



### Summarised consolidated income statement

	Audited 12 months 31 December 2010 R'000	Audited 12 months 31 December 2009 R'000
Revenue	5 389 769	4 662 492
Operating profit for the year	408 798	429 238
Amortisation of intangible assets	(39 303)	(20 488)
Net finance income	619	3 019
Share of profits from jointly controlled entities	1 662	—
Share of profits from associates	(188)	10
Profit for the year before taxation	371 588	411 779
Taxation	(119 370)	(140 869)
Profit for the year after taxation	252 218	270 910
<i>Profit for the year attributable to the following:</i>		
Equity shareholders of the company	260 753	274 270
Non-controlling interests	(8 535)	(3 360)
Net profit for the year	252 218	270 910
Earnings per share (cents)	210,63	317,15
Diluted earnings per share (cents)	210,63	316,49
Dividend paid per share (cents)	42,00	58,00
Dividend declared per share (cents)*	30,00	42,00

\*Based on the year to which the dividend relates

### Summarised consolidated statement of comprehensive income

	Audited 12 months 31 December 2010 R'000	Audited 12 months 31 December 2009 R'000
Net profit for the year	252 218	270 910
Other comprehensive income for the year	(2 697)	(4 125)
Movement in foreign currency translation reserve	(8 622)	(4 404)
Movement in fair value adjustment reserve	6 222	279
Deferred tax effect on other comprehensive income	(297)	—
Total comprehensive income for the year	249 521	266 785
<i>Total comprehensive income for the year attributable to the following:</i>		
Equity shareholders of the company	259 463	269 495
Retained income	260 753	274 270
Other reserves	(1 290)	(4 775)
Non-controlling interests	(9 942)	(2 710)
Total comprehensive income for the year	249 521	266 785

### Summarised consolidated statement of financial position

	Audited 31 December 2010 R'000	Restated Audited 31 December 2009 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>	1 854 008	1 742 164
Property, plant and equipment	873 390	781 855
Intangible assets	843 183	832 667
Investments in jointly controlled entities	20 423	19 467
Investments in associates	1 413	1 383
Available-for-sale financial assets	36 264	25 414
Deferred income tax asset	79 335	81 378
<b>Current assets</b>	2 430 905	2 442 783
Inventories	47 700	18 890
Development land	351 938	280 718
Trade and other receivables	842 692	779 360
Work in progress	150 775	111 729
Current income tax asset	26 250	6 047
Cash and cash equivalents	1 011 550	1 246 039
Non-current assets held-for-sale	92 558	—
	4 377 471	4 184 947
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>	1 715 289	1 499 704
Stated capital	948 667	948 667
Retained income	758 472	549 213
Other reserves	1 746	3 036
Non-controlling interests	6 404	(1 212)
<b>Non-current liabilities</b>	439 156	500 465
Interest-bearing borrowings	337 658	350 852
Other borrowings	26 188	79 357
Deferred income tax liability	75 310	70 256
<b>Current liabilities</b>	2 219 938	2 184 778
Trade and other payables	970 223	997 903
Amounts due to customers	583 399	484 581
Current portion of borrowings	438 836	459 979
Provisions for other liabilities and charges	152 235	150 802
Current income tax liability	42 351	67 279
Bank overdraft	32 894	24 234
Liabilities directly associated with non-current assets classified as held-for-sale	3 088	—
	4 377 471	4 184 947

### Statement of changes in equity

	Audited 12 months 31 December 2010 R'000	Audited 12 months 31 December 2009 R'000
<b>Issued capital</b>		
Ordinary share capital		
Balance at the beginning of the year	948 667	466 134
Issued to share incentive scheme (net of treasury shares)	—	10
Acquisition of subsidiary	—	482 523
Balance at the end of the year	948 667	948 667
<b>Retained income</b>		
Balance at the beginning of the year	549 213	315 607
Total comprehensive income for the year	260 753	274 270
Share based payment – equity settled	1 193	9 612
Transactions with minorities	(697)	(128)
Dividend declared	(51 990)	(50 148)
Balance at the end of the year	758 472	549 213
<b>Other reserves</b>		
Balance at the beginning of the year	3 036	7 811
Total comprehensive income for the year	(1 290)	(4 775)
Balance at the end of the year	1 746	3 036
<b>Non-controlling interests</b>	6 404	(1 212)

