

ANNUAL FINANCIAL STATEMENTS

CONTENTS	
DIRECTORS' RESPONSIBILITY STATEMENT	52
CERTIFICATE BY COMPANY SECRETARY	52
REPORT OF THE INDEPENDENT AUDITORS	53
DIRECTORS' REPORT	54
CONSOLIDATED INCOME STATEMENT	58
CONSOLIDATED BALANCE SHEET	59
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	60
CONSOLIDATED CASH FLOW STATEMENT	61
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	62
COMPANY INCOME STATEMENT	110
COMPANY BALANCE SHEET	111
COMPANY STATEMENT OF CHANGES IN EQUITY	112
COMPANY CASH FLOW STATEMENT	112
NOTES TO THE COMPANY FINANCIAL STATEMENTS	113
SHAREHOLDER INFORMATION	116
NOTICE TO SHAREHOLDERS	117
FORM OF PROXY (ATTACHED)	119

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of Basil Read Holdings Limited and its subsidiaries. The financial statements presented on pages 54 to 116 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and include amounts based upon judgements and estimates made by management.

The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all IFRS that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the group at year end. The directors also prepared the other information included in the annual report and are responsible for both its accuracy and consistency with the financial statements.

The directors are responsible for ensuring that proper accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the group companies to enable the directors to ensure that the financial statements comply with the relevant legislation.

Basil Read Holdings Limited and its subsidiaries operate in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled.

The financial statements have been prepared on the going concern basis, since the directors have no reason to believe that the group will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the company and the group.

The group's external auditors, PricewaterhouseCoopers Inc. audited the financial statements and their report is presented on page 53.

The financial statements were approved by the board of directors on 7 February 2008 and are signed on their behalf by:



BT Ngcuka

Chairman

7 February 2008



MI Heyns

Chief executive officer

7 February 2008

CERTIFICATE BY COMPANY SECRETARY

I certify that the requirements as stated in section 268G(d) of the Companies Act 61 of 1973, as amended, have been met and that all returns, as are required of a public company in terms of the aforementioned Act, have been submitted to the Registrar of Companies and that such returns are true, correct and up to date.



E Kruger

Company secretary

7 February 2008

REPORT OF THE INDEPENDENT AUDITORS

To the members of Basil Read Holdings Limited

We have audited the annual financial statements and group annual financial statements of Basil Read Holdings Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 31 December 2007, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 54 to 116.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group as of 31 December 2007, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



PricewaterhouseCoopers Inc

Director: JP van Staden

Registered Auditor

Johannesburg

7 February 2008

DIRECTORS' REPORT

for the year ended 31 December 2007

The directors present their twenty-third annual report, which forms part of the audited financial statements of the company and of the group for the year ended 31 December 2007.

NATURE OF BUSINESS

Basil Read is one of the top five 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 integrated housing developments, property development, stone crushing, bitumen distribution, opencast mining and blasting. These subsidiaries operate throughout Africa.

DIVIDENDS

A dividend of 30 cents per share was declared and paid during the year under review, in respect of the year ended 31 December 2006. On 6 February 2008, the directors declared a final dividend of 50 cents per share in respect of the year ended 31 December 2007.

SHARE CAPITAL

The company issued 2 058 600 shares at an average price of R7,28 per share, during the year, in terms of The Basil Read Share Incentive Scheme.

The company issued 2 500 000 shares in a private placement, for a cash consideration of R22,00 per share, before costs. The proceeds from this share issue were used to finance the acquisition of the Blasting and Excavating group.

OPERATING RESULTS

The financial position, results of operations and cash flows of the company and those of the group for the year ended 31 December 2007 are set out on pages 58 to 115.

The group made a profit after taxation of R118 million (2006: R55 million) during the year under review.

AUDITORS

PricewaterhouseCoopers Inc will continue in office in accordance with section 270(2) of the Companies Act, 1973.

PROPERTY, PLANT AND EQUIPMENT

The group acquired property, plant and equipment to the amount of R288 million (2006: R99 million).

SUBSIDIARIES AND JOINT VENTURES

On 1 July 2007, the Group acquired 100% of the share capital of the Blasting & Excavating group for R97 million. The group is a blasting and excavating specialist.

During the year, the group increased its shareholding in Stone and Allied Industries Limited to 100% (2006: 60,8%) for a cash consideration of R4,6 million. The company is a stone crushing company.

During the year, the group increased its shareholding in Spray Pave (Pty) Limited to 100% (2006: 61%) for a cash consideration of R4,3 million. The company is a supplier and sprayer of bitumen and related products.

On 1 November 2007, the group increased its shareholding in Codevco (Pty) Limited to 100% (2006: 50%) for a cash consideration of R20 million. The company is the sole developer of Cosmo City, the mixed integrated housing development on the outskirts of Johannesburg.

During the year, the group finalised negotiations with Old Mutual Investment Group and formed the jointly controlled entity, Sugar Creek Trading 101 (Pty) Ltd. Basil Read is a 50% shareholder in Sugar Creek Trading 101 (Pty) Ltd. The company has acquired land in the Midvaal area and is in the process of developing a mixed use integrated housing development.

The information relating to the company's financial interest in its subsidiaries and joint ventures is set out in notes 16, 37, 39, 40 and 42 to the financial statements.

INVESTMENTS IN ASSOCIATES

During the year, the group acquired a 33,33% shareholding in Sunset Bay Trading 282 (Pty) Ltd for R14 million. The company has started development of the St Micheil's golf estate, outside Dullstroom.

Through the further acquisition of Spray Pave (Pty) Limited, the group increased its minority interest in Mmila Projects (Pty) Ltd. Mmila Projects (Pty) Ltd specialises in the spraying of bitumen and related products.

For more information, refer to notes 17 and 38 to the financial statements.

OTHER INVESTMENTS

The group disposed of its investment in Top Fix Holdings Limited during the year under review (2006: RNil). The group disposed of 200 000 shares for R0,4 million, recognising a profit of R0,2 million.

Through the increased acquisition of Stone and Allied Industries Limited, the group acquired a further investment in Investec Limited. The group's holding in Investec Limited is immaterial.

BORROWINGS

Interest bearing borrowings comprise bank borrowings and instalment sale agreements. During the year interest bearing borrowings increased due to new instalment sale agreements entered into to fund capital expenditure, partly offset by the repayment of banking loans and other instalment sale agreements.

EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

No material events have occurred between the balance sheet date and the date of these results that would have a material effect on the financial statements of the group.

SHAREHOLDER SPREAD

Details of shareholder categories are set out on page 116 of this report.

DIRECTORATE

The following were directors of the company during the year under review:

Bulelani Thandabantu Ngcuka	Non-executive Director, Chairman
Marius Lodewucus Heyns	Chief Executive Officer, Managing Director
Lungisa Brian Dyosi	Non-executive Director
Sango Siviwe Ntsaluba	Non-executive Director
Alexander Thabiso Tlelai	Non-executive Director
Charles Peter Davies	Independent Non-executive Director
Sindile Lester Leslie Peteni	Independent Non-executive Director
Ntombekaya Yvonne September	Independent Non-executive Director (Appointed 23 October 2007)

DIRECTORS' REPORT CONTINUED

for the year ended 31 December 2007

DIRECTORS' EMOLUMENTS

Executive directors	Cash portion of package R	Benefits* R	Incentive bonus R	Share-based payment R	Total R
2007					
<i>Paid by Basil Read (Pty) Limited</i>					
Marius Lodewucus Heyns	1 708 014	253 140	5 000 000	3 623 172	10 584 326
	1 708 014	253 140	5 000 000	3 623 172	10 584 326
2006					
<i>Paid by Basil Read (Pty) Limited</i>					
Marius Lodewucus Heyns	1 292 169	189 760	1 200 000	–	2 681 929
	1 292 169	189 760	1 200 000	–	2 681 929
Non-executive directors				Services as director R	Total R
2007					
Bulelani Thandabantu Ngcuka#				447 500	447 500
Lungisa Brian Dyosi#				137 500	137 500
Sango Siviwe Ntsaluba#				270 000	270 000
Alexander Thabiso Tlelai#				175 000	175 000
Charles Peter Davies				290 000	290 000
Sindile Lester Leslie Peteni				175 000	175 000
Ntombekaya Yvonne September				–	–
				1 495 000	1 495 000
2006					
Bulelani Thandabantu Ngcuka#				725 000	725 000
Lungisa Brian Dyosi#				87 500	87 500
Nonkqubela Helen Maliza				–	–
Andile Joy Reve				–	–
Sango Siviwe Ntsaluba#				152 500	152 500
Alexander Thabiso Tlelai#				122 500	122 500
Charles Peter Davies				150 000	150 000
Sindile Lester Leslie Peteni				107 500	107 500
				1 345 000	1 345 000

*Benefits include the group's contribution towards medical aid and provident fund.

#Paid to the companies that these directors represent.

DIRECTORS' EQUITY SETTLED INSTRUMENTS

The directors held the following equity settled instruments at 31 December 2007:

	Number	Average strike price R	Average exercise price R
Marius Lodewucus Heyns			
Equity settled instruments at 1 January 2007	–	–	–
Equity settled instruments granted during the year – second grant	230 000	5,26	–
Equity settled instruments granted during the year – third grant	250 000	13,95	–
Equity settled instruments exercised during the year	(230 000)	5,26	24,06
Equity settled instruments at 31 December 2007	250 000	13,95	

The equity settled instruments' terms are detailed in note 34 to the financial statements.

INTERESTS OF DIRECTORS AND OFFICERS IN SHARE CAPITAL

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

	Number of shares held	% of shares held
2007		
<i>Direct and indirect</i>		
Bulelani Thandabantu Ngcuka	500 978	0,66
Sango Siviwe Ntsaluba	3 682 382	4,87
Alexander Thabiso Tlelai	3 672 425	4,86
Lungisa Brian Dyosi	166 993	0,22
2006		
<i>Direct and indirect</i>		
Bulelani Thandabantu Ngcuka	500 978	0,70
Sango Siviwe Ntsaluba	5 829 968	8,20
Alexander Thabiso Tlelai	5 820 011	8,19
Lungisa Brian Dyosi	166 993	0,23
Enna Kruger (<i>Company Secretary</i>)	6 357	0,01

The company's directors did not trade in shares between year end and the date the financial statements were authorised for issue.

INTERESTS OF DIRECTORS AND OFFICERS IN SHARE INCENTIVE SCHEME

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

	Number of unissued shares	% of unissued shares	% held once shares issued
2007			
<i>Direct and indirect</i>			
Marius Lodewucus Heyns	250 000	10,86	0,33
Enna Kruger (<i>Company Secretary</i>)	10 000	0,43	0,01
2006			
<i>Direct and indirect</i>			
Enna Kruger (<i>Company Secretary</i>)	5 000	1,39	0,01

The right to the unissued shares are in terms of the Basil Read Share Incentive Scheme. For further details, refer to note 34(e) to the financial statements.

COMPANY SECRETARY

The Company Secretary is Enna Kruger.

