BASIL READ

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 AND RENEWAL OF CAUTIONARY ANNOUNCEMENT

Highlights

R2.5 billion

Revenue from continuing operations
((June 2015: R2.9 billion)

6.2%

Return on equity
(June 2015: 7.8%)

R34.4 million

Profit after tax
(June 2015: R41.6 million)

R10.4 billion

Order book
(December 2015: R10.7 billion)

48.92 cents

Headline earnings per share
(June 2015: 37.13 cents)

Zero fatalities

Safety
(June 2015: Zero fatalities)

Condensed consolidated income statement

	Unaudited Six months 30 June 2016 R'000	Unaudited Six months 30 June 2015 R'000	Audited 12 months 31 December 2015 R'000
Continuing operations			
Revenue	**2 501 918**	2 853 797	5 519 979
Operating profit for the period	**73 452**	93 688	226 197
Finance income	**3 747**	24 629	21 077
Finance costs	**(41 223)**	(21 229)	(56 468)
Share of profits of investments accounted for using the equity method	**13 664**	2 539	40 536
Profit for the period before taxation	**49 640**	99 627	231 342
Taxation	**18 122**	(33 008)	(39 704)
Profit for the period after taxation	**67 762**	66 619	191 638
Discontinued operations			
Net loss for the period from discontinued operations	**(33 352)**	(25 063)	(20 425)
Net profit for the period	**34 410**	41 556	171 213
Profit for the period attributable to the following:			
Equity shareholders of the company	**39 171**	43 561	180 761
Non-controlling interests	**(4 761)**	(2 005)	(9 548)
Net profit for the period	**34 410**	41 556	171 213
Earnings per share (cents)	**29.75**	33.08	137.27
Diluted earnings per share (cents)	**29.75**	33.08	137.27
Earnings per share from continuing operations (cents)	**55.08**	52.11	152.78
Diluted earnings per share from continuing operations (cents)	**55.08**	52.11	152.78
Loss per share from discontinued operations (cents)	**(25.33)**	(19.03)	(15.51)
Diluted loss per share from discontinued operations (cents)	**(25.33)**	(19.03)	(15.51)

Condensed consolidated statement of comprehensive income

	Unaudited Six months 30 June 2016 R'000	Unaudited Six months 30 June 2015 R'000	Audited 12 months 31 December 2015 R'000
Net profit for the period	**34 410**	41 556	171 213
Other comprehensive income for the period	**(18 372)**	8 372	16 787
Movement in foreign currency translation reserve	**(18 372)**	8 372	16 811
Movement in fair value adjustment reserve	**–**	–	(24)
Total comprehensive income for the period	**16 038**	49 928	188 000
Total comprehensive income for the period attributable to the following:			
Equity shareholders of the company	**15 614**	52 928	198 738
Retained income	**39 171**	43 561	180 761
Other reserves	**(23 557)**	9 367	17 977
Non-controlling interests	**424**	(3 000)	(10 738)
Total comprehensive income for the period	**16 038**	49 928	188 000

