



# BASIL READ

## AUDITED RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2008

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

### Summarised consolidated income statement

	Audited 12 months 31 December 2008 R'000	Audited 12 months 31 December 2007 R'000
Revenue	3 474 831	2 010 559
Operating profit for the year	308 390	170 335
Net finance costs	(12 314)	(6 030)
Share of profits from associates	85	15
Profit for the year before taxation	296 161	164 320
Taxation	(90 319)	(46 678)
Profit for the year after taxation	205 842	117 642
<i>Profit for the year attributable to the following:</i>		
Equity shareholders of the company	204 516	117 788
Minority interest	1 326	(146)
Net profit for the year	205 842	117 642
Earnings per share (cents)	265,44	159,18
Diluted earnings per share (cents)	262,12	156,92
Ordinary dividend per share (cents)	50,00	30,00

### Summarised consolidated balance sheet

	Audited 31 December 2008 R'000	Audited 31 December 2007 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	761 470	489 021
Intangible assets	143 907	41 486
Investments in jointly controlled entities	12 001	8 281
Investments in associates	21 579	21 581
Available-for-sale financial assets	2	208
Deferred income tax asset	21 833	26 497
<b>Current assets</b>	<b>1 515 927</b>	<b>732 682</b>
Inventories	80 674	20 533
Trade and other receivables	411 804	220 582
Work in progress	73 902	42 940
Investments in jointly controlled entities	705	11 200
Current income tax asset	5 085	300
Cash and cash equivalents	943 757	437 127
	<b>2 476 719</b>	<b>1 319 756</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Stated capital	466 134	233 954
Retained income	315 607	117 901
Other reserves	7 811	4 008
Minority interests	2 521	2 060
<b>Non-current liabilities</b>	<b>348 150</b>	<b>195 539</b>
Interest-bearing borrowings	264 249	149 443
Other borrowings	38 811	27 432
Provisions for other liabilities and charges	5 405	3 493
Deferred income tax liability	39 685	15 171
<b>Current liabilities</b>	<b>1 336 496</b>	<b>766 294</b>
Trade and other payables	688 906	445 712
Amounts due to customers	335 894	87 410
Current portion of borrowings	155 646	102 620
Provisions for other liabilities and charges	69 805	85 709
Current income tax liability	86 245	42 487
Bank overdraft	—	2 356
	<b>2 476 719</b>	<b>1 319 756</b>

### Summarised consolidated cash flow statement

	Audited 12 months 31 December 2008 R'000	Audited 12 months 31 December 2007 R'000
Operating cash flow	490 382	261 823
Movements in working capital	211 708	141 131
Net cash generated by operations	702 090	402 954
Net finance costs	(12 314)	(6 030)
Dividends paid	(38 423)	(21 920)
Taxation paid	(52 159)	(7 021)
Cash flow from operating activities	599 194	367 983
Cash flow from investing activities	(171 681)	(189 248)
Cash flow from financing activities	81 473	(10 401)
Movement in cash and cash equivalents	508 986	168 334
Cash and cash equivalents at the beginning of the year	434 771	266 437
Cash and cash equivalents at the end of the year	943 757	434 771

### Summarised consolidated segment report

	Revenue 2008 R'000	Operating profit 2008 R'000	Operating margin 2008 %	Operating margin 2007 %
Construction	2 677 734	170 387	6,36	7,93
Buildings	926 563	12 986	1,40	3,30
Civils	371 093	39 629	10,68	10,40
Roads	1 380 078	117 772	8,53	9,21
Mining	719 691	124 473	17,30	8,91
Developments	77 406	13 530	17,48	17,07
Total	3 474 831	308 390	8,87	8,47



REVENUE UP 73% TO R3,5 BILLION

OPERATING PROFIT UP 81% TO R308 MILLION

EARNINGS PER SHARE UP 67%

ORDER BOOK OF R6,3 BILLION

CASH ON HAND R944 MILLION

### Statement of changes in equity

	Audited 12 months 31 December 2008 R'000	Audited 12 months 31 December 2007 R'000
<b>Issued capital</b>		
Ordinary share capital	233 954	164 537
Balance at the beginning of the year	42	15 417
Issued by share incentive scheme (net of treasury shares)	52 581	—
Acquisition of subsidiary	179 557	54 000
Private placement	—	—
Balance at the end of the year	466 134	233 954
<b>Retained income</b>		
Balance at the beginning of the year	117 901	24 430
Transfer from other reserves – share-based payment	30 493	20 072
Transactions with minorities	517	(22 531)
Net profit for the year	204 516	117 788
Dividend declared	(37 820)	(21 858)
Balance at the end of the year	315 607	117 901
<b>Other reserves</b>		
Balance at the beginning of the year	4 008	4 264
Share-based payment – equity settled	30 493	20 072
Transfer to retained income	(30 493)	(20 072)
Movement in foreign currency translation reserve	3 792	(14)
Disposal of available-for-sale financial asset	66	(246)
Movement in fair value adjustment reserve	(55)	4
Balance at the end of the year	7 811	4 008
Minority interests	2 521	2 060

