BASIL READ

Unaudited results

for the six months ended 30 June 2015

Key results

R2,9 billion

Revenue from continuing operations
(June 2014: R3,1 billion)

R41,6 million

Profit after tax
(June 2014: Loss of R198,0 million)

33,08 cents

Earnings per share
(June 2014: Loss of 145,75 cents)

R10,1 billion

Order book
(December 2014: R10,5 billion)

37,12 cents

Headline earnings per share
(June 2014: Headline loss of 145,74 cents)

0 fatalities

Safety
(2014: 2 fatalities)

Condensed consolidated income statement

R'000	**Unaudited Six months 30 June 2015**	Unaudited Six months 30 June 2014	Audited 12 months 31 December 2014
Continuing operations			
Revenue	**2 853 797**	3 132 983	6 261 441
Operating profit/(loss) for the period before impairment of goodwill and write down of development land	**93 688**	(255 152)	(500 512)
Impairment of goodwill	**–**	–	(222 212)
Write down of development land	**–**	–	(80 565)
Operating profit/(loss) for the period	**93 688**	(255 152)	(803 289)
Finance income	**24 629**	15 153	30 206
Finance costs	**(21 229)**	(23 770)	(52 705)
Share of profits of investments accounted for using the equity method	**2 539**	25 667	31 736
Profit/(loss) for the period before taxation	**99 627**	(238 102)	(794 052)
Taxation	**(33 008)**	70 656	147 916
Profit/(loss) for the period after taxation	**66 619**	(167 446)	(646 136)
Discontinued operations			
Net loss for the period from discontinued operations	**(25 063)**	(30 574)	(174 743)
Net profit/(loss) for the period	**41 556**	(198 020)	(820 879)
Profit/(loss) for the period attributable to the following:			
Equity shareholders of the company	**43 561**	(191 937)	(789 938)
Non-controlling interests	**(2 005)**	(6 083)	(30 941)
Net profit/(loss) for the period	**41 556**	(198 020)	(820 879)
Earnings/(loss) per share (cents)	**33,08**	(145,75)	(599,86)
Diluted earnings/(loss) per share (cents)	**33,08**	(145,75)	(599,86)
Earnings/(loss) per share from continuing operations (cents)	**52,11**	(122,53)	(467,16)
Diluted earnings/(loss) per share from continuing operations (cents)	**52,11**	(122,53)	(467,16)
Loss per share from discontinued operations (cents)	**(19,03)**	(23,22)	(132,70)
Diluted loss per share from discontinued operations (cents)	**(19,03)**	(23,22)	(132,70)

Condensed consolidated statement of comprehensive income

R'000	**Unaudited Six months 30 June 2015**	Unaudited Six months 30 June 2014	Audited 12 months 31 December 2014
Net profit/(loss) for the period	**41 556**	(198 020)	(820 879)
Other comprehensive income for the period	**8 372**	1 442	12 860
Movement in foreign currency translation reserve	**8 372**	1 442	12 936
Movement in fair value adjustment reserve	**–**	–	(76)
Deferred tax effect on other comprehensive income	**–**	–	–
Total comprehensive income/(loss) for the period	**49 928**	(196 578)	(808 019)
Total comprehensive income/(loss) for the period attributable to the following:			
Equity shareholders of the company	**52 928**	(190 613)	(775 921)
Retained income	**43 561**	(191 937)	(789 938)
Other reserves	**9 367**	1 324	14 017
Non-controlling interests	**(3 000)**	(5 965)	(32 098)
Total comprehensive income/(loss) for the period	**49 928**	(196 578)	(808 019)

