neville Nicolau

Neville Nicolau
Chief executive officer

31 March 2017

Financial director’s report

Talib Sadik | Chief financial officer

Basil Read faced challenging conditions in the 2016 reporting period. Total operating profit declined from the prior year, mainly due to certain non-trading and capital items, as well as one remaining distressed contract to be finalised by mid-2017.

Our focus remains on setting up a robust and sustainable platform for safe, profitable projects. We will achieve this by continuing to divisionalise the business, eliminating non-core businesses, implementing standardised systems, reducing cost and improving the quality and timing of information. While good progress has been made, trading conditions were difficult, given limited public-sector infrastructure spend and increased competition.

Financial performance

	2016 actual	2015 actual
Revenue	**R5.1 billion**	R5.5 billion
Operating profit	**R63.7 million**	R226.2 million
(HLPS)/HEPS	**(21.79 cents)**	120.28 cents
Net (loss)/profit for the year	**(R53.6 million)**	R171.2 million
Order book	**R12.3 billion**	R10.7 billion

Revenue was comparable at just over the R5 billion mark, with the reduction reflecting the disposal of non-core businesses during the year.

The net loss for the year was specifically due to certain key events:

- Closure of the pipelines unit in the construction division
- Sale of a subsidiary, SprayPave (Pty) Ltd
- The loss-making and distressed Olifants River water resource development project
- The settlement agreement with the South African government.

Financial director's report continued

Operating profit of R63.7 million includes R61 million losses incurred on the Olifants River project, as well as a R32 million loss from the pipelines division, which we closed at year-end.

Before-tax profit from continuing operations of R4.6 million includes a present-value charge of R41 million under the settlement agreed with the government of South Africa (refer to SENS announcement on 11 October 2016).

The after-tax loss of R53.6 million includes a tax expense of R25.4 million, incurred mainly from profits generated in subsidiary companies domiciled outside South Africa as well as the noted loss on the sale of SprayPave.

Olifants River pipeline project: As noted, operating profit was affected by losses on this project of R61 million in 2016. Regular meetings are held with the client and its consulting engineer on resolving claims. Based on our success rate in resolving claims, management is confident that outstanding claims will be resolved in 2017. Outstanding claims at the end of December 2016 were R307 million, with an additional R98 million to be submitted in the first half of 2017.

Closure of the pipelines unit: The pipeline division operated in the competitive space of infrastructure pipelines and bulk-water supply schemes. While the CEO details the reasons for closing this unit, in the review period it generated a loss of R32 million.

Sale of SprayPave: On 1 February 2016, the group disposed of 100% interest in SprayPave (Pty) Ltd. Basil Read realised proceeds on the sale of R65.6 million, resulting in a loss on sale of R32.8 million.

Voluntary rebuilding programme (VRP) settlement agreement: In terms of this settlement, a present-value charge of R41 million (R120 million payable over 12 years) was incurred.

Divisional operating profit

	2016 Rm	2015 Rm
Construction	**(107.7)**	(17.6)
Developments	**15.9**	15.4
Mining	**111.6**	83.5
Roads	**(41.9)**	49.3
St Helena airport project	**85.8**	95.6
Total	**63.7**	226.2

On a divisional basis, construction and roads made operating losses, negated by operating profits from the other divisions. The operating loss in the construction division was largely due to the R61 million loss from the Olifants River project, which we intend to complete in 2017. A cost-to-completion provision of R52 million has been accounted for at year-end.

With limited opportunity to significantly grow revenue in current macro-economic conditions, our focus remains on operational efficiencies and reducing the overhead base. This includes centralising support functions, removing duplication, shared resources and creating a cost-effective, scalable overhead model.

Having eliminated non-core and distressed contracts, Basil Read can now continually improve on operating performance by strengthening on-site project teams, improving project delivery and productivity, driving efficiencies and seeking higher-margin projects in the private sector and outside South Africa.

Financial position

Property, plant and equipment reduced by R117 million from the prior year to R799 million in 2016, mainly due to the annual depreciation charge exceeding capital expenditure for the year. Maintaining our fleet remains a priority; however, purchasing new equipment is subject to the availability of asset-backed finance facilities and cash resources.

Work in progress reduced by R90 million to R342 million at year-end, due to a more disciplined invoicing process as part of the focus on cash management, as well as a smaller number of outstanding roads contracts at year-end compared to the prior year. Contracts income received in advance reduced by R385 million, mainly due to the first phase of the St Helena airport project being finalised in the review period.

Group debt increased by R99 million to R438 million in 2016. Basil Read Limited secured a R200 million facility, comprising a R140 million working capital facility and a R60 million revolving credit facility from the Industrial Development Corporation (IDC). By year-end, the company had fully used the working capital facility, with the revolving credit facility expected to be drawn in the first half of 2017. In total, R29 million in outstanding bonds was settled in December 2016. The only outstanding bond under the domestic medium-term programme is BSR17 for R50 million, due 19 June 2018.

The net cash balance at 31 December 2016 declined by R13 million from the prior year to R458 million. Cash management was emphasised throughout the year and the process will be further enhanced by implementing a treasury system in 2017. We are targeting centralised cash management at corporate

Revenue

R5.1 billion

level, with divisionalised accountability for liquidity requirements based on approved borrowing limits with the centralised treasury.

Contingent liabilities

- Sladden International (Pty) Ltd, a Botswana-domiciled subsidiary, is defending a legal claim from a subcontractor. Management has been advised by legal counsel that if the defence is unsuccessful, the potential liability to Sladden is some R61 million.
- A foreign-domiciled subsidiary is engaged in a tax administration query with the authorities of that country relating to the basis on which value-added tax was calculated and paid. Basil Read management is seeking guidance from in-country tax practitioners on possible mechanisms to resolve this matter. Although no provision has been raised, management believes the maximum potential exposure is some R29 million.

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 airport project	851 997	1 316 173
Total	12 343 088	10 741 193

The Basil Read order book has increased to R12.3 billion (2015: R10.7 billion), at a gross profit level of R1.4 billion and gross margin of 11%. It is a good balance between the construction, roads, developments and St Helena airport project (R6.9 billion) and mining divisions (R5.4 billion); and reflects Basil Read's ability to trade despite challenging market conditions. The potential profit of the order book is reasonable and should allow the company to significantly improve its profitability in a challenging environment.

With the Olifants River project nearing its final handover, Basil Read's operations will be significantly more efficient as this is the final highly distressed contract (and associated cash drain) in the company.

Corporate activity

As per recent SENS announcements, Basil Read is currently in discussions with a partner on the potential private placement of shares that would result in Basil Read Holdings becoming a black-owned company which will improve its competitiveness in the local market.

Enhancement to financial statements

In the reporting period, the group and company adopted the amendment to IAS 1 which clarified that materiality applies to the whole set of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.

As part of this adoption, the company assessed the effectiveness of disclosures in the annual financial statements and, where necessary, removed immaterial and unnecessary information. The result is a set of financial statements with a different look and feel to prior results. For further information, please refer to the annual financial statements.

Finance systems

In the reporting period, implementation of the financial systems, as well as a human resources and payroll solution were finalised.

Basil Read now has a single accounting and procurement system. The benefits include increased efficiency and reduced overheads by enabling more effective shared services across the organisation. The availability of more timely and accurate information has also supported better cost management and decision-making across all areas of operation.

In 2017, the focus will be on implementing an integrated treasury system to improve and centralise cash management, reduce finance charges and improve overall treasury controls.

Dividends

Due to the difficult trading environment and need to retain working capital, the board of directors has resolved not to declare a dividend. The board will continue to reassess the working capital position and cash requirements of the group and the impact this has on the dividend policy.

Appreciation

I thank every member of the Basil Read team for contributing to the company's success in the review period and I look forward to your continued commitment and support. Special thanks to the finance team for their efforts to improve the financial systems and to timeously finalise the year-end process.

Talib Sadik
Financial director

31 March 2017

Five-year review

for the year ended 31 December 2016

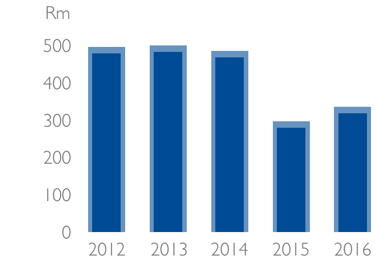
Consolidated statement of profit or loss and other comprehensive income

	2016 R000	2015* R000	2014* R000	2013* R000	2012* R000
Contract revenue	**5 126 085**	5 519 979	6 261 441	6 304 580	5 493 465
Contract execution costs	**(4 727 734)**	(5 000 034)	(6 566 668)	(5 723 663)	(5 193 260)
Other income	**3**	66	(13 052)	7 207	25 230
Other administrative and operating overheads	**(334 617)**	(293 814)	(659 753)	(339 591)	(469 258)
Operating profit	**63 737**	226 197	(978 032)	248 533	(143 823)
Financing income	**8 868**	21 077	28 520	45 701	20 162
Net foreign exchange movements	**31 882**	(9 728)	1 686	33 374	(5 823)
Financing expense	**(50 117)**	(46 740)	(52 705)	(65 405)	(99 022)
Non-trading and capital items	**(40 788)**	–	–	–	–
Share of profits/(losses) of associates and joint ventures	**(8 981)**	40 536	31 736	45 166	44 812
(Loss)/profit before taxation	**4 601**	231 342	(968 795)	307 369	(183 694)
Taxation	**(25 419)**	(39 704)	147 916	(25 899)	14 593
Result on disposal of discontinued operation	**(32 828)**	(20 425)	–	–	–
(Loss)/profit for the year	**(53 646)**	171 213	(820 879)	281 470	(169 101)
(Loss)/profit attributable to:					
Owner of the company	**(64 128)**	180 761	(789 938)	310 742	(170 384)
Non-controlling interests	**10 482**	(9 548)	(30 941)	(29 272)	1 283
Net (loss)/profit for the year	**(53 646)**	171 213	(820 879)	281 470	(169 101)

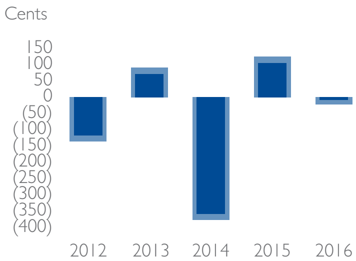
Reclassified.

	Notes	2016 R000	2015 R000	2014 R000	2013 R000	2012 R000
STATISTICS						
Earnings/(loss) per share (cents)		**(48.70)**	137.27	(599.87)	235.97	(136.54)
Diluted earnings/(loss) per share (cents)		**(48.70)**	137.27	(599.87)	235.97	(136.54)
Headline earnings/(loss) per share (cents)		**(21.79)**	120.28	(362.08)	88.16	(130.84)
Diluted headline earnings/(loss) per share (cents)		**(21.79)**	120.28	(362.08)	88.16	(130.84)
Interest cover (times)		**1.22**	4.39	(12.33)	4.78	(1.16)
Operating margin (%)		**1.24**	3.71	(10.33)	4.96	(1.76)
Voluntary rebuilding programme		**40 788**	–	–	–	–
Write down of development land		**2 881**	–	80 565	22 572	26 607
		43 669	–	80 565	22 572	26 607

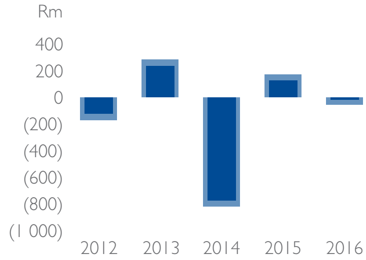
Administrative and operating overheads



Headlines earnings/(loss) per share



Net profit/(loss) after tax



Five-year review continued

for the year ended 31 December 2016

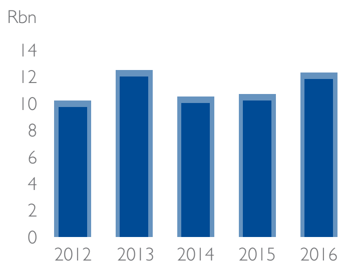
Consolidated statement of financial position

	2016 R000	2015* R000	2014* R000	2013* R000	2012* R000
Assets					
Non-current assets	**1 390 758**	1 500 501	1 669 708	1 908 383	1 995 324
Property, plant and equipment	**799 092**	915 856	1 080 248	1 138 147	1 272 127
Investment property	**6 112**	6 590	5 826	5 730	–
Investments	**177 524**	187 689	183 089	232 041	185 307
Intangible assets	**90 782**	91 640	99 938	411 829	412 689
Deferred taxation	**317 248**	298 726	300 607	120 636	125 201
Current assets	**1 883 907**	2 017 657	2 552 957	2 804 193	2 598 877
Contract work in progress	**342 354**	433 237	378 466	129 691	202 461
Trade and other receivables	**699 900**	766 701	905 494	941 954	780 354
Inventories	**35 229**	25 939	33 067	41 958	81 236
Development land	**259 607**	262 679	268 022	363 120	402 375
Derivative financial instrument	**623**	2 885	–	2 577	–
Taxation	**28 681**	19 371	57 093	66 768	53 764
Cash and cash equivalents	**517 513**	506 845	910 815	1 258 125	1 078 687
Non-current assets held for sale	**–**	104 203	53 112	–	773 540
Total assets	**3 274 665**	3 622 361	4 275 777	4 712 576	5 367 741
LIABILITIES AND EQUITY					
Non-current liabilities	**348 166**	221 087	259 965	309 768	376 266
Borrowings	**300 378**	182 134	215 898	263 086	327 437
Deferred taxation	**47 788**	38 953	44 067	46 682	48 829
Current liabilities	**1 792 406**	2 155 388	2 970 241	2 531 550	2 971 490
Contract income received in advance	**330 321**	715 432	1 102 385	1 095 096	1 079 113
Trade and other payables	**934 327**	734 163	1 180 026	1 043 180	1 120 153
Borrowings	**137 760**	157 798	273 594	163 314	562 980
Derivative financial liability	**–**	–	223	1 395	2 506
Provisions	**299 167**	497 523	318 766	134 651	162 915
Taxation	**31 794**	15 034	5 011	38 273	11 970
Bank overdraft	**59 037**	35 438	90 236	55 641	31 853
Non-current liabilities held for sale	**–**	22 334	10 019	–	195 663
Total liabilities	**2 140 572**	2 398 809	3 240 225	2 841 318	3 543 419
Equity	**1 141 978**	1 245 728	1 133 544	1 909 465	1 799 554
Stated capital	**1 048 025**	1 048 025	1 048 025	1 048 025	1 048 025
Other reserves	**2 361**	41 983	24 006	9 989	875
Retained earnings	**91 592**	155 720	61 513	851 451	750 654
Non-controlling interest	**(7 885)**	(22 176)	(97 992)	(38 207)	24 768
Total liabilities and equity	**3 274 665**	3 622 361	4 275 777	4 712 576	5 367 741

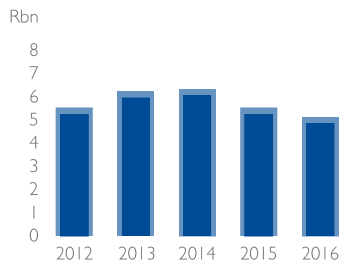
Reclassified.

	2016 R000	2015 R000	2014 R000	2013 R000	2012 R000
STATISTICS					
Number of ordinary shares in issue (000)	**131 686**	131 686	131 686	131 686	131 686
Number of "A" ordinary shares in issue (000)	**33 608**	33 608	33 608	33 608	33 608
Net asset value per share (cents)	**867.20**	945.98	860.79	1 450.01	1 366.55
Tangible net asset value per share (cents)	**798.26**	876.39	784.90	1 137.28	1 053.16
Current ratio (times)	**1.05**	0.94	0.86	1.11	0.87
Return on shareholders' interests (%)	**(5.37)**	15.19	(51.92)	16.76	(9.43)
Return on total average tangible assets (%)	**1.9**	5.41	(16.04)	6.74	–
Average price per share (cents)	**298**	358	693	837	1 216
Debt:equity ratio (times)	**0.26**	0.15	0.19	0.14	0.18

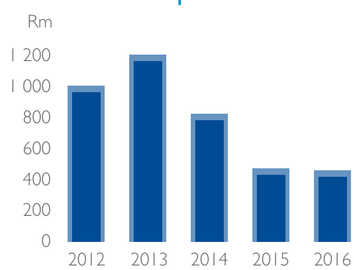
Order book value



Revenue



Cash and cash equivalents



Safety and health

To maintain our international certification for safety and health (OHSAS 18001), we set specific targets in 2016.

	Policy	Objective	Performance indicator	Target 2016	Actual 2016	Target 2017
Safety	Aspiring for all our operations to be zero-harm workplaces	To eliminate fatalities in our operations	Number of fatalities	Zero	Zero	Zero
		To continuously reduce the number of disabling injuries in our operations	Disabling injury frequency rate (DIFR)	<0.17	0.17	0.15
	Implement systematic processes of hazard identification, risk assessment and risk treatment	Review of all baseline, issue-based risk assessments for all divisions	Number of divisions with complete risk and controls registers	50% by end 2016	25%	75%
	Create and maintain a supportive culture	Entrench visibly felt leadership (VFL) throughout Basil Read	Number of visibly felt leadership (VFL) visits per site per manager/supervisor	One VFL visit per week per manager/supervisor	Under way	One VFL visit per month per manager/supervisor
Health	Implement a comprehensive health and wellness programme	Prevent new cases of occupational illnesses resulting from exposure to our activities	Number of new cases	Zero	Zero	Zero
		Promote the use of the primary health clinic to manage chronic illnesses	Number of awareness sessions	One session every three months at corporate office	Five awareness sessions	One session every three months at corporate office, and a session for every site visited by the mobile clinic

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

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

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

Following a surveillance audit late last year, Basil Read retained its OHSAS 18001 certification for occupational health and safety.

Safety

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

We are making good progress in rolling out the VFL process, where leaders of all levels are required to visit and converse with employees at their workplaces to understand the day-to-day safety challenges they face. Our SHE department has launched a campaign to promote safe behaviour by finding people doing the right things and publishing their stories to encourage other employees to follow suit. In addition, every meeting starts with a safety moment, highlighting an at-risk behaviour and emphasising controls to stay safe.

Pleasingly, our safety performance improved in 2016 and we achieved our DIFR target of 0.17 representing a 23% improvement on the 2015 DIFR performance of 0.22. Although DIFR is a lagging performance indicator, it is a tangible demonstration of management's commitment in the journey towards zero harm. Executive management has committed to a 10% DIFR improvement target for 2017.

