

# BSR

## BASIL READ

- 239% Increase in earnings per share
- 99% Increase in revenue
- 443% Increase in cash resources

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006 [www.basilread.co.za](http://www.basilread.co.za)

### Summarised consolidated income statement

	Unaudited 6 months 30 June 2006 R'000	Unaudited 6 months 30 June 2005 R'000	Audited 12 months 31 Dec 2005 R'000
Revenue	505 675	254 435	617 332
Operating profit for the period	19 630	12 155	36 426
Profit on sale of associate	—	—	877
Amortisation of intangible asset	(568)	—	—
Net finance income/(costs)	4 384	(6 145)	(13 195)
Profit for the period after net finance income/(costs)	23 446	6 010	24 108
Profit from associates	—	148	158
Profit for the period before taxation	23 446	6 158	24 266
Taxation	(2 817)	(224)	709
Normal and foreign taxation	(2 739)	(224)	(2 142)
Deferred taxation	(78)	—	2 851
Profit for the period after taxation	20 629	5 934	24 975
<i>Profit for the period attributable to the following:</i>			
Equity shareholders of the company	20 233	5 934	24 975
Minority interest	396	—	—
Net profit for the period	20 629	5 934	24 975
Ordinary dividends per share (cents)	—	—	—
Earnings per share (cents)	36,54	10,77	45,31
Fully diluted earnings per share (cents)	36,27	10,77	45,19

### Summarised consolidated cash flow statement

	Unaudited 6 months 30 June 2006 R'000	Unaudited 6 months 30 June 2005 R'000	Audited 12 months 31 Dec 2005 R'000
Operating cash flow	28 672	22 063	54 315
Movements in working capital	(1 343)	16 268	56 918
Net cash generated by operations	27 329	38 331	111 233
Net finance income/(costs)	4 384	(6 145)	(13 195)
Dividends paid	—	—	(52)
Taxation paid	(3 563)	(224)	(376)
Cash flow from operating activities	28 150	31 962	97 610
Cash flow from investing activities	(30 953)	(10 817)	(7 905)
Cash flow from financing activities	14 275	(8 215)	(4 448)
Movement in cash and cash equivalents	11 472	12 930	85 257
Cash and cash equivalents at the beginning of the period	91 249	5 992	5 992
Cash and cash equivalents at the end of the period	102 721	18 922	91 249

### Summarised consolidated segment report

	Total R'000	Civil engineering and opencast mining R'000	Building and structures R'000
Revenue	505 675	396 633	109 042
Operating profit	19 630	17 588	2 042

### Summarised consolidated balance sheet

	Unaudited 30 June 2006 R'000	Unaudited 30 June 2005 R'000	Audited 31 Dec 2005 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	137 868	114 483	106 933
Property, plant and equipment	111 783	79 162	82 293
Investment property	1 500	1 000	1 500
Investments	170	180	170
Investments in associates	—	15 397	428
Contract-based intangible asset	1 873	—	—
Deferred taxation	22 542	18 744	22 542
<b>Current assets</b>	250 093	83 819	159 896
Inventories	4 929	464	1 141
Trade and receivables	142 443	64 433	67 506
Cash and cash equivalents	102 721	18 922	91 249
	387 961	198 302	266 829
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>	55 341	13 086	33 385
Issued capital	58 746	58 264	58 550
Accumulated loss	(9 440)	(48 714)	(29 673)
Other reserves	5 172	3 536	4 508
Minority interest	863	—	—
<b>Non-current liabilities</b>	31 115	24 657	24 045
Interest-bearing borrowings	29 516	24 285	22 808
Deferred taxation	1 599	372	1 237
<b>Current liabilities</b>	301 505	160 559	209 399
Trade and accounts payable	245 704	123 616	161 466
Provisions	24 891	18 362	24 394
Current portion of interest-bearing borrowings	30 910	18 581	23 539
	387 961	198 302	266 829