Condensed consolidated statement of financial position

R'000	Unaudited 30 June 2015	Unaudited 30 June 2014	Audited 31 December 2014
ASSETS			
Non-current assets	1 536 408	1 974 197	1 669 708
Property, plant and equipment	975 903	1 108 346	1 080 248
Investment property	5 921	5 730	5 826
Intangible assets	92 070	411 399	99 938
Investments accounted for using the equity method	97 356	184 793	131 800
Available-for-sale financial assets	51 289	51 384	51 289
Deferred income tax asset	313 869	212 545	300 607
Current assets	2 365 374	2 807 086	2 552 957
Inventories	88 482	61 200	33 067
Development land	266 900	354 890	268 022
Trade and other receivables	1 035 174	954 010	905 494
Work in progress	427 774	489 738	378 466
Current income tax asset	69 103	49 915	57 093
Cash and cash equivalents	477 941	897 333	910 815
Non-current assets held for sale	141 875	–	53 112
	4 043 657	4 781 283	4 275 777
EQUITY AND LIABILITIES			
Capital and reserves	1 086 656	1 645 216	1 035 552
Stated capital	1 048 025	1 048 025	1 048 025
Retained income	18 520	659 514	61 513
Other reserves	33 373	11 313	24 006
Non-controlling interests	(13 262)	(73 636)	(97 992)
Non-current liabilities	242 996	154 180	259 965
Interest-bearing borrowings	192 702	112 160	215 898
Deferred income tax liability	50 294	42 020	44 067
Current liabilities	2 695 118	2 981 887	2 970 241
Trade and other payables	1 031 040	1 419 824	1 180 249
Amounts due to customers	948 360	900 615	1 102 385
Current portion of borrowings	292 186	271 671	273 594
Provisions for other liabilities and charges	311 841	288 910	318 766
Current income tax liability	64 350	7 369	5 011
Bank overdraft	47 341	93 498	90 236
Liabilities directly associated with non-current assets classified as held for sale	18 887	–	10 019
	4 043 657	4 781 283	4 275 777

Condensed consolidated statement of changes in equity

R'000	Unaudited Six months 30 June 2015	Unaudited Six months 30 June 2014	Audited 12 months 31 December 2014
Issued capital			
Ordinary share capital			
Balance at the beginning and end of the period	**1 048 025**	1 048 025	1 048 025
Retained income			
Balance at the beginning of the period	**61 513**	851 451	851 451
Total comprehensive income/(loss) for the period	**43 561**	(191 937)	(789 938)
Transactions with non-controlling interests	**(86 554)**	–	–
Balance at the end of the period	**18 520**	659 514	61 513
Other reserves			
Balance at the beginning of the period	**24 006**	9 989	9 989
Total comprehensive income for the period	**9 367**	1 324	14 017
Balance at the end of the period	**33 373**	11 313	24 006
Non-controlling interests			
Balance at the beginning of the period	**(97 992)**	(38 207)	(38 207)
Total comprehensive loss for the period	**(3 000)**	(5 965)	(32 098)
Transactions with non-controlling interests	**86 554**	–	–
Disposal of subsidiary	**–**	–	1 777
Contribution from/(to) non-controlling interest parties	**1 176**	(29 464)	(29 464)
	(13 262)	(73 636)	(97 992)

Condensed consolidated statement of cash flows

R'000	Unaudited Six months 30 June 2015	Unaudited Six months 30 June 2014	Audited 12 months 31 December 2014
Operating cash flow	**217 708**	(123 594)	(244 333)
Movements in working capital	**(554 803)**	(48 068)	126 003
Net cash generated by operations	**(337 095)**	(171 662)	(118 330)
Net finance income/(costs)	**1 824**	(8 658)	(25 310)
Dividends paid	**–**	(20)	(4)
Taxation received/(paid)	**7 911**	(38 371)	(58 011)
Cash flow from operating activities	**(327 360)**	(218 711)	(201 655)
Cash flow from investing activities	**39 567**	(84 485)	(45 593)
Cash flow from financing activities	**(116 326)**	(98 041)	(116 838)
Effects of exchange rates on cash and cash equivalents	**(1 308)**	2 588	(2 734)
Movement in cash and cash equivalents	**(405 427)**	(398 649)	(366 820)
Cash and cash equivalents at the beginning of the period	**835 664**	1 202 484	1 202 484
Cash and cash equivalents at the end of the period	**430 237**	803 835	835 664
Included in cash and cash equivalents as per the statement of financial position	**430 600**	803 835	820 579
Included in the assets of the disposal group	**(363)**	–	15 085
	430 237	803 835	835 664