All incidents, regardless of the severity of the injury sustained, are exhaustively investigated and lessons learned are communicated to all sites across the company to prevent similar incidents.

Safety highlights for 2016

By December 2016, the mining division had reached a milestone by exceeding 5 million hours worked without a lost-time injury (LTI). This translates to one year without an LTI, the first in five years.

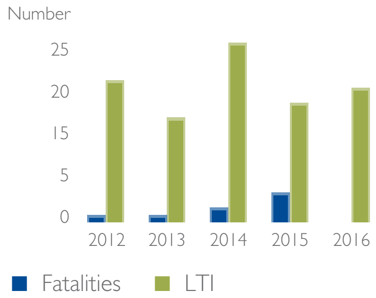
A certificate of safety excellence in pursuit of zero harm was awarded to Basil Read by De Beers at its global safety day event at Venetia mine, recognising an outstanding contribution to safety improvement on site.

The construction division recorded outstanding safety performances on three sites:

- Medupi Ash Dumps: 5 million hours without LTI
- Olifants River water resource development project: one year without LTI
- Port Shepstone magistrate's court achieved second place in the Master Builders regional safety competition.

Disappointingly, the roads division recorded a DIFR of 0.31 for 2016 against the company target of 0.17.

Fatality



Occupational health

Targets	2016 actual	2017 target
Zero new cases of occupational illness	0	0
One health promotion session per quarter	4	4

At Basil Read, we believe that protecting our employees is not just about keeping them safe at work. It is about helping them remain healthy by understanding their health risks as well as ensuring they understand the safety and environmental risks.

In its third year, the Basil Read in-house clinic conducted 3 930 (2015: 3 890) medical examinations to determine fitness for work, and a medical surveillance programme comprising:

- Pre-employment
- Periodic/annual
- Exit medical examinations.

The primary health clinic based at the Basil Read corporate office continues to record rising numbers of employees using this service monthly. Importantly, it is helping employees to manage and control chronic diseases. We are attempting to address the challenge of managing employees with chronic diseases on site by deploying a mobile health clinic to test these employees on the various sites to improve compliance.

For 2017, the Basil Read occupational health clinic will focus on extending health education and managing chronic illnesses to project sites, using our mobile clinic.

Employee wellness

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

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

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

Environment

Environmental strategy

Flowing from the Basil Read environmental policy, last year we refined and quantified our strategy for 2017 to minimise our impact on the natural environment.

Vision	Minimise harm to the environment by working in an environmentally responsible manner		
Mission	Become a company with continuously lower environmental impacts and a leader in environmental good practice in the construction industry		
Strategic focus	Grow Basil Read by conducting business in an environmentally sustainable way	Proactive environmental risk management	Entrenching a culture of zero harm
Strategic targets (2015 baseline)	Reduce carbon emission intensity by 5% (×) Reduce energy consumption by 5% (×)	Reduce environmental incidents by 5% (✓)	Continuously empower staff on environmental issues (➔)

In addition, we set specific targets in 2016 to maintain our international certification for environmental management (ISO 14001).

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

✓ Target met × Target not met ➔ Ongoing

Key activities during the year

Our 2016 response to the global carbon disclosure project (CDP) was scored at B- (2015: 91C), indicating both improved disclosure and performance. Our disclosure compared favourably with industry averages.

Environmental focus areas included:
- Establishing a waste recycling station to promote recycling
- Environmental awareness campaigns throughout the year
- Promoting the use of green products
- Sourcing environmentally friendly products or companies committed to environmental sustainability, where possible, in partnership with the procurement department.

Performance

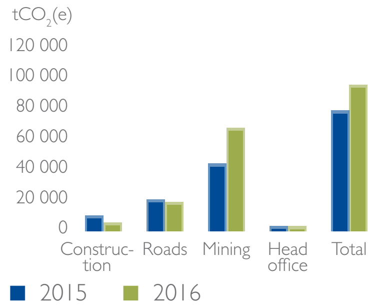
Carbon emissions

Our carbon emission report was compiled according to ISO 14064:1, ENCORD (the construction CO_2(e) measurement protocol), as well as the greenhouse gas (GHG) protocol guidelines, and covered only activities over which we have control. By applying these principles, the GHG inventory is a fair representation of the company's related emissions.

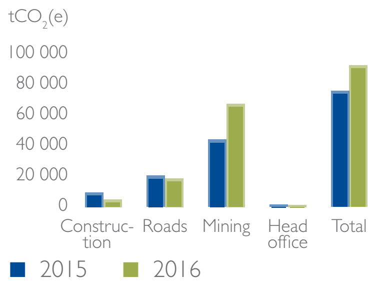
In line with international best practice, data was collected on direct emissions (scope 1), indirect emissions (scope 2) and other indirect emissions (scope 3). Direct emissions are those from sources owned or controlled by the company. An indirect emission is the result of Basil Read's activities, but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

Our carbon footprint quantifies and reports emissions associated with the following activities:
- Scope 1: fossil fuel consumption – diesel and petrol
- Scope 2: use of national electricity grid
- Scope 3: business travel (road and air).

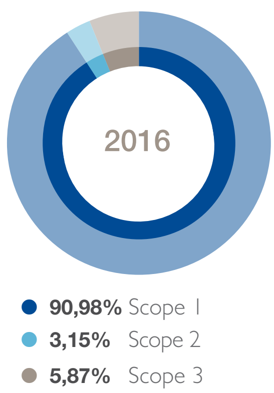
Operations – scope 1 and 2



Carbon emissions – scope 1 (petrol and diesel)



All emissions (scope 1, 2 and 3)



The 2016 carbon footprint has increased to 99 960 tonnes CO_2(e) from 93 261 tonnes CO_2(e) in 2015.

Emission intensity	2016	2015	2014
Employee intensity	21.8	18.5	13.84
Financial intensity	0.020	0.017	0.012

Energy consumption for 2016 was 1 231 388 GJ compared to 1 019 041 GJ in 2015.

Water

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

Basil Read monitors water consumption at all operations. The company used 4 043 Mℓ (2015: 3 403 Mℓ) in the review period.

Water figures	2016	2015
Construction and roads	258 Mℓ	234 Mℓ
Mining	3 785 Mℓ	3 145 Mℓ
Total Basil Read water figures	4 043 Mℓ	3 403 Mℓ

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

Waste

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

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

Key challenges

Climate change

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

Our risks include:

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

Environment continued

Environmental incidents

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

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

Environmental awareness

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

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

Looking ahead

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

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

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

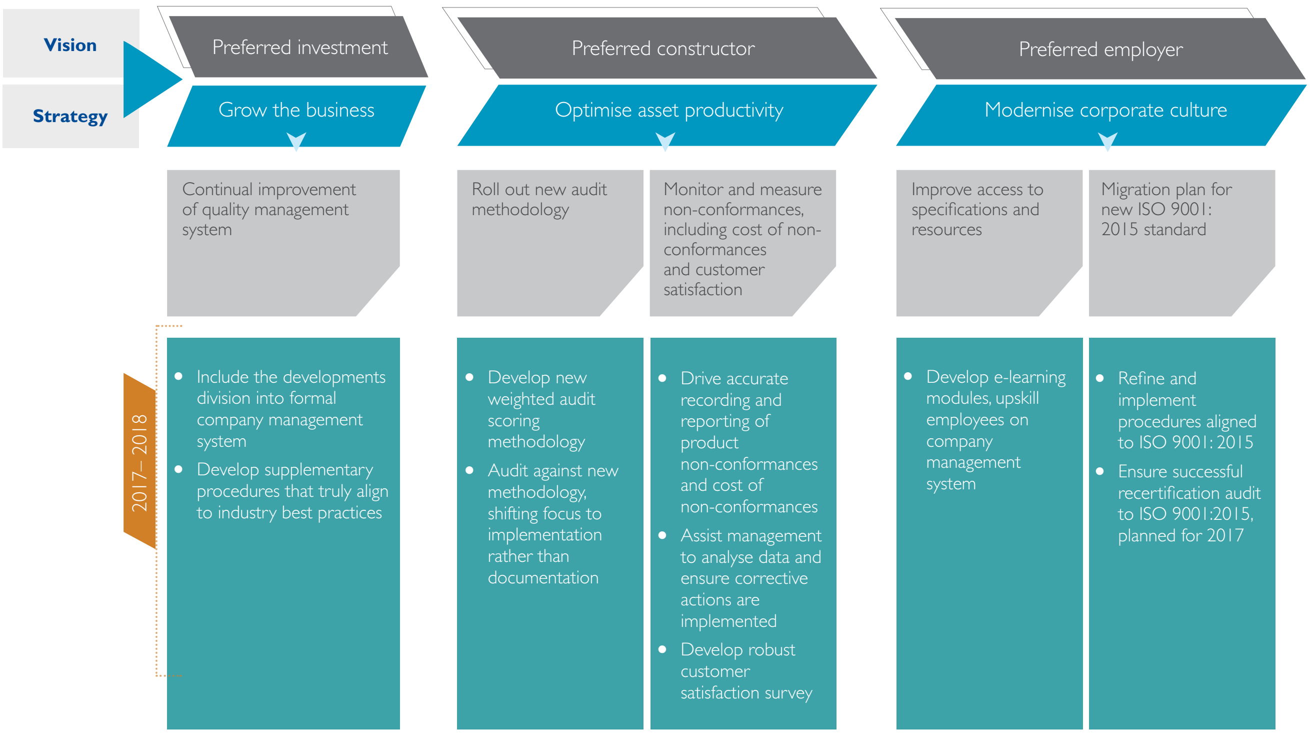
Quality

Strategic focus for 2017 – 2018

To align with the Basil Read vision and mission, our focus will be to foster a quality culture with the objectives of developing, engineering and striving to provide products and services with zero defects that are trusted and preferred by our customers.

We will continuously challenge ourselves to improve the quality management system and encourage quality responsibilities among all our employees to protect our customers and our brand.

The alignment of the quality assurance strategy is shown below:



Key activities during the year

Our focus areas for 2016 included:

- Retain our certification – although our system is still in its infancy, we planned to update and modify all areas that required improvement
- We expected the roll out of the ISO 9001:2015 standard and planned to implement the required changes
- Improving communications between auditors and executives, specifically reporting and rectifying observations and findings after internal project and departmental audits
- Managing and controlling outsourced processes, including those for suppliers, consultants and subcontractors
- End-product quality, relating to both actual quality and the cause and impact of any required rework.

Key milestones in 2016

- We retained our ISO 9001:2008 certification. Based on the British Standards Institution (BSI) surveillance assessment, it was evident that our system has continuously improved. The objective of this assessment was to ensure that elements of the scope of certification and requirements of the management standard were effectively addressed by the Basil Read management system and that it demonstrates the ability to support achieving statutory, regulatory and contractual requirements as well as our specified objectives.
- We made good progress on updating our existing quality management system, in line with the new ISO 9001:2015 requirements.
- The introduction of Opsco meetings has improved internal communication with our divisions.
- We introduced a risk framework in response to the requirements for the 2015 standard.
- Improvements in managing and controlling outsourced processes, including suppliers, consultants and subcontractors.
- End-product quality, relating to actual quality as well as the cause and impact of any required rework. This included establishing a benchmark for cost of non-conformance.

Our people

Strategy

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

Vision	Preferred investment	Preferred contractor	Preferred employer		
Strategy	Grow the business	Optimise asset productivity	Modernise corporate culture		
HR strategic goals	Prepare, grow and protect talent	Improve competence to enhance operational performance	Improve effectiveness and performance	Create an effective and sustainable organisational and leadership culture	Unite a diverse workforce
2016 – 2017	Develop and implement talent management process	Embed management development programme	Implement recruitment and selection tools	Instil new values	Transformation plan and employment equity targets for each division
		Implement and enhance supervisory development programmes	Inculcate and improve performance management system	Leadership development programme	Diversity awareness workshops
		Support professional registration programme	Set up operator assessment centre	Digital induction system	
		Set up e-learning platform		Employee relations e-learning course	
				Organisational diagnostic surveys	

Strategic HR goals

Prepare, grow and protect talent

As part of our aim to prepare talent for future business needs, the company sponsored educational bursaries for 20 students (page 42). While bursars will have the opportunity to work full time for Basil Read after completing their studies, this will also generate a pipeline of talent for future business needs.

A new talent management policy, process and assessment framework was developed and approved in 2016. This comprehensive system will ensure Basil Read has talent readily available to meet current and future operational needs. It will assist management to identify talent needs, evaluate current talent, develop potential talent, and effectively deploy and retain talent. The new system will be implemented in 2017.

Improve employee competence to enhance operational performance

In 2016, we invested R9 859 million in the growth and development of our employees. This is summarised on page 41.

The learning and development unit focused on key learning programmes and projects to enhance operational performance:

- Management development programme (page 41)
- Supervisory development programme (page 41)
- Electronic or e-learning platform.

A Basil Read-specific management development programme was developed with the University of Stellenbosch Business School for Executive Development. This focused on extensive managerial competencies: project management, financial management, risk management, organisational systems thinking, HR management, negotiation, coaching, leadership and performance management. Of the 43 managers who completed the programme in 2016, eight achieved distinctions.

During the year, 142 foremen participated in a supervisory development programme focused on general supervisory skills such as planning, organising, leading and control. Participants will complete this programme early in 2017.

The e-learning platform set up in 2016 enables employees to complete competency-based training courses online without having to travel to the corporate office for training. Basil Read again partnered with the University of Stellenbosch Business School to develop accredited e-learning courses for each competency as per job profiles.

Employees can complete these digital training programmes in their own time and at their own pace. This will enhance the efficiency of delivering training while containing costs (travelling, accommodation and cost production), ensuring our people acquire the skills they need to perform better.

Improve effectiveness and performance

Psychometric assessments with benchmarks were standardised for all profiled positions in the company. These now form part of our recruitment and selection processes to ensure better fits between person-job and person-organisation, and to identify potential talent for future positions. We also developed an operator assessment framework with benchmarks to ensure the company selects quality operators to safely and productively run heavy plant and equipment.

Create an effective and sustainable organisational and leadership culture

Through our e-learning platform, we engaged employees on personal values, organisational values and desired company values, culminating in a new values framework and Basil Read creed.

A leadership development programme based on these values was developed in 2016 and will be implemented in 2017. An evaluation questionnaire will also be developed in 2017 to monitor and track leadership behaviour in future.

The next step to embed the new values is to incorporate these into company policies, procedures, audits, training programmes, induction programmes, recruitment and selection processes, performance management systems, communication platforms, and branding or marketing campaigns. Follow-up assessments will monitor and track behavioural change in the company.

Unite a diverse workforce

The final HR objective for 2016 was to develop and implement a transformation and employment equity plan for Basil Read. An employee equity committee was established to develop this plan, identify barriers in the company, and monitor transformation. This committee meets quarterly.

Training and development

In 2016, Basil Read invested R9 859 million in training 2 246 employees at an average spend of R4 389 per employee.

Training type	Spend R000
Competency-based training (training needs analysis)	607
Targeted training (learnerships, management and supervisory development programmes)	2 166
Operator training	320
Study assistance (bursaries and professional registrations)	2 292
Project-related training	2 166
Operational costs	2 308
Total	**9 859**

Management development programme

In the review period, 43 managers completed a management development programme after being nominated by divisional managing directors. This programme focuses on developing managerial skills in key categories: engineers, quantity surveyors, site agents, contract managers and plant managers.

Supervisory development programme

To address the severe shortage of relevant skills in our industry, we assessed candidates across the company in 2015, including current foremen and supervisors, to determine the level of supervisory competence. In total, 142 employees were placed on the appropriate programme in 2016: advanced, intermediate, or beginner. The total investment was over R1 million.

Our people continued

Bursary scheme

Basil Read sponsored 20 external students with educational bursaries in 2016 at a total investment of over R1.7 million.

Study field	Male	Female	African	White	Coloured	Indian
Civil engineering	11	3	8	3	1	2
Quantity surveying	1	1	2	0	0	0
Architecture	0	1	0	1	0	0
Law	0	1	0	0	0	1
Environmental sciences	0	1	1	0	0	0
Geology	1	0	1	0	0	0
Total	**13**	**7**	**12**	**4**	**1**	**3**

Employee engagement

As part of our vision to become the preferred employer, we continuously strive to enhance the work engagement levels of Basil Read employees. Work engagement is typically characterised by high energy (vigour), motivation (dedication), and focus (absorption) and has been shown to enhance productivity, performance, profitability, creativity, commitment, safety behaviour, customer satisfaction, quality output and corporate citizenship behaviour.

We regularly monitor work engagement levels via organisational diagnostic surveys. The results of our latest survey showed that the work engagement levels of Basil Read employees are higher than the South African norm. Several initiatives were implemented in 2016 to further improve these levels and reduce human capital risks in the company. These primarily focused on improving training and development, communication, performance management, and the leadership culture in the company.

Staff turnover

Total staff turnover in the review period was 7.2% (2015: 9.8%). Exit interviews are conducted and analysed in our operating divisions to address any trends and improve our retention mechanisms.

Employee relations

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

We respect our employees' right to collective bargaining and union affiliation. All our South African hourly paid employees are covered by collective agreements and around 34% have trade union representation.

Accordingly, management strives to develop productive partnerships with stakeholders and trade unions on collective bargaining and other issues. Basil Read is party to collective agreements with the South African Forum of Civil Engineering Contractors (SAFCEC) and the Gauteng Building Voluntary Bargaining Forum (GBVBF).

Training staff on related matters and managing disciplinary processes to ensure procedurally and substantively fair outcomes remain focal areas. This contributed to a stable environment over the past year, minimising the number of matters referred to arbitration. The employee relations team represents the company at the Council for Conciliation, Mediation and Arbitration (CCMA) with much success, confirming that these matters are dealt with fairly and correctly within the parameters of labour law in South Africa.

Unionisation of the total workforce (South Africa/international)

Total workforce	4 582
Number of unionised employees	1 137
Union membership as % of total workforce	25%

Employment equity and transformation

Employment equity profiles

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

We have aligned our HR strategy with our employment equity plan, in turn based on company policy, to accelerate transformation. Employment equity targets are set across all divisions, monitored quarterly and reported to the executive committee. Divisions in turn are responsible for implementing measures to determine and monitor any potential barriers in the workplace, promote equality and prevent discrimination.