### Additional information to the annual financial statements

	Audited 12 months 31 December 2008	Audited 12 months 31 December 2007
Number of shares in issue ('000)	86 472	75 588
Headline earnings per share (cents)	267,04	158,54
Diluted headline earnings per share (cents)	263,71	156,29
<b>Reconciliation of basic earnings to headline earnings</b>		
Basic earnings	204 516	117 788
Adjusted by – loss/(profit) on sale of available-for-sale financial asset	48	(175)
– profit on sale of property, plant and equipment	(1 115)	(301)
– impairment of goodwill	2 304	—
Headline earnings	205 753	117 312
<b>Reconciliation between weighted average number of shares and diluted average number of shares</b>		
Weighted average number of shares	77 049	73 995
Adjusted by – share incentive scheme	974	1 065
Diluted average number of shares	78 023	75 060
Net asset value per share (cents)	915,99	473,52
Net tangible asset value per share (cents)	749,57	418,63
Capital expenditure for the year (R'000)	388 128	287 791
Depreciation (R'000)	145 038	71 546
Amortisation of intangible asset (R'000)	4 947	468

## COMMENTARY

### BASIS OF PRESENTATION

The consolidated abridged annual financial statements have been prepared in terms of International Financial Reporting Standards, IAS 34 on Interim Financial Reporting and Schedule 4 of the South African Companies Act 61 of 1973. The accounting policies used in the preparation of these annual financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2007.

The results for the year ended 31 December 2008 have been audited by the group's auditors, PricewaterhouseCoopers Inc, and the unqualified audit report is available for inspection at the company's registered office.

### OVERALL REVIEW

Basil Read has had an exceptional year, the highlight of which was, undoubtedly, our selection as the winner of the *Sunday Times Business Times* Top 100 Companies for 2008. This prestigious annual survey acknowledges those listed companies that have earned the most wealth for their shareholders over the past five years. At 96% compounded growth over the period, Basil Read was more than 10 percentage points ahead of the second-placed company. The share price rose from R1,40 at the start of the ranking period, 1 October 2003, to close at R25,20 at 30 September 2008. Although the share price had dropped to R14,75 at year-end the decline was in line with the industry.

The board is proud to once again report sustained growth, with after-tax profit of R206 million (2007: R118 million), an increase of 75%. Turnover rose 73% to R3,5 billion (2007: R2,0 billion) with strong growth coming through all the divisions. Operating profit increased to R308 million (2007: R170 million) at a slightly improved operating margin of 8,9% (2007: 8,5%). The improvement is due to increased focus on the containment of costs.

At the reporting date cash generated by operations stood at R702 million (2007: R403 million) and cash on hand was R944 million (2007: R435 million). The group's debt-equity percentage was at an acceptable level of 38,3% (2007: 49,4%) and total interest-bearing borrowings amounted to R459 million (2007: R279 million). The increase in debt can be attributed to the acquisition of property, plant and equipment and the acquisition of Roadcrete Africa (Pty) Limited. The group acquired new property, plant and equipment in the amount of R388 million (2007: R288 million) of which R205 million was financed (2007: R185 million). The group's total assets amounted to R2,5 billion (2007: R1,3 billion) at year-end. Earnings per share increased by 66,8% to 265,44 cents (2007: 159,18 cents). Headline earnings increased by a slightly higher margin, mainly due to a write back of the impairment of goodwill in the calculation of headline earnings. Headline earnings increased by 68,4% to 267,04 cents (2007: 158,54 cents). Contracts secured during the year totalled R5,6 billion (2007: R3,3 billion) and the order book at the end of the period is strong at R6,3 billion (2007: R3,6 billion).

The acquisition of Roadcrete Africa (Pty) Limited was successfully completed during the 2008 financial year and their results have been consolidated from 1 September 2008. The total purchase consideration of R164 million comprises an equity investment of R130 million and the purchase of a shareholders' loan for R34 million. The acquisition gave rise to the recognition of a contract-based intangible asset of R18 million and goodwill in the amount of R89 million. During the year, the group's issued guarantees amounted to R1,1 billion (2007: R632 million). These are guarantees arising in the ordinary course of business and no loss is expected from their issue.