Additional information to the condensed consolidated financial statements

R'000	Unaudited Six months 30 June 2015	Unaudited Six months 30 June 2014	Audited 12 months 31 December 2014
Ordinary dividend paid per share (cents)	–	–	–
Ordinary dividend declared per share (cents)*	–	–	–
* *Based on the year to which the dividend relates*			
Number of ordinary shares in issue ('000)	131 686	131 686	131 686
Headline earnings/(loss) per share (cents)	37,13	(145,74)	(362,08)
Diluted headline earnings/(loss) per share (cents)	37,13	(145,74)	(362,08)
Headline earnings/(loss) per share from continuing operations (cents)	47,16	(122,31)	(298,08)
Diluted headline earnings/(loss) per share from continuing operations (cents)	47,16	(122,31)	(298,08)
Headline earnings/(loss) per share from discontinued operations (cents)	(10,03)	(23,43)	(64,00)
Diluted headline earnings/(loss) per share from discontinued operations (cents)	(10,03)	(23,43)	(64,00)
Reconciliation of basic earnings to headline earnings	**R'000**	R'000	R'000
Basic earnings/(loss)	**43 561**	(191 937)	(789 938)
Adjusted by – Loss on sale of subsidiary	2 451	–	1 479
– Loss on sale of associate	–	–	8 010
– (Profit)/loss on sale of property, plant and equipment	(4 561)	20	(730)
– Impairment of goodwill	7 438	–	304 370
Headline earnings/(loss)	**48 889**	(191 917)	(476 809)
Basic earnings/(loss) from continuing operations	**68 624**	(161 363)	(615 195)
Adjusted by – Loss on sale of subsidiary	–	–	1 479
– Profit on sale of associate	–	–	(567)
– (Profit)/loss on sale of property, plant and equipment	(6 532)	295	(454)
– Impairment of goodwill	–	–	222 212
Headline earnings/(loss) from continuing operations	**62 092**	(161 068)	(392 525)

R'000	Unaudited Six months 30 June 2015	Unaudited Six months 30 June 2014	Audited 12 months 31 December 2014
Basic loss from discontinued operations	**(25 063)**	(30 574)	(174 743)
Adjusted by – Loss on sale of subsidiary	**2 451**	–	–
– Loss on sale of associate	**–**	–	8 577
– Loss/(profit) on sale of property, plant and equipment	**1 971**	(275)	(276)
– Impairment of goodwill	**7 438**	–	82 158
Headline loss from discontinued operations	**(13 203)**	(30 849)	(84 284)
Reconciliation between weighted average number of shares and diluted average number of shares	**'000**	'000	'000
Weighted average number of shares	**131 686**	131 686	131 686
Adjusted by – Share Incentive Scheme	**–**	–	–
Diluted average number of shares	**131 686**	131 686	131 686
Net asset value per share (cents)	**835,26**	1 305,27	860,79
Tangible net asset value per share (cents)	**765,34**	992,86	784,90
Capital expenditure for the period (R'000)	**149 803**	146 568	339 074
Depreciation (R'000)	**150 975**	171 449	342 404
Impairment of goodwill (R'000)	**7 438**	–	304 370
Amortisation of intangible asset (R'000)	**430**	430	860

Note on discontinued operations

The following entities have been included as discontinued operations in the period under review:
- LYT Architecture (Pty) Ltd – disposed 1 February 2015
- Matomo (Pty) Ltd – closure is substantially complete
- Basil Read Energy (Pty) Ltd – a process is under way to dispose of this entity
- SprayPave (Pty) Ltd – a process is under way to dispose of this entity
- African Road Maintenance and Construction (Pty) Ltd – a process is under way to dispose of this entity.