Challenging industry economic conditions, coupled with continuous monitoring of the corporate budget, has limited employment initiatives and hence our transformation targets.

Employment equity profile

	Male				Female				Foreign national			Desig-nated numerical targets 2016	Total desig-nated represen-tation	Desig-nated group per-centage
Occupational levels	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	Total			
National economically active population	42.1%	5.4%	1.7%	5.6%	35.3%	4.6%	1.0%	4.3%	0%	0%	**100%**			
Top management	1	0	0	4	1	0	0	1	1	0	**8**	3	3	38%
Senior management	7	0	2	33	0	2	0	1	1	0	**46**	16	12	26%
Professionally qualified	35	1	13	147	10	0	2	23	0	0	**231**	77	84	36%
Skilled technical and academically qualified	550	35	12	176	108	10	8	93	6	0	**998**	994	816	82%
Grand total	**593**	**36**	**27**	**360**	**119**	**12**	**10**	**118**	**8**	**0**	**1 283**	**994**	**915**	**71%**
% of total	46.2	2.8	2.1	28.1	9.3	0.9	0.8	9.2	0.6	0.0				

Corporate social investment (CSI)

The benefits of a coordinated approach to social responsibility

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

We believe real stakeholder engagement must address real needs. However, the scale of needs in South Africa is beyond the means of a single company. As such, a coordinated approach to social responsibility that harnesses the resources and skills of our people, our partners, government stakeholders and even our competitors is most likely to leave a lasting legacy – one with tangible benefits for entire communities.

In the review period, over 40% of our investment of R6.1 million was allocated to education at primary and high school level.

- Education
  - Refurbishing schools
  - Installing interactive boards in classrooms
  - Sponsoring winter school
  - Improving access to internship programme
  - Enhancing teaching skills, particularly maths and science
  - Maintaining sports facilities
  - Building self-esteem (from providing school uniforms to matric dance dresses and sporting kit)
- Income generation (particularly youth development)
  - Youth skills development
  - Training for unemployed youth
  - Brick manufacturing
- Community development
  - Water donations
  - Community park
  - Community hall

Our people participated willingly and generously in our Mandela Day initiatives, collecting blankets and food for the annual Business Against Crime initiative, and hosting fun days that included educational activities to strengthen children's physical development.

We also responded to immediate needs and galvanised other companies to assist when a fire destroyed 15 homes in an informal settlement near our Malibongwe Ridge development. Together, we provided food parcels and essential items, as well as school uniforms.

Basil Read aims to leave a legacy where we operate through infrastructure enhancement with lasting benefits for communities. This was embodied through various CSI initiatives in 2016:

- Basil Read participated in the launch of a national campaign to celebrate 4.3 million houses and housing opportunities delivered since the dawn of democracy by the Minister of Human Settlements. The launch, held at Cosmo City, coincided with the 10th anniversary of our developments division.
- Basil Read launched various initiatives in the Blouberg municipality in Limpopo, detailed below.

Blouberg municipal district projects

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

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

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

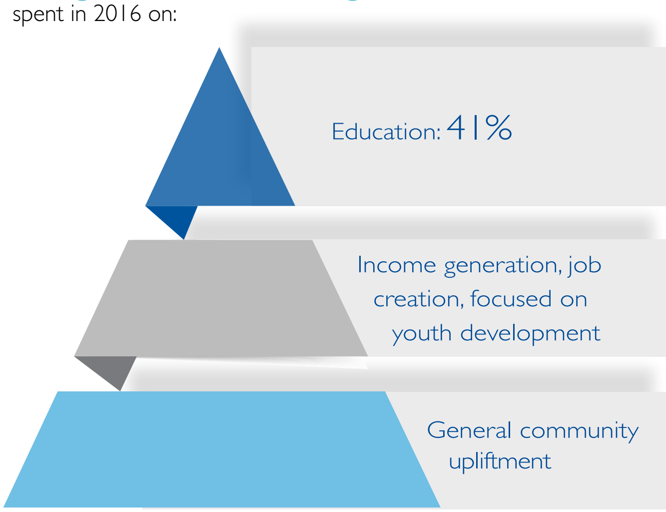
This non-profit organisation will generate its own income and, even if Basil Read withdraws, the project will be sustainable.

Donations and sponsorships

In support of persons living with disability, Basil Read supported the national casual day campaign. The money raised by employees was given to Little Eden – a non-profit organisation providing life-long care to children and adults with profound intellectual disability.

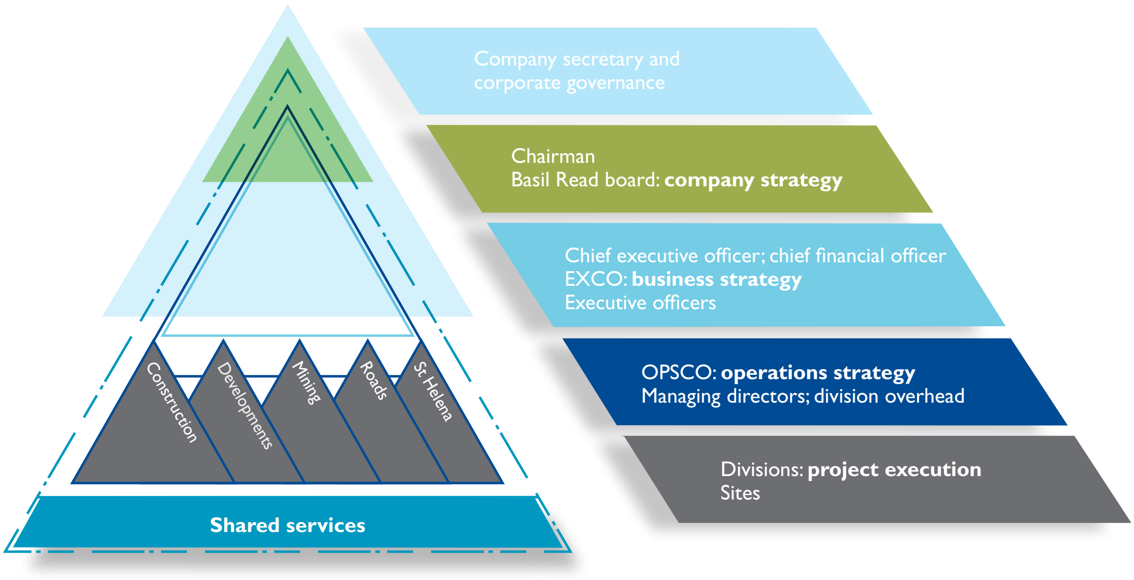
Taking a holistic approach to building lasting legacies in our communities, with education as a key focus area

R6.1 million
spent in 2016 on:



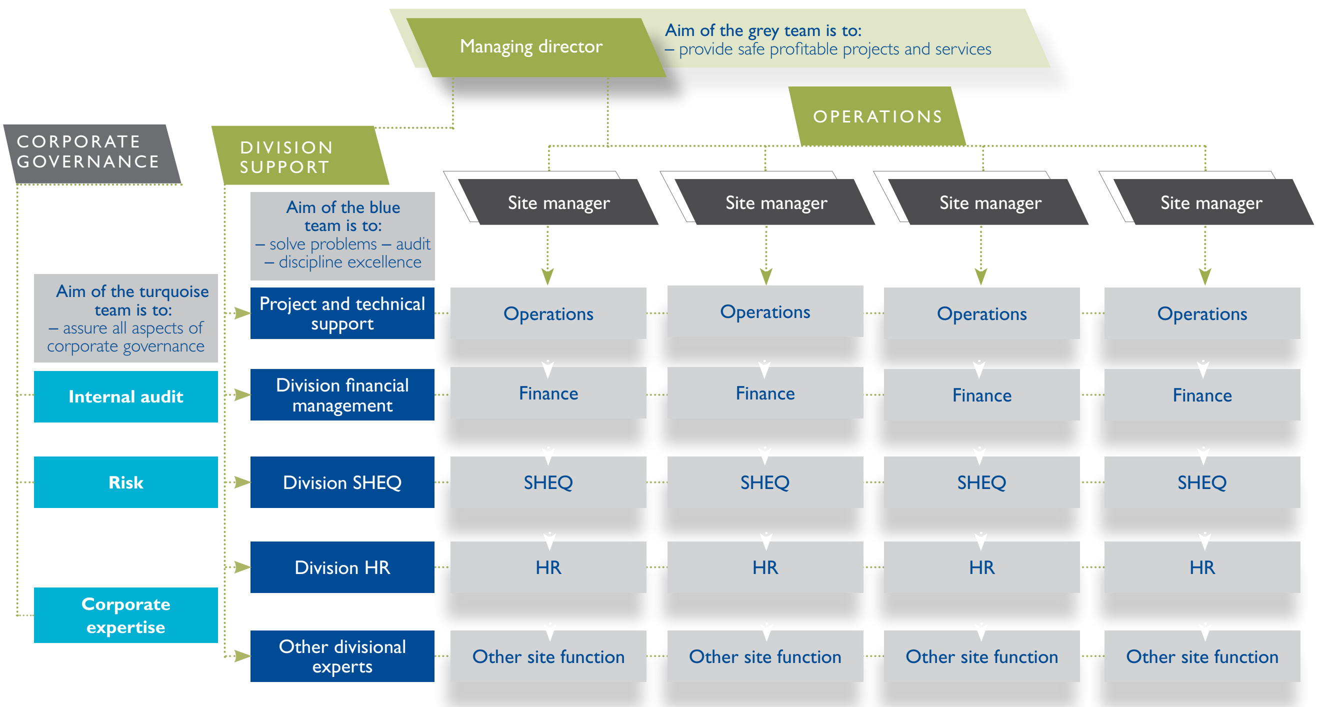
Operating model

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



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

Standard division operating model



Construction

The construction division – comprising our buildings, civils and pipelines divisions – progressed satisfactorily in 2016, overcoming a number of challenges and successfully delivering on several contracts. The completion of these major works, for private and public-sector clients, underscores the division's capabilities and adds to an already solid base of experience which the division can leverage for sustainable growth.

Revenue of **R1.6 billion**

Operating loss of **R108 million**

Salient features

	2016	2015*
Revenue (R000)	**1 639 583**	1 803 903
Operating loss (R000)	**(107 704)**	(17 654)
Operating margin (%)	**(6.57)**	(0.98)
Order book (R000)	**2 607 458**	1 947 859
Disabling injury frequency rate	**0.22**	0.27

**Restated.*

2016 performance

- R2.6 billion in work secured for 2017 and beyond at reporting date
- Satisfactory progress in closing out remaining distressed contracts
- Community disruptions remain a serious concern.

Operating review

Our buildings division has developed a reputation for building and delivering schools on time and to the highest quality; positioning itself as the contractor of choice in this market. The team's commitment to completing current schools projects was driven by the experience of working within local communities and seeing, first-hand, the positive impact these schools would have on the children. Several schools were completed in the Western Cape, and those in Gauteng are on track for scheduled completion. The buildings division also completed a major extension to the Protea Hotel in Umhlanga and Nissan's incubation centre in Gauteng. Works at Kusile and Medupi power stations continued, and buildings at Medupi were handed over.

A relatively successful year for the civils business unit was overshadowed by difficulties in completing the Olifants River water resource development project for client TCTA. Completing this pipeline was a focus for 2016, to enable the business to move forward and focus on completing its existing contracts while building a profitable order book. The team made exceptional progress on the Olifants River project, with testing and handover due in the first half of 2017. Works at the Kusile and Medupi power stations continued. Long-outstanding claims on these contracts were successfully resolved, reflecting the division's collaborative approach to engaging with clients in settling claims. We also resolved several other claims in the review period, including Venetia mine, providing welcome cash into the business.

To date, Basil Read has incurred costs of R2 071 million on the Olifants River project and accounted for an overall loss of R499 million. In the review period, the company recognised revenue of R250 million which includes R139 million in uncertified revenue; and a loss of R61 million. Included in the current-year costs, a provision of R52 million has been accounted for to complete the project. Basil Read has submitted claims totalling R586 million to the client, TCTA, of which R279 million has been settled in favour of Basil Read and R307 million remains outstanding. An additional R98 million in claims is to be submitted during the first half of 2017.

Regular meetings are held with the TCTA and its consulting engineer on the resolution of the claims. Based on our success rate in resolving claims, management is confident that the outstanding claims will be resolved during the 2017 year.

As the project is being finalised, this accounts for the total end of project losses and any resolution of the claims will contribute to improving the financial position of Basil Read. This will also conclude the final highly distressed contract in Basil Read.

The pipeline business unit operated in the competitive space of infrastructure pipelines and bulk water-supply schemes. While there are many opportunities for work, relatively low barriers to entry into this market have resulted in low margins. The unit faced several difficulties, most notably delays from continuous community disruptions, which had a significant impact on most of its contracts. Despite these challenges, all contracts were completed but no new awards received. The pipeline business has now been shut down, and certain skills integrated into the civils business to capitalise on the specific expertise gained on the Olifants River project.

Key risks (identified at project level)

- Retaining and developing skilled and experienced staff
- Ongoing community disruptions affect project progress. While the impact on production varies per contract, recovery from these events is always difficult
- Noticeable increase in the number of firms tendering for a limited amount of work has led to a massive spread in tender prices
- Completing unprofitable legacy projects.

Construction continued

Key contracts

- Durban Prasa (Passenger Rail Agency of South Africa) – fixed-price design-and-build project in consortium with five partners continues to be delayed by design approvals. Work on the traffic control building has started but is unlikely to be completed until mid-2018 due to power-supply issues. Upgrades to the stations and track should be complete early 2018.
- At Medupi power station, good progress was made during the year, and the original contract works are substantially complete. All outstanding claims are being finalised. Additional variation orders have been issued and this will keep current Medupi teams busy until early 2018.
- At Kusile power station, Basil Read and its joint venture (JV) partners are busy with the completion works contract and this will continue at the current level for another two years. The JV is finalising all outstanding contractual issues on the completed main civil works.
- The Zuikerbosch lime handling/pump station for Rand Water, a design-and-build contract with a mechanical and engineering consortium partner, was delayed by design approvals, but is now proceeding well and should be complete by mid-2017.
- Other civil projects successfully completed during the year included Saldanha maintenance quay for Transnet and Savanna City reservoir. We also closed out claims on the Venetia project.
- The Rosetta project, a treatment plant for Umgeni Water, was awarded in 2016. This is now fully mobilised and progressing well.
- In our buildings unit, work is progressing well at the Port Shepstone magistrate court, despite initial delays.
- The Medupi buildings contract was the biggest contributor to poor results, with delays pushing out completion by six months. These delays are attributable to both the employer and contractor. Claims have been submitted, with final claims submitted in February 2017.

- The Kusile project, a JV between Basil Read and Stefanutti Stocks, has been delayed by a new scope which will extend works until 2019. The JV partners will submit a new proposal to Eskom to accommodate costs to be incurred between January 2017 and February 2019.
- The design and construction of Julius Sebolai School has started after a six-month delay. The project team is on site and works are progressing well.
- Kazerne is a transport facility in Johannesburg that will accommodate all long-distance and cross-border taxis and buses travelling between the city and other parts of South Africa. Earthworks are complete and concrete structures under way. Completion is set for April 2018.
- Nokuthula School is a JV between Basil Read and Umzo Construction. This contract is on schedule and works will be complete by August 2017.
- After a six-month delay, work on the US Embassy started in January 2017 and will be completed by August 2017.
- In our pipelines unit, the Magalies Water Wallmansthal project was completed and handed over to the client.
- The Malibongwe Ridge pipeline supplying water to Cosmo City was also completed. Final testing and one connection to an existing line will be done.
- Savanna City pipeline from the reservoir was completed. Once testing to the reservoir has been done, water will be supplied to the new development.

New contracts awarded in 2016

- Civils negotiated an extension to current Medupi works. Including Kusile power station, the year-end order book for both sites was R1.8 billion.
- The 20 Mℓ/d Rosetta water treatment plant and ancillary works was awarded to our civils unit mid-2016.
- Our buildings unit secured the contract for repairs and alterations to the US Embassy, Pretoria.

Outlook

In the short term, the construction division will focus on securing more work. The 2017 divisional order book is positive, with 70% of the annual target already secured for civils and 82% for buildings.

Construction continued

Olifants River water resource development project lessons learned

Five years ago, Basil Read secured a R1.2 billion contract for two phases of the Olifants River project for Trans-Caledon Tunnel Authority (TCTA). The 40 km of pipeline, pump station and fibre-optic cables we were contracted to install formed part of a mega project to meet the anticipated needs of new mining developments and enhance the quality of life for communities in seven towns and three municipalities along this area in Limpopo.

Originally due for completion in early 2014, by the end of 2016 this had become Basil Read's largest loss-making project (accumulated loss of R499 million) and a constant drag on the performance of our core construction division.

Towards year-end, we were focused on completing and finalising the highly technical and challenging Steelpoort River crossing pipe jack operations. With the core work now complete, all that remains is remedial work, trial and commissioning, and fulfilling our environmental (rehabilitation) obligations.

Most importantly, lessons learned on this contract will be instructive in future multiparty and multidisciplinary complex projects.

What went wrong?

This project rapidly developed into the proverbial perfect storm as our underestimate of the scale of the project and access problems faced by our client, combined with external factors beyond the control of all parties, created a worst-case scenario for any construction company.

From the outset, there were **access delays** from the client's side, followed by **community unrest, riots and disruptions** – many unrelated to the project itself. These included service delivery protests and industrial action on nearby mines. Project-related disruptions included compensation demands for land, demands to upgrade existing facilities, new infrastructure requirements and demands to participate in construction activities with unrealistic payment expectations compared to the level of skills. Coupled with regrettable aggression and sometimes violence, community actions all affected production in some way. (The prevalence of community protests, mostly unrelated to the project in question, has escalated this to a top risk in the company, monitored on every site – see risk report on page 14.)

On **Basil Read's side**, the full scope of works and associated risks were not timeously identified, which led to an over-optimistic view on completing the contract. The budget, in turn, was based on this optimistic completion date, and did not have enough risk allowance for overruns and remedial work. In addition, site access was delayed by community disruptions. The knock-on effects of a longer project duration included moving construction activities from a planned sequential operation to a scattered, unproductive type of operation, and from low-risk winter into high-risk summer conditions with additional penalties and liquidated damages. The performance of many local subcontractors compounded an already deteriorating situation and clearly affected our relationship with the client.

