BASIL READ LIMITED CONSOLIDATED

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2016

Contents

Annual financial statements

Certificate by company secretary	1
Preparation of financial statements	1
Director's report	2 - 3
Audit committee report	4 - 7
Independent auditor's report	8 - 15
Consolidated statement of profit or loss and other comprehensive income	16
Consolidated statement of financial position	17
Consolidated statement of changes of equity	18
Consolidated statement of cash flows	19
Notes to the consolidated financial statements	20 - 66
Additional information	67- 69

Certificate by company secretary

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

AT Ndoni
Company secretary
30 June 2017

Preparation of financial statements

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

MT Sadik
Financial Director
30 June 2017

Director's Report

for the year ended 31 December 2016

The directors have pleasure in presenting their report which forms part of the annual financial statements of the group for the year ended 31 December 2016.
The annual financial statements have been audited in compliance with the applicable requirements of the Companies Act.

NATURE OF BUSINESS

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

OPERATING RESULTS

The financial position, results of operations and cash flows of the company and that of the group for the year ended 31 December 2016 are set out on pages 16 to 66. A summary of these is provided below.

Ratio's	2 016	2015	Year on year movement	% change year on year
Financial performance for the year				
Contract revenue	5 126 085	5 522 906	(396 821)	(7)
Contract execution costs	(4 727 735)	(4 993 656)	265 921	(5)
Operating profit	2 540	230 843	(228 303)	(99)
(Loss)/Profit for the year from continued operations	(43 071)	188 836	(231 906)	(123)
Year end financial position				
Borrowings	399 351	339 932	59 419	17
Contract income received in advance	330 321	715 432	(385 111)	(54)
Contracts in progress	335 876	429 284	(93 408)	(22)
Cash and cash equivalents	456 634	467 140	(10 506)	(2)
Return on equity	-4%	44%	-47.71%	(109)
Return on assets	0%	6%	-6.17%	(101)
Earnings per share (cents) — continuing operations	(40.67)	150.65	(191.32)	(127)
Diluted earnings per share (cents) — continuing operations	(40.67)	150.65	(191.32)	(127)

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

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

MATERIAL SIGNIFICANT MATTERS

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

Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the company can continue in operational existence for the foreseeable future. The financial performance of the company is dependent upon the wider economic environment in which the company operates. Management has prepared a budget for the 2017 financial year and a cash flow forecasts covering a minimum of 12 months. Based on these forecasts and plans that are being implemented by management, these indicate that the company will have sufficient cash resources for foreseeable future. Management is therefore of the opinion that going concern assumption is appropriate in the preparation of the financial statements. For further information, refer to the Estimates and Judgements note in the financial statements.

Director's Report (continued)

for the year ended 31 December 2016

Changes in presentation and adoption of IAS 1 (Amended)

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

Disposal of Spray pave

The disposal of Spray Pave (Pty) Ltd was completed during the first half of 2016 at a loss of R32.8 million, impacting reported profit for the period.

Operational changes

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

Additional borrowing facility - IDC Loan

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

Olifant's River water resource development project

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

Post-balance sheet events

Subsequent to year end, the business continues to trade under difficult conditions, as a result of this the board of directors has resolved to review the business with a view to undertaking significant restructuring of the company to preserve shareholder value, and has engaged the services of a corporate finance advisory firm to assist the company in this process.

APPROVAL

The annual financial statements and group annual financial statements, which appear on pages 16 to 66, were approved by the board of directors on 30 June 2017 and are signed by:

PC Baloyi
Chairman
30 June 2017

K Mapasa
Acting chief executive officer
30 June 2017

Audit committee report

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

Terms of reference

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

Membership

The Audit committee was appointed by the shareholders at the annual general meeting on 2 June 2016. The members are all independent non-executive directors, who collectively have the necessary financial skills and experience to fulfil their responsibilities on this committee.

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

- Ms Doris Dondur – independent non-executive director, chairman
- Mr Mahomed Gani – independent non-executive director
- Dr Claudia Manning – independent non-executive director

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

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

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

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

Execution of responsibilities

The committee has executed its duties and responsibilities during the financial year in line with its mandate for the company`s accounting, internal auditing, internal controls 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
- Annual financial statements, ensuring fair presentation and compliance with International Financial Reporting Standards (IFRS) and the Act, and recommending these to the board for approval
- Compilation of the integrated report, ensuring that content is accurate and reliable, and includes all relevant material operational, financial and non-financial information
- Accounting policies of Basil Read, ensuring they are consistently applied
- Critical accounting estimates and judgements
- Effectiveness of the internal control environment
- Effectiveness of the internal audit function, approving of the internal audit plan and monitoring adherence 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 in excess of 10% of the audit fees for a particular year in terms of the policy, confirming the Independence and objectivity of the external auditors, ensuring that the scope of additional services does not impair their independence
- Reports of the internal and external auditors
- Evaluating the experience, skills, qualifications and performance of the chief financial officer
- 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.

External audit

The committee has satisfied itself through enquiry that the auditor of Basil Read Limited is independent as defined by the Act. The committee, in consultation with executive management, reviewed and accepted the audit fee for the 2017 financial year. The fee is considered appropriate for the work that could reasonably have been expected at that time.

Audit committee report

A formal procedure governs the process by which the external auditor is considered for providing non-audit services. Each engagement letter for non-audit work shall not exceed 20% of the audit fees for the particular year, 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 a particular 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 the function.

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

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

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

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

Finance director and finance function review

The committee has considered and is satisfied that, in terms of section 3.84(h) of the JSE listings requirements, the financial director, 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 the internal audit, external auditors and management; and
- Significant issues raised by the internal and external audit process including how the issues were resolved.

Based on these processes and the assurances obtained, 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 recommended the approval of the annual financial statements to the board, which approved these on 30 June 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 on the next page.

Audit committee report

Construction contract revenue recognition

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

This matter is considered material given the significant judgement involved in preparing suitable estimates of the 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 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 the evidence obtained to support the judgments. subsequent to this review, the committee concluded that the methodology and judgement applied by management are in accordance to 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 can be utilised.

Due to the significant estimation uncertainty applied to the 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 I 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 standard require assets to be tested annually for impairment when there is an impairment indicator. The current year losses within the construction and roads cash-generating units (CGUs) are considered to be possible indicators of impairment.

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

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

Audit committee report

Going Concern

As explained in note 1 to the financial statements, in determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the group can continue in operational existence for the foreseeable future.

In the 2016 financial year the group reported a loss after tax of R 76 million. Subsequent to year end the group, and the wider construction industry, has continued to experience difficult trading conditions which has further impacted the group's profitability and available cash resources.
The group continues to focus on improving operational efficiencies and reducing the overhead cost base. Despite the progress made the group continues to be impacted by additional expenditure on loss making projects and delays in finalising claims on projects. This has put pressure on the group's profitability and available cash resources.
In assessing the group's ability to meet its obligations as they fall due, management prepared cash flow forecasts covering a minimum period of 12 months. Management considered the future prospects for the business and evaluated the impact of any downside risks on the ability of the group to continue as a going concern.
The committee interrogated management's key assumptions used in determining the cash flow forecasts used in the going concern assessment. The committee was satisfied that the assumptions are supportable. The committee was further satisfied with the going concern disclosures in the financial statements.
The committee evaluated the audit procedures performed by the auditor to test management's going concern assessment. On the basis of their audit work, the auditor included an emphasis of matter in relation to the material uncertainty regarding going concern. Refer to the auditor's report on pages 8 to 15 for the auditor's opinion on the going concern assumption.

Management is of the opinion that the going concern assumption is appropriate in the preparation of the annual financial statements for the year ending 31 December 2016.

Integrated annual report

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

Doris Dondur
Chairman of the audit committee
30 June 2017

Independent auditor's report

To the Shareholders of Basil Read Limited

Report on the audit of the consolidated financial statements

Our opinion

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

What we have audited

Basil Read Limited's consolidated financial statements, set out on pages 16 to 66, comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit and loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of changes in cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

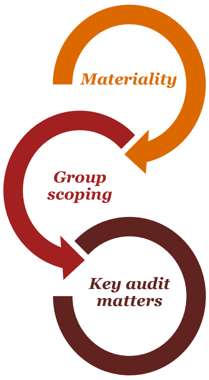
We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other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

Material uncertainty related to going concern

We draw attention to Note 1A to the consolidated financial statements which describes events and conditions that indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

Overview



Overall group materiality

- Overall group materiality: R43 500 000, which represents 0.85% of the Group revenue.

Group audit scope

- The Group comprises of 48 components of which 19 are required to report on full scope audit procedures and 7 on specified procedures only.

Key Audit Matters

- Material uncertainty related to going concern
- Construction contract revenue recognition;
- Impairment assessment of the "Construction" and "Roads" Cash Generating Units; and
- Recoverability of deferred tax assets;

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

Materiality

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

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

Overall group materiality	*R43 500 000*
How we determined it	*0.85% of the Group revenue*
Rationale for the materiality benchmark applied	*We have selected revenue as our materiality benchmark because, in our view, it reflects the activity levels of the group and it is a benchmark against which the performance of the group can be consistently measured in circumstances of volatile year-on-year earnings. This benchmark has remained a key driver of the group's business.* *We chose 0.85% based on our professional judgement, after consideration of the range of qualitative materiality thresholds that we would typically apply when using revenue to compute materiality and taking into account*

	the levels of debt within the Group and the cyclical nature of the construction industry.

How we tailored our group audit scope

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

The Group consists of 48 subsidiaries, associates and joint ventures (referred to as "components"). We performed full scope audits on 19 components, specified procedures on 7 components and the remaining 22 components are considered to be insignificant to the Group.

