BASIL READ

REVIEWED PROVISIONAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

Key results

R5.5 billion

Revenue from continuing operations
(2014: R6.3 billion)

15.2%

Return on equity
(2014: (51.9%))

143.87 cents

Headline earnings per share from continuing operations
(2014: headline loss per share of 292.08 cents)

R171.2 million

Profit after tax
(2014: loss after tax of R820.9 million)

R10.7 billion

Order book
(2014: R10.5 billion)

4 fatalities

Safety
(2014: 2 fatalities)

Condensed consolidated income statement

	Reviewed 12 months 31 December 2015 R'000	Audited 12 months 31 December 2014 R'000
Continuing operations		
Revenue	**5 519 979**	6 261 441
Operating profit/(loss) for the year	**226 197**	(803 289)
Finance income	**21 077**	30 206
Finance costs	**(56 468)**	(52 705)
Share of profits of investments accounted for using the equity method	**40 536**	31 736
Profit/(loss) for the year before taxation	**231 342**	(794 052)
Taxation	**(39 704)**	147 916
Profit/(loss) for the year after taxation	**191 638**	(646 136)
Discontinued operations		
Net loss for the year from discontinued operations	**(20 425)**	(174 743)
Net profit/(loss) for the year	**171 213**	(820 879)
Profit/(loss) for the year attributable to the following:		
Equity shareholders of the company	**180 761**	(789 938)
Non-controlling interests	**(9 548)**	(30 941)
Net profit/(loss) for the year	**171 213**	(820 879)
Earnings/(loss) per share (cents)	**137.27**	(599.86)
Diluted earnings/(loss) per share (cents)	**137.27**	(599.86)
Earnings/(loss) per share from continuing operations (cents)	**152.78**	(467.16)
Diluted earnings/(loss) per share from continuing operations (cents)	**152.78**	(467.16)
Loss per share from discontinued operations (cents)	**(15.51)**	(132.70)
Diluted loss per share from discontinued operations (cents)	**(15.51)**	(132.70)

Condensed consolidated statement of comprehensive income

	Reviewed 12 months 31 December 2015 R'000	Audited 12 months 31 December 2014 R'000
Net profit/(loss) for the year	**171 213**	(820 879)
Other comprehensive income for the year:		
Items that will not be reclassified to profit or loss	**–**	–
Items that may be subsequently reclassified to profit or loss	**16 787**	12 860
Movement in foreign currency translation reserve	**16 811**	12 936
Movement in fair value adjustment reserve	**(24)**	(76)
Total comprehensive income/(loss) for the year	**188 000**	(808 019)
Total comprehensive income/(loss) for the year attributable to the following:		
Equity shareholders of the company	**198 738**	(775 921)
Retained income	**180 761**	(789 938)
Other reserves	**17 977**	14 017
Non-controlling interests	**(10 738)**	(32 098)
Total comprehensive income/(loss) for the year	**188 000**	(808 019)

Condensed consolidated statement of financial position

	Reviewed 31 December 2015 R'000	Audited 31 December 2014 R'000
ASSETS		
Non-current assets	1 500 501	1 669 708
Property, plant and equipment	915 856	1 080 248
Investment property	6 590	5 826
Intangible assets	91 640	99 938
Investments accounted for using the equity method	136 400	131 800
Available-for-sale financial assets	51 289	51 289
Deferred income tax asset	298 726	300 607
Current assets	2 017 657	2 552 957
Inventories	25 939	33 067
Development land	262 679	268 022
Trade and other receivables	769 586	905 494
Work in progress	433 237	378 466
Current income tax asset	19 371	57 093
Cash and cash equivalents	506 845	910 815
Non-current assets held-for-sale	104 203	53 112
	3 622 361	4 275 777
EQUITY AND LIABILITIES		
Capital and reserves	1 223 552	1 035 552
Stated capital	1 048 025	1 048 025
Retained income	155 720	61 513
Other reserves	41 983	24 006
Non-controlling interests	(22 176)	(97 992)
Non-current liabilities	221 087	259 965
Interest-bearing borrowings	182 134	215 898
Deferred income tax liability	38 953	44 067
Current liabilities	2 155 388	2 970 241
Trade and other payables	734 163	1 180 249
Amounts due to customers	715 432	1 102 385
Current portion of borrowings	157 798	273 594
Provisions for other liabilities and charges	497 523	318 766
Current income tax liability	15 034	5 011
Bank overdraft	35 438	90 236
Liabilities directly associated with non-current assets classified as held-for-sale	22 334	10 019
	3 622 361	4 275 777

