BASIL READ®

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

DIVER

BASIL READ BUILDINGS

BASIL READ CIVILS

BASIL READ ROADS

NEWPORT CONSTRUCTION

ROADCRETE AFRICA

SLADDEN INTERNATIONAL CIVIL ENGINEERING CONTRACTORS

SPRAYPAVE

Valente Bros (Pty) Ltd Civil Engineering Contractors

BASIL READ MINING

B&E BLASTING & EXCAVATING

BASIL READ ENERGY

LYT

MATOMO

BASIL READ DEVELOPMENTS

SITY

Financial highlights

Revenue from continuing operations

R3,3 billion

(June 2013: R3,0 billion)

Earnings loss per share

145,75 cents

(June 2013: Earnings of 195,28 cents)

Headline loss per share

145,74 cents

(June 2013: Headline earnings of 43,69 cents)

Order book

R12,4 billion

(December 2013: R12,5 billion)

Condensed consolidated income statement

R'000	**Unaudited 6 months 30 June 2014**	Unaudited 6 months 30 June 2013	Audited 12 months 31 December 2013
Continuing operations			
Revenue	**3 293 407**	2 988 854	6 304 580
Operating (loss)/profit for the period before provision for Competition Commission	**(295 497)**	100 153	87 490
Provision for Competition Commission	**—**	(20 000)	(19 936)
Operating (loss)/profit for the period	**(295 497)**	80 153	67 554
Net finance (costs)/income	**(8 658)**	(6 157)	13 670
Share of profits of investments accounted for using the equity method	**33 852**	16 873	45 166
(Loss)/profit for the period before taxation	**(270 303)**	90 869	126 390
Taxation	**72 283**	(18 488)	(25 899)
(Loss)/profit for the period after taxation	**(198 020)**	72 381	100 491
Discontinued operations			
Net profit for the period from discontinued operations	**—**	183 403	180 979
Net (loss)/profit for the period	**(198 020)**	255 784	281 470
(Loss)/profit for the period attributable to the following:			
Equity shareholders of the company	**(191 937)**	257 150	310 742
Non-controlling interests	**(6 083)**	(1 366)	(29 272)
Net (loss)/profit for the period	**(198 020)**	255 784	281 470
(Loss)/earnings per share (cents)	**(145,75)**	195,28	235,97
Diluted (loss)/earnings per share (cents)	**(145,75)**	195,28	235,97
(Loss)/earnings per share from continuing operations (cents)	**(145,75)**	56,01	98,54
Diluted (loss)/earnings per share from continuing operations (cents)	**(145,75)**	56,01	98,54
Earnings per share from discontinued operations (cents)	**—**	139,27	137,43
Diluted earnings per share from discontinued operations (cents)	**—**	139,27	137,43

Condensed consolidated statement of comprehensive income

R'000	**Unaudited 6 months 30 June 2014**	Unaudited 6 months 30 June 2013	Audited 12 months 31 December 2013
Net (loss)/profit for the period	**(198 020)**	255 784	281 470
Other comprehensive income for the period	**1 442**	3 939	7 900
Movement in foreign currency translation reserve	**1 442**	9 077	12 003
Movement in fair value adjustment reserve	**—**	(5 138)	(5 043)
Deferred tax effect on other comprehensive income	**—**	—	940
Total comprehensive (loss)/income for the period	**(196 578)**	259 723	289 370
Total comprehensive (loss)/income for the period attributable to the following:			
Equity shareholders of the company	**(190 613)**	256 477	314 158
Retained income	**(191 937)**	257 150	310 742
Other reserves	**1 324**	(673)	3 416
Non-controlling interests	**(5 965)**	3 246	(24 788)
Total comprehensive (loss)/income for the period	**(196 578)**	259 723	289 370