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section above, we have determined the below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Construction contract revenue recognition The Group has significant long-term contracts in the "Construction", "Roads" and "St Helena" operating segments. Revenue of R3.5 billion has been generated from these operating segments during year ended 31 December 2016 (refer to note 22 to the consolidated financial statements). The recognition of revenue and related profit/losses on construction and long-term services contracts are in accordance with the stage of completion principles outlined in IAS 11:	Our audit procedures comprised of a combination of internal control assessments and substantive audit procedures. We assessed internal financial controls over contract related procurement and payroll expenditure. We selected a sample of contracts on which detailed substantive testing procedures were performed. Our sample was selected based on a set of criteria which includes high value contracts, significant loss making contracts and

Construction Contracts. The stage of completion of long term construction contracts is assessed by reference to actual contract costs incurred to date as a percentage of total estimated contract costs and physical completion based on survey of work performed. Forecasted contract losses are recognised in the accounting period which they become evident (refer to note 1.B1, note 1.B3 and note 19 to the consolidated financial statements). In addition to the estimates described above, judgement is required in the determination of the expected recovery of costs arising from variation orders for additional works requested by customers as well as the recovery of claims made against the customer for delays or other additional costs for which the customer is considered to be liable (refer to note 1.B1 and note 2 to the consolidated financial statements). Construction contract revenue recognition is considered to be an area of most significance to our audit due to the significant judgement involved in preparing estimates of forecast costs and related revenue on long term contracts.	contracts with significant claims. For the contracts selected, we agreed certified revenue to customer approved works certificates and subsequent cash receipts. We evaluated the stage-of-completion and related work in progress and income received in advance balances through a combination of recalculations and reliance on the survey of work determined by the Group's survey experts. This was further corroborated through discussions held with the quantity surveyors of the Group's customers. With respect to revenue recognised for variation orders and claims raised against customers, we inspected supporting documents in order to confirm that such revenue was recognised only once it could be reliably measured and considered to be at an advanced stage of negotiation. Where applicable, we also inspected correspondence with customers concerning variation orders and claims and obtained third-party assessments from legal experts contracted by the Group in order to assess whether the information was consistent with the estimates made by management. We inspected selected signed contracts in order to identify and understand key clauses and relevant contractual mechanisms in relation to variation orders and claims and considered whether these key clauses have been appropriately applied in the amounts included in management's revenue forecasts. We also considered the historical success of claims of a similar nature. We examined the projected cost to complete the contracts in our selected sample, by comparing the actual costs to date to the approved contract budgets, obtaining an understanding of the costs required to complete the project through detailed discussions with the project managers and review of project progress documentation. Where applicable, we recalculated the provision for future losses. Based on the results of our work performed, we accepted management's assumptions used in the recognition of revenue on long term construction contracts as reasonably supported.
Impairment assessment of the "Construction" and "Roads" Cash Generating Units ("CGUs") The accounting standards require assets to be tested for impairment when there is an impairment indicator.	We obtained the discounted cash flow models supporting the recoverable amount of the

Goodwill is tested annually for impairment or whenever there is an impairment indicator. The carrying value of the existing Goodwill is R88.9 million (refer to note 10 to the consolidated financial statements) and is allocated to the "Roads" CGU. The current year losses within the "Construction" and "Roads" CGUs (refer to note 22 to the consolidated financial statements) are considered to be possible indicators of impairment. Management determines the recoverable amount of the CGUs at the higher of fair value less cost of disposal and value in use. The recoverable amount is determined using a discounted cash flow model. Refer to note 1.E4 to the consolidated financial statements where the impairment of the CGUs has been discussed. The estimation of the recoverable amount is complex and significant judgement is required for estimates, specifically cash flow projections, discount rates and growth rates. Due to the inherent uncertainty involved in forecasting and discounting future cash flows this is a key judgemental area that was considered to be an area of most significance to our audit.	"Construction" and "Roads" CGUs as prepared by management. We tested the mathematical accuracy of the cash flow model and discussed the basis for assumptions with management. As indicated in note 1.E4 to the consolidated financial statements, the discounted cash flow models are most sensitive to the following assumptions: · Base revenue; · Nominal growth rate; · Gross profit margins; and · Nominal pre-tax discount rate. We agreed the base revenue to the forecast revenue still to be earned for ongoing contracts and agreed the estimated revenue for new contracts to letters of award. The nominal growth rate and gross profit margins applied in the discounted cash flow model was compared to the Group's five year strategic plan as approved by the board. We compared the budgeted gross margins and growth rates to gross margins realised on recent contracts, budgeted margins on secured work, as well as the margins and growth rates achieved by other companies in the construction sector. We used our valuation expertise to independently calculate a nominal discount rate, using independently obtained data. We found that the discount rate used by management fell within our acceptable range.
Recoverability of deferred tax assets A deferred tax asset is recognised to the extent that it is probable that taxable profit will be available against which a deductible temporary difference or unused tax losses or tax credits can be utilised. The carrying value of the existing deferred tax asset is R315 million (refer to note 11) to the consolidated financial statements. In order to recognise the deferred tax asset, management has made estimates based on assumptions in relation to the future taxable income of the relevant entities within the Group	We made use of our taxation expertise to evaluate the accuracy and completeness of the deferred tax asset computation. This involved obtaining the computation for the deferred tax asset and agreeing the underlying data to audited information and assessing the computation for completeness based on our understanding of the industry and the transactions entered into by the relevant entities within the Group during the year.

(refer to note 1.D) to the consolidated financial statements. These judgements and assumptions include the forecasted contract cash flows, the nominal growth rate applied to those cash flows as well the entity's ability to execute these plans. Accordingly, due to the significant estimation uncertainty related to the cash flows, the assessments of the recoverability of deferred tax asset is considered to be an area of most significance to the audit.	We evaluated the assumptions applied to the forecasted taxable income calculations by comparing management's assessments to supporting evidence, such as approved cash flow forecasts, the Group's five year strategic plan, historical data and comparison to industry trends.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, and the Basil Read Limited Annual Financial Statements for the year ended 31 December 2016. Other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.

Director: Jean-Pierre van Staden
Registered Auditor

2 Eglin Road
Sunninghill
2157

30 June 2017

Consolidated statement of profit and loss and other comprehensive

for the year ended 31 December 2016

	Notes	2016 R000	2015* R000
CONTINUING OPERATIONS			
Contract revenue	2	5 126 085	5 522 906
Contract execution costs		(4 727 735)	(4 993 656)
Purchased materials, subcontractors and other input costs		(3 118 560)	(3 486 842)
Staff costs	3	(1 322 196)	(1 218 853)
Depreciation		(243 543)	(265 601)
Other contract execution costs		(43 436)	(22 360)
Other administrative and operating overheads		(395 810)	(298 407)
Staff Costs	3	(158 265)	(138 297)
Capital items	5	(2 581)	14 458
Administrative costs and overheads		(234 964)	(174 568)
Operating profit		2 540	230 843
Financing Income	4	8 952	20 403
Net foreign exchange movements	4	30 239	(9 034)
Financing Expense	4	(50 117)	(46 737)
Share of profits/(losses) of associates and joint ventures	9	(8 981)	35 190
(Loss)/profit before taxation		(17 367)	230 665
Taxation	6	(25 704)	(41 829)
(Loss)/profit for the year from continuing operations		(43 071)	188 836
DISCONTINUED OPERATIONS			
Result for the year from discontinued operations		-	(25 200)
Result on disposal of discontinued operations		(32 828)	27 654
Net (loss)/profit for the year		(75 899)	191 290
OTHER COMPREHENSIVE INCOME FOR THE YEAR - NET OF TAX			
Items that may be subsequently reclassified to profit or loss		(35 885)	16 391
Movement in foreign currency translation reserve		(35 885)	16 415
Foreign exchange difference		-	(24)
Total comprehensive income for the year		(111 784)	207 681
(Loss)/Profit attributable to:			
Owner of the company		(86 380)	200 838
Non-controlling interests		10 481	(9 548)
Net (loss)/profit for the year		(75 899)	191 290
Total comprehensive income attributable to:			
Owner of the company		(126 074)	218 419
Non-controlling interests		14 290	(10 738)
Total comprehensive income for the year		(111 784)	207 681
		Cents	Cents
CONTINUED OPERATIONS			
Basic earnings per share	7	(40.67)	150.65
Diluted earnings per share	7	(40.67)	150.65
DISCONTINUED OPERATIONS			
Basic earnings per share	7	(24.93)	7.51
Diluted earnings per share	7	(24.93)	7.51

*Reclassified

Consolidated statement of financial position

as at 31 December 2016

	Notes	2016 R000	2015* R000	2014* R000
ASSETS				
Non-current assets		1 333 642	1 443 879	1 611 335
Property, plant and equipment	8	799 092	912 959	1 073 333
Investment Property		6 112	6 590	5 826
Investments	9	121 960	135 515	133 220
Goodwill and intangible assets	10	90 782	91 642	99 940
Deferred taxation	11	315 696	297 173	299 016
Current assets		1 935 515	2 238 495	2 645 094
Contract work in progress	12.1	335 876	429 284	368 696
Trade and other receivables	13	759 011	928 070	964 535
Inventories	14.1	35 229	25 939	33 067
Development Land	14.2	259 607	262 679	268 022
Taxation		28 654	17 391	53 726
Loans to group Companies	25.2	1 466	72 554	48 654
Cash and cash equivalents	15	515 672	502 578	908 394
Non-current assets held for sale	16	-	104 204	-
Total assets		3 269 157	3 786 578	4 256 429
LIABILITIES AND EQUITY				
Non-current liabilities		311 001	220 707	259 585
Borrowings and other liabilities	17	263 591	182 134	215 898
Deferred taxation	11	47 410	38 573	43 687
Current Liabilities		1 918 961	3 132 586	3 793 573
Contract income received in advance	12.2	330 321	715 432	1 102 385
Trade and other payables	18	1 001 811	1 030 035	1 186 231
Borrowings and other liabilities	17	135 760	157 798	273 594
Derivative financial instrument		-	-	223
Provisions	19	284 885	497 522	291 426
Taxation		30 539	13 792	3 742
Loans from group companies	25.2	76 608	682 569	845 736
Bank overdraft	15	59 037	35 438	90 236
Non-current liabilities held for sale	16	-	22 333	-
Total liabilities		2 229 962	3 375 626	4 053 158
Equity		1 047 080	433 126	301 261
Stated capital	20	740 028	-	-
Other reserves		7 768	47 462	29 881
Retained Earnings		299 284	385 664	271 380
Non-controlling interest	21	(7 884)	(22 174)	(97 990)
Total liabilities and equity		3 269 157	3 786 578	4 256 429

*Reclassified

Consolidated statement of changes in equity

for the year ended 31 December 2016

	Stated capital R000	Other reserves: Foreign currency translation reserve R000	Other reserves: Fair value adjustment reserve R000	Retained earnings R000	Attributable to equity holders of the company R000	Non-controlling interest R000	Total equity R000
Balance as at 1 January 2015	-	29 857	24	271 380	301 261	(97 990)	203 271
Total comprehensive income	-	17 605	(24)	200 838	218 419	(10 738)	207 681
Profit for the year	-	-	-	200 838	200 838	(9 548)	191 290
Other comprehensive income	-	17 605	(24)	-	17 581	(1 190)	16 391
Transactions with minorities	-	-	-	(86 554)	(86 554)	86 554	-
Balance as at 31 December 2015/ 1 January 2016	**-**	**47 462**	**-**	**385 664**	**433 126**	**(22 174)**	**410 952**
Issue of shares	**740 028**	**-**	**-**	**-**	**740 028**	**-**	**740 028**
Total comprehensive income	**-**	**(39 694)**	**-**	**(86 380)**	**(126 074)**	**14 290**	**(111 784)**
Profit for the year	**-**	**-**	**-**	**(86 380)**	**(86 380)**	**10 481**	**(75 899)**
Other comprehensive income	**-**	**(39 694)**	**-**	**-**	**(39 694)**	**3 809**	**(35 885)**
Balance as at 31 December 2016	**740 028**	**7 768**	**-**	**299 284**	**1 047 080**	**(7 884)**	**1 039 196**

Movements are reflected net of taxation.