REGISTERED OFFICE

388 Gild Road
Lilianton
Boksburg
1459

POSTAL ADDRESS

Private Bag X170
Bedfordview
2008

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2007

	Notes	2007 R'000	2006 R'000
Revenue		2 010 559	1 162 198
Contracting revenue		1 809 691	1 016 193
Other		200 868	146 005
Contracting and other costs		(1 674 055)	(1 016 810)
Gross profit		336 504	145 388
Admin and other operating overheads		(166 206)	(93 488)
Other income	7	37	18
Other gains/(losses) – nett	8	–	1 832
Operating profit	9	170 335	53 750
Finance income	10	17 642	8 557
Finance costs	10	(23 672)	(5 078)
Profit before share of profit from associates		164 305	57 229
Share of profits from associates	17	15	–
Profit before taxation		164 320	57 229
Taxation	11	(46 678)	(2 269)
Net profit for the year		117 642	54 960
Net profit for the year attributable to the following:			
Equity shareholders of the company		117 788	54 103
Minority interests		(146)	857
Net profit for the year		117 642	54 960
Earnings per share (cents)	12	159,18	93,53
Fully diluted earnings per share (cents)	12	156,92	93,05
Dividend per share (cents)	13	30,00	–

CONSOLIDATED BALANCE SHEET

as at 31 December 2007

	Notes	2007 R'000	2006 R'000
ASSETS			
Non-current assets		587 074	215 007
Property, plant and equipment	14	489 021	176 438
Intangible assets	15	41 486	10 444
Investments in jointly controlled entities	16	8 281	–
Investments in associates	17	21 581	66
Deferred income tax assets	18	26 497	27 409
Available-for-sale financial assets	19	208	650
Current assets		732 682	415 941
Inventories	20	20 533	6 659
Contract and trade debtors	21	243 210	120 069
Receivables and prepayments	22	20 312	17 623
Investments in jointly controlled entities	16	11 200	–
Current income tax assets		300	1 072
Cash and cash equivalents	23	437 127	270 518
TOTAL ASSETS		1 319 756	630 948
EQUITY AND LIABILITIES			
Capital and reserves		357 923	199 463
Stated capital	24	233 954	164 537
Retained earnings		117 901	24 430
Other reserves		4 008	4 264
Minority interests		2 060	6 232
Non-current liabilities		195 539	55 775
Interest bearing borrowings	25	149 443	49 982
Other borrowings	26	27 432	–
Provisions for other liabilities and charges	27	3 493	2 818
Deferred income tax liabilities	18	15 171	2 975
Current liabilities		766 294	375 710
Trade and other payables	28	533 122	281 844
Current income tax liabilities		42 487	4 258
Current portion of interest bearing borrowings	25	94 620	32 996
Current portion of other borrowings	26	8 000	–
Provisions for other liabilities and charges	27	85 709	52 531
Bank overdraft	23	2 356	4 081
TOTAL EQUITY AND LIABILITIES		1 319 756	630 948

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2007

	Share capital	Treasury shares	Foreign currency translation reserve*	Fair value adjustment reserve	Equity settled share-based payment reserve	Retained earnings	Minority interest	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 1 January 2006	58 894	(344)	4 508	–	–	(29 673)	–	33 385
Consideration received for issue of shares to Basil Read Share Incentive Trust	587	–	–	–	–	–	–	587
Movement in shares held by the trust	–	(162)	–	–	–	–	–	(162)
Consideration received for issue of shares in terms of clawback offer	109 560	–	–	–	–	–	–	109 560
Costs relating to the clawback offer	(3 998)	–	–	–	–	–	–	(3 998)
Fair value gain net of tax – available-for-sale financial assets	–	–	–	231	–	–	–	231
Acquisition of subsidiary	–	–	–	–	–	–	5 450	5 450
Currency translation differences	–	–	(475)	–	–	–	–	(475)
Profit for the year	–	–	–	–	–	54 103	857	54 960
Dividends paid to minorities	–	–	–	–	–	–	(75)	(75)
Balance at 31 December 2006	165 043	(506)	4 033	231	–	24 430	6 232	199 463
Consideration received for issue of shares to Basil Read Share Incentive Trust	14 983	–	–	–	–	–	–	14 983
Movement in shares held by the trust	–	434	–	–	–	–	–	434
Equity settled share-based payment	–	–	–	–	20 072	–	–	20 072
Reallocate equity settled share-based payment	–	–	–	–	(20 072)	20 072	–	–
Consideration received for issue of shares in terms of private placement	55 000	–	–	–	–	–	–	55 000
Costs relating to the private placement	(1 000)	–	–	–	–	–	–	(1 000)
Disposal of available-for-sale financial assets	–	–	–	(246)	–	–	–	(246)
Fair value gain net of tax – available-for-sale financial assets	–	–	–	4	–	–	–	4
Transactions with minorities	–	–	–	–	–	(22 531)	(3 957)	(26 488)
Currency translation differences	–	–	(14)	–	–	–	–	(14)
Profit for the year	–	–	–	–	–	117 788	(146)	117 642
Dividends paid	–	–	–	–	–	(21 858)	(69)	(21 927)
Balance at 31 December 2007	234 026	(72)	4 019	(11)	–	117 901	2 060	357 923

*The foreign currency translation reserve is the result of exchange differences arising from the translation of the group's foreign operations to the group's functional currency, the rand.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2007

	Notes	2007 R'000	2006 R'000
CASH FLOW FROM OPERATING ACTIVITIES		367 983	140 292
Cash generated by operating activities	29	402 954	143 309
Net finance (costs)/income	10	(6 030)	3 479
Dividends paid	30	(21 920)	(75)
Taxation paid	31	(7 021)	(6 421)
CASH FLOW FROM INVESTING ACTIVITIES		(189 248)	(40 767)
Acquisitions of property, plant and equipment		(103 240)	(35 659)
Proceeds on disposal of property, plant and equipment		23 793	1 768
Acquisition of subsidiaries	40	(83 266)	(11 865)
Acquisition of jointly controlled entities	16	(1)	–
Advances made to jointly controlled entities	16	(19 480)	–
Advances (made to)/recovered from associates	17	(7 500)	1 689
Proceeds on disposal of investment property		–	3 500
Sale/(acquisition) of investments	19	446	(200)
CASH FLOW FROM FINANCING ACTIVITIES		(10 401)	75 663
Repayments of interest bearing borrowings		(79 818)	(30 324)
Proceeds from issue of shares – nett of costs		69 417	105 987
MOVEMENT IN CASH AND CASH EQUIVALENTS		168 334	175 188
CASH AND CASH EQUIVALENTS – AT THE BEGINNING OF THE YEAR		266 437	91 249
CASH AND CASH EQUIVALENTS – AT THE END OF THE YEAR	23	434 771	266 437

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2007

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements have been prepared on the historical-cost basis as modified by the revaluation of available-for-sale investments. The following principal accounting policies are in accordance with International Financial Reporting Standards and are used by the group. These policies have been consistently applied to all the years presented unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

Standards, interpretations and amendments to published standards effective in fiscal 2007

During the financial year, the following new and revised accounting standards, amendments to standards and new interpretations were adopted by the group:

- IFRS 7 *Financial Instruments: Disclosures*
- IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*
- IFRIC 8 *Scope of IFRS 2*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 10 *Interim Financial Reporting and Impairment*
- IAS 1 (Amendment) *Presentation of Financial Statements – Capital Disclosures*
- AC 503 *Accounting for Black Economic Empowerment (BEE) Transactions*

These standards, interpretations and amendments did not have a material effect on the group, with the exception of IFRS 7, which required additional disclosure.

Standards, interpretations and amendments to published standards that are not yet effective and adopted by the group

Certain new standards, amendments and interpretations to existing standards have been published that apply to the group's accounting periods beginning on 1 January 2008 or later periods and have been early adopted by the group. These standards, amendments and interpretations are:

- IFRIC 11 *Group and Treasury Share Transactions*

Standards, interpretations and amendments to published standards that are not yet effective and not adopted by the group

Certain new standards, amendments and interpretations to existing standards have been published that apply to the group's accounting periods beginning on 1 January 2008 or later periods but have not been early adopted by the group. These standards, amendments and interpretations are:

- IAS 1R *Presentation of Financial Statements* (effective for financial periods beginning on or after 1 January 2009)
- IAS 23R *Borrowing Costs* (effective for financial periods beginning on or after 1 January 2009)
- IAS 27R *Consolidated and Separate Financial Statements* (effective for financial periods beginning on or after 1 July 2009)
- IFRS 3R *Business Combinations* (effective for financial periods beginning on or after 1 July 2009)
- IFRS 8 *Operating Segments* (effective for financial periods beginning on or after 1 January 2009)
- IFRIC 12 *Service Concession Arrangements* (effective for financial periods beginning on or after 1 January 2008)
- IFRIC 13 *Customer Loyalty Programmes* (effective for financial periods beginning on or after 1 July 2008)
- IFRIC 14 IAS 19 *The limit on a Defined Benefit Asset minimum funding requirements and their interaction* (effective for financial periods beginning on or after 1 January 2008)

Management is currently reviewing the impact of these standards on the group.

HOLDING COMPANY INVESTMENTS

Basil Read Holdings Limited's investment in subsidiaries is recognised at cost.

GROUP ACCOUNTING

Subsidiaries

Subsidiaries, which are those entities (including the Share Incentive Trust) in which the group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Goodwill is not amortised but tested for impairment annually. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated.

Transactions and minority interests

The group applies a policy of treating transactions with minorities as transactions with equity owners of the group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

Associates

Associates are entities over which the group generally has between 20% and 50% of the voting rights, or over which the group has significant influence, but which it does not control. Investments in associates are accounted for by the equity method of accounting and include goodwill (net of any accumulated impairment loss) identified on acquisition. Under this method the group's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition equity movements is adjusted against the cost of the investment. Unrealised gains or losses on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset. When the group's share of losses in an associate equals or exceeds its interest in the associate, the group does not recognise further losses, unless the group has incurred obligations or made payments on behalf of the associates.

Jointly controlled entities

Investments in jointly controlled entities are accounted for by the equity method of accounting. Under this method the group's share of the post-acquisition profits or losses of jointly controlled entities is recognised in the income statement and its share of post-acquisition equity movements is adjusted against the cost of the investment. Unrealised gains or losses on transactions between the group and its jointly controlled entities are eliminated to the extent of the group's interest in the jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset.

Jointly controlled operations and assets

The group's interest in jointly controlled operations and assets is accounted for by proportionate consolidation. The group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

Unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture, except where unrealised losses provide evidence of an impairment.

FOREIGN CURRENCIES

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The group's financial statements are presented in South African Rand, which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transaction); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

OTHER INVESTMENTS

The group classifies its investments in equity securities as available-for-sale. Management re-evaluates such designation on a regular basis. Investments are held for an indefinite period of time, which may be sold in response to needs for liquidity, and are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date, in which case they are included in current assets.

Purchases of investments are recognised at cost on the trade date, which is the date that the group commits to purchase the asset. Cost of purchase includes transaction costs. Investments are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of these investments are included in equity. The fair value of listed investments are based on quoted market prices. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (except for investment properties) are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Immovable properties are classified as either owner-occupied property or investment property and are accounted for accordingly.

Depreciation is calculated to write off the assets to their residual values over their expected useful lives on the following basis:

- Owner-occupied buildings – Straight-line basis over twenty years
- Major plant and equipment – Straight-line basis over periods ranging from two to fifteen years
- Other plant and equipment – Straight-line basis over periods ranging from three to five years
- Furniture and fittings – Straight-line basis over periods ranging from three to five years
- Freehold property is not depreciated.

Residual values and useful lives are assessed annually and any effect of changes in residual values and useful lives are accounted for as a change in estimate, prospectively.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in operating profit.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Major renovations are depreciated over the remaining useful life of the related asset.

BORROWINGS

Borrowings are recognised initially as the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings as interest. Borrowing costs are recognised in the income statement as incurred.

CAPITALISATION OF BORROWING COSTS

Borrowing costs, incurred in respect of property developments or capital work in progress, that require a substantial period to prepare assets for their intended use, are capitalised up to the date that the development of the asset is ready for its intended use. Other borrowing costs are recognised in the income statement as incurred.

INVESTMENT PROPERTIES

Investment properties are held to appreciate in capital value. Investment properties are treated as long-term investments and carried at market value determined annually by the directors based on current real estate prices for similar properties. Every three years an external independent valuer carries out an independent valuation. Investment properties are not subject to depreciation. Increases and decreases in their carrying amount are included in net profit or loss for the period.

INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

Contract based intangibles

Contract based intangibles represent construction contracts existing at date of acquisition and are recognised at fair value. Amortisation is calculated using the straight-line method to allocate the cost of the contract based intangible over the period of the related contracts.

LEASED ASSETS

Finance leases

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased plant and equipment or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases is depreciated over the useful life of the asset unless ownership is not assured, in which case the item of plant and equipment is depreciated over the lease term.

Operating leases

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made by the lessee by way of penalty is recognised as an expense in the period in which termination takes place.

IMPAIRMENT

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

INVENTORIES

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average cost basis. Net realisable value is determined on the latest replacement cost for consumable goods.

LONG-TERM CONSTRUCTION CONTRACTS AND CONTRACT REVENUE RECOGNITION

Revenue and costs

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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 the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract and physical completion. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The group presents as an asset (work in progress) the gross amount due from customers for contract work for all contracts in progress for which costs plus recognised profits (less recognised losses) exceeds progress billings. Work in progress, progress billings not yet paid by customers and retentions are included within contract debtors and retentions.

The group presents as a liability (advance payments received for contract work) the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Contract debtors

Contract debtors comprise progress billings certified to date less payments received. Retention debtors are also raised as part of debtors at the time. Contract debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of contract debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables.

