BASIL READ

ANNUAL FINANCIAL STATEMENTS 2017

Contents

Annual financial statements

Additional information

For more information see our website:

www.basilread.co.za

Certificate by company secretary

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

AT Ndoni
Company secretary
28 March 2018

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 P van Buuren, CA(SA), chief financial officer. The annual financial statements have been audited in compliance with the applicable requirements of the Companies Act.

P van Buuren
Chief financial officer
28 March 2018

Directors' report

for the year ended 31 December 2017

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 2017.

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 its subsidiary companies are 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 2017 are set out on pages 15 to 73. A summary of these is provided below.

Ratios	**2017 R000**	2016 R000	Year-on-year movement R000	% change year-on-year
Financial performance for the year				
Contract revenue	**4 581 144**	5 126 085	(544 941)	(11)
Contract execution costs	**(4 789 878)**	(4 727 734)	(62 144)	1
Operating (loss)/profit	**(743 132)**	63 737	(806 868)	(1 266)
Loss for the year from continuing operations	**(1 010 903)**	(20 818)	(990 084)	4 756
Year-end financial position				
Borrowings	**815 216**	438 138	377 078	86
Contract income received in advance	**338 559**	330 321	8 238	2
Contracts in progress	**324 071**	289 064	35 007	12
Cash and cash equivalents	**126 422**	458 476	(332 054)	(72)
Return on equity (%)	**(907)**	(2)	(905.58)	497
Return on assets (%)	**27**	(2)	29.01	(15)
Earnings per share (cents) – continuing operations	**(768.34)**	(23.77)	(744.57)	31
Diluted earnings per share (cents) – continuing operations	**(768.34)**	(23.77)	(744.57)	31

	2017 R000	2016 R000
Order book		
– Construction	**1 375 526**	2 607 458
– Developments	**3 244 191**	1 015 154
– Mining	**6 146 851**	5 456 323
– Roads	**1 287 359**	2 412 156
– St Helena	**523 589**	851 997
Total order book	**12 577 516**	12 343 088

MATERIAL SIGNIFICANT MATTERS

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

Going concern

Directors are required to consider if it is appropriate to adopt the going concern basis of accounting. Disclosure of the directors' deliberations to determine whether it is appropriate to adopt the going concern basis of accounting in addition to consideration of the material uncertainties which affect the group's ability to continue to adopt this basis can be found in the audit and risk committee report on page 8 and also in note 1 to the financial statements. In summary, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

Disposal of Stefanutti Stock Basil Read Joint Venture

The disposal of Stefanutti Stock Basil Read Joint Venture (SSBR JV) was completed during the second half of 2017 at a profit of R46 million, impacting reported profit for the period. Further details regarding this disposal can be found in the note 4.2 disposal of joint operation.

Operational changes

The construction and roads divisions were amalgamated to streamline overheads and enhance project execution. An experienced and well regarded executive was recruited to head the new division, subsequent to financial year-end.

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 R150 million. At the end of the reporting period, the full facility has been utilised. This loan was fully repaid from a successful rights offer concluded in February 2018.

Delisting of domestic medium-term bond

During the current reporting period, the group successfully delisted the domestic mortgage bond held with Aluwani from the JSE.

Debts standstill agreement

During the 2017 financial year, management negotiated with six of its highest creditors to provide the group with headroom to execute its turnaround strategy to ease liquidity pressure. In terms of the standstill agreement with the creditors, the group has been granted an 18-month moratorium from December 2017 to 31 May 2019 on capital repayments. During this period, the group is required to service interest payments and is not expected to meet the covenants requirements.

Operational results

The operating profit was negatively affected by the losses incurred on the Olifants River water resource development project for TCTA of R116 million. The full loss is the subject of a claims process and discussions with TCTA and its engineers are ongoing. Further losses of R157.8 million were recorded for the Admin Craft Basin at the Port of Ngqura in the Eastern Cape and onerous building contracts amounting to R141 million.

Shareholders' interests

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

Directors' report continued

for the year ended 31 December 2017

Post-balance sheet events

The group issued 1 363 035 808 shares at R0.22 through the rights issue to its existing shareholders on 26 February 2018. The group raised net proceeds of approximately R300 million in cash (prior to payment of fees and expenses relating to the rights issue amounting to R10.9 million). Loss per share after the rights issue is 67.08 cents per share (2016: 4.29 cents per share).

Subsequent to financial year-end, management has elected to combine the roads, construction and St Helena divisions into one division.

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

APPROVAL

The annual financial statements and group annual financial statements, which appear on pages 15 to 73, were approved by the board of directors on 28 March 2018 and are signed by:

PC Baloyi
Chairman
28 March 2018

K Mapasa
Chief executive officer
28 March 2018

Audit committee report

The committee is pleased to present its report for the financial year ended 31 December 2017 as required by the South African Companies Act 71 2008 (the Act) and recommended by the King IV Report on Governance Principles for South Africa 2009 (King IV).

TERMS OF REFERENCE

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

MEMBERSHIP

The audit committee was appointed by the shareholders at the annual general meeting on 1 June 2016. The members are all independent non-executive directors, who collectively have the necessary financial skills and experience to fulfil their responsibilities on this committee.

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

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

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

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

EXECUTION OF RESPONSIBILITIES

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

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

- Performing its statutory duties as prescribed by the Companies Act 71 2008, as amended, and the Listings Requirements of the Johannesburg Stock Exchange
- Considering the performance of the company on a quarterly basis
- Considering the solvency and liquidity of the company, on a quarterly basis, for recommendation to the board
- Annual financial statements, ensuring fair presentation and compliance with International Financial Reporting Standards (IFRS) and the Act, and recommending these to the board for approval
- Compilation of the integrated report, ensuring that content is accurate and reliable, and includes all relevant material operational, financial and non-financial information
- Accounting policies of Basil Read, ensuring they are consistently applied
- Critical accounting estimates and judgements
- Effectiveness of the internal control environment
- Effectiveness of the internal audit function, including approval of the internal audit plan and monitoring adherence of internal audit to this plan
- Recommendation of the appointment and remuneration of external auditors, reviewing the scope of their audit, their reports and pre-approving all non-audit services in excess of 10% of the audit fees for a particular year in terms of the policy
- Independence and objectivity of the external auditors, ensuring that the scope of additional services does not impair their independence
- Reports of the internal and external auditors
- Annual assessment of the finance function and the finance director
- The governance of information technology and effectiveness of the company's information systems
- Policies and procedures for preventing fraud.

Audit committee report continued

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

External audit

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

A formal procedure governs the process by which the external auditor is considered for providing non-audit services. Each engagement letter for non-audit work shall not exceed 20% of the audit fees for the particular year. Each engagement letter for non-audit work above 10% of the audit fees for a particular year is reviewed and pre-approved by the committee in advance. Routine work assignments, including auditor letters required for tendering purposes, below the value of 10% of the audit fees for a particular year do not need to be approved by the committee but the chairman of the audit committee is notified.

Meetings were held with the external auditor without management present, and no matters of concern were raised.

The committee has reviewed the performance of the external auditors and has nominated, for approval at the annual general meeting, PwC Inc. as the external auditor for the 2018 financial year. Mr Sizwe Masondo was appointed as the designated auditor from the 2017 financial year.

Internal audit

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

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

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

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

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

Finance director and finance function review

The committee has considered and is satisfied that, in terms of section 3.84(h) of the JSE Listings Requirements, the financial director, Pieter van Buuren, has the appropriate skills, expertise and experience to meet the responsibilities of this position. The committee has also in terms of King IV assessed the expertise, resources and experience of the finance function. Due to the restructuring of the company, the finance function is being aligned to the new operating model and vacancies have been filled to ensure efficiency, thereby enabling the committee to express its satisfaction with the experience, expertise and adequacy of resources within the finance function.

Internal financial control

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

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

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

Annual financial statements

The annual financial statements were prepared using appropriate accounting policies that conform to IFRS. The committee therefore recommended the approval of the annual financial statements to the board and the board approved these on 28 March 2018.

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

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

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

Goodwill must be tested annually and the committee again focused on this area in reviewing the annual financial statements for the financial year ended 31 December 2017. The committee reviewed management's annual impairment test which incorporates judgements based on assumptions about future profitability for the roads division against which appropriate long-term growth rates and discount rates must be applied. Following the losses generated in the roads division, management has recalculated the recoverable amount of the roads division as at 31 December 2017. An impairment loss of R88.9 million was recognised for the roads division, reducing the carrying amount of the goodwill for this division to zero as at 31 December 2017. The impairment assessment of the roads division was performed based on the value-in-use methodology using a five-year discounted cash flow model. The post-tax cash flows were discounted using a post-tax discount rate in line with valuations methodology and the requirements of accounting standards. The impairment assessment of the construction CGU was assessed with reference to the individual fair value less costs to sell the assets.

Recoverability of deferred tax assets

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

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

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

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

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

Construction contract revenue recognition

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

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

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

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

Audit committee report continued

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

GOING CONCERN

Management is required to make an assessment of the going concern assumption used in the preparation of the annual financial statements. This assessment involves making a judgement, at a particular point in time, about the future outcome of events or conditions which are inherently uncertain.

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

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

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

Doris Dondur
Chairman of the audit committee
28 March 2018

Independent auditor's report

TO THE SHAREHOLDERS OF BASIL READ HOLDINGS LIMITED
REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Basil Read Holdings Limited (the company) and its subsidiaries (together the group) as at 31 December 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Basil Read Holdings Limited's consolidated and separate financial statements set out on pages 15 to 73 comprise:

- the consolidated and separate statements of financial position as at 31 December 2017
- the consolidated and separate statements of profit and loss and other comprehensive income for the year then ended
- the consolidated and separate statements of changes in equity for the year then ended
- the consolidated and separate statements of changes in cash flows for the year then ended and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

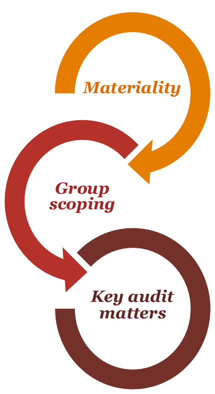
We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical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

Material uncertainty related to going concern

We draw attention to note 1A to the financial statements which describes events and conditions that indicate a material uncertainty that may cast significant doubt about the group and company'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: R38.9 million, which represents 0.85% of revenue.

Group audit scope

The group comprises 65 components of which nine are required to report on full scope audit procedures and 20 on specified procedures only.

Key audit matters

- Material uncertainty related to going concern
- Impairment assessment of the 'construction' and 'roads' cash-generating units
- Recoverability of deferred tax assets
- Construction contract revenue recognition.

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

Independent auditor's report continued

Materiality

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

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

Overall group materiality	R38.9 million
How we determined it	0.85% of the group revenue
Rationale for the materiality benchmark applied	We have selected group 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 quantitative 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 65 subsidiaries, associates and joint ventures (referred to as 'components'). We performed full scope audits on 9 components due to their financial significance, specified procedures on 20 components as a result of significant account balances and transactions within these components, and the remaining 36 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 judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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
Impairment assessment of the 'construction' and 'roads' cash-generating units (CGUs) International Financial Reporting Standards (IFRS) require assets to be tested for impairment when an impairment indicator exists. 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 individual assets by reference to their individual fair value less cost of disposal values. In determining the recoverable amount of the individual assets management performs an internal valuation. This valuation is based on an internal formula which incorporates the physical condition of the asset, technological developments and recent sales or offers to purchase on similar assets. The roads CGU includes goodwill of R88.9 million. In addition to the fair value less cost to sell, management computed the value in use for the CGU to determine recoverability of the goodwill. The value in use is determined using the discounted cash flow model. Refer to note 1.E4.1 to the consolidated financial statements where the impairment of the CGUs has been discussed. The estimation of the recoverable amount of the individual assets and CGUs requires significant judgement to be applied by management in computing the cash flow projections and in the determination of the fair value of the assets. 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. In the current year, an impairment loss of R88.9 million was recognised against the remaining goodwill in the roads CGU (refer to notes 10 and 1.E4.1 to the consolidated financial statements where the impairment loss has been discussed).	We obtained management's valuation supporting the recoverable amount of the individual assets. We held discussions with management to gain an understanding of the process applied to formulate the value of assets. We tested management's valuation by selecting a sample of recoverable amounts calculated and compared these to recent sales and offers to purchase on similar assets. We obtained the discounted cash flow models underlying the recoverable amount of the roads CGUs as prepared by management and tested the accuracy of the model and assessed the significant assumptions applied by management. The significant assumptions used by management in its impairment assessment were subject to the following audit procedures: • Discussions with management to gain an understanding of the basis for assumptions applied to discounted cash flow models • We agreed the base revenue to the forecast revenue still to be earned for ongoing contracts • 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 • Agreed the basis of computation of the cash flow models to the strategic plan as approved by the board. We utilised our corporate finance and financial modelling expertise to assess the group's valuation model and to independently calculate a range of nominal discount rates used in the impairment assessment.