Consolidated statement of changes in cash flows

for the year ended 31 December 2016

	Notes	2016 R000	2015* R000
Cash flows from operating activities			
Cash received from customers		5 108 446	5 528 247
Cash paid to suppliers and employees		(4 977 724)	(4 860 427)
Interest paid		(48 240)	(55 771)
Interest received		8 952	20 403
Taxation paid		(29 703)	(2 258)
Cash flow from operating activities before changes in operating assets and liabilities		61 731	630 194
Changes in:		(156 362)	(561 142)
- Contracts in progress		173 226	93 408
- Trade and other receivables		155 696	(139 150)
- Inventories		(17 357)	1 517
- Development land		190	5 343
- Trade and other payables		(24 122)	(142 039)
- Income received in advance		(443 995)	(380 221)
Net cash from operating activities		(94 631)	69 052
Cash flows from investing activities			
Acquisitions of property, plant and equipment		(128 974)	(68 794)
Proceeds from disposal of property, plant and equipment		42 392	76 373
Disposal of subsidiaries		64 785	67 602
Advances made to joint ventures and jointly controlled entities		(19 254)	(22 408)
Advances made to associates		-	(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		(18 670)	85 724
Cash flow from financing activities			
Proceeds borrowings raised		200 855	26 609
Repayments of borrowings		(194 524)	(352 065)
Net (repaid)/raised loans with group companies		121 918	(187 067)
Net cash from financing activities		128 249	(512 523)
Effect of exchange rate changes on cash and cash equivalents		(28 722)	9 997
Movement in cash and cash equivalents		(13 774)	(347 750)
Cash and cash equivalents at the beginning of the reporting period		470 408	818 158
Cash and cash equivalents at the end of the reporting period		456 634	470 408
Cash included in the assets of the disposal group		-	3 269

*Reclassified

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

The group and company adopted the amendment which clarified that materiality applies to the whole set of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. As a consequence of adopting the amendment and to enhance the financial statements, the group and company undertook a project to assess the effectiveness of disclosures in the annual financial statements and, where necessary, removed immaterial and unnecessary information.

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

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2016

1. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

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

A. GOING CONCERN

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

The financial performance of the Group is dependent upon the wider economic environment in which the Group operates.
In the 2016 financial year the group reported net loss after tax of R75.9 million.

The net loss for the year was due to certain key events which included:
• The closure of the pipeline unit in the construction division;
• Sale of a subsidiary, Spray Pave Proprietary Limited; and
• Operating losses on the distressed Olifant River water resource development project.

The group continues to focus on improving operational efficiencies and reducing the overhead cost base. A number of initiatives have been implemented by the group which includes centralising support functions, removing duplication and establishing shared resources.

Despite the progress made on improving operational efficiency and managing cost, the group continues to be impacted by additional expenditure on loss making projects and delays in finalising claims on projects. This has put pressure on the group's profitability and available cash resources.

Subsequent to year end the group, and the wider construction industry, has continued to experience difficult trading conditions which has further impacted the group's profitability and available cash resources.

At statement of financial position date the group had R67 million in undrawn borrowing facilities and R456.6 million in cash. Management has prepared a budget for the 2017 financial year and a cash flow forecasts covering a minimum of 12 months. These indicate that the group will have sufficient cash resources for foreseeable future.

In compiling its cash flow forecasts the group has made key judgements on its cash flows which include the following:
• Successful resolutions on the legacy claims;
• Successful negotiations to extend repayment of long-term financing; and
• Obtaining additional working capital funding and facilities.

The group has taken a number of steps to complete the plans above which have been summarised below:
• Resolution of outstanding claims – management is advancing the claims resolution process as speedily as possible while ensuring that the group is fairly rewarded for actual work done
• Negotiation to extend repayment of long term financing – the group is negotiating to extend the repayment of long-term facilities with its funders. These negotiations are at an advanced stage and are expected to be finalised once the agreement has been obtained from funders;
• Obtaining additional working capital funding and facilities – certain of the group's contracts require significant upfront working capital investment. The group is negotiating additional funding and working capital on facilities.

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

Management is negotiating to extend repayment of long term financing and obtain additional working capital funding and facilities. These negotiations by its nature is dependent on the agreement of the external funding parties. The successful conclusion of these negotiations is an important element of securing adequate liquidity for the business going forward.

If not concluded successfully, the cash flow resources available to the group will be impacted materially.

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

1. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

B. CONSTRUCTION CONTRACTS

B.1. Revenue and other income

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

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

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

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

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

B.2. Impairment of contract debtors

The following are factors that are considered when assessing whether trade receivables from construction contracts may be impaired:
• Significant financial difficulties of the customer determined through customer interactions and industry knowledge obtained;
• Managements estimate of the probability that customer will enter bankruptcy or financial reorganisation; and
• Default or delinquency in payments from the customer

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

B.3. Provisions

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

B.3.1. *Contract related provisions*

These provisions include the following:
• Warranties - Raised in terms of construction contracts entered into by the Group. These contracts impose an obligation on the group to correct defects and errors on construction sites post completion and de-establishment from the site. Warranties usually run for 12 months from the point at which the site is accepted by the client. These provisions are raised based on managements best estimate of the costs expected to be incurred based on similar projects and sites in the past, adjusted for any site specific factors or warranties, and are not discounted due to the short term nature thereof.

• Other construction contract related - Raised in terms of construction contracts entered into by the group where management estimates that the cost to the group to fulfil its obligations under the contract exceed the benefits expected to be received from the contract. These provisions are raised based on managements best estimate of the anticipated outcome based on past experience and knowledge gained from previous similar projects as well as factoring in contract specific factors. These provisions are short term in nature.

1. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

B. CONSTRUCTION CONTRACTS (continued)

B.3.1. Contract related provisions (continued)

B.3.2. Employee related provisions

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

C GROUP ACCOUNTING

C.1. Subsidiaries

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

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

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

C.2. Joint Arrangements

C.2.2 Joint arrangements

A joint arrangement is an arrangement over which two or more parties have joint control.

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

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

C.2.2 Joint operations and joint ventures

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

1. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

D. TAXATION

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

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

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

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

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

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

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

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

E. OPERATING ASSETS AND LIABILITIES

E.1. Development Land

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

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

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

1. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

E. OPERATING ASSETS AND LIABILITIES (continued)

E.2. Property Plant and Equipment

E.2.1. ***Useful lives***

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

The useful life of an asset is the period which the group expects to utilise the benefits embodied in the assets, and not necessarily the assets' economic life. Useful lives of assets are reviewed annually. The group uses the following indicators to determine useful life
• Expected usage of assets
• Expected physical wear and tear
• Technical and commercial obsolescence

The estimated useful lives assigned to the categories of Property, Plant and Equipment are as follows:

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

E.2.2. ***Residual values***

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

E.2.3. ***Impairment***

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

E.3. Goodwill and Intangible assets

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

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

Contract based intangibles	1 - 10 years

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

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

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

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

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

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

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

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

1. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)
E. OPERATING ASSETS AND LIABILITIES (continued)
E.4 Impairment of construction and roads cash-generating units (CGUs)

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

E.4.2. ***Impairment assessment of construction - cash-generating unit***
The key assumptions used for value-in-use calculation:

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

E.4.2. ***Impairment assessment of roads - cash-generating unit***
The key assumptions used for value-in-use calculation:

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

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

There was no impairment loss recognised in the current year.