OTHER REVENUE RECOGNITION

Other revenue represents amounts receivable for project management services, development fees and subsidies receivable for the development of low cost housing. It also includes amounts receivable for the supply of construction related goods and services.

Other revenue is measured at the fair value of the consideration received or receivable net of discounts, VAT and other sales-related taxes.

Other revenue is recognised when the risks and rewards of ownership are transferred and the amount can be reliably measured.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the group.

Dividends are recognised when the right to receive payment is established.

DEFERRED TAXATION

Deferred taxation is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

The principal temporary differences arise from depreciation on property, plant and equipment, provisions, assessed losses, contract related income and expenditure and foreign dividends.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

FINANCIAL INSTRUMENTS

Financial instruments carried on the balance sheet include cash and cash equivalents, investments, contract debtors, receivables, trade payables, leases and borrowings. The particular recognition methods are disclosed in the individual policy statements or notes to the financial statements.

HEDGE ACCOUNTING

For financial reporting purposes forward exchange contracts are designated as fair value hedges or cash flow hedges as appropriate and are designated at group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions.

When forward exchange contracts are entered into as fair value hedges, no hedge accounting is applied. All gains and losses on such contracts are recognised in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

Where a derivative instrument is designated as a cash flow hedge of an asset, liability or expected future transaction, the effective part of any gain or loss arising on the derivative instrument is classified as a hedging reserve in the statement of changes in equity until the underlying transaction occurs. The ineffective part of any gain or loss is immediately recognised in the income statement.

When the expected future transaction results in the recognition of an asset or liability, the associated gain or loss is transferred from the hedging reserve to the underlying asset or liability. Other cash flow hedge gains or losses are recognised in the income statement at the same time as the hedged transaction occurs.

Other derivative financial instruments are initially recorded at fair value on the date that the contract is entered into and are subsequently measured at their fair value with resulting gains or losses being accounted for in the income statement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and bank balances, net of bank overdrafts.

PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

EMPLOYEE BENEFITS

Pension obligations

Group companies have various pension schemes in accordance with the local conditions and practices in the countries in which they operate. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided based on a function of various factors such as age, years of service and compensation. A defined contribution plan is a privately administered pension insurance plan under which the group pays fixed contributions into a fund and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The defined benefit obligation is calculated every three years by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates approximating the terms of the related liability.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits 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.

Leave pay

Accrual is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees.

Share-based payments

Share options are granted to employees in terms of the scheme detailed in note 34. The net cost of share options, calculated as the difference between the fair value of such options at grant date and the price at which the options were granted, are expensed over their vesting periods. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest.

The fair value of options granted is determined by using the European Binomial simulation model, taking into account the terms and conditions upon which the options were granted and any market vesting conditions.

At each balance sheet date, the group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Options exercised are equity settled through a fresh issue of shares.

DIVIDENDS

Dividends are recorded in the group's financial statements in the period in which they are approved by the group's shareholders.

SEGMENT REPORTING

The group's primary format for reporting segment information is business segments and its secondary format is geographical segments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

Inter-segment transfers

Segment revenue, segment expenses and segment results include transfers between geographical and 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.

Segment assets and liabilities

Segment assets include all operating assets and consist principally of property, plant and equipment, inventory, contract debtors and retentions and receivables and prepayments.

Segment liabilities include all operating liabilities and consist principally of interest bearing borrowings, trade and other payables and taxation.

ENVIRONMENTAL OBLIGATIONS

Long-term environmental obligations arise from the group's stone crushing activities, in compliance with current environmental and regulatory requirements and contractual agreements.

Full provision is made on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the balance sheet date. Increases due to additional environmental disturbances are capitalised and amortised over the period of the contractual agreement. These increases are accounted for on a net present value basis.

Annual increases in the provision relating to the change in the net present value of the provision and inflationary increases are accounted for in earnings.

The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean-up at closure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

2. FINANCIAL RISK MANAGEMENT

Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including 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. From time to time, the group uses derivative financial instruments to hedge certain risk exposures.

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

a. Market risk

i. Foreign exchange risk

The group operates mainly in sub-Saharan Africa and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management requires that group companies and divisions manage their foreign exchange risk against their functional currency. The group companies and divisions are required to report potential foreign currency risk exposure 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 exchange risk arising from future commercial transactions and recognised assets and liabilities, group treasury may use forward contracts, transacted with various financial institutions. Foreign exchange 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 has certain investments in foreign subsidiaries, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

At 31 December 2007, the group's only foreign exchange exposure was a US dollar exposure in the group's subsidiary in Botswana. If the Botswana pula had moved 1% against the US dollar, the effect would have resulted in a pre-tax movement of R407 129.

This would be as a result of foreign exchange profit/loss on the translation of US dollar denominated financial assets and liabilities.

ii. Interest rate risk

As the group has no significant interest-bearing assets, the group's income and operating cash flows are substantially independent of changes in market interest rates.

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. The group maintains its borrowings at variable interest rates. During 2007 and 2006, the group's borrowings at variable rate were denominated in the functional currency and the US dollar.

A one percent movement in the prime rate would result in a 7% change in interest charged.

iii. Price risk

The group is exposed to materials price risk because of the fluctuation in the price of various raw materials, including 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 price risk for the group as well as all clients, the group may enter into supplier agreements for the supply of raw materials at favourable rates.

b. Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and credit exposures to customers, including contract debtors and outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the risk committee assesses the credit risk of the customer, taking into account its financial position, past experience and other factors. In cases where the risk committee deems the risk level to be unacceptable, payment guarantees issued by the customer are insisted upon.

Refer to note 21 for further information on the group's credit risk profile.

c. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the group's liquidity on the basis of expected cash flow.

The major sources of funds for the group are:

- undrawn facilities
- available cash

Due to the nature of the group's activities, which includes progress payments, the liquidity risk is minimal.

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet 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.

	0 – 3 months	3 – 12 months	1 – 5 years	>5 years	Total
	R'000	R'000	R'000	R'000	R'000
At 31 December 2007					
Interest bearing borrowings	32 445	84 687	172 834	–	289 966
Other borrowings	–	9 000	32 000	–	41 000
Provisions for other liabilities and charges	–	85 709	3 424	1 580	90 713
Trade and other payables	445 712	87 410	–	–	533 122
	478 157	266 806	208 258	1 580	954 801

	0 – 3 months	3 – 12 months	1 – 5 years	>5 years	Total
	R'000	R'000	R'000	R'000	R'000
At 31 December 2006					
Interest bearing borrowings	12 380	33 987	57 240	–	103 607
Other borrowings	–	–	–	–	–
Provisions for other liabilities and charges	–	52 531	2 697	1 154	56 382
Trade and other payables	190 730	91 114	–	–	281 844
	203 110	177 632	59 937	1 154	441 833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

3. 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 to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group considers total equity and interest bearing borrowings to comprise capital.

The group monitors capital on the basis of the debt:equity ratio, and further manages interest bearing liabilities with reference to the assets they are used to finance. The debt:equity ratio is calculated as total long-term debt divided by total equity. Total equity is calculated as 'capital and reserves' as shown in the consolidated balance sheet.

	2007	2006
	R'000	R'000
Total long-term debt	176 875	49 982
Total equity	357 923	199 463
Debt:equity ratio	49,4%	25,1%

The group considers a debt equity ratio of less than 100% to be acceptable. This is reviewed annually after considering market conditions and the growth goals of the group.

The ratio of interest bearing debt to the net book value of property, plant and equipment is calculated as:

	2007	2006
	R'000	R'000
Total interest bearing borrowings (note 25)	244 063	82 978
Property, plant and equipment (note 14)	489 021	176 438
Ratio of interest bearing debt to property, plant and equipment	49,9%	47,0%

The group considers a ratio of 100% or less to be acceptable. This is reviewed annually after considering market conditions and the growth goals of the group.

4. FAIR VALUE ESTIMATION

The fair value of financial instruments traded in active markets (such as available-for-sale financial assets) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of contract debtors, other receivables and trade payables is assumed to approximate its fair values due to the short-term nature of these balances. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar instruments.

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.

4. FAIR VALUE ESTIMATION (continued)

Fair values

	Carrying value	Fair value
For the year ended 31 December 2007		
Financial assets		
Available-for-sale financial assets	208	208
Contract and trade debtors	243 210	243 210
Receivables and prepayments	20 312	20 312
Cash and cash equivalents	437 127	437 127
Financial liabilities		
Interest bearing borrowings	244 063	244 063
Other borrowings	35 432	35 432
Provisions for other liabilities and charges	89 202	89 202
Trade and other payables	533 122	533 122
Bank overdraft	2 356	2 356
For the year ended 31 December 2006		
Financial assets		
Available-for-sale financial assets	650	650
Contract and trade debtors	120 069	120 069
Receivables and prepayments	17 623	17 623
Cash and cash equivalents	270 518	270 518
Financial liabilities		
Interest bearing borrowings	82 978	82 978
Other borrowings	–	–
Provisions for other liabilities and charges	55 349	55 349
Trade and other payables	281 844	281 844
Bank overdraft	4 081	4 081

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for impairment of contract debtors

A provision for impairment of contract debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the contract debtor is impaired. The amount of the provision is the difference between the contract debtor's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Refer to note 21 for the carrying value.

Accounting for construction contracts

The group makes estimates and assumptions concerning the future, particularly as regards construction contract profit taking, provisions, arbitrations and claims. The resulting accounting estimates can, by definition, only approximate the actual results. 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. Refer to note 27 for details of the group's contract provisions.

Property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis over its useful life to residual value. Residual values and useful lives are based on management's best estimate and actual future outcomes may differ from these estimates. Refer to note 14 for details of the group's property, plant and equipment.

Deferred taxation

A deferred tax asset is recognised with the carry-forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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; and
- whether the unused tax losses result from identifiable causes which are unlikely to recur.

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

Refer to note 18 for details of the group's deferred tax assets.

Defined benefit plan

The defined benefit obligation calculation is subject to estimates of future contributions, mortality tables and discount rates. These estimates could change materially over time. The principal actuarial assumptions used for valuation purposes of the group's defined benefit plan can be found in note 34(b) of this report.

Provision for environmental rehabilitation costs

The group's stone crushing activities are subject to various laws and contractual agreements with supply partners. The group recognises management's best estimate for environmental rehabilitation costs in the period in which they are incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws, contractual agreements and discount rates could affect the carrying amount of this provision. Refer to note 27 for the carrying value of the environmental rehabilitation provision.

Financial instruments

The estimated fair value of derivatives is determined at discreet points in time based on relevant market information. These estimates are calculated with reference to market rates using appropriate valuation techniques and models. The group was not party to any derivatives in the year under review.

Contingencies

By their nature, contingencies will be resolved only when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves an exercise of significant judgement and estimates of the outcome of future events. Refer to note 32 for details of the group's contingent liabilities.

Goodwill

The group annually tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash generating units have been determined based on discounted future cash flows. These calculations require the use of estimates.

The following elements are used in the calculation of a cash generating unit's value in use:

- a. an estimate of the future cash flows that the entity expects to derive from the cash generating unit
- b. expectations about possible variations in the amount or timing of those future cash flows
- c. the time value of money, represented by the current market risk-free rate of interest
- d. the price for bearing the uncertainty inherent in the cash generating unit
- e. other factors, such as illiquidity, that market participants would reflect in pricing the future cash flows the group expects to derive from the cash generating unit.

Share-based payment

The fair value of employee share options is determined using the European Binomial simulation model. The significant inputs into this model are discussed in note 34.