Condensed consolidated statement of financial position

	Unaudited 30 June 2016 R'000	Unaudited 30 June 2015 R'000	Audited 31 December 2015 R'000
ASSETS			
Non-current assets	**1 578 292**	1 536 408	1 500 501
Property, plant and equipment	**944 356**	975 903	915 856
Investment property	**6 494**	5 921	6 590
Intangible assets	**91 210**	92 070	91 640
Investments accounted for using the equity method	**144 774**	97 356	136 400
Available-for-sale financial assets	**51 289**	51 289	51 289
Deferred income tax asset	**340 169**	313 869	298 726
Current assets	**2 029 978**	2 365 374	2 017 657
Inventories	**38 121**	88 482	25 939
Development land	**262 679**	266 900	262 679
Trade and other receivables	**861 869**	1 035 174	769 586
Work in progress	**558 324**	427 774	433 237
Current income tax asset	**31 477**	69 103	19 371
Cash and cash equivalents	**277 508**	477 941	506 845
Non-current assets held-for-sale	**–**	141 875	104 203
	3 608 270	4 043 657	3 622 361
EQUITY AND LIABILITIES			
Capital and reserves	**1 239 590**	1 086 656	1 223 552
Stated capital	**1 048 025**	1 048 025	1 048 025
Retained income	**194 891**	18 520	155 720
Other reserves	**18 426**	33 373	41 983
Non-controlling interests	**(21 752)**	(13 262)	(22 176)
Non-current liabilities	**227 528**	242 996	221 087
Interest-bearing borrowings	**171 743**	192 702	182 134
Deferred income tax liability	**55 785**	50 294	38 953
Current liabilities	**2 141 152**	2 695 118	2 155 388
Trade and other payables	**1 082 850**	1 031 040	734 163
Amounts due to customers	**520 737**	948 360	715 432
Current portion of borrowings	**158 733**	292 186	157 798
Provisions for other liabilities and charges	**296 419**	311 841	497 523
Current income tax liability	**24 156**	64 350	15 034
Bank overdraft	**58 257**	47 341	35 438
Liabilities directly associated with non-current assets classified as held-for-sale	**–**	18 887	22 334
	3 608 270	4 043 657	3 622 361

Condensed consolidated statement of changes in equity

	Unaudited Six months 30 June 2016 R'000	Unaudited Six months 30 June 2015 R'000	Audited 12 months 31 December 2015 R'000
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	**155 720**	61 513	61 513
Total comprehensive income for the period	**39 171**	43 561	180 761
Transactions with non-controlling interests	**–**	(86 554)	(86 554)
Balance at the end of the period	**194 891**	18 520	155 720
Other reserves			
Balance at the beginning of the period	**41 983**	24 006	24 006
Total comprehensive income for the period	**(23 557)**	9 367	17 977
Balance at the end of the period	**18 426**	33 373	41 983
Non-controlling interests			
Balance at the beginning of the period	**(22 176)**	(97 992)	(97 992)
Total comprehensive profit/(loss) for the period	**424**	(3 000)	(10 738)
Transactions with non-controlling interests	**–**	86 554	86 554
Contribution from non-controlling interest parties	**–**	1 176	–
Balance at the end of the period	**(21 752)**	(13 262)	(22 176)

Condensed consolidated statement of cash flows

	Unaudited Six months 30 June 2016 R'000	Unaudited Six months 30 June 2015 R'000	Audited 12 months 31 December 2015 R'000
Operating cash flow	**195 468**	217 708	439 275
Movements in working capital	**(297 054)**	(554 803)	(555 330)
Net cash generated by operations	**(101 586)**	(337 095)	(116 055)
Net finance (costs)/income	**(37 671)**	1 824	(35 869)
Dividends paid	**–**	–	(32)
Taxation (paid)/received	**(9 347)**	7 911	1 265
Cash flow from operating activities	**(148 604)**	(327 360)	(150 691)
Cash flow from investing activities	**(24 457)**	39 567	104 766
Cash flow from financing activities	**(67 899)**	(116 326)	(325 456)
Effects of exchange rates on cash and cash equivalents	**(14 465)**	(1 308)	10 393
Movement in cash and cash equivalents	**(255 425)**	(405 427)	(360 988)
Cash and cash equivalents at the beginning of the period	**474 676**	835 664	835 664
Cash and cash equivalents at the end of the period	**219 251**	430 237	474 676
Included in cash and cash equivalents as per the statement of financial position	**219 251**	430 600	471 407
Included in the assets of the disposal group	**–**	(363)	3 269
	219 251	430 237	474 676

Additional information to the condensed consolidated interim financial statements