Condensed consolidated statement of changes in equity

	Reviewed 12 months 31 December 2015 R'000	Audited 12 months 31 December 2014 R'000
Issued capital		
Ordinary share capital		
Balance at the beginning and end of the year	**1 048 025**	1 048 025
Retained income		
Balance at the beginning of the year	**61 513**	851 451
Total comprehensive income/(loss) for the year	**180 761**	(789 938)
Transactions with non-controlling interests	**(86 554)**	–
Balance at the end of the year	**155 720**	61 513
Other reserves		
Balance at the beginning of the year	**24 006**	9 989
Total comprehensive income for the year	**17 977**	14 017
Balance at the end of the year	**41 983**	24 006
Non-controlling interests		
Balance at the beginning of the year	**(97 992)**	(38 207)
Total comprehensive loss for the year	**(10 738)**	(32 098)
Transactions with non-controlling interests	**86 554**	–
Disposal of subsidiary	**–**	1 777
Contribution to non-controlling interest parties	**–**	(29 464)
	(22 176)	(97 992)

Condensed consolidated statement of cash flows

	Reviewed 12 months 31 December 2015 R'000	Audited 12 months 31 December 2014 R'000
Operating cash flow	**439 275**	(244 333)
Movements in working capital	**(555 330)**	126 003
Net cash generated by operations	**(116 055)**	(118 330)
Net finance costs	**(35 869)**	(25 310)
Dividends paid	**(32)**	(4)
Taxation received/(paid)	**1 265**	(58 011)
Cash flow from operating activities	**(150 691)**	(201 655)
Cash flow from investing activities	**104 766**	(45 593)
Cash flow from financing activities	**(325 456)**	(116 838)
Effects of exchange rates on cash and cash equivalents	**10 393**	(2 734)
Movement in cash and cash equivalents	**(360 988)**	(366 820)
Cash and cash equivalents at the beginning of the year	**835 664**	1 202 484
Cash and cash equivalents at the end of the year	**474 676**	835 664
Included in cash and cash equivalents as per the statement of financial position	**471 407**	820 579
Included in the assets of the disposal group	**3 269**	15 085
	474 676	835 664

Additional information to the condensed consolidated financial statements

	Reviewed 12 months 31 December 2015	Audited 12 months 31 December 2014
Ordinary and special dividend paid per share (cents)	–	–
Ordinary and special dividend declared per share (cents)*	–	–
* *Based on the year to which the dividend relates*		
Number of ordinary shares in issue ('000)	131 686	131 686
Headline earnings/(loss) per share (cents)	120.28	(362.08)
Diluted headline earnings/(loss) per share (cents)	120.28	(362.08)
Headline earnings/(loss) per share from continuing operations (cents)	143.87	(298.08)
Diluted headline earnings/(loss) per share from continuing operations (cents)	143.87	(298.08)
Headline loss per share from discontinued operations (cents)	(23.59)	(64.00)
Diluted headline loss per share from discontinued operations (cents)	(23.59)	(64.00)
Reconciliation of basic earnings to headline earnings	R'000	R'000
Basic earnings/(loss)	180 761	(789 938)
Adjusted by – (Profit)/loss on sale of subsidiary	(20 046)	1 479
– Loss on sale of associate	–	8 010
– Profit on sale of property, plant and equipment	(9 926)	(730)
– Impairment of goodwill	7 438	304 370
– Impairment of associate	165	–
Headline earnings/(loss)	158 392	(476 809)
Basic earnings/(loss) from continuing operations	201 186	(615 195)
Adjusted by – Loss on sale of subsidiary	–	1 479
– Profit on sale of associate	–	(567)
– Profit on sale of property, plant and equipment	(11 896)	(454)
– Impairment of goodwill	–	222 212
– Impairment of associate	165	–
Headline earnings/(loss) from continuing operations	189 455	(392 525)
Basic loss from discontinued operations	(20 425)	(174 743)
Adjusted by – Profit on sale of subsidiary	(20 046)	–
– Loss on sale of associate	–	8 577
– (Loss)/profit on sale of property, plant and equipment	1 970	(276)
– Impairment of goodwill	7 438	82 158
Headline loss from discontinued operations	(31 063)	(84 284)