Purchase price allocation

The purchase price allocation of an acquired company is subject to the correct determination of the fair value of the assets given up, shares issued or liabilities undertaken at the date of exchange. Any excess of the cost of the acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of subsidiaries at the date of acquisition is recorded as goodwill. Details of business combinations during the year are detailed in note 40.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

6. FINANCIAL INSTRUMENTS

a. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

31 December 2007

	Loans and receivables R'000	Available- for-sale R'000	Total R'000
Assets as per balance sheet			
Advances to jointly controlled entities	19 480	–	19 480
Advances to associates	7 500	–	7 500
Available-for-sale financial assets	–	208	208
Contract and trade debtors	243 210	–	243 210
Receivables and prepayments	20 312	–	20 312
Cash and cash equivalents	437 127	–	437 127
Total	727 629	208	727 837

	At amortised cost R'000	Total R'000
Liabilities as per balance sheet		
Interest bearing borrowings	244 063	244 063
Other borrowings	35 432	35 432
Provisions for other liabilities and charges	89 202	89 202
Trade and other payables	533 122	533 122
Bank overdraft	2 356	2 356
Total	904 175	904 175

6. FINANCIAL INSTRUMENTS (continued)

31 December 2006	Loans and receivables R'000	Available- for-sale R'000	Total R'000
Assets as per balance sheet			
Advances to jointly controlled entities	–	–	–
Advances to associates	–	–	–
Available-for-sale financial assets	–	650	650
Contract and trade debtors	120 069	–	120 069
Receivables and prepayments	17 623	–	17 623
Cash and cash equivalents	270 518	–	270 518
Total	408 210	650	408 860

	At amortised cost R'000	Total R'000
Liabilities as per balance sheet		
Interest bearing borrowings	82 978	82 978
Other borrowings	–	–
Provisions for other liabilities and charges	55 349	55 349
Trade and other payables	281 844	281 844
Bank overdraft	4 081	4 081
Total	424 252	424 252

b. Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired has been grouped into the following categories: government, multinational mining companies, listed companies, unlisted companies and individuals.

	2007 R'000	2006 R'000
Contract and trade debtors		
Government	64 625	53 893
Multinational mining companies	22 479	26 280
Listed companies	28 191	458
Unlisted companies	60 478	18 315
Individuals	45	34
	175 818	98 980

None of the financial assets that are fully performing has been renegotiated in the last year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

	2007 R'000	2006 R'000
7. OTHER INCOME		
Dividend income	28	5
Rent received	9	13
	37	18
8. OTHER GAINS/(LOSSES) – NETT		
Impairment of investment	–	(168)
Gross amount	–	(168)
Taxation	–	–
Fair value gain on investment property	–	1 710
Gross amount	–	2 000
Taxation	–	(290)
Total gross amount	–	1 832
<p>The impairment of the investment in the prior year relates to the group's investment in Binga Constuções Mozambique Limitada. The directors are of the opinion that this investment is no longer recoverable and as a result the carrying value has been written down to zero (refer note 19). The investment property was disposed of in the prior year for an amount of R3 500 000. As a result the property was revalued to its sale value prior to the sale taking place.</p>		
9. OPERATING PROFIT		
The following items have been (charged)/credited in arriving at operating profit:		
Depreciation of property, plant and equipment		
<i>Owned assets</i>	(33 224)	(10 956)
Plant and equipment and rehabilitation asset	(31 565)	(10 358)
Furniture and fittings	(1 602)	(579)
Land and buildings and surface properties	(57)	(19)
<i>Leased assets</i>		
Plant and equipment and rehabilitation asset	(38 322)	(12 528)
Profit on sale of property, plant and equipment	301	554
Gross amount	352	579
Taxation	(51)	(25)
Profit on sale of available-for-sale financial assets	175	–
Gross amount	246	–
Taxation	(71)	–
Amortisation of intangible assets	(332)	(522)
Gross amount	(468)	(735)
Taxation	136	213
Auditors' remuneration	(3 031)	(1 798)
For services as auditors	(2 534)	(1 636)
For other services	(497)	(162)
Operating leases	(2 162)	(1 061)
Office equipment	(981)	(784)
Office space – contractual	(1 181)	(277)
Staff costs (Refer note 34)	(367 298)	(194 969)

	2007 R'000	2006 R'000
10. NET FINANCE (COSTS)/INCOME		
Interest received	16 402	6 428
Bank	15 523	6 428
Other	879	–
Foreign exchange	1 240	2 129
Realised loss incurred on interest rate swap	(1 762)	(2 087)
Unrealised profit incurred on interest rate swap	–	2 233
Profit on foreign exchange – other	3 002	1 983
Finance income	17 642	8 557
Interest paid	(23 672)	(5 078)
Bank loans and other borrowings	(1 456)	(2 258)
Finance leases	(21 875)	(2 667)
Provisions: unwinding of discount	(341)	(153)
Net finance (costs)/income	(6 030)	3 479
11. TAXATION		
South African normal taxation		
Current taxation	(42 042)	(1 683)
Current year	(41 991)	(1 644)
Prior year	(51)	(39)
Deferred taxation	(4 916)	1 488
Current year	(4 916)	(553)
Prior year	–	2 041
Secondary Taxation on Companies (STC)		
Current year	(2 760)	(19)
Foreign taxation		
Current taxation	(516)	(2 627)
Current year	(468)	(3 361)
Prior year	(48)	734
Deferred taxation	3 556	572
Current year	3 556	181
Prior year	–	391
Total taxation charged	(46 678)	(2 269)

Capital gains of R0,8 million (2006: R0,1 million) have been utilised against assessed losses in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

	2007 R'000	2006 R'000
11. TAXATION (continued)	%	%
Reconciliation of the standard rate of taxation to effective rate		
South African normal rate of taxation	29,0	29,0
Foreign normal taxation – current year	–	4,6
Foreign deferred taxation – current year	(0,1)	2,5
Losses utilised	(4,8)	(32,6)
Secondary Taxation on Companies (STC)	1,7	–
Capital Gains Tax (CGT)	(0,1)	(0,5)
Timing differences not accounted for under deferred tax	1,7	0,9
Non-taxable items	1,0	0,1
Effective tax rate	28,4	4,0
Timing differences not accounted for under deferred taxation include the result of certain subsidiaries where deferred taxation on assessed losses has not been provided.		
Estimated tax losses		
Total estimated tax losses of subsidiaries at the end of the financial year available for utilisation against future taxable income of those companies.	96 127	90 304

	2007	2006
12. EARNINGS PER SHARE		
Earnings per share (cents)	159,18	93,53
The calculation of earnings per share is based on the consolidated profit after taxation of R117 788 086 (2006: R54 103 482) and the weighted average number of shares in issue during the year of 73 995 325 (2006: 57 846 362) shares.		
Headline earnings per share (cents)	158,54	89,62
The calculation of headline earnings per share is based on the consolidated headline profit after taxation of R117 312 569 (2006: R51 839 466) and the weighted average number of shares in issue during the year of 73 995 325 (2006: 57 846 362) shares.		
Fully diluted earnings per share (cents)	156,92	93,05
The calculation of fully diluted earnings per share is based on the consolidated profit after taxation of R117 788 086 (2006: R54 103 482) and the weighted average number of shares in issue during the year of 75 060 203 (2006: 58 146 376) shares.		
Fully diluted headline earnings per share (cents)	156,29	89,15
The calculation of fully diluted headline earnings per share is based on the consolidated headline profit after taxation of R117 312 569 (2006: R51 839 466) and the weighted average number of shares in issue during the year of 75 060 203 (2006: 58 146 376) shares.		
	R'000	R'000
Reconciliation between basic earnings, diluted earnings and headline earnings is as follows:		
Basic and diluted earnings	117 788	54 103
Adjusted by the after tax effect of:		
Profit on sale of available-for-sale financial assets (refer note 9)	(175)	–
Profit on sale of property, plant and equipment (refer note 9)	(301)	(554)
Fair value gain – investment properties (refer note 8)	–	(1 710)
Headline earnings	117 312	51 839
	Number	Number
	'000	'000
Reconciliation between weighted average number of shares and diluted weighted average number of shares:		
Weighted average number of shares	73 995	57 846
Adjusted by: Basil Read Share Incentive Scheme (refer note 34(e))	1 065	300
Diluted weighted average number of shares	75 060	58 146
13. DIVIDENDS	R'000	R'000
Dividends paid	21 858	–
A final dividend of 30 cents per share was declared on 15 March 2007.		
A final dividend in respect of the 2007 financial year of 50 cents per share was approved by the board of directors on 6 February 2008. This dividend payable is not reflected in these financial statements.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

	Land and buildings and surface properties R'000	Plant and equipment and rehabilitation asset R'000	Furniture and fittings R'000	Total R'000
14. PROPERTY, PLANT AND EQUIPMENT				
At 1 January 2006				
Cost	7 160	171 846	6 054	185 060
Accumulated depreciation	(660)	(96 804)	(5 303)	(102 767)
Net book amount	6 500	75 042	751	82 293
Year ended 31 December 2006				
Opening net book amount	6 500	75 042	751	82 293
Additions	7 675	89 367	1 506	98 548
Acquisition of subsidiaries	1 304	18 831	176	20 311
Disposals	–	(1 176)	(13)	(1 189)
Depreciation	(19)	(22 886)	(579)	(23 484)
Exchange differences	–	(41)	–	(41)
Closing net book amount	15 460	159 137	1 841	176 438
At 31 December 2006				
Cost	16 995	295 330	7 951	320 276
Accumulated depreciation	(1 535)	(136 193)	(6 110)	(143 838)
Net book amount	15 460	159 137	1 841	176 438
Year ended 31 December 2007				
Opening net book amount	15 460	159 137	1 841	176 438
Additions	26 436	257 979	3 376	287 791
Acquisition of subsidiaries	–	121 990	183	122 173
Disposals	(1)	(23 355)	(85)	(23 441)
Depreciation	(57)	(69 887)	(1 602)	(71 546)
Exchange differences	–	(2 394)	–	(2 394)
Closing net book amount	41 838	443 470	3 713	489 021
At 31 December 2007				
Cost	43 426	686 259	11 184	740 869
Accumulated depreciation	(1 588)	(242 789)	(7 471)	(251 848)
Net book amount	41 838	443 470	3 713	489 021
Book value of plant and equipment subject to instalment sale agreements and loan agreements (refer note 25) are:			2007 R'000	2006 R'0000
Instalment sale agreements			261 599	70 533
Cost			317 012	87 554
Accumulated depreciation			(55 413)	(17 021)
Banking loan			25 125	14 491
Cost			28 990	48 719
Accumulated depreciation			(3 865)	(34 228)
Total			286 724	85 024

A full register of the group's land and buildings is available for inspection at the registered office.

Assets-under-construction, included in plant and equipment, amount to R0,8 million (2006: R4,4 million).

	Goodwill R'000	Contract based intangibles R'000	Total R'000
15. INTANGIBLE ASSETS			
Year ended 31 December 2006			
Opening net book amount	–	–	–
Acquisition of subsidiaries	9 742	1 437	11 179
Amortisation charge	–	(735)	(735)
Closing net book amount	9 742	702	10 444
At 31 December 2006			
Cost	9 742	1 437	11 179
Accumulated amortisation	–	(735)	(735)
Net book amount	9 742	702	10 444
Year ended 31 December 2007			
Opening net book amount	9 742	702	10 444
Acquisition of subsidiaries	31 510	–	31 510
Amortisation charge	–	(468)	(468)
Closing net book amount	41 252	234	41 486
At 31 December 2007			
Cost	41 252	1 437	42 689
Accumulated amortisation	–	(1 203)	(1 203)
Net book amount	41 252	234	41 486

The goodwill in the current year relates to the acquisition of the Blasting and Excavating group and is attributable to the workforce of the acquired business and the significant synergies that are expected to arise in the future (refer note 40).

The goodwill in the prior year relates to the acquisition of Spray Pave (Pty) Limited and Stone and Allied Industries Limited and is attributable to the workforce of the acquired businesses and the significant synergies that are expected to arise in the future.

The goodwill is considered to have an indefinite life. At year end the carrying amount of goodwill is tested for impairment and any subsequent losses are taken to the income statement.

The contract-based intangible asset arose on the acquisition of two subsidiaries. The asset has been determined to have a finite life based on the longest contract in each of the two companies. It is being amortised over a maximum period of 30 months, of which six months are remaining.

The amortisation charge has been included in 'Admin and other operating overheads' in the income statement (refer note 9).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

	2007 R'000	2006 R'000
16. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES		
Shares at cost	1	–
Attributable post-acquisition net accumulated profit	–	–
Advances made to jointly controlled entities	19 480	–
	19 481	–
Less: Current portion transferred to current assets	(11 200)	–
Total non-current investment in jointly controlled entities	8 281	–
<i>Reconciliation of opening and closing balances</i>		
At the beginning of the year	–	–
Acquisition of jointly controlled entity	1	–
Share of profits for the year after tax	–	–
Gross amount	–	–
Taxation	–	–
Advances made to jointly controlled entities	19 480	–
Balance at the end of the year	19 481	–

During the year, the group acquired a 50% interest in Sugar Creek Trading 101 (Pty) Limited. The company is a joint venture with the Old Mutual Investment Group for the purposes of a residential property development in the Doornkuil area, south of Johannesburg.