### Summarised consolidated statement of cash flows

	Audited 12 months 31 December 2010 R'000	Restated Audited 12 months 31 December 2009 R'000
Operating cash flow	616 878	624 756
Movements in working capital	(200 245)	(121 160)
Net cash generated by operations	416 633	503 596
Net finance income	619	3 019
Dividends paid	(51 558)	(50 623)
Taxation paid	(165 672)	(203 095)
Cash flow from operating activities	200 022	252 897
Cash flow from investing activities	(123 095)	(142 336)
Cash flow from financing activities	(320 076)	167 487
Movement in cash and cash equivalents	(243 149)	278 048
Cash and cash equivalents at the beginning of the year	1 221 805	943 757
Net cash and cash equivalents at the end of the year	978 656	1 221 805

### Summarised consolidated segment report

	Revenue 31 December 2010 R'000	Operating profit/(loss) 31 December 2010 R'000	Operating margin 31 December 2010 %	Operating margin 31 December 2009 %
Construction	3 900 481	293 024	7,51	7,90
Buildings	845 753	(15 105)	(1,79)	2,05
Civils	759 509	39 126	5,15	5,18
Roads	2 295 219	269 003	11,72	11,74
Mining	801 718	111 346	13,89	16,77
Developments	24 191	4 653	19,23	9,08
Engineering	663 379	(225)	(0,03)	—
Total	5 389 769	408 798	7,58	9,21

### Additional information to the annual financial statements

	Audited 12 months 31 December 2010	Audited 12 months 31 December 2009
Number of shares in issue ('000)	123 798	123 798
Headline earnings per share (cents)	209,25	333,12
Diluted headline earnings per share (cents)	209,25	332,43
<b>Reconciliation of basic earnings to headline earnings</b>	R'000	R'000
Basic earnings	260 753	274 270
Adjusted by:		
– Loss on sale of subsidiary	—	130
– (Profit)/loss on sale of property, plant and equipment	(2 234)	2 151
– Impairment of fixed assets	531	11 528
Headline earnings	259 050	288 079
<b>Reconciliation between weighted average number of shares and diluted average number of shares</b>	'000	'000
Weighted average number of shares	123 798	86 479
Adjusted by – Share Incentive Scheme	—	181
Diluted average number of shares	123 798	86 660
Net asset value per share (cents)	1 380,39	1 212,40
Tangible net asset value per share (cents)	699,29	539,79
Capital expenditure for the period (R'000)	422 798	170 675
Depreciation (R'000)	220 794	171 669
Impairment (R'000)	531	11 528
Amortisation of intangible asset (R'000)	39 303	20 488

### Commentary

The consolidated abridged annual financial statements have been prepared in terms of International Financial Reporting Standards, IAS 34 on Interim Financial Reporting, AC500 Standards, Schedule 4 of the South African Companies Act 61 of 1973, as amended, and the JSE Listings Requirements. 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 2009.

#### Audit report

These financial results have been audited by the group's auditors, PricewaterhouseCoopers Inc, whose unqualified audit report is available for inspection at Basil Read's registered office.

#### Restatement of prior year balances

On 21 December 2009, the group acquired the TWP group for a provisional purchase consideration of R661,4 million. The TWP group's core business is the provision of engineering, procurement and construction management for clients.

During the current financial year, the purchase consideration and purchase price allocation relating to the acquisition of the TWP group was finalised, resulting in a revised allocation to the fair values of assets, liabilities and goodwill.

On 1 September 2009, the group finalised the acquisition of the Gerolemou/Mvela group for a provisional purchase consideration of R351,5 million. The Gerolemou/Mvela group's core business is the construction of buildings for clients in South Africa. The group finalised the purchase consideration for the acquisition of the Gerolemou/Mvela group in the year under review, which led to a revised amount of goodwill.

In terms of the guidance provided in IFRS3: Business Combinations the group has restated its statement of financial position and statement of cash flows to reflect the abovementioned changes as if they had occurred at the acquisition date. These changes did not impact the income statement, statement of comprehensive income and statement of changes in equity.

The effect of these changes is detailed below.

