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Financial results

March 2017

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Forward-looking statements

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Key results

KEY RESULTS

	2016	2015
Turnover	R5.1 billion	R5.5 billion
Operating profit	R63.7 million	R226.2 million
(HLPS)/HEPS	(21.79 cents)	120.28 cents
Net (loss)/profit	(R53.7 million)	R171.2 million
Order book	R12.3 billion	R10.7 billion
Safety	Zero fatalities	4 fatalities



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Safety

SAFETY – Zero harm is possible

- Safety of employees remains a key focus, zero tolerance for occupational injuries and fatalities
 - No work related fatalities reported
 - Three employees passed away in two road accidents
 - We appeal to the public to adhere to all safety signage, speed limits and other instructions given while travelling through our roads sites
 - All incidents, regardless of severity, are exhaustively investigated and lessons learnt communicated to all to avoid a repeat incident



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Profitability

FACTORS AFFECTING RESULTS

- Operating profit after deduction of:
 - R61 million losses incurred on the Olifants River water resource development project
 - R32 million loss from the discontinuation of the pipelines business unit
- Normalised operating profit of R157 million
- Profit before tax from continued operations of R4.6 million after deduction of:
 - Present value charge of settlement agreement with the South African Government (VRP) of R41 million
- After tax loss of R53.6 million, after deduction of:
 - A tax expense of R25.4 million, mainly arising from profits generated in subsidiary companies domiciled outside South Africa
 - A loss of R33 million on the sale of SprayPave (Pty) Ltd included as discontinued operations

PROFITABILITY

- Operating profit of R63.7 million (2015: R226.2 million)

Divisional operating profit	2016	2015
Construction	(R107.7 million)	(R17.6 million)
Developments	R15.9 million	R15.4 million
Mining	R111.6 million	R83.5 million
Roads	(R41.9 million)	R49.3 million
St Helena airport project	R85.8 million	R95.6 million
Total	R63.7 million	R226.2 million

- Good profits from developments, mining and the St Helena airport project
- Construction division negatively impacted by a loss incurred on the Olifants River water resource development project for client TCTA
- Losses in the roads division attributable to a number of loss making projects, fully provided for in the 2016 year



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Operational overview

OPERATIONAL OVERVIEW

- Basil Read now has five operating divisions
 - Construction
 - Developments
 - Mining
 - Roads
 - St Helena airport project

OPERATIONAL OVERVIEW - Construction

	Reviewed	Audited
	12 months 31 December 2016	12 months 31 December 2015
Revenue (R000)	1 639 583	1 803 903
Operating (loss)/profit (R000)	(107 704)	(17 654)
Operating margin (%)	(6.57)	(0.98)
Order book (R000)	2 607 458	1 947 859

OPERATIONAL OVERVIEW - Construction

- Consists of the buildings, civils and now discontinued pipelines business units
- Performance was overshadowed by difficulties in completing the Olifants River water resource development project
 - Completion of the project was the focus for 2016
 - Installation of the full line complete including the technically challenging Steelpoort river crossing as well as pressure testing of half of the line
 - Handover anticipated mid 2017
 - To date, Basil Read incurred costs of R2 071 million and accounted for an overall loss of R499 million
 - Recognised revenue of R250 million, includes R139 million in uncertified revenue, with a loss of R61 million
 - Total project claims submitted to date of R586 million, of which R279 million has been settled in our favour, with R307 million still outstanding
 - An additional R98 million in claims to be submitted during the first half of 2017
 - Discussions on successful claims resolution is ongoing with the client and its consulting engineer

OPERATIONAL OVERVIEW - Construction

Civils

- Kusile and Medupi projects are ongoing
- Long outstanding claims on these contracts were successfully resolved through inclusive negotiations
- Order book currently R1.8 billion
- Venetia mine claim resolved at a value of R46 million

Buildings

- Works at Medupi and Kusile power stations continues, with the Medupi buildings project being completed and handed over
- Several schools in the Western Cape were completed, with the Gauteng schools on track for completion
- Major extension to the Protea Hotel in Uhmhlanga and Nissan's incubation centre was completed
- Order book currently R1 268 million

Pipelines

- Faced several difficulties, most notably from continuous community disruptions, impacting contracts
- All contracts within this division have been completed
- Business unit closed at year end, with specialist skills retained for redeployment to other divisions

OPERATIONAL OVERVIEW - Developments

	Reviewed	Audited
	12 months 31 December 2016	12 months 31 December 2015
Revenue (R000)	81 263	160 599
Operating profit (R000)	15 873	15 441
Operating margin (%)	19.53	9.61
Order book (R000)	1 015 154	200 000

OPERATIONAL OVERVIEW - Developments

- Focuses on large-scale, mixed income integrated housing developments, and is of strategic importance to the business
- Key current projects include:
 - Savanna City with over 18 000 planned housing opportunities. Unit sales are still exceeding expectations, with 910 units sold and over 1 000 families living in the development
 - Progress at Malibongwe Ridge has slowed due to budgetary constraints among key government partners. However, servicing for phase I is complete with 486 fully subsidized residential stands complete, 200 homes built and 144 occupied
 - Klipriver business park – stands to the value of R18 million were sold in the second half of 2016

OPERATIONAL OVERVIEW - Mining

	Reviewed	Audited
	12 months 31 December 2016	12 months 31 December 2015
Revenue (R000)	1 567 998	1 235 538
Operating (loss)/profit (R000)	111 652	83 558
Operating margin (%)	7.12	6.76
Order book (R000)	5 456 323	4 657 957