	Unaudited Six months 30 June 2016	Unaudited Six months 30 June 2015	Audited 12 months 31 December 2015
Ordinary and special dividend paid per share (cents)	**–**	–	–
Ordinary and special dividend declared per share (cents)*	**–**	–	–
* *Based on the period to which the dividend relates*			
Number of ordinary shares in issue ('000)	**131 686**	131 686	131 686
Headline earnings per share (cents)	**48.92**	37.13	120.28
Diluted headline earnings per share (cents)	**48.92**	37.13	120.28
Headline earnings per share from continuing operations (cents)	**53.39**	47.16	143.87
Diluted headline earnings per share from continuing operations (cents)	**53.39**	47.16	143.87
Headline loss per share from discontinued operations (cents)	**(4.47)**	(10.03)	(23.59)
Diluted headline loss per share from discontinued operations (cents)	**(4.47)**	(10.03)	(23.59)
Reconciliation of basic earnings to headline earnings	**R'000**	R'000	R'000
Basic earnings	**39 171**	43 561	180 761
Adjusted by – Loss/(profit) on sale of subsidiary	**27 462**	2 451	(20 046)
– Profit on sale of property, plant and equipment	**(2 216)**	(4 561)	(9 926)
– Impairment of goodwill	**–**	7 438	7 438
– Impairment of associate	**–**	–	165
Headline earnings	**64 417**	48 889	158 392
Basic earnings from continuing operations	**72 523**	68 624	201 186
Adjusted by – Profit on sale of property, plant and equipment	**(2 216)**	(6 532)	(11 896)
– Impairment of associate	**–**	–	165
Headline earnings from continuing operations	**70 307**	62 092	189 455
Basic loss from discontinued operations	**(33 352)**	(25 063)	(20 425)
Adjusted by – Loss/(profit) on sale of subsidiary	**27 462**	2 451	(20 046)
– Loss on sale of property, plant and equipment	**–**	1 971	1 970
– Impairment of goodwill	**–**	7 438	7 438
Headline loss from discontinued operations	**(5 890)**	(13 203)	(31 063)

	Unaudited Six months 30 June 2016 '000	Unaudited Six months 30 June 2015 '000	Audited 12 months 31 December 2015 '000
Reconciliation between weighted average number of shares and diluted average number of shares			
Weighted average number of shares	**131 686**	131 686	131 686
Adjusted by – Share Incentive Scheme	**–**	–	–
Adjusted by – "A" ordinary shares	**–**	–	–
Diluted average number of shares	**131 686**	131 686	131 686
Net asset value per share (cents)	**957.84**	835.26	945.98
Tangible net asset value per share (cents)	**888.58**	765.34	876.39
Capital expenditure for the period (R'000)	**163 725**	149 803	247 503
Depreciation (R'000)	**121 632**	150 975	269 523
Impairment of goodwill (R'000)	**–**	7 438	7 438
Impairment of associate (R'000)	**–**	–	165
Amortisation of intangible asset (R'000)	**430**	430	860

Notes to the condensed consolidated interim financial statements

1. Discontinued operations

The following entities have been included as discontinued operations in the period under review:

- Matomo (Pty) Ltd – closure is substantially complete
- SprayPave (Pty) Ltd – disposed on 1 February 2016

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

	Unaudited Six months 30 June 2016 R'000	Unaudited Six months 30 June 2015 R'000	Audited 12 months 31 December 2015 R'000
Reconciliation of net loss for the period from discontinued operations			
Net profit/(loss) for the period from discontinued operations	**405**	(14 612)	(37 628)
(Loss)/profit on disposal of discontinued operations	**(33 757)**	(3 013)	24 641
Impairment of goodwill	**–**	(7 438)	(7 438)
	(33 352)	(25 063)	(20 425)

2. Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs)

The following table presents the group's assets and liabilities that are measured at fair value at 30 June 2016:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial assets				
Available-for-sale financial assets – equity instruments	477	–	–	477
Financial assets at fair value through profit or loss – unlisted investment	–	–	50 812	50 812
Derivative financial instruments	–	–	–	–
Investment property	–	–	6 494	6 494
Total financial assets	477	–	57 306	57 783
Financial liabilities				
Derivative financial instruments	–	–	–	–

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2015:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial assets				
Available-for-sale financial assets – equity instruments	477	–	–	477
Financial assets at fair value through profit or loss – unlisted investment	–	–	50 812	50 812
Derivative financial instruments	–	2 885	–	2 885
Investment property	–	–	6 590	6 590
Total financial assets	477	2 885	57 402	60 764
Financial assets				
Derivative financial instruments	–	–	–	–

3. Contingent liabilities

The contingent liability relating to a possible tax liability in Botswana remains unchanged as the Botswana Unified Revenue Services (BURS) have not yet issued revised assessments. No provision for additional taxes has been raised in relation to this VAT issue, however, possible penalties and interest were provided for in the 2013 financial year.