#### The TWP group

Details of net assets acquired and goodwill are as follows:

	Restated R'000	As previously reported R'000
Purchase consideration:		
– cash paid	179 862	178 890
– equity shares issued	482 523	482 523
Total purchase consideration	662 385	661 413
Fair value of net assets acquired	(209 836)	(340 843)
Goodwill	452 549	320 570

The assets and liabilities as of 21 December 2009 arising from the acquisition are:

	Restated Fair value R'000	Restated Acquiree's carrying amount R'000	As previously reported Fair value R'000	As previously reported Acquiree's carrying amount R'000
Cash and cash equivalents	111	111	111	111
Property, plant and equipment	59 266	59 266	75 901	75 901
Intangible assets	45 663	207 467	68 436	210 245
Investments in jointly controlled entities	6 176	6 176	13 033	13 033
Deferred income tax assets	19 380	19 380	10 502	10 502
Available-for-sale financial assets	5 900	5 900	5 900	5 900
Inventory	46	46	6 084	6 084
Contract and trade debtors	173 114	173 114	258 741	258 741
Receivables and prepayments	13 852	13 852	16 454	16 454
Current income tax assets	3 835	3 835	8 817	8 817
Interest-bearing borrowings	(7 652)	(7 652)	(7 652)	(7 652)
Other borrowings	(19 927)	(19 927)	(19 927)	(19 927)
Deferred income tax liabilities	(12 786)	—	(28 269)	(9 885)
Trade and other payables	(50 944)	(50 944)	(52 092)	(52 092)
Provisions for other liabilities and charges	(20 690)	(20 690)	(62)	(62)
Current income tax liabilities	(5 508)	(5 508)	(15 134)	(15 134)
Net assets	209 836	384 426	340 843	501 036
Purchase consideration settled in cash		179 862		178 890
Cash and cash equivalents in subsidiary acquired		(111)		(111)
Cash outflow on acquisition		179 751		178 779

#### The Gerolemou/Mvela Group

Details of net assets acquired and goodwill are as follows:

	Restated R'000	As previously reported R'000
Purchase consideration:		
– cash paid	246 033	245 746
– liability raised	105 800	105 800
Total purchase consideration	351 833	351 546
Fair value of net assets acquired	(181 593)	(181 593)
Goodwill	170 240	169 953

The assets and liabilities as of 1 September 2009 arising from the acquisition are:

	Restated Fair value R'000	Restated Acquiree's carrying amount R'000	As previously reported Fair value R'000	As previously reported Acquiree's carrying amount R'000
Cash and cash equivalents	371 501	371 501	371 501	371 501
Property, plant and equipment	40 732	40 732	40 732	40 732
Intangible assets	32 197	—	32 197	—
Deferred income tax assets	12 842	12 842	12 842	12 842
Available-for-sale financial assets	6	6	6	6
Contract and trade debtors	50 826	50 826	50 826	50 826
Receivables and prepayments	34 895	34 895	34 895	34 895
Interest-bearing borrowings	(1 274)	(1 274)	(1 274)	(1 274)
Deferred income tax liabilities	(11 525)	(2 510)	(11 525)	(2 510)
Trade and other payables	(333 902)	(333 902)	(333 902)	(333 902)
Provisions for other liabilities and charges	(1 627)	(1 627)	(1 627)	(1 627)
Current income tax liabilities	(13 078)	(13 078)	(13 078)	(13 078)
Net assets	181 593	158 411	181 593	158 411
Purchase consideration settled in cash		246 033		245 746
Cash and cash equivalents in subsidiary acquired		(371 501)		(371 501)
Cash inflow on acquisition		(125 468)		(125 755)

# AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010 AND DIVIDEND DECLARATION



**+16%**  
Revenue  
(R5,4 billion)

**-5%**  
Operating profit  
(R408,8 million)

**+5%**  
Order book  
(R8,5 billion)



## Overall review

The review period was one of two halves: in the first half, activity levels were high amid final preparations for the 2010 FIFA World Cup, supporting confidence that an economic recovery was unfolding. In the second half, however, this confidence waned in line with sharply decreased activity levels in many sectors as it became evident that the economic recovery would be protracted, exacerbated by the strength of the local currency against those of major trading partners.

A strong order book and equally strong relationships with clients, suppliers and subcontractors again enabled the group to manage these conditions effectively.

The board is pleased to report a satisfactory set of results despite difficult trading conditions, with revenue of R5,4 billion (2009: R4,7 billion), a notable increase of 16%. Gross operating profit increased by 15% to R820,4 million (2009: R713,3 million).

Margins came under pressure in the year under review with gross operating margin decreasing slightly from 15,3% in 2009 to 15,1% for the 2010 financial year. Overhead costs increased sharply by 23%, largely driven by the under recovery of staff costs in the TWVP group, and much of the year ahead will be focused on efforts to contain these costs. This translated into a decrease in the net operating margin from 8,8% in the 2009 reporting period to 7,0% for the current financial year. Net margin was 4,7% (2009: 5,8%) for the year.