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

		2016 R000	2015 R000
2.	**REVENUE**		
	Contract Revenue	**5 044 822**	5 396 548
	Other Revenues - Development revenue	**81 263**	126 358
	Total revenue	**5 126 085**	5 522 906
	Included in total revenue above are claims revenue amounting to:		
	Claims revenue	**228 000**	115 000

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

		2016 R000	2015 R000
3.	**STAFF COST**		
3.1	**Staff cost**		
	Defined contribution plan expense	**62 570**	66 416
	Salaries, wages and social security contributions	**1 402 937**	1 290 734
	Termination benefits	**14 955**	-
		1 480 462	1 357 150

3.2 Defined contribution plan and defined benefit plan

Defined contribution plan

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

Defined benefit plan

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

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

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

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

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

		2016 R000	2015 R000
4.	**NET FINANCE COSTS**		
	Interest received from financial instruments held at amortised cost	**8 952**	20 403
	Bank accounts	**7 323**	20 402
	Customers and other interest	**1 629**	1
	Net foreign exchange loss	**30 239**	(9 034)
	Foreign exchange gains	**204 162**	72 364
	Foreign exchange losses	**(173 923)**	(81 398)
	Interest paid on financial instruments held at amortised cost	**(50 117)**	(46 737)
	Bank loans and other borrowings	**(6 377)**	(7 926)
	Finance leases	**(20 917)**	(19 457)
	Domestic medium-term note programme	**(9 309)**	(17 456)
	Other	**(13 514)**	(1 898)
	Net finance costs recognised in profit or loss	**(10 926)**	(35 368)

5. CAPITAL ITEMS

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

	Continued Operations		Discontinued Operation		Total	
	2016 R000	2015 R000	2016 R000	2015 R000	2016 R000	2015 R000
Impairment of goodwill	**-**	-	**-**	(7 438)	**-**	(7 438)
Impairment of associate	**-**	(165)	**-**	-	**-**	(165)
Write down of development land	**(2 881)**	-	**-**	-	**(2 881)**	-
Profit on sale of fixed assets	**778**	14 623	**-**	-	**778**	14 623
Fair value adjustment on investment property	**(478)**	-	**-**	-	**(478)**	-
	(2 581)	14 458	**-**	(7 438)	**(2 581)**	7 020

	South African normal taxation		Foreign taxation		Total	
	2016	2015	**2016**	2015	**2016**	2015
	R000	R000	**R000**	R000	**R000**	R000
6. TAXATION						
South African normal taxation						
Current tax expense	**(11 675)**	(3 162)	**(23 706)**	(45 064)	**(35 381)**	(48 226)
Current year	**(12 129)**	(4 358)	**(23 706)**	(31 581)	**(35 835)**	(35 939)
Under/(over) provision previous year	**454**	1 196	**-**	(13 483)	**454**	(12 287)
Deferred tax expense	**(2 551)**	12 258	**12 228**	(5 861)	**9 677**	6 397
Current year	**(3 254)**	23 853	**8 062**	(9 496)	**4 808**	14 357
Under/(over) provision previous year	**703**	(11 595)	**4 166**	3 635	**4 869**	(7 960)
Taxation attributable to the group	**(14 226)**	9 096	**(11 478)**	(50 925)	**(25 704)**	(41 829)

	2016	2015
	%	%
Reconciliation of tax charge		
South African normal rate of taxation	**28.0**	28.0
Effect of foreign tax rate differentials	**545.7**	(22.9)
Adjusted for:		
Timing differences:	**(410.4)**	13.2
Assessed losses not recognised	**(410.4)**	13.2
Non-deductible expenses:	**(255.3)**	(4.8)
Share of profits in investments accounted for using the equity method	**(55.5)**	(5.1)
Other	**(199.8)**	0.3
Losses utilised	**-**	(3.6)
Capital Gains Tax	**(45.2)**	(3.6)
Prior year under/(over) provision	**(10.8)**	8.8
Effective tax	**(148.0)**	18.7

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

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

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

	2016	2015
	R000	R000
Estimated tax losses		
Balance as at 1 January	**861 209**	769 257
Additional losses incurred	**595 158**	91 952
Balance as at 31 December	**1 456 367**	861 209

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

7. BASIC AND HEADLINE EARNINGS PER SHARE

7.1 Summary of earnings per share and heading earnings per share

		Earnings attributable		Weighted Average Number of Shares		Cents per share	
		2016 R000	2015 R000	2016	2015	2016	2015
Total Operations							
EPS	- Basic	(86 380)	208 278	131 686	131 686	(65.60)	158.16
EPS	- Diluted	(86 380)	208 278	131 686	131 686	(65.60)	158.16
HEPS	- Basic	(53 852)	185 909	131 686	131 686	(40.89)	141.18
HEPS	- Diluted	(53 852)	185 909	131 686	131 686	(40.89)	141.18
Continued Operations							
EPS	- Basic	(53 552)	198 385	131 686	131 686	(40.67)	150.65
EPS	- Diluted	(53 552)	198 385	131 686	131 686	(40.67)	150.65
HEPS	- Basic	(53 852)	186 654	131 686	131 686	(40.89)	141.74
HEPS	- Diluted	(53 852)	186 654	131 686	131 686	(40.89)	141.74
Discontinued Operations							
EPS	- Basic	(32 828)	9 893	131 686	131 686	(24.93)	7.51
EPS	- Diluted	(32 828)	9 893	131 686	131 686	(24.93)	7.51
HEPS	- Basic	-	(745)	131 686	131 686	-	(0.57)
HEPS	- Diluted	-	(745)	131 686	131 686	-	(0.57)

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

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

	Total		Continuing Operations		Discontinued Operations	
	2016 R000	2015 R000	2016 R000	2015 R000	2016 R000	2015 R000
Basic and diluted earnings/(loss)	(86 380)	208 278	(53 552)	198 385	(32 828)	9 893
(Profit)/Loss on sale of subsidiary	32 828	(20 046)	-	-	32 828	(20 046)
(Profit)/Loss on sale of property plant and equipment	(778)	(9 926)	(778)	(11 896)	-	1 970
Impairment of associate	-	165	-	165	-	-
Impairment of goodwill	-	7 438	-	-	-	7 438
Fair value adjustment on investment property	478	-	478	-	-	-
Headline earnings/(loss)	(53 852)	185 909	(53 852)	186 654	-	(745)

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

		Land and Buildings R000	Plant and Equipment R000	Furniture and Fittings R000	Total R000
8.	**PROPERTY PLANT AND EQUIPMENT**				
	Balance as at 1 January 2015				
	Cost	33 385	2 591 720	38 038	2 663 143
	Accumulated depreciation and impairment	(341)	(1 562 807)	(26 662)	(1 589 810)
	Net book value	33 044	1 028 913	11 376	1 073 333
	Movements during the year				
	Additions	-	242 739	4 764	247 503
	Disposals	(4 000)	(57 314)	(436)	(61 750)
	Depreciation	-	(265 601)	(3 412)	(269 013)
	Exchange Differences	22	179	-	201
	Transferred to Assets held for sale	(16 648)	(58 259)	(2 408)	(77 315)
	Balance as at 31 December 2015/1 January 2016				
	Cost	**12 764**	**2 547 803**	**37 491**	**2 598 058**
	Accumulated depreciation and impairment	**(346)**	**(1 657 146)**	**(27 607)**	**(1 685 099)**
	Net book value	**12 418**	**890 657**	**9 884**	**912 959**
	Movements during the year				
	Additions	**-**	**180 466**	**4 734**	**185 200**
	Disposals	**(113)**	**(38 159)**	**(3 343)**	**(41 615)**
	Depreciation	**(297)**	**(246 046)**	**(2 430)**	**(248 773)**
	Exchange Differences	**(13)**	**(8 666)**	**-**	**(8 679)**
	Reclassifications	**11 142**	**(11 142)**	**-**	**-**
	Balance as at 31 December 2016				
	Cost	**24 083**	**1 721 295**	**44 870**	**1 790 248**
	Accumulated depreciation and impairment	**(946)**	**(954 185)**	**(36 025)**	**(991 156)**
	Net book value	**23 137**	**767 110**	**8 845**	**799 092**
	Assets under construction included in 2015	-	3 000	-	-
	Assets under construction included in 2016	-	4 397	-	-

Book value of plant and equipment subject to instalment sale agreements are as follows:

	Land and Buildings R000	Plant and Equipment R000	Furniture and Fittings R000	Total R000
31 December 2015				
Cost	-	551 349	-	551 349
Accumulated depreciation and impairment	-	(227 488)	-	(227 488)
Net book value	-	323 861	-	323 861
31 December 2016				
Cost	**-**	**187 928**	**-**	**187 928**
Accumulated depreciation and impairment	**-**	**(22 507)**	**-**	**(22 507)**
Net book value	**-**	**165 421**	**-**	**165 421**

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

		Notes	2016 R000	2015 R000
9.	**INVESTMENTS**			
	Statement of financial position			
	Investments in Associates and Joint Ventures		**121 960**	135 515
	Investments accounted for using the equity method	9.1	**11 298**	36 653
	Loans to Associates and Joint Ventures	9.2	**110 662**	98 862
	Total investments		**121 960**	135 515
	Statement of comprehensive income			
	Profit/(Loss) from investments in Associates and Joint Ventures		**(8 981)**	35 190

9.1 Reconciliation of summarised financial information

	Investments accounted for using the equity method	
	2016 R000	2015 R000
Balance as at 1 January	**36 653**	25 898
Profit/(loss) for the period	**(8 981)**	35 190
Dividends received by the group	**(14 926)**	(28 912)
Foreign exchange differences	**(1 448)**	4 682
Impairment of investments	**-**	(169)
Disposal of investments	**-**	(36)
Balance as at 31 December	**11 298**	36 653

		2016 R000	2015 R000
9.2	**Loans to/from associates and joint ventures**		
	Majwe Mining Joint Venture (Pty) Ltd	**22 655**	3 401
	Savanna City Developments (Pty) Ltd	**61 389**	63 604
	Thunderstruck Investments 136 (Pty) Ltd	**26 618**	31 857
		110 662	98 862

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

9.3 Summarised financial information for material Associates and Joint Ventures

	Associates	Joint Ventures		
	Majwe Mining Joint Venture (Pty) Ltd	Savanna City Developments (Pty) Ltd	Thunderstruck Investments 136 (Pty) Ltd	Total
	R000	R000	R000	R000
Primary place of business	Botswana	South Africa	South Africa	
% of shares	28%	50%	50%	
2016				
Statement of financial position				
Current				
Cash and cash equivalents	58 674	6 976	521	66 171
Other current assets (Excluding cash)	427 521	538 722	63 588	1 029 831
Total current assets	486 195	545 698	64 109	1 096 002
Financial liabilities (Excluding trade payables)	(141 411)	(46 709)	(27 054)	(215 174)
Other current liabilities (Including trade payables)	(496 366)	(121 200)	(870)	(618 436)
Total current liabilities	(637 777)	(167 909)	(27 924)	(833 610)
Non-current				
Assets	129 552	111	182 458	312 121
Financial liabilities	12 526	(373 674)	(110 439)	(471 587)
Other liabilities	50 544		(85 326)	(34 782)
Total non-current liabilities	63 070	(373 674)	(195 765)	(506 369)
Net assets	41 040	4 226	88 317	133 583
Statement of comprehensive income				
Revenue	1 819 915	120 536	44 582	1 985 033
Costs	(1 898 707)	(113 894)	-	(2 012 601)
Interest expense	-	-	(15 949)	(15 949)
Profit/(loss) from continuing operations	(78 792)	6 642	28 633	(43 517)
Income tax expense	-	(1 373)	(8 017)	(9 390)
Post tax profit/(loss) from continuing operations	(78 792)	5 269	20 616	(52 907)
Other comprehensive income	-	-	-	-
Total comprehensive income	(78 792)	5 269	20 616	(52 907)

