BASIL READ®

Audited results for the year ended 31 December 2011

www.basilread.co.za
communications@basilread.co.za

Revenue
+16%: R6,2 billion
(2010: R5,4 billion)

Headline earnings per share
-33%: 139,65 cents
(2010: 209,25 cents)

Operating profit
-24%: R281 million
(2010: R369 million)

Order book at reporting date
+65%: R14 billion
(2010: R8,5 billion)

Abridged consolidated income statement

R'000	Audited 12 months 31 December 2011	Audited 12 months 31 December 2010
Revenue	6 230 456	5 389 769
Operating profit for the year	280 946	369 495
Impairment of goodwill	(32 403)	—
Net finance (costs)/income	(36 007)	619
Share of (losses)/profits from jointly controlled entities	(2 957)	1 662
Share of profits/(losses) from associates	6 708	(188)
Profit for the year before taxation	216 287	371 588
Taxation	(81 580)	(119 370)
Profit for the year after taxation	134 707	252 218
Profit for the year attributable to the following:		
Equity shareholders of the company	140 979	260 753
Non-controlling interests	(6 272)	(8 535)
Net profit for the year	134 707	252 218
Earnings per share (cents)	113,88	210,63
Diluted earnings per share (cents)	113,88	210,63

Abridged consolidated statement of comprehensive income

R'000	Audited 12 months 31 December 2011	Audited 12 months 31 December 2010
Net profit for the year	134 707	252 218
Other comprehensive income for the year	6 129	(2 697)
Movement in foreign currency translation reserve	5 014	(8 622)
Movement in fair value adjustment reserve	1 297	6 222
Deferred tax effect on other comprehensive income	(182)	(297)
Total comprehensive income for the year	140 836	249 521
Total comprehensive income for the year attributable to the following:		
Equity shareholders of the company	144 886	259 463
Retained income	140 979	260 753
Other reserves	3 907	(1 290)
Non-controlling interests	(4 050)	(9 942)
Total comprehensive income for the year	140 836	249 521

Abridged consolidated statement of financial position

R'000	Audited 31 December 2011	Audited 31 December 2010
ASSETS		
Non-current assets	2 152 469	1 854 008
Property, plant and equipment	1 166 213	873 390
Intangible assets	799 995	843 183
Investments in jointly controlled entities	58 051	20 423
Investments in associates	17 042	1 413
Available-for-sale financial assets	42 183	36 264
Deferred income tax asset	68 985	79 335
Current assets	2 680 501	2 430 905
Inventories	42 857	47 700
Development land	398 686	351 938
Trade and other receivables	1 125 785	842 692
Work in progress	322 128	150 775
Investments in jointly controlled entities	16 580	—
Current income tax asset	58 428	26 250
Cash and cash equivalents	716 037	1 011 550
Non-current assets held-for-sale	66 767	92 558
	4 899 737	4 377 471
EQUITY AND LIABILITIES		
Capital and reserves	1 837 721	1 715 289
Stated capital	948 668	948 667
Retained income	860 499	758 472
Other reserves	5 653	1 746
Non-controlling interests	22 901	6 404
Non-current liabilities	592 847	439 156
Interest bearing borrowings	519 234	337 658
Other borrowings	19 649	26 188
Deferred income tax liability	53 964	75 310
Current liabilities	2 469 062	2 219 938
Trade and other payables	1 079 938	970 223
Amounts due to customers	513 315	583 399
Current portion of borrowings	508 071	438 836
Loans from associates	37 876	—
Provisions for other liabilities and charges	220 903	152 235
Current income tax liability	46 651	42 351
Bank overdraft	62 308	32 894
Liabilities directly associated with non-current assets classified as held-for-sale	107	3 088
	4 899 737	4 377 471

Group Secretary: E Kruger
Registered office: The Basil Read Campus, 7 Romeo Street, Hughes Extension, Boksburg, 1459
Auditors: PricewaterhouseCoopers Inc
Transfer secretaries: Link Market Services South Africa (Pty) Limited
Sponsor: Macquarie First South Capital (Pty) Limited
Directors: S L L Peteni*† *(Chairman)*, M L Heyns *(Chief Executive Officer)*, M D G Gouveia *(Deputy Chief Executive Officer and Financial