Condensed consolidated statement of financial position

R'000	**Unaudited 30 June 2014**	Unaudited 30 June 2013	Audited 31 December 2013
ASSETS			
Non-current assets	**1 974 197**	1 907 381	1 914 321
Property, plant and equipment and investment property	**1 114 076**	1 168 689	1 143 877
Intangible assets	**411 399**	412 259	411 829
Investments accounted for using the equity method	**184 793**	140 113	186 595
Available-for-sale financial assets	**51 384**	51 295	51 384
Deferred income tax asset	**212 545**	135 025	120 636
Current assets	**2 807 086**	3 291 564	2 804 193
Inventories	**61 200**	107 436	41 958
Development land	**354 890**	391 690	363 120
Trade and other receivables	**954 010**	1 085 385	944 531
Work in progress	**489 738**	255 315	129 691
Current income tax asset	**49 915**	39 990	66 768
Cash and cash equivalents	**897 333**	1 411 748	1 258 125
	4 781 283	5 198 945	4 718 514
EQUITY AND LIABILITIES			
Capital and reserves	**1 645 216**	1 842 106	1 871 258
Stated capital	**1 048 025**	1 048 025	1 048 025
Retained income	**659 514**	777 339	851 451
Other reserves	**11 313**	5 900	9 989
Non-controlling interests	**(73 636)**	10 842	(38 207)
Non-current liabilities	**154 180**	208 439	309 768
Interest-bearing borrowings	**112 160**	164 251	263 086
Deferred income tax liability	**42 020**	44 188	46 682
Current liabilities	**2 981 887**	3 148 400	2 537 488
Trade and other payables	**1 419 824**	1 045 473	1 044 575
Amounts due to customers	**900 615**	1 148 268	1 095 096
Current portion of borrowings	**271 671**	474 858	163 314
Loans from associates	**—**	10 134	5 938
Provisions for other liabilities and charges	**288 910**	310 258	134 651
Current income tax liability	**7 369**	81 315	38 273
Bank overdraft	**93 498**	78 094	55 641
	4 781 283	5 198 945	4 718 514

Condensed consolidated statement of changes in equity

R'000	**Unaudited 6 months 30 June 2014**	Unaudited 6 months 30 June 2013	Audited 12 months 31 December 2013
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	**851 451**	750 654	750 654
Total comprehensive (loss)/income for the period	**(191 937)**	257 150	310 742
Transactions with minorities	**—**	—	20 518
Dividend declared	**—**	(230 465)	(230 463)
Balance at the end of the period	**659 514**	777 339	851 451
Other reserves			
Balance at the beginning of the period	**9 989**	875	875
Total comprehensive income/(loss) for the period	**1 324**	(673)	3 416
Disposal of subsidiary	**—**	5 698	5 698
Balance at the end of the period	**11 313**	5 900	9 989
Non-controlling interests	**(73 636)**	10 842	(38 207)

Condensed consolidated statement of cash flow

R'000	**Unaudited 6 months 30 June 2014**	Unaudited 6 months 30 June 2013	Audited 12 months 31 December 2013
Operating cash flow	**(123 594)**	229 642	406 770
Movements in working capital	**(48 068)**	(244 036)	(122 343)
Net cash generated by operations	**(171 662)**	(14 394)	284 427
Net finance (costs)/income	**(8 658)**	(6 157)	13 670
Dividends paid	**(20)**	(219 911)	(232 640)
Taxation paid	**(38 371)**	(5 664)	(68 172)
Cash flow from operating activities	**(218 711)**	(246 126)	(2 715)
Cash flow from investing activities	**(84 485)**	799 116	689 926
Cash flow from financing activities	**(98 041)**	(251 308)	(506 682)
Effects of exchange rates on cash and cash equivalents	**2 588**	(13 750)	(23 767)
Movement in cash and cash equivalents	**(398 649)**	287 932	156 762
Cash and cash equivalents at the beginning of the period	**1 202 484**	1 045 722	1 045 722
Cash and cash equivalents at the end of the period	**803 835**	1 333 654	1 202 484

Additional information to the condensed consolidated interim financial statements

	Unaudited 6 months 30 June 2014	Unaudited 6 months 30 June 2013	Audited 12 months 31 December 2013
Ordinary and special dividend paid per share (cents)	**—**	175,00	175,00
Ordinary and special dividend declared per share (cents)*	**—**	175,00	175,00
** Based on the year to which the dividend relates*			
Number of ordinary shares in issue ('000)	**131 686**	131 686	131 686
Headline (loss)/earnings per share (cents)	**(145,74)**	43,69	88,16
Diluted headline (loss)/earnings per share (cents)	**(145,74)**	43,69	88,16
Reconciliation of basic earnings to headline earnings	**R '000**	R '000	R '000
Basic (loss)/earnings	**(191 937)**	257 150	310 742
Adjusted by – Profit on sale of subsidiary	**—**	(195 600)	(193 176)
– Loss/(profit) on sale of property, plant and equipment	**20**	(4 018)	(1 470)
Headline (loss)/earnings	**(191 917)**	57 532	116 096
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 – "A" ordinary shares	**—**	—	—
Adjusted by – Share Incentive Scheme	**—**	—	—
Diluted average number of shares	**131 686**	131 686	131 686
Net asset value per share (cents)	**1 305,27**	1 390,63	1 450,01
Tangible net asset value per share (cents)	**992,86**	1 077,57	1 137,28
Capital expenditure for the period (R'000)	**146 568**	66 636	257 766
Depreciation (R'000)	**171 449**	153 997	324 292
Impairment of fixed assets (R'000)	**—**	—	—
Amortisation of intangible asset (R'000)	**430**	430	860