In Botswana, a subcontractor to Sladden International (Botswana) (Pty) Ltd instituted a legal claim against Sladden relating to the Nata-Pandamatenga road contract. Judgment was made in favour of the subcontractor for an amount of BWP47 million. Basil Read lodged an appeal against the judgment in June 2016, and the date of the hearing has yet to be set.

Commentary

These unaudited consolidated abridged interim financial statements have been prepared in terms of section 8.57 of the 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 the unaudited results for the six months ended 30 June 2016 are consistent with those applied in the annual financial statements for the year ended 31 December 2015 and unaudited results for the six months ended 30 June 2015 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 STATEMENT

Statements on future financial performance 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 these. 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 stipulated by the JSE Listings Requirements.

OVERVIEW

The local construction sector remained subdued in the six months to June 2016, evidenced by a marked decrease in tender activity. With limited tenders coming to market, high levels of competition continued. Despite weak market conditions, Basil Read's order book was above target at R10.4 billion, slightly lower than the December 2015 level of R10.7 billion.

Basil Read produced solid results for the six months to June 2016 and continued to make progress against its stated objectives:

- **Growing the business:** we are concentrating on organic growth under a simplified operating structure that is appropriately organised into five core divisions. While we remain committed to the South African market, we are cautiously exploring opportunities across sub-Saharan Africa. With two sizeable contracts – the St Helena airport project and the Olifants River water resource development project – winding down in 2016, maintaining our order book is key. Equally important is ensuring our overhead cost base is continually aligned to our operating divisions.
- **Making the assets sweat:** the disposal of SprayPave (Pty) Ltd was completed in February 2016 at a loss of R33.8 million, impacting reported profit for the period. With the closure of Matomo (Pty) Ltd substantially complete, this concludes the sale or closure of non-core assets started as part of the restructuring in late 2014. Continual improvement in our operating performance at site level is critical to our success and this is receiving the necessary attention. We are well advanced in standardising the operating model across all sites and support functions. The claims resolution process remains tedious and we are committed to resolving contractual disputes as they arise. We are progressing well with resolving legacy claims, albeit slowly.
- **Modernise the corporate culture:** by working against an agreed set of corporate values aligned with our strategy, we are able to harness the collective and disciplined efforts of a representative Basil Read team in building a significantly better and more valuable business. The collaborative process used in identifying our corporate values proved an enlightening platform for engagement and the revised values were launched in early 2016.

Liquidity remains tight, particularly in the construction division. Cash balances reduced to R219.3 million from R474.7 million at December 2015. Cash outflows were largely due to working capital changes as advance payments received on the St Helena airport project are unwinding as the contract nears completion. Funding historical losses in the construction division further depleted cash resources. With debt funding secured from the Industrial Development Corporation (IDC) for an amount of R200 million, our cash position is set to improve, relieving liquidity pressures experienced in the first half. The positive resolution of legacy claims expected in the second half, will further improve the overall liquidity of the company.

Debt levels remained low at R330.5 million (December 2015: R339.3 million), with debt repayments offset by financing new items of plant, mainly for the mining division. A new note was issued under the domestic medium-term note programme – BSR18 was issued on 17 June 2016 for a six-month period at an amount of R29.2 million, replacing the maturing note BSR16.

At the reporting date, the company had issued guarantees of R1.6 billion (December 2015: R2.4 billion) in the ordinary course of business. We do not expect that any loss will arise from issuing these guarantees.