In our defence, several elements in identifying the full scope of work were outside our control. These included remedial work required for existing unknown services, which were only ascertained after the pipe trench was excavated, as well as suboptimal information from specialist subcontractors which affected our own production timelines.

From the client's side, the quantum of site instructions and changes to scope of work without the required design detail was exacerbated by paperwork issues that delayed the productive construction and commissioning process. Equally challenging was the unduly rigorous or impractical application of project specifications, particularly for environmental aspects on the now-scattered operations over the length of the pipeline.

What did we do?

To mitigate the lack of access over the length of the pipeline, we established our sites in areas where access was given. To address community disruptions and identify the real issues, we worked with the engineer and client to form a dedicated social team that would address and resolve community concerns. Apart from providing the normal contractual claim notifications for consequential delays and losses, Basil Read took the lead in attempting to resolve community issues, despite a protracted and sometimes aggressive consultation process under extremely difficult conditions, and demands by communities that were beyond our control.

Driven by the social team, preventative measures to minimise disruptions included:

- Informing community leaders of work activities in and around the area
- Sourcing labour from the area in consultation with local tribal/district authorities

- Prioritising local subcontractors with proven work experience to be part of the project
- Employing emerging contractors with limited work capabilities and offering mentorship with supervision, technical and financial support
- Investing in the communities by, for example, providing scholar patrol services, improvements to building structures, grading soccer fields, building a temporary pedestrian bridge over the Steelpoort River, providing water to communities during the droughts of the past three years, contributing to the "Passport to Future" and boreholes projects, and many more.

What did we learn?

Arguably the most salutary lesson for Basil Read is not to underestimate any task, the many changes to works and the knock-on effect on the project as a whole. Whatever the scale or scope of the project, the contract must be appropriately structured and resourced. This includes specialist and local subcontractors, who should be evaluated on performance and a due diligence completed before being appointed.

We have distilled the lessons from this project into a more rigorous and tightly controlled framework that will guide the company in future:

- Work closely with the client from the outset to address issues that could delay the project
- Resource the work according to the objectives and parameters of the contract (budget and programme)
- Complete as much preparatory work as possible upfront, especially while waiting for access – from drilling to identify rock levels, formwork design and river-crossing preparation to establishing relationships with the community
- Identify the real risks and not perceived risks
- Constant feedback and reappraisal of the situation (including 90-day audits to highlight potential issues early – see risk report on page 14)
- Once issues are identified, implement the remedial strategy immediately
- Rather over resource and manage resources properly, than under resource and not meet the programme, risking penalties, additional costs and other negative impacts
- Set realistic targets, with incentives for high-risk activities
- Safety and environmental issues are part of an integrated approach, which should be budgeted for, with enough resources to assist production teams rather than affect production
- Record, compile and agree claims systematically
- Agree the methodology and milestones for claims at the beginning of the contract, and ensure that all adhere to this, with senior management involvement
- Ensure proper and detailed records are kept
- Aspire to good client relations at all times.

To embed these lessons in the company, we are setting up formal structures to guide the way we do our work. This will include improved mentoring of personnel, especially young engineers, creating a forum where lessons learnt can be shared, and developing an appraisal system to measure our application of these lessons.

Developments

Revenue of

R81

million

Operating profit of

R16

million

Our developments business focuses on large-scale mixed-income integrated housing developments. Relocating this division under the executive officer for business development highlights its strategic importance to the company.

Salient features

	2016	2015*
Revenue (R000)	81 263	160 599
Operating profit (R000)	15 873	15 441
Operating margin (%)	19.53	9.61
Order book (R000)	1 015 154	200 000
Disabling injury frequency rate	0.00	0.00

**Restated.*

While this is not a construction division and may appear not to be core to the business of a construction company, it is arguably our most important strategic opportunity:

- First, the package that our mixed-use integrated housing development proposes is a real solution to combine entry-level to middle-class housing with factories, shopping centres, schools and churches in an integrated living model that is arguably the first real opportunity to dismantle apartheid.
- Second, the integrated development model generates work for our construction and roads divisions, allowing us, in time, to control our own order book. The integrated housing model developed by Basil Read is an opportunity to differentiate the company in this competitive market. It is also perfectly aligned with government's intention to accelerate housing delivery significantly and quickly and holds numerous opportunities for roll out across southern Africa, where similar housing shortages and community upliftment issues are prevalent.

Progress

Unit sales at Savanna City are exceeding expectations, underscoring the demand for affordable housing, with over 1 000 families already living in the development. We are installing internal bulk services to support the continued roll out of stands. Along with our partner, Old Mutual's Housing Impact Fund of South Africa, we are working with the Gauteng Department of Human Settlements and Midvaal local municipality to ensure this 1 400 ha project sets a benchmark in economic development and housing.

Progress at Malibongwe Ridge has slowed because of budgetary constraints among key government partners. Servicing for the first phase – 486 fully subsidised residential stands – is complete, 200 homes have been completed and 144 handed over and occupied by residents. Community expectations will need to be managed due to the slowdown in allocating completed homes.

While no sales were recorded at the Klipriver Business Park in the six months to June 2016, four stands were sold in the second half of the year.

Key risks

(identified at project level)

- Project delays due to lack of approvals and release of funding
- Recouping bulk services costs
- Continued impairment of estate value due to lack of sales and ongoing expenses
- Unfavourable property market conditions due to lack of disposable income and competing developments.

Key contracts

- Savanna City (over 18 000 planned housing opportunities)
- Malibongwe Ridge, as an extension to Cosmo City (about 5 500 planned housing opportunities).

Outlook

The division's potential pipeline in South Africa currently includes several expressions of interest and project proposals to government, totalling almost 10 000 units. The division will also begin constructing top structures in 2017, with the first units available mid-year.

Mining

Revenue of
R1.6
billion

Operating profit of
R112
million

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

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

Salient features

	2016	2015
Revenue (R000)	1 567 998	1 235 538
Operating profit (R000)	111 652	83 558
Operating margin (%)	7.12	6.76
Order book (R000)	5 456 323	4 659 957
Disabling injury frequency rate	0.00	0.10

2016 performance

- Revenue improved to R1.6 billion, an increase of 27% from 2015 on the back of new contracts awarded in a competitive market
- Division increased its profit contribution to R112 million, a 34% increase compared to 2015
- New contracts exceeding R900 million awarded.

Progress on strategy

The mining division continues to pursue growth opportunities in sub-Saharan markets.

Salient features

In 2016, we saw a definite increase in opportunities coming to the market, indicating that the commodity market has improved from prior years. Although margins remain competitive, the industry has worked hard to improve productivity to mitigate depressed prices.

Ongoing productivity improvements and effectively managing our mobile plant contributed to the profitability of the division. We continue to focus on improving our maintenance practices, given that our mobile plant fleet is ageing, while generating healthy cash flow to maintain our equipment replacement schedule.

Work started on two new contracts in Botswana during the reporting period, namely the Jwaneng Cut 8 north-east corner push back and the Lerala diamond mine.

In Namibia, the Tschudi project is performing well, exceeding the client's expectations and underpinning the success of the new mines despite depressed copper prices. Major new contracts were secured (page 56 and 57).

The Majwe Mining joint venture was awarded the contract to mine the Cut 8 project phase 3 (page 57).

Key risks

(identified at project and functional levels)

- Labour and community unrest, particularly in South Africa
- Insufficient access to funding for additional/replacement equipment limits performance and reduces margins
- Increasingly confined working spaces affect drilling capacity and can result in blast delays
- Inflationary increase in the costs of spare parts and equipment components
- Reduced revenue given the downturn in commodities market and clients requesting lower costs.

Key contracts

- In South Africa, the business partnership with De Beers consolidated mines (Venetia and Voorspoed mines) remains strong. The Venetia contract was extended for the third time for the remaining life of open-pit work (60 months). The contract at the Voorspoed mine has been extended to 2018
- The Majwe Mining joint venture (MMJV) for Jwaneng mine, in Botswana, Cut 8 phase 2 project continued to perform, exceeding the client's target of 80 million tonnes of waste removal. The project is now entering its final contractual year. Due to geotechnical concerns in the north-eastern corner of the Cut 8 pit, however, the area has been quarantined for safety reasons while the mining process is redesigned

Mining continued

- In Botswana, we continued to provide specialist percussion drilling services at all Debswana mines (Orapa, Letlhakane, Damtshaa and Jwaneng)
- In Namibia, ramp-up on the Tschudi copper mine project exceeded expectations. This is a long-term contract, with completion scheduled for December 2019
- In South Africa, we established and ramped up our drilling and blasting services at Kalgold mines, owned by Harmony Gold, in the North West province.

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

New contracts awarded in 2016

- Botswana – 60-month contract for Lerala diamond mine, owned by Kimberley Diamond Limited. Following site establishment, mining operations began in April 2016

- Botswana:
  - – Jwaneng – 24-month contract to extend the Cut 8 (phase 3) project into 2017 for client Debswana
  - – Jwaneng north-east corner pushback – two-month contract
- Namibia – 12-month contract at Otjikoto Mine, owned by B2Gold Corp, to assist with production shortfall.
- Namibia – 36-month contract at Skorpion zinc mine, owned by Vedanta Resources plc. Conventional truck-and-shovel operation for drill, blast, load-and-haul, road construction and maintenance, and pit dewatering.

Outlook

We intend to grow the mining division over the next five years through the long-term extension and expansion of existing contracts by delivering an improved safety performance and cost-efficient services through our asset optimisation strategy.

The division will selectively pursue opportunities with new clients, focusing on targeted clients in new geographies and strengthening partnerships with large international contractors seeking to establish a footprint in sub-Saharan Africa.

We believe current market conditions in the mining sector, characterised by depressed commodity prices, rising input cost inflation and community unrest, will continue in the medium term. This will lead to fewer greenfield opportunities, pressure from our clients to reduce costs, cancellation of contracts and increased demand for spend on social/community investments.

The mining division has a proven record of strong performance and the ability to grow market share under these conditions.

Roads

Revenue of

R1.1

billion

Operating loss of

R42 million

Basil Read has arguably built more roads in the country than any other contractor. Our aim is to develop our roads business into a transportation division servicing all related infrastructure requirements. This reflects the synergies between mass earthworks for an airport, port or railway and traditional roadworks. The expertise in this division extends the focus beyond roads to airports, rail and marine. Equally, the divisional structure supports growth initiatives in all forms of transport while maintaining our strong presence in the road construction sector.

Salient features

	2016	2015
Revenue (R000)	1 115 291	1 358 923
Operating (loss)/profit (R000)	(41 938)	49 198
Operating margin (%)	(3.76)	3.62
Order book (R000)	2 412 156	2 617 204
Disabling injury frequency rate	0.31	0.21

The 2016 result was impacted by the slower-than-expected start-up of new projects, additional costs from distressed contracts and the suspension of works on our project in Zambia. Significant design clashes and lack of adequate design information from the client have unexpectedly affected two roads projects, and are being addressed with the respective clients and their professional teams to find implementable solutions. These factors, combined with the industry trend of drawn-out claims resolution and an aggressive market with low margins, culminated in the lower-than-expected performance of the division.

Community disruptions continued to affect performance on current road projects as local residents look for employment opportunities. This is particularly pronounced in rural areas and specific urban environments where the shortage of work is acute. We are partnering with our clients and their professional teams to proactively engage with communities to address their concerns. We are also actively engaging with newly elected officials and ward councillors following the 2016 local elections to understand their requirements and find ways to work together to the benefit of communities in which we operate.

Tender activity for 2016 in South Africa was subdued, although levels increased in the second half. As a result, the division is looking beyond the country's borders for long-term airport, roads and port opportunities.

In the review period, the division finalised another five projects, including four distressed contracts, bringing the total to 12 over the past 24 months. This now allows for greater management input on our current projects with strategic clients, as well as sourcing new projects and clients identified in our long-term strategy.

Key risks

(identified at project and functional levels)

- Potential fatalities and injuries on our sites because of the public's failure to adhere to the rules of the road and traffic-calming measures
- Community unrest can lead to work stoppage, loss of production, damage to equipment and threats to the safety of staff
- Aggressive tender market with low margins limiting growth potential
- Extreme weather impacting production and leading to additional costs for recovery and rework of damage
- Delays caused by relocating services.

Key contracts

- The division was awarded two new projects at Kusile (concrete road construction) and Savanna City (phase 3) to a combined value of R360 million
- Mthatha project is still being affected by community disruptions and land ownership issues, but has performed well over the past six months
- Musina project has been delayed by community disruptions and environmental issues, but construction has begun
- The Polokwane eastern ring road project is progressing well and is ahead of schedule
- Significant delays on the Admin Craft Basin at the Port of Ngqura for Transnet reflect changing geotechnical conditions and a shortage of specified aggregates for the breakwater construction
- The Montagu/Ashton road rehabilitation for the Western Cape government is progressing, with design clashes and services proving a major delay for roadworks, but a lesser impact on bridge construction works
- The Savanna City phase 3 project has started, in conjunction with completing phase 2, and is progressing on schedule
- Work in Zambia has been halted and we are in discussions with the main contractor on a completion plan to finalise the project, subject to funding being made available by government.

Outlook

The divisional order book exceeds 80% of the 2017 target, which we are confident of meeting.

The division is actively targeting major projects in sub-Saharan Africa, leveraging off the skills gained on major roadworks and expertise honed on the St Helena airport project.

The division will continue to roll out the integrated costing and financial models across current and new projects. Significant improvements have been made in managing our sites to ensure safe projects, and these processes will continue to evolve.

St Helena airport project

Revenue of

R722

million

Operating profit of

R86

million

The St Helena airport project continues to prove Basil Read's ability to successfully execute a design-build-operate-maintain project of such magnitude and nature, being on a remote island in the South Atlantic Ocean. Although this flagship project is coming to an end, Basil Read still has R850 million of work from the client in its order book – R400 million to complete the new bulk fuel facility and R450 million to service the airport for the next nine years.

Salient features

	2016	2015
Revenue (R000)	721 950	961 016
Operating profit (R000)	85 854	95 654
Operating margin (%)	11.89	9.95
Order book (R000)	851 997	1 316 173
Disabling injury frequency rate	0.21	0.27

After over four years of construction, the highlight of 2016 was the landing of the first jet-propelled aircraft, a Bombardier Challenger 300, on the island on 10 April 2016, with five UK regulatory officials on board for the first aerodrome audit. The audit was highly successful and the aerodrome certificate was issued by Air Safety Support International on 10 May 2016.

Issues with wind shear and turbulence, especially evident on the approach to runway 20 (the primary runway), have delayed the start of scheduled flights. A new tender has been issued by the government of St Helena for commercial operations which are expected to begin in mid-2017.

Despite the delay in commercial flights, charter flights are able to land and Basil Read operates the airport daily as a fully functional international facility, making a real difference to the lives of residents. This has allowed a number of medical air evacuations that were previously not possible. Basil Read has a 10-year contract to operate the airport.

The division continues to negotiate the contract to complete the bulk fuel installation with ongoing design work, procurement, installation and preparation for commissioning.

Key risks

(identified at project level)

- Late appointment of fuel management contractor (bulk fuel installation) has meant numerous requested design and construction changes, delaying the completion of the project
- Insurance for works affected by these delays
- Delay damages for late completion of the permanent wharf may still be imposed
- Latent defects liability period for airport works (stage 2) is still in effect.

Contract highlights

- Over 5.4 million hours worked, with only 473 hours lost due to injury, none of which were serious. This is a significant achievement in our industry, particularly in light of challenging operating conditions on a remote island
- The aerodrome was completed on 28 April 2016. This includes runway, taxiway, apron, terminal and combined buildings, air traffic control tower, navigational aids, aerodrome ground lighting and precinct
- Work on the permanent wharf was completed in June 2016
- The sea rescue facility was completed in October 2016
- Refurbishment works and equipment supply for the Jamestown Hospital were completed in July 2016
- The 14 km access road is largely complete, with handover due in early 2017
- The airport fuel facility is due for handover by mid-2017
- Bulk fuel installation – facilities to store six million litres of fuel, including diesel, petrol and JetA1. Progress has been hampered by numerous design changes requested by the employer with expected completion and commissioning in early 2018.

Outlook

We expect all additional works to be completed by early 2018, marking the end of the very successful six-and-a-half-year construction part of the project. The contract to operate the airport will run until 2026. Additional construction opportunities are under discussion.

Governance structures

Board of directors

	Paul Cambo Baloyi Age: 61	Neville Francis Nicolau Age: 57	Mahomed Talib Sadik Age: 51	Doris Liana Theresia Dondur Age: 50	Mahomed Salim Ismail Gani Age: 64
Function	Independent non-executive chairman	Chief executive officer	Chief financial officer	Independent non-executive director	Independent non-executive director
Qualifications	MBA (University of Manchester), senior executive programme (Harvard Business School), management development programme (University of Stellenbosch)	BTech mining engineering (University of Johannesburg), MBA (Graduate School of Business, UCT), advanced management programme (Templeton College, Oxford)	CA(SA), BCom (University of KwaZulu-Natal), AMP (Insead)	BAcc, BCompt (Hons), CA(SA), MBA (University of Stellenbosch Business School), international executive development programme (Wits)	BCompt (Hons) (Unisa), CA(SA)
Work experience	Over 25 years' banking experience, previously headed Development Bank of Southern Africa (DBSA) and DBSA Development Fund. Prior to 2006, he was managing director of Nedbank Africa and divisional director of Nedbank SA. Non-executive director on various boards.	Over 35 years of operating, company leadership and corporate experience, gained as CEO of Anglo American Platinum and chief operating officer and executive director of AngloGold Ashanti. He is also a non-executive director of ArcelorMittal South Africa.	Talib has held executive finance and management positions in private companies and state-owned entities, including Denel, De Beers and NAIL. In addition to significant finance and corporate finance experience, he has a proven record of applying his strategic and commercial acumen, as well as governance, risk management and compliance expertise, to drive corporate turnarounds and growth. He is a non-executive director of SITA SOC, Efficient Engineering, Sunspray Food Ingredients and Sectional Poles.	Over 10 years' experience as director in the public and private sectors. Fellow of the Institute of Directors (South Africa), member of the Institute of Chartered Accountants (South Africa), and member of the Institute of Internal Auditors. Her experience includes corporate governance, financial management, auditing, IT, human resources, people management, leadership, change management, labour relations and business coaching. Own independent consulting business, and director on various boards.	Over 30 years' experience in accounting and auditing. Founding partner of MSGM Masuku Jeena Inc, partner at Saboor Gani & Co and partner at PwC Inc until 2013. Non-executive director on a number of boards including Tsogo Sun Holdings Limited and serves on the investigating committee of the Independent Regulatory Board of Auditors (IRBA).
Committees	Nominations and investment*	Risk	Risk	Audit*; risk	Audit
Appointed	Board: October 2012 and as chairman in January 2015	Board and chief executive officer: September 2014	Board and chief financial officer: October 2016	Board: June 2014	Board: April 2015

* *Chairperson.*

Our board's primary role is providing the leadership that will entrench the principles of good governance throughout Basil Read. The board is committed to the highest standards of corporate governance contained in the King report on governance for South Africa (King III).