Commentary

The consolidated abridged interim financial statements have been prepared in terms of section 8.57 of the JSE Listings Requirements, incorporating IAS 34 on Interim Financial Reporting and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, and the Companies Act of South Africa. The principal accounting policies used in the preparation of the unaudited results for the six months ended 30 June 2014 are consistent with those applied in the annual financial statements for the year ended 31 December 2013 and for the unaudited results for the six months ended 30 June 2013 in terms of IFRS.

Overall review

The period under review has proven to be challenging for Basil Read, characterised by the continued slow roll out of infrastructure spend, endemic labour unrest, particularly in the mining sector, and a difficult contractual environment. Changes to the executive management team have contributed to the challenges faced and the group has grappled with a number of loss-making contracts in the construction division and difficult trading conditions in the engineering division. This has resulted in the group reporting poor results for the six months to June 2014.

Revenue increased by 10% to R3,3 billion (June 2013: R3,0 billion) with operating loss from continuing operations reported at R295,5 million (June 2013: profit of R80,2 million). Earnings per share declined by 175% to a loss per share of 145,75 cents (June 2013: earnings per share of 195,28 cents). Headline loss per share decreased by 434% to a loss of 145,74 cents per share (June 2013: headline earnings of 43,69 cents per share). The comparative results for the six months ended June 2013 include the profit on disposal of the TWP group in the amount of R183 million.

The group's cash position was negatively impacted by the reported loss and decreased to R803,8 million (December 2013: R1,2 billion). Working capital management remains a key focus area for the group, particularly as contractual difficulties have resulted in a high proportion of work remaining uncertified, resulting in large work in progress balances.

The debt equity ratio, calculated using total non-current borrowings remains conservative at a level of 6,5% (December 2013: 13,8%). Total debt reduced to R383,8 million (December 2013: R426,4 million), as the group continued to pay down instalment sale agreements. The current portion of borrowings as reported in the statement of financial position includes note BSR11u issued under the group's domestic medium-term note programme for an amount of R125 million, which matures in June 2015. Subsequent to the statement of financial position date, the group raised a further R100 million on this programme through the issue of two notes – BSR12 for an amount of R60 million maturing in January 2016 and BSR13 for an amount of R40 million maturing in July 2016.

The balance sheet remained steady with total assets at R4,8 billion (December 2013: R4,7 billion).

At the reporting date, the group had issued guarantees in the amount of R2,9 billion (December 2013: R3,0 billion). These guarantees have arisen in the ordinary course of business and it is not expected that any loss will arise out of the issue of these guarantees.

Basil Read (Pty) Ltd, 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 the company in calculating their procurement spend. The group is currently assessing the impact of the revised B-BBEE Codes of Good Practice as issued by the Department of Trade and Industry.

Contingent liability

The group has identified a number of instances where subsidiaries in Botswana have not fully complied with the time of submission requirements as prescribed by the Value Added Tax Act in Botswana. The Botswana entities have made voluntary submissions to the Botswana Unified Revenue Services (BURS) setting out these instances and requesting BURS to issue revised assessments. This process is ongoing.

No provision for additional taxes has been raised in relation to this VAT issue as legal advice indicates that it is not probable that a significant liability will arise. It is likely, however, that penalties and interest will be levied by BURS due to late submission and payments and the group accrued for these costs in the 2013 financial year.

Operational review

Safety, health, environmental, risk management and quality

Basil Read is committed at all levels throughout the organisation to achieving excellence in safety, health, environmental, risk management and quality (SHERQ) and to ensuring all employees commit to achieving their set objectives. The group implements an annual plan for improvement which is consistent with the business strategy and ensures the continuous improvement of the system.

The group's disabling injury frequency rate (DIFR) increased in the period to 0,17 from a level of 0,12 at December 2013, and focused measures are being implemented to address this specifically. The group's target is to reduce the DIFR to 0,1 and progress towards this target is monitored on a monthly basis.

Regrettably, the group recorded one fatality in the period under review and we extend our condolences to family, friends and colleagues of the deceased. All incidents are rigorously investigated and lessons learned are shared with all sites to prevent similar events from recurring.