CORPORATE ACTIVITY

On 1 February 2016, Basil Read concluded the disposal of SprayPave (Pty) Ltd for R65.6 million, recognising a loss on disposal of R33.8 million.

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.

Our board, executive committee and managers provide leadership to ensure that we focus on our ultimate goal of zero harm by monitoring progress against annual targets at regular meetings.

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

The company's disabling injury frequency rate (DIFR) decreased in the period to 0.18 from 0.22 at December 2015, but remains above our target of 0.17. Although the DIFR is a lagging performance indicator, it is a tangible demonstration of management's commitment in the journey towards zero harm.

Pleasingly, we recorded no work-related fatalities in the review period but safety on our sites, particularly in the roads division, remains a concern. It is a worrying trend that public road users are increasingly ignoring traffic control signage and measures, risking their own lives as well as the lives of our employees. We are working closely with our clients to find ways to improve safety on our sites for all.

To this end, the roads division recently appointed a dedicated specialist to assist all sites with traffic accommodation and the development of improved methods of safety for the benefit of all employees and the travelling public.

DIVISIONAL REVIEW

With all non-core assets either disposed of or closed, we can focus on our core business of heavy construction. Any acceleration in government spending on infrastructure projects will support this focus and the company is actively positioning itself to participate in these projects.

Following a review of our operating divisions towards the end of 2015, the following changes were made to the operational structure:

- The buildings, civils and pipelines divisions were consolidated into one construction division
- The developments division was moved into a separate division under business development
- The roads division was moved into a separate division with executive committee representation

These changes took effect from 1 January 2016 and our segmental reporting now comprises five operational divisions: construction, developments, mining, roads and the St Helena airport project.

In an industry where margins are low, competition high and finance expensive, improving the quality and efficiency of delivering our projects is critical for success. We have made good progress in fully integrating earlier acquisitions as part of our focus on efficiency. After integrating common systems, we are embedding standardised site operating systems and automising operations management information to allow for proper and timely decision-making at the lowest levels across the company. Combined with company-wide cost-saving initiatives, these actions are expected to improve margins across all divisions in time.

Construction

	Unaudited Six months 30 June 2016	Unaudited Six months 30 June 2015	Audited 12 months 31 December 2015
Total segment revenue (R'000)	**719 528**	935 845	1 807 904
Intersegment revenue (R'000)	**–**	(4 573)	(4 000)
Revenue (R'000)	**719 528**	931 272	1 803 904
Operating loss (R'000)	**(32 344)**	(33 152)	(17 654)
Operating margin (%)	**(4.50)**	(3.56)	(0.98)
Order book (R'000)	**1 593 407**	2 426 076	1 947 859

The construction division had a difficult six-month period as it continued to focus on completing loss-making contracts, particularly the Olifants River water resource development project.

Delayed starts for a number of contracts and limited cash resources affected the overall performance of the division, which again reported operating losses in the period. With a declining order book and decrease in tender activity, the division is targeting areas where a significant amount of work is expected to be generated over the longer term, such as water and sanitation projects, both locally and regionally.

Work continued at the Olifants River water resource development project, focused on the final technically challenging river crossing. With the core work now complete, attention turns to remedial work and fulfilling our environmental obligations. Lessons learned on this project will be instructive in future multiparty, complex projects.

The resolution of claims relating to this contract is ongoing. By agreement with our client, a more streamlined claims resolution process has been agreed which provides for weekly meetings with the professional team to discuss outstanding claims. A meeting of senior representatives from Basil Read, the professional team and the client is held immediately afterwards to address any areas of contention. While the resolution process remains a protracted one, our client has displayed commitment to the process and a willingness to resolving cash flow constraints on the project.

Developments

	Unaudited Six months 30 June 2016	Unaudited Six months 30 June 2015	Audited 12 months 31 December 2015
Total segment revenue (R'000)	**31 131**	54 679	160 599
Intersegment revenue (R'000)	**–**	–	–
Revenue (R'000)	**31 131**	54 679	160 599
Operating profit (R'000)	**8 859**	14 802	15 441
Operating margin (%)	**28.46**	27.07	9.61
Order book (R'000)	**470 080**	200 000	200 000

Relocating the developments division under business development highlights the strategic importance of this division for the company.