	Reviewed 12 months 31 December 2015	Audited 12 months 31 December 2014
Reconciliation between weighted average number of shares and diluted average number of shares	**'000**	'000
Weighted average number of shares	**131 686**	131 686
Adjusted by – "A" ordinary shares	**–**	–
Adjusted by – Share Incentive Scheme	**–**	–
Diluted average number of shares	**131 686**	131 686
Net asset value per share (cents)	**945.98**	860.79
Tangible net asset value per share (cents)	**876.39**	784.90
Capital expenditure for the year (R'000)	**247 503**	339 074
Depreciation (R'000)	**269 523**	342 404
Impairment of goodwill (R'000)	**7 438**	304 370
Impairment of associate (R'000)	**165**	–
Amortisation of intangible asset (R'000)	**860**	860

Note on discontinued operations

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

- LYT Architecture (Pty) Ltd – disposed on 1 February 2015
- Matomo (Pty) Ltd – closure is substantially complete
- Basil Read Energy (Pty) Ltd – disposed on 1 September 2015
- 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.

	Reviewed 12 months 31 December 2015 R'000	Audited 12 months 31 December 2014 R'000
Reconciliation of net loss for the year from discontinued operations		
Net loss for the year from discontinued operations	**(37 628)**	(92 585)
Profit on disposal of discontinued operations	**24 641**	–
Impairment of goodwill	**(7 438)**	(82 158)
	(20 425)	(174 743)

Note on non-current assets held for sale

The disposal of SprayPave (Pty) Ltd was completed on 1 February 2016 and is therefore disclosed as being held for sale at the reporting date.

The disposal of LYT Architecture was completed on 1 February 2015 and the company was therefore disclosed as held for sale as at 31 December 2014.

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

	Reviewed 12 months 31 December 2015 R'000	Audited 12 months 31 December 2014 R'000
ASSET AND LIABILITIES		
Assets of company classified as held for sale		
Property, plant and equipment	77 315	3 700
Intangible asset	–	8 352
Deferred income tax asset	8 462	205
Contract and trade debtors	9 458	21 310
Inventories	5 611	–
Receivables and prepayments	88	3 514
Current income tax asset	–	860
Cash and cash equivalents	3 269	15 171
	104 203	53 112
Liabilities of company classified as held for sale		
Interest-bearing borrowings	2 813	–
Trade and other payables	14 160	9 933
Provisions for other liabilities and charges	5 361	–
Bank overdraft	–	86
	22 334	10 019

	Reviewed 12 months 31 December 2015 R'000	Audited 12 months 31 December 2014 R'000
INCOME STATEMENT OF DISCONTINUED OPERATIONS		
Revenue	101 430	323 369
Expenses	(119 174)	(422 612)
Impairment of goodwill	(7 438)	(82 158)
Share of (loss)/profit of investments accounted for using the equity method	(900)	7 802
Net finance costs	(478)	(2 811)
Loss before taxation of discontinued operations	(26 560)	(176 410)
Taxation	6 135	1 667
Loss after taxation of discontinued operations	(20 425)	(174 743)
Movement in fair value adjustment reserve	–	–
Loss for the year from discontinued operations	(20 425)	(174 743)

Commentary

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa. The Listings Requirements require provisional reports 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 condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

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

The board of directors take full responsibility for the preparation of the provisional report. The financial information presented has been correctly extracted from the underlying financial statements.

REVIEW REPORT

These condensed consolidated financial statements for the year ended 31 December 2015 have been reviewed by the group's auditors, PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the company's registered office together with the financial statements identified in the auditor's report.

FORWARD-LOOKING STATEMENT

Statements made throughout this announcement regarding the future financial performance of the company have not been reviewed or 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.

OVERVIEW

Basil Read reported a much-improved performance for the 12 months to December 2015, achieving its financial forecasts despite a subdued construction sector and competitive tendering. The restructuring, which was largely completed in 2014, yielded results with Basil Read returning to profitability. Despite a contraction in revenue of 12% to R5.5 billion, the company reported earnings of R180.8 million or 137.27 cents per share.