Construction

	Unaudited 6 months 30 June 2014	Unaudited 6 months 30 June 2013	Audited 12 months 31 December 2013
Revenue (R'000)	**2 530 915**	2 108 110	4 622 946
Operating (loss)/profit before provision for Competition Commission (R'000)	**(267 641)**	28 134	31 993
Provision for Competition Commission (R'000)	**—**	(20 000)	(19 936)
Operating loss (R'000)	**(267 641)**	8 134	12 057
Operating margin before provision for Competition Commission (%)	**(10,57)**	1,33	0,69
Operating margin (%)	**(10,57)**	0,39	0,26
Share of (losses)/profits of investments accounted for using the equity method (R'000)	**(1 461)**	1 144	(3 175)
Order book (R'000)	**7 503 000**	10 013 000	8 165 000

The construction division has been negatively affected by loss-making contracts in the roads and civil engineering divisions, resulting in a disappointing net performance for the six months to June 2014.

A substantial loss has been recorded on a pipe-laying contract in the civil engineering division where significant challenges have been faced including access to land, community interference, challenging environmental conditions and rain delays. A task team has been established consisting of executive management to proactively engage with the client to facilitate the successful completion of the contract to the satisfaction of all stakeholders. The group has submitted claims relating to this contract, which are in the process of being assessed, but has not included any of these claims and/or possible delay damages in the determination of the result to June 2014.

The loss-making contracts in the roads division are being executed by the group's subsidiary company, Roadcrete Africa. In a bid to limit these losses, management has bolstered the senior site team through the deployment of additional, experienced resources.

The expected losses to the completion of these contracts have been provided in full in the results to June 2014 and the group does not expect to report further losses relating to these contracts. Of critical importance is that the group completes these contracts as efficiently and quickly as possible and every effort is being made to ensure that this is realised.

The division's flagship project, the construction of the airport on St Helena Island, is performing well and continues to achieve key milestone dates. The bulk fill is substantially complete with work on the airport buildings continuing. The airport certification process, which represents the last remaining key risk area, is well in hand and is being managed appropriately to mitigate the risk.

The division is continuing to explore opportunities further afield in the rest of Africa, where opportunities exist and the need for quality construction groups remains high.

Mining

	Unaudited 6 months 30 June 2014	Unaudited 6 months 30 June 2013	Audited 12 months 31 December 2013
Revenue (R'000)	**533 987**	444 353	935 361
Operating profit (R'000)	**2 928**	25 951	58 864
Operating margin (%)	**0,55**	5,84	6,29
Share of profits of investments accounted for using the equity method (R'000)	**28 858**	15 729	46 143
Order book (R'000)	**4 529 000**	1 737 000	3 919 000

The mining division has produced a stable set of results for the six months to June 2014 and remains a stable performer for Basil Read. In an industry characterised by labour unrest, the division has proactively managed its labour relations to effectively minimise disruptions.

The division continues to work on long-term contracts for key mining clients in South Africa and Botswana and is in the process of mobilising staff and equipment for the five-year contract at the Tschudi Copper Project in Namibia, for Weatherly International plc. Production is expected to commence towards the end of the year. All drill and blast work relating to this contract is to be completed by Blasting & Excavating, a group subsidiary company.

Given ongoing concerns about challenges in the South Africa mining industry and a softening market globally, Basil Read Mining is investigating opportunities in carefully selected markets across Africa. The significant capital expenditure that is required could prove challenging, particularly as the group has restricted capital expenditure budgets in recent years to preserve cash balances and contain debt. The lack of investment in new equipment has led to increased maintenance costs which have impacted profitability and the division is seeking to find an optimal balance between new and existing plant. In terms of both expansion and financing, however, an established track record in South Africa will stand the division in good stead.

Developments

	Unaudited 6 months 30 June 2014	Unaudited 6 months 30 June 2013	Audited 12 months 31 December 2013
Revenue (R'000)	**107 208**	35 998	69 897
Operating profit before write down of development land (R'000)	**7 824**	9 352	6 261
Write down of development land (R'000)	**—**	—	(22 572)
Operating profit/(loss) (R'000)	**7 824**	9 352	(16 311)
Operating margin (%)	**7,30**	25,98	(23,34)
Share of profits of investments accounted for using the equity method (R'000)	**—**	—	—
Order book (R'000)	**100 000**	100 000	100 000

The division recorded a modest profit in the period under review, underpinned by further sales of stands at its industrial development, Kliprivier Business Park, south of Johannesburg. Interest in the development is improving with several blue chip companies expressing an interest in larger stands.

This division is well positioned in the social and gap housing sector where government expenditure over the next few years is expected to increase significantly. It has also extended its urban management experience to provide expert services and capacity-building functions in this area.

