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

AUDITED PROVISIONAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

Key results
- Zero fatalities
  Safety (December 2016: zero fatalities)
- 717.35 cents
  Headline loss per share (December 2016: 21.79 cents)
- (R1 billion)
  Net (loss)/profit (December 2016: R53.6 million)
- (R743.1 million)
  Operating (loss)/profit (December 2016: R63.7 million)
- R12.6 billion
  Order book (December 2016: R12.3 billion)
- R4.5 billion
  Revenue from continuing operations (2016: R5.1 billion)

Basis of preparation
The summary consolidated financial statements are prepared in accordance with the JSE's requirements for summary financial statements, and the requirements of the Companies Act of South Africa applicable to summary financial statements. The Listings Requirements of the JSE require the summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

This summary consolidated financial statements do not include the information required pursuant to paragraph 16A(j) of IAS 34. The consolidated annual financial statements are available on the issuer's website, at the issuer's offices and upon request. The directors take full responsibility for the summary consolidated financial statements and confirm that this information has been correctly extracted from the consolidated annual financial statements.

AUDIT REPORT

The summary consolidated financial statements have not been audited but are extracted from the underlying
audited information.

The annual financial statements were audited by PricewaterhouseCoopers Inc., whose opinion included an
emphasis of matter in relation to material uncertainty over going concern. The audited consolidated annual
financial statements and the auditor's report thereon are available for inspection at the company's registered
office.

The directors take full responsibility for the preparation of the summary consolidated financial statements
and that the financial information has been correctly extracted from the underlying consolidated annual
financial statements.

FORWARD-LOOKING STATEMENT
Statements made throughout this announcement on the future financial performance of the company have been
audited by the company'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.

Going concern
In determining the appropriate basis of preparation of the financial statements, the directors are required to
consider whether the group and company can continue in operational existence for the foreseeable future.

The group and company's results in the current year were significantly impacted by onerous loss making legacy
contracts, write-off of goodwill in the roads division and reversal of deferred tax assets in loss making
entities. As a result, the group reported a net loss after tax of R1 billion for the 2017 financial year.

The following are significant items included in the loss for the year:
- Provisions for onerous contracts of R208.7 million
- Impairment of goodwill and reversal of deferred tax assets relating to the roads division of R261.1 million
- Write down of debtors and development land of R84.7 million.

The trading conditions in the construction sectors continue to be challenging as reflected in the group's results.
The group's balance sheet has been negatively impacted by the loss realised from operations. At year-end, the
group's current liabilities (R2.1 billion) exceeded current assets (R1.4 billion) and group's cash had decreased
to R126.4 million.

In order to ensure the future sustainability of the group, the board approved a turnaround plan in September 2017.
A number of initiatives have been implemented by the group under this plan which includes a debt standstill agreement
with funders and guarantors, the sale of non-core assets, renegotiating terms with funders, raising new capital and
securing new profitable projects.

In order to provide more liquidity, the group has successfully managed to perform the following during the year:
- The group renegotiated terms with six of its major funders and guarantors providing an extension on repayments
  of long-term financing and securing guarantees on contracts;
- The group disposed of surplus plant and equipment and generated a cash inflow of R80 million into the business;
- Bridge funding of R150 million was obtained from the Industrial Development Corporation (IDC) which has
  subsequently been repaid in March 2018; and
- The mining division has been successfully securing new projects in Namibia and Lesotho, which are expected to
  yield good margins.

In addition to the above, subsequent to the current financial year-end, the group has managed to successfully raise
additional funds amounting to R300 million through a rights offer process. The proceeds from the rights offer have
been used to improve working capital and settle the IDC bridge loan.

Despite the progress made, group cash flows remain critically tight and the group is continuing efforts to improve
liquidity within the group. Based on the turnaround plan, management has prepared a budget for the 2018 financial year
and cash flow forecasts covering a minimum of 12 months. This budget and cash flow forecast, if successfully implemented,
indicates that the group will raise sufficient cash resources for the foreseeable future.

In compiling its cash flow forecasts, the group has made a number of key judgements and assumptions. The judgements
and estimates are based on the turnaround plan and include the following:
- Accelerating the resolutions of legacy claims;
- Negotiations to extend repayment of long-term financing;
- Sale of non-core assets and development land; and
- Completion of process of disposing of surplus plant and equipment.