9.3 Summarised financial information for material Associates and Joint Ventures (continued)

	Associates	Joint Ventures			
	Majwe Mining Joint Venture (Pty) Ltd	Savanna City Developments (Pty) Ltd	Thunderstruck Investments 136 (Pty) Ltd	Other	Total
	R000	R000	R000	R000	R000
2015					
Statement of financial position					
Current					
Cash and cash equivalents	120 383	3 457	1 388	74	125 302
Other current assets (Excluding cash)	642 534	456 843	58 389	10 447	1 168 213
Total current assets	762 917	460 300	59 777	10 521	1 293 515
Financial liabilities (Excluding trade payables)	(657 983)	-	(92 158)	-	(750 141)
Other current liabilities (Including trade payables)	(184 633)	(15 857)	(74 765)	(80)	(275 335)
Total current liabilities	(842 616)	(15 857)	(166 923)	(80)	(1 025 476)
Non-current					
Assets	204 488	548	252 813	195	458 044
Financial liabilities	-	(444 108)	(143 404)	(222)	(587 734)
Other liabilities	-	-	-	-	-
Total non-current liabilities	-	(444 108)	(143 404)	(222)	(587 734)
Net assets	124 789	883	2 263	10 414	138 349
Statement of comprehensive income					
Revenue	1 865 927	231 783	48 968	61 168	2 207 846
Costs	(1 762 527)	(230 558)	(5 085)	(66 458)	(2 064 628)
Interest income	1 744	-	-	1 366	3 110
Interest expense	-	-	(13 639)	-	(13 639)
Profit/(loss) from continuing operations	105 144	1 225	30 244	(3 924)	132 689
Income tax expense	(19 925)	(343)	(8 469)	-	(28 737)
Post tax profit/(loss) from continuing operations	85 219	882	21 775	(3 924)	103 952
Other comprehensive income	-	-	-	-	-
Total comprehensive income	85 219	882	21 775	(3 924)	103 952
Dividends received	103 257	-	-	-	103 257

		Goodwill R000	Contract-based intangible assets R000	Total R000
10.	**GOODWILL AND INTANGIBLE ASSETS**			
	Balance as at 1 January 2015			
	Cost	350 970	80 177	431 147
	Accumulated amortisation and impairment	(254 615)	(76 594)	(331 209)
	Net book value	96 355	3 583	99 938
	Movements during the year			
	Amortisation	-	(859)	(859)
	Impairment	(7 438)	-	(7 438)
	Balance as at 31 December 2015 / 1 January 2016			
	Cost	350 970	80 177	431 147
	Accumulated amortisation and impairment	(262 053)	(77 453)	(339 506)
	Net book value	88 917	2 724	91 641
	Movements			
	Amortisation	**-**	**(859)**	**(859)**
	Balance as at 31 December 2016			
	Cost	**343 532**	**80 177**	**423 709**
	Accumulated amortisation and impairment	**(254 615)**	**(78 312)**	**(332 927)**
	Net book value	**88 917**	**1 865**	**90 782**

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

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

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

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

		2016 R000	2015 R000
11.1	**Reconciliation of net deferred tax asset**		
	Balance as at 1 January	**258 600**	255 329
	Current year charge through profit or loss	**9 456**	4 487
	Effect of rate change	**14**	-
	Effect of foreign currency movement	**216**	(1 216)
	Balance as at 31 December	**268 286**	258 600

		Accelerated tax depreciation R000	Provisions, accruals and retentions R000	Assessed tax losses and other R000	Total R000
11.2	**Net deferred taxation asset**				
	Balance as at 1 January 2015	(45 993)	170 927	130 395	255 329
	Credited/(charged) to the income statement	(17 551)	(13 321)	43 821	12 949
	Transferred to assets held for sale	2 091	(1 129)	(9 424)	(8 462)
	Foreign exchange differences	(1 911)	681	14	(1 216)
	Balance as at 31 December 2015 / 1 January 2016	**(63 364)**	**157 158**	**164 806**	**258 600**
	Credited/(charged) to the income statement	**(1 469)**	**(24 557)**	**35 482**	**9 456**
	Foreign exchange differences	**88**	**77**	**51**	**216**
	Effect of rate change	**-**	**14**	**-**	**14**
	Balance as at 31 December 2016	**(64 745)**	**132 692**	**200 339**	**268 286**
	Deferred taxation asset	**(14 972)**	**141 983**	**188 685**	**315 696**
	Deferred taxation liability	**(49 773)**	**(9 291)**	**11 654**	**(47 410)**
	Net deferred taxation asset	**(64 745)**	**132 692**	**200 339**	**268 286**

		2016 R000	2015 R000
11.3	**Deferred tax closures**		
	Deferred taxation expected to be recovered within 12 months	**(11 531)**	1 815
	Deferred taxation expected to be recovered after 12 months	**279 817**	256 785
	Net deferred taxation asset	**268 286**	258 600
	Deferred tax has not been provided on estimated assessed losses of subsidiary companies amounting to	**737 480**	373 500

		2016 R000	2015 R000
12.	**CONSTRUCTION CONTRACTS**		
12.1	**Contract work in progress**	**335 876**	429 284
	Costs incurred to date	5 301 845	3 850 734
	Profit and losses recognised to date	(642 607)	301 522
	Work certified to date	(4 323 362)	(3 722 972)
12.2	**Contract income received in advance**	**330 321**	715 432
	Payments received in advance	324 133	645 042
	Excess billing on contracts in progress	6 188	70 390
13	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	**627 514**	833 032
	Trade receivables from contract customers	545 046	803 903
	Retention debtors	101 825	43 506
	Allowance for doubtful debts	(19 357)	(14 377)
	Other receivables	**131 497**	95 038
	Prepayments	39 916	12 783
	Deposits	2 743	14 092
	Value added tax	(8)	52 430
	Other receivables*	88 846	15 733
	Trade and other receivables	**759 011**	928 070
	Movement in allowance for doubtful debts		
	Balance as at 1 January	14 377	14 343
	Provision for impairment	(24 953)	764
	Amounts written off as uncollectible	31 907	-
	Transferred to assets held for sale	-	(979)
	Foreign currency	(1 070)	1 160
	Unused amounts reversed	(904)	(911)
	Balance as at 31 December	**19 357**	14 377
	* Included in Trade Receivables is an amount of R 67 million (2015: R 174 million) relating to the following group companies:		
	Basil Read Holdings Limited	67 439	169 109
	Matomo (Pty) Ltd	-	5 194

		2016 R000	2015 R000
14	**INVENTORIES AND DEVELOPMENT LAND**		
14.1	**Inventory**		
	Spares	11 293	4 003
	Consumables	17 617	19 990
	Finished Goods	6 319	1 946
	Inventories	35 229	25 939
14.2	**Development Land**		
	Movement in development land for the reporting period		
	Balance as at 1 January	262 679	268 022
	Sale of erven	(7 896)	(5 343)
	Sale consideration of land	(7 896)	(585)
	Capitalisation of development costs and installation of bulk services	-	(3 967)
	Capitalisation of borrowing costs	-	(791)
	Capitalisation of development costs and installation of bulk services	7 705	-
	Write down of development land to net realisable value	(2 881)	-
	Balance as at 31 December	259 607	262 679

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

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

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

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

		2016 R000	2015 R000
15.	**CASH AND CASH EQUIVALENTS**		
	Cash at banks and on hand	515 672	502 578
	Current accounts	245 355	200 129
	Money markets	270 317	302 449
	Bank Overdrafts	(59 037)	(35 438)
	Cash and cash equivalents - cash flow statement	456 635	467 140

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

Assets and liabilities of a disposal group

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

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

16.2 Disposal of subsidiary

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

Details of net assets disposed are as follow:

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

16.3 Cash inflow on disposal

	2016 R000
Details of net assets disposed are as follow:	
Net assets on disposal	98 430
Purchase consideration received in cash	65 602
Cash and cash equivalents in subsidiary disposed	(817)
Cash inflow on disposal	64 785

16.4 Income statement of discontinued operations

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

	2016 R000	2015 R000
Revenue	-	95 036
Expenses	-	(108 304)
Impairment of goodwill	-	(7 438)
Share of profit of investments accounting for using the equity method	-	(900)
Net finance (income)/costs	-	(2 291)
Result before taxation of discontinued operations	-	(23 897)
Taxation	-	6 135
Result on disposal of discontinued operations	(32 828)	(17 762)

17. BORROWINGS AND OTHER LIABILTIES

17.1

	Current		Non-current		Total	
	2016 R000	2015 R000	2016 R000	2015 R000	2016 R000	2015 R000
Instalment sale agreement	97 827	122 480	84 688	132 134	182 515	254 614
Domestic medium-term note program	195	35 318	50 000	50 000	50 195	85 318
Banking loans/Loans from the IDC	37 738	-	128 903	-	166 641	-
Total borrowings	135 760	157 798	263 591	182 134	399 351	339 932

17.2 Reconciliation of borrowings

	Instalment sale agreement R000	Domestic medium-term note program R000	Banking loans/Loans from the IDC R000	Total borrowings R000
Balance as at 1 January 2015	262 484	227 008	-	489 492
Proceeds borrowings raised	254 853	85 318	-	340 171
Interest paid	(19 457)	(17 456)	-	(36 913)
Interest accrued	19 457	17 456	-	36 913
Repayments of borrowings	(263 635)	(227 008)	-	(490 643)
Foreign exchange differences	912	-	-	912
Balance as at 31 December 2015	254 614	85 318	-	339 932
Proceeds borrowings raised	90 440	-	166 641	257 081
Interest paid	(20 917)	(9 309)	(2 362)	(32 588)
Interest accrued	20 917	9 504	2 362	32 783
Repayments of borrowings	(159 207)	(35 318)	-	(194 525)
Foreign exchange differences	(3 333)	-	-	(3 333)
Balance as at 31 December 2016	182 514	50 195	166 641	399 351

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

17.3 Terms and conditions

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

17.4 Instalment sale liabilities

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

	2016 R000	2015 R000
18. TRADE AND OTHER PAYABLES		
Trade payables and other accruals*	997 910	1 001 993
VAT payable	3 901	28 042
Unclaimed dividends	-	-
Trade and other payables	1 001 811	1 030 035

* Included in trade payables and other accruals is an amount of R127.5 million (2015: R224.9) due to the holding company, Basil Read Holdings L

19. PROVISIONS

	Employee R000	Contract Provisions R000	Total Provisions R000
2016			
Balance as at 1 January	94 833	402 690	497 523
Additions	6 941	155 686	162 627
Utilizations	(85 539)	(222 709)	(308 248)
Reversals	(5 146)	(58 025)	(63 171)
Transferred to liability held for sale	-	-	-
Other Movements	(8 478)	9 116	638
Foreign exchange differences	(1 266)	(3 219)	(4 485)
Balance as at 31 December 2015	1 345	283 539	284 885

Included with contract provisions is R62.96 million related to onerous contracts.
Employee provision consist mainly of employee incentive awards. Owing to the economic performance of the business during the year no incentive awards have been raised.