The following information relates to the company's direct and indirect interest in jointly controlled entities including the group's net investment in the jointly controlled entities:

Sugar Creek Trading 101 (Pty) Limited	19 481	–
Number of shares held: 50 (2006: 0)		
Proportion owned: 50% (2006: 0%)		
Nature of business: Property development		
	19 481	–

The current portion of the loan to Sugar Creek Trading 101 (Pty) Limited bears interest at Jibar plus 3%, is unsecured and has no fixed terms of repayment.

The directors value the unlisted investment in jointly controlled entities at R19 480 761 (2006: RNil). This approximates its fair value.

Refer to note 37 for further details regarding the investments in jointly controlled entities.

	2007 R'000	2006 R'000
17. INVESTMENTS IN ASSOCIATES		
Shares at cost	14 066	66
Attributable post-acquisition net accumulated profit	15	–
Advances made to associates	7 500	–
Balance at the end of the year	21 581	66
<i>Reconciliation of opening and closing balances</i>		
At the beginning of the year	66	428
Acquisition of associate	14 000	66
Share of profits for the year after tax	15	–
Gross amount	15	–
Taxation	–	–
Advances made to/(recovered from) associates	7 500	(1 689)
Associates reclassified as subsidiaries	–	1 261
Balance at the end of the year	21 581	66
The following information relates to the company's direct and indirect interest in associate companies including the group's net investment in the associate:		
Mmila Projects (Pty) Limited	81	66
Number of shares held by Spray Pave (Pty) Limited: 30 (2006: 30)		
Proportion owned by Spray Pave (Pty) Limited: 30% (2006: 30%)		
Nature of business: Distributor and sprayer of bituminous and tar products		
Sunset Bay Trading 282 (Pty) Limited	21 500	–
Number of shares held: 333 (2006: 0)		
Proportion owned: 33,3% (2006: 0%)		
Nature of business: Property development		
During the year, the group acquired a 33,33% interest in Sunset Bay Trading 282 (Pty) Limited. The company is currently developing the St Micheil's golf estate, outside Dullstroom.		
	21 581	66
The loan to Sunset Bay Trading 282 (Pty) Limited is interest free, unsecured and has no fixed terms of repayment. The directors value the unlisted investment in associates at R21 581 305 (2006: R65 947). This approximates its fair value. Refer to note 38 for further details regarding the investments in associates.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

	2007	2006
	R'000	R'000
18. DEFERRED TAXATION		
Deferred taxation is calculated on all temporary differences under the liability method using a principal tax rate of the fiscal authority as indicated below:		
Botswana: 25% (2006: 25%)		
Namibia: 35% (2006: 35%)		
South Africa: 29% (2006: 29%)		
Zambia: 35% (2006: 35%)		
The movement on the deferred taxation account is:		
Balance at the beginning of the year	24 434	21 305
Movements during the year attributable to:		
Acquisition of subsidiaries	(11 807)	1 069
Temporary differences	(1 360)	2 060
Forex adjustment	59	–
Balance at the end of the year	11 326	24 434

	Accelerated tax depreciation R'000	Provisions and accruals R'000	Assessed losses and other R'000	Total R'000
The movement in the group's deferred taxation asset during the year is:				
Balance as at 1 January 2006	(96)	9 878	12 760	22 542
Acquisition of subsidiaries	(554)	–	3 684	3 130
Credited/(charged) to the income statement	(4 066)	9 135	(3 332)	1 737
Balance as at 31 December 2006	(4 716)	19 013	13 112	27 409
Credited/(charged) to the income statement	1 805	5 105	(7 822)	(912)
Balance as at 31 December 2007	(2 911)	24 118	5 290	26 497
The movement in the group's deferred taxation liability during the year is:				
Balance as at 1 January 2006	(2 163)	–	926	(1 237)
Acquisition of subsidiaries	(3 436)	977	398	(2 061)
Credited/(charged) to the income statement	(623)	982	(36)	323
Balance as at 31 December 2006	(6 222)	1 959	1 288	(2 975)
Acquisition of subsidiaries	(12 619)	812	–	(11 807)
Credited/(charged) to the income statement	(5 275)	(408)	5 235	(448)
Forex adjustment	163	(8)	(96)	59
Balance as at 31 December 2007	(23 953)	2 355	6 427	(15 171)

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Deferred tax has not been provided on estimated assessed losses of subsidiary companies amounting to R55,2 million (2006: R41,9 million).

2007	2006
R'000	R'000

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Unlisted investments

At the beginning of the year	–	168
Impairment of investment during the year	–	(168)
At the end of the year	–	–

The following information relates to the group's interest in unlisted investments:

The group holds an industry-related investment in Binga Constuções Mozambique Limitada.

The details of the investment are:

Number of shares held: 490

Proportion owned: 49%

Nature of business: Civil engineering and building

The group does not exercise significant influence over the operational and financial activities of Binga Constuções Mozambique Limitada. The company has not traded since incorporation.

The directors value the unlisted investment at RNil (2006: RNil). This approximates its fair value.

Listed investments

At the end of the year	208	650
At the beginning of the year	650	2
Additions	–	200
Disposals	(446)	–
Acquisition of subsidiary	–	217
Mark-to-market adjustment through equity	4	231

The following information relates to the group's interest in listed investments:

The group disposed of its investment in Top Fix Holdings during the year. 200 000 shares in Top Fix Holdings Limited were purchased during the 2006 financial year. This investment represented less than 1% of the total issued share capital in Top Fix Holdings Limited.

The company is listed on the JSE Limited on the ALTX exchange.

The group holds an investment in Investec Limited, comprising 3 240 shares. This investment represents less than 1% of the total issued share capital in Investec Limited. The company is listed on the JSE Limited under the Investment Banks sector.

The carrying value of listed investments approximates their fair value.

208	650
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

	2007 R'000	2006 R'000
20. INVENTORIES		
Consumables	10 048	6 659
Finished goods	2 859	–
Spares	7 626	–
	20 533	6 659
21. CONTRACT AND TRADE DEBTORS		
Contract debtors	140 542	73 348
Contract debtors	142 830	77 398
Provision for impairment of contract debtors	(2 288)	(4 050)
Trade receivables	31 351	22 371
Trade receivables	32 305	23 875
Provision for impairment of trade receivables	(954)	(1 504)
Retention debtors	28 377	11 657
Work in progress	42 940	12 693
Costs incurred to date	669 790	411 912
Profit recognised to date	24 520	3 958
Progress payments received and receivable	(651 370)	(403 177)
	243 210	120 069

The trade receivables of Stone and Allied Industries Limited, amounting to R9,5 million (2006: R5.7 million), have been ceded as security for bank guarantees issued, currently totalling R3,1 million (2006: R3,1 million) (refer note 32).

The trade receivables of Spray Pave (Pty) Limited, amounting to R16,3 million (2006: R12,6 million), have been ceded as security for the bank overdraft facility in place, currently totalling R0,9 million (2006: R4,1 million) (refer note 23).

21. CONTRACT AND TRADE DEBTORS (continued)

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

	Fully performing R'000	Past due R'000	Impaired R'000	Total R'000
31 December 2007				
Contract debtors				
Government	30 626	427	–	31 053
Multinational mining companies	21 409	–	–	21 409
Listed companies	27 518	166	–	27 684
Unlisted companies	50 469	9 927	2 288	62 684
Individuals	–	–	–	–
	130 022	10 520	2 288	142 830

The age analysis for contract debtors balances that are considered past due is:

	0–3 months	3–6 months	6–12 months	Total
Past due balances	6 432	3 114	974	10 520

No security is held against these balances.

	Fully performing R'000	Past due R'000	Impaired R'000	Total R'000
Trade receivables				
Government	5 939	1 925	–	7 864
Multinational mining companies	1 070	898	148	2 116
Listed companies	626	646	–	1 272
Unlisted companies	9 739	10 463	805	21 007
Individuals	45	–	1	46
	17 419	13 932	954	32 305

The age analysis for trade receivables balances that are considered past due is:

	0–3 months	3–6 months	6–12 months	Total
Past due balances	12 096	1 836	–	13 932

An amount of R6,9 million is guaranteed via credit guarantee insurance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

21. CONTRACT AND TRADE DEBTORS (continued)

	Fully performing R'000	Past due R'000	Impaired R'000	Total R'000
Retention debtors				
Government	28 060	–	–	28 060
Multinational mining companies	–	–	–	–
Listed companies	47	–	–	47
Unlisted companies	270	–	–	270
Individuals	–	–	–	–
	28 377	–	–	28 377

31 December 2006

Contract debtors

Government	36 298	–	–	36 298
Multinational mining companies	25 463	–	–	25 463
Listed companies	458	–	952	1 410
Unlisted companies	9 470	1 659	3 098	14 227
Individuals	–	–	–	–
	71 689	1 659	4 050	77 398

The age analysis for contract debtors balances that are considered past due is:

	0–3 months	3–6 months	6–12 months	Total
Past due balances	176	1 483	–	1 659

	Fully performing R'000	Past due R'000	Impaired R'000	Total R'000
Trade receivables				
Government	5 974	1 095	–	7 069
Multinational mining companies	817	82	–	899
Listed companies	–	–	–	–
Unlisted companies	8 809	5 560	1 504	15 873
Individuals	34	–	–	34
	15 634	6 737	1 504	23 875

21. CONTRACT AND TRADE DEBTORS (continued)

The age analysis for trade receivables balances that are considered past due is:

	0 – 3 months	3 – 6 months	6 – 12 months	Total
Past due balances	5 784	953	–	6 737
	Fully performing R'000	Past due R'000	Impaired R'000	Total R'000
Retention debtors				
Government	11 621	–	–	11 621
Multinational mining companies	–	–	–	–
Listed companies	–	–	–	–
Unlisted companies	36	–	–	36
Individuals	–	–	–	–
	11 657	–	–	11 657

The carrying amounts of the group's contract and trade debtors are denominated in the following currencies:

	2007 R'000	2006 R'000
South African rand	218 888	103 201
US dollar	10 560	16 868
Botswana pula	13 762	–
	243 210	120 069

Movements on the group provision for impairment of contract and trade debtors are:

At the beginning of the year	5 554	3 362
Acquisition of subsidiaries	371	1 017
Provision for contract debtors impairment	1 917	2 440
Provision for trade receivables impairment	659	487
Receivables written off during the year as uncollectible	(1 455)	–
Unused amounts reversed	(3 804)	(1 752)
	3 242	5 554

The creation and release of provision for impaired contract debtors and trade receivables have been included in "Contracting and other costs" in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering amounts due.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

	2007	2006
	R'000	R'000
22. RECEIVABLES AND PREPAYMENTS		
Prepayments	10 812	9 834
Other receivables	9 500	7 789
	20 312	17 623
23. CASH AND CASH EQUIVALENTS		
Bank balances	436 476	270 062
Cash on hand	651	456
	437 127	270 518
Bank overdraft	(2 356)	(4 081)
	434 771	266 437

The bank overdraft of Spray Pave (Pty) Limited is secured by a cession over trade receivables (refer note 21).

24. STATED CAPITAL

Authorised

Ordinary shares

100 000 000 ordinary no par value shares (2006: 76 000 000)

	Number of shares	No par value ordinary shares R'000	Treasury shares R'000	Total R'000
Issued				
Ordinary shares				
Year ended 31 December 2006				
At the beginning of the year	55 304 163	58 894	(344)	58 550
Issued to Basil Read Share Incentive Scheme	419 545	587	–	587
Issued in terms of the clawback offer – net of costs	15 111 777	105 562	–	105 562
Less: shares held as treasury stock	(115 497)	–	(162)	(162)
At the end of the year	70 719 988	165 043	(506)	164 537
Year ended 31 December 2007				
At the beginning of the year	70 719 988	165 043	(506)	164 537
Issued to Basil Read Share Incentive Scheme	2 058 600	14 983	–	14 983
Issued in private placement – net of costs	2 500 000	54 000	–	54 000
Add: previously held as treasury stock	309 837	–	434	434
At the end of the year	75 588 425	234 026	(72)	233 954

The directors are authorised, by resolution of the shareholders and until the forthcoming annual general meeting, to dispose of the unissued shares for any purpose.