Earnings decreased by 4,9% to R260,8 million (2009: R274,3 million). Earnings per share decreased by 33,6% from 317,15 cents in 2009 to 210,63 cents in 2010, largely impacted by the issue of 37,3 million shares to fund the acquisition of the TWVP group in December 2009. The effect of the acquisition is detailed in the table below.

	R'000	Weighted average number of shares	Earnings per share (cents)
Earnings for the year, excluding the TWVP group	271 680	86 479	314,15
Loss for the year for the TWVP group (including amortisation of intangibles)	(10 927)	37 319	
Earnings for the year for the group	260 753	123 798	210,63

The poor performance of the TWVP group, which was in line with expectations, can be attributed to the slow recovery in the commodities market resulting in an under recovery of staff utilisation and recovery ratios as mining houses remain cautious regarding the commissioning of new projects. Our rationale for this acquisition remains unchanged and with sentiment in the mining industry becoming more positive, we expect TWVP's performance to improve in future years. We are already seeing an improvement in staff utilisation and recovery ratios for the 2011 financial year.

Further impacting the results for the year was the amortisation of intangible assets which was at a level of R39,3 million, almost double the amortisation charge of R20,5 million reported in 2009. Intangible assets are raised at the time of acquisition and comprise standard accounting entries relating to the future benefits that are expected to accrue to the group from contracts that exist at the time of acquisition. A valuation is performed on all contracts that the acquired company has secured at the time of acquisition. This valuation considers inter alia the expected profits that the contract is expected to generate after taking working capital, plant and staff costs into account. The resultant value gives rise to an intangible asset that is amortised over the life of these contracts. The expected amortisation of intangibles charge for the 2011 financial year is R10,8 million.

Cash on hand at the reporting date was R1,0 billion (2009: R1,2 billion) with cash flow from operating activities satisfactory at R200,0 million (2009: R252,9 million). The decrease in operating cash flows was largely as a result of an increase in working capital requirements as debtors terms extended due to the prevailing economic environment and additional funds that were invested in property developments, classified as development land held for sale. A significant portion of the group's cash is tied up in its property portfolio, which comprises land held for both residential and industrial developments. While the residential sector has been slow to recover from the economic crisis, momentum is gathering in the industrial space and the group expects to realise a portion of this cash in the foreseeable future.

The group continues to monitor debt levels and repaid R320,1 million of debt in the year under review. Total borrowings decreased to R802,7 million (R890,2 million). The gearing ratio of the group, defined as net debt divided by total capital, was 0% (2009: 0%) at the reporting date. Net debt is calculated as total borrowings less cash and cash equivalents. The debt equity ratio at 31 December 2010 was 21,3% (2009: 28,7%).

In support of the group's mining operations and the acquisition of plant for cross border contracts, the group invested in new plant to the value of R422,8 million (R170,8 million), of which R199,4 million (2009: R45,6 million) was funded by instalment sale agreements and R223,4 million (2009: R125,2 million) was purchased with the group's own cash resources. Total capital expenditure budgeted for in the 2011 financial year is R360 million (2010: R150 million).

The group experienced moderate balance sheet growth, with total assets at a level of R4,4 billion (2009: R4,2 billion), and considers the balance sheet to be appropriately structured to enable further growth.

The group secured new contracts in the period under review in the amount of R5,1 billion (2009: R6,5 billion) and the order book at year end was a healthy R7,8 billion (2009: R8,1 billion). Since the year end date, the group has secured additional contracts to the value of R1,3 billion and the order book at the reporting date is R8,5 billion.

At the reporting date, the group had issued guarantees in the amount of R2,0 billion (2009: R1,8 billion). 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.

Basil Read has maintained its rating as a level 4 BBBEE contributor, meaning that companies are entitled to recognise 100% of the amounts spent with our group in calculating their procurement spend. We are making every effort to attain level 3 status in 2011.

The group still faces challenges in certain areas to reach its goal of real, sustainable economic empowerment, specifically management control, employment equity and skills development. Several initiatives are under way to address these areas, including the monitoring of middle to senior black management and the provision of support and mentoring to all previously disadvantaged individuals in the group's employ. These efforts have culminated in the appointment of 22 previously disadvantaged individuals to senior management positions during the year.

## Corporate activity

Basil Read's strategy has been to grow its business, not only through organic growth, but also through acquisition. During the 2009 financial year the group made significant progress in this regard through a number of transactions. During 2010, the group continued with acquisitive growth through the strategic acquisition of two smaller groups.