The comparative information included in the income statement has been restated for the effects of the discontinued operations for all periods presented.

R'000	**Unaudited Six months 30 June 2015**	Unaudited Six months 30 June 2014	Audited 12 months 31 December 2014
Reconciliation of net loss for the period from discontinued operations			
Net loss for the period from discontinued operations	**(14 612)**	(30 574)	(92 585)
Loss on disposal of discontinued operations	**(3 013)**	–	–
Impairment of goodwill	**(7 438)**	–	(82 158)
	(25 063)	(30 574)	(174 743)

Note on non-current assets held for sale

Basil Read Energy (Pty) Ltd, SprayPave (Pty) Ltd and African Road Maintenance and Construction (Pty) Ltd have been disclosed as held for sale as these companies are in the process of being disposed.

In terms of IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, discontinued operations must be tested for impairment. The carrying amount of SprayPave (Pty) Ltd, disclosed as a discontinued operation, exceeds the fair value of the discontinued operation and goodwill of R7,4 million has been impaired as a result.

R'000	Unaudited Six months 30 June 2015	Unaudited Six months 30 June 2014	Audited 12 months 31 December 2014
ASSET AND LIABILITIES			
Assets of company classified as held for sale			
Property, plant and equipment	71 165	–	3 700
Intangible assets	–	–	8 352
Investments accounted for using the equity method	320	–	–
Loans to investments accounted for using the equity method	32 162	–	–
Deferred income tax asset	3 661	–	205
Contract and trade debtors	15 249	–	21 310
Inventories	8 082	–	–
Receivables and prepayments	10 463	–	3 514
Current income tax asset	416	–	860
Cash and cash equivalents	357	–	15 171
	141 875	–	53 112
Liabilities of company classified as held for sale			
Interest-bearing borrowings	5 185	–	–
Deferred income tax liability	490	–	–
Trade and other payables	11 715	–	9 933
Current income tax liability	173	–	–
Provisions for other liabilities and charges	604	–	–
Bank overdraft	720	–	86
	18 887	–	10 019
INCOME STATEMENT OF DISCONTINUED OPERATIONS			
Revenue	43 800	160 424	323 369
Expenses	(68 590)	(200 768)	(422 612)
Impairment of goodwill	(7 438)	–	(82 158)
Share of profit of investments accounted for using the equity method	4 444	8 185	7 802
Net finance costs	(1 577)	(41)	(2 811)
Loss before taxation of discontinued operations	(29 361)	(32 200)	(176 410)
Taxation	4 298	1 626	1 667
Loss after taxation of discontinued operations	(25 063)	(30 574)	(174 743)
Movement in fair value adjustment reserve	–	–	–
Loss for the period from discontinued operations	(25 063)	(30 574)	(174 743)

Commentary

The unaudited consolidated abridged interim financial statements have been prepared in terms of section 8.57 of the JSE Limited (JSE) listings requirements, incorporating IAS 34 *Interim Financial Reporting*, SAICA Financial Reporting Guides issued by the Accounting Practices Committee, Financial Reporting Pronouncements issued by the Financial Reporting Standards Council, and the Companies Act of South Africa. The principal accounting policies used in preparing unaudited results for the six months ended 30 June 2015 are consistent with those applied in the annual financial statements for the year ended 31 December 2014 and the unaudited results for the six months ended 30 June 2014 in terms of International Financial Reporting Standards (IFRS).

The consolidated abridged interim financial statements were prepared under the supervision of the chief financial officer, Amanda Wightman, CA(SA).

Forward-looking statements

Statements on the future financial performance of the company have not been reviewed or audited by Basil Read's external auditors. The company cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on any forward-looking statements. The company disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason, other than as required by the JSE listings requirements.