	2007 R'000	2006 R'000
25. INTEREST BEARING BORROWINGS		
Instalment sale agreements		
Total amount outstanding	218 454	67 501
<p>The instalment sale agreements for plant and equipment bear interest between the prime overdraft rate and prime less 2% per annum and are repayable in monthly instalments of between R2 295 and R689 239 over a period of between one and five years.</p> <p>The agreements are secured by plant and equipment with a book value of R261 599 390 (2006: R70 532 606). Refer to note 14 for further details.</p>		
Banking loan		
Total amount outstanding	25 609	15 477
Banking loan	25 609	11 997
Interest rate swap	-	3 480
<p>A banking loan was entered into in the year under review, in terms of which interest is charged at the Botswanan prime overdraft rate less 3% and is repayable in monthly instalments of BWP975 073. The final instalment is due in February 2010.</p> <p>A swap agreement was concluded in 2005 in terms of which interest was charged at 7.2% in US dollar terms and was repayable in monthly instalments of \$192 250. The final payment was made in October 2007.</p> <p>The original banking loan bore interest at the Botswanan prime overdraft rate less 1,75% per annum and was repayable in monthly instalments of BWP833 333. The final payment was made in October 2007.</p> <p>A second banking loan, originated in 2005, is for a nominal amount of US\$553 846 at a rate of 6%. The term of the loan is 36 months, with the final payment being made in August 2008.</p> <p>The facilities are secured by plant and equipment with a book value of R25 124 801 (2006: R14 491 730). Refer to note 14 for further details.</p>		
	244 063	82 978
Less: Current portion transferred to current liabilities	(94 620)	(32 996)
Instalment sale agreements	(83 528)	(18 457)
Banking loan	(11 092)	(14 539)
Total non-current interest bearing borrowings	149 443	49 982
The present value of future minimum payments on instalment sale agreements is:		
Due within the next 12 months	83 528	18 457
Due between 1 and 5 years	134 926	49 044
Thereafter	-	-
	218 454	67 501

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

	2007	2006
	R'000	R'000
25. INTEREST BEARING BORROWINGS (continued)		
The present value of future minimum payments on banking loans is:		
Due within the next 12 months	11 092	14 539
Due between 1 and 3 years	14 517	938
Thereafter	–	–
	25 609	15 477
The fair value of interest bearing borrowings is:		
Instalment sale agreements	218 454	67 501
Banking loans	25 609	15 477
	244 063	82 978
The carrying amounts of interest bearing borrowings are denominated in the following currencies:		
South African rand	176 615	65 936
Botswana pula	62 226	14 870
US dollar	5 222	2 172
	244 063	82 978
The group has R110 million undrawn borrowing facilities at the end of the year. These facilities are annual facilities and are subject to review at various dates during 2008.		
26. OTHER BORROWINGS		
Deferred payment: Blasting and Excavating group	21 432	–
Deferred payment: Sunset Bay Trading 282 (Pty) Limited	14 000	–
Total amount outstanding	35 432	–
Less: Current portion transferred to current liabilities	(8 000)	–
Total non-current other borrowings	27 432	–
The carrying amounts of other borrowings are denominated in the following currencies:		
South African rand	35 432	–
The deferred payment for the Blasting and Excavating group is payable annually in three equal instalments of R9 million. The loan is interest free. The amount disclosed above is the fair value of these instalments using a discount rate of 12,5% per annum.		
The deferred payment for Sunset Bay Trading 282 (Pty) Limited is payable at the discretion of Sunset Bay's shareholders, after a minimum period of four years. The loan is interest free.		

	2007 R'000	2006 R'000
27. PROVISIONS FOR OTHER LIABILITIES AND CHARGES		
Non-current provisions		
Environmental rehabilitation provisions		
Balance at the beginning of the year	2 818	–
Acquisition of subsidiaries	–	2 562
Additional provision due to establishment of site	296	103
Rehabilitation costs incurred	38	–
Inflation charge	341	153
Balance at the end of the year – non-current provisions	3 493	2 818
Environmental rehabilitation provisions relate to end-of-site restoration costs. The following key assumptions were used when calculating the provision:		
Inflation rate: 4,1% – 5,5%		
Discount rate: between 10,75% and 12,5% depending on the expected life of the site.		
Current provisions		
Employee provisions		
Balance at the beginning of the year	21 067	1 833
Acquisition of subsidiaries	4 097	864
Provisions created	40 616	32 031
Provisions utilised	(31 737)	(13 661)
Balance at the end of the year	34 043	21 067
Employee provisions consist mainly of employee incentives.		
Contract provisions		
Balance at the beginning of the year	31 464	22 561
Provisions created	38 345	16 717
Provisions reversed	(5 109)	–
Provisions utilised	(13 034)	(7 814)
Balance at the end of the year	51 666	31 464
Contract provisions consist mainly of provision for losses to end-of-site, and provision for end-of-site, maintenance period.		
Balance at the end of the year – current provisions	85 709	52 531

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

	2007 R'000	2006 R'000
28. TRADE AND OTHER PAYABLES		
Trade creditors and accruals	445 476	190 501
Shareholders for dividend	236	229
Advance payments received for contract work	87 410	91 114
	533 122	281 844
29. CASH GENERATED BY OPERATING ACTIVITIES		
Operating profit	170 335	53 750
Adjustment for non-cash items:	91 488	19 026
Depreciation	71 546	23 484
Share-based payment	20 072	–
Impairment loss	–	168
Profit on sale of property, plant and equipment	(352)	(579)
Fair value adjustment – investment properties	–	(2 000)
Profit on sale of available-for-sale financial asset	(246)	–
Amortisation of intangible asset	468	735
Unrealised portion of interest rate swap	–	(2 782)
Operating cash flow	261 823	72 776
Movements in working capital:	141 131	70 533
Inventories	(3 557)	(1 454)
Contract and trade debtors	(72 616)	(48 142)
Receivables and prepayments	(2 028)	16 664
Trade and other payables	187 255	75 506
Provisions for other liabilities and charges	29 756	28 393
Foreign currency translation differences	2 321	(434)
Cash generated by operating activities	402 954	143 309

Excluded from the cash flow statement are additions to fixed assets amounting to R184,6 million (2006: R62,9 million) which were funded by instalment sale agreements.

	2007 R'000	2006 R'000
30. DIVIDENDS PAID		
Dividends due at the beginning of the year	(229)	(229)
Dividends declared per the statement of changes in equity	(21 927)	(75)
Dividends due at the end of the year	236	229
Dividends paid	(21 920)	(75)
31. TAXATION PAID		
Net taxation due at the beginning of the year	(3 186)	(4 974)
Normal and STC taxation charged to the income statement	(45 318)	(4 329)
Acquisition of subsidiaries	(704)	(304)
Net taxation due at the end of the year	42 187	3 186
Taxation paid	(7 021)	(6 421)
32. GUARANTEES AND CONTINGENT LIABILITIES		
The group has the following guarantees and suretyships outstanding at the year end:		
Payment guarantees	15 980	21 980
Performance and construction guarantees	493 799	202 445
Bond retention guarantees	67 026	41 089
Bid and other bonds	55 312	54 562
	632 117	320 076

The bank guarantees of Stone and Allied Industries Limited are secured by a cession over trade receivables. Total issued bank guarantees at year end amounted to R3,1 million. Refer note 21.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

	2007 R'000	2006 R'000
33. CAPITAL AND OPERATING LEASE COMMITMENTS		
Capital expenditure contracted for at the balance sheet date	41 377	63 809
The above capital expenditure will be financed from funds generated from operations and borrowings.		
Operating lease commitments contracted for at the balance sheet date:		
Due within the next 12 months	2 916	1 004
Due between 1 and 2 years	918	909
Thereafter	71	793
	3 905	2 706
The operating leases for office equipment are payable in monthly instalments of between R2 870 and R72 787, escalating annually by 5% and 9% respectively, over a period of between two and three years.		
The operating leases for office space are payable in monthly instalments of between R12 957 and R80 000. The longest lease expires in January 2009.		

34. EMPLOYEE BENEFITS

a) Staff costs	367 298	194 969
Salaries and wages	314 681	178 971
Share-based payment	20 072	–
Pension costs – defined contribution plans	21 020	11 411
Pension costs – defined benefit plan	132	224
Social security costs	11 393	4 363
Segment employees analysis	Number	Number
Number of employees employed by the group: Geographical	3 103	2 193
Local	2 603	1 953
International	500	240

b) Defined contribution and defined benefit plan

The Basil Read Group Pension Fund, the Basil Read Group Provident Fund and the Construction Industry Retirement Benefit Plan covers permanent employees of the group and its subsidiary companies. The Pension Fund is a defined benefit plan while the Provident Fund and Construction Industry Retirement Benefit Plan are both defined contribution plans. All three funds are registered under the Pension Funds Act of 1965 as privately administered funds.

The Basil Read Group Pension Fund was actuarially valued on 30 September 2007. The surplus apportionment, as required by the Pension Funds Second Amendment Act 2001, was approved by the Financial Services Board during January 2007.

R'000

34. EMPLOYEE BENEFITS (continued)

Present value of funded obligations	(62 730)
Fair value of plan assets	68 939
Surplus	6 209

The principal actuarial assumptions used for valuation purposes were:

Discount rate	8,50%
Expected return on assets	6,75%
Future salary increases	6,50%
Future pension increases	3,33%

The group has not recognised any portion of the pension fund surplus in its balance sheet.

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.

R'000

Reconciliation of present value of funded obligations

Balance at the beginning of the year	34 510
Service cost	32
Member contributions	26
Interest cost	2 524
Actuarial loss	42 445
Benefits paid	(16 827)
Risk premiums	(27)
Curtailment loss	47
Balance at the end of the year	62 730

Reconciliation of fair value of plan assets

Balance at the beginning of the year	60 430
Expected return on assets	3 759
Contributions	85
Risk premiums	(27)
Benefits paid	(16 827)
Actuarial gain	21 519
Balance at the end of the year	68 939

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

34. EMPLOYEE BENEFITS (continued)

c) Company contribution

The company, on the advice of the actuary, determines the company contribution rate in respect of the Basil Read Group Pension Fund.

d) Medical Aid

The company continuously reviews its contribution and benefit structures in its various medical aid schemes to ensure that these are well positioned against steeply rising healthcare costs. The group has no current exposure to post-retirement medical aid costs.

e) Share incentive scheme

In terms of the Basil Read Share Incentive Scheme, the group's share incentive trust holds the right to issue options to directors and qualifying employees. The exercise price of the granted options is equal to the market price of the shares less a maximum discount of 10%. Options are conditional on the employee being in the service of the group on the vesting date. The group has no legal or constructive obligation to repurchase or settle the options in cash.

First grant

In terms of the first issue of share options, the group's share incentive trust holds the right to issue shares to employees who exercised this option in September 2002. The qualifying employees are able to acquire such shares at a price of R1,40 per share when the group issues these shares at the vesting periods indicated below. The scheme is administered through the Basil Read Share Trust. The fair value of these unissued shares amounted to R1 697 595 (2006: R4 552 767) based on the group's year end share price.

	Number 2007 '000	Number 2006 '000
The movement in the rights to acquire Basil Read shares in terms of the first grant is:		
Rights outstanding at the beginning of the year	361	717
Rights exercised during the year	(309)	(300)
Lapsed during the year due to resignations	(1)	(56)
Rights outstanding at the end of the year	51	361
The maturity date and maximum amount of shares that can be purchased are limited to the following vesting periods:		
September 2005	8	94
September 2006	2	68
September 2007	41	199
	51	361

34. EMPLOYEE BENEFITS (continued)

Second grant

In terms of the second issue of share options, the group's share incentive trust issued shares to employees who exercised the options offered to them in March 2007. The qualifying employees were able to acquire such shares at an average exercise price of R7,28, being a strike price of R4,83 and a bonus foregone of R2,45. The shares vested immediately. To ensure that as many employees as possible could participate, finance was arranged with an external financial institution which gave employees three years to pay for their shares. A total of 2 058 600 shares was issued to staff in terms of this offer.

Third grant

In terms of the third issue of share options, the group's share incentive trust holds the right to issue shares to employees who exercised this option in November 2007. The qualifying employees are able to acquire such shares at a price of R13,95 per share when the group issues these shares at the vesting periods indicated below. The scheme is administered through the Basil Read Share Trust. The fair value of these unissued shares amounted to R74 250 000 (2006: RNil) based on the group's year end share price.