Independent auditor's report continued

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
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 R136 million (refer to note 11) to the consolidated financial statements). In the current year, the group realised a loss before tax of R765 million. Management performed an assessment to determine whether sufficient future taxable profit will be generated by the underlying entities to utilise the unused tax losses. This assessment resulted in a reversal of R172 million to the group's deferred tax asset. In assessing the future taxable profits, management considered the strategic plans for the business including planned restructuring of operating segments and new areas of focus for the business. This strategic plan informed the key judgements and assumptions used to develop the future cash flow projections (refer to note 1.D to the consolidated financial statements). These judgements and assumptions include the forecast contract cash flows, the nominal growth rate applied to those cash flows as well as the entity's ability to execute these plans. Due to the significant estimation uncertainty related to the cash flows, the assessments of the recoverability of deferred tax asset are considered to be an area of most significance to the audit.	We made use of our taxation expertise to evaluate the accuracy and completeness of the deferred tax asset computation. This involved obtaining the computation for the deferred tax asset and agreeing the underlying data to audited information and assessing the computation for completeness based on our understanding of the industry and the transactions entered into by the relevant entities within the group during the year. The recoverability of the deferred tax asset balances has been tested by considering cash flow forecasts which underpin the deferred tax asset recognition. These forecasts were tested by evaluating the assumptions applied by management by comparing these to supporting evidence, such as approved cash flow forecasts, the strategic plans for the business, historic performance of the company and industry trends.
Construction contract revenue recognition Revenue from construction contracts amounts to R2.6 billion of the group revenue. This revenue is driven through the 'construction', 'roads' and 'St Helena' operating segments (refer to note 22 to the consolidated financial statements). Per the principles of International Accounting Standard (IAS) 11 *Construction Contracts* revenue and related profit/losses on construction and long-term services contracts are recognised in accordance with the stage of completion. The stage of completion is determined using actual contract costs incurred to date as a percentage of total estimated contract costs and physical completion based on survey of work performed. Forecast contract losses are recognised in the accounting period in which they become evident (refer to note 1.B1, note 1.B3 and note 12 to the consolidated financial statements).	Our procedures comprised a combination of internal control assessments over contract-related procurement and payroll expenditure, and substantive audit procedures. We selected a sample of construction and long-term service contracts based on a combination of risk and monetary thresholds. This included high-value contracts, significant loss making contracts and contracts with significant claims. Audit procedures performed in assessing the appropriateness of estimates and judgements applied by management included: • Discussions regarding the status of contracts with relevant management quantity surveyors • Agreement of certified revenue to customer approved works certificates and subsequent cash receipts • Evaluated the stage-of-completion and related work in progress and income received in advance balances through recalculations and by comparing it to the survey of work performed by the group's survey expert.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Construction contract revenue recognition (continued) In addition to the estimates described above, management is required to exercise significant judgement in the determination of the expected recovery of costs arising from approved variation orders, the recovery of claims for additional costs incurred, the completeness and accuracy of forecasted revenue and costs to complete and the ability to deliver the contracted work within the agreed programme (refer to note 1.B1 and note 2 to the consolidated financial statements). Estimates and judgements described above are made based on the best available information at the time of approval of the financial statements. This, coupled with the significant judgement and estimation applied by management, results in this being an area of most significance to our audit.	• Making use of our internal quantity surveying expertise to assess the assumptions related to the total contract costs and revenue through performance of site visits and inspection of contract documentation • Inspected supporting documents relating to the accounting of variation orders and claims, assessing whether revenue was recognised only once it could be reliably measured and considered to be at an advanced stage of negotiation • 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 • 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 • Assessed the provisions for loss making contracts and whether these appropriately reflected the expected contractual positions • 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 inspection of project progress documentation. Where applicable, we recalculated the onerous contract.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Basil Read annual financial statements 2017, which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the integrated report 2017, which is expected to be made available to use after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

Independent auditor's report continued

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Basil Read Holdings Limited for 47 years.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: Sizwe Masondo
Registered auditor
4 Lisbon Lane
Waterfall City
Jukskei View
2090

28 March 2018

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2017

	Notes	2017 R000	2016 R000
CONTINUING OPERATIONS			
Revenue	2	4 581 144	5 126 085
Contract execution costs		(4 789 878)	(4 727 734)
Purchased materials, subcontractors and other input costs		(3 295 486)	(3 118 560)
Staff costs	3	(1 124 391)	(1 322 196)
Depreciation		(273 655)	(243 543)
Other contract execution costs		(96 346)	(43 435)
Other income		752	3
Other administrative and operating overheads	4	(535 150)	(334 617)
Operating (loss)/profit		(743 132)	63 737
Net foreign exchange movements		12 541	31 882
Non-trading items	27	–	(40 788)
Finance income	5	14 615	8 868
Finance costs	5	(92 245)	(50 117)
Share of profits/(losses) of associates and joint ventures	9	33 644	(8 981)
(Loss)/profit before taxation		(774 577)	4 601
Taxation	6	(236 326)	(25 419)
Loss for the year from continuing operations		(1 010 903)	(20 818)
DISCONTINUED OPERATIONS			
Result on disposal of discontinued operations		–	(32 828)
Net loss for the year		(1 010 903)	(53 646)
OTHER COMPREHENSIVE LOSS FOR THE YEAR			
Items that may be subsequently reclassified to profit or loss		(18 770)	(35 813)
Movement in foreign currency translation reserve		(18 427)	(35 813)
Movement in investment at fair value after tax		(343)	–
Movement in investment at fair value before tax		(476)	–
Deferred tax effect on other comprehensive income		133	–
Total comprehensive loss for the year		(1 029 673)	(89 459)
Loss attributable to:			
Owner of the company		(1 011 791)	(64 128)
Non-controlling interests		888	10 482
Net loss for the year		(1 010 903)	(53 646)
Total comprehensive loss attributable to:			
Owner of the company		(1 030 572)	(103 750)
Non-controlling interests		899	14 291
Total comprehensive loss for the year		(1 029 673)	(89 459)

	Notes	Cents	Cents
CONTINUING OPERATIONS			
Basic earnings per share	7	(768.34)	(23.77)
Diluted earnings per share	7	(768.34)	(23.77)
DISCONTINUED OPERATIONS			
Basic earnings per share	7	–	(24.93)
Diluted earnings per share	7	–	(24.93)

Consolidated statement of financial position

as at 31 December 2017

	Notes	2017 R000	2016* R000	2015* R000
ASSETS				
Non-current assets		**1 264 724**	1 390 758	1 500 501
Property, plant and equipment	8	**956 795**	799 092	915 856
Investment property		**4 328**	6 112	6 590
Equity accounted investments	9	**123 946**	126 234	136 399
Investment at fair value	9	**41 813**	51 290	51 290
Goodwill and intangible assets	10	**1 003**	90 782	91 640
Deferred taxation	11	**136 839**	317 248	298 726
Current assets		**1 430 434**	1 830 617	1 975 671
Contract work in progress	12.1	**324 071**	289 064	391 251
Trade and other receivables	13	**632 859**	699 900	766 701
Inventories	14.1	**39 670**	35 229	25 939
Development land	14.2	**231 258**	259 607	262 679
Derivative financial instrument		**–**	623	2 885
Taxation		**24 818**	28 681	19 371
Cash and cash equivalents	15	**177 758**	517 513	506 845
Non-current assets held for sale	16	**53 823**	–	104 203
Total assets		**2 748 981**	3 221 375	3 580 375
LIABILITIES AND EQUITY				
Non-current liabilities		**510 982**	348 166	221 087
Borrowings and other liabilities	17	**433 370**	300 378	182 134
Deferred taxation	11	**77 612**	47 788	38 953
Current liabilities		**2 133 579**	1 739 116	2 113 402
Contract income received in advance	12.2	**338 559**	330 321	715 432
Trade and other payables	18	**907 122**	934 327	734 163
Borrowings and other liabilities	17	**381 846**	137 760	157 798
Derivative financial instrument		**1 118**	–	–
Provisions	19	**429 427**	245 877	455 537
Taxation		**24 171**	31 794	15 034
Bank overdraft	15	**51 336**	59 037	35 438
Non-current liabilities held for sale	16	**–**	–	22 334
Total liabilities		**2 644 561**	2 087 282	2 356 823
Equity		**111 406**	1 141 978	1 245 728
Stated capital	20	**1 048 025**	1 048 025	1 048 025
Other reserves		**(16 420)**	2 361	41 983
Retained earnings		**(920 199)**	91 592	155 720
Non-controlling interest	21	**(6 986)**	(7 885)	(22 176)
Total liabilities and equity		**2 748 981**	3 221 375	3 580 375

* *Restated.*

Consolidated statement of changes in equity

for the year ended 31 December 2017

	Stated capital		Other reserves					
	Share capital R000	Treasury shares R000	Foreign currency translation reserve R000	Fair value adjustment reserve R000	Retained earnings R000	Attributable to equity holders of the company R000	Non-controlling interest R000	Total equity R000
Balance as at 1 January 2016	1 048 037	(12)	45 854	(3 871)	155 720	1 245 728	(22 176)	1 223 552
Total comprehensive income	–	–	(39 622)	–	(64 128)	(103 750)	14 291	(89 459)
Profit for the year	–	–	–	–	(64 128)	(64 128)	10 482	(53 646)
Other comprehensive income	–	–	(39 622)	–	–	(39 622)	3 809	(35 813)
Balance as at 31 December 2016/1 January 2017	**1 048 037**	**(12)**	**6 232**	**(3 871)**	**91 592**	**1 141 978**	**(7 885)**	**1 134 093**
Total comprehensive income	–	–	(18 438)	(343)	(1 011 791)	(1 030 572)	899	(1 029 673)
Loss for the year	–	–	–	–	(1 011 791)	(1 011 791)	888	(1 010 903)
Other comprehensive income	–	–	(18 438)	(343)	–	(18 781)	11	(18 770)
Balance as at 31 December 2017	**1 048 037**	**(12)**	**(12 206)**	**(4 214)**	**(920 199)**	**111 406**	**(6 986)**	**104 420**

Movements are reflected net of taxation. Refer to note 11.

Consolidated statement of changes in cash flows

for the year ended 31 December 2017

	Note	2017 R000	2016* R000
Cash flows from operating activities			
Cash received from customers		4 527 716	4 888 598
Cash paid to suppliers and employees		(4 844 095)	(4 791 312)
Cash (utilised)/generated from operations		(316 379)	97 286
Interest paid		(58 338)	(48 239)
Interest received		14 615	8 863
Taxation paid		(30 412)	(27 655)
Net cash from operating activities		(390 514)	30 255
Cash flows from investing activities			
Acquisitions of property, plant and equipment		(65 595)	(128 975)
Proceeds from disposal of property, plant and equipment		80 099	42 392
Proceeds from disposal of investment property		1 628	–
Disposal of subsidiaries		–	64 785
Proceeds from disposal of joint operations		35 000	–
Advances made to joint ventures		–	(19 254)
Advances received from joint ventures		12 583	–
Advances made to associates		(35 438)	(3 390)
Advances recovered from associates		4 203	7 455
Dividends received from associates and joint ventures		–	14 926
Net cash from investing activities		32 480	(22 061)
Cash flow from financing activities			
Proceeds borrowings raised		277 528	200 855
Repayments of borrowings		(252 148)	(196 524)
Net cash from financing activities		25 380	4 331
Effect of exchange rate changes on cash and cash equivalents		600	(28 725)
Movement in cash and cash equivalents		(332 054)	(16 200)
Cash and cash equivalents at the beginning of the reporting period		458 476	474 676
Cash and cash equivalents at the end of the reporting period	15	126 422	458 476

* *Restated.*

Notes to the consolidated financial statements

for the year ended 31 December 2017

1. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the consolidated and company annual 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 affects 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 and company can continue in operational existence for the foreseeable future.

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

The following are significant items included in the loss for the year:
- Provisions for onerous legacy contracts of R208.7 million
- Impairment of goodwill and reversal deferred tax assets relating to the roads division of R261.1 million
- Write down of debtors and development land of R84.7 million.

The trading conditions in the construction sector continue to be challenging as reflected in the group's results. The group's balance sheet has been negatively impacted by the loss realised from operations. At year-end, the group's current liabilities (R2.1 billion) exceeded current assets (R1.4 billion) and group cash had decreased to R126.4 million. Total assets at R2.7 billion still exceed total liabilities at R2.6 billion.

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

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

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

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

In compiling its cash flow forecasts, the group has made a number of key judgements and assumption. The judgements and estimates are based on the turnaround plan and include the following:
- Accelerating the resolutions of legacy claims
- Negotiations to extend repayment of long-term financing
- Sale of non-core assets and development land
- Completion of process of disposing of surplus plant and equipment.