On 1 May 2010, the group acquired 100% of the share capital of Sladden International (Botswana) (Pty) Limited through an initial cash payment of R30,5 million and the recognition of a deferred payment liability of R38,0 million. Part of the deferred payment liability is dependent on the company achieving BWP 67,6 million net profit after tax in the three years post-acquisition. The first of these profit warranties was not met, and the group released R11,8 million of the deferred payment liability in the year under review. Based on the purchase price allocation, the acquisition gave rise to the recognition of goodwill of R32,4 million. Sladden International has been operating in Botswana and neighbouring countries for more than 40 years and has an established reputation with a valued client base. The acquisition provides Basil Read with the ideal opportunity to expand its African footprint for a relatively low initial investment.

On 1 June 2010, the group increased its stake in Newport Construction (Pty) Limited to 100% (2009: 70%) through the buyout of the remaining minorities. The purchase consideration for 30% of the company was R4,0 million and the transaction resulted in the recognition of a loss on transaction with minorities of R0,9 million.

The acquisition of the Valente Brothers group, comprising Valente Brothers (Pty) Limited, Phambili Pipelines (Pty) Limited and Tubo Jacked Pipelines (Pty) Limited, was successfully completed during the 2010 financial year and their results have been consolidated from 1 July 2010. The total purchase consideration of R25,6 million was settled through a cash payment of R19,2 million and the recognition of a deferred payment liability of R6,5 million. The acquisition gave rise to the recognition of a contract based intangible asset of R1,9 million and goodwill of R15,5 million. An amount of R1,7 million relating to the amortisation of the intangible asset was recognised in the income statement in the year under review.

On 3 September 2010, the group increased its stake in Matomo Engineering Namibia (Pty) Limited to 100% (2009: 61%). The purchase consideration for 39% of the company was R37 898 and the transaction resulted in the recognition of a gain on transaction with minorities of R0,2 million.

While no significant corporate activity is planned for the 2011 financial year, the group will continue to explore investment opportunities, both locally and abroad.

## Operational review

### Safety, health, environmental, risk management and quality

Strategy, risk, performance and sustainability are inseparable in the modern business environment. A renewed focus on good corporate citizenship and governance, increased scrutiny by providers of project capital, the expansion of directors' fiduciary duties and the need to embed risk in business decisions and processes have made implementing an integrated enterprise risk management process a business priority.

For Basil Read, safety is both a core element and a strategic imperative. The group's robust safety/health/environment/quality system is both a guide and measurement tool to achieving set standards in each of these areas.

The group has incorporated risk management into the safety, health and environment division, aligning its governance processes with the recommendations of King III and reinforcing its commitment to an integrated approach focused on zero harm.

In the past two years, a strong drive by project managers, divisional managers and executive directors to reduce the number of incidents and accidents, coupled with continuous training, has paid off in a disabling-injury frequency rate (DIFR) of 0,58 in 2009 dropping over 30% to 0,4 in 2010. While this does not meet the target set at 0,3 for the review period, the group believes this is encouraging progress.

We continue to record fatalities on our sites and we extend our condolences to the family, friends and colleagues of those who died. As the number of operational sites increases, so too does the risk of fatalities. For this reason we are continuing with various awareness programmes to keep our employees alert and focused on the tasks at hand, as 90% of fatalities occur due to a lack of concentration or a disregard for safety rules.

In contrast, one of the triumphs in the safety division was the recording of 3 000 000 lost-time-injury (LTI) free hours on the group's projects in the Durban harbour.

## Construction

The review period was another challenging, but exceptionally rewarding, period for Basil Read's largest division. The focus has been on both organic and acquisitive growth to diversify the sector market exposure and range of services, while pursuing selected opportunities in other geographical regions.

With secured contracts in Botswana, Namibia, Sierra Leone and Zimbabwe and an office established in Uganda, the group is actively tendering for projects in East Africa, where there are a number of public and private work opportunities. In terms of construction work prospects, there has been a natural progression from South Africa to other parts of Africa, where the need for quality construction groups is high. At present Basil Read is exploring niche markets with long-term prospects in infrastructural spend in Africa.

The division continued to perform well in the review period and reported revenue of R3,9 billion (2009: R3,9 billion) with operating profit of R293 million (2009: R288,6 million). The order book remains acceptable at a level of R4,9 billion (2009: R5,1 billion).

By the end of 2010, the roads division had successfully completed a number of contracts. These include the roads and civil engineering infrastructure for the Cosmo City project, as well as four major contracts in the Eastern Cape in collaboration with our joint venture partner, Newport Construction. A particular highlight was the Coega River bridges project, which was completed on time and to excellent quality standards.