The group has taken a number of steps to complete the plans above which have been summarised below:
- Resolution of outstanding claims - marked progress has been made towards the resolution and the agreed methodology
  for quantification. These processes, however, require time to complete and ensure the group is fairly rewarded for
  work done
- Negotiations to extend repayment of long-term financing - the group has successfully concluded negotiations to
  extend repayment of loans by 18 months
- Sale of non-core assets - the group has commenced with the process of disposing of development land. A mandate has

been signed with a selling agent to accelerate the process of disposal of these assets
- Completion of process of disposing of surplus plant and equipment - the group has continued the process of disposing of surplus equipment. Subsequent to year-end, the group has contracted or received offers on equipment to the value of R70 million.

The conclusion and settlement of claims is by its nature a lengthy and drawn out process. As a result, the timing of the receipt of the claims cannot be forecast with sufficient reliability.

The company is negotiating to extend the repayment of long-term financing and obtain additional working capital funding and facilities. These negotiations by their nature are dependent on the agreement of the external funding parties.

Management is advancing the process of disposing of the development land as speedily as possible. Due to the significant size of these assets, a prolonged period may be required to complete the planned disposals.

The above plans are important elements of securing adequate liquidity for the business going forward. If not concluded successfully, cash flow resources available to the group will be impacted materially.

As a result of the events and conditions described above, there is a material uncertainty on the timing of the cash flows that may cast significant doubt on the group's ability to continue as a going concern and, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course.

Condensed consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2017

	2017	2016
	R000	R000
Continuing Operations		
Revenue	4 581 144	5 126 085
Operating (loss)/profit	(743 132)	63 737
Non-trading items	-	(40 788)
Finance income	14 615	8 868
Net foreign exchange movements	12 541	31 882
Finance cost	(92 245)	(50 117)
Share of profits/(losses) of associates and joint ventures	33 644	(8 981)

(Loss)/profit before taxation	(774 577)	4 601
Taxation	(236 326)	(25 419)
Loss for the year from continuing operations	(1 010 903)	(20 818)
Discontinued Operations		
Result on disposal of discontinued operations	-	(32 828)
Net loss for the year	(1 010 903)	(53 646)
Other Comprehensive loss For The Year - Net Of Tax		
Items that may be subsequently reclassified to profit or loss	(18 770)	(35 813)
Total comprehensive loss for the year	(1 029 673)	(89 459)
Loss attributable to:		
Owner of the company	(1 011 791)	(64 128)
Non-controlling interests	888	10 482
Net loss for the year	(1 010 903)	(53 646)
Total comprehensive loss attributable to:		
Owner of the company	(1 030 572)	(103 750)
Non-controlling interests	899	14 291
Total comprehensive loss for the year	(1 029 673)	(89 459)

	Cents	Cents
Continuing operations		
Basic earnings per share	(768.34)	(23.77)
Diluted earnings per share	(768.34)	(23.77)
Discontinued Operations		
Basic earnings per share	-	(24.93)
Diluted earnings per share	-	(24.93)

Condensed consolidated statement of financial position
as at 31 December 2017

	2017	2016*	2015*
	R000	R000	R000
ASSETS			
Non-current assets	1 264 725	1 390 758	1 500 501
Property, plant and equipment	956 795	799 092	915 856
Investment property	4 328	6 112	6 590

Investments in associates and joint ventures 123 946
126 234 136 399
Investment at fair value 41 814
51 290 51 290
Goodwill and intangible assets 1 003
90 782 91 640
Deferred taxation 136 839
317 248 298 726
Current assets 1 430 434 1
830 617 1 975 671
Contract work in progress 324 071
289 064 391 251
Trade and other receivables 632 859
699 900 766 701
Inventories 39 670
35 229 25 939
Development land 231 258
259 607 262 679
Derivative financial instrument -
623 2 885
Taxation 24 818
28 681 19 371
Cash and cash equivalents 177 758
517 513 506 845
Non-current assets held for sale 53 823
- 104 203
Total assets 2 748 982 3
221 375 3 580 375
LIABILITIES AND EQUITY
Non-current liabilities 510 982
348 166 221 087
Borrowings and other liabilities 433 370
300 378 182 134
Deferred taxation 77 612
47 788 38 953
Current liabilities 2 133 580 1
739 116 2 113 402
Contract income received in advance 338 559
330 321 715 432
Trade and other payables 907 122
934 327 734 163
Borrowings and other liabilities 381 846
137 760 157 798
Derivative financial instrument 1 119
- -
Provisions 429 427
245 877 455 537
Taxation 24 171
31 794 15 034
Bank overdraft 51 336
59 037 35 438
Non-current liabilities held for sale -
- 22 334
Total liabilities 2 644 562 2
087 282 2 356 823
Equity 111 406 1
141 978 1 245 728