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

1. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

A. GOING CONCERN continued

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

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

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

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

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

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

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

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 contract, the full expected work to be incurred is recognised immediately.

1. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

B. CONSTRUCTION CONTRACTS continued

B.1 Revenue and other income continued

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

Where claims and 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 elects 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
- Management's estimate of the probability that customers will enter bankruptcy or financial reorganisation
- Default or delinquency in payments from the customer.

Should these factors be present, management assesses the amount of the impairment of the receivable as the difference between the receivable's 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, management's 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 management's 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 management's best estimate of the anticipated outcome based on past experience and knowledge gained from previous similar projects as well as factoring in contract-specific factors. These provisions are short term in nature.

B.3.2 Employee-related provisions

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

1. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

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 group's 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.2.1 Joint arrangements

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

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

In determining the classification of joint arrangements, management considered the following:
(a) Contractual agreements with respect to sharing control; 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.

D. TAXATION

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.

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 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.

The group deferred taxation asset balance amounts to R136.8 million (2016: R317.2 million) and is mainly constituted of Basil Read Limited R79.6 million (2016: R243.5 million) and Basil Read Roads (Pty) Ltd R39.7 million (2016: R51.0 million). In the period under review, Basil Read Limited generated a loss from operations and Basil Read Roads generated a profit from operations.

In the period under review, management has performed an assessment over the recoverability of deferred tax assets in these entities. 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.

1. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

D. TAXATION continued

Management has utilised approved financial budgets and the five-year strategic plan, which has been approved by the executive committee and board of directors, to determine the recoverability of the deferred tax asset balance. Based on these budgets and plan, a deferred tax asset amounting to R172 million (mainly attributable to Basil Read Limited) has been derecognised in the current financial period.

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

Base revenue (R billion)	2.4
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 takes into account the selling price under forced sales conditions. The prices are then discounted to present value at a discount rate which takes into account the specific risks of the development, among other factors.

E.2 Property, plant and equipment

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.

E.2.1 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 (CGUs) 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

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

1. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

E. OPERATING ASSETS AND LIABILITIES continued

E.4 Impairment of construction and roads 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 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 CGUs and an impairment assessment was performed on the roads and construction CGU.

In assessing the construction CGU and roads CGU assets for impairment, management assessed the individual assets for impairment by reference to their individual fair value less cost of disposal values.

In determining the recoverable amount of the individual assets, management performs an internal valuation. This valuation is based on an internal formula which incorporates the physical condition of the asset, technological developments and recent sales or offers to purchase on similar assets.

The roads CGU includes goodwill of R88.9 million. In determining the recoverability of the goodwill, management computed the value in use for the roads CGU as goodwill does not generate cash inflows independent of other assets.

The value in use 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 the company's five-year strategic plan that has been approved by the executive committee and the board.

In determining the forecast revenue, management took into consideration the secured work from ongoing contracts, new work that has recently been 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. Forecast 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.4.1 Impairment assessment of roads CGU

The impairment assessment of the roads CGU was performed based on the value-in-use methodology using a five-year discounted cash flow model. The pre-tax cash flows were discounted using a pre-tax discount rate in line with valuations methodology and the requirements of accounting standards.

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

	Roads 2017
Base revenue (R000)	1 000 000
Average gross profit (%)	3 – 6
Nominal pre-tax discount rate (%)	16.7

In the current year, an impairment loss of R88.9 million was recognised against the remaining goodwill in the roads CGU.

Management has considered and assessed reasonable possible changes for other key assumptions and has not identified any other instances that could result in goodwill not being impaired.

	2017 R000	2016 R000
2. REVENUE		
Contract revenue	4 501 593	5 044 822
Other revenues – Development revenue	79 551	81 263
Total revenue	4 581 144	5 126 085
Included in total revenue above are claims revenue amounting to:		
Claims revenue	–	228 000

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

3. STAFF COST

3.1 Staff cost

	2017 R000	2016 R000
Defined contribution plan expense	72 110	70 665
Salaries, wages and social security contributions	1 295 608	1 493 564
Termination benefits	24 425	14 995
	1 392 143	1 579 224
Attributable to:		
Contract execution cost	(1 124 391)	(1 322 196)
Administrative cost and operating overheads	(267 752)	(257 028)
	(1 392 143)	(1 579 224)

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 cover 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.

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 a privately administered fund.

	2017 R000	2016 R000
Present value of funded obligation	(27 631)	(25 925)
Fair value of plan assets	44 534	39 368
Surplus	16 903	13 443
Unrecognised due to par 65 limit	(16 903)	(13 443)

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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

	Note	2017 R000	2016 R000
4. OTHER ADMINISTRATIVE AND OPERATING OVERHEADS			
The following are included in other administrative and operating overheads:			
Staff costs		**(267 752)**	(257 028)
Administrative costs and overheads		**(246 252)**	(72 108)
Capital items	4.1	**(21 146)**	(5 481)
		(535 150)	(334 617)

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.

4.1 Capital items

	Note	Total 2017 R000	Total 2016 R000
Impairment of fixed assets			(2 900)
Fair value adjustment through profit and loss		**(9 000)**	–
Impairment of goodwill		**(88 917)**	–
Write down of development land		**–**	(2 881)
Profit on sale of fixed assets		**30 579**	778
Profit on sale of joint operations	4.2	**46 192**	–
Fair value adjustment on investment property		**–**	(478)
		(21 146)	(5 481)

4.2 Disposal of joint operation

During the second half of the 2017 reporting period, the group disposed of its 50% interests in Stefanutti Stocks Basil Read Joint Venture (SSBR JV).

Details of net assets disposed are as follows:	2017	2016
Net cash consideration recovered on sale	**35 000**	–
Carrying value of net assets disposed	**11 192**	–
Profit on sale	**46 192**	–

	2017 R000	2016 R000
5. NET FINANCE COSTS		
Interest received from financial instruments held at amortised cost	**14 615**	8 868
Bank accounts	**9 241**	5 546
Customers and other interest	**5 374**	3 322
Interest paid on financial instruments held at amortised cost	**(92 245)**	(50 117)
Bank loans and other borrowings	**(28 498)**	(6 377)
Finance leases	**(26 298)**	(20 917)
Domestic medium-term note programme	**(6 047)**	(9 309)
Voluntary rebuild programme	**(6 947)**	–
Other*	**(24 455)**	(13 514)
Net finance costs recognised in profit or loss	**(77 630)**	(41 249)

** Included in other is the interest on Competition Commission liability of R20.6 million.*

6. TAXATION

	South African normal taxation		Foreign taxation		Total	
	2017 R000	2016 R000	**2017 R000**	2016 R000	**2017 R000**	2016 R000
South African normal taxation						
Current tax expense	**(13 176)**	(11 377)	**(12 927)**	(23 719)	**(26 103)**	(35 096)
Current year	**(13 250)**	(11 831)	**(12 927)**	(23 719)	**(26 177)**	(35 550)
Under/(over) provision previous year	**74**	454	**–**	–	**74**	454
Deferred tax expense	**(210 222)**	(2 551)	**(1)**	12 228	**(210 223)**	9 677
Current year	**(43 793)**	(5 244)	**5 395**	8 062	**(38 398)**	2 818
Reversal of deferred tax assets	**(172 200)**	–	**–**	–	**(172 200)**	–
Under/(over) provision previous year	**5 771**	2 693	**(5 396)**	4 166	**375**	6 859
Taxation attributable to the group	**(223 398)**	(13 928)	**(12 928)**	(11 491)	**(236 326)**	(25 419)
Attributable to other comprehensive income						
Deferred tax expense	**133**	–	**–**	–	**133**	–
Current year	**133**	–	**–**	–	**133**	–
Under/(over) provision previous year	**–**	–	**–**	–	**–**	–

	2017 %	2016 %
Reconciliation of tax charge		
South African normal rate of taxation	**28.0**	28.0
Effect of foreign tax rate differentials	**(1.0)**	(2 058.5)
Adjusted for:		
Timing differences:	**(59.7)**	1 163.3
Assessed losses not recognised	**(59.7)**	1 163.3
Non-deductible expenses:	**(0.2)**	1 013.0
Voluntary rehabilitation programme	**–**	886.6
Other	**(0.2)**	126.4
Share of profits in investments accounted for using the equity method	**4.3**	195.2
Losses utilised	**(1.2)**	–
Capital gains tax	**–**	170.6
Foreign deferred taxation current year	**(0.7)**	–
Prior year under/(over) provision	**–**	40.9
Effective tax	**(30.5)**	552.5

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.

	2017 R000	2016 R000
Estimated tax losses		
Opening balance	**1 642 954**	987 783
Additional losses incurred	**307 895**	655 171
Closing balance	**1 950 849**	1 642 954

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

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	
		2017 R000	2016 R000	2017	2016	2017	2016
Total operations							
Earnings per share (EPS)	– Basic	**(1 011 791)**	(64 128)	**131 686**	131 686	**(768.34)**	(48.70)
EPS	– Diluted	**(1 011 791)**	(64 128)	**131 686**	131 686	**(768.34)**	(48.70)
Headline earnings per share (HEPS)	– Basic	**(944 655)**	(28 700)	**131 686**	131 686	**(717.35)**	(21.79)
HEPS	– Diluted	**(944 655)**	(28 700)	**131 686**	131 686	**(717.35)**	(21.79)
Continuing operations							
EPS	– Basic	**(1 011 791)**	(31 300)	**131 686**	131 686	**(768.34)**	(23.77)
EPS	– Diluted	**(1 011 791)**	(31 300)	**131 686**	131 686	**(768.34)**	(23.77)
HEPS	– Basic	**(944 655)**	(28 700)	**131 686**	131 686	**(717.35)**	(21.79)
HEPS	– Diluted	**(944 655)**	(28 700)	**131 686**	131 686	**(717.35)**	(21.79)
Discontinued operations							
EPS	– Basic	**–**	(32 828)	**131 686**	131 686	**–**	(24.93)
EPS	– Diluted	**–**	(32 828)	**131 686**	131 686	**–**	(24.93)
HEPS	– Basic	**–**	–	**131 686**	131 686	**–**	–
HEPS	– Diluted	**–**	–	**131 686**	131 686	**–**	–

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

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

	Total		Continuing operations		Discontinued operations	
	2017					
	Gross of tax amount R000	Net of tax amount R000	Gross of tax amount R000	Net of tax amount R000	Gross of tax amount R000	Net of tax amount R000
Basic and diluted loss	**(1 011 791)**	**(1 011 791)**	**(1 011 791)**	**(1 011 791)**	**–**	**–**
(Profit)/loss on sale of joint operation	**(202)**	**(202)**	**(202)**	**(202)**	**–**	**–**
(Profit)/loss on sale of property, plant and equipment	**(30 579)**	**(30 579)**	**(30 579)**	**(30 579)**	**–**	**–**
Impairment of goodwill	**88 917**	**88 917**	**88 917**	**88 917**	**–**	**–**
Fair value adjustment in investments	**9 000**	**9 000**	**9 000**	**9 000**	**–**	**–**
Headline loss	**(944 655)**	**(944 655)**	**(944 655)**	**(944 655)**	**–**	**–**
	2016					
Basic and diluted loss	(64 128)	(64 128)	(31 300)	(31 300)	(32 828)	(32 828)
(Profit)/loss on sale of subsidiary	32 828	32 828	–	–	32 828	32 828
(Profit)/loss on sale of property, plant and equipment	(778)	(778)	(778)	(778)	–	–
Impairment of property, plant and equipment	2 900	2 900	2 900	2 900	–	–
Fair value adjustment on investment property	478	478	478	478	–	–
Headline loss	(28 700)	(28 700)	(28 700)	(28 700)	–	–

The above line items have no NCI consequences. Based on the tax computation there is unrecognised tax effect on the above line items.

	Land and buildings R000	Plant and equipment R000	Furniture and fittings R000	Total R000
8. PROPERTY, PLANT AND EQUIPMENT				
Balance as at 1 January 2016				
Cost	12 765	2 563 435	37 493	2 613 693
Accumulated depreciation and impairment	(346)	(1 669 879)	(27 612)	(1 697 837)
Net book value	12 419	893 556	9 881	915 856
Movements during the year				
Additions	–	180 466	4 735	185 201
Disposals	(112)	(38 160)	(3 342)	(41 614)
Depreciation	(298)	(246 046)	(2 429)	(248 773)
Impairment	–	(2 900)	–	(2 900)
Exchange differences	(14)	(8 664)	–	(8 678)
Reclassifications	11 142	(11 142)	–	–
Balance as at 31 December 2016/1 January 2017				
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**
Movements during the year				
Additions	**–**	**487 649**	**64**	**487 713**
Disposals	**–**	**(50 134)**	**(84)**	**(50 218)**
Depreciation	**(345)**	**(274 416)**	**(3 686)**	**(278 447)**
Exchange differences	**(4)**	**(1 341)**	**–**	**(1 345)**
Balance as at 31 December 2017				
Cost	**24 078**	**1 982 180**	**44 057**	**2 050 315**
Accumulated depreciation and impairment	**(1 290)**	**(1 053 312)**	**(38 918)**	**(1 093 520)**
Net book value	**22 788**	**928 868**	**5 139**	**956 795**
Assets under construction included in 2016	**–**	**4 397**	**–**	**–**
Assets under construction included in 2017	**–**	**3 263**	**–**	**–**
Book value of plant and equipment subject to instalment sale agreements as follows:				
31 December 2016				
Cost	–	187 928	–	187 928
Accumulated depreciation and impairment	–	(22 507)	–	(22 507)
Net book value	–	165 421	–	165 421
31 December 2017				
Cost	**–**	**811 050**	**–**	**811 050**
Accumulated depreciation and impairment	**–**	**(303 106)**	**–**	**(303 106)**
Net book value	**–**	**507 944**	**–**	**507 944**

Property, plant and equipment amounting to R300 million has been secured under standstill agreement. Refer to note 24.3.