Terence Desmond Hughes Age: 68	Dr Claudia Estelle Manning Age: 50	Andrew Conway Gaorekwe Molusi Age: 55	Sango Siviwe Ntsaluba Age: 56	Thabiso Alexander Tlelai Age: 53
Non-executive director	Independent non-executive director	Non-executive director	Non-executive director	Non-executive director
PEng (UK) MSPE, PrCPM, MSE Civil	BA (Hons) (University of Natal), MPhil (University of Sussex), DPhil (University of Sussex)	MA (Notre Dame, USA), BJourn (Rhodes)	BCom, BCompt (Hons) (Unisa), CA(SA), HDip tax law (University of Johannesburg), MCom: Development Finance (University of Cape Town)	BCom (Memorial University, Newfoundland, Canada)
Over 40 years' experience in construction industry, 18 of these at Basil Read. From 2004 until retiring in 2014, he headed our developments division, responsible for developing mixed-use, integrated new towns throughout South Africa.	Over 20 years in economic development field, managing and financing infrastructure projects, sourcing and closing investment transactions, and related consulting. Worked on Department of Trade and Industry's development corridor programme for priority infrastructure investment projects in South Africa and SADC. Chairs the board of enterprise development company, Mondi Zimele, and non-executive director of Public Investment Corporation (PIC).	Chairs SIOC Community Development Trust and CEO of Kabo Capital. Over 25 years' board experience and South African business knowledge, including group CEO of Johnnic Communications Limited (2000 to 2006). Chairman of African Media and Entertainment Limited, director of Caxton and CTP Publishers and Printers, and Continental Coal.	Founding member of Amabubesi Investments, director of listed companies and public-sector entities. Founding member of SizweNtsalubaGobodo and Neotel.	Founding member and director of Amabubesi Investments. CEO of the Don Group since 2000, and in the hotel industry for over 15 years. Founding member and chairman of Tourism Business Council of South Africa.
	Audit; nominations and investment; remuneration*; social, ethics and transformation	Remuneration; risk; social, ethics and transformation*	Nominations and investment; risk*	Remuneration; social, ethics and transformation
Board: January 2015	Board: August 2012	Board: March 2013	Board: July 2006	Board: June 2006

Governance structures continued

Executive management committee

	Neville Francis Nicolau	Mahomed Talib Sadik	Andiswa Thandeka Ndoni	Antonie Fourie
	Age: 57	Age: 51	Age: 49	Age: 44
Function	Chief executive officer	Chief financial officer	Executive officer: corporate affairs and governance	Executive officer: construction
Qualifications	BTech mining engineering (University of Johannesburg), MBA (Graduate School of Business, UCT), advanced management programme (Templeton College, Oxford)	CA(SA), BCom (University of KwaZulu-Natal), AMP (Insead)	BProc, LLB, global executive development programme (GIBS), certificate in corporate governance	NDip civil eng
Work experience	Over 35 years of operating, company leadership and corporate experience, gained as CEO of Anglo American Platinum and chief operating officer and executive director of AngloGold Ashanti. Non-executive director of ArcelorMittal South Africa.	Talib has held executive finance and management positions in private companies and state-owned entities, including Denel, De Beers and NAIL. In addition to significant finance and corporate finance experience, he has a proven record of applying his strategic and commercial acumen, as well as governance, risk management and compliance expertise, to drive corporate turnarounds and growth. He is a non-executive director of SITA SOC, Efficient Engineering, Sunspray Food Ingredients and Sectional Poles.	Attorney of the High Court of South Africa. Former company secretary and legal counsel for Ubank Limited, former member of the Judicial Services Commission and sits on the Competition Tribunal as a part-time member. Over 20 years' experience as attorney and eight as company secretary. Appointed to Basil Read in January 2013 and as company secretary in March 2013. Now responsible for all governance-related functions, including internal audit and risk management.	17 years' experience in construction, mostly at Basil Read. Expertise spans all areas of construction, including roads, civils, plant and mining activities.

The executive management team has a good blend of business and industry experience in dealing with a challenging sector.

Olivier Jean-Paul Giot	James Stephen Johnston*	Khathutshelo Mapasa	Bruce Seeton Morton
Age: 52	Age: 64	Age: 39	Age: 39
Executive officer: business development	Executive officer: St Helena airport project	Executive officer: mining	Executive officer: roads
BCom (IFG Commercial School, Paris)	BSc civil eng (Heriot-Watt University, Edinburgh), CEng, PrEng, MICE, MSAICE	BSc chem eng (UCT), programme for management development (Harvard), management of mining and mineral policy (Wits)	PrEng, master's in engineering (University of California – Berkeley), master's in transportation (Pretoria)
Over 20 years' experience in construction industry, with particular focus on finance, human resources and strategy. He started his career with the Bouygues construction group in France and was seconded to Basil Read in 2003, where he has held various executive roles. He was appointed as a permanent employee in his current role 2014.	Over 40 years' experience as civil engineer with Basil Read. Involved with construction projects in South and southern Africa and St Helena Island. * *Retired 31 December 2016*	Over 15 years' experience in mining, including senior roles with the De Beers group. Former non-executive director on boards and audit committees for companies providing mining-related services. Joined Basil Read in 2014 in his current role.	Extensive experience in project and construction management, airport, road and rail design, transportation engineering and specialist auditing. Bruce has worked in over 20 countries across three continents in the transportation sector, delivering projects in excess of USD4 billion.

Corporate governance

Introduction

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

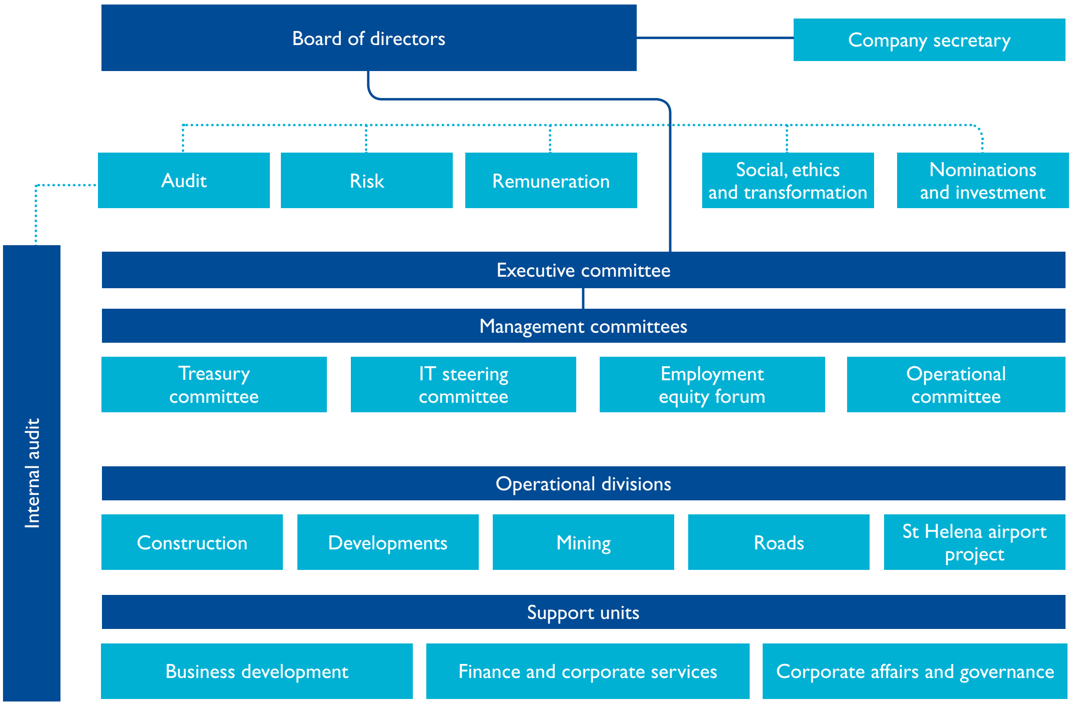
The board as well as the executive, audit, nominations and investment, remuneration, risk and social, ethics and transformation committees fulfil key roles in ensuring good corporate governance.

Our aim is to keep abreast of regulatory developments, further enhance our governance standards, monitor and ensure compliance with relevant laws, and cultivate a thriving ethical culture in all areas where we operate. We also aim to maintain a high standard of reporting and disclosure, keeping in mind the best interests of our stakeholders.

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

The board continuously reviews policies, procedures and systems against the changing needs of the company to ensure that sound corporate governance and high ethical standards are maintained.

Governance structure



Application of King III principles

The board is satisfied that Basil Read adheres to the principles and recommendations of King III, most of which are entrenched in its internal controls, policies and procedures. Our detailed application report is on our website (www.basilread.co.za).

The company is studying the requirements of the new King IV to identify and address any gaps in our current governance structures and application thereof.

JSE Listings Requirements

An annual assessment of the JSE Listings Requirements was performed during the year. The board also considered amendments and guidance notes issued by the JSE on listings requirements in 2016, and is satisfied the company fully complies.

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

Corporate governance framework

Basil Read's corporate governance framework sets out the relationship between the holding company and its subsidiaries.

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

Responsible and ethical leadership

Basil Read's senior management focuses on effective, ethical leadership and good corporate citizenship. The board ensures the company's ethics management programme is effectively implemented. The company has anti-bribery, fraud and corruption, and whistleblowing policies to guide its employees on ethical conduct.

An independent fraud and corruption hotline is available to all staff to report unethical behaviour on 0800 212 524. A corporate gifts register notes all gifts received and given by employees which exceeds the threshold determined by the policy.

In line with the strategic objective of modernising Basil Read's corporate culture, we conduct a diversity survey every two years to measure progress in embedding the desired corporate culture and to identify areas that require improvement. In the review period, we implemented and monitored measures to improve areas highlighted in the 2015 survey. The next survey will be performed in 2017.

2016 focus areas for the board

- The board approved the company's long-term (five-year) strategy, which includes improving Basil Read's broad-based black economic empowerment (BBBEE) status under the revised codes
- Various ways of improving working capital were implemented during the year and some continue to be pursued, particularly the resolution of large claims
- Ensuring the company has a sustainable order book in the current downturn in the construction sector
- Monitoring performance and risks, particularly key business risks such as loss-making contracts.

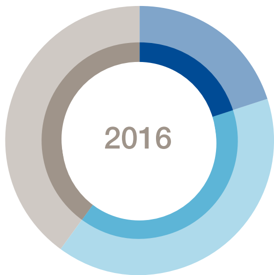
Future focus areas

- Securing a sustainable order book
- Improving profitability of operations
- Strengthening the company's capital base
- Improving its BBBEE status
- Promoting gender representation across the company
- Ensuring overall compliance, particularly in high-risk areas.

Board composition

Basil Read has a unitary board of 10 directors, with four (including the chairman) being independent non-executive directors, four non-executive and two executive directors. Although King III recommends that more than half the non-executive directors should be independent, the board is satisfied that the balance of power and objectivity is sufficient and does not require additional independent voices. Board members have diverse experience, skills and qualifications that include engineering, finance, development finance auditing, enterprise risk management, business and accounting.

Board composition

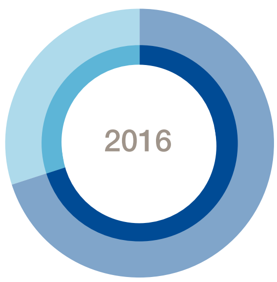


- **20%** Executive directors
- **40%** Non-executive directors
- **40%** Independent non-executive directors

The board is diverse, with seven members from designated groups, including one woman. The board has eight male and two female members.

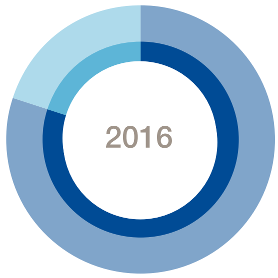
To ensure gender diversity, the non-executive director policy prescribes that 40% of directors should be women. Currently women constitute 20% of the directors and to achieve the set target, the board has decided to replace directors that reach retirement age with female directors.

Racial diversity



- **70%** Designated
- **30%** Non-designated

Gender diversity



- **80%** Male
- **20%** Female

Roles of chairman and chief executive officer

The board is chaired by an independent non-executive director. The roles of the chairman and chief executive officer (CEO) are separated to ensure no individual board member has unfettered power in the decision-making process.

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

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

Board appointment process

The board has a formal directors' appointment policy and process that is regularly reviewed. The nominations and investment committee is charged with selecting suitable candidates through a rigorous process that considers the board's current and future needs in terms of skills mix, experience, knowledge and regulatory requirements. All committee nominations are recommended for board approval, and final approval of a director's appointment lies with shareholders.

Corporate governance continued

Changes to the board

Mr MT Sadik was appointed financial director on 1 October 2016 following the resignation of Ms AC Wightman with effect from 30 September 2016.

Independence

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

Members	Independent	Date of appointment
Executive directors		
NF Nicolau (CEO)	–	1 September 2014
AC Wightman (CFO) (resigned 30 September 2016)	–	13 October 2014
MT Sadik (CFO)	–	1 October 2016
Non-executive directors		
PC Baloyi (chairman)	Yes	19 October 2012
CE Manning	Yes	23 August 2012
DLT Dondur	Yes	24 June 2014
MSI Gani	Yes	15 April 2015
SS Ntsaluba	No	5 July 2006
TA Tlelai	No	5 June 2006
ACG Molusi	No	14 March 2013
TD Hughes	No	1 January 2015

Conflict of interest

Basil Read has a conflict of interest policy designed to assist directors in identifying situations that could present conflicts of interest. Potential conflicts are appropriately managed to ensure candidates and existing directors have no conflicting interests between their obligations to the company and their personal interests. Any interest in contracts with the company must be formally disclosed and documented. Directors must also adhere to a policy on trading in securities of the company.

Board assessment

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

The annual assessment for the review performed was performed by an external independent service provider and results were satisfactory. An internally facilitated assessment will be conducted and reported in the 2017 integrated report, focused mainly on assessing progress on key findings of the externally facilitated assessment.

A consolidated summary of the evaluation is discussed by the board.

Director induction, ongoing training and independent advice

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

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

Election and rotation of directors

Directors are subject to rotation in line with the provisions of the company's memorandum of incorporation and the Act. At least one-third of directors retire and can offer themselves for re-election at every annual general meeting (AGM). Executive directors are not required to retire by rotation.

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

Mr TD Hughes, Mr ACG Molusi and Dr CE Manning will retire by rotation at the AGM on 2 June 2017 but offer themselves for re-election. Their abridged résumés are on page 63.

Board charter

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

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

The charter specifically reserves the following matters for the board:

- Determining and reviewing the company's strategic direction and exercising prudent control over the company and its affairs
- Approving the annual business plan and budget compiled by management, and taking cognisance of sustainability aspects
- Retaining effective control of the company and monitoring management's implementation of the approved annual budget and business plan
- Evaluating the viability of the company and group as going concerns, and properly recording this evaluation
- Monitoring the company's social, environmental and financial performance
- Monitoring compliance with key laws, codes and standards
- Overseeing the company's performance against agreed objectives
- Ensuring the integrity of financial reporting and the full and timely disclosure of material matters
- Ensuring there is an effective risk-based internal audit function, which allows it to report on the effectiveness of the company's system of internal controls in its integrated report
- Defining levels of delegation for specific matters, with appropriate authority delegated to committees and management
- Determining the company's communication policy
- Communicating with shareholders and relevant stakeholders appropriately
- Determining the selection and orientation of directors
- Appointing the CEO, executive directors and non-executive directors on recommendation from the nominations and investment committee, and ensuring succession is planned
- Establishing appropriate committees with clear terms of reference and responsibilities
- Annually evaluating the performance and effectiveness of directors, the board as a whole and committees
- Reviewing board committees' charters annually.

Board meetings and attendance

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

Details of attendance at board and committee meetings are provided below:

		Committee				
Members	Board	Audit	Nominations and investment	Remuneration	Risk	Social, ethics and transformation
PC Baloyi	6/6		4/4			
SS Ntsaluba	4/6		3/4		3/4	
TA Tlelai	5/6			3/3		3/3
DLT Dondur	6/6	9/9			3/4	
ACG Molusi	5/6			2/3	3/4	2/3
CE Manning	6/6	8/9	4/4	3/3		3/3
TD Hughes	5/6					
NF Nicolau	6/6				4/4	
AC Wightman (resigned 30 September 2016)	4/6				2/4	
MSI Gani	6/6	9/9				
MT Sadik (appointed 1 October 2016)	2/6				1/4	

Corporate governance continued

Board committees

While the board remains accountable for the performance and affairs of the company, it delegates certain functions to committees and management to assist in discharging its duties. Appropriate structures for those delegations are in place, accompanied by monitoring and reporting systems. The board has five committees to which it delegates some of its duties. Committee members are appointed by the board, except for the audit committee whose members are recommended to shareholders for approval and appointment at the AGM.

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

The board and its committees work transparently, with full disclosure of committee discussions to the board. Committee meeting minutes are provided to the board, and committee chairmen verbally report to the board after every committee meeting.

Audit committee

The audit committee is established in terms of section 94 of the Act and its members are appointed annually by shareholders. The committee report is on page 72 – 75.

Frequency and attendance at meetings

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

The committee meets separately with management, internal auditors and external auditors at least once a year. The chairman of the board is not a member of the audit committee, but may attend meetings by invitation. During the review period, the committee met nine times, including four special meetings. Attendance is shown on page 69.

Nominations and investment committee

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

Composition

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

Members' attendance is shown on page 69.

Remuneration committee

The remuneration committee (Remco) is constituted as a board committee and its report is on page 76 – 82.

Frequency and attendance of meetings

In addition to committee members, the head of human resources and CEO attend meetings by invitation. Attendance at meetings during the year is shown on page 69.