Overview

Basil Read reported a profit for the six months to June 2015 despite the difficult trading conditions in the construction sector, characterised by competitive tendering. Decisive management action in the second half of 2014 to restructure the business has produced immediate benefits in some areas and contributed to an improved operating performance. These actions include:

- Restructuring Basil Read into a company with divisions to eliminate duplicated management and support structures. This has generated an immediate saving in overhead costs, which are being contained at forecast levels
- Implementing a robust operational structure, with an executive team and operational committee focused on strategic and operational issues respectively. Improving our operating performance at site level has incrementally improved margins over the six-month period. Management remains focused on maximising opportunities for further improvement
- Identifying and disposing of or closing non-core components. While progress has been slower than anticipated, the disposal of LYT Architecture was completed in February 2015 and we are optimistic about finalising further disposals in the second half. The closure of our engineering subsidiary, Matomo, is substantially complete
- Pursuing claims. We have stated that we will pursue claims to ensure fair compensation for the company. The contractual process is proving tedious and protracted, and we understand the need to balance pursuing claims against our working capital requirements. While we follow the contractual process on legacy claims, we have focused on resolving contractual disputes as they arise for mutual benefit.

The commitment of our employees in a period of intensive change has been instrumental in Basil Read reporting profit after tax of R41,6 million, from revenue of R2,9 billion, with earnings reported at 33,08 cents per share.

By centralising our tendering capabilities and reviewing related processes, we have secured new contracts valued at R2,4 billion and maintained our order book above the R10 billion mark.

Cash resources remain a concern as working capital outflows reduced cash balances to R430 million. Liquidity is tight, particularly in the construction division, and this is being effectively managed to avoid disrupting day-to-day operations. We are in continued discussions to address this matter.

Debt levels were maintained at R485 million, with debt repayments offset by financing new items of plant, mainly for the mining division. Notes issued under the company's domestic medium-term note programme were refinanced in June 2015 at the request of the noteholder. The following notes are currently in issue:

- BSR14 for R60 million at an interest rate of 8,633%, maturing on 18 September 2015
- BSR15 for R60 million at an interest rate of three-month ZAR-JIBAR-SAFEX plus 3,10%, maturing on 18 December 2015
- BSR16 for R35 million at an interest rate of three-month ZAR-JIBAR-SAFEX plus 3,85%, maturing on 17 June 2016
- BSR17 for R50 million at an interest rate of three-month ZAR-JIBAR-SAFEX plus 4,50%, maturing on 19 June 2018. This note is also subject to an increase in the final redemption amount linked to the performance of the company's share price.

The applicable pricing supplements for these notes are available on our website, www.basilread.co.za.

At the reporting date, the group had issued guarantees of R2,0 billion, arising from the ordinary course of business. We do not expect that any loss will arise from issuing these guarantees.

Basil Read Limited, the group's main South African operating company, maintained its level 2 B-BBEE contributor rating, meaning that companies are entitled to recognise 125% of the amounts spent with this company in calculating their procurement spend. The group is currently implementing measures to mitigate the impact of revised B-BBEE codes issued by the Department of Trade and Industry.

Progress against 2015 targets

	2015 target	Progress
Profit after tax	R160 million	On track
Turnover	R5 billion	Likely to exceed
Order book	R10 billion	Area of concern
HEPS	120 cents per share	On track
ROE	14%	On track
Safety	Zero fatalities	Vigilance required

Corporate activity

On 1 February 2015, the company disposed of the entire issued share capital of LYT Architecture (Pty) Ltd for R42 million, of which R30 million was received in cash. The balance of R12 million will be settled in three equal instalments over a three-year period. The loss on disposal was R3,0 million.

On 1 March 2015, the company acquired the 30% minority stake in Sladden International (Botswana) (Pty) Ltd for no consideration. Basil Read now holds the entire issued share capital of Sladden. The transaction resulted in a transfer with non-controlling interests of R86,5 million.

The disposal of non-core components, namely SprayPave (Pty) Ltd, African Road Maintenance and Construction (Pty) Ltd and Basil Read Energy (Pty) Ltd, is ongoing and further announcements will be made in due course.