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

	Notes	2017 R000	2016 R000
9. INVESTMENTS			
9.1 Statement of financial position			
Investments at fair value	9.2	41 813	51 289
Listed investments held as available for sale through OCI		1	477
Unlisted investments held at fair value through profit or loss		41 812	50 812
Equity accounted for investments		123 946	126 235
Investments accounted for using the equity method	9.2	26 200	16 364
Loans to associates and joint ventures	9.3	97 746	109 871
Total investments		165 759	177 524
Statement of comprehensive income			
Profit/(loss) from investments in associates and joint ventures		33 644	(9 119)
Other		–	138
Profit/(loss) from investments in associates and joint ventures		33 644	(8 981)

The unlisted investments held by the group is a 13.3% interest in Lehating Mining (Pty) Ltd, a mining company.

The directors valued the unlisted investments at R41.8 (2016: R50.8).

9.2 Reconciliation of investment at fair value and investments accounted for using the equity method

	Investments at fair value		Investments accounted for using the equity method	
	2017 R000	2016 R000	2017 R000	2016 R000
Opening balance	51 289	51 289	16 364	41 719
Share of profit/(loss) for the period	–	–	33 644	(8 981)
Fair value adjustment through other comprehensive income	(476)	–	–	–
Fair value adjustment through profit and loss	(9 000)	–	–	–
Dividends received by the group	–		–	(14 926)
Foreign exchange differences	–	–	(620)	(1 448)
Transferred to held for sale	–	–	(23 188)	–
Closing balance	41 813	51 289	26 200	16 364

9.3 Loans to/(from) associates and joint ventures

	2017 R000	2016 R000
Majwe Mining Joint Venture (Pty) Ltd	9 931	22 655
Savanna City Developments (Pty) Ltd	82 975	57 505
Thunderstruck Investments 136 (Pty) Ltd	–	30 502
Other associates and joint ventures	4 840	(791)
	97 746	109 871

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

9. INVESTMENTS continued

9.4 Summarised financial information for material associates and joint ventures

	Associates	Joint ventures		
	Majwe Mining Joint Venture (Pty) Ltd R000	Savanna City Developments (Pty) Ltd R000	Thunderstruck* Investments 136 (Pty) Ltd R000	Total R000
Primary place of business	Botswana	South Africa	South Africa	
Percentage of shares	28%	50%	50%	
2017				
Statement of financial position				
Current				
Cash and cash equivalents	81 546	10 510	108	92 164
Other current assets (excluding cash)	374 714	61 599	69 713	506 026
Total current assets	456 260	72 109	69 821	598 190
Other current liabilities (including trade payables)	(412 264)	(40 740)	(2 847)	(455 851)
Total current liabilities	(412 264)	(40 740)	(2 847)	(455 851)
Non-current				
Assets	74 206	593 346	242 979	910 531
Financial liabilities	–	–	(110 590)	(110 590)
Other liabilities	–	(626 723)	(87 168)	(713 891)
Total non-current liabilities	–	(626 723)	(197 758)	(824 481)
Net assets	118 202	(2 008)	112 195	228 389
Statement of comprehensive income				
Revenue	1 709 964	382 378	48 885	2 141 227
Costs	(1 629 716)	(376 828)	(4 806)	(2 011 350)
Interest expense	377	(6 598)	(11 443)	(17 664)
Profit/(loss) from continuing operations	80 625	(1 048)	32 636	112 213
Income tax expense	–	(312)	(9 138)	(9 450)
Post-tax profit/(loss) from continuing operations	80 625	(1 360)	23 498	102 763
Other comprehensive income	–	–	–	–
Total comprehensive income	80 625	(1 360)	23 498	102 763
Share of profit from associates and joint ventures	22 575	(680)	11 749	33 644

** Transferred to held for sale note 16.*

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

9. INVESTMENTS continued

9.4 Summarised financial information for material associates and joint ventures continued

	Associates	Joint ventures		
	Majwe Mining Joint Venture (Pty) Ltd R000	Savanna City Developments (Pty) Ltd R000	Thunderstruck* Investments 136 (Pty) Ltd R000	Total R000
2016				
Statement of financial position				
Current				
Cash and cash equivalents	58 674	6 976	521	66 171
Other current assets (excluding cash)	231 131	538 722	63 588	833 441
Total current assets	289 805	545 698	64 109	899 612
Financial liabilities (excluding trade payables)	(93 767)	(46 709)	(27 054)	(167 530)
Other current liabilities (including trade payables)	(496 366)	(121 200)	(870)	(618 436)
Total current liabilities	(590 133)	(167 909)	(27 924)	(785 966)
Non-current				
Assets	129 552	111	247 897	377 560
Financial liabilities	–	(373 674)	(110 439)	(484 113)
Other liabilities	(96 247)	–	(85 326)	(181 573)
Total non-current liabilities	(96 247)	(373 674)	(195 765)	(665 686)
Net assets	(267 023)	4 226	88 317	(174 480)
Statement of comprehensive income				
Revenue	1 819 915	120 536	44 582	1 985 033
Costs	(1 898 707)	(113 894)	–	(2 012 601)
Interest income	–	–	(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)
Dividends paid	(53 308)	–	–	(53 308)
Share of profit from associates and joint ventures	(22 062)	2 635	10 308	(9 119)

**Transferred to held for sale note 16.*

	Goodwill R000	Contract-based intangible assets R000	Total R000
10. GOODWILL AND INTANGIBLE ASSETS			
2016 opening balance			
Cost	343 532	80 177	432 709
Accumulated amortisation and impairment	(254 615)	(77 453)	(332 068)
Net book value	88 917	2 724	91 641
Movements			
Amortisation	–	(859)	(859)
2017 opening balance			
Cost	343 532	80 177	423 709
Accumulated amortisation and impairment	(254 615)	(78 312)	(332 927)
Net book value	88 917	1 865	90 782
Movements			
Amortisation	**–**	**(862)**	**(862)**
Impairment	**(88 917)**	**–**	**(88 917)**
2017 closing balance			
Cost	**343 532**	**80 177**	**423 709**
Accumulated amortisation and impairment	**(343 532)**	**(79 174)**	**(422 706)**
Net book value	**–**	**1 003**	**1 003**

The carrying amount of goodwill has been fully impaired during the current reporting period. Refer to note 1.E.4 (impairment assessment of roads CGU).

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 property development. It is being amortised over a maximum period of 120 months, of which 14 months are remaining.

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

		Tax rate	
		2017 %	2016 %
11.	**DEFERRED TAXATION**		
	Country		
	Botswana	22	22
	Namibia	32	32
	Zambia	35	35
	South Africa	28	28

		2017 R000	2016 R000
11.1	**Reconciliation of net deferred tax asset**		
	Opening balance as at 1 January	269 460	259 773
	Current year charge through profit or loss	(38 023)	9 456
	Reversal of deferred tax asset	(172 200)	–
	Current year charge through other comprehensive income	133	–
	Effect of rate change	–	15
	Effect of foreign currency movement	(143)	216
	Balance as at 31 December	59 227	269 460

		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 2016	(63 354)	157 146	165 981	259 773
	Credited/(charged) to the income statement	4 906	(31 931)	36 496	9 471
	Foreign exchange differences	–	216	–	216
	Balance as at 31 December 2016/1 January 2017	(58 448)	125 431	202 477	269 460
	Credited/(charged) to the income statement	(29 921)	(105 951)	(74 351)	(210 223)
	Credited/(charged) to other comprehensive income	–	–	133	133
	Foreign exchange differences	–	(143)	–	(143)
	Balance as at 31 December 2017	(88 369)	19 337	128 259	59 227
	Deferred taxation asset	(22 262)	47 374	111 727	136 839
	Deferred taxation liability	(66 107)	(28 037)	16 532	(77 612)
	Net deferred taxation asset	(88 369)	19 337	128 259	59 227

		2017 R000	2016 R000
11.	DEFERRED TAXATION continued		
11.3	Deferred taxation closures		
	Deferred taxation expected to be recovered within 12 months	(28 513)	(11 531)
	Deferred taxation expected to be recovered after 12 months	87 740	280 991
	Net deferred taxation asset	59 227	269 460
	Deferred tax has not been provided on estimated assessed losses of subsidiary companies amounting to	985 081	899 350

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

		2017 R000	2016 R000
12.	CONSTRUCTION CONTRACTS		
12.1	Contract work in progress	324 071	289 064
	Costs incurred to date	5 927 981*	5 248 194*
	Profit/(losses) recognised to date	(816 556)	(642 607)
	Work certified to date	(4 787 354)	(4 316 523)
12.2	Contract income received in advance	338 559	330 321
	Payments received in advance	338 559	324 133
	Excess billing on contracts in progress	–	6 188

** Included in contract work in progress is onerous contracts provisions amounting to R82.6 million (2016: R53.3 million).*

		2017 R000	2016 R000
13.	TRADE AND OTHER RECEIVABLES		
	Trade receivables	538 954	634 542
	Trade receivables from contract customers	461 958	552 073
	Retention debtors	117 511	101 826
	Allowance for doubtful debts	(40 515)	(19 357)
	Other receivables	93 905	65 358
	Prepayments	49 682	39 916
	Staff debtors	167	228
	Deposits	6 647	2 882
	Value added tax	2 305	–
	Other receivables	35 104	22 332
	Trade and other receivables	632 859	699 900
	Movement in allowance for doubtful debts		
	Carrying value at the beginning of the year	19 357	14 377
	Provision for impairment	22 863	24 953
	Amounts written off as uncollectible	–	(17 999)
	Amounts recovered during the year	(1 401)	–
	Foreign currency	(304)	(1 070)
	Unused amounts reversed	–	(904)
	Carrying value at the end of the year	40 515	19 357

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

		2017 R000	2016 R000
14.	**INVENTORIES AND DEVELOPMENT LAND**		
14.1	**Inventory**		
	Spares	15 836	11 293
	Consumables	20 473	17 617
	Finished goods	3 361	6 319
	Inventories at net realisable value	39 670	35 229
14.2	**Development land**		
	Movement in development land for the reporting period		
	Opening balance	259 607	262 679
	Sale of erven	(5 401)	(7 896)
	Capitalisation of development costs and installation of bulk services	–	7 705
	Write down of development land to net realisable value	(22 948)	(2 881)
	Carrying value at year-end	231 258	259 607

During the current financial year, four stands in Kliprivier Business Park were sold for a gross profit of R1.8 million. Rolling Hills Estate was written down to its net realisable value resulting in a write down of R22.9 million.

The development land relates to Rolling Hills Estate and Kliprivier 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.

Development land has been classified as a current asset as it falls within the ordinary course of the business.

Development land amounting to R22 million has been secured under standstill agreement. Refer to note 24.3.

		2017 R000	2016 R000
15.	**CASH AND CASH EQUIVALENTS AND BANK OVERDRAFTS**		
	Included in the cash flow statement is cash and cash equivalents comprising:		
	Cash at banks and on hand	177 758	517 513
	Current accounts	85 625	247 196
	Money markets	91 533	299 042
	Effect of exchange rate differences	600	(28 725)
	Bank overdrafts	(51 336)	(59 037)
	Cash and cash equivalents – cash flow statement	126 422	458 476

	2017 R000	2016 R000
16. NON-CURRENT ASSETS HELD FOR SALE		
16.1 Non-current assets held for sale reconciliation		
Opening balance	–	81 869
Transfers into non-current assets held for sale	53 823	16 561
Disposals	–	(98 430)
Closing balance	53 823	–

Assets held for sale

At 31 December 2017, investment in Thunderstruck Joint Venture has been classified as held for sale following the approval of the board of directors to sell the group's share in the company.

	2017 R000
Assets	
Investments accounted for using the equity method	23 188
Loans to joint ventures	30 635
Assets held for sale	53 823

16.2 Income statement of discontinued operation

The discontinued operation relates to the loss on sale of Spray Pave (Pty) Ltd.