	Number 2007 '000	Number 2006 '000
Rights outstanding at the beginning of the year	–	–
Rights issued during the year	2 250	–
Lapsed during the year due to resignations	–	–
Rights outstanding at the end of the year	2 250	–
The maturity date and maximum amount of shares that can be purchased are limited to the following vesting periods:		
November 2008 (50%)	1 124	–
November 2009 (25%)	563	–
November 2010 (25%)	563	–
	2 250	–

The weighted average fair value of options granted during the period determined using the European Binomial valuation model was R21,52 per option. The significant inputs into the model are disclosed below.

The inputs to the model for options granted during the year were:

– exercise price	R13,95
– expected volatility (based on a statistical analysis of the share price on a weighted moving average basis for the expected term of the option)	57,29%
– expected term (years)	1 – 3
– expected dividend yield	1,4%
– risk free interest rate	9,80%
– weighted average fair value of an option	R21,52

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

35. SEGMENT REPORT

The group classifies its primary activities into five distinct operating areas, namely civil engineering and roads, mining, buildings, developments and plant and head office.

Business segmentation

	Roads and civil engineering R'000	Mining R'000	Buildings R'000	Develop- ments R'000	Plant and head office R'000	Intersegment revenue R'000	Total R'000
2007							
Revenue	1 072 961	543 121	400 785	60 429	–	(66 737)*	2 010 559
Operating profit	98 381	48 399	13 241	10 314	–	–	170 335
Total assets	–	–	–	–	1 319 756	–	1 319 756
Total liabilities	–	–	–	–	961 833	–	961 833
Capital expenditure	–	–	–	–	287 791	–	287 791
Depreciation	–	–	–	–	71 546	–	71 546
2006							
Revenue	693 110	274 666	180 757	82 588	–	(68 923)*	1 162 198
Operating profit	39 677	5 085	4 977	4 011	–	–	53 750
Total assets	–	–	–	–	630 948	–	630 948
Total liabilities	–	–	–	–	431 485	–	431 485
Capital expenditure	–	–	–	–	98 548	–	98 548
Depreciation	–	–	–	–	23 484	–	23 484

Geographical segmentation

	Local R'000	International R'000	Intersegment revenue R'000	Total R'000
2007				
Revenue	1 697 204	380 092	(66 737)*	2 010 559
Operating profit	146 737	23 598	–	170 335
Total assets	1 121 558	198 198	–	1 319 756
Capital expenditure	166 433	121 358	–	287 791
2006				
Revenue	1 040 166	190 955	(68 923)*	1 162 198
Operating profit	40 786	12 964	–	53 750
Total assets	515 227	115 721	–	630 948
Capital expenditure	65 630	32 918	–	98 548

Segment assets and liabilities are not allocated to operating divisions as the group operates under a centralised working capital structure.

* Intersegment revenue is charged at market rates prevailing at the time of the transaction.

36. RELATED PARTY TRANSACTIONS

The following transactions have been entered into with related parties during the year:

Costs incurred by the group:

Nature of relationship/Amounts paid to	Nature of transaction	2007 R'000	2006 R'000
Shareholders			
Amabubesi Investments (Pty) Limited	Directors' fees	445	775
Vuwa Investments (Pty) Limited	Directors' fees	585	312
Directors			
Amounts paid to other non-executive directors	Directors' fees	465	258
Management			
Amounts paid to key management	Remuneration and incentives	30 814	13 064
Amounts paid to key management	Share-based payment	11 289	–
Associate companies and joint ventures			
Sunset Bay Trading 282 (Pty) Limited	Loan*	7 500	–
Sugar Creek Trading 101 (Pty) Limited	Loan*	19 480	–

*Refer notes 16 and 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

	2007 R'000	2006 R'000
37. INVESTMENT IN JOINT VENTURES		
Jointly controlled operations		
The group's aggregate proportionate share of jointly controlled operations:		
Assets		
Non-current assets	11 472	–
Current assets	85 153	34 604
	96 625	34 604
Equity and liabilities		
Reserves	3 722	(15 641)
Current liabilities	92 903	50 245
	96 625	34 604
Income statement		
Revenue	406 218	129 300
Cost	(376 482)	(140 186)
Net profit/(loss) for the year	29 736	(10 886)
Jointly controlled entities		
The group's proportionate share of jointly controlled entities:		
Assets		
Non-current assets	41 166	–
Current assets	5 637	–
	46 803	–
Equity and liabilities		
Reserves	–	–
Non-current liabilities	46 803	–
	46 803	–
Income statement		
Revenue	–	–
Cost	–	–
Net profit for the year	–	–
38. ASSOCIATES		
The group's proportionate share of associates:		
Assets		
Non-current assets	5 425	12
Current assets	1 241	696
	6 666	708
Equity and liabilities		
Reserves	81	66
Non-current liabilities	5 959	–
Current liabilities	626	642
	6 666	708
Income statement		
Revenue	3 783	6 092
Cost	(3 768)	(6 092)
Net profit for the year	15	–

39. SCHEDULE OF GROUP COMPANIES

The following information relates to the group's financial interest in direct and indirect investments that are material to the group.

	Currency	Issued ordinary share capital	Proportion held 2007 %	2006 %
Subsidiaries				
African Road Maintenance and Construction (Pty) Limited	R	1	100	100
Basil Read (Pty) Ltd	R	200	100	100
Basil Read Botswana (Pty) Limited (incorporated in Botswana)	P	2	100	100
Basil Read Civils Namibia (Pty) Limited (incorporated in Namibia)	N\$	10	100	100
Basil Read Contracting (Pty) Ltd	R	20 000	100	100
Basil Read Homes (Pty) Limited	R	2	100	100
Basil Read International (Pty) Limited	R	100	100	100
Basil Read Mozambique Limitada (incorporated in Mozambique)	MT	1 500 000	100	100
Basil Read Properties No. 2 (Pty) Limited	R	389 000	100	100
Basil Read Zambia Limited (incorporated in Zambia)	K	5 000	100	100
Basil Read Zimbabwe (Pvt) Limited (incorporated in Zimbabwe)	Z\$	2 000	100	100
Blasting & Excavating Africa (Pty) Limited	R	200	100	–
Blasting & Excavating Lesotho (Pty) Limited	R	200	100	–
Blasting & Excavating Management Services (Pty) Limited	R	100	100	–
Blasting & Excavating Namibia (Pty) Limited (incorporated in Namibia)	N\$	200	100	–
Blasting & Excavating (Pty) Limited	R	100	100	–
BR-Tsima Construction (Pty) Ltd	R	100	51	51
Basil Read Mining (Pty) Limited (formerly BR-Ijima Construction (Pty) Ltd)	R	100	100	100
BRM Services Limited (incorporated in Mauritius)	US\$	100	100	100
Central Plaza Investments (Pty) Limited	R	100	100	–
City Square Trading 949 (Pty) Limited	R	100	100	–
Codevco (Pty) Limited	R	1	100	50
Newport Construction (Pty) Limited	R	100	51	51
Siyevuye Mining (Pty) Limited	R	100	49	–
Spray Pave (Pty) Limited	R	200	100	61
Stone and Allied Industries Limited	R	250	100	60.8
Swaziland Construction Company (Pty) Limited (incorporated in Swaziland)	E	2	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

	Currency	Issued Ordinary Share Capital	Proportion held	
			2007 %	2006 %
39. SCHEDULE OF GROUP COMPANIES (continued)				
Jointly controlled entities				
Sugar Creek Trading 101 (Pty) Limited	R	100	50	–
Jointly controlled operations				
Basil Read Bothakga Burrow joint venture	P	n/a	70	70
Basil Read Intrafor joint venture	R	n/a	51	–
Basil Read joint venture	R	n/a	60	–
Basil Read Lutamo joint venture	R	n/a	70	–
Basil Read Newport joint venture	R	n/a	75,5	75,5
Basil Read Quinisa joint venture	R	n/a	50	50
Basil Read Sivukile joint venture	R	n/a	70	70
BRSB joint venture	R	n/a	70	70
Mbombela Stadium joint venture	R	n/a	40	–
Associates				
Mmila Projects (Pty) Limited	R	100	30	30
Protea Parkway Concession (Pty) Limited	R	100	25	25
SBB Mozambique Limitada	MT	10 000 000	30	30
Sunset Bay Trading 282 (Pty) Limited	R	1000	33,3	–

The holding company's interest in the aggregate net profits earned by subsidiaries amounted to R117,8 million for the year (2006: R54,1 million).

40. BUSINESS COMBINATIONS

Blasting and Excavating group

On 1 July 2007, the group acquired 100% of the share capital of the Blasting and Excavating group. Blasting and Excavating's core business is the provision of specialised drill and blast services for clients, including mines, construction contractors and commercial quarries. The acquired business contributed revenues of R163,0 million and net profit of R29,6 million. If the acquisition had been effective from 1 January 2007, the acquired business would have contributed revenues of R273,8 million and net profit of R36,8 million. These amounts have been calculated using the group's accounting policies.

Details of net assets acquired and goodwill are:

	R'000
Purchase consideration:	
– cash paid	70 000
– liability raised	21 432
Total purchase consideration	91 432
Fair value of net assets acquired	(59 922)
Goodwill	31 510

The goodwill is attributable to the workforce of the acquired business and the significant synergies expected to arise following the acquisition of the Blasting and Excavating group.

The total purchase consideration of R97 million is payable in four instalments. The first instalment of R70 million was paid on 1 July 2007. The remaining R27 million is payable equally over three years on each anniversary date. The last instalment is payable on 1 July 2010. The R27 million deferred payment is interest free and therefore has been discounted at 12,5% per annum to reflect fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

40. BUSINESS COMBINATIONS (continued)

The assets and liabilities as of 1 July 2007 arising from the acquisition are:

	Fair value R'000	Acquiree's carrying amount R'000
Cash and cash equivalents	15 661	15 661
Property, plant and equipment (refer note 14)	122 173	122 173
Inventory	10 317	10 317
Contract debtors and retentions	55 460	55 460
Receivables and prepayments	661	661
Interest bearing borrowings	(60 913)	(60 913)
Deferred income tax liabilities	(11 807)	(11 807)
Trade and other payables	(66 829)	(66 829)
Provisions for other liabilities and charges	(4 097)	(4 097)
Taxation payable	(704)	(704)
Net assets	59 922	59 922
Purchase consideration settled in cash		70 000
Cash and cash equivalents in subsidiary acquired		(15 661)
Cash outflow on acquisition		54 339

40. BUSINESS COMBINATIONS (continued)**Spray Pave (Pty) Limited**

On 1 January 2007, the group acquired a further 10% of the share capital of Spray Pave (Pty) Limited, thereby giving the group an effective 71% interest in the company.

	R'000
Carrying value of minority share acquired*	–
Purchase price paid	800
Premium paid on transactions with minorities	800

On 1 July 2007, the group acquired the remaining 29% of the share capital of Spray Pave (Pty) Limited, thereby giving the group an effective 100% interest in the company.

Carrying value of minority share acquired*	–
Purchase price paid	3 500
Premium paid on transactions with minorities	3 500

Stone and Allied Industries Limited

On 1 July 2007, the group acquired the remaining 39,2% of the share capital of Stone and Allied Industries Limited, thereby giving the group an effective 100% interest in the company.

Carrying value of minority share acquired	3 957
Purchase price paid	4 627
Premium paid on transactions with minorities	670

Codevco (Pty) Limited

On 1 November 2007, the group acquired the remaining 50% of the share capital of Codevco (Pty) Limited, thereby giving the group 100% of the company. Codevco (Pty) Limited is a property development company, currently responsible for the development of the Cosmo City project.

Carrying value of minority share acquired	2 439
Purchase price paid	20 000
Premium paid on transactions with minorities	17 561

*Losses not allocated to minorities.