Operational review

Safety, health, environmental, risk management and quality

Understanding that our business depends as much on the skill of our people as it does on our equipment, we focus on maintaining a safe and healthy workplace supported by ongoing training.

In addition to complying with safety regulations and putting necessary systems, policies and corporate standards in place, we also promote individual responsibility for safety throughout the organisation. Our aim is to proactively reduce the frequency and severity of injuries. The group's disabling injury frequency rate

Commentary *continued*

increased in the period to 0,20 from 0,17 at December 2014, and measures are being implemented to reverse this trend. Our target is 0,10, with progress monitored monthly.

Regrettably, there were two deaths on our roads sites in the period and we extend our condolences to their family, friends and colleagues. Under Department of Labour classifications, these deaths are not work-related as they were the result of road accidents involving members of the public. It is a worrying trend that public road users are increasingly ignoring traffic control signage and measures, putting their own lives at risk, as well as the lives of our employees. We constantly explore ways to improve safety on our sites for all.

Employee safety and health are vital and Basil Read has zero tolerance for occupational fatalities. Occupational fatalities and injuries are thoroughly investigated to determine the cause and measures taken to prevent recurrence. Necessary support is given to the families of the deceased and senior management, including the CEO, are involved in each investigation.

Roads

	Unaudited Six months 30 June 2015	Unaudited Six months 30 June 2014	Audited 12 months 31 December 2014
Revenue (R'000)	**810 884**	718 934	1 500 312
Operating loss (R'000)	**(3 166)**	(58 220)	(181 791)
Operating margin (%)	**(0,39)**	(8,10)	(12,12)
Share of losses of investments accounted for using the equity method (R'000)	**(2 279)**	(489)	(2 443)
Order book (R'000)	**2 364 282**	2 872 000	2 245 750

Despite an improved core operating performance, results in the roads division were affected by further losses reported on historically poor-performing contracts. Improved oversight at operational management level meant that corrective measures were timeously implemented to limit these losses. No further losses are expected, with only one of these loss-making contracts extending into 2016. The division has performed well on various projects for national, provincial and private clients in the local market.

The steady roll-out of work by key national and provisional clients has maintained the roads order book at December 2014 levels, with two of the projects secured extending into 2018. It is encouraging that the size of projects has increased, with project durations exceeding three years regularly coming to tender.

An emerging risk, given the nature of this work, is growing community disruption as local residents become more frustrated with the lack of service delivery and employment opportunities. This is particularly pronounced in rural areas, where the need for basic services is high. To mitigate the potential impact, we are partnering with our clients and their professional teams to proactively engage with communities to address their concerns, with an encouraging level of success.

As the construction of roads is considered an area of excellence for Basil Read, we will continue to aggressively pursue roads work while ensuring we price at sensible margins. The immediate focus is on strengthening the division's position in the South African market and pursuing targeted projects beyond our borders. The scope of services offered by the division is being enhanced to incorporate additional activities in the value chain as well as related transportation modes.

Civils and plant

	Unaudited Six months 30 June 2015	Unaudited Six months 30 June 2014	Audited 12 months 31 December 2014
Revenue (R'000)	**448 448**	726 215	1 309 926
Operating loss (R'000)	**(7 519)**	(224 374)	(388 942)
Operating margin (%)	**(1,68)**	(30,90)	(29,69)
Share of losses of investments accounted for using the equity method (R'000)	**(1 261)**	(289)	(3 502)
Order book (R'000)	**1 010 465**	786 000	1 064 616

Stabilising the civils division after poor results in 2014 has been a key focus in the review period, with the division reporting improved results. Margins remain under pressure due to delayed new projects and the finalisation of loss-making contracts, which are nearing completion.

The division has been particularly affected by industrial action at Medupi power station, community disruptions at Steelpoort and difficult contractual processes. It continues to pursue claims on significant contracts.

The pipeline contract for our client, TCTA, reported as part of this division, is nearing completion. The skills and experience gained on this contract will be transferred to the pipeline division, which is a targeted growth area for the company.