	2017 R000	2016 R000
Result on disposal of discontinued operations	–	32 828

In 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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

17. BORROWINGS AND OTHER LIABILITIES

	Current		Non-current		Total	
	2017 R000	2016 R000	**2017 R000**	2016 R000	**2017 R000**	2016 R000
Instalment sale agreement	**164 419**	97 827	**201 634**	84 687	**366 053**	182 514
Domestic medium-term note programme	**173**	195	**50 000**	50 000	**50 173**	50 195
Banking loans/loans from the IDC	**215 654**	38 042	**140 000**	128 599	**355 654**	166 641
Total borrowings	**380 246**	136 064	**391 634**	263 286	**771 880**	399 350
Voluntary rebuild programme	**1 600**	1 696	**41 736**	37 092	**43 336**	38 788
Total borrowing and other liabilities	**381 846**	137 760	**433 370**	300 378	**815 216**	438 138

17.1 Reconciliation of borrowings

	Instalment sale agreement R000	Domestic medium-term note programme R000	Banking loans/ loans from the IDC R000	Total borrowings R000	Voluntary rebuild programme R000	Total R000
Balance as at 1 January 2016	254 614	85 318	–	339 932	–	339 932
Proceeds borrowings raised	90 440	–	166 641	257 081	40 788	297 869
Interest paid	(20 917)	(9 309)	(2 362)	(32 588)	–	(32 588)
Interest accrued	20 917	9 504	2 362	32 783	–	32 783
Repayments of borrowings	(159 207)	(35 318)	–	(194 525)	(2 000)	(196 525)
Foreign exchange differences	(3 333)	–	–	(3 333)	–	(3 333)
Balance as at 31 December 2016	182 514	50 195	166 641	399 350	38 788	438 138
Proceeds borrowings raised	**422 118**	**–**	**277 528**	**699 646**	**–**	**699 646**
Interest paid	**(26 298)**	**(5 874)**	**(22 154)**	**(54 326)**	**–**	**(54 326)**
Interest accrued	**26 298**	**6 047**	**28 325**	**60 670**	**6 947**	**67 617**
Repayments of borrowings	**(222 911)**	**(195)**	**(26 640)**	**(249 746)**	**(2 399)**	**(252 145)**
Disposals through business combinations	**–**	**–**	**(68 046)**	**(68 046)**	**–**	**(68 046)**
Foreign exchange differences	**(15 668)**	**–**	**–**	**(15 668)**	**–**	**(15 668)**
Balance as at 31 December 2017	**366 053**	**50 173**	**355 654**	**771 880**	**43 336**	**815 216**

17.2 Terms and conditions

	Instalment sale agreement	Domestic medium-term note programme	Loans from IDC	Banking loans	Voluntary rebuild programme
Period	One to five years	Three years	Three years	Two-month JIBAR	12 years
Remaining period to maturity	Five years	One year and four months	One year and four months	Repaid	11 years
Rate	Prime rate minus 2% – 3%	Three-month ZAR-JIBAR-SAFEX plus 4.5%	Prime rate plus 1.2%	Two-month JIBAR	17.91%
Frequency of payments	Payable monthly	Various	Various	Various	Annually

17. BORROWINGS AND OTHER LIABILITIES continued

17.3 Instalment sale liabilities

	Future minimum instalments payable R000	Interest R000	Present value of minimum payments R000
2017			
Minimum instalment sale payables due			
Less than one year	**185 529**	**(21 110)**	**164 419**
Later than one year but not later than five years	**213 269**	**(11 635)**	**201 634**
	398 798	**(32 745)**	**366 053**
2016			
Minimum instalment sale payables due			
Less than one year	114 919	(17 092)	97 827
Later than one year but not later than five years	107 296	(22 609)	84 687
	222 215	(39 701)	182 514

In the current financial year, the loan repayments were renegotiated with the funders in terms of the standstill agreement as detailed in the financial risk management note 24.3. This resulted in certain loans being classified as non-current liabilities.

18. TRADE AND OTHER PAYABLES

	2017 R000	2016 R000
Trade payables and other accruals	**904 584**	930 001
VAT payable	**1 770**	3 558
Unclaimed dividends	**768**	768
Trade and other payables	**907 122**	934 327

19. PROVISIONS

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

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

Employee provisions consist mainly of employee incentive awards amounting to R6.3 million.

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

	Number of shares			
	Ordinary shares 000	'A' ordinary shares 000	Ordinary treasury shares 000	Total 000
20. STATED CAPITAL				
Authorised shares				
2017	**6 000 000**	**6 000 000**		
2016	300 000	300 000		
Issued shares				
2017				
Opening balance	**131 686**	**33 608**	**8**	**165 302**
Closing balance	**131 686**	**33 608**	**8**	**165 302**
2016				
Opening balance	131 686	33 608	8	165 302
Closing balance	131 686	33 608	8	165 302

Ordinary shares have no par value and are fully paid.

During the current reporting period, the group increased its authorised ordinary number of shares by 5 700 million from 300 million to 6 000 million on 2 November 2017.

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

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

21. NON-CONTROLLING INTEREST

The following table summarises the information relating to the group's subsidiaries that have material NCI:

	2017 Basil Read Mozambique Limitada	2017 Newport Construction (Pty) Ltd	2016 Basil Read Mozambique Limitada	2016 Newport Construction (Pty) Ltd
Primary place of business	Mozambique	South Africa	Mozambique	South Africa
Non-controlling interest % of ownership	49%	30%	49%	30%
	R000	R000	R000	R000
Statement of financial position				
Non-current assets	–	5 362	–	5 362
Current assets	52 669	29 192	47 927	24 596
Current liabilities	(50 524)	(61 336)	(47 737)	(68 592)
Total net current assets	2 145	(32 144)	190	(43 996)
Net assets	2 145	(26 782)	190	(38 634)
Carrying amount of non-controlling interest	1 051	(8 035)	93	(11 590)
Statement of profit or loss and other comprehensive income				
Profit/(loss) before income tax	1 933	(197)	18 400	(3 636)
Post-tax profit/(loss) from continuing operations	1 933	(197)	18 400	(3 636)
Foreign exchange differences	23	–	–	–
Total comprehensive income	1 956	(197)	18 400	(3 636)
Statement of cash flows				
Cash flows from operating activities	–	(31)	(2 379)	873
Cash flows from investing activities	–	–	–	1
Effect of exchange rate charges on cash and cash equivalents	38	–	–	–
Net movement in cash and cash equivalents	38	(31)	(2 379)	874

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

Subsequent to financial year-end, management has elected to combine the roads, construction and St Helena divisions into one division. Management has also elected to make changes to the composition and structure of the development segment and moved certain roads contracts into the developments segment.

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

22. OPERATING SEGMENTS continued

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 while assets and liabilities are measured in a manner consistent with that of the statement of financial position.

Segment assets and liabilities

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

Description of 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 focuses on large-scale mixed income integrated housing developments. They also generate construction work for the company. This is an integral part of our social licence and we work with government at all levels, parastatals and non-government organisations to support national imperatives focused on improving the quality of life of South Africa's people.

Mining The mining segment specialises in surface contact mining, which includes drill, blast, load, haul, dump, material handling and processing services to the mining, quarrying and construction industries. It also provides mine design, infrastructure development, planning, scheduling, operations management, surveying and optimisation services to clients across sub-Saharan Africa.

Roads The roads segment offers exceptional capabilities and specialised services to ensure each project is a world-class achievement.

St Helena The St Helena airport project, which is to design, build and operate an international airport on the island of St Helena is a UK government funded project and is a partnership between Basil Read, the St Helena government and the UK government's department for international development.

	2017				2016			
	Total segment revenue R000	**Inter-segment revenue R000**	**External revenue R000**	**Operating (loss)/profit R000**	Total segment revenue R000	Inter-segment revenue R000	External revenue R000	Operating (loss)/profit R000
Construction	**1 398 900**		**1 398 900**	**(224 859)**	1 645 506	(5 923)	1 639 583	(107 704)
Developments	**79 551**		**79 551**	**19 274**	81 263	–	81 263	15 873
Mining	**1 813 630**	**(1 345)**	**1 812 285**	**76 129**	1 701 724	(133 726)	1 567 998	111 652
Roads	**1 014 285**	**(26 655)**	**987 630**	**(589 740)**	1 166 765	(51 474)	1 115 291	(41 938)
St Helena	**302 778**		**302 778**	**(23 936)**	721 950		721 950	85 854
Total	**4 609 144**	**(28 000)**	**4 581 144**	**(743 132)**	5 317 208	(191 123)	5 126 085	63 737

22. OPERATING SEGMENTS continued

	Construction R000	Developments R000	Mining R000	Roads R000	St Helena R000	Total R000
2017						
Other profit or loss disclosures						
Depreciation	(10 202)	(97)	(239 349)	(26 395)	(2 404)	(278 447)
Impairment of goodwill	–	–	–	(88 917)	–	(88 917)
Net finance income/(expense)	(14 575)	(7 792)	(11 927)	(9 799)	(20 996)	(65 089)
Share of profit/(loss) of associates and joint ventures	11 069	–	22 575	–	–	33 644
Income tax expense	(180 940)	(2 382)	(39 779)	(13 225)	–	(236 326)
Assets						
Property, plant and equipment	46 145	4 903	781 177	99 282	25 288	956 795
Inventories	3 089	–	26 949	–	9 632	39 670
Work in progress	265 182	–	53 971	4 918	–	324 071
Cash and cash equivalents	128 575	2 021	36 721	3 786	6 655	177 758
Liabilities						
Interest-bearing borrowings	457 489	–	357 727	–	–	815 216
Advance payments received for contract work	309 399	7	414	2 011	26 728	338 559
Provisions for other liabilities and charges	50 938	13 232	75 158	149 475	140 624	429 427
2016*						
Other profit or loss disclosures						
Depreciation	(17 205)	20	(185 717)	(33 096)	(12 775)	(248 773)
Net finance income/(cost)	15 833	(10 616)	(19 894)	(3 875)	9 185	(9 367)
Share of profit/(loss) of associates and joint ventures	13 081	–	(22 062)	–	–	(8 981)
Income tax expense	13 627	(666)	(32 416)	(2 262)	(3 702)	(25 419)
Assets						
Property, plant and equipment	58 474	4 454	558 568	131 974	45 622	799 092
Goodwill	–	–	–	88 917	–	88 917
Inventories	6 083	–	16 112	–	13 034	35 229
Work in progress	221 967	–	31 141	35 956	–	289 064
Cash and cash equivalents	151 052	18 633	112 454	22 470	153 867	458 476
Liabilities						
Interest-bearing borrowings	272 199	–	165 939	–	–	438 138
Advance payments received for contract work	114 005	–	5 826	103 121	107 369	330 321
Provisions for other liabilities and charges	–	37 772	52 591	32 209	123 305	245 877

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.

	Construction R000	Developments R000	Mining R000	Roads R000	St Helena R000	Total R000
Concentration of customers						
2017						
Government	1 364 352	36 736	–	732 761	302 778	2 436 627
Multinational mining companies	–	–	1 031 539	–	–	1 031 539
Listed companies	209	–	18 794	–	–	19 003
Unlisted companies	34 339	42 815	761 952	254 869	–	1 093 975
	1 398 900	79 551	1 812 285	987 630	302 778	4 581 144
2016*						
Government	1 580 492	41 760	–	957 425	721 950	3 301 627
Multinational mining companies	–	–	552 268	–	–	552 268
Listed companies	41 308	–	2 152	–	–	43 460
Unlisted companies	17 783	39 503	1 013 578	157 866	–	1 228 730
	1 639 583	81 263	1 567 998	1 115 291	721 950	5 126 085

* *Restated.*

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

22. OPERATING SEGMENTS continued

Geographic information

	2017 R000	2016 R000
Revenue		
South Africa	**3 081 342**	3 504 699
Rest of Africa	**1 196 930**	899 437
Rest of world	**302 872**	721 949
Number of employees		
Local	**3 523**	3 790
International	**1 151**	792

23. FAIR VALUE CLASSIFICATION AND FINANCIAL INSTRUMENTS

23.1 Categories and analysis of assets and liabilities

23.1.1 Assets

	Loans and receivables R000	Available for sale R000	Held at fair value through profit or loss R000	Other assets at fair value through profit or loss R000	Total R000	Fair value level
2017						
Investments	**–**	**1**	**41 812**	**–**	**41 813**	
Unlisted investments	**–**	**1**	**41 812**	**–**	**41 813**	**Level 3**
Loans to associates and joint ventures	**97 746**	**–**	**–**	**–**	**97 746**	**–**
Investment property	**–**	**–**	**–**	**4 328**	**4 328**	**Level 3**
Trade and other receivables	**632 859**	**–**	**–**	**–**	**632 859**	**–**
Derivative financial instrument	**–**	**–**	**–**	**–**	**–**	**Level 2**
Cash and cash equivalents	**177 758**	**–**	**–**	**–**	**177 758**	**–**
2016						
Investments	–	477	50 812	–	51 289	
Listed investments	–	477	–	–	477	Level 1
Unlisted investments	–	–	50 812	–	50 812	Level 3
Loans to associates and joint ventures	109 871	–	–	–	109 871	–
Investment property	–	–	–	6 112	6 112	Level 3
Trade and other receivables	699 900	–	–	–	699 900	–
Derivative financial instrument	–	–	623	–	623	Level 2
Cash and cash equivalents	517 513	–	–	–	517 513	–