The Basil Read model for mixed-use integrated housing developments is a real opportunity to combine entry-level to middle-class housing with factories, shopping centres, schools and churches in an integrated living model.

Importantly, the integrated development model generates work for the construction and roads divisions, which will allow for greater control of our order book, in time.

Unit sales at Savanna City continue to exceed expectations, underscoring the demand for affordable housing, with some 700 families already living in the development. We are installing internal bulk services to support the continued roll out of stands. Along with our partner, Old Mutual's Housing Impact Fund of South Africa, we are working with the Gauteng department of human settlements and Midvaal local municipality to ensure this 1 400 ha project sets a benchmark in economic development and housing.

Progress at Malibongwe Ridge has slowed due to budgetary constraints from key government partners. Servicing for the first phase – 486 fully subsidised residential stands – is complete and 41 homes have been handed over and occupied by residents. Community expectations will need to be managed due to the slowdown in allocating completed homes.

While no sales were recorded at the Klipriver Business Park in the six months to June 2016, a number of sales are being negotiated and expected to be finalised in the second half.

Mining

	Unaudited Six months 30 June 2016	Unaudited Six months 30 June 2015	Audited 12 months 31 December 2015
Total segment revenue (R'000)	**812 098**	669 675	1 402 190
Intersegment revenue (R'000)	**(58 505)**	(67 950)	(166 652)
Revenue (R'000)	**753 593**	601 725	1 235 538
Operating profit (R'000)	**49 695**	55 858	83 558
Operating margin (%)	**6.59**	9.28	6.76
Order book (R'000)	**4 655 357**	3 685 392	4 659 957

The mining division remains a solid performer for the company, despite a subdued commodity market. Low commodity prices have reduced the number of opportunities coming to market, with some existing projects scaled back, delayed or stopped. As a result, competition for work remains high and margins are under pressure.

Ongoing productivity improvements and effectively managing our mobile plant contributed to the profitability of the division. We continued to focus on improving our maintenance practices, given that our mobile plant fleet is ageing. Prudent cash management needs to be balanced with scheduling replacement capital expenditure.

Work started on two new contracts in Botswana during the reporting period, namely the Jwaneng Cut 8 north-east corner push back and Lerala Diamond Mine. The contracts are for 12 and 56 months respectively.

In Namibia, the Tschudi project is performing well, exceeding the client's expectations and underpinning the success of the new mines despite depressed copper prices.

The Majwe Mining joint venture is in discussions with the client to extend the Cut 8 project beyond the current contractual period into 2017 to complete waste removal, including the redesigned north-east corner.

The division continues to pursue growth opportunities in the contract mining market in sub-Saharan Africa by expanding and extending services with existing customers.

Roads

	Unaudited Six months 30 June 2016	Unaudited Six months 30 June 2015	Audited 12 months 31 December 2015
Total segment revenue (R'000)	**615 689**	839 750	1 508 576
Intersegment revenue (R'000)	**–**	(28 866)	(149 654)
Revenue (R'000)	**615 689**	810 884	1 358 922
Operating profit/(loss) (R'000)	**7 747**	(3 166)	49 198
Operating margin (%)	**1.26**	(0.39)	3.62
Order book (R'000)	**2 377 801**	2 364 282	2 617 204

Basil Read has arguably built more roads in the country than any other contractor. Our aim is to grow this division into a transportation division servicing all related infrastructure requirements, due to the synergies between mass earthworks for an airport, port or railway and traditional roadworks. The expertise in this division extends the focus beyond roads to airports, rail and marine.

Community disruptions continue to affect performance as local residents look for employment opportunities. This is particularly pronounced in rural areas. To resolve this issue, we are partnering with our clients and their professional teams to proactively engage with communities to address their concerns.