Stated capital	1 048 025	1 048 025	1 048 025
Other reserves	(16 420)	2 361	41 983
Retained earnings	(920 199)	91 592	155 720
Non-controlling interest	(6 986)	(7 885)	(22 176)
Total liabilities and equity	2 748 982	3 221 375	3 580 375

* Restated.

Condensed consolidated statement of changes in equity
for the year ended 31 December 2017

	Stated capital		Other reserves					
	Share capital	Treasury shares	FCTR1	FVR2	Retained earnings	AEHC3	NCI4	Total equity
	R000	R000	R000	R000	R000	R000	R000	R000
Balance as at 1 January 2016	1 048 037	(12)	45 854	(3 871)	155 720	1 245 728	(22 176)	1 223 552
Total comprehensive income	-	-	(39 622)	-	(64 128)	(103 750)	14 291	(89 459)
Loss for the year	-	-	-	-	(64 128)	(64 128)	10 482	(53 646)
Other comprehensive income	-	-	(39 622)	-	-	(39 622)	3 809	(35 812)
Balance as at 31 December 2016/ 1 January 2017	1 048 037	(12)	6 232	(3 871)	91 592	1 141 978	(7 885)	1 134 093
Total comprehensive income	-	-	(18 438)	(343)	(1 011 791)	(1 030 572)	899	(1 029 673)
Loss for the year	-	-	-	-	(1 011 791)	(1 011 791)	888	(1 010 903)
Other comprehensive income	-	-	(18 438)	(343)	-	(18 781)	11	(18 770)
Balance as at 31 December 2017	1 048 037	(12)	(12 206)	(4 214)	(920 199)	111 406	(6 986)	104 420

1 Foreign currency translation reserve.
2 Fair value adjustment reserve.
3 Attributable to equity holders of the company.
4 Non-controlling interest.

Movements are reflected net of taxation.

Condensed consolidated statement of changes in cash flows
for the year ended 31 December 2017

	2017	2016*
	R000	R000

Cash flows from operating activities		
Cash received from customers	4 527 716	4 888 598
Cash paid to suppliers and employees	(4 844 095)	(4 791 312)
Cash (utilised)/generated from operations	(316 379)	97 286
Interest paid	(58 338)	(48 239)
Interest received	14 615	8 863
Taxation paid	(30 412)	(27 655)
Net cash flows from operating activities	(390 514)	30 255
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(65 595)	(128 975)
Proceeds from disposal of property, plant and equipment	80 099	42 392
Proceeds from disposal of investment property	1 628	-
Disposal of subsidiaries	-	64 785
Proceeds from disposal of joint operations	35 000	-
Advances made to joint ventures	-	(19 254)
Advances recovered from joint ventures	12 583	-
Advances made to associates	(35 438)	(3 390)
Advances recovered from associates	4 203	7 455
Dividends received from associates and joint ventures	-	14 926
Net cash flows from investing activities	32 480	(22 061)
Cash flow from financing activities		
Proceeds borrowings raised	277 528	200 855
Repayments of borrowings	(252 148)	(196 524)
Net cash flow from financing activities	25 380	4 331
Effect of exchange rate changes on cash and cash equivalents	600	(28 725)
Movement in cash and cash equivalents	(332 054)	(16 200)
Cash and cash equivalents at the beginning of the reporting period	458 476	474 676
Cash and cash equivalents at the end of the reporting period	126 422	458 476

* Restated.