		Number of shares		
		Ordinary shares	"A" ordinary shares	Total
		000	000	000
20.	**STATED CAPITAL**			
	Authorised shares			
	2016	12	12	12
	2015	12	12	12
	Issued shares			
	2016			
	Balance as at 1 January 2016	-	-	-
	Issued	-	740 028	740 028
	Balance as at 31 December 2016	-	740 028	740 028

Ordinary shares have no par value and are fully paid

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

21. NON-CONTROLLING INTEREST

The following table summarises the information relating to the group's subsidiaries that has material NCI.

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

The information above is the amount before intercompany eliminations

22. OPERATING SEGMENTS

The group comprises five operational segments namely construction, developments, mining, roads and 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. Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee, which is responsible for allocating resources and assessing performance of the operating segments and has been identified as the chief operating decision maker.

Changes to segments

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

Intersegment transfers

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

Segment revenue and expenses

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

Segment assets and liabilities

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

Description of the operating segments

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

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

22. OPERATING SEGMENTS (continued)

	2016				2015*			
	Total Segment Revenue	Inter-segment Revenue	External Revenue	Operating profit	Total Segment Revenue	Inter- segment Revenue	External Revenue	Operating profit
	R000	R000	R000	R000	R000	R000	R000	R000
Construction	1 645 507	(5 924)	1 639 583	(123 328)	1 807 903	(4 000)	1 803 903	(12 655)
Developments	81 263	-	81 263	15 873	160 599	-	160 599	15 441
Mining	1 701 724	(133 726)	1 567 998	96 080	1 402 190	(163 725)	1 238 465	75 767
Roads	1 166 764	(51 473)	1 115 291	(41 938)	1 508 577	(149 654)	1 358 923	56 636
St Helena	721 950	-	721 950	55 854	961 016	-	961 016	95 654
Total	5 317 208	(191 123)	5 126 085	2 541	5 840 285	(317 379)	5 522 906	230 843

*Restated

	2016					
	Construction	Developments	Mining	Roads	St Helena	Total
	R000	R000	R000	R000	R000	R000
Other profit and loss disclosures						
Depreciation	(17 205)	20	(185 717)	(33 096)	(12 775)	(248 773)
Net finance income/(expense)	15 929	(10 616)	(21 549)	(3 875)	9 185	(10 926)
Share of profit/(loss) of associates and joint ventures	13 081	-	(22 062)	-	-	(8 981)
Income tax expense	13 640	(666)	(32 714)	(2 262)	(3 702)	(25 704)
Assets						
Property, plant and equipment	58 474	4 454	558 568	131 974	45 622	799 092
Goodwill	-	-	-	88 917	-	88 917
Inventories	6 083	-	16 112	-	13 034	35 229
Work in progress	273 500	-	24 302	37 713	-	335 515
Cash and cash equivalents	149 867	18 633	111 798	22 470	153 867	456 635
Liabilities						
Borrowings and other liabilities	233 412	-	165 939	-	-	399 351
Advance payments received for contract work	114 005	-	5 826	103 121	107 369	330 321
Provisions for other liabilities and charges	51 533	37 772	38 309	33 966	123 305	284 885

Notes to the consolidated financial statements (continued)

for the year ended 31 December 2016

	2015*					
	Construction	Developments	Mining	Roads	St Helena	Total
	R000	R000	R000	R000	R000	R000
Other profit and loss disclosures						
Depreciation	49 944	(291)	165 831	19 748	33 781	269 013
Net finance income/(expense)	(14 346)	2 724	(31 855)	(15 828)	23 937	(35 368)
Share of profit/(loss) of associates and joint ventures	11 329	-	23 861	-	-	35 190
Income tax expense	(9 969)	246	(30 103)	4 463	(6 466)	(41 829)
Assets						
Property, plant and equipment	194 385	3 903	584 954	53 987	75 730	912 959
Goodwill	88 917	-	-	-	-	88 917
Inventories	4 747	-	19 895	-	1 297	25 939
Work in progress	411 420	890	8 805	7 169	-	428 284
Cash and cash equivalents	133 680	23 322	109 754	31 932	168 452	467 140
Liabilities						
Interest-bearing borrowings	115 909	-	223 332	691	-	339 932
Advance payments received for contract work	464 368	-	5 648	(495)	245 911	715 432
Provisions for other liabilities and charges	257 848	73 858	8 900	34 326	122 591	497 523

*Restated

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

Geographic information

	2016	2015
Revenue		
South Africa	3 504 699	3 944 023
Rest of Africa	899 437	617 867
Rest of World	721 949	961 016
Number of Employees		
Local	3 790	4 225
International	792	1 100

23. FAIR VALUE CLASSIFICATION AND FINANCIAL INSTRUMENTS

23.1 Categories and analysis of assets and liabilities.

23.1.1 Assets

	Loans and receivables	Other assets at fair value through profit or loss	Total	Fair Value Level
	R000	R000	R000	
Loans to Associates and Joint Ventures	110 662	-	110 662	-
Investment Property	-	6 112	6 112	Level 3
Trade and other receivables	759 019	-	759 019	-
Cash and cash equivalents	515 672	-	515 672	-
2015				
Loans to Associates and Joint Ventures	98 862	-	98 862	-
Investment Property	-	6 590	6 590	Level 3
Trade and other receivables	875 640	-	875 640	-
Cash and cash equivalents	502 578	-	502 578	-

23.1.2 Liabilities

	At amortised cost	Total
	R000	R000
2016		
Borrowings	399 351	399 351
Trade and other payables	1 001 811	1 001 811
Bank overdraft	59 037	59 037
2015		
Borrowings	339 932	339 932
Trade and other payables	1 030 035	1 030 035
Bank overdraft	35 438	35 438

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

23.2 Movement in level 3 instruments

	2016 Investment Property	2015 Investment Property
	R000	R000
Balance as at 1 January	6 590	5 826
Foreign Exchange differences	(478)	764
Balance as at 31 December	6 112	6 590

23.3 Valuation technique and significant unobservable inputs

23.3.1 Investment Property

Description	Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
Consists of property held in Francis Town, 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

24. FINANCIAL RISK MANAGEMENT

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

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

24.1 Capital Risk Management

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

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

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

	2016 R000	2015 R000
Total borrowings	399 351	339 932
Less: Cash and cash equivalents - net of bank overdraft	456 635	467 140
Net Debt	(57 284)	(127 208)
Total Equity	1 039 195	410 952
Total Capital	981 911	283 744
Gearing Ratio	-5.83%	-44.83%

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

	2016 R000	2015 R000
Total debt	263 591	182 134
Total Equity	1 039 195	410 952
Debt:equity ratio	25%	44%

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

24. FINANCIAL RISK MANAGEMENT (continued)

24.1 Capital Risk Management (continued)

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

	2016 R000	2015 R000
Total interest-bearing borrowings	399 351	339 932
Total assets financed	1 058 699	1 175 638
Property, plant and equipment	799 092	912 959
Development land	259 607	262 679
Ratio of total borrowings to assets financed	38%	29%
Borrowings to EBITDA ratio	158%	68%

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

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

- Debts service coverage ratio in respect of any relevant period is not less than 1.5:1
- Borrowings to EBITDA ratio at the end of any relevant period shall not be more than 3.00:1
- Borrowings to equity ratio for the reporting period ending 31 December 2016 and 31 December 2017 (and thereafter) shall not be more than 4.00:1 and 3.00:1 respectively.

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

- Debt Service Coverage Ratio in respect of all Calculation Periods are not less than 1.50:1
- Shareholders Interest ratio in respect of all Calculation Periods are not less than 40%

24.2 Credit Risk

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

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

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

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

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

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

24. FINANCIAL RISK MANAGEMENT (continued)

24.2 Credit Risk (continued)

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

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

Individuals

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

Unlisted Companies

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

Multinational mining companies

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

Listed Companies

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

Government

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

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

	2016				2015			
	Gross maximum exposure	Fully performing	Past due but not impaired	Impaired	Gross maximum exposure	Fully performing	Past due but not impaired	Impaired
	R000	R000	R000	R000	R000	R000	R000	R000
Government	141 914	101 783	40 111	20	218 257	169 296	48 961	-
Multinational mining companies	830	-	830	-	11 005	11 005	-	-
Listed companies	4 283	-	4 283	-	320 617	308 163	10 558	1 896
Unlisted companies	263 014	92 882	94 026	76 106	252 859	89 774	155 311	7 774
Individuals	1 879	43	1 836	-	-	-	-	-
Trade receivables from contract customers	411 920	194 708	141 086	76 126	802 738	578 238	214 830	9 670
Government	80 516	80 516	-	-	29 278	29 278	-	-
Unlisted companies	21 309	8 950	830	11 529	14 228	9 521	-	4 707
Retention debtors	101 825	89 466	830	11 529	43 506	38 799	-	4 707

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

	2016			2015		
	0 - 3 Months	4 - 6 Months	7 - 12 months	0 - 3 Months	4 - 6 Months	7 - 12 months
Trade receivables from contract debtors	20 015	29 909	91 162	39 810	86 018	89 002
Retention debtors	-	830	-	-	-	-

24. FINANCIAL RISK MANAGEMENT (continued)

24.2 Credit Risk (continued)

No security is held against these balances
Each local entity is responsible for managing and analysing the credit risk for each of their potential new clients before standard payment and
The other classes within contract and trade debtors do no contain impaired assets.