The first phase of Savanna City commenced in the review period, with the servicing of the first 1 000 stands well underway. Similarly, the requisite funding from various government departments was secured to progress work at Malibongwe Ridge where close to 400 fully subsidised units are at an advanced stage of completion. Savanna City and Malibongwe Ridge are expected to be completed over the next 10 and five years respectively, with additional work being generated for other divisions in the process.

As part of the division's diversification strategy there are a number of small-scale housing top-structure development opportunities being investigated. If viable, these opportunities could provide considerable synergies with the buildings division.

Engineering

	Unaudited 6 months 30 June 2014	Unaudited 6 months 30 June 2013	Audited 12 months 31 December 2013
Revenue (R'000)	**121 297**	400 393	676 376
Operating (loss)/profit (R'000)	**(38 608)**	36 716	12 944
Operating margin (%)	**(31,83)**	9,17	1,91
Share of profits of investments accounted for using the equity method (R'000)	**6 455**	—	2 198
Order book (R'000)	**261 000**	400 000	280 000

Results in the engineering division have been disappointing as new awards have been slow to materialise while the division has remained geared for growth. Given the difficult trading conditions, the group took the decision to scale down capacity at Matomo and reduced staff numbers accordingly, particularly in relation to the renewable energy sector, where competition is aggressive.

To reduce costs further, the group is in the process of relocating the remaining team to its head office campus in Boksburg. Possible synergies with the mining division are being explored with a view to offering a complete end-to-end service.

LYT Architecture has experienced challenging trading conditions in the first half as several key projects were delayed. In addition, the resources sector is taking some time to recover following the protracted strike in the platinum sector. Despite these difficulties, the architectural firm remains profitable and expects an improved performance in the second half of the financial year.

Prospects

The group has successfully maintained the order book at R12,4 billion, with work performed in the first half of the 2014 financial year being successfully replaced through the awarding of additional work. This excludes construction work totalling R4,5 billion that will be realised as the group develops its large-scale integrated housing developments.

While trading conditions remain challenging, opportunities do exist, particularly in other African countries where the group is steadily establishing a presence. Of key importance to the success of the group is to ensure that the current loss-making contracts are successfully completed as quickly and efficiently as possible. The contract to construct the airport on St Helena Island is evidence that Basil Read has the operational capacity and capabilities to successfully execute a project of this magnitude, on time and within budget.

Commentary (continued)

Under the interim CEO, the executive management team has developed an 18-month turnaround strategy, with the key components of this strategy entailing the critical evaluation of the various businesses and assets in the group, into core and non-core categories. Mechanisms that will afford greater opportunities for synergy between the various teams and divisions are also in the early stages of implementation, with a view to creating a simplified structure and possible centralisation of support services.

With the recent announcement that Neville Nicolau will be taking up the position of chief executive officer on 1 September 2014 and the expectation that the chief financial officer position will be filled before the end of the 2014 financial year, the board is optimistic that stability will be restored to the group for the benefit of all stakeholders.

Corporate governance

The directors and senior management of the group endorse the Code of Governance Principles and Report on Governance, together referred to as King III. Having regard for the size of the group, the board is of the opinion that the group substantially complies with the Code as well as with the Listings Requirements of the JSE Limited. The group performs regular reviews of its corporate governance policies and practices and strives for continuous improvement in this regard.

The following changes to the board took effect in the year under review:

- Mr Marius Lodewucus Heyns retired as chief executive officer and executive director effective 31 May 2014
- Mr Terence Desmond Hughes was appointed as interim chief executive officer with effect from 1 June 2014
- Ms Doris Liana Theresia Dondur was appointed as non-executive director with effect from 24 June 2014
- Mr Charles Peter Davies retired by rotation as non-executive director with effect from 26 June 2014
- Ms Nopasika Vuyelwa Lila retired by rotation as non-executive director with effect from 26 June 2014.

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-balance sheet review

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.

On behalf of the board

S L L Peteni *(Chairman)*

T D Hughes *(Interim Chief Executive Officer)*

27 August 2014

BASIL READ

BASIL READ HOLDINGS LIMITED

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

Group 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:
Macquarie First South Capital (Pty) Ltd

Directors:
S L L Peteni*† *(Chairman)*, T D Hughes *(Interim Chief Executive Officer)*, P C Baloyi*†, D L T Dondur*†, Dr C E Manning*†, A C G Molusi*, S S Ntsaluba*, T A Tlelai*

(* Non-executive, † Independent)

www.basilread.co.za

BASIL READ®

www.basilread.co.za
communications@basilread.co.za