Recent contracts awarded for marine-related works at Coega and Saldanha for our client, Transnet, are under way and progressing well.

The current lack of significant new project opportunities is a concern, with excess capacity being deployed to assist other divisions with civils-related work.

We continue to tender regularly, but awarding of tenders is slow. We expect more work to come out in the water sector in the short to medium term as water supply and treatment fast become a national concern.

Buildings and developments

	Unaudited Six months 30 June 2015	Unaudited Six months 30 June 2014	Audited 12 months 31 December 2014
Revenue (R'000)	**498 823**	672 792	1 349 030
Operating loss (R'000)	**(7 141)**	(18 171)	(304 492)
Operating margin (%)	**(1,43)**	(2,70)	(22,57)
Share of losses of investments accounted for using the equity method (R'000)	**(2 951)**	(370)	(2 241)
Order book (R'000)	**1 518 336**	1 759 000	1 667 075

Commentary *continued*

Amalgamating our buildings and developments activities into a single operating unit has improved results for this division, supported by good results from our integrated housing developments.

With the private sector remaining subdued and the lack of large public projects, focus is shifting to social housing and building opportunities in our own developments, where we have historically acted as developer only. With increasing need for social housing and associated infrastructure, we regard this as a growth opportunity for the company.

Despite this renewed focus, tender activity has yielded some results with new projects secured in KwaZulu-Natal, Western Cape and Gauteng. Work on the Medupi and Kusile power station projects for our client, Eskom, is proceeding, with the latter expected to continue well into 2019.

The division has sold further stands at our industrial park in the south of Johannesburg, Klipriver Business Park, reflecting growing interest in the development.

At Savanna City, demand for the open housing market has exceeded expectations and we are installing internal services to support the continued roll-out of stands. Other integrated housing developments are progressing well.

Pipelines

	Unaudited Six months 30 June 2015	Unaudited Six months 30 June 2014	Audited 12 months 31 December 2014
Revenue (R'000)	**38 680**	4 068	30 112
Operating loss (R'000)	**(3 690)**	(2 716)	(2 554)
Operating margin (%)	**(9,54)**	(66,76)	(8,48)
Share of losses of investments accounted for using the equity method (R'000)	**(109)**	–	(50)
Order book (R'000)	**97 275**	85 000	87 495

The new pipeline division has struggled in its first six months as community disruptions and access to site continued to present challenges. To overcome these difficulties, we have reviewed our mitigation measures and impact prediction processes, to enable us to deal with these challenges more effectively and timeously in future.

Although currently our smallest division, it is considered a key growth area for the company. With water scarcity being influenced by the effects of climate change and an increasing need for water resources due to population growth and ongoing urbanisation, we are positioning the company to effectively participate in the anticipated roll-out of water infrastructure.

St Helena airport project

	Unaudited Six months 30 June 2015	Unaudited Six months 30 June 2014	Audited 12 months 31 December 2014
Revenue (R'000)	**455 237**	482 005	876 338
Operating profit (R'000)	**59 346**	50 496	101 120
Operating margin (%)	**13,04**	10,48	11,54
Share of losses of investments accounted for using the equity method (R'000)	**(1 280)**	(313)	(1 456)
Order book (R'000)	**1 391 115**	2 101 000	1 700 338

The St Helena airport project continues to perform to budget and agreed timelines.

The airfield and runway are complete, including the installation of navigational aids and aerodrome ground lighting, in advance of calibration and validation flights scheduled for mid-September. Building works for the combined and terminal buildings are nearing completion.

Airport certification is scheduled for early November 2015 with the first commercial flight expected in February 2016.

Work on the permanent wharf has been hampered by adverse weather but is scheduled for completion by early 2016. Refurbishment of the hospital facility has started and we have signed a memorandum of understanding for the design and construction of a hotel.

Widely considered our current flagship project, the St Helena airport project is evidence that we have the internal operational capacity and capabilities to successfully execute a design-build-operate project of this magnitude, on time and within budget.