Additional information to the condensed consolidated financial statements

(LOSS)/EARNINGS PER SHARE AND HEADLINE (LOSS)/EARNINGS PER SHARE

Summary of (loss)/earnings per share and headline (loss)/earnings per share

		Earnings attributable 2017 R000	Earnings attributable 2016 R000	Weighted average number of shares 2017 000	Weighted average number of shares 2016 000	Cents per share 2017	Cents per share 2016
Total operations							
Earnings per share (EPS)	- Basic	(1 011 791)	(64 128)	131 686	131 686	(768.34)	(48.70)
EPS	- Diluted	(1 011 791)	(64 128)	131 686	131 686	(768.34)	(48.70)
Headline earnings per share (HEPS)	- Basic	(944 654)	(28 700)	131 686	131 686	(717.35)	(21.79)
HEPS	- Diluted	(944 654)	(28 700)	131 686	131 686	(717.35)	(21.79)
Continuing operations							
EPS	- Basic	(1 011 791)	(31 300)	131 686	131 686	(768.34)	(23.77)
EPS	- Diluted	(1 011 791)	(31 300)	131 686	131 686	(768.34)	(23.77)
HEPS	- Basic	(944 654)	(28 700)	131 686	131 686	(717.35)	(21.79)
HEPS	- Diluted	(944 654)	(28 700)	131 686	131 686	(717.35)	(21.79)
Discontinued operations							
EPS	- Basic	-	(32 828)	131 686	131 686	-	(24.93)
EPS	- Diluted	-	(32 828)	131 686	131 686	-	(24.93)
HEPS	- Basic	-	-	131 686	131 686	-	-
HEPS	- Diluted	-	-	131 686	131 686	-	-

There was no difference between weighted average number of shares and diluted average number of shares during the current reporting period.

Reconciliation between basic earnings/(loss), diluted earnings/(loss) and headline earnings/(loss)

	Continuing operations Gross of tax amount R000	Continuing operations Net of tax amount R000	Discontinued operations Gross of tax amount R000	Discontinued operations Net of tax amount R000	Total Gross of tax amount R000	Total Net of tax amount R000
2017						

Basic and diluted loss	(1 011 791)	(1 011 791)	(1 011 791)	(1 011 791)	-	-
(Profit)/loss on sale of joint operation	(202)	(145)	(202)	(145)	-	-
(Profit)/loss on sale of property, plant and equipment	(30 579)	(22 017)	(30 579)	(22 017)	-	-
Impairment of goodwill	88 917	88 917	88 917	88 917	-	-
Impairment of investment at fair value	9 000	6 480	9 000	6 480	-	-
Headline loss	(944 654)	(938 555)	(944 654)	(938 555)	-	-
2016						
Basic and diluted loss	(64 128)	(64 128)	(31 300)	(31 300)	(32 828)	(32 828)
Loss on sale of subsidiary	32 828	32 828	-	-	32 828	32 828
(Profit) on sale of property, plant and equipment	(778)	(778)	(778)	(778)	-	-
Impairment of property, plant and equipment	2 900	2 900	2 900	2 900	-	-
Fair value adjustment on investment property	478	478	478	478	-	-
Headline loss	(28 700)	(28 700)	(28 700)	(28 700)	-	-

The above line items have no NCI consequences. Based on the tax computation, the above tax effects are unrecognised due to assessed losses within the group.

GOODWILL AND INTANGIBLE ASSETS

	Goodwill R000	Contract-based intangible assets R000	Total R000
Balance as at 1 January 2016			
Cost	343 532	80 177	423 709
Accumulated amortisation and impairment	(254 615)	(77 453)	(332 068)
Net book value	88 917	2 724	91 641
Movements			
Amortisation	-	(859)	(859)
Balance as at 31 December 2016/1 January 2017			
Cost	343 532	80 177	423 709
Accumulated amortisation and impairment	(254 615)	(78 312)	(332 927)

Net book value	88 917	1 865	90 782
Movements			
Amortisation	-	(862)	(862)
Impairment	(88 917)	-	(88 917)
Balance as at 31 December 2017			
Cost	343 532	80 177	423 709
Accumulated amortisation and impairment	(343 532)	(79 174)	(422 706)
Net book value	-	1 003	1 003

An impairment loss of R88.9 million was recognised for the roads CGU, reducing the carrying amount of the goodwill for this CGU to zero as at 31 December 2017. There are no other goodwill recoverable amounts for the group as at 31 December 2017.

The impairment assessment of the roads CGU was performed based on the value-in-use methodology using a five-year discounted cash flow model. The pre-tax cash flows were discounted using a pre-tax discount rate in line with valuations methodology and the requirements of accounting standards.