Risk committee

The risk committee was established to assist the board with its responsibilities for risk governance. The committee report is on page 83 – 85.

Frequency and attendance at meetings

Attendance at meetings during the year is shown on page 69.

Social, ethics and transformation committee

Constituted as a statutory committee in terms of the Act, this committee's report is on page 86 and 87.

Frequency and attendance of committee meetings

In addition to committee members, the chief risk officer, legal adviser, SHE manager and head of human resources attend meetings by invitation. During the period, the committee met three times, with attendance disclosed on page 69.

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

Members	Independent	Audit	Nominations and investment	Remuneration	Risk	Social, ethics and transformation
PC Baloyi (chairman)	Yes		Chair			
CE Manning	Yes	✔	✔	Chair	✔	✔
SS Ntsaluba	No		✔			
TA Tlelai	No			✔	✔	✔
ACG Molusi	No			✔	Chair	Chair
DLT Dondur	Yes	Chair				
TD Hughes	No					
MSI Gani	Yes	✔				

Dealing in securities

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

Company secretary

Andiswa Ndoni is the company secretary of Basil Read. She holds BProc, LLB and certificate in corporate governance. She has 21 years' experience as an attorney and nine years' experience as a company secretary, four of which are in a listed entity. In accordance with the JSE Listings Requirements, her assessment is performed annually by the entire board, including the executive directors.

The questionnaire for the evaluation of the company secretary is in accordance to the Institute of Directors in South Africa (IoDSA) guidance note on evaluation of company secretaries. In addition to the annual assessment conducted by the board, the CEO conducted a performance review against the targets set by the company for her daily administrative duties.

All directors have direct access to the advice and services of the group company secretary, who is responsible for the flow of information to the board and its committees and for ensuring compliance with procedures and applicable statutes and regulations. The company secretary is responsible for directors' training, induction of new directors, which includes briefing on their fiduciary duties and statutory responsibilities. Andiswa is not a director and therefore maintains an arm's-length relationship with the board of directors. Her appointment and removal is a board matter. The board is satisfied that the company secretary is competent, and has the relevant qualifications and experience.

Construction sector BBBEE scorecard

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

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

IT governance

A steering committee effectively manages all information technology (IT) infrastructure and information system functions. Related management committees manage the day-to-day maintenance and enhancement of IT infrastructure and systems, and report to the IT steering committee which, in turn, reports to the audit and risk committees.

In 2015, Basil Read began replacing legacy payroll and financial systems to embrace the one-company-one-system concept.

In the review period, we incorporated our mining division onto the new ERP (enterprise resource planning) system, continued bedding down and integrating systems, and streamlined electronic procurement workflow processes.

We invested in leading hyper-converged technology to replace the legacy systems, significantly improving data management, backups and business continuity in partnership with a prominent data centre and hosting provider.

2016 focus areas:

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

Audit committee report

Doris Dondur | Chairman of the audit committee

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 this integrated report and the company's website.

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

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 committee report continued

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 1.D 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 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 (CGUs), 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

Remuneration committee report

Dr Claudia Manning | Chairman of the remuneration committee

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

To improve our variable remuneration element, and drive long-term objectives, we have finalised a long-term incentive (LTI) policy which has been approved by the board. We believe this will assist in fostering a performance culture and provide alignment between employees and shareholders. This LTI policy will be tabled at the upcoming annual general meeting (AGM) for shareholder approval.

The 2016 financial year proved challenging for the company in terms of achieving strategic targets. As such, the remuneration committee (Remco) has not awarded any STI cash bonuses to management and staff. In addition, no LTIs have vested or been awarded.

Remco remains abreast of market trends in the industry, and monitors regulatory and governance changes, resulting in our policies being amended where applicable.

We also continue to demonstrate our commitment to ongoing shareholder engagement by addressing concerns raised by you, our shareholders, as indicated in Part II. We will actively maintain open channels of communication with you to ensure our remuneration policies and practices remain fair and responsible, and are aligned with best market practice.

CManning

Dr Claudia Manning
Chairman of the remuneration committee

31 March 2017

PART I: Remuneration philosophy and policy

Governance and the remuneration committee (Remco)

Role of Remco

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

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

In line with corporate governance standards, Remco is chaired by an independent non-executive director and the other two members are non-executive directors.

Members of Remco and meeting attendance

Members and meeting attendance are disclosed in the corporate governance section on page 69.

Activities for the year

For the review period, Remco reviewed the remuneration policy to ensure the framework remains effective to support the company's business objectives, aligned with best practice and particularly King IV, and fairly rewards employees for their contribution to the business, considering the size and complexity of our operations. Key activities included:

- Reviewed and recommended executive remuneration for board approval
- Reviewed and recommended non-executive directors' fees for board and final shareholder approval at the AGM
- Considered and recommended an annual increase in the company's salary bill for approval by the board
- Received feedback on the analysis of the annual salary review process for monitoring purposes
- Monitored the organisation's transformation and employment equity targets
- Reviewed employee retirement funding and healthcare benefits
- Considered an appropriate executive succession plan which will be implemented accordingly
- Reviewed and considered recommendations on a revised long-term incentive plan
- Reviewed the company's internal wage gap relative to the market.

Remuneration policy and components of remuneration

Policy

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

In line with this philosophy, the purpose of our total rewards package in a competitive environment is to attract, retain, motivate and reward staff to achieve our objectives. We are acutely aware of our dependence on appropriately qualified, trained and experienced specialists to achieve our goals, particularly in an environment where demand for scarce skills is continually increasing.

Accordingly, Basil Read's remuneration policy strives to reward corporate and individual performance through an appropriate balance of fixed pay and short and long-term variable components. A significant portion of total remuneration is performance-related, based on a mixture of internal and external targets linked to key corporate performance indicators. For full details on the staff remuneration policy, please follow the link: www.basilread.co.za.

Remuneration committee report continued

Components of remuneration

Fixed/variable	Element	Detail and link to strategic objectives
Fixed	Total guaranteed package (TGP) • Base salary • Benefits • Allowances	Basil Read uses a total guaranteed package (TGP) approach that encompasses a cash component, fixed car allowance, retirement funding and employer contributions to employee benefits. We use the Paterson job-grading system. The company participates in and subscribes to external online benchmarking remuneration surveys that facilitate reliable comparisons of remuneration for executive and other job descriptions. Our aim is to remunerate all competent performing employees between the 50th and 75th percentiles of the national all-industries market, ensuring they are properly benchmarked in their respective disciplines. Our policy also makes provision to reward above the 75th percentile for exceptional performance and to retain scarce skills. Basil Read provides for employee retirement funding through a defined-contribution fund, which is compulsory for all salaried employees. It is also compulsory for all new salaried employees to belong to the company's medical aid. Where applicable, employees can remain on their spouse's medical aid and provide proof of membership. Basil Read makes a 16% employer contribution to the retirement fund, and employer contribution to group life (1.85%) as well as to employee disability cover (0. 96%). *Our approach to TGP enables us to attract and retain key employees by ensuring we are both internally and externally competitive in the way we pay. We believe our benefits demonstrate our integrated approach to wellness, driving employee effectiveness and engagement, and our commitment to complying with legislative, negotiated and contractual commitments.*
Variable	Short-term incentive (STI) (<12 months)	The STI is based on a combination of: • Company performance against profit before tax (PBT) targets • Personal performance. The STI is multiplicative, and payments are determined by the following formula: TGP x on-target STI % x business score x personal score Through employees' balanced scorecards, transformation, project financial control, operational management and execution, safety and other strategic focus areas can be addressed. These will have an impact on the STI outcome by incorporating the personal score. The STI supports our initiatives to develop and retain a world-class construction and engineering team, by ensuring STI outcomes are based on solid market benchmarks, modified for affordability and performance. Through transparent communication of components in the STI, meaning employees are able to calculate their expected STI and ascertain how both company performance and personal performance can affect their final outcome, we hope to assure our employees that hard work and superior performance result in fair and deserved reward, while encouraging them to continue striving to perform to their fullest.
	Long-term incentive (LTI) (>12 months)	Eligibility is limited to senior management The purpose of the new LTI is to: • Attract and retain senior employees, with the majority of awards linked to company performance targets • Direct alignment with shareholders' interests by linking the level of rewards to achieving performance targets. Two instruments are being considered for the new LTI, namely bonus shares and performance shares.

Variable remuneration – further detail

Short-term incentive scheme (STI)

Remuneration component	Strategic intent and drivers
Purpose	The STI is one of the components of remuneration that enables the 'pay-for-performance' element. It seeks to ensure that employees' total reward packages are both market competitive and variable enough to ensure that excellence on a personal and company level can be encouraged and rewarded.
Operation	STI payments for executives are calculated in the same way as for all employees, according to the following formula: TGP x on-target STI % x business score x personal score Due to the multiplicative nature of the formula, the business score and personal score act as modifiers to the on-target STI, which is a function of the executive's TGP and relevant on-target STI percentage. The on-target STI percentage is determined according to grade, using the table below. **Paterson job grade – Target incentive percentage** F upper – 50% F lower – 45% E upper – 35% E lower – 25% D band – 15% C band – 10% By modifying the on-target STI by the business score and personal score, if actual PBT is below the threshold, no STI will be paid. Similarly, if the personal score for the executive is 1, no STI will be paid. The maximum that can be paid to any executive is 180% of their on-target STI (150% maximum business score x 120% maximum personal score).
Performance measures	The business score is determined against PBT targets, as follows: **R000 – Threshold – Budget – Stretch 135% of budget** Profit before tax – 126 218 – 157 772 – 212 992 PBT targets have been determined by considering the South African economic environment, conditions in the construction sector, Basil Read's order book, turnover for the year, performance of key large contracts. The personal score of executives is determined by considering their performance against strategic performance targets including PBT, order book, turnover, headline earnings per share (HEPS), safety and transformation. The personal score acts as a modifier, as shown below: **Rating – Resulting performance score** 5 – 120% 4 – 110% 3 – 100% 2 – 50% 1 – 0%
Maximum value of cash incentive (annual or subject to deferral)	**Paterson job grade – Maximum percentage of TGP** F upper – 90% F lower – 81% E upper – 63% E lower – 45% D band – 27% C band – 18%
Discretion of Remco	Remco retains ultimate discretion in terms of paying the STI. The primary factor considered when exercising this discretion is: • Company being in a cash-positive position This discretion is intended to guard against unintended outcomes from applying the formula.
Changes for 2017	No changes are proposed for the STI for 2017.

Remuneration committee report continued

Long-term incentives

The LTI policy for executives and senior managers has been approved and will be put to shareholders for their vote in the upcoming AGM.

Executive and prescribed officer contracts of service

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

Non-executive directors

Appointment of non-executive directors

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

There were no new appointments in the financial year.

Non-executive directors' fees

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

When determining the proposed level of non-executive directors' fees, Remco considers market practices and norms as well as additional responsibilities placed on board members by new legislation and corporate governance principles. Board fees comprise a base fee and attendance fee which, in the committee's view, are sufficient to attract board members with the appropriate level of skill and expertise. Fees are not automatically increased, but as a principle, are aimed at the median of the selected comparator group. Non-executive directors' fees are recommended to the board by Remco, and then proposed to shareholders for approval at the AGM.

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

A 5% increase was proposed in 2016 for non-executive directors whose fees were found to be below the benchmark, with no increases for non-executive directors whose fees were found to be at or above the benchmark. However, increases reflected in the 2015 report were inaccurate and the correct figures appear on page 54 of the annual financial statements.

Non-binding advisory vote

Shareholders are requested to cast a non-binding advisory vote on Part II of this remuneration report.

Part II: Implementation

Disclosure of 2015 executive directors and prescribed officers' short-term incentives paid in the 2016 financial year

The short-term incentive for executive directors and prescribed officers for the 2015 financial year were determined on achieving the PBT target as indicated below:

R000	Threshold 80% of budget	Budget 100%	Stretch 135% of budget
Profit before tax	163 200	204 000	275 400
Vesting %	30	100	150

Based on achieving the 2015 PBT budget as shown above, executive directors and prescribed officers received the following short-term incentive payments in 2016:

Name	2015 STI paid in 2016
N Nicolau	2 750 000
A Ndoni	1 190 475
J Johnston	1 000 000
O Giot	1 374 750
K Mapasa	1 295 043
A Fourie	1 170 000
B Morton	1 041 300

Disclosure of 2016 executive directors and prescribed officers' remuneration

Guaranteed pay adjustments for 2016

In the review period, base salaries were benchmarked against market data using the methodology described in Part II, confirming that our guaranteed pay package remains competitive. Average salary increases for executives and general staff in March 2016, for that financial year, were linked to inflation. Executives received an increase of 4.87% compared to an average increase of 4.06% for general staff.

STIs for 2016

STIs for executive directors and prescribed officers for 2016 would have been based on the profit before tax level reached by the company, using the scale to the right:

R000	Threshold 80% of budget	Budget 100%	Stretch 135% of budget
Profit before tax	126 218	157 772	212 992
Vesting %	30	100	150

For the review period, the company achieved neither its budget target nor the 80% of budget threshold. As such, no STI payments were made.

LTI awards made in 2016

No LTI awards were made in the 2016 financial year, as there was no LTI plan in place.

LTI awards vesting in 2016

No LTI awards vested in 2016, and no LTI awards remain outstanding.

Remuneration committee report continued

Executive directors' and prescribed officers' emoluments

Remuneration paid to executive directors and prescribed officers in 2016

Name	TGP R	2016 STI R	LTI vesting in 2016 R	Total 2016 R
N Nicolau	5 174 399	–	–	**5 174 399**
A Wightman[1, 3]	7 578 660	–	–	**7 578 660**
MT Sadik[2]	875 000	–	–	**875 000**
A Ndoni	2 594 440	–	–	**2 594 440**
J Johnston	3 178 320	–	–	**3 178 320**
O Giot	3 189 160	–	–	**3 189 160**
K Mapasa	2 804 040	–	–	**2 804 040**
A Fourie	2 801 319	–	–	**2 801 319**
B Morton	1 919 920	–	–	**1 919 920**

[1] *Resigned 30 September 2016.*
[2] *Appointed 1 October 2016.*
[3] *Included is a once off payment of R5.5 million.*

No STIs for executive directors and prescribed officers were paid in 2016 as company performance targets were not achieved.

Non-executive director fees

No proposed increase for the next financial year. Fees for the next financial year appear in the directors' report on page 2 of the annual financial statements.

Non-executive director fees

Total emoluments paid to non-executive directors for the year ended 31 December 2016 are disclosed on page 53 of the annual financial statements.

Stakeholder engagement

We value input from our shareholders and, to demonstrate our commitment, we have summarised our understanding of your concerns as follows:

- The need to align executive and shareholders' interests by implementing a minimum shareholding requirement that affords executives a period in which to build up their shareholding in the company
- The importance of providing disclosure on the manner in which the company determines PBT targets
- The need to incorporate a target for a free cash flow per share condition into the STI.

We will continue to keep the lines of communication open to maintain good relations.

Risk committee report

Sango Ntsaluba | Chairman of the risk committee

After evaluating the enterprise-wide risk management (ERM) framework, which is based on ISO 31000 and Committee of Sponsoring Organisations (COSO), the risk committee is satisfied the framework is adequate and, if consistently applied, should guide Basil Read's approach to identifying, evaluating and responding to key opportunities and risks that may impact strategic objectives. The organisation recognises that a coordinated approach to risk/opportunity management is needed to create and sustain value in the longer term and achieve its vision.

Ultimate responsibility for structure, accountability and risk management remains with the board of directors. The risk committee's main responsibility is to safeguard the independence and oversee the performance of the Basil Read risk function by monitoring the company's risk profile, risk appetite and tolerance levels while enhancing risk management capabilities and reporting.

Basil Read encourages transparency, cooperation and integration between all assurance providers through its combined assurance framework. This gives the committee a clear understanding of the strengths and weaknesses of internal control management systems and the relationship between the risk and control

Risk committee report continued

environments. Any identified weaknesses are addressed immediately.

The committee is regularly briefed on how management is embedding a culture of good governance and ethical behaviour. Although embedding such a culture does not guarantee that Basil Read will achieve its goals, its absence provides greater opportunity for error or for improprieties to occur.

The board of directors determined the risk appetite and tolerance levels for the company. The committee constantly tests, monitors and implements safety measures to ensure these are not exceeded.

While risk is measured in monetary value, reputational risk is also extremely important. How the company's actions are perceived by others in the market adds another layer of responsibility to being a good corporate citizen. The environment in which Basil Read operates, its social impact, and its economic impact and influence are all considered when measuring risk.

As in any business, Basil Read faces risk and uncertainty in everything it does. The risk report (page 14) explains how we consider risk and how the corporate strategy, reviewed annually, seeks to capitalise on identified opportunities while mitigating known risks. Where material risks have been identified in our business, we have implemented appropriate internal controls to protect shareholders' interests. The board is ultimately responsible for the organisation's system of risk management and internal controls, and discharges these duties by:

- Determining Basil Read's risk appetite (the risk we actively seek or accept in pursuing our long-term objectives, in the expectation of an economic return) and risk tolerance (the risk we are prepared to face in achieving our strategic goals)
- Overseeing the risk management strategy
- Ensuring management implements effective systems of risk identification, assessment and mitigation and internal controls.

These systems are designed to manage, rather than eliminate, the risk of failing to achieve business objectives and cannot provide absolute assurance against material misstatement or loss.

Our risk management process reviews, identifies, evaluates, manages and monitors risks facing the business. Those risks identified as significant, in addition to associated mitigating controls, are reviewed regularly by the executive committee and then by the board. The risk committee regularly reviews the effectiveness of the risk identification process and methodology used to evaluate and quantify the risk.

Principal risks

Top risks and associated mitigating controls are reviewed at least quarterly by executive management and the board. The company's principal risks in the review period included:

- Capital adequacy
- Order book decline
- Business sustainability
- Transformation
- Project delivery.

Review of risks

Top-down and bottom-up risk reviews are conducted in each division and department of Basil Read, involving executive management as well as operational and middle managers. All senior managers are responsible for managing and monitoring risks in their area of responsibility and recording these in the risk register. It is mandatory for this process to take place quarterly. For each risk identified, management assesses the impact of unmitigated risks, probability of occurrence, effectiveness of existing controls and level of exposure after mitigating measures have been implemented. Identifying possible opportunities and additional threats is key to this process, as detailed in the risk report.