### Statement of changes in equity

	Unaudited 6 months 30 June 2006 R'000	Unaudited 6 months 30 June 2005 R'000	Audited 12 months 31 Dec 2005 R'000
<b>Issued capital</b>			
Balance at the beginning of the period	58 894	58 264	58 264
Issued during the year to Share Incentive Scheme	—	—	630
	58 894	58 264	58,894
Shares held as treasury stock	(148)	—	(344)
Balance at the end of the period	58 746	58 264	58 550
<b>Accumulated loss</b>			
Balance at the beginning of the period	(29 673)	(54 648)	(54 648)
Net profit for the period	20 233	5 934	24 975
Balance at the end of the period	(9 440)	(48 714)	(29 673)
<b>Other reserves</b>			
<b>Foreign currency translation reserve</b>			
Balance at the beginning of the year	4 508	2 917	2 917
Movement for the period	664	619	1 591
Balance at the end of the period	5 172	3 536	4 508
<b>Minority interest</b>			
Balance at the beginning of the period	—	—	—
Acquisition of subsidiary	467	—	—
Net profit for the period	396	—	—
Balance at the end of the period	863	—	—

### Additional information to the annual financial statements

	Unaudited 6 months 30 June 2006	Unaudited 6 months 30 June 2005	Audited 12 months 31 Dec 2005
Number of shares in issue ('000)	55 444	55 100	55 304
Headline earnings per share (cents)	36,54	10,79	42,71
Fully diluted headline earnings per share (cents)	36,27	10,79	42,60
<b>Reconciliation of basic earnings to headline earnings (R'000)</b>			
Basic earnings	20 233	5 934	24 975
Adjusted by			
– Profit on sale of property, plant and equipment	—	(160)	(129)
– Profit on sale of associates	—	—	(877)
– Fair value gain – investment property	—	—	(427)
– Other items	—	170	—
Headline earnings	20 233	5 944	23 542
<b>Reconciliation between weighted average number of shares and diluted average number of shares ('000)</b>			
Weighted average number of shares	55 374	55 100	55 126
Adjusted by – Share Incentive Scheme	407	—	140
Diluted average number of shares	55 781	55 100	55 266
Net asset value per share (cents)	99,81	23,75	60,37
Capital expenditure for the period (R'000)	36 185	26 981	33 024
Depreciation for the period (R'000)	9 042	10 133	19 570

### Commentary

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS34: "Interim Financial Reporting", the South African Companies Act, as amended, and the JSE Listings Requirements. The principal accounting policies used in the preparation of the unaudited results for the period ended 30 June 2006 are consistent with those applied for the year ended 31 December 2005 and for the unaudited results for the six months ended 30 June 2005 in terms of IFRS.

#### Overall review

The group has experienced good growth in the six months ended 30 June 2006 largely as a result of the foundations laid in 2005 and the encouraging economic environment it operates in. The restructuring undertaken in 2005 has been satisfactorily bedded down leaving the group well positioned to focus on its core business and strengths, clearly demonstrated by the highly satisfactory results.

The board is proud to report an after-tax profit of R20,2 million (June 2005: R5,9 million), a healthy increase of 241%. Turnover almost doubled to R505,7 million (June 2005: R254,4 million), a record level for Basil Read. Cash on hand grew to R102,7 million (June 2005: R18,9 million).

The group was awarded new contracts during the period under review in the amount of R1,5 billion (June 2005: R280 million) and the order book is currently at a sound level of R2 billion (June 2005: R865 million).

As a result of the increased business activity and in support of new awards, new plant to the value of R36,2 million (June 2005: R27,0 million) was invested in. As the group expands and in anticipation of increased future activity, further plant will be sought. The group continued with its preventative maintenance programme which has contributed positively to the optimal use of plant.

At the end of the period under review the group had issued guarantees in the amount of R275 million (June 2005: R131 million). 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.

The group continues to focus on the South African market, although work for selected private clients in sub-Saharan Africa will continue for the foreseeable future. This strategy has worked extremely well for Basil Read, especially given the increased level of infrastructure spend in the local market. This trend is set to continue as government expenditure is gaining momentum.

Despite the high level of organic growth being experienced, the group monitors opportunities for expansion through acquisition. In light of this, Basil Read increased its shareholding in two associate companies, BR-Tsima Construction (Pty) Limited and Newport Construction (Pty) Limited, to 51%. These subsidiaries have been consolidated into the interim results, giving rise to a contract-based intangible asset, which will be amortised over the period of the longest existing contract at date of acquisition.

The group has also made strategic purchases of majority shareholdings in Spray Pave (Pty) Limited, a bitumen supplier and sprayer, and Stone and Allied Industries (Pty) Limited, a stone crushing company, effective 1 July 2006. These acquisitions were funded out of cash resources on hand. The results of these two businesses will be consolidated into the group's results for the year ended 31 December 2006. The acquisition of these two companies is expected to further enhance and complement the Basil Read operations.