COMPANY INCOME STATEMENT

for the year ended 31 December 2007

	Notes	2007 R'000	2006 R'000
Revenue		–	–
Contracting revenue		–	–
Other		–	–
Contracting and other costs		–	–
Gross profit		–	–
Admin and other operating overheads		–	–
Dividends received		22 001	–
Operating profit		22 001	–
Finance income	41	376	3 146
Finance costs	41	(376)	(3 146)
Profit before taxation		22 001	–
Taxation		(2 743)	–
Profit after taxation		19 258	–

COMPANY BALANCE SHEET

as at 31 December 2007

	Notes	2007 R'000	2006 R'000
ASSETS			
Non-current assets			
		252 813	104 942
Investments in subsidiaries	42	252 811	104 940
Available-for-sale financial assets	43	2	2
Current assets			
		115	61 600
Receivables and prepayments	44	–	219
Cash and cash equivalents	45	115	61 381
TOTAL ASSETS		252 928	166 542
EQUITY AND LIABILITIES			
Capital and reserves			
		252 642	166 271
Stated capital	46	234 026	165 043
Retained earnings		18 616	1 228
Current liabilities			
Trade and other payables	47	286	271
TOTAL EQUITY AND LIABILITIES		252 928	166 542

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2007

	Share capital R'000	Retained earnings R'000	Total R'000
Balance at 1 January 2006	58 894	1 228	60 122
Consideration received for the issue of shares to Basil Read Share Incentive Scheme	587	–	587
Consideration received for the issue of shares in terms of the clawback offer	109 560	–	109 560
Costs relating to the clawback offer	(3 998)	–	(3 998)
Profit for the year	–	–	–
Balance at 31 December 2006	165 043	1 228	166 271
Consideration received for the issue of shares to Basil Read Share Incentive Scheme	14 983	–	14 983
Share-based payment	–	20 072	20 072
Consideration received for the issue of shares in terms of private placement	55 000	–	55 000
Costs relating to the private placement	(1 000)	–	(1 000)
Profit for the year	–	19 258	19 258
Dividend paid	–	(21 942)	(21 942)
Balance at 31 December 2007	234 026	18 616	252 642

COMPANY CASH FLOW STATEMENT

for the year ended 31 December 2007

	Notes	2007 R'000	2006 R'000
CASH FLOW FROM OPERATING ACTIVITIES		(2 450)	(177)
Cash generated by/(utilised in) operating activities	48	22 228	(177)
Net finance costs		–	–
Dividends paid	49	(21 935)	–
Taxation paid	50	(2 743)	–
CASH FLOW FROM INVESTING ACTIVITIES			
Loans advanced to subsidiaries		(127 799)	(105 435)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		68 983	106 149
MOVEMENT IN CASH AND CASH EQUIVALENTS		(61 266)	537
CASH AND CASH EQUIVALENTS – AT THE BEGINNING OF THE YEAR		61 381	60 844
CASH AND CASH EQUIVALENTS – AT THE END OF THE YEAR	45	115	61 381

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2007

	2007	2006
	R'000	R'000
41. NET FINANCE COSTS		
Interest paid		
Bank loans and other borrowings	(376)	(3 146)
Interest received		
Bank	376	3 146
	-	-
42. INVESTMENTS IN SUBSIDIARIES		
Unlisted investments		
Shares at cost	20 073	1
Loans to subsidiaries	232 738	104 939
	252 811	104 940
Details of the group's investments in subsidiaries are:		
Basil Read (Pty) Limited	207 522	101 410
Shares at cost	20 073	1
Loans to subsidiary	187 449	101 409
Basil Read Contracting (Pty) Limited		
Loans to subsidiary	38 268	1 427
Basil Read Share Incentive Scheme		
Loans to trust	5 964	1 988
African Road Maintenance and Construction (Pty) Limited		
Loans to subsidiary	1 057	115
	252 811	104 940
At 31 December 2007, the net asset value of the group was R357.9 million and the market capitalisation was R2.5 billion, based on the group's year end share price.		
43. AVAILABLE-FOR-SALE FINANCIAL ASSETS		
Listed investments		
At the beginning and end of the year	2	2
The carrying value of listed investments approximates their fair value.		
44. RECEIVABLES AND PREPAYMENTS		
Other receivables	-	219
45. CASH AND CASH EQUIVALENTS		
Bank balances	115	61 381

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2007

	Number of shares	No par value ordinary shares R'000
46. STATED CAPITAL		
Authorised		
Ordinary shares		
100 000 000 ordinary no par value shares (2006: 76 000 000)		
Issued		
Ordinary shares		
Year ended 31 December 2006		
At the beginning of the year	55 550 000	58 894
Issued to Basil Read Share Incentive Scheme	419 545	587
Issued in terms of the clawback offer – nett of costs	15 111 777	105 562
At the end of the year	71 081 322	165 043
Year ended 31 December 2007		
At the beginning of the year	71 081 322	165 043
Issued to Basil Read Share Incentive Scheme	2 058 600	14 983
Issued in terms of the private placement – nett of costs	2 500 000	54 000
At the end of the year	75 639 922	234 026
The directors are authorised, by resolution of the shareholders and until the forthcoming annual general meeting, to dispose of the unissued shares for any purpose and upon such terms and conditions as they deem fit.		
	2007	2006
	R'000	R'000
47. TRADE AND OTHER PAYABLES		
Trade creditors and accruals	50	42
Shareholders for dividend	236	229
	286	271
The carrying value of trade and other payables approximates their fair value due to the short-term maturities of these balances.		

	2007	2006
	R'000	R'000
48. CASH GENERATED BY/(UTILISED IN) OPERATING ACTIVITIES		
Operating profit	22 001	–
Adjustment for non-cash items:	–	–
Operating cash flow	22 001	–
Movements in working capital:	227	(177)
Receivables and prepayments	219	(219)
Trade and other payables	8	42
Cash generated by/(utilised in) operating activities	22 228	(177)
49. DIVIDENDS PAID		
Dividends due at the beginning of the year	(229)	(229)
Dividends declared per the statement of changes in equity	(21 942)	–
Dividends due at the end of the year	236	229
Dividends paid	(21 935)	–
50. TAXATION PAID		
Taxation receivable at the beginning of the year	–	–
Normal and STC taxation charged to the income statement	(2 743)	–
Taxation due at the end of the year	–	–
Taxation paid	(2 743)	–
51. BORROWING POWERS		
The company has unlimited borrowing powers in terms of its articles of association.		
52. GUARANTEES AND CONTINGENT LIABILITIES		
The company has issued sureties for unlimited amounts in respect of amounts advanced to and sureties issued on behalf of subsidiary companies. It is not expected that any loss will arise out of the issue of these guarantees.		

ORDINARY SHAREHOLDERS' ANALYSIS

The following are the shareholders beneficially holding, directly or indirectly, in excess of 2% of the share capital:

	Number of shares held	% of shares held
Amabubesi Investments (Pty) Limited	13 775 041	18,21
Stanlib Asset Managers	10 639 980	14,07
BNP Paribas (Suisse) SA	5 000 000	6,61
Vuwa Investments (Pty) Ltd	2 783 210	3,68
Mquanda Trust	2 550 606	3,37
Investec	2 332 146	3,08
Citibank	1 872 261	2,48

DESCRIPTION OF SHAREHOLDERS

	Number of shareholders	% of shareholders	Number of shares held	% of shares held
Public shareholding				
Corporate entities/Nominees/Trusts/Individuals	3 802	99,89	56 451 281	74,63
Major Black Economic Empowerment Partner	1	0,03	2 550 606	3,37
	3 803	99,92	59 001 887	78,00
Non-public shareholding				
Share Incentive Scheme	1	0,03	79 784	0,11
Major Black Economic Empowerment Partners	2	0,05	16 558 251	21,89
	3	0,08	16 638 035	22,00
Total	3 806	100,00	75 639 922	100,00

SHAREHOLDER SPREAD

	Number of shareholders	% of shareholders	Number of shares held	% of shares held
1 – 1 000 shares	1 511	39,71	760 167	1,00
1 001 – 5 000 shares	1 457	38,28	3 649 414	4,82
5 001 – 10 000 shares	374	9,83	2 682 321	3,55
10 001 – 50 000 shares	329	8,64	6 938 763	9,17
50 001 – 100 000 shares	42	1,10	3 015 647	3,99
Over 100 001 shares	93	2,44	58 593 610	77,47
	3 806	100,00	75 639 922	100,00

NOTICE TO SHAREHOLDERS

Notice is hereby given that the twenty-third annual general meeting of the shareholders of Basil Read Holdings Limited will be held at 388 Gild Road, Lilianton, Boksburg, on Friday, 09 May 2008 at 10:00 for the purposes of transacting the following business:

AS ORDINARY RESOLUTIONS

1. To consider and adopt the annual financial statements for the year ended 31 December 2007 and the reports of the directors and auditors.
2. To elect the following directors who retire in accordance with the provisions of the group's articles of association and being eligible offer themselves for re-election. Their short CVs are detailed on page 5 of the annual report.
 - 2.1 NY September (appointed 23/10/2007)
 - 2.2 LB Dyosi (appointed 01/02/2006)
 - 2.3 BT Ngcuka (appointed 01/02/2006)
3. To confirm fees payable to the directors (refer page 56).
4. To authorise the directors to approve the remuneration of the auditors PricewaterhouseCoopers Inc for the year under review.
5. To re-appoint PricewaterhouseCoopers Inc as auditors until the conclusion of the next annual general meeting.
6. To place the unissued ordinary shares in the authorised ordinary share capital of the company under the control of the directors in terms of sections 221 and 222 of the Companies Act, 1973, as amended ("the Act"), who are authorised to allot and issue shares on such terms and conditions as they deem fit until the next annual general meeting, subject to the provisions of the Act and the JSE Limited regulations.
7. "Resolved that the directors have the powers to allot and issue ordinary shares for cash as and when the directors consider it appropriate in the circumstances, subject to the Act, any share incentive trust deed entered into by the company, the articles of association of the company and the JSE Listings Requirements, when applicable, and the following limitations, namely that:
 - this authority shall not endure beyond the earlier of the next annual general meeting of the company or beyond 15 (fifteen) months from the date of this meeting;
 - there will be no restrictions in regard to the persons to whom the shares may issued, provided that such shares are to be issued to public shareholders (as defined by the JSE Listings Requirements) but not to related parties;
 - upon any issue of ordinary shares representing on a cumulative basis within a financial year, 5% (five percent) or more of the number of ordinary shares in issue, the company shall, by way of a paid press announcement in terms of 11.22 of the JSE Listings Requirements, give full details thereof, including the effect on the net asset value of the company and earnings per share, the number of securities issued and the average discount to the weighted average traded price of the securities over the 30 days prior to the date that the price of such issue was determined or agreed by the company's directors;
 - that issues in the aggregate in any one financial year shall not exceed 15% (fifteen percent) of the number of issued ordinary shares of the company (including instruments which are compulsorily convertible into ordinary shares) at the date of application less any ordinary shares issued, or to be issued in the future arising from options/convertible securities issued during the current financial year;
 - the maximum discount at which ordinary shares may be issued is 10% (ten percent) of the weighted average traded price of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors, and;
 - under the JSE Listings Requirements, a 75% (seventy-five percent) majority of votes cast by the ordinary shareholders present or represented by proxy at the general meeting is required to approve the resolution."
8. To transact such other business as may be transacted at an annual general meeting.

NOTICE TO SHAREHOLDERS CONTINUED

VOTING

The ordinary resolutions are subject to a simple majority vote of shareholders present or represented by proxy at the annual general meeting. Every shareholder present in person or by proxy at the annual general meeting shall, on a show of hands, have one vote only, and on a poll, have one vote for each share of which he/she is the registered holder.

A shareholder entitled to attend, speak and vote at the annual general meeting is entitled to appoint a proxy (who need not be a shareholder of the company), to attend, speak and vote in his/her stead.

Shareholders which are companies or other bodies corporate may, in terms of section 188(1) of the Act, by resolution of its directors or other governing body, authorise any person to act as its representative at the annual general meeting.

Certificated shareholders and own-name dematerialised shareholders who are unable to attend the annual general meeting but wish to be represented thereat should complete and return the attached form of proxy in accordance with the instructions contained therein so as to be received by the transfer secretaries at least 48 hours, excluding Saturdays, Sundays and public holidays, before the annual general meeting.

Ordinary shareholders who have dematerialised their shares through a CSDP or broker, other than by own name registration who wish to vote by way of proxy, must provide their CSDP or broker with their voting instructions, in terms of the custody agreement entered into between such shareholders and their CSDP or broker. These instructions must be provided to their CSDP or broker by the cut-off time or date advised by their CSDP or broker for instructions of this nature.

Dematerialised shareholders who wish to attend the annual general meeting must request their CSDP or broker to vote by proxy on their behalf in terms of the agreement entered into between the shareholder and their CSDP or broker.

By order of the board



E Kruger
Secretary

Boksburg
17 April 2008