PROVISIONS

	Employee provisions R000	Contract provisions R000	Total provisions R000
2017			
Opening balance	1 345	244 532	245 877
Additions	10 173	248 488	258 661
Utilisations	(431)	(54 826)	(55 257)
Reversals	(754)	(3 625)	(4 379)
Disposal through business combination	(1 472)	(13 163)	(14 635)
Foreign exchange differences	6	(846)	(840)
Closing balance	8 867	420 560	429 427

Included in contract provisions is R123.7 million related to onerous contracts.

Employee provision consists mainly of retrenchment provisions amounting to R6.3 million.

OPERATING SEGMENTS

The group comprises five operational segments namely construction, developments, mining, roads and St Helena, based on the management of the segments by the chief operating decision maker. The construction segment consists of buildings and civils.

2017

	Construction	Developments	Mining	Roads	St Helena	Total
	R000	R000	R000	R000	R000	R000
Performance measures						
Total segment revenue	1 398 901	79 551	1 813 630	1 014 285	302 778	4 609 144
Intersegment revenue	-	-	(1 345)	(26 655)	-	(28 000)
External revenue	1 398 901	79 551	1 812 285	987 630	302 778	4 581 144
Operating profit/(loss)	(224 860)	19 275	76 129	(589 740)	(23 936)	(743 132)
Measures of financial position						
Assets						
Property, plant and equipment	46 145	4 903	781 177	99 282	25 288	956 795
Inventories	3 089	-	26 949	-	9 632	39 670
Work in progress	265 182	-	53 971	4 918	-	324 071
Cash and cash equivalents	128 575	2 021	36 721	3 786	6 655	177 758
Liabilities						
Interest-bearing borrowings	457 489	-	357 727	-	-	815 216
Advance payments received for contract work	309 399	7	414	2 011	26 728	338 559
Provisions for other liabilities and charges	50 938	13 232	75 158	149 475	140 624	429 427

2016

	Construction	Developments	Mining	Roads	St Helena	Total
	R000	R000	R000	R000	R000	R000
Performance measures						
Total segment revenue	1 645 506	81 263	1 701 724	1 166 765	721 950	5 317 207
Intersegment revenue	(5 923)	-	(133 726)	(51 474)	-	(191 123)
External revenue	1 639 583	81 263	1 567 998	1 115 291	721 950	5 126 085
Operating profit	(107 704)	15 873	111 652	(41 938)	85 854	63 737
Measures of financial position						
Assets						
Property, plant and equipment	58 474	4 454	558 568	131 974	45 622	799 092

Goodwill	-	-	-	88 917	-	88 917
Inventories	6 083	-	16 112	-	13 034	35 229
Work in progress	221 967	-	31 141	35 956	-	289 064
Cash and cash equivalents	151 052	18 633	112 454	22 470	153 867	458 476
Liabilities						
Interest-bearing borrowings	272 199	-	165 939	-	-	438 138
Advance payments received for contract work	114 005	-	5 826	103 121	107 369	330 321
Provisions for other liabilities and charges	-	37 772	52 591	32 209	123 305	245 877

RESTATEMENT

Classification of provision for onerous contracts

The group has recognised provisions for onerous commitments on identified loss making contracts. In the comparative period, all onerous contract provisions were presented in the provision line under current liabilities. The comparative information has been updated to reallocate onerous contract provisions against contract work in progress, under current assets, on all contracts on which work in progress has been recognised.

The effect of the restatement in the statement of financial position is as follows:

	2016	2015
	R000	R000
Contract work in progress		
Previously stated as	342 354	433 237
Decrease effect	(53 290)	(41 986)
After restatement	289 064	391 251
Provisions		
Previously stated as	299 167	497 523
Decrease effect	(53 290)	(41 986)
After restatement	245 877	455 537

Investment

The group holds investments in associates and joint ventures, which are equity accounted and other investments, which are carried at fair value. In the comparative period these investments were presented on a consolidated basis in the investment line on the group's statement of financial position. The group has updated comparative information and separately disclosed the investment in associates and joint ventures from the investments at fair value to reflect the measurement basis.

The effect of the restatement in the statement of financial position is as follows:

	Previously presented as R000	Decrease effect R000	After restatement R000
2016			
Investments	177 524	(177 524)	-
Investments in associates and joint ventures	-	126 234	126 234
Investment at fair value	-	51 290	51 290

Reallocation of working capital
The group presented its cash flow statement on the direct method. In the comparative period changes in working capital was incorrectly disclosed separately below the cash generated from operations line.