The group's sites on the N17 were expanded during the year by the contract to construct the civil and structural components of the Leandra, Trichardt and Ermelo toll plazas complex – a 24-month contract in Mpumalanga province valued at around R175 million. Basil Read Roads is already building the section between Leandra and Leven station as part of the eastern expansion of the N17 route.

The division has been awarded the contracts to rehabilitate and repair a 73km stretch of road between Kroonstad and Vrededorp and an 18,2km section between Bultfontein and Wesselsbron in the Free State province. The combined value of these contracts is R472 million.

Basil Read has been awarded a US\$45-million contract in Sierra Leone to construct a 35km section of railway line to a new iron ore mine at Tonkolili being developed by an Australian mining house. The completed railway line will transport ore from the mine to a transfer point halfway to the coast. When completed, the new mine will be one of the biggest suppliers of iron ore in the world, with reserves of over 10 billion tons. The project is approximately 150km north-east of capital city Freetown with a scheduled completion date of July 2011. Construction began in April 2010 and further work is anticipated in the region.

In January 2010, the civils division began work on the 24-month, R95 million contract for the Ohlanga outfall sewer, pump station and rising main between Umhlanga Rocks and Umhlanga, KwaZulu-Natal. The work consists of constructing a new pump station at Ohlanga and a pipeline from the existing pump station to Phoenix treatment works.

The division was awarded the R172 million civil works contract to extend the Sunderland Ridge waste water treatment works. The contract will take 16 months to complete.

Eskom recently awarded the civils division the contract for the construction of ash dumps, dams and other miscellaneous infrastructure at its Medupi power station. This R516 million contract is expected to take 19 months to complete with the start date still to be confirmed.

The civils division was recently awarded its first cross-border contract for client, Zimplats. The contract involves the main civil engineering works on the Ngezi mining and concentrator project. Construction is expected to take 12 months.

Key contracts in the buildings division include the restoration and revitalisation of numerous government healthcare facilities and hospital projects around the country:

- Additional on-site projects that formed part of the R315 million upgrade of Paarl Hospital will be completed in May 2011.
- The 300-bed facility at Germiston Hospital for the Department of Public Works will be completed at the end of April 2011.
- The ongoing R1,5 billion Natspruit Hospital project, involving a 760-bed facility for the Department of Public Works, is progressing well with completion scheduled for March 2012.
- The division secured a further contract from the Department of Public Works involving repair work to the Nurses College Residences for the Thaba Tshwane Department of Defence: SAMHA College. This R164 million, 24-month contract started in March 2010.
- The division, in joint venture, was awarded the contract for the construction of Trompsburg Regional Hospital, which will service the needs of the communities south of Bloemfontein. The contract is valued at R256 million and will take 30 months to complete.

The buildings division was recently awarded the contract for the construction of various buildings at Medupi power station. This R235,6 million project includes construction of a double-storey main office complex, medical station, ambulance garage, fire station and canteen over a period of 15 months.

Construction of phase one of the Basil Read Campus, the group's new head office complex in Boksburg, was completed in February 2011. This state-of-the-art building contains many green features including water tanks for the catchment and recycling of water and motion-sensor lighting to save on energy costs. Construction of phase two has commenced and is expected to be completed in the second quarter of 2012.

## Mining

The mining division performed well in the year to December 2010, contributing revenue of R801,7 million (2009: R679,2 million) and operating profit of R111,3 million (2009: R113,9 million). The division's order book remains promising at a level of R1,3 billion (2009: R1,4 billion).

In 2010, mining production rose for the first time since 2005 to record an almost 4% gain, seasonally adjusted (Statistics SA) as investors sought metals as a hedge against rising inflation and the depreciation of currencies such as the US dollar and euro. While all mineral groups contributed to the increase, notable performances came from platinum and coal.

More importantly for the group, the government has recognised the urgent need to invest in South Africa's critical infrastructure to stimulate sustained economic growth and generate jobs. The cost of modernising and upgrading the country's ageing infrastructure has been estimated by government at R1 trillion over the next four years. This is particularly relevant for the mining industry, which accounts for a sizeable portion of the country's gross domestic product. The industry has long been hampered by road and rail constraints, security of power supplies and, most recently, water management issues. Investments on the scale now being discussed by government will go a long way towards addressing these challenges and ensuring the domestic industry is able to capitalise on the next commodities boom – which appears to be gathering momentum already.

During the year, work continued at the Rössing uranium mine in Namibia for owner Rio Tinto, one of the world's largest mining houses. This is part of a further contract extension, with significant progress made during the review period.