Following the departure of Metallon Ventures (Pty) Limited as a shareholder and the subsequent increase in shareholding by Amabubesi Investments (Pty) Limited, as well as the acquisition of approximately 5% of the issued share capital by Mquanda Trust, the group is currently 41% held by Black Economic Empowerment partners. Basil Read considers this a satisfactory level of investment at this stage of the group's development.

#### Clawback offer

Shareholders are hereby notified that the board of directors has resolved to proceed with a clawback offer to existing shareholders ("clawback offer").

A clawback offer effectively amounts to a fully underwritten rights offer. The clawback offer proceeds are paid to the company by certain subscribers against the conditional allotment of new shares in the company. The clawback offer then affords Basil Read shareholders the opportunity to "claw back" shares thus allocated through an entitlement to subscribe for such shares from the company in proportion to their existing shareholding or to sell or renounce such rights. Shares not acquired pursuant to the clawback are issued to the subscribers. The directors are expecting to increase shareholders' funds by more than R100 million.

The purpose of the clawback offer is to increase the shareholder funds of the group at a time during which the number, scale and average duration of contracts in all of Basil Read's divisions have increased materially, following a previous cycle of low activity levels in the construction and contract mining sectors.

Details of the clawback offer will be announced in due course.

#### Operational review

##### Buildings

The buildings division continued to prosper and secured a number of new contracts in the period under review. The new contracts include the construction of Paarl Hospital, valued at R200 million, and Vredenburg Shopping Centre, valued at R179 million.

Cosmo City, the flag ship project in partnership with government, is progressing well. Work on phase two is currently well under way. Given the success of this project, the division is currently investigating similar property developments with limited property risk.

##### Roads and civils

The roads and civils division continued to produce outstanding results and secured numerous new awards. Of these, the significant contracts include the construction of MR435 in the Coega Development Zone in Port Elizabeth with a value of R150 million as well as the Musina contract, valued at R65 million. The expansion to Berth 306 Richards Bay Coal Terminal is progressing well and the division recently secured the contract at Pier 1 Durban Harbour at a value of R227 million.

June saw the launch of Amakosi Stadium for Kaiser Chiefs in Krugersdorp. Basil Read is the appointed contractor and work is expected to commence in the latter part of 2006. This award is currently not included in the group's order book.

##### Opencast mining

The contract with Lonmin Platinum, outside Brits, has come to an end. The contract with Gallery Gold, the Australian mining house, in Botswana continues to perform well. In addition, the division secured the contract with Rössing Uranium in Namibia and work commenced in May 2006.

##### Prospects

The favourable economic environment has translated into real growth for Basil Read and this is expected to continue for the foreseeable future. Government is delivering on its promise of increased infrastructure spending, evidenced by the increased volume of tenders.

The increased cash holding as a result of the clawback offer will support the group's expansion programme and enable it to make full use of the opportunities in the construction industry. The strong growth experienced by Basil Read in the last few months is expected to continue in the mid- to long-term.

The group feels that the high level of investment by Black Economic Empowerment partners not only shows confidence in the group's future, but also ensures that the group is well positioned to take advantage of the current upswing in the construction industry.

##### Governance

The directors and senior managers of the group endorse the Code of Corporate Practices and Conduct as set out in the King II Report on Corporate Governance. 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 the Listings Requirements of the JSE Limited.

Following the disposal by Metallon Ventures (Pty) Limited of its shareholding in the group, non-executive directors Mr A J Reve and Mrs N H Maliza resigned from the board and were replaced by Messrs S Ntsaluba and T Tlalei. Messrs C Davies and L Peteni were appointed as independent non-executive directors with effect from 5 July 2006.

##### Dividends

The board has reviewed the current period's results together with the forecasts for 2006/7 and has decided not to declare a dividend for the period under review but rather retain the cash reserves for future growth and expansion.

##### Post-balance sheet events

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

M L Heyns

Chief Executive Officer

16 August 2006

**Directors:** B T Ngcuka\* (Chairman), M L Heyns (Chief Executive Officer), L B Dyosi\*, S Ntsaluba\*, T Tlalei\*, C Davies\*†, L Peteni\*† \*Non-executive †Independent  
**Group Secretary:** E Kruger **Registered office:** 388 Gild Road, Lillianton, Boksburg, 1459  
**Transfer secretaries:** Link Market Services South Africa (Pty) Limited  
**Sponsor:** Bridge Capital Services (Pty) Limited **Auditors:** PricewaterhouseCoopers Inc