Decisive management action throughout the year to rightsize the business is producing significant benefits in terms of our strategic thrusts, including:

- **Growing the business:** we are concentrating on organic growth in our divisions to counter the impact of two major projects winding down, St Helena Airport and the Olifants River water resource development project. The St Helena project made history when the first flight landed in September 2015. This marked the start of calibration flights ahead of the airport certification process and the first commercial flight expected in May 2016. Lessons learned at the Olifants River water resource development project will be instructive in future multi-party, complex projects.
- **Making the assets sweat:** in an industry where margins are low, competition high and finance expensive, improving the quality and effectiveness of delivering our projects is critical for success. Cost management has been enhanced, including the sale or closure of non-core assets, while better operating performance at site level has incrementally improved margins over the year. We are also pursuing claims to ensure fair compensation for Basil Read. The contractual process is however lengthy, and we understand the need to balance pursuing claims against our working capital requirements. While we follow due process on legacy claims, we are now focused on resolving contractual disputes as they arise for mutual benefit.
- **Modernise the corporate culture:** by working against an agreed set of corporate values that are aligned with our strategy, we harness the collective and disciplined efforts of a representative Basil Read team in building a significantly better and more valuable business.

Progress against targets set:

	2015 actual	2015 target
Profit after tax	R171.2 million	R160 million
Turnover	R5.5 billion	R5 billion
Order book	R10.7 billion	R10 billion
HEPS	120.28 cents per share	120 cents per share
ROE	15.2%	14%
Safety	Four fatalities	Zero fatalities

CORPORATE ACTIVITY

On 1 February 2015, the company concluded the disposal of LYT Architecture for a purchase consideration of R42 million, resulting in the recognition of a loss on disposal of R3.0 million.

On 25 September 2015, the company concluded the disposal of Basil Read Energy for a purchase consideration of R70 million, resulting in the recognition of a profit on disposal of R27.7 million.

OPERATIONAL REVIEW

Safety, health and environmental (SHE)

At Basil Read, our intent and commitment is defined in our SHE policies. This is practically implemented via a SHE management system that integrates hazard identification, risk analysis and risk management into all our activities, while our annual SHE plan is aligned with our business strategy and ensures the continuous improvement of the system.

Following a recertification audit in November 2015, Basil Read retained its OHSAS 18001 certification for occupational health and safety.

At Basil Read, our intention is to eliminate injury and death from our operations and we set challenging 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.

Regrettably, Basil Read recorded four fatalities in two accidents during the year. Three people died in a trench collapse and another in a heavy vehicle accident.

We again extend our sincere condolences to their families, friends and colleagues. All incidents, regardless of the severity of the injury sustained, are exhaustively investigated and lessons learned communicated to all sites across the company to prevent similar incidents.

Divisional review

Basil Read is making progress with its focus on returning to its core business of heavy construction. Any acceleration in government spending on infrastructure projects will support this focus and the division is actively positioning itself to participate in these projects.

During the year, we completed an important element of our company strategy, making our assets sweat, by consolidating certain companies and service functions to streamline operating costs. Ongoing work on this element includes negotiating contracts to accommodate changes to the scope of work, which will avoid claims and improve relationships with clients. Despite an improved core operating performance, results were affected by further losses on historically poor-performing contracts. Improved processes and oversight at operational management level meant that corrective measures were timeously implemented to limit these losses. No further losses are expected, with only one of these loss-making contracts extending into 2016.

Buildings and developments

	Reviewed 12 months 31 December 2015	Audited 12 months 31 December 2014
Revenue (R'000)	**1 016 635**	1 349 030
Operating profit/(loss) (R'000)	**18 847**	(304 492)
Operating margin (%)	**1.85**	(22.57)
Order book (R'000)	**1 301 715**	1 667 075

Work on the Kusile and Medupi contracts for Eskom continued. The Medupi contract is expected to be complete by mid-2016 and the claims process is under way. Work on miscellaneous buildings at Kusile is scheduled to continue until 2019.

New contracts awarded in 2015 include:
- Nokuthula School in Alexandra, a R248 million, 27-month contract for the Gauteng Department of Infrastructure Development
- R70 million Julius Sebolae school in Marshalltown for the Gauteng Department of Infrastructure Development – a design-and-construct project of 18 months
- R52 million Nissan incubation centre, for the Automotive Industry Development Centre.