23. FAIR VALUE CLASSIFICATION AND FINANCIAL INSTRUMENTS continued

23.1 Categories and analysis of assets and liabilities continued

23.1.2 Liabilities

	At amortised cost R000	At fair value through profit and loss R000	Total R000	Fair value level
2017				
Borrowings	**771 880**	**–**	**771 880**	**–**
Trade and other payables	**1 245 681**	**–**	**1 245 681**	**–**
Derivative financial liability	**1 118**	**–**	**1 118**	**Level 2**
Bank overdraft	**51 336**	**–**	**51 336**	**–**
2016				
Borrowings	399 350	–	399 350	–
Trade and other payables	1 264 648	–	1 264 648	–
Derivative financial liability	623	–	623	Level 2
Bank overdraft	59 037	–	59 037	–

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

	2017 Unlisted instruments R000	**2017** Investment property R000	2016 Unlisted instruments R000	2016 Investment property R000
Opening balance	**50 812**	**6 112**	50 812	6 590
Disposal	**–**	**(1 693)**	–	–
Foreign exchange differences	**–**	**(91)**	–	(478)
Fair value adjustment	**(9 000)**	**–**	–	–
Closing balance	**41 812**	**4 328**	50 812	6 112

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

23. FAIR VALUE CLASSIFICATION AND FINANCIAL INSTRUMENTS continued

23.3 Valuation technique and significant unobservable inputs

23.3.1 Derivative financial instruments

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

23.3.2 Investment property

Description	Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
Consists of property held in 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) • realised yields on comparative sales were higher/(lower).

23.3.3 Unlisted investments

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

23.4 Significant unobservable inputs for unlisted investments

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

	2017	2016
Discount rate (real)	9.9%	8.9%
Long-term forecast exchange rate (real) – ZAR/USD	13.30	13.52

23.5 Sensitivity analysis of valuation of unlisted investment

A 1% increase in the discount rate would result in an additional write down of R21.9 million.

A 1% decrease in the discount rate would result with no write down being recognised and a R5.2 million increase in the fair value.

A 10% increase in long-term prices would result with no write down being recognised and a R55.8 million increase in the fair value.

A 10% decrease in long-term prices would result in the investment being written down to zero.

24. FINANCIAL RISK MANAGEMENT

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

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. In order to maintain or adjust the capital structure, the group may 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 2017, the group's strategy remained unchanged from 2016 which was to maintain the gearing ratio of below 50%, the long-term credit rating at BBB- and the short-term credit rating at A3. Both the long-term and short-term credit ratings are reviewed annually in June. The long-term credit rating was downgraded to BB- and the short-term credit rate was downgraded to B. The strategy for 2018 is to improve on these ratings.

The gearing ratios at 31 December 2017 and 2016 were as follows:

	2017 R000	2016 R000
Total borrowings	771 880	399 350
Less: Cash and cash equivalents – net of bank overdraft	126 422	458 476
Net debt	645 458	(59 126)
Total equity	104 420	1 134 093
Total capital	749 878	1 074 967
Gearing ratio	86.08%	(5.50%)

The gearing ratio of the group was 86.08% at 31 December 2017 in comparison to -5.5% in the comparative period.

The group's balance sheet and gearing position has been negatively impacted by the loss realised from operations.

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

Subsequent to year-end, the group has managed to successfully raise additional funds amounting to R300 million through a rights offer process. This funding has assisted in improving the gearing position of the group.

Group management continues to focus on other initiatives aimed at raising more equity and restoring the company's gearing ratio to the targeted gearing ratio of 50%.

The group further monitors the ratio of total borrowings to net book value of property, plant and equipment and development land.

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

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:

	2017 R000	2016 R000
Total interest-bearing borrowings	**771 880**	399 350
Total assets financed	**1 188 053**	1 058 699
Property, plant and equipment	**956 795**	799 092
Development land	**231 258**	259 607
Ratio of total borrowings to assets financed	**65%**	38%

The group considers a ratio of 80% or less to be acceptable which is unchanged from 2016. This is reviewed annually considering market conditions and the growth goals of the group.

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

- Debts service coverage ratio in respect of any relevant period is not less than 1.50:1
- Borrowings:EBITDA ratio at the end of any relevant period shall not be more than 3.00:1
- Borrowings:equity ratio for the reporting period ended 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%.

The IDC covenants are not applicable in the 2017 financial year due to the standstill agreement, refer to note 24.3.

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 'B'. For local South African counterparties, the local South African ratings are required. In certain instances, country regulations may require locally registered entities to operating banking accounts with local banking institutions which may not meet the minimum rating requirements.

Where available, the group utilises the independent credit ratings of customers when assessing their creditworthiness. If customers are independently rated, these ratings are used. Where no independent rating is available, the risk committee assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. In cases where the risk committee deems the risk level to be unacceptable, payment guarantee 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. Regarding cash and cash equivalents, the group primarily deals with major financial institutions in South Africa and across borders.

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

24. FINANCIAL RISK MANAGEMENT continued

24.2 Credit risk continued

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

Individuals

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

Unlisted companies

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

Multinational mining companies

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

Listed companies

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

Government

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

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

	2017				2016			
	Gross maximum exposure R000	Fully performing R000	Past due but not impaired R000	Impaired R000	Gross maximum exposure R000	Fully performing R000	Past due but not impaired R000	Impaired R000
Government	144 027	106 553	18 448	19 026	228 477	188 346	40 111	20
Multinational mining companies	3 350	2 520	830	–	830	–	830	–
Listed companies	131 036	129 419	1 617	–	49 284	44 988	4 296	–
Unlisted companies	181 118	80 579	22 009	78 530	271 612	94 518	100 988	76 106
Individuals	2 427	–	2 427	–	1 879	43	1 836	–
Trade receivables from contract customers	**461 958**	**319 071**	**45 331**	**97 556**	552 082	327 895	148 061	76 126
Government	95 836	95 836	–	–	80 517	80 517	–	–
Unlisted companies	21 675	10 416	–	11 259	21 309	8 950	830	11 529
Retention debtors	**117 511**	**106 252**	**–**	**11 259**	101 826	89 467	830	11 529

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

24. FINANCIAL RISK MANAGEMENT continued

24.2 Credit risk continued

	2017			2016		
	0 – 3 months	4 – 6 months	7 – 12 months	0 – 3 months	4 – 6 months	7 – 12 months
Trade receivables from contract debtors	16 336	10 019	18 976	20 015	29 909	98 137
Retention debtors	–	–	–	–	830	–

No security is held against these balances.

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

The other classes within contract and trade debtors do 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.

24.3 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to 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.

The group's liquidity has been negatively impacted by the loss realised from operations. The group cash balance, net of overdraft, reduced from R458 million to R126.4 million and at year-end the group's current liabilities (R2.1 billion) exceeded current assets (R1.4 billion).

These indicate that group liquidity and cash flow are critically tight and the group management is focusing on improving liquidity in the group.

A number of initiatives have been implemented by the group, under the turnaround plan approved by the board in September 2017. These initiatives include concluding a debt standstill agreement with funders and guarantors, the sale of non-core assets, renegotiating terms with funders, raising new equity capital and securing new profitable projects.

The group has successfully managed to perform the following during the year:

- The group renegotiated terms with six major funders and guarantors providing an extension on repayments of long-term financing and securing guarantees on contracts. In terms of the standstill agreement with the creditors, the group has been granted an 18-month relief as of 1 December 2017 to 31 May 2019 in all its capital repayments. During the break period the group is required to maintain the repayments of interest on the capital amount and is not expected to meet the covenants' requirements.
- The group disposed of surplus plant and equipment and generated a cash inflow of R80 million into the business
- Bridge funding of R150 million was obtained from the IDC, which has subsequently been repaid in March 2018
- The mining division has been successfully securing new projects in Namibia and Lesotho, which are expected to yield good margins.

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

Despite the progress made, further efforts are required to improve liquidity within the group. Management has initiated additional plans to improve liquidity within the group. These plans are important elements of securing adequate liquidity for the business going forward. If not concluded successfully, cash flow resources available to the group will be impacted materially. Refer to note 1A going concern of the consolidated financial statements for further information.

As a result of the events and conditions described above and in note 1A, there is a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

24. FINANCIAL RISK MANAGEMENT continued

24.3 Liquidity risk continued

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.

	Carrying amount R000	0 – 3 months R000	4 – 12 months R000	1 – 5 years R000	>5 years R000	Total R000
2017						
Non-derivative financial instruments						
Interest-bearing borrowings	**771 880**	**221 813**	**211 968**	**412 071**	**–**	**845 852**
Other liabilities	**43 336**	**1 958**	**5 875**	**36 214**	**71 554**	**115 601**
Trade and other payables	**1 245 681**	**935 521**	**310 160**	**–**	**–**	**1 245 681**
2016						
Non-derivative financial instruments						
Interest-bearing borrowings	399 350	71 671	129 676	300 514	–	501 861
Other liabilities	38 788	1 696	10 458	26 634	–	38 788
Trade and other payables	1 264 646	935 116	329 530	–	–	1 264 646

24.4 Market risk

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

(i) Foreign currency risk

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

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

Management requires that 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.

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

24 FINANCIAL RISK MANAGEMENT continued

24.4 Market risk continued

(i) Foreign currency risk continued

Foreign currency exposure at the end of the reporting period:

	2017 USD R000	2017 GBP R000	2017 BWP R000	2017 ZMK R000	2016 USD R000	2016 GBP R000	2016 BWP R000	2016 ZMK R000
Trade and other receivables	66	2 681	64	–	74	2 368	940	–
Contract debtors	4 707	12 025	6 955	–	2 286	7 743	41 317	68 635
Cash and cash equivalents	–	298	–	188	16 702	84 328	39 051	626
Trade and other payables	27 376	207 784	31 115	75	9 019	278 000	48 620	57 429
Net statement of financial position exposure	32 149	222 788	38 134	263	28 081	372 439	129 928	126 690
Net exposure	32 149	222 788	38 134	263	28 081	372 439	129 928	126 690

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:

	2017 Change %	2017 Profit or loss increase/decrease R000	2016 Change %	2016 Profit or loss increase/decrease R000
USD	10/(10)	3 215/(3 215)	10/(10)	2 800/(2 800)
GBP	10/(10)	22 279/(22 279)	10/(10)	37 240/(37 240)
BWP	10/(10)	3 813/(3 813)	10/(10)	12 990/(12 990)
ZMK	10/(10)	26/(26)	10/(10)	12 670/(12 670)

(ii) Interest rate risk

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

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

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

	Variable rate instruments 2017 R000	Variable rate instruments 2016 R000
Financial assets		
Cash and cash equivalents	177 758	517 513
Financial liabilities		
Bank overdraft	51 336	59 037
Interest-bearing borrowings	771 880	399 350

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:

	2017 % change	2017 Profit or loss increase/decrease R000	2016 % change	2016 Profit or loss increase/decrease R000
Rand	1/(1)	(5 955)/5 955	1/(1)	591/(591)