These comparatives working capital movements were reallocated which resulted in R32.7 million being incorporated into cash and cash paid to suppliers and employees line above the cash generated from operations line.

No impact was identified on the total cash flows from operating activities.

The effect of the restatement in the statement of cash flow is as follows:

	Previously presented as R000	Decrease effect R000	After restatement R000
2016			
Cash received from customers	5 108 449	(219 851)	4 888 598
Cash paid to suppliers and employees	(4 978 399)	187 087	(4 791 312)
Changes in working capital	(32 764)	32 764	-

These reallocations had no impact on the profit and loss disclosure. To enable the comparability of information the 2016 and 2015 comparatives were similarly enhanced and where applicable are shown as restated.

COMMENTARY
OVERVIEW
Key message
- During the period under review, there were zero work-related fatalities
- Company restructuring well under way
  - Bridge loan of R150 million received from the IDC in H2 2017 and fully settled in March 2018
  - Debt standstill for 18 months implemented in December 2017
  - Capital raising through rights issues of R300 million successfully concluded in February 2018
  - Non-core assets identified and disposal processes under way
  - Legacy claims resolution intensifying in parallel with negotiated settlements
- Turnaround plan approved by the board
  - Implemented minimum profit margins for new contracts
  - Focus on the traditionally profitable developments, mining and civils construction markets, although potential civils projects must meet new group criteria
  - Overheads are being reduced
  - New executive and board members appointed
- Operating loss due to the cost of provisions for completing the few remaining legacy projects; impairment of goodwill and bad debt write-offs
- Headline earnings per share (HEPS) also impacted by a once-off non-cash impairment to the deferred tax asset.

RESTRUCTURING UPDATE
Basil Read Holdings Limited (the group) has implemented much of the restructuring announced on 31 May 2017. Addressing the continued availability of sufficient working capital is fundamental to restructuring. Working capital shortfalls during the reporting period resulted in project delays, penalties incurred and lower contract revenues. The Industrial Development Corporation (IDC) provided a bridge loan facility of R150 million that was drawn down between September 2017 and December 2017. This bridge loan was repaid in full from the rights offer successfully concluded in February 2018.

This plan includes concluding a debt standstill agreement with lenders and guarantors; raising R300 million equity to support ongoing business; selling non-core assets, resolving long outstanding claims, and concluding onerous legacy contracts. To date, both the debt standstill and the equity raise have been completed successfully, with progress being made on other aspects of the restructuring plan.

PERFORMANCE OVERVIEW
The group reports unfavourable results for the financial year ended 31 December 2017. These are materially below expectation. An operating loss of R743.1 million is reported compared to an operating profit of R63.7 million in the previous financial year, which is mainly attributable to onerous legacy contracts within the construction and roads divisions. Onerous legacy contract provision costs for completing projects amounted to R269 million, which are included in the full R622.7 million legacy costs for the year. The Olifantsfontein water pipeline project construction work is

now complete and its commissioning and rehabilitation phases are under way.

The group has made steady progress in resolving the significant legacy claims in the construction division. We have stepped up our intensity of engagement and agreeing on a methodology for quantification. At the same time, we are attempting to rebuild relationships with clients in pursuit of amicable settlement outcomes. However, these processes require time to complete and we have taken the prudent approach of not including additional claims in our results, despite having increased our provisions for project completions.

Excluding legacy contracts in the construction division and the difficulties experienced in the roads division, most contracts under way in the group remain well managed.

The mining and developments divisions continue to generate positive margins and free cash flow. Mining contributed R76.1 million and developments contributed R19.2 million to operating profits. The mining division has a secured long-term order book with blue-chip clients, which assists greatly with operational forward planning. Our development division performance was positively influenced by further unit sales in Cosmo City and additional sales of light industrial serviced stands at the Kliprivier Business Park.

Loss after tax of R1 billion (R53.6 million in the prior year) includes once-off non-cash accounting reversal of deferred tax, impairment of goodwill and development properties to the value of R284.0 million. Increased interest payable and doubtful debt provisions further impacted earnings.