In January 2010, the division started work on the Jwaneng contract awarded by the Debswana Diamond Company, an equal joint venture between De Beers and the government of Botswana. Jwaneng mine is in south-central Botswana, about 120km west of Gaborone. The 24-month contract covers phase I of the Cut 8 project. This includes drilling, blasting and removing 20 million tons of waste to expand the current open-pit mine and facilitate access to the Jwaneng kimberlite ore at greater depth.

Work continues at Venetia diamond mine, near Musina in Limpopo. The contract is for the mine's percussion drilling project.

## Developments

Basil Read Developments has entrenched its reputation for developing sustainable communities, reflected in its Gauteng flagship project, Cosmo City – the first mixed-use, fully integrated sustainable human settlement in South Africa. In 2010, and based on the success of this development, the company was invited by the Ministry of Housing in Brazil to present its approach to integrated residential communities.

While still the smallest of Basil Read's divisions, it has the largest socio-economic impact with a total economic impact of R99,2 billion during construction and R71,2 billion post-construction. For the group, this division is strategically significant, given its focus on sustainable development and the secondary work it creates for the group. Some R3 billion in work, not yet included in the group's order book, will be created for other Basil Read divisions over the life of current projects.

The developments division generated revenue of R24,2 million (2009: R68,3 million) and operating profit of R4,7 million (2009: R6,2 million).

As noted at the half-year stage, divisional performance was affected by delays in breaking ground on several projects. Given that government has reaffirmed its commitment to eradicating informal settlements, with a concomitant effect on job creation and poverty reduction, this division remains of strategic importance to the group.

The development of Savanna City, south of Johannesburg, has yet to break ground. Although the record of decision has been received and environmental impact assessment approved, there have been delays in finalising bulk service agreements with the local municipality. Savanna City is being developed in partnership with the Old Mutual group, which is providing funding. This planned R9-billion project will be larger than Cosmo City.

In Cape Town, Basil Read is developing another integrated mixed-use residential area in partnership with Garden Cities, the largest private land-owner in Cape Town and a non-profit group with a 90-year track record in providing affordable housing. Garden City New Town, a 767-hectare property, has been identified for low-cost, middle-income and bonded housing. Similar to Cosmo City, the R9,7-billion project will include schools, community centres, clinics, churches, parks, commercial and light industrial areas. Although regulatory approvals have been slow to materialise, good relationships have been built with stakeholders, including municipalities, government bodies and communities.

At Phakisa Estate, near Welkom in the Free State, the environmental impact assessment for phase one has been approved. Ground-breaking now depends only on approval of the township application, expected in the first half of 2011.

Klipriver Business Park, a pivotal spine between Johannesburg, Meyerton and Ekurhuleni, is progressing well. Although sales of this industrial development remain subdued, the group has received several serious enquiries in recent months. Ongoing negotiations are expected to gain momentum in the near future.

## Engineering

Following the 2009 merger, the multi-disciplinary TWVP engineering group has integrated well into the Basil Read structure to create an enlarged group uniquely equipped to offer a full service to the world's leading building environment and mining sectors, particularly in the engineering, procurement and construction (EPC) arena.

With a team of some 800 engineering professionals and architects, TWVP provides a broad spectrum of services including resource identification, bankable feasibility studies, mine and production planning, process engineering, project execution, delivery and handover.

The scale of these complementary activities is supporting Basil Read's stated intention of tendering for larger contracts, pursuing international acquisitions and competing globally.

The engineering division reported revenue of R663,4 million and an operating loss of R0,2 million. The divisional order book of R1,5 billion is defined as an 18-month order book, although a number of contracts included in this amount will continue well beyond this period. The contract value for the portion of work extending beyond this 18-month period has not been included in the divisional order book.

In 2010, the division secured the single-biggest shaft-sinking EPCM (engineering (design), procurement and construction management) contract for the Impala 17 shaft project. This world-class platinum project is scheduled to be commissioned in 2015 and it will take a further four years to develop the mine to full production. The project involves sinking three shafts concurrently, with the main shaft being deepest at nearly 2 000 m. In addition, the contract includes the option to increase the scope of work to include the capital development phase, which will bring the shaft to full production in 2018. This will be the engineering division's flagship project for many years.

After four years of intensive work and effort, the first phase of Konkola Copper Mine's Konkola Deeps Mining Project (KDMP) in Zambia was completed during the year. TWVP Projects was responsible for designing what is now one of the largest steel headgears in the world, as well as extensive underground infrastructure. The 81,5 meter tall headgear (Konkola No 4 shaft) – itself a massive architectural feat – is part of an expansion project to treble the mine's copper ore production to 7,5 million tons per annum (mtpa). The division has also designed the shaft steelwork for deepening Konkola No 1 shaft from 1 000m to 1 480m. Other technical accomplishments include the underground pumping and settling system, shaft piping, general electrical reticulation and associated control and instrumentation.