This process ensures all risks are measured, monitored and reported consistently. To protect our strategic objectives, it is important that we manage these risks as effectively as possible. Accordingly, the work of the risk management department is closely aligned to that of the internal audit department.

Risks related to sustainability

Risks related to safety, labour and community relations, social development, transformation and environmental impacts make up a significant portion of Basil Read's risk profile. Each division and department is responsible for mitigating safety and environmental impact and for monitoring the relevant action plans. In this way, the company ensures focus on these areas is maintained and that accountability is embedded at operational management level. Reviews of these risks and their associated management plans are conducted by the SHE and social, ethics and transformation committees, and results presented to the board.

A highlight for the review period was that we reported zero fatalities and no major environmental incidents.

Risk appetite

The board recognises that a well-defined risk appetite is the core instrument for aligning corporate strategy, capital allocation, risk and performance. Risk appetite and tolerance are fundamental concepts providing context for strategy setting, entrepreneurial behaviour and the pursuit of company objectives. They are informed by the company's risk culture and clarify what risks we can or are willing to take, as well as risks the company will avoid. Risk appetite and risk tolerance are inextricably linked to performance over time.

The board has formally defined its appetite for risk, and an enhanced risk appetite framework and statement was developed, approved and successfully implemented during the year. The committee confirms that this framework has supported increased consideration of risk capacity, process maturity and overall risk capability relative to key strategic, financial, operational and compliance imperatives for the company.

Risk profile

The board is satisfied that strategy and business plans do not give rise to risks that have not been thoroughly assessed by management and confirms no undue, unexpected or unusual risks were taken.

Sango Ntsaluba
Chairman of the risk committee

31 March 2017

Social, ethics and transformation committee report

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

As required by the Companies Act and King III, this committee oversees and monitors Basil Read's activities in relation to:

- Social and economic development, including the principles of the United Nations Global Compact, broad-based black economic empowerment (BBBEE), employment equity and the Organisation for Economic Co-operation and Development's (OECD) recommendations on corruption
- Good corporate citizenship which includes promoting equality, preventing unfair discrimination, corporate social responsibility, ethical behaviour and managing environmental impacts
- Investor and stakeholder relations
- Labour and employment, including skills development
- Safety, health and environmental issues.

Membership

There were no changes to the composition of the social, ethics and transformation committee during the year.

The committee met three times during the year (attendance shown on page 69) and comprised four members:

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

Focus areas

Enterprise development

Basil Read has been a significant contributor to enterprise development in the South African construction and mining landscape through programmes running with the South African Forum of Civil Engineering Contractors (SAFCEC) and Aurik for the past two years.

The majority of our subcontractors are BBBEE level 3 companies and are either exempted micro-enterprises or qualifying small enterprises.

BBBEE

Basil Read has a level 3 BBBEE rating, following an audit in February 2017 under the dti Codes of Good Practice. We await the promulgation of the amended construction sector codes in 2017 as this will present an opportunity for the company to return to a level 2.

Social impact on community development

The corporate affairs department is embedding a strategic approach to corporate social investment (CSI) in Basil Read.

In line with our CSI focus areas, as outlined in our policy, education is at the heart of our activities as it has the power to address some of society's most significant problems, notably illiteracy, poverty, lack of skills, inequality and food security. The majority of all CSI spend was directed at education in 2016.

In a holistic approach, this included sponsoring maths and science teachers at Alldays High School in Limpopo to improve the quality of teaching and increases learners' eligibility for bursaries. The 2016 matriculants benefited from this intervention as reflected in their pass rates:

- Maths – 71%
- Maths literacy – 63%
- Science – 76%

See page 44.

Stakeholder engagement

The establishment of the corporate affairs department has assisted the business in creating a culture for reporting on material issues and coordinating coherent engagement with our stakeholders. A stakeholder perception survey during the year indicated that although Basil Read is generally regarded as a key industry player in its sectors (construction and mining), there is a general lack of:

- Awareness of Basil Read products and services
- Transparency in business activities
- Transformation
- Ability to respond to government's economic growth agenda
- Marketing
- Social responsibility.

The company has formulated strategies to respond to and address issues raised with external stakeholders. We are also investigating the option of a customer relationship management (CRM) system that will enable effective reporting and insight generation.

Employee education

As part of our aim to prepare talent for future business needs, the company sponsored 20 students with educational bursaries in 2016 at a cost of R1.7 million. While bursars will have the opportunity to work full time for the company after successfully completing their studies, this will also generate a pipeline of talent for future business needs.

The learning and development unit focused on key learning programmes and projects during the year to enhance operational performance, which included:

- Management development programme
- Supervisory development programme
- Electronic or e-learning platform.

Basil Read invested almost R10 million in the growth and development of its employees. In total, 2 246 employees were trained in 2016 at an average spend of R4 389 per employee.

Health, safety and environmental

Safety is a core value of Basil Read and integral to the way we conduct business. Our aim is to proactively reduce the frequency and severity of injuries by reviewing our strategic safety objectives annually.

There were zero work-related fatalities in 2016. With the exception of medical treatment cases, all other classes of injuries decreased in the review period compared to 2015. Please see full report on pages 34 and 35.

Connie Molusi
Chairman of the social, ethics and transformation committee

31 March 2017

Summarised financial information

Contents

Basis of presentation

The summary consolidated financial statements, set out on pages 90 to 99 comprise the condensed consolidated statement of financial position, condensed consolidated statements of profit or loss and comprehensive income, changes in equity and cash flows and related notes. The summary consolidated financial statements are derived from the information contained in the audited annual consolidated financial statements. The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards, the JSE Listings Requirements and the requirements of the Companies Act. The principal accounting policies applied are set out in the company's most recent annual consolidated financial statements.

Any investment decisions by shareholders should be based on consideration of the audited annual consolidated financial statements, which is available on request. The preparation of financial information requires the use of estimates and assumptions about future conditions. Use of available information and application of judgement are inherent in the formation of estimates. The accounting policies that are deemed critical to the group's results and financial position, in terms of the materiality of the items to which the policies are applied, and which involve a high degree of judgement including the use of assumptions and estimation, are going concern, accounting for construction contracts, recoverability of deferred tax asset and impairment assessment of non-current assets.

Auditor's report

PricewaterhouseCoopers Inc., Basil Read Holdings Limited's independent auditors, have audited the consolidated annual financial statements of Basil Read Holdings Limited from which management prepared the summary consolidated financial results. A copy of the auditor's audit report is available for inspection at the company's registered office together with the consolidated annual financial statements. The auditors have expressed an unqualified audit opinion on the consolidated annual financial statements.

Condensed consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2016

	2016 R000	2015* R000
CONTINUING OPERATIONS		
Contract revenue	**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	**(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	**(257 028)**	(268 366)
Capital items	**(5 481)**	11 731
Administrative costs and overheads	**(72 108)**	(102 179)
Operating profit	**63 737**	226 197
Financing income	**8 868**	21 077
Net foreign exchange movements	**31 882**	(9 728)
Financing expense	**(50 117)**	(46 740)
Non-trading and capital items	**(40 788)**	–
Share of (losses)/profits of associates and joint ventures	**(8 981)**	40 536
Profit before taxation	**4 601**	231 342
Taxation	**(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 (LOSS)/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 (loss)/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 (loss)/income attributable to:		
Owner of the company	**(108 750)**	198 738
Non-controlling interests	**14 291**	(10 738)
Total comprehensive (loss)/income for the year	**(89 459)**	188 000
	Cents	Cents
CONTINUING OPERATIONS		
Basic earnings per share	**(23.77)**	152.78
Diluted earnings per share	**(23.77)**	152.78
DISCONTINUED OPERATIONS		
Basic earnings per share	**(24.93)**	(15.51)
Diluted earnings per share	**(24.93)**	(15.51)

Reclassified.

Condensed consolidated statement of financial position

as at 31 December 2016

	2016 R000	2015* R000	2014* R000
ASSETS			
Non-current assets	1 390 758	1 500 501	1 669 708
Property, plant and equipment	799 092	915 856	1 080 248
Investment property	6 112	6 590	5 826
Investments	177 524	187 689	183 089
Goodwill and intangible assets	90 782	91 640	99 938
Deferred taxation	317 248	298 726	300 607
Current assets	1 883 907	2 017 657	2 552 957
Contract work in progress	342 354	433 237	378 466
Trade and other receivables	699 900	766 701	905 494
Inventories	35 229	25 939	33 067
Development land	259 607	262 679	268 022
Derivative financial instrument	623	2 885	–
Taxation	28 681	19 371	57 093
Cash and cash equivalents	517 513	506 845	910 815
Non-current assets held for sale	–	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	300 378	182 134	215 898
Deferred taxation	47 788	38 953	44 067
Current liabilities	1 792 406	2 155 388	2 970 241
Contract income received in advance	330 321	715 432	1 102 385
Trade and other payables	934 327	734 163	1 180 026
Borrowings and other liabilities	137 760	157 798	273 594
Derivative financial instruments	–	–	223
Provisions	299 167	497 523	318 766
Taxation	31 794	15 034	5 011
Bank overdraft	59 037	35 438	90 236
Non-current liabilities held for sale	–	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.

Condensed consolidated statement of changes in equity

for the year ended 31 December 2016

	Stated capital		Other reserves					
	Share capital R000	Treasury shares R000	FCTR[1] R000	FVR[2] R000	Retained earnings R000	AEHC[3] R000	NCI[4] 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)
Loss for the year	–	–	–	–	(64 128)	(64 128)	10 482	(53 646)
Other comprehensive loss	–	–	(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**

[1] *Foreign currency translation reserve.*

[2] *Fair value adjustment reserve.*

[3] *Attributable to equity holders of the company.*

[4] *Non-controlling interest.*

Movements are reflected net of taxation.

Condensed 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*

Overview

Company performance

Sustainability review

Divisional review

Governance

Summarised financial and shareholders' information

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 in order to provide enhanced clarity and to better represent the underlying business activities:
  - 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 have 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.

Additional information to the condensed consolidated financial statements

NON-TRADING AND CAPITAL ITEMS

Capital items

	Total 2016 R000	Total 2015 R000
Impairment of fixed assets due to inactivity	(2 900)	–
Impairment of associate	–	(165)
Write down of development land due to devaluation	(2 881)	–
Profit on sale of fixed assets	778	11 896
Fair value adjustment on investment property	(478)	–
Total capital items	(5 481)	11 731
Non-trading item		
Voluntary rebuilding programme cost	(40 788)	–
Total non-trading and capital items	(46 269)	11 731

The above 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 and losses on assets) to the key operating objectives of the Basil Read group and are thus separately disclosed to enhance clarity of reporting.

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.

DISPOSAL OF SUBSIDIARY

On 1 February 2016, the group disposed of 100% of the share capital of SprayPave (Pty) Ltd. The company is a manufacturer, supplier and applicator of bituminous road binders and emulsions. The group realised proceeds on the sale of SprayPave of R65.6 million before inclusion of cash disposed. The net cash inflow on the disposal was R64.8 million. This sale resulted in a loss on disposal of R32.8 million.

Additional information to the condensed consolidated financial statements continued

BASIC AND HEADLINE/(LOSS) EARNINGS PER SHARE

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

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

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

	Total		Continuing operations		Discontinued operations	
	2016 R000	2015 R000	2016 R000	2015 R000	2016 R000	2015 R000
Basic and diluted (loss)/earnings	(64 128)	180 761	(31 300)	201 186	(32 828)	(20 425)
Loss/(profit) 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 (loss)/earnings	(28 700)	158 392	(28 700)	189 455	–	(31 063)

OPERATING SEGMENTS

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

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.

	2016					
	Construction R000	Developments R000	Mining R000	Roads R000	St Helena R000	Total R000
Performance measures						
Total segment revenue	1 645 506	81 263	1 701 724	1 166 765	721 950	5 317 208
Intersegment revenue	(5 923)	–	(133 726)	(51 474)	–	(191 123)
External revenue	1 639 583	81 263	1 567 998	1 115 291	721 950	5 126 085
Operating profit	(107 704)	15 873	111 652	(41 938)	85 854	63 737
Measures of financial position						
Total segment assets	950 754	17 293	1 032 671	233 427	1 040 520	3 274 665
Total segment liabilities	(719 879)	(41 470)	(424 184)	(245 375)	(709 664)	(2 140 572)

	2015*					
	Construction R000	Developments R000	Mining R000	Roads R000	St Helena R000	Total R000
Performance measures						
Total segment revenue	1 807 903	160 599	1 402 190	1 508 577	961 016	5 840 285
Intersegment revenue	(4 000)	–	(166 652)	(149 654)	–	(320 306)
External revenue	1 803 903	160 599	1 235 538	1 358 923	961 016	5 519 979
Operating profit	(17 654)	15 441	83 558	49 198	95 654	226 197
Measures of financial position						
Total segment assets	1 397 263	23 219	987 279	175 595	1 039 005	3 622 361
Total segment liabilities	(976 909)	(77 836)	(490 209)	(208 348)	(645 507)	(2 398 809)

**Restated.*

Additional information to the condensed consolidated financial statements continued

OPERATING SEGMENTS continued

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

CONTINGENT LIABILITIES

Sladden International Proprietary Limited, a subsidiary of Basil Read Holdings Limited, is defending a legal claim from a subcontractor, Landwards Proprietary Limited. 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.

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.

FAIR VALUE CLASSIFICATION AND FINANCIAL INSTRUMENTS

Assets

	Total fair value R000	Fair value level
2016		
Investments	51 289	
Listed investments	477	Level 1
Unlisted investment	50 812	Level 3
Investment property	6 112	Level 3
Derivative financial instrument	623	Level 2
2015		
Investments	51 289	
Listed investments	477	Level 1
Unlisted investment	50 812	Level 3
Investment property	6 590	Level 3
Derivative financial instrument	2 885	Level 2

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

Movement in level 3 instruments

	Unlisted instruments R000	Investment property R000
Opening balance	50 812	6 590
Foreign exchange differences	–	(478)
Closing balance	50 812	6 112

FAIR VALUE CLASSIFICATION AND FINANCIAL INSTRUMENTS continued

Valuation technique and significant unobservable inputs

(a) 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)

(b) 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); and Realised yields on comparative sales were higher/(lower)

(c) 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)

Sensitivity

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 the discount rate, long-term forecasted exchange rate between the US dollar and the South African rand, and the manganese price. Movements in these inputs would affect the fair value of the investment. However, this sensitivity has not been assessed to be significant.

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

Notice of annual general meeting

BASIL READ HOLDINGS LIMITED

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

Notice is hereby given that the 32nd annual general meeting (AGM) of shareholders of Basil Read will be held at 10:00 on Friday, 2 June 2017 at Basil Read Campus, 7 Romeo Street, Hughes Extension, Boksburg, to consider and, if deemed fit, pass with or without modification the resolutions set out below.

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

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

- This notice has been sent to shareholders of the company who were recorded as such in the securities register on 23 May 2017, being the notice record date for determining which shareholders are entitled to receive notice of the AGM.
- The record date for determining which shareholders of the company are entitled to participate in and vote at the AGM is Friday, 26 May 2017. Accordingly, the last day to trade in Basil Read shares to be recorded in the register to be entitled to vote will be Friday, 19 May 2017.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

To present the audited annual financial statements of the company and the group, for the year ended 31 December 2016, including the directors' report, audit committee report and report of the independent auditors, and to confirm all matters and actions undertaken and discharged by the directors on behalf of the company. The annual financial statements are available on the company's website, www.basilread.co.za.

ORDINARY RESOLUTIONS

Percentage of voting rights – ordinary resolutions

Ordinary resolutions numbers 1 to 5, contained in the notice of AGM, require the approval of a minimum of 50% plus one vote of votes exercisable on resolutions by shareholders present or represented by proxy at the AGM for the resolution to be adopted.

Ordinary resolution number 5 is proposed for a non-binding advisory vote only and failure to pass this resolution will not have an effect on the company's existing arrangements, but the outcome of the vote will be considered when determining the company's remuneration policy.

Ordinary resolution number 6 requires the approval of a minimum of 75% of votes exercised on the resolution by shareholders present or represented by proxy at the AGM for the resolution to be adopted in terms of the Listings Requirements of the JSE Limited (JSE Listings Requirements).

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

1. ORDINARY RESOLUTION NUMBER 1

Reappointment of independent auditors

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

Motivation

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

At the meeting on 7 March 2017, the audit committee considered the independence of PwC in accordance with section 94(8) of the Companies Act and as prescribed by the Independent Regulatory Board for Auditors established by the Auditing Profession Act and was satisfied that PwC is independent.

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

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

2. ORDINARY RESOLUTION NUMBER 2

Election of directors

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

2.1 Resolved that MT Sadik, who retires in accordance with the company's MoI and, being eligible, offers himself for election, be elected as a director of the company with immediate effect.

Motivation

In terms of the Companies Act and clause 28.5 of the company's MoI, directors who are appointed by the board (as opposed to being elected by shareholders) serve as directors of the company temporarily until elected by shareholders at the next AGM following appointment by the board. Mr MT Sadik was appointed by the board during the year ended 31 December 2016 and accordingly retires from the temporary appointment from the date of the AGM on Friday, 2 June 2017. He is eligible for election to the board and has made himself available for election by shareholders. The board recommends his election. His résumé is set out on page 62 of the 2016 integrated report.

3. ORDINARY RESOLUTION NUMBER 3

Rotation of non-executive directors

To elect, by way of separate resolutions, the following non-executive directors retiring by rotation in terms of the provisions of article 28.8 of the MoI of the company:

3.1 Resolved that TD Hughes, who retires in accordance with the company's MoI and, being eligible, offers himself for re-election, be re-elected as a director of the company with immediate effect.

3.2 Resolved that ACG Molusi, who retires in accordance with the company's MoI and, being eligible, offers himself for re-election, be re-elected as a director of the company with immediate effect.

3.1 Resolved that CE Manning, who retires in accordance with the company's MoI and, being eligible, offers herself for re-election, be re-elected as a director of the company with immediate effect.

Motivation

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

The directors to retire are selected from those who have served longest since their last election or re-election. Mr TD Hughes, Mr ACG Molusi and Dr CE Manning have served longest since their election and therefore retire by rotation. They are entitled to and have offered themselves for re-election. The board recommends their re-election and their résumés appear on page 63 of the 2016 integrated report.

Notice of annual general meeting continued

4. ORDINARY RESOLUTION NUMBER 4

Election of audit committee members

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

4.1 Resolved that DLT Dondur, who offers herself for election to the audit committee, be elected as a member of the audit committee of the company with immediate effect.

4.2 Resolved that CE Manning, who offers herself for election to the audit committee, be re-elected as a member of the audit committee of the company with immediate effect.

4.3 Resolved that MSI Gani, who offers himself for election to the audit committee, be re-elected as a member of the audit committee of the company with immediate effect.

Motivation

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

The board recommends to shareholders the election of these directors (résumés are on pages 62 and 63 of the 2016 integrated report).

5. ORDINARY RESOLUTION NUMBER 5

Approval of remuneration policy

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

Motivation

In terms of King III recommendations, by tabling the company's remuneration policy for a non-binding advisory vote at the AGM, shareholders are able to express their views on these policies. The detailed remuneration policy, for which approval is sought, is included in the remuneration report on pages 76 to 82 of the 2016 integrated report to which this notice is attached.

Accordingly, shareholders are requested to endorse the company's remuneration policy.

6. ORDINARY RESOLUTION NUMBER 6

Basil Read Holdings Limited long-term incentive share plan

Resolved, as an ordinary resolution, that the adoption by the company of the long-term incentive share plan, as detailed in the salient features thereof included as annexure "A" in the notice of AGM to shareholders to which this notice of AGM is attached as well as the complete document recording the terms of the long-term incentive share plan having been available for inspection by shareholders for at least 14 days prior to the date of this meeting, the complete document recording the terms of such long-term incentive share plan having been initialled by the chairman of this meeting for identification purposes, and tabled at this meeting, be and is hereby ratified and approved.

7. ORDINARY RESOLUTION NUMBER 7

Resolved as an ordinary resolution that any director of the company or the company secretary be and is hereby authorised to sign any documents and to take any steps as may be necessary or expedient to give effect to ordinary resolution number 1 passed at this meeting.

SPECIAL BUSINESS

Percentage of voting rights

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

8. SPECIAL RESOLUTION NUMBER 1

Remuneration of non-executive directors

Resolved that, in terms of the provisions of sections 66(8) and (9) of the Companies Act, and on the recommendation of the remuneration committee of the company, the annual remuneration payable to non-executive directors of the company with effect from 1 June 2017 be and is hereby approved as set out in note 26 of the annual financial statements.

Motivation

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

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

9. SPECIAL RESOLUTION NUMBER 2

Financial assistance to related or inter-related companies and others

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

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

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

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

Motivation

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

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

10. ANY OTHER BUSINESS

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

Notice of annual general meeting continued

Voting and proxies

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

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

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

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

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

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

By order of the board

Andiswa Ndoni
Company secretary

31 March 2017

Johannesburg

Form of proxy

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

For use only by ordinary shareholders who:
- Hold ordinary shares in certificated form (certificated ordinary shareholders); or
- Have dematerialised their ordinary shares and are registered with "own-name" registration

at the 32nd annual general meeting (AGM) of shareholders of the company to be held at Basil Read Campus, 7 Romeo Street, Hughes Extension, Boksburg, at 10:00 on Friday, 2 June 2017 and any adjournment.

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

Name of beneficial shareholder

Name of registered shareholder

Address

Telephone work Telephone home Cell

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

1 or failing him/her

2 or failing him/her

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

		Number of ordinary shares		
		For	Against	Abstain
1.	**Ordinary resolution number 1** To reappoint PricewaterhouseCoopers Inc as auditors of the company together with Mr Sizwe Masondo as the registered auditor for the ensuing financial year			
2.	**Ordinary resolution number 2**			
	2.1 To elect MT Sadik who resigned in terms of clause 28.5 of the MoI			
3.	**Ordinary resolution number 3**			
	3.1 To approve the re-election of TD Hughes who retires by rotation			
	3.2 To approve the re-election of ACG Molusi who retires by rotation			
	3.3 To approve the re-election of CE Manning who retires by rotation			
4.	**Ordinary resolution number 4**			
	4.1 To approve re-election of DLT Dondur to the audit committee			
	4.2 To approve re-election of CE Manning to the audit committee			
	4.3 To approve re-election of MSI Gani to the audit committee			
5.	**Ordinary resolution number 5** Approval of remuneration policy			
6.	**Ordinary resolution number 6** Basil Read Holdings Limited long-term incentive share plan			
7.	**Ordinary resolution number 7** Signing of documents to effect resolution number 6			
8.	**Special resolution number 1** Non-executive directors' remuneration			
9.	**Special resolution number 2** Financial assistance to related or inter-related companies and others			

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

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

Signed at on 2017

Signature

Assisted by (if applicable)

Notes to the form of proxy

1. The form of proxy must only be completed by shareholders who hold shares in certificated form or who are recorded on the subregister in electronic form in "own name".
2. All other beneficial owners who have dematerialised their shares through a CSDP or broker and wish to attend the AGM must provide the CSDP/broker with their voting instructions in terms of their custody agreement with the CSDP/broker.
3. A shareholder entitled to attend and vote at the AGM may insert the name of a proxy or the names of two alternate proxies (none of whom need be a shareholder of the company) of the shareholder's choice in the space provided, with or without deleting "the chairperson of the meeting". The person whose name is first on this form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow. Should this space be left blank, the proxy will be exercised by the chairperson of the meeting.
4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote for each ordinary share held. A shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by that shareholder in the space provided. If an X has been inserted in one of the blocks to a particular resolution, it will indicate voting of all shares held by that shareholder. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as deemed fit in respect of the shareholder's entire exercisable votes. A shareholder or proxy is not obliged to use all the votes exercisable by the shareholder or proxy, but the total of votes cast and for which abstention is recorded may not exceed the total of votes exercisable by the shareholder or proxy.
5. A vote given in terms of an instrument of proxy will be valid for the AGM despite the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares for which the proxy is given, unless notice of any of these matters has been received by the transfer secretaries not less than 48 hours before the start of the AGM.
6. If a shareholder does not indicate on this form that their proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) that may properly be put before the AGM be proposed, such proxy will be entitled to vote as they think fit.
7. The chairperson of the AGM may reject or accept any form of proxy that is completed and/or received other than in compliance with these notes.
8. A shareholder's authorisation to the proxy, including the chairperson of the AGM, to vote on their behalf will be deemed to include the authority to vote on procedural matters at the AGM.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person to the exclusion of any proxy appointed.
10. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached, unless previously recorded by the company's transfer secretaries or waived by the chairperson of the AGM.
11. A minor or any other person under legal incapacity must be assisted by a parent or guardian, as applicable, unless the relevant documents establishing their capacity are produced or have been registered by the transfer secretaries of the company.
12. Where there are joint holders of ordinary shares:
    - Any one holder may sign the form of proxy
    - The vote(s) of the senior ordinary shareholders (for that purpose seniority will be determined by the order in which names of ordinary shareholders appear in the company's register of ordinary shareholders) who tender a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
13. Forms of proxy should be lodged with or mailed to Link Market Services South Africa Proprietary Limited:

    Hand deliveries to:
    13th Floor
    Rennie House
    19 Ameshoff Street
    Braamfontein

    Postal deliveries to:
    PO Box 4844
    Johannesburg
    2000

    to be received by no later than 10:00 on Wednesday, 31 May 2017 (or 48 hours before any adjournment of the AGM which date, if necessary, will be notified on SENS).
14. A deletion of any printed matter and the completion of any blank space need not be signed or initialled. Any alteration or correction must be signed and not merely initialled.

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

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

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

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

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

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

Attention is also drawn to the notes to the proxy above.

Completing a form of proxy does not preclude any shareholder from attending the annual general meeting.

Annexure A

BASIL READ HOLDINGS LIMITED LONG-TERM INCENTIVE SHARE PLAN

Introduction

In line with local and global best practice, Basil Read Holdings Limited (Basil Read or the company) intends to adopt a new share plan, namely the Basil Read Holdings Limited long-term incentive plan (LTIP) to incentivise, motivate and retain the right calibre of executives and senior management.

The LTIP provides participants with the opportunity of receiving shares in the company in the form of bonus shares and/or retention shares and/or conditional rights to shares in the form of performance shares. The LTIP will provide participants with the opportunity to share in the success of the company and provide direct alignment between participants and shareholders.

Through the delivery of real shares in the form of bonus shares and/or retention shares under the LTIP, participants will become shareholders in the company and will have all shareholder rights (including dividends) from the settlement date, shortly after the award date.

Where terms are capitalised, these terms bear the defined meaning as per the definitions contained in the LTIP rules.

The salient features of the LTIP are detailed below.

Purpose

The LTIP will be primarily used as an incentive to participants to deliver the group's business strategy over the long term. The intent of the LTIP is to incentivise, motivate and retain executives and senior management through the award of bonus shares and/or performance shares and/or retention shares as follows:

- Annual awards of bonus shares, the value of which award will be determined as a percentage of the annual bonus based on performance in the previous financial year, the vesting of which is subject to the satisfaction of the employment condition
- Annual awards of performance shares, the vesting of which subject to the satisfaction of performance conditions and the employment condition
- The award of retention shares, the vesting of which subject to the satisfaction of the employment condition, only in specific ad hoc instances where the committee recognises key talent instrumental in delivering the group's business strategy.

The performance condition(s) applicable to the performance shares is/are approved by the board annually and specified in the performance share award letter. The employment condition, applicable to all types of awards, is the requirement for continued employment of the participant by Basil Read for the duration of a certain number of years from the date of the award, and will be specified in the award letters.

Participants

Eligible employees will include executive directors, prescribed officer and senior management of any employer company within Basil Read. Participation in the LTIP is not a condition of employment, and the remuneration committee has the absolute discretion to make an award to any employee in terms of the LTIP.

Rights of participants

Bonus shares and/or retention shares

Under the LTIP, participants will become owners of the bonus shares and/or retention shares from the settlement date, shortly after the award date, and will immediately benefit from dividends and have shareholder voting rights in respect of the bonus shares and/or retention shares over the vesting period. The shares cannot be disposed of by the participant prior to the vesting date and will be subject to forfeiture and disposal restrictions until the vesting date.

Performance shares

In terms of the performance shares under the LTIP, participants will not be entitled to any shareholder rights before the settlement of the shares which will only take place after vesting of the award(s). From settlement date, participants will have dividend and voting rights with regard to the settled shares.

Basis of awards and award levels

In line with the requirements of King III and best practice, regular annual awards of performance shares and bonus shares will be made on a consistent basis to ensure long-term shareholder value creation. The LTIP provides for the award of retention shares, for use in specific cases where there is a retention risk. This separate arrangement for retention is in line with King III, which recommends that any retention policy/awards should be ring-fenced and disclosed separately.

The number of performance shares and/or retention shares awarded to participants will primarily be based on each participant's individual performance, annual salary, level of seniority for purposes of market benchmarking, performance, retention and attraction considerations. Performance shares will vest on the basis of company performance.

Award levels for performance shares and/or retention shares will be decided by the remuneration committee each time that awards are granted, by taking into account the particular circumstances at that time. Annual awards will be benchmarked and set to a market-related level of remuneration while considering the overall affordability thereof to the company.

The number of bonus shares awarded to a participant will be determined as a percentage of the annual bonus (based on individual and company performance) earned in the previous financial year. In order to earn a short-term incentive (and subsequently qualify for bonus shares), certain performance hurdles must be met which are described below.

Performance conditions and vesting

Retention shares will not be subject to performance conditions due to their inherent nature as retention instruments.

Bonus shares will be dependent on the quantum of the annual short-term incentive earned based on the company financial results modified by the individual's performance, and will be linked to performance in this manner. In addition, they will be subject to the fulfilment of the employment condition before vesting can occur.

Performance shares will be subject to the fulfilment of both the predetermined company performance conditions (to be satisfied over the performance period) and the employment condition over the employment period for vesting to occur.

The remuneration committee will set appropriate performance conditions, performance periods, employment conditions and employment periods, as relevant, for each award, taking into account the business environment at the time of making the awards, and where considered necessary, in consultation with shareholders. These will be agreed with the participant in terms of the award letter.

It is envisaged that the first award under the LTIP will consist only of bonus shares. For future annual awards, it is envisaged that a combination of bonus shares and performance shares will be used – performance conditions for the performance shares will be decided before awards are made by the remuneration committee.

Manner of settlement

Following the making of an award of bonus shares and/or retention shares, settlement shall take place within 30 (thirty) days of the award date, while settlement of performance shares shall take place within 30 (thirty) days of the vesting date thereof. The rules of the LTIP are flexible in order to allow for settlement in any of the following manners:
- Market purchase of shares
- Use of treasury shares
- Issue of shares.

The exact method of settlement will be determined by the remuneration committee, although the preference will be a market purchase of shares as it causes no dilution to shareholders.

In order to effect any forfeiture of awards, the bonus shares and/or retention shares will be held by an escrow agent on behalf of the participant until they vest.

Limits and adjustments

The maximum number of shares which may at any one time be allocated under the LTIP shall not exceed 6 584 714 shares, which represents approximately 5% of the number of issued shares as at the date of approval of the LTIP by shareholders. This is in line with market best practice.

Shares issued by the company or shares held in treasury which are used to settle the LTIP, will be included in the company limit. Awards made under the LTIP, which are not subsequently settled to a participant as a result of the forfeiture thereof, will be excluded in calculating the company limit. Similarly, any shares purchased in the market in settlement of the LTIP will be excluded. The remuneration committee must, where required, adjust the company limit (without the prior approval of shareholders in a general meeting), to take account of a subdivision or consolidation of the shares of the company.

The maximum number of shares which may be allocated to an individual in respect of all unvested awards may not exceed 1 316 942 shares, which represents approximately 1% of the number of issued shares as at date of approval of the LTIP by shareholders. The remuneration committee may, where required, adjust the individual limit to take account of a capitalisation issue, a special distribution, a rights issue or reduction in capital of the company.

The auditors, or other independent adviser acceptable to the JSE, shall confirm to the JSE in writing that any adjustment made in terms of this paragraph has been properly calculated on a reasonable and equitable basis, in accordance with the rules of the LTIP and must be reported on in the company's financial statements in the year during which the adjustment is made. The issue of shares as consideration for an acquisition, and the issue of shares or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to the company limit and the individual limit.

Consideration

The participant will give no consideration for the award or settlement of any awards or shares in terms of the LTIP.

Termination of employment

Bad leavers

Participants terminating employment due to resignation or dismissal on grounds of misconduct, poor performance, dishonest behaviour or fraudulent conduct or on the basis of abscondment will be classified as "bad leavers" and will forfeit all unvested awards.

Annexure A continued

Good leavers
Participants terminating employment due to death, ill health, disability, injury, retrenchment, retirement (except to the extent that it constitutes bad leaver termination as set out above), or the sale of a subsidiary company will be classified as "good leavers", and a portion of their unvested award(s) shall vest on date of termination of employment. This portion will reflect the number of months served since the award date to the date of termination of employment over the total number of months in the employment period and the extent to which the performance condition (if applicable) has been met. The remainder of the award will lapse.

Change of control
In the event of a change of control of the company occurring before the vesting date of any award, a portion of the award will vest. This portion will reflect the number of months served since the award date to the change of control date over the total number of months in the employment period and the extent to which the performance condition (if applicable) has been met.

The portion of the award which does not vest as a result of the change of control will, except on termination of the LTIP, continue to be subject to the terms of the award letter, unless the remuneration committee determines otherwise. In this case the remuneration committee shall make such adjustment to the number of performance shares, bonus shares or retention shares, or convert awards into awards in respect of shares in one or more other companies provided the participants are no worse off.

Awards will not vest as a consequence of an internal reconstruction or similar event which is not a change of control as defined in the rules of the LTIP. In this case the remuneration committee shall make such adjustment to the number of awards or convert awards into awards in respect of shares in one or more of the other companies, provided the participants are no worse off.

Variation of share capital
In the event of a variation in share capital such as a capitalisation issue, subdivision of shares, consolidation of shares, etc participants shall continue to participate in the LTIP.

The remuneration committee may make such adjustment to the award or take such other action to place participants in no worse a position than they were prior to the happening of the relevant event and to provide that the fair value of the award immediately after the event is materially the same as the fair value of the award immediately before the event.

In the event of a rights issue, for bonus shares and/or retention shares a participant shall be entitled to participate in any rights issue in respect of his bonus shares and/or retention shares in accordance with the terms and conditions of the right issue.

In the event of a rights issue, for performance shares, a participant shall continue to participate in the LTIP to the extent of their performance shares. The remuneration committee may make such adjustment to the award or take such other action to place participants in no worse a position than they were prior to the happening of the relevant event and to provide that the fair value of the award immediately after the event is materially the same as the fair value of the award immediately before the event.

The issuing of shares as consideration for an acquisition, and the issuing of shares or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to the awards.

Liquidation
If the company is placed into liquidation, other than for purposes of reorganisation, an award shall ipso facto lapse as from the liquidation date.

Amendment
The remuneration committee may alter or vary the rules of the LTIP as it sees fit. However, in the following instances the LTIP may not be amended without the prior approval of the JSE and a resolution by the shareholders of 75% of the voting rights:
- The category of persons who are eligible for participation in the LTIP
- The number of shares which may be utilised for the purpose of the LTIP
- The individual limitations on benefits or maximum entitlements
- The basis upon which awards are made
- The amount payable upon the award, settlement or vesting of an award
- The voting, dividend, transfer and other rights attached to the awards, including those arising on a liquidation of the company
- The adjustment of awards in the event of a variation of capital of the company or a change of control of the company
- The procedure to be adopted in respect of the vesting of awards in the event of termination of employment.

General
The rules of the LTIP are available for inspection from 13 April 2017 to 2 June 2017 at the company's registered office, being 7 Romeo Street, Hughes Extension, Boksburg, South Africa.

In terms of the JSE Listings Requirements, the passing of ordinary resolution number 6 requires the approval of a 75% majority of the voting rights exercised on the resolution.

Administration

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

REGISTERED OFFICE
Basil Read Campus
7 Romeo Street
Hughes Extension
Boksburg, 1459
Private Bag X170, Bedfordview, 2008
Tel: +27 11 418 6300
Fax: +27 11 418 6334
Email: communications@basilread.co.za

COMPANY SECRETARY
Andiswa Ndoni

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

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

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

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

Shareholders' diary

Financial year-end	31 December
Annual general meeting	2 June 2017
REPORTS	
Half-year interim report	August 2017
Audited results	March 2018

BASTION GRAPHICS

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