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

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

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

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

The major sources of funding for the group are as follows:
- Undrawn facilities
- Available cash

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

Refer to note 1.A for further information of plans implemented by management to improve liquidity of the company.

			2016		
	Carrying Amount	**0 - 3 Months**	**4 - 12 Months**	**1 - 5 years**	**Total**
	R000	**R000**	**R000**	**R000**	**R000**
Non-Derivative Financial instruments					
Interest bearing borrowings	**399 351**	**69 975**	**119 218**	**273 880**	**463 073**
Trade and other payables	**1 332 130**	**923 400**	**329 530**	**-**	**1 252 930**

			2015		
	Carrying Amount	0 - 3 Months	4 - 12 Months	1 - 5 years	Total
	R000	R000	R000	R000	R000
Non-Derivative Financial instruments					
Interest bearing borrowings	339 932	37 867	136 286	199 587	373 740
Trade and other payables	1 745 468	2 298 161	129 873	-	2 428 034

24. FINANCIAL RISK MANAGEMENT (continued)

24.3 Market Risk

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

(i) Foreign currency Risk

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

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

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

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

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

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

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

Foreign currency exposure at the end of the reporting period:

	2016				2015			
	USD	GBP	BWP	ZMK	USD	GBP	BWP	ZMK
	R000	R000	R000	R000	R000	R000	R000	R000
Trade and other receivables	74	2 368	940	-	-	-	-	-
Contract debtors	2 286	7 743	41 317	68 635	28 317	1 718	19 154	69 930
Cash and cash equivalents	16 702	84 328	39 051	626	26 037	49 369	41 916	1 139
Trade and other payables	9 019	278 000	48 620	57 429	-2 513	36 711	43 491	803
Net statement of financial position exposure	28 081	372 439	129 928	126 690	51 840	87 799	104 562	71 872

Net exposure	28 081	372 439	129 928	126 690	51 840	87 799	104 562	71 872

24. FINANCIAL RISK MANAGEMENT (continued)

24.3 Market Risk (continued)

(i) Foreign currency Risk (continued)

Trade and other receivables are also denominated in the following currencies: Euro, Mozambique Metical, Swaziland Lilangeni and Namibian Dollar.

Sensitivity Analysis

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

	2016 Change	2016 Profit or loss Increase/Decrease	2015 Change	2015 Profit or loss Increase/Decrease
	%	Rm	%	Rm
USD	10 %/(10) %	2 800/(2 800)	10 %/(10) %	5 180/(5 180)
GBP	10 %/(10) %	37 240/(37 240)	10 %/(10) %	8 780/(8 780)
Euro	10 %/(10) %	12 990/(12 990)	10 %/(10) %	10 460/(10 460)
ZMK	10 %/(10) %	12 670/(12 670)	10 %/(10) %	7 190/(7 190)

(ii) Interest rate risk

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

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

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

	Variable rate instruments	
	2016	2015
	R000	R000
Financial Assets		
Cash and cash equivalents	**515 672**	502 578
Financial Liabilities		
Bank overdraft	**59 037**	35 438
Interest-bearing borrowings	**463 073**	373 740

Sensitivity Analysis

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

	2016 Change in base points	**2016 Profit or loss Increase/Decrease**	2015 Change in base points	2015 Profit or loss Increase/Decrease
		Rm		Rm
Rand	**100/(100)**	**(64) / 64**	100/(100)	934/(934)

24. FINANCIAL RISK MANAGEMENT (continued)

24.4 (iii) Price Risk

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

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

The group holds direct investments in the equity of other entities. These equities are publicly traded on the following stock exchanges:
- All Share Index as quested by the Johannesburg Stock Exchange (JSE)
- AltX Index as quoted by the JSE

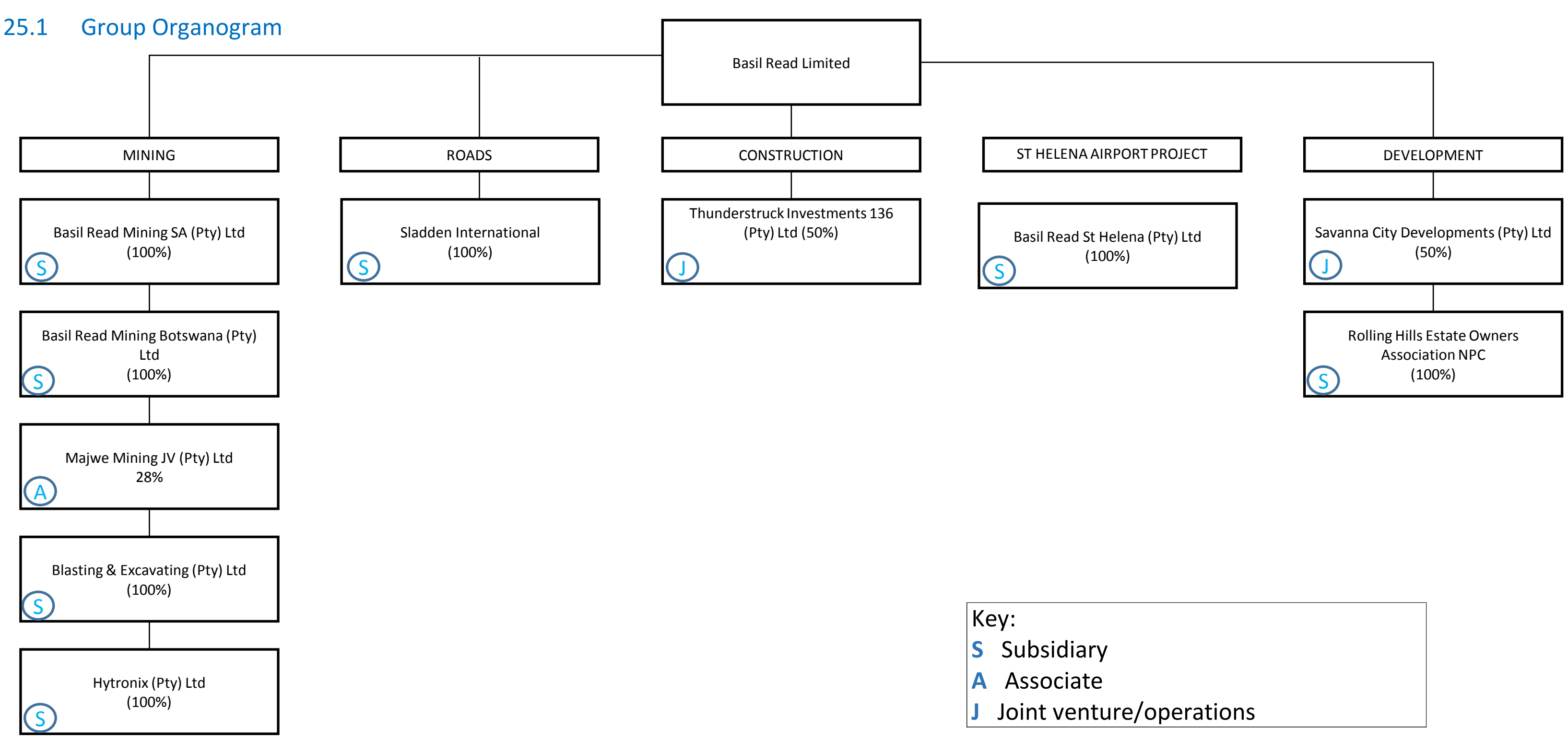
The group is exposed to materials price risk because of the fluctuation in the price of various raw materials, including diesel, steel, cement and rubber. More than 80% of the contracts that the group enters into provide for escalation in the prices of raw materials. In these cases, the price risk is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

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

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

25 RELATED PARTY TRANSACTIONS

25.1 Group Organogram



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

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

25 RELATED PARTY TRANSACTIONS (continued)

25.2 Related party transactions

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

	2016			2015		
	Expenses R000	Loans to group companies R000	Loans from group companies R000	Expenses R000	Loans to group companies R000	Loans from group companies R000
Basil Read Share Trust		587	-		587	
Basil Read Holdings	148 715	312	36 288	29 231	-	642 249
BSR Engineering			40 320		-	40 320
Matomo (Pty) Ltd					71 400	-
TWP investments(Pty)Ltd		567	-		567	
Thunderstruck Investments 136 (Pty) Ltd	48 885			48 885		
	197 600	1 466	76 608	78 116	72 554	682 569

	2016		2015	
	Receivables R000	Payables R000	Receivables R000	Payables R000
Basil Read Holdings	69 546	127 528	169 109	224 939
Matomo (Pty) Ltd			5 194	4 816
	69 546	127 528	174 303	229 755
Other related party transactions with joint ventures within the group are as follows:				
Basil Read Umso Joint Venture	297		315	
Basil Read Roadcrete Dip Civils Joint Venture	8 793	9 000	440	
Basil Read Goldfields Tsima Joint Venture	5 483	1 104	6 593	2 344
Mvela Natalspruit Hospital Joint Venture	12 716	12 873		
Valente Brothers Strata Joint Venture	9 332	1 089		
Valente Brothers Joint Venture	64 184	25 145		
Basil Read Engala Joint Venture			241	
	100 805	49 211	7 589	2 344