The twin-shaft system project at Styldrift started shaft-sinking operations in October 2010. Progress to date has been good with a high-quality installation, and an excellent safety record of no lost-time injuries since the project began in March 2009. This project is on schedule and on budget.

TWVP Australia was awarded the EPCM contract to develop plant and associated infrastructure at the Siana gold project in the Surigao Gold District of the Philippines. This is a major milestone in the development of the project, which has an indicated mineral resource of some 80 000 ounces of gold and the potential to extend this resource. TWVP has started preliminary engineering work and reviews, including optimisation of the project schedule.

## Prospects

Fundamentals in the construction sector have deteriorated significantly since 2009 and are expected to remain challenging in 2011, despite gradual economic recovery. As a sector, operating performances are likely to be affected by high cost increases and greater competition. A sustained recovery in the sector was always expected to lag a recovery in the larger South African economy, given the relatively long lead times associated with planning and executing large projects.

Against this background, Basil Read remains committed to continued expansion, both organic and acquisitive, local and international despite difficult trading conditions. While no major acquisitions are planned for the year ahead, the group will continue to monitor opportunities to expand service offering and geographic footprint.

Local operations are expected to come under pressure due to the delay in roll out of government projects. This uncertainty in timing is expected to continue for most of the year ahead, despite the South African government's commitment to infrastructure spend. Significant projects are still planned in the power generation and water supply sectors.

Construction opportunities exist within the rest of Africa particularly due to the influx of funding from international sources. We will continue to pursue contracts on the African continent within our defined set of risk parameters, which include the certainty of committed funding for the contract in question and upfront payments.

The group has seen a positive change in sentiment in the mining sector in the second half of 2010, which bodes well for the mining and engineering divisions. The TWVP group has secured a significant amount of work on new engineering projects, the majority of which is beyond South Africa's borders. Staff utilisation and recovery ratios are expected to improve in the year ahead.

The group remains cautious about the year ahead and will remain prudent in managing the uncertainty and volatility, backed by a healthy balance sheet and effective management structure.

## Corporate governance

The directors and senior management of the group endorse the Code of Corporate Practices and Conduct as set out in the King III 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 Listings 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 is currently formalising a detailed plan to ensure compliance with King III and the new Companies Act. An implementation team, led by the financial director and monitored by the audit/risk committee, will manage the process to ensure a seamless transition in complying with the new legislation.

Following the acquisition of the TWVP group in 2009, Nigel Townsend, chairman of TWVP, was appointed as an executive director. His appointment was effective from 1 January 2010 and the board welcomes his experience and expertise.

At the group's annual general meeting, held on 6 May 2010, Mr Lungisa Dyosi resigned as non-executive director.

It was with a great sense of sadness that we learned of the untimely passing away of Ms Ntombekaya September in January 2011. Her wise counsel, astute leadership and positive contribution to the affairs of the group will be sorely missed. The group again extends its deepest sympathy and sincere condolences to her friends and family.

## Cash dividend declaration

Despite the ongoing economic uncertainty and with regard to the group's growth targets, notice is hereby given that the directors have declared a final dividend of 30 cents per share (2009: 42 cents) in respect of the year ended 31 December 2010. In order to comply with the requirements of Strate the relevant details are as follows:

Event	Date
Last date to trade cum-dividend	Friday, 27 May 2011
Ordinary shares to commence trading ex-dividend	Monday, 30 May 2011
Record date (date shareholders recorded in books)	Friday, 3 June 2011
Payment date	Monday, 6 June 2011

No share certificates may be dematerialised or rematerialised between Monday, 30 May 2011 and Friday, 3 June 2011, both dates inclusive.

## Post-balance sheet review

Shareholders are referred to the SENS announcement released on 4 March 2011, in which the group advised of the disposal of a property owning subsidiary for a sale consideration of R91,2 million. Shareholders were further advised that the group had simultaneously disposed of movable furniture, equipment and appliances for a sale consideration of R9 million (exclusive of VAT). These assets have been accounted for as held-for-sale in the year under review. The profit on this disposal will be accounted for in the 2011 financial year.

On behalf of the board

S L L Peteni (Chairman)

M L Heyns (Chief Executive Officer)

24 March 2011