Despite the limited new work coming to tender, this division has a solid order book. To mitigate the weak market conditions, greater focus will be placed on buildings work in our property developments, including top-structure construction.

Our developments business focuses on large-scale mixed-income integrated housing developments. These also generate construction work for the company. This is an integral part of our social licence to operate and we work with government at all levels, parastatals and non-governmental organisations to support national imperatives focused on improving the quality of life of South Africa's people. Key current projects include Savanna City (over 18 000 planned housing opportunities) and Malibongwe Ridge, as an extension to Cosmo City (about 5 500 planned housing opportunities).

Savanna City – Unit sales continue to exceed expectations, underscoring the demand for affordable housing. 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 400ha project sets a benchmark in economic development and housing. Over the next 10-year construction period, it will create approximately 55 000 jobs, with around 13 000 permanent jobs post-construction.

Malibongwe Ridge – Servicing for the first phase – 486 fully subsidised residential stands – is complete, and top structures were completed in 2015. While this development is generating revenue for Basil Read divisions, it is running at a small loss at company level (albeit decreasing) until sales exceed development costs.

Klipriver Business Park – Stand sales to date have exceeded forecasts, reflecting rising interest in this vibrant work node south of Johannesburg.

Civils and plant

	Reviewed 12 months 31 December 2015	Audited 12 months 31 December 2014
Revenue (R'000)	**852 423**	1 309 926
Operating profit/(loss) (R'000)	**503**	(388 942)
Operating margin (%)	**0.06**	(29.69)
Order book (R'000)	**796 740**	1 064 616

Performance improved year-on-year despite the impact of late contract awards, community disruptions at the Olifants River water resource development project and a three-month strike at Medupi power station. Despite incurring further losses on the Olifants River water resource development project in the amount of R88 million, the division performed well to achieve a breakeven position.

During the year, we focused on entrenching initiatives to raise safety awareness and ensure compliance with legislative changes after a tragic incident in September where three employees died and two were injured in a trench collapse. More positively, in July 2015 the Kusile civils team reached 10 million hours without a lost-time injury.

As the majority of civils projects will be complete or nearing completion in the year ahead, securing new work is a priority. The civils team is targeting areas where a significant amount of work is expected to be generated over the longer term, such as water and sanitation purification projects.

Until sufficient new work is secured, we are deploying excess capacity to assist other Basil Read divisions with civils-related work.

Pipelines

	Reviewed 12 months 31 December 2015	Audited 12 months 31 December 2014
Revenue (R'000)	**95 444**	30 112
Operating loss (R'000)	**(21 563)**	(2 554)
Operating margin (%)	**(22.59)**	(8.48)
Order book (R'000)	**49 404**	87 495

The pipeline division struggled during the reporting period to secure new contracts and was challenged by community disruptions and access to site. We have reviewed our mitigation measures and impact-prediction processes to deal with these challenges more effectively in future.

Given that this is a specialised field requiring specific skills, we are focused on training and development, capitalising on a deep pool of existing experience in transferring skills to a growing team.

Roads

	Reviewed 12 months 31 December 2015	Audited 12 months 31 December 2014
Revenue (R'000)	**1 358 923**	1 500 312
Operating profit/(loss) (R'000)	**49 198**	(181 791)
Operating margin (%)	**3.62**	(12.12)
Order book (R'000)	**2 617 204**	2 245 750

The steady roll-out of work by key national and provincial clients has maintained the order book at prior-year levels, with two new projects extending into 2018. Encouragingly, the size of projects has increased, with project durations exceeding three years regularly coming to tender.

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

Two road deaths on our roads sites – accidents involving members of the public – highlight a concerning trend where public road users are increasingly ignoring traffic control measures such as stop-go points, risking their own lives and those of our employees. We are urgently exploring ways to improve safety on our sites for all.

St Helena airport project	Reviewed 12 months 31 December 2015	Audited 12 months 31 December 2014
Revenue (R'000)	**961 016**	876 338
Operating profit (R'000)	**95 654**	101 120
Operating margin (%)	**9.95**	11.54
Order book (R'000)	**1 316 173**	1 700 338

Widely considered our current flagship project, the St Helena contract proves we have the internal operational capacity and capabilities to successfully execute a design-build-operate project of this magnitude. Given the scale of this project, we report on it separately: phase 1 of this R4.6 billion contract began in December 2011 and is largely complete; phase 2 will run to February 2026.