24. FINANCIAL RISK MANAGEMENT continued

24.4 Market risk continued

(iii) Price risk

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

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

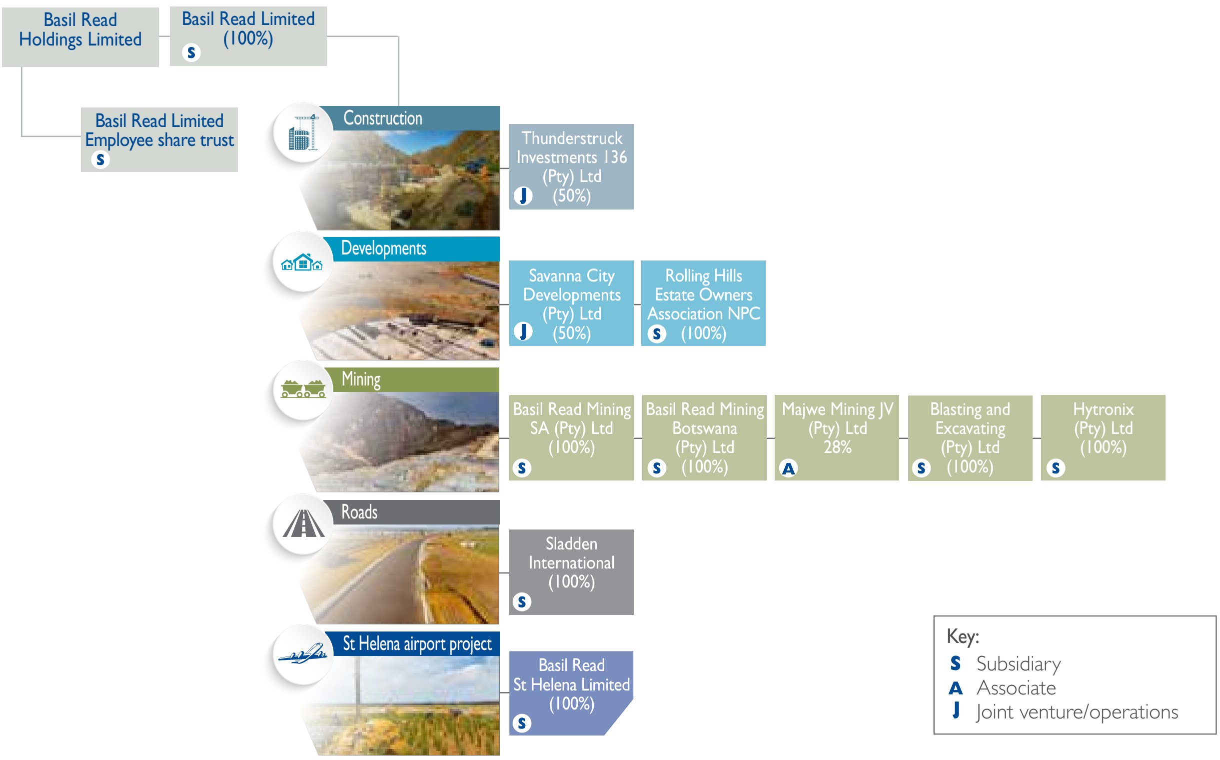
The group is exposed to materials price risk because of the fluctuation in the price of various raw materials, including diesel, steel, cement and rubber. More than 80% of the contracts that the group enters into provide for escalation in the prices of raw materials. In these cases, the price risk is 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 limits set by management.

25. RELATED-PARTY TRANSACTIONS

25.1 Group organogram



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

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

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.

	2017 Receivables R000	2017 Payables R000	2016 Receivables R000	2016 Payables R000
Basil Read Umso JV	2 345	–	297	–
Basil Read Roadcrete Dip Civils JV	109	454	109	439
Basil Read Dip Civils N17 JV	2 621	10 400	–	–
Basil Read Goldfields Tsima JV	2 473	497	5 483	1 104
Mvela Natalspruit Hospital JV	14 374	15 531	12 716	12 873
Valente Brothers Strata JV	9 336	3 327	9 332	1 089
Valente Brothers JV	67 919	60 150	64 184	25 145
Basil Read Mokgotsi JV	9 650	9 597	–	–
Basil Read Bothakga Burrow JV	4 700	450	–	–
	113 527	100 406	92 121	40 650

26. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

26.1 Emoluments

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

[1] *Resigned 31 May 2017.*
[2] *Appointed chief executive officer 23 October 2017.*
[3] *Included in Talib Sadik's salary is a once-off payment of R1.8 million, resigned 31 December 2017.*
[4] *Included in Bruce Morton's salary is a once-off payment of R1.7 million, resigned 31 December 2017.*

26. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS continued

26.1 Emoluments continued

Director/prescribed officer	Total shareholding %	Short-term employee benefits Salaries R	Bonus and performance-related payments R	Short-term benefits R	Total R
Paid by Basil Read Limited					
2016					
Executive directors					
Neville Francis Nicolau	0.08	4 862 513	2 750 000	311 887	7 924 400
Amanda Claire Wightman[5]	–	7 235 506	–	343 154	7 578 660
Mahomed Talib Sadik	–	712 751	–	162 250	875 001
Subtotal executives	0.08	12 810 770	2 750 000	817 291	16 378 061
Prescribed officers					
Antonie Fourie	–	2 276 730	2 542 373	524 590	5 343 693
Bruce Morton	–	2 021 566	1 041 300	486 494	3 549 360
Olivier Jean-Paul Giot	–	3 189 160	1 374 750	–	4 563 910
Khathutshelo Mapasa	–	2 327 049	1 295 044	476 991	4 099 084
Andiswa Thandeka Ndoni	–	2 205 973	1 190 475	388 467	3 784 915
James Stephen Johnston	–	2 629 114	7 250 000	549 206	10 428 320
Subtotal prescribed officers	–	14 649 592	14 693 942	2 425 748	31 769 282
Total key management personnel compensation	–	27 460 362	17 443 942	3 243 039	48 147 343

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

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

26.2 Fees to non-executive directors

	Directors' fees for services as a director 2017 R	2016 R
Non-executive directors		
Paul Cambo Baloyi	**1 700 871**	929 100
Terence Desmond Hughes	**436 576**	251 125
Andrew Conway Gaorekwe Molusi	**634 291**	524 875
Sango Siviwe Ntsaluba	**553 291**	544 892
Thabiso Alexander Tlelai	**480 291**	486 509
Doris Liana Theresia Dondur	**730 046**	745 500
Mahomed Salim Ismail Gani	**535 791**	450 800
Claudia Estelle Manning	**886 291**	803 600
Total	**5 957 448**	4 736 401

These fees are paid quarterly in arrears,

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

26. DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS continued

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

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

	Direct		Indirect	
	2017 Number	2016 Number	**2017 Number**	2016 Number
Beneficial				
Sango Siviwe Ntsaluba	**6 986**	6 986	**2 776 939**	2 776 939
Thabiso Alexander Tlelai	**–**	–	**2 774 953**	2 774 953
Neville Francis Nicolau	**–**	–	**100 000**	100 000
	6 986	6 986	**5 651 892**	5 651 892

Directors' fees for the 2017 financial year were paid and the 2018 proposed directors' fees were not increased according to the following table:

	With effect from 1 January 2018	
	Member	Chairman
Board – retainer	157 789	563 535
Board – per meeting	17 500	33 000
Audit committee – retainer	70 000	140 000
Audit committee – per meeting	7 000	14 000
Risk committee – retainer	70 000	130 000
Risk committee – per meeting	7 000	14 000
Remuneration committee – retainer	70 000	130 000
Remuneration committee – per meeting	7 000	14 000
Social, ethics and transformation committee – retainer	70 000	130 000
Social, ethics and transformation committee – per meeting	7 000	14 000
Nominations and investment committee – per meeting	7 000	14 000
Ad hoc meetings – per meeting	7 000	14 000

27. NON-TRADING ITEMS

	2017 R000	2016 R000
Voluntary rebuild programme cost	–	(40 788)

During the 2016 reporting period, a present value charge of R41 million (R120 million payable over 12 years) was incurred for the expense pertaining to the settlement agreement concluded on 11 October 2016 with the South African government in terms of the voluntary rebuild programme. In 2017 reporting period an interest of R7 million relating to voluntary rebuild programme has been recognised. Refer to note 5 for interest.

28. COMMITMENTS

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

	2017 R000	2016 R000
Less than one year	47 038	44 958
Later than one year but not later than five years	51 036	48 643
Later than five years	288 180	340 821
	386 254	434 422

The operating leases for office space are payable in monthly instalments of between R378 330 and R1 605 591, escalating annually at 8.5%. The longest lease expires in seven 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 seven years.

Guarantees and suretyships

	2017 R000	2016 R000
Payment guarantees	30 000	16 245
Advance payment guarantees	25 000	–
Performance and construction guarantees	1 039 172	1 229 616
Bond retention guarantees	258 319	154 462
Bid and other bonds	52 955	61 000
	1 405 446	1 461 323

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

Contingent liabilities

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

29. RESTATEMENT

Classification of provision for onerous contracts

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

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

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

Presentation of investments

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

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

	2016		
	Previously presented as R000	Effect R000	After restatement R000
Investments	177 524	(177 524)	–
Equity-accounted investments	–	126 234	126 234
Investment at fair value	–	51 290	51 290

Reallocation of working capital on cash flow statement

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

The working capital movement comparatives were reallocated into cash receipt from customers and cash paid to suppliers and employees line above the cash generated from operations line.

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

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

	2016		
	Previously presented as R000	Effect R000	After restatement R000
Cash paid to suppliers and employees	(4 978 399)	187 087	(4 791 312)
Changes in working capital	(32 764)	32 764	–

30. SIGNIFICANT ACCOUNTING POLICIES

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

Corporate information

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

Basis of preparation

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

Prepared in accordance with

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

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

Functional and presentation currency

South African rand

Rounding policy

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

30. SIGNIFICANT ACCOUNTING POLICIES continued

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.

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.

30.1 Summary of significant accounting policies

Construction contracts

- Revenue and other income
- Contract assets/liabilities

Employee benefits

- Short term
- Post-employment benefits

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/costs
- Non-trading items
- Capital items

Group accounting

- Subsidiaries
- Joint arrangements
- Translation of foreign operations

Financial instruments

- Financial assets
- Impairment
- Financial liabilities

30.2 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.

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 2018 or later periods.

30. SIGNIFICANT ACCOUNTING POLICIES continued

30.2 New accounting standards and IFRIC interpretations continued

	Accounting standard	Type	Effective date	Impact on the financial statements
IFRS 9	**FINANCIAL INSTRUMENTS** **Classification and measurement of financial assets** • All financial assets are initially measured at fair value • Debt instruments are subsequently measured at fair value through profit or loss • Amortised cost or fair value through other comprehensive income • Equity instruments are measured at fair value through profit or loss.	New	1 January 2018	The group's business model is to hold and collect and the group only collects capital and interest, therefore our financial instruments are unlikely to change.
	Classification and measurement of financial liabilities For liabilities measured at fair value through profit and loss, the change in the fair value of the liability attributable to changes in credit risk is presented in other comprehensive income. The remainder of the change in fair value is presented in profit and loss; and all other classification and measurement requirements in IAS 39 have been carried forward into IFRS 9.			No expected change as the group does not classify liabilities at fair value through profit and loss.
	Impairment The impairment requirements are based on an expected credit loss (ECL) model. Entities are generally required to recognise 12-month ECL on initial recognition and thereafter, as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL.			Impairment requirement might result in earlier recognition of credit losses.
	Hedge accounting Hedge effectiveness testing is prospective and depending on the hedge complexity, can be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedge item if the risk component is separately identifiable and reliably measurable. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.			The group does not apply hedge accounting, therefore no expected effect. Various additional disclosures are anticipated as a result of IFRS 9.
IFRS 15	**REVENUE FROM CONTRACTS WITH CUSTOMERS** The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognised: • identify contracts with customers • identify the separate performance obligation • determine the transaction price of the contract • allocate the transaction price to each of the separate performance obligations • recognise the revenue as each performance obligation is satisfied. The group anticipates that the point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa. The group is in the process of analysing and implementing the new standard. Key contracts with customers have been identified and a finance working group is working through the steps above to complete the analysis and implementation of the standard.	New	1 January 2018	Expected to result in a restatement of revenue recognition and 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. The group leases the head office building as well as plant and machinery used in the mining division. The standard is expected to result in the recognition of the asset and obligation for the above long-term leases.	New	1 January 2019	Expected to result in a restatement of our operating leases to recognising the 'right-of-use assets' together with the related lease liabilities. Also expected to result in additional disclosures.

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

30. SIGNIFICANT ACCOUNTING POLICIES continued

Construction contracts

Revenue and other income

		Includes	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	Management fees	Amounts both received or accrued	When services are rendered	Fair value net of discounts and value added tax.
	Dividend income	Amounts both received or accrued	On right of receipt	Fair value.
	Development revenue Construction materials and services		When services are rendered	Fair value net of discounts, value added tax and sales-related taxes.

Contract assets and liabilities

	Measurement
Contract work in progress	Cost plus profit recognised to date less cash received or receivable less loss expected on contracts.
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.	

30. 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 costs	Finance costs represent 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.		

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 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 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.
IAS 17 *Leases*	• Operating leases: Profit or loss from the sale and operating leaseback transaction itself.

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

30. SIGNIFICANT ACCOUNTING POLICIES continued

Capital items continued

	Description of movement included
IAS 21 *The Effects of Changes in Foreign Exchange Rates*	• Translation of the net investment in a foreign operation and monetary assets/liabilities treated as part of the net investment accounted for initially in other comprehensive income (in the foreign currency translation reserve) and subsequently reclassified to profit or loss.
IAS 27 *Separate Financial Statements*	• Gains/losses on the loss of control of the subsidiary.
IAS 28 *Investments in Associates and Joint Ventures*	• Gains/losses on the disposal of the associate/joint venture.
IAS 36 *Impairment of Assets*	• Any impairment/subsequent reversal of an impairment covered in this standard.
IAS 38 *Intangible Assets*	• Impairment/subsequent reversal of impairment • Disposal gains/losses • Compensation from third parties for intangible assets that were impaired, lost or given up.
IAS 39 *Financial Instruments: Recognition and Measurement*	• The reclassification of gains and losses on available-for-sale financial assets upon impairment or disposal and subsequent impairment losses • The reclassification of all other measurements from other comprehensive income to profit or loss.
IAS 40 *Investment Property*	• Remeasurements to fair value at date of transfer from investment property to another category of asset.