Mining

	Unaudited Six months 30 June 2015	Unaudited Six months 30 June 2014	Audited 12 months 31 December 2014
Revenue (R'000)	**601 725**	528 969	1 195 723
Operating profit/(loss) (R'000)	**55 858**	(2 167)	(26 630)
Operating margin (%)	**9,28**	(0,41)	(2,23)
Share of profits of investments accounted for using the equity method (R'000)	**10 419**	27 128	41 428
Order book (R'000)	**3 685 392**	4 790 000	3 773 675

Commentary *continued*

The mining division incorporated the engineering subsidiary, Basil Read Matomo, in the last quarter of 2014. The subsidiary, however, was not able to secure work for 2015, and a decision was taken to close it in March 2015 to reduce overhead costs.

The mining division remains a stable performer for the company and has produced solid interim results, despite the closure of Matomo and two major clients entering business administration processes.

Effective management of our mobile plant is a critical success factor, particularly as we are operating an ageing fleet. Prudent cash management has restricted the scheduling of replacement capex and our maintenance strategy has become a key area of focus for the division. This has led to an improvement in the mechanical availability of our plant above targeted levels.

Further deterioration in commodity prices has put our clients under pressure to reduce their costs, resulting in pressure on our margins. The competitive tender market is further contributing to margin compression. Future growth of this division will need to be balanced against its capital-intensive nature. In the interim, the focus is on business improvement initiatives geared towards further improving maintenance and operational capabilities for enhanced productivity.

Prospects

With restructuring largely completed in the 2014 financial year, our actions are yielding results. The company has returned to profitability in a difficult trading environment and is on track to achieve its revised forecast for the 2015 financial year.

Our focus remains on the South African market, given the need for infrastructure to stimulate the economy. Although prospects for growth remain muted in the short term, the order book is stable at R10 billion. The company has achieved a degree of stability and is well positioned to participate in the roll out of infrastructure projects.

Transformation of the industry is key to fostering a collaborative relationship with government bodies and we are prioritising this as a strategic initiative.

While conditions remain challenging, we are committed to our strategy which we have clearly defined: grow the company to smooth the impact of cyclical volatility, extract maximum value from our assets and divest of non-core assets, and develop the appropriate corporate culture for a focused, disciplined construction company.

Corporate governance

The directors and senior management endorse the code of governance principles and report on governance, together referred to as King III. Considering the size of the company, the board believes Basil Read has substantially applied the code's recommendations and is fully compliant with the listings requirements of the JSE. The group regularly reviews its corporate governance policies and practices, striving for continuous improvement.

The following changes to the board took effect in the review period:

- Mr Paul Cambo Baloyi was appointed independent non-executive chairman on 1 January 2015
- Mr Terence Desmond Hughes was appointed non-executive director on 1 January 2015
- Mr Mahomed Salim Ismail Gani was appointed independent non-executive director on 15 April 2015.

Dividends

The board has reviewed the current period's results and, in keeping with prior years, has elected not to declare an interim dividend.

Post-statement of financial position review

No material events have occurred between the statement of financial position date and the date of these results that would have a material effect on the consolidated financial statements.

On behalf of the board

PC Baloyi
Chairman

NF Nicolau
Chief executive officer

28 August 2015

BASIL READ HOLDINGS LIMITED

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

Company Secretary

A Ndoni

Registered office

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

Auditors

PricewaterhouseCoopers Inc.

Transfer secretaries

Link Market Services South Africa (Pty) Ltd

Sponsor

Grindrod Bank Limited

Directors

PC Baloyi*† (Chairman), NF Nicolau (Chief Executive Officer),
AC Wightman (Chief Financial Officer), DLT Dondur*†, MSI Gani*†, TD Hughes*, Dr CE Manning*†,
ACG Molusi*, SS Ntsaluba*, TA Tlelai*

*(*Non-executive, †Independent)*

BASTION GRAPHICS

BASIL READ

www.basilread.co.za