FINANCIAL REVIEW

	2017 actual	2016 actual
Revenue	R4.6 billion	R5.1 billion
Operating (loss)/profit	(R743.1 million)	R63.7 million
(Headline loss per share)	(717.35 cents)	(21.79 cents)
Net (loss) for the year	(R1.0 billion)	(R53.6 million)
Order book	R12.6 billion	R12.3 billion

Turnover reduced by 9.8% to R4.6 billion (2016: R5.1 billion) due to reduced contract activity in our roads and buildings divisions. Major construction was also completed in 2016. These slowdowns were offset to a degree by growth in the mining division. The group reported a headline loss per share of 717.35 cents for 2017, compared to headline loss per share of 21.79 cents in the 2016 financial year.

For the period under review, Basil Read's mining and developments divisions experienced strong demand for their respected service offerings, built on superior project execution and sound customer relationships. In contrast, our roads and construction divisions both continued facing challenging trading conditions due to poor contract margins and drawn-out legacy contracts. The group has reviewed its margin requirement for new projects and set new minimums going forward, with fewer contract awards in the roads division and construction divisions being likely. To date, we have not taken on any additional contracts in these divisions for 2018.

The net loss for the year included the following unfavourable events:
- Reversal of a deferred tax charge of R172 million due to reduced forecasts for the profitability of the construction and roads divisions
- An impairment of goodwill amounting to R88.9 million relating to the roads division
- A R116 million loss incurred on the Olifants River water resource development project
- A R157.8 million loss recorded for the Admin Craft Basin at the Port of Ngqura in the Eastern Cape
- Onerous building contracts amounting to R141 million
- Provision for doubtful debts increasing to R40.5 million, along with a bad debt write off of R39 million.

Divisional operating (losses)/profit

	2017 Rm	2016 Rm
Construction	(224.9)	(107.7)
Developments	19.3	15.9
Mining	76.1	111.6
Roads	(589.7)	(41.9)
St Helena airport project	(23.9)	85.8
Total	(743.1)	63.7

Construction incorporates Basil Read's civil engineering and building operations for primarily public sector clients. Cash constraints have negatively impacted the execution of these projects. Project delays resulted in penalties and additional costs being incurred for their completion.

In early 2018, the construction and roads divisions were amalgamated to streamline overheads and enhance project execution. An experienced and well-regarded executive was recruited to head the new division. Performance is being measured against project delivery based on reworked targets and tight deadlines, while also resolving long overdue claims.

Developments focuses on large-scale, mixed-income and integrated housing developments, while also undertaking the group's construction work. Providing quality housing is an integral part of Basil Read's social licence and we work with government at all levels, parastatals and NGOs on initiatives that can improve the quality of life of South Africa's people. Increased profits from this division were due to further sales in Cosmo City and additional sales light industrial serviced stands at Kliprivier Business Park.

Mining specialises in surface contract mining, which includes drill, blast, load, haul, dump, material handling and processing services for the mining, quarrying and construction industries. This division continues to deliver strong financial performances that are geared for continued sustainability in coming years. The current year result was affected by unusual rain in the region at the beginning of the year, start-up costs for new projects, provision for bad debts (R20 million), higher depreciation and finance costs due to the upgrade of the fleet and additional equipment required for new contracts. Our new contracts are ramping up, which promise sustainable profitability going forward.

Roads includes large road and bridge construction projects for the public sector at national and provincial levels. The Admin Craft project at Nqura Port (Coega) was affected by unanticipated geological conditions, which led to changed construction methods and the import of specialised plant and expertise. Certain roads projects were affected by design changes, delayed relocation of services and inclement weather. These unpredicted events are all subject to pending claims not included in the 2017 results. The roads division also had to provide for bad debts, while its reduced profitability outlook has also impaired goodwill and deferred tax.

This division is now concluding its outstanding projects within their cost provisions, resolving its claims and minimising its overheads.

St Helena airport project is a design, build and operate project for developing and managing an international airport on the island of St Helena. Funded by the United Kingdom (UK), it comprised a partnership between Basil Read, the St Helena government and the UK Department for International Development. Additional costs to complete the outstanding work on the bulk fuel installation and losses in the disposal of the plant leading to a loss being recorded for 2017.

FINANCIAL POSITION

Property, plant and equipment (PPE) reported a net increase of R157.7 million, primarily due to acquiring R487.6 million plant and equipment (mainly heavy earthmoving equipment) for mining contracts. Some R49.5 million in PPE was sold and Basil Read's depreciation charge rose to R278.4 million (2016: R248.8 million).