### OPERATIONAL REVIEW

To renew focus and support the group's strategies, Basil Read's operational divisions have been consolidated into Construction, Mining and Developments.

#### CONSTRUCTION

**Buildings**  
 The exceptional growth experienced highlighted certain key weaknesses within the division, which the group is currently addressing. Problems in the latter half of the year were experienced on two sites resulting in a sharp decline in profitability. Management believes that it has adequately provided for losses on these sites and will pursue all possible claims during 2009.

The buildings division experienced a tough trading year. With revenue of R927 million for the year (2007: R401 million), the division has reached capacity based on management and skills availability. Operating profit was down to R13 million (2007: R13,2 million), resulting in decreased margins of 1,4% (2007: 3,3%). The order book stands at a manageable level of R618 million (2007: R1 billion). Basil Read is the lead contractor on the Galleria Shopping Centre in Umbogintwini, KwaZulu-Natal. The new mall, south of Durban, has a gross lettable area of 97 000 m<sup>2</sup>, with 76 000 m<sup>2</sup> of parking decks. The contract, with a total value of R617 million, commenced in March 2008 and is due for completion in November 2009.

During the year, the division was awarded four of the stations relating to the Gautrain project with the total contract value being R200 million.

Construction also commenced on the institutional housing development within the highly successful Cosmo City mixed use residential development.

#### Civils

Operating margins in the civils division improved slightly to 10,7% (2007: 10,4%) albeit off a smaller revenue base of R371 million (2007: R479 million). At year-end the order book amounts to R1,3 billion (2007: R314 million), laying a good platform for growth in 2009. Progress on the construction of the Mbombela Stadium in Nelspruit improved significantly in the second half of the year following widespread labour unrest at the start of the year. The site is progressing well and will be completed well ahead of the 2010 Soccer World Cup.

The division has been extensively involved in upgrading the Port of Durban for Transnet. The initial R290 million contract involved transforming the old multipurpose terminal at Pier One into a modern container terminal. The group has subsequently been contracted to provide the complete infrastructure for Pier Two and construction of this R430 million project began in April 2008. Work on the Kusile Power Station, in joint venture with three other contractors commenced in early 2009. Located next to the existing Kendal Power Station in the Witbank area of the Mpumalanga Province, Kusile's anticipated capacity will be 4 800 MW, with the first unit planned for commercial operation in 2012. Basil Read's share of the contract amounts to R725 million.

#### Roads

The roads division has consistently produced excellent results and remains the group's biggest operating division. Revenue improved by an impressive 162% to R1,4 billion (2007: R527 million) and accounts for 40% of the group's turnover. Operating profit was R118 million (2007: R49 million) at a slightly decreased operating margin of 8,5% (2007: 9,2%). The division's order book stands at R3,6 billion (2007: R1,4 billion).

During the year, the division was awarded its largest contract to date – packages D1 and D2 of the Gauteng Freeway Improvement Project totalling R1,7 billion commissioned by SANRAL as part of the 2010 Roads Improvement Project. In conjunction with newly acquired subsidiary, Roadcrete Africa (Pty) Limited, and other joint venture partners, the division has the responsibility for improvements between the Brakfontein and Flying Saucer interchanges and improvements from Atterbury to Scientia (N4 interchanges). Construction began in May 2008 and needs to be substantially completed before the first-half 2010 deadline.

The R370 million contract to improve a section of the N1 between Pretoria's landmark flying saucer and the Atterbury interchange is progressing well.

Also underway is an upgrade of the N1 between Bloemfontein and Winburg with a total contract value of R200 million, which is nearing completion.

The Sasolburg contract, encompassing the rehabilitation and upgrade of two sections of the R59 passing Sasolburg between the Vaal River and the N1 highway, is due to be completed in May 2009.

#### MINING

The mining division had a satisfactory year and reported revenue of R720 million (2007: R543 million). Operating profit increased significantly from R48,4 million in 2007 at a margin of 8,9% to R124 million in 2008, at a respectable margin of 17,3%. With an order book of R685 million (2007: R550 million) at year-end, the division looks set to continue its good performance in 2009.

The contracts at Mupane and Letlhakane open pit mines were successfully concluded during 2008. The recent announcement regarding Debswana's cancellation of mining activities in Botswana has impacted on the division's order book by R235 million with the cancellation of the Damtsha contract. Mutually acceptable termination conditions and compensation have been agreed upon.