The highlight of 2015 was undoubtedly the historic landing in September of the first flight to St Helena, one of the most isolated islands in the world and 2 000km off the coast of Africa. This marked the start of calibration flights ahead of the airport certification process and the first commercial flights scheduled for May 2016.

Despite the significant safety hazards presented by earthmoving equipment in difficult terrain, this contract has accumulated 4.7 million working hours, with only 391 hours lost to injury. In the past four years, it has reached the milestone of one million lost-time injury-free hours on three occasions.

Mining	Reviewed 12 months 31 December 2015	Audited 12 months 31 December 2014
Revenue (R'000)	**1 235 538**	1 195 723
Operating profit/(loss) (R'000)	**83 558**	(26 630)
Operating margin (%)	**6.76**	(2.23)
Order book (R'000)	**4 659 957**	3 773 675

Calendar 2015 was another challenging period for mineral resources companies due to declining commodity prices which reduced the number of opportunities coming to market with existing mine projects being delayed, scaled back or stopped. The mining division delivered another solid performance despite these challenges by implementing its asset optimisation and maintenance strategies across all its projects to protect margins.

The engineering subsidiary, Basil Read Matomo, was closed in March 2015 to reduce overhead costs as it had not been able to secure work in competitive markets.

The Majwe Mining joint venture in Jwaneng Mine, Botswana, exceeded the client's target of 80 million tonnes mined in the Cut 8 project for the second year running.

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

The mining contracts with De Beers Consolidated Mines at Venetia and Voorspoed mines in South Africa were extended by 24 to 60 months, reflecting our good safety performance and cost-effective services.

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

New contracts:

- Lerala Diamond Mine, in Botswana, R550 million over five years for comprehensive mining services
- Venetia Mine drilling contract, extended for 60 months and valued at R600 million.

PROSPECTS

At R10.7 billion, the order book is satisfactory and our focus will be on at least maintaining the order book at its current level. With a strong need for infrastructure development, we believe that South Africa still offers opportunities for growth and Basil Read will seek to capitalise on this, while being mindful of opportunities across the African continent. To capitalise on our strengths and position for future growth, we have changed our operating structure as detailed below.

During 2016, the bulk of the work on the St Helena airport project phase 1 (design and construct) as well as the Olifants River resource development project will come to an end. Plans are already in place to grow our other divisions to maintain our turnover at current levels. Encouraging growth can already be seen by the awarding of new projects in our mining and roads divisions.

As part of the areas of focus for the 2016 financial year, a decision was made to separate the buildings and developments division into two separate reporting divisions. The developments division is viewed as a strategic differentiator due to the package that the Basil Read mixed-use integrated housing development proposes for an integrated society. This model also generates work for our other construction divisions in the form of bulk infrastructure, road infrastructure, civils and buildings works. The division is perfectly aligned with government's intention to accelerate housing delivery over the next five years.

The civils division is core to Basil Read and includes plant that can be used across the company. With the Olifants River water resource development project housed in the civils division and given the overlap in skills and other projects, the pipelines division has been consolidated into the civils division. The combination of skills and resultant synergies leave Basil Read well placed to tender successfully on civils work, particularly relating to our focus area of water and sanitation purification projects, where the need for improved infrastructure is high.

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, the infrastructure need in South Africa and the African continent as a whole should support growth in the sector. We believe that to be successful in the current market, we need to grow our skills base and develop geographical diversification to capitalise on these opportunities.

CORPORATE GOVERNANCE

The directors and senior management of the company 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 with the Listings Requirements of the JSE Limited. The company regularly reviews its corporate governance policies and practices, striving for continued improvement.

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

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

POST-BALANCE SHEET REVIEW

Basil Read concluded the disposal of SprayPave (Pty) Ltd on 1 February 2016 for a maximum purchase consideration of R78 million.

DIVIDENDS

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

On behalf of the board

PC Baloyi
Chairman

NF Nicolau
Chief executive officer

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

Company Secretary
A Ndoni

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

Auditors
PricewaterhouseCoopers Inc.

Transfer secretaries
Link Market Services South Africa (Pty) Ltd

Sponsor
Grindrod Bank Limited

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

BASTION GRAPHICS

BASIL READ

www.basilread.co.za