Group debt represented by total borrowings and other liabilities, increased from R438.1 million to R815.2 million year-on-year, driven by:

- instalment sale increases of R183.6 million for new heavy earthmoving equipment purchases, primarily for a substantial new contract
- a R150 million bridge loan received from the IDC and an increased IDC revolving credit facility of R39 million year-on-year. The IDC bridge loan of R150 million was subsequently settled in full
- an increased present value commitment to the voluntary rebuild programme (VRP) as capitalised interest commitment less payment made of R4.5 million.

The debt standstill agreement concluded on 1 December 2017 includes no capital repayments on long-term borrowings which are required for the standstill period from 1 December 2017 until 31 May 2019. This arrangement enables Basil Read to rebuild its net working capital position.

Our net cash balance of R126.4 million; (R177.7 million less the R51.3 million overdraft) is R332.1 million lower than the 2016 financial year.

GUARANTEES

We do not anticipate any losses to arise from the guarantees listed as follows:

	2017 R000	2016 R000
Payment guarantees	30 000	16 245
Advance payment guarantees	25 000	-
Performance and construction guarantees	1 050 337	1 229 616
Bond retention guarantees	339 935	154 462
Bid and other bonds	52 955	61 000
Total	1 498 227	1 461 323

A total of R1 billion guarantees form part of the debt standstill agreement. Guarantors have committed to honouring guarantee commitments as originally agreed during the standstill period.

ORDER BOOK

	2017 R000	2016 R000	Year-on-year movement %
Construction	1 375 526	2 607 458	(47.2)
Developments	3 244 191	1 015 154	219.6

Mining	6 146 851	5 456 323	12.7
Roads	1 287 359	2 412 156	(46.6)
St Helena airport project	523 589	851 997	(38.5)
Total	12 577 516	12 343 088	1.9

Our order book growth is in line with the group turnaround plan of focusing on mining and developments division contracts, while reducing our exposure to lower-margin projects in other sectors.

POST-BALANCE SHEET EVENT

Subsequent to the financial year-end, on 27 February 2018, Basil Read concluded a successful rights offer of R300 million, which showed strong shareholder support for the company's turnaround plans. The proceeds of the rights offer were utilised to settle the R150 million IDC bridge loan and invest the remaining R150 million into working capital. We are intensifying our drive to sell non-core assets and resolve outstanding claims and contracts, to generate cash from operations and to improve the group's net cash position.

BOARD CHANGES

The following changes to the board of directors took place during the 2017 financial year:
- Neville Nicolau resigned as CEO and executive director with effect from 31 May 2017
- Khathutshelo (K2) Mapasa was appointed as acting CEO with effect from 1 June 2017
- Khathutshelo (K2) Mapasa was appointed as CEO with effect from 23 October 2017
- Shammy Luvhengo was appointed as independent non-executive director with effect from 20 December 2017
- Tshegofatso Sefolo was appointed as independent non-executive director with effect from 20 December 2017
- Darryll Castle was appointed as independent non-executive director with effect from 20 December 2017
- Mahomed Talib Sadik resigned as CFO with effect from 31 December 2017.

The following changes to the board of directors took place subsequent to financial year-end:
- Pieter van Buuren was appointed as CFO with effect from 1 January 2018
- Bernard Swanepoel was appointed as independent non-executive director with effect from 23 February 2018
- Hlonela Lupuwana-Pemba was appointed as non-executive director with effect from 16 March 2018.

The changes to the board were made in line with the planned turnaround strategy to successfully restore Basil Read to profitability and improved liquidity.

DIVIDENDS

Due to the difficult trading environment and need to retain working capital to strengthen the balance sheet, the board of directors has resolved not to declare a dividend.

Pieter van Buuren
Financial director
28 March 2018

ADMINISTRATION

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), K Mapasa (chief executive officer),
JPF van Buuren (chief financial officer), DJ Castle*†, DLT Dondur*†, MSI Gani*†, TD Hughes*,
SA Luvhengo*†, H Lupuwana-Pemba*, Dr CE Manning*†,
ACG Molusi*, SS Ntsaluba*, TB Sefolo*†, ZB Swanepoel*†, TA Tlelai*

(*Non-executive, †Independent)

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