Work at the Rossing Uranium mine in Namibia continued and the division was awarded a contract extension for three years. The contract is for Rio Tinto, one of the world's largest mining houses. The Rossing mine is considered one of the safest mines in Africa. The division secured a R120 million contract for the drilling and blasting at Venetia mine. This contract commenced in October 2008 and is expected to be completed in September 2011.

#### DEVELOPMENTS

The division performed well during the year under review, increasing revenue by 28% to R77 million (2007: R60 million). Operating margins were maintained above the 17% level with a 31% reported increase in operating profit to R14 million (2007: R10 million). Despite being the smallest of Basil Read's divisions, developments are of significant strategic importance due to the philanthropic nature of the contracts undertaken and the secondary work the division creates for the group.

7 000 of the 12,500 homes at Cosmo City have already been occupied and six schools, including a hotel school, a clinic and various churches are fully operational. The Cosmo City development should be substantially complete by the end of 2010 and will be home to 70 000 residents.

Other projects, comprising Phakisa Estate, Doornkuil, Klipriver Business Park and Fisantekraal, are set to commence in 2009. These projects will create secondary work in excess of R3 billion for the group, and have been excluded from the group's current order book.

#### PROSPECTS

Our goal of becoming a R5 billion plus turnover group by 2010 is within reach and we expect to achieve this goal ahead of plan. For this reason, we have updated our vision statement and our revised strategic goal is to become a R10 billion turnover global construction group by 2013. In order to achieve this goal, we are constantly monitoring opportunities for expansion, while continuing to aggressively drive organic growth.

The Basil Read group continues to flourish in a local market buoyed by improved infrastructural spend and is ideally positioned to capitalise on these market conditions, despite current economic uncertainty. "Building our capacity to grow" is a key component of the government's spending plans and Basil Read looks forward to partnering with them in their bid to realise their R787 billion infrastructure investment plans. Government has reaffirmed their commitment to major investments in power generation, transport networks and telecommunications and their continued infrastructure spend looks set to continue well beyond 2010.

Low-cost housing remains a focus for government as communities become impatient with the slow delivery of homes and services. Basil Read has created a niche for itself in this market, which is characterised by longer-term projects that create secondary work for the group.

Basil Read is also actively pursuing other business ventures, both locally and internationally, and diversifying its revenue streams to further secure its future.

On the back of a healthy balance sheet and effective management structure, we will adopt a prudent approach to managing the prevailing volatility to ensure our group can continue to grow in a controlled and structured manner.

#### CORPORATE GOVERNANCE

The directors and senior management 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 with the Listing Requirements of the JSE Limited. The group performs regular reviews of its corporate governance policies and practices and strives for continuous improvement in this regard.

The group did not have any changes to its board of directors during the year under review.

#### DIVIDENDS

Despite the challenging economic conditions and in light of the group's growth targets, notice is hereby given that the directors have declared a final dividend of 58 cents per share (2007: 50 cents) in respect of the year ended 31 December 2008, which represents an increase of 16% over last year's dividend. In order to comply with the requirements of STRATE the relevant details are as follows:

Event	Date
Last date to trade cum-dividend	Friday, 8 May 2009
Share to commence trading ex-dividend	Monday, 11 May 2009
Record date (date shareholders recorded in books)	Friday, 15 May 2009
Payment date	Monday, 18 May 2009

No payment certificates may be dematerialised or rematerialised between Monday, 11 May 2009 and Friday, 15 May 2009, both dates inclusive.

#### POST-BALANCE SHEET REVIEW

No material events have occurred between the balance sheet date and the date of these results that would have a material effect on the financial statements of the group.

#### FINANCIAL RESULTS PRESENTATION

Full details of information to be distributed at Basil Read's financial results presentation can be found on the group's website, www.basilread.co.za. For further information, kindly contact Basil Read on 011 418 6300.

On behalf of the board

M L Heyns  
 26 February 2009

Directors: BT Ngcuka\* (Chairman), M L Heyns (Chief Executive Officer), C P Davies\*\*, L B Dyosi\*, S S Ntsaluba\*, S L L Peteni\*\*, NY September\*\*, A T Tlelai\*  
 \*Non-executive, \*\*Independent

Group Secretary: E Kruger

Registered office: 7 Brook Road, Lillanton, Boksburg, 1459

Transfer secretaries: Link Market Services South Africa (Pty) Limited

Sponsor: Sasfin Capital (a division of Sasfin Bank Limited)

Auditors: PricewaterhouseCoopers Inc



www.basilread.co.za