OPERATIONAL OVERVIEW - Mining

- Strong performance in spite tough trading conditions
- Implemented asset optimisation strategy in response of margin pressure
- Increase in mining opportunities coming to the market
- Division well positioned to win a fair share of new opportunities
- Strong order book with new contracts
 - Jwaneng's Cut 8 project extended by 24 months
 - Skorpion Zinc Mine, 36 months
 - Lerala Diamond Mine, 48 months
 - Otjikoto mine owned by B2 Gold Corp, 12 months
 - Venetia Mine – Load and haul, 56 months

OPERATIONAL OVERVIEW - Roads

	Reviewed	Audited
	12 months 31 December 2016	12 months 31 December 2015
Revenue (R000)	1 115 291	1 358 923
Operating (loss)/profit (R000)	(41 938)	49 198
Operating margin (%)	(3.76)	3.62
Order book (R000)	2 412 156	2 617 204

OPERATIONAL OVERVIEW - Roads

- Results from this division impacted by:
 - Lower than expected production
 - Slow start of new projects
 - Additional costs associated with historically distressed contract and subsequent suspension of works in Zambia
 - Inadequate design and/or design clashes resulting in project delays
- Community disruptions continued to affect performance
 - Direct financial impact due to the loss of momentum in the production process
 - Proactively engage communities to address their concerns, in conjunction with clients
- Increased tender activity in the second half of the year
 - Exploring cross border airport, roads and port opportunities
- Aim is to diversify into all categories of transport and all related infrastructure requirements
- Finalised 12 contracts over the past 24 months

OPERATIONAL OVERVIEW – St Helena airport project

	Reviewed	Audited
	12 months 31 December 2016	12 months 31 December 2015
Revenue (R000)	721 950	961 016
Operating (loss)/profit (R000)	85 854	95 654
Operating margin (%)	11.89	9.95
Order book (R000)	851 997	1 316 173

OPERATIONAL OVERVIEW – St Helena airport project

- Phase 1 of this project is now complete, Phase 2 operational contract now underway
- Order book:
 - R400 million bulk fuel facility work still to be completed
 - R452 million to operate the airport over the next nine years
- Airport was certified in May 2016 and operates as fully functional facility daily
- Wind shear issues have delayed the start of scheduled flights, but this presents no risk to Basil Read
- A new tender has been issued for commercial flight operations, which are expected to begin mid 2017
- Several charter flights have landed at the airport, including medivacs



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Financial overview

FINANCIAL PERFORMANCE

R000	2016	2015
Revenue	5 126 085	5 519 979
Operating profit / (loss)	63 737	226 197
Profit before tax from continuing operations	4 601	231 342
Net (loss) / profit after taxation	(53 647)	171 213
(LPS) / EPS	(48.70)	137.27
(HLPS) / HEPS cents	(21.79)	120.28

FINANCIAL POSITION

R000	2016	2015
Property, plant and equipment	805 204	922 446
Intangible assets	90 782	91 640
Other non-current assets	494 772	486 415
Other current assets	1 366 394	1 510 812
Cash and cash equivalents	517 513	506 845
Non-current assets held for sale	0	104 203
Total assets	3 274 665	3 622 361
Shareholders' equity	1 134 093	1 223 552
Interest-bearing debt – long term	300 378	182 134
Interest-bearing debt – short term	137 760	157 798
Other non-current liabilities	47 788	38 953
Current liabilities	1 595 609	1 962 152
Liabilities classified as held for sale	0	22 334
Bank overdraft	59 037	35 439
Total equity and liabilities	3 274 665	3 622 361
Net cash	458 476	471 406

CASH FLOWS

R000	2016	2015
Cash flows from operating activities before changes in working capital	22 047	588 757
Movements in working capital	(31 643)	(739 448)
Cash flow from operating activities	(9 596)	(150 691)
Net property, plant and equipment	(87 715)	8 665
Other investing cash items	64 522	96 101
Cash flow from investing activities	(23 193)	104 766
Cash flow from financing activities	45 314	(325 456)
Effects of exchange rates on cash	(28 725)	10 393
Net movement in cash and cash equivalents	(16 200)	(360 988)

FUNDING

- Total group debt R438 million (2015: R339 million)
- R200 million facility secured with the IDC, R140 million drawn down to date
 - Capital repayments commence October 2017 over three years
 - Secured via the Klipriver Business Park
- Balance of IDC facility to be drawn first half 2017
- R29 million in outstanding bonds settled in December 2016
- Total group cash R458 million (2015: R471 million)



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Strategic focus and outlook

STRATEGIC FOCUS

- Focus will remain on South African market; mindful of opportunities across African continent
- Remain committed to our three-tiered strategy
 - Grow the company
 - Reinventing business development
 - Discussions ongoing to transform Basil Read into a black-owned company via the private placement of shares
 - Optimise asset productivity and efficiency
 - Improved project execution
 - Rightsizing overheads
 - Driving supply-chain efficiencies
 - Improved cash-flow management
 - Modernise our corporate culture
 - New set of corporate values
 - Participated in a settlement agreement with the South African Government
 - The agreement settles potential public sector claims relating to historical matters
 - Once off cost of R41 million raised during the year

OUTLOOK

R millions	2016	2015
Construction	2 608	1 948
Developments	1 015	200
Mining	5 456	4 660
Roads	2 412	2 617
St Helena airport project	852	1 316
Total	12 343	10 741

In conclusion

- Basil Read now established as an operating company with clear focus and proper operating systems
- Normalised operating profit of R157 million
- Completion of Olifants River water resource development project
- Claim resolution in progress with TCTA and Eskom
- Otherwise a healthy operation
- Solid order book at improved margins
- A proper equity investment being secured



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Thank you