Despite limited tender activity in the first six months, the roll out of tenders has improved in recent weeks, from both national and provincial clients. National works include the SANRAL tender for the Msikaba and Mtentu bridges to be constructed as part of the N2 Wild Coast toll-road project, for which Basil Read, in consortium with Daewoo, has prequalified as one of six consortiums bidding for each bridge contract.

As constructing roads and earthworks 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 division is actively targeting major projects within sub-Saharan Africa, leveraging off the skills gained on major roadworks and expertise honed on the St Helena airport project. These major projects will allow the division to apply its full range of diverse skills in design and construction of multidisciplinary transportation infrastructure.

St Helena airport project	Unaudited Six months 30 June 2016	Unaudited Six months 30 June 2015	Audited 12 months 31 December 2015
Total segment revenue (R'000)	**381 977**	455 237	961 016
Intersegment revenue (R'000)	**–**	–	–
Revenue (R'000)	**381 977**	455 237	961 016
Operating profit (R'000)	**39 495**	59 346	95 654
Operating margin (%)	**10.34**	13.04	9.95
Order book (R'000)	**1 267 303**	1 391 115	1 316 173

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

After more than four years of construction, the aerodrome certificate was issued by Air Safety Support International (ASSI) on 10 May 2016. Issues with wind shear and turbulence, especially evident on the approach to runway 20, have delayed the start of scheduled flights.

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

The division continues to negotiate the contract to complete the bulk fuel installation. Design work for this contract is ongoing.

PROSPECTS

In the short term, consensus expectations are that the industry will continue to face challenges, with margins under pressure and real liquidity pressures. In the long term, however, infrastructure needs in South Africa and the African continent should support sectoral growth.

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

Given the clear decline in tender activity, maintaining the order book is seen as a key risk and we will look to ensure that our overhead cost base is directly related to operating work. The early scaling and adjustment of the overhead to the work we do is critical to avoiding a reduction in the operating margin.

In South Africa, the roads sector is moving into a rehabilitation-and-maintenance dominated phase with limited greenfield projects. The airports sector is also in a phase of maintenance and minor rehabilitation for the short to medium term. In the rest of southern Africa, significant upgrades and new transport infrastructure is required. Major rail upgrades are expected in the next 18 months, mostly related to mining and largely dependent on the state of commodity markets. Major port upgrades are imminent in the marine sector. While budgets are in place for expected public-sector infrastructure development, the pace of roll out has been sluggish at best in recent years.

By building relationships with key clients, the company is pursuing growth in the marine, energy, water and sanitation sectors.

Given the pace of urbanisation, over the next 10 years, we are aiming to break ground on additional large-scale, mixed-use, integrated developments. We are also identifying opportunities to develop smaller pockets of land using innovative funding models. Partnerships with selected industries, eg mining, will enable the company to leverage housing development programmes into mixed-use, integrated facilities.

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

While conditions remain challenging, we are committed to our strategy: grow the company to smooth the impact of cyclical volatility, extract maximum value from our 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 it substantially complies with King III as well as the Listings Requirements of the JSE Limited. The company regularly reviews its corporate governance policies and practices, striving for continued improvement.

There were no changes to the board of directors in the period under review.

DIVIDENDS

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

POST-STATEMENT OF FINANCIAL POSITION REVIEW

During August 2016, Basil Read secured a debt funding facility with the Industrial Development Corporation for R200 million.

RENEWAL OF CAUTIONARY ANNOUNCEMENT

Shareholders are referred to the cautionary announcement released on the Stock Exchange News Service (SENS) on 7 July 2016 and are advised that discussions for the potential private placement of shares that would result in Basil Read becoming a black-owned company are still in progress and which, if successfully concluded, may have a material affect on the price of the company's securities.

Shareholders are therefore advised to continue exercising caution when dealing in the company's securities until a full announcement is made.

On behalf of the board

PC Baloyi
Chairman

NF Nicolau
Chief executive officer

22 August 2016

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)

BASIL READ

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