Non-trading items

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

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 of 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.

30. SIGNIFICANT ACCOUNTING POLICIES continued

Group accounting

Subsidiaries

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

Non-controlling interest

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

Goodwill

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

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

Intercompany transactions

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

Changes in ownership without change in control

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

Joint arrangements

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

30. SIGNIFICANT ACCOUNTING POLICIES continued

Group accounting continued

Joint arrangements 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 group's 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. Goodwill is not amortised but it is tested for impairment on an annual basis.
Acquired through business combinations	Goodwill	Initially measured at consideration transferred over the fair value of the net identifiable assets acquired through the business combination	Cost less accumulated impairment	Goodwill is not amortised	

30. 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, if lower, the present value of the future minimum payments.	Assets are depreciated, liabilities are measured at amortised cost	Depreciated over the expected useful lives on the same basis as owned assets, or, where shorter, the term of the lease.

Operating lease

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

Inventory

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

Financial instruments

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

Financial assets

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

Notes to the consolidated financial statements continued

for the year ended 31 December 2017

30. SIGNIFICANT ACCOUNTING POLICIES continued

Cash and cash equivalent

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

Impairment

Criteria the entity uses to determine that there is objective evidence that an impairment loss has occurred (including measurements)	**Loans and receivables: Trade and other receivables** An estimate of any impairment is made to an allowance account on individual receivables. Objective evidence that the collection of the full amount under the original terms of the invoice is no longer probable would include indicators such as probable insolvency or significant difficulties in the debtor. Impaired debts are derecognised when they are assessed as uncollectible. 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. The 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 comprise accumulated profits or losses from prior years less dividends to equity holders. Dividends are included in the statement of changes in equity in the year in which they are declared.

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

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

Treasury shares

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

Company statement of profit and loss and other comprehensive income

for the year ended 31 December 2017

	Note	2017 R000	2016* R000
Revenue		134 665	150 555
Other administrative and operating overheads		(150 698)	(169 451)
Impairment of investment	1	(80 999)	(55 250)
Operating loss		(97 032)	(74 146)
Finance income		210	39
Net foreign exchange movements		62	–
Finance cost		(7 145)	–
Non-trading items		–	(40 788)
Loss before taxation		(103 905)	(114 895)
Taxation		–	–
Loss for the year		(103 905)	(114 895)
Other comprehensive loss for the year, net of tax		–	–
Total comprehensive loss for the year		(103 905)	(114 895)

* *Restated.*

Company statement of financial position

as at 31 December 2017

	Notes	2017 R000	2016 R000
ASSETS			
Non-current assets		861 718	978 212
Investments in subsidiaries	1	860 923	941 922
Loans to subsidiaries	1	793	36 288
Available-for-sale financial assets		2	2
Current assets		95 254	128 623
Receivables and prepayments	2	94 645	128 019
Current income tax assets		–	27
Cash and cash equivalents		609	577
Total assets		956 972	1 106 835
LIABILITIES AND EQUITY			
Non-current liabilities		41 736	36 788
Other liabilities	4	41 736	36 788
Current liabilities		75 947	126 853
Trade and other payables	3	69 554	124 541
Loans from subsidiaries	1	4 789	312
Interest-bearing borrowings	4	1 600	2 000
Current tax liability		4	–
Equity		839 289	943 194
Stated capital		1 048 037	1 048 037
Retained earnings		(208 748)	(104 843)
Total liabilities and equity		956 972	1 106 835

Company statement of changes in equity

for the year ended 31 December 2017

	Share capital R000	Retained earnings R000	Total R000
Balance as at 1 January 2016	1 048 037	10 052	1 058 089
Total comprehensive loss	–	(114 895)	(114 895)
Loss for the year		(114 895)	(114 895)
Other comprehensive income		–	–
Balance as at 31 December 2016/1 January 2017	**1 048 037**	**(104 843)**	**943 194**
Total comprehensive loss	**–**	**(103 905)**	**(103 905)**
Loss for the year		**(103 905)**	**(103 905)**
Other comprehensive income		**–**	**–**
Balance as at 31 December 2017	**1 048 037**	**(208 748)**	**839 289**

Company statement of changes in cash flows

for the year ended 31 December 2017

	2017 R000	2016* R000
Cash flows from operating activities		
Cash paid to suppliers and employees	**(2 401)**	(4 096)
Interest received	**210**	38
Taxation refund received	**31**	117
Cash flow from operating activities before changes in operating assets and liabilities	**(2 160)**	(3 941)
Net cash from operating activities	**(2 160)**	(3 941)
Cash flows from investing activities		
Advances recovered from subsidiaries	**2 192**	4 000
Net cash from investing activities	**2 192**	4 000
Movement in cash and cash equivalents	**32**	59
Cash and cash equivalents at the beginning of the reporting period	**577**	518
Cash and cash equivalents at the end of the reporting period	**609**	577

* *Restated.*

Reallocation of working capital on cash flow statement

The company represents its cash flow statement on the direct method. In the comparative period changes in working capital were disclosed separately below the cash generated from operations line. These comparative working capital movements amounting to R3.8 million were reallocated into cash paid to suppliers and employees line above the cash generated from operations line.

Notes to the company financial statements

for the year ended 31 December 2017

		2017 R000	2016 R000
1.	**INVESTMENTS IN SUBSIDIARIES**		
	Unlisted investments		
	Shares at cost	855 075	910 325
	Impairment of investments	(80 999)	(55 250)
	Shares at carrying value	774 076	855 075
	Share-based payments	86 847	86 847
		860 923	941 922
	Loans to subsidiaries	793	36 288
		861 716	978 210

Details of group's investments in subsidiaries

	Shares at carrying value		Share-based payments		Interest-free loan	
	2017 R000	2016 R000	2017 R000	2016 R000	2017 R000	2016 R000
Basil Read Limited	740 029	740 029	79 081	79 081	2	36 288
BSR Engineering (Pty) Ltd	34 047	115 046	7 766	7 766		
Codevco (Pty) Ltd					191	
Basil Read Matomo (Pty) Ltd					125	
Valente Brothers (Pty) Ltd					429	
Basil Read Construction UK					46	
	774 076	855 075	86 847	86 847	793	36 288
Interest-free loan payable						
Newport Construction (Pty) Ltd					353	69
Basil Read Roads (Pty) Ltd					1 873	243
Sladden International (Botswana) (Pty) Ltd					14	
Valente Brothers (Pty) Ltd					60	–
Basil Read Mauritius (Pty) Ltd					3	–
Basil Read Limited					2 486	–
	–	–	–	–	4 789	312

The investment in BSR Engineering (Pty) Ltd was impaired during the current financial reporting period by R81 million (2016: R55.3 million), based on the carrying value of the underlying assets of BSR Engineering (Pty) Ltd.

		2017 R000	2016 R000
2.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables	94 415	127 711
	Trade receivables	94 415	127 711
	Other receivables	230	308
	VAT	230	308
	Trade and other receivables	94 645	128 019

Included in trade receivables from contract customers is R94.4 million intergroup receivables as per note 5.1.

Notes to the company financial statements continued

for the year ended 31 December 2017

	2017 R000	2016 R000
3. TRADE AND OTHER PAYABLES		
Trade payables and other accruals	**68 787**	123 773
VAT payable	**–**	–
Unclaimed dividends	**767**	768
Trade and other payables	**69 554**	124 541

Included in trade payables and other accruals is R188.4 million intergroup payables as per note 5.

4. OTHER LIABILITIES

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

5. RELATED-PARTY TRANSACTIONS

Please refer to note 25 titled related-party transactions in the group financial statements for the group organogram.

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

5.1 Related-party transactions

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

	2017 Receivables R000	2017 Payables R000	2016 Receivables R000	2016 Payables R000
Basil Read Limited	**94 387**	**–**	127 452	67 439
Basil Read Mining SA (Pty) Ltd	**–**	**1 152**	–	2 107
Blasting and Excavating (Pty) Ltd	**1**	**–**	5	–
Sladden International (Pty) Ltd	**–**	**–**	14	–
Phambili Pipelines (Pty) Ltd	**17**	**–**	17	–
Valente Brothers Joint Venture	**5**	**–**	5	–
Umso Joint Venture	**35**	**–**	35	–
	94 445	**1 152**	127 528	69 546

5.2 Key management personnel

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

	2017 R000	2016 R000
Key management personnel compensation		
Short-term employee benefits	**1 720**	1 206
	1 720	1 206

For further details regarding the key personnel compensation, please refer to note 26 of the consolidated financial statements.

6. FAIR VALUE CLASSIFICATION AND FINANCIAL INSTRUMENTS

Categories and analysis of assets and liabilities.

Assets

	Loans and receivables R000	Held at fair value through profit or loss R000	Total R000	Fair value level
2017				
Loans to group companies	**793**	**–**	**793**	
Unlisted investment	**–**	**2**	**2**	**Level 3**
Cash and cash equivalents	**609**	**–**	**609**	**–**
2016				
Loans to group companies	36 288	–	36 288	
Unlisted investment	–	2	2	Level 3
Cash and cash equivalents	577	–	577	–

Liabilities

	At amortised cost R000	Total R000
2017		
Borrowings	**43 336**	**43 336**
Loans from group companies	**4 789**	**4 789**
Trade and other payables	**69 554**	**69 554**
2016		
Borrowings	38 788	38 788
Loans from group companies	312	312
Trade and other payables	124 540	124 540

Movement in level 3 instruments

	2017 Unlisted instruments R000	2016 Unlisted instruments R000
Opening and closing balance	**2**	2

The carrying value of unlisted investments approximates their fair value.

7. RESTATEMENT OF PRESENTATION OF MANAGEMENT FEES

The company charges a management fee to the underlying group subsidiaries for services rendered by the company to the underlying subsidiaries. In the comparative period the management fee received by the company was classified as other income in the statement of profit and loss. The company has reclassified this to revenue as it generated in the ordinary activities of the company.

The effect of the restatement in the company's statement of comprehensive income:

	2016		
	Previously presented as R000	Effect R000	After restatement R000
Other income	150 555	(150 555)	–
Revenue	–	150 555	150 555

Shareholders' information

as at 31 December 2017

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

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

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

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

Definitions and abbreviations

The Companies Act	The Companies Act 71 of 2008
King III	King Code of Governance for South Africa 2009
Company website	www.basilread.co.za
IAS	International Accounting Standards
PwC	PricewaterhouseCoopers Incorporated
IRBA	Independent Regulatory Board for Auditors
OCI	Other comprehensive income
NCI	Non-controlling interest
IFRS	International Financial Reporting Standards
SARS	South African Revenue Service
VAT	Value added tax
Gearing ratio	Net debt divided by total capital
Net debt	Total borrowings less cash and cash equivalents
Total borrowings	Total interest-bearing borrowings
Total capital	'Equity' as shown in the consolidated statement of financial position plus net debt
Debt:equity ratio	Total long-term debt divided by total equity
Total equity	'Equity' as shown in the consolidated statement of financial position
Total long-term debt	Non-current portion of interest-bearing borrowings
The company	Basil Read Holdings Limited
The group	Basil Read Holdings Limited, its subsidiaries, associates, joint ventures and joint operations collectively
IDC	Industrial Development Corporation
ISA	Instalment sale agreements
CGU	Cash-generating unit

Shareholders' diary

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

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)
Khathutshelo (K2) Mapasa	Executive, acting chief executive officer	1 June 2017 (appointed)
Khathutshelo (K2) Mapasa	Executive, chief executive officer	23 October 2017 (appointed)
Talib Sadik	Executive, chief financial officer	31 December 2017 (resigned)
Pieter van Buuren	Executive, chief financial officer	1 January 2018 (appointed)
Sango Siviwe Ntsaluba	Non-executive director, chairman of risk committee	
Terence Desmond Hughes	Non-executive director	
Andrew Conway Gaorekwe Molusi	Non-executive director, chairman of social, ethics and transformation committee	
Thabiso Alexander Tlelai	Non-executive director	
Doris Liana Theresia Dondur	Independent non-executive director, chairman of audit committee	
Mahomed Salim Ismail Gani	Independent non-executive director	
Claudia Estelle Manning	Independent non-executive director, chairman of the remuneration committee	

Administrative information

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Share code: BSR
ISIN: ZAE000029781
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Email: communications@basilread.co.za

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13th floor
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19 Ameshoff Street, Braamfontein, 2001

SPONSOR
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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

BASIL READ

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