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

26 DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

26.1 Emoluments

		Short-term employee benefits			
Director/Prescribed Officer	Total shareholding %	Salaries	Bonus and performance related payments	Short term benefits	Total
Paid by Basil Read Limited					
2016					
Executive directors					
Neville Francis Nicolau	**0.08%**	**4 862 513**	**2 750 000**	**311 887**	**7 924 400**
Khathutshelo Mapasa	**-**	**2 327 049**	**1 295 044**	**476 991**	**4 099 084**
Subtotal executives	**0.08%**	**7 189 562**	**4 045 044**	**788 878**	**12 023 484**
Prescribed officers					
Antonie Fourie	**-**	**2 276 730**	**2 542 373**	**524 590**	**5 343 693**
Bruce Morton	**-**	**2 021 566**	**1 041 300**	**486 494**	**3 549 360**
Olivier Jean-Paul Giot	**-**	**3 189 160**	**1 374 750**	**-**	**4 563 910**
Andiswa Thandeka Ndoni	**-**	**2 205 973**	**1 190 475**	**388 467**	**3 784 915**
Talib Sadik	**-**	**712 751**	**-**	**162 250**	**875 001**
James Stephen Johnston	**-**	**2 629 114**	**7 250 000**	**549 206**	**10 428 320**
Amanda Claire Wightman [1]	**-**	**7 235 506**	**-**	**343 154**	**7 578 660**
Subtotal prescribed officers	**-**	**20 270 800**	**13 398 898**	**2 454 161**	**36 123 859**
Total key management personnel compensation	**-**	**27 460 362**	**17 443 942**	**3 243 039**	**48 147 343**
2015					
Executive directors					
Neville Francis Nicolau	0.08%	4 394 734	-	623 035	5 017 769
Khathutshelo Mapasa	-	2 270 972	-	312 494	2 583 466
Subtotal executives	0.08%	6 665 706	-	935 529	7 601 235
	Prescribed officers				
Antonie Fourie	-	2 348 766	-	298 207	2 646 973
Olivier Jean-Paul Giot	-	3 033 632	-	-	3 033 632
Andiswa Thandeka Ndoni	-	1 966 165	-	343 579	2 309 744
Amanda Claire Wightman	-	2 252 490	-	386 407	2 638 897
James Stephen Johnston	-	2 606 879	-	448 423	3 055 302
Subtotal prescribed officers	-	12 207 932	-	1 476 616	13 684 548
Total key management personnel compensation	-	18 873 638	-	2 412 145	21 285 783

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

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

26.2 Fees to non-executive directors

Non-executive directors*	Directors' fees for services as a director	
	2016 R	2015 R
Paul Cambo Baloyi	**929 100**	915 000
Claudia Estelle Manning	**803 600**	683 000
Total	**1 732 700**	1 598 000

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

* For services rendered to Basil Read Holdings group.

27. COMMITMENTS

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

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

The capital commitments relate primarily to maintaining Property, plant and equipment

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

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

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

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

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

Guarantees and suretyships	2016 R000	2015 R000
Payment guarantees	**16 245**	46 450
Performance and construction guarantees	**1 195 316**	1 945 344
Bond retention guarantees	**154 462**	410 705
Bid and other bonds	**60 000**	1 012
	1 426 023	2 403 511

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

Contingent liabilities

Sladden International Proprietary Limited, a subsidiary of Basil Read Limited is defending a legal claim from a sub-contractor, 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 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 Limited are 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 are of the opinion that the maximum potential exposure to the group arising from the matter is approximately R29 million.

28. SIGNIFICANT ACCOUNTING POLICIES

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

Corporate Information

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

Basis of preparation

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

Prepared in accordance with

International Financial Reporting Standards (IFRS), SAICA Financial Reporting Guides, International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) standards and interpretations	The JSE Listing Requirements and The Companies Act, No.71 of 2008	The principle of going concern	The historical cost and fair value basis of accounting, where applicable.

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

Functional - and presentation currency

South African Rand

Rounding policy

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

Foreign currency transactions

Procedures followed to translate to presentation currency

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

28. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

28.1 Summary of significant accounting policies

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

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

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

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

Other Income and Expense Items
- Net Finance Income / Expense
- Non-trading items
- Capital items

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

Financial instruments
- Financial assets
- Impairment
- Financial liabilities

28.2 New accounting standards and IFRIC interpretations

Standards, amendments and interpretations adopted by the Group

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

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

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

	Accounting Standard	Type	Effective date	Impact on the financial statements
IFRS 9	**FINANCIAL INSTRUMENTS** **Classification and measurement of financial assets** - All financial assets are initially measured at fair value; - Debt instruments are subsequently measured at fair value through profit or loss; - Amortised cost or fair value through other comprehensive income; - Equity instruments are measured at fair value through profit or loss.	New	01 January 2018	The group's business model is to hold and collect and the group only collects capital and interest, therefore our financial instruments are unlikely to change.
	Classification and measurement of financial assets For liabilities measured at fair value through profit and loss, the change in the fair value of the liability attributable to changes in credit risk is presented in other comprehensive income. The remainder of the change in fair value is presented in profit and loss; and all other classification and measurement requirements in IAS 39 have been carried forward into IFRS 9.			No expected change as the group does not classify liabilities at fair value through profit and loss.

28. SIGNIFICANT ACCOUNTING POLICIES (continued)

28.2 New accounting standards and IFRIC interpretations (continued)

	Accounting Standard	Type	Effective date	Impact on the financial statements
IFRS 9	FINANCIAL INSTRUMENTS (continued) **Impairment** The impairment requirements are based on an expected credit loss (ECL) model. Entities are generally required to recognise 12-month ECL on initial recognition and thereafter, as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. **Hedge accounting** Hedge effectiveness testing is prospective and depending on the hedge complexity, can be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedge item if the risk component is separately identifiable and reliably measurable. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.	New	01 January 2018	Impairment requirement might result in earlier recognition of credit losses. The group does not apply hedge accounting, therefore no expected effect. Various additional disclosures are anticipated as a result of IFRS 9.
IFRS 15	**REVENUE FROM CONTRACTS WITH CUSTOMERS** New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers.	New	01 January 2018	Expected to result in a restatement of revenue recognised may also change the pattern of revenue recognition affecting margins presented. Also expected to result in numerous additional disclosures.
IFRS 16	**LEASES** New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.	New	01 January 2019	Expected to result in a restatement of our operating leases to recognising the “right of use assets” together with the related lease liabilities. Also expected to result in additional disclosures.

28. SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts

Revenue and other income

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

Contract assets and liabilities

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

	Measurement	Impairment
Trade receivables from contract customers	Measured at progress billing certified less payments received	Provision for impairment of receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original term of receivables.
Retention Debtors	Raised as part of debtors at same time as contract debtors are recognised	
Order Book	Included in the order book is future work relating to future projects as well as the remaining work on current projects that has been secured by the group.	

28. SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Finance Income / Expense

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

Non-trading and capital items

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

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

28. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-trading and capital items (continued)

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

Employee benefits

	Short term employee benefits
Includes	Salaries and Wages, paid vacation leave, sick leave, bonuses, as well as non-monetary benefits such as medical care.
Accounting treatment	These benefits are recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance. Accruals are raised for the estimated liability for annual leave and long-service leave as a result of services rendered by employees. Provisions are raised for bonus payments to employees.

	Termination benefits
	Termination benefits are recognised when it is demonstrably committed to either terminate the employment or current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Post-employment benefits

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

28. SIGNIFICANT ACCOUNTING POLICIES (continued)

Group accounting

Subsidiaries

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

Non-controlling interest

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

Goodwill

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

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

Intercompany transactions

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

Changes in ownership without change in control

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

Joint Arrangements

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

28. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

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

Unrealised gains and losses

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

Translation of foreign operations

Procedures followed to translate to presentation currency

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

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

Property, plant and equipment

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

Intangible assets

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

28. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Finance Lease

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

Operating Lease

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

Inventory

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

Financial Instruments

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

Financial Assets

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

Cash and cash equivalent

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

28. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

Criteria the entity uses to determine that there is objective evidence that an impairment loss has occurred (including measurements)	**Loans and receivables: Trade and other receivables** An estimate of any impairment is made to an allowance account on individual receivables. Objective evidence that the collection of the full amount under the original terms of the invoice is no longer probable would include indicators such as probable insolvency or significant difficulties in the debtor. Impaired debts are derecognised when they are assessed as uncollectible. The impairment allowance raised is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition less the value of any collateral held. **Contract receivables (contract and retention debtors)** Management assesses the need for impairment of these receivables when there is evidence that a loss may be incurred. This considerations used by management are the repayment ability and performance of the counterparty as well as relevant prior history of the counterparty. The impairment calculation recognises an allowance, measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition. To minimise the risks related to contract receivables, management may, at its discretion, request collateral in the form of payment guarantees and builders' liens for such receivables. The impairment calculation takes into account the existence of any collateral held against contract receivables, where applicable. **Loans to group companies** Significant financial difficulties, probability that the company will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered objective evidence of impairment.

Financial liabilities

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

Capital and reserves

Share capital

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

Reserves

Retained earnings comprises of accumulated profits or losses from prior years less dividends to equity holders. Dividends are included in the statement of changes in equity in the year in which they are declared.
Foreign currency translation reserve comprises the translation effect of foreign subsidiaries, joint ventures and joint operations to the reporting currency.

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

Treasury shares

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

29 Post-balance sheet events

Subsequent to year end, the business continues to trade under difficult conditions, as a result of this the board of directors has resolved to review the business with a view to undertaking significant restructuring of the company to preserve shareholder value, and has engaged the services of a corporate finance advisory firm to assist the company in this process.

Definitions and abbreviations

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

Administration

Basil Read Limited
Registration Number: 1962/002313/06
Share Code: BSR
Isin: ZAE000029781
Tel: +27 11 418 6300
Fax: +27 11 418 6334
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Transfer Secretaries
Link Market Services
13th floor, Rennie House
19 Ameshoff Street, Braamfontien, 2001

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

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

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

Directorate

Name and surname	Designation	Appointments, terminations and resignations
Paul Cambo Baloyi	Independent non-executive director, chairman of the board of directors, chairman of the nominations and investment committee	
Neville Francis Nicolau	Executive, chief executive officer	31 May 2017 (Resigned)
Amanda Claire Wightman	Executive, chief financial officer	30 September 2016 (Resigned)
Mahomed Talib Sadik	Executive, chief financial officer	1 October 2016 (Appointed)
Sango Siviwe Ntsaluba	Non-executive director, chairman of the risk committee	
Terence Desmond Hughes	Non-executive director	
Andrew Conway Gaorekwe Molusi	Non-executive director, chairman of social, ethics and transformation committee	
Thabiso Alexander Tlelai	Non-executive director	
Doris Liana Theresia Dondur	Independent non-executive director, chairman of the audit committee	
Mahomed Salim Ismail Gani	Independent non-executive director	
Claudia Estelle Manning	Independent non-executive director, chairman of the remuneration committee	
Khathutshelo Mapasa	Executive, Acting chief executive officer	31 May 2017 (Appointed Acting CEO)

Shareholders' diary

Audited results	June 2017
Audit Committee	23 June 2017
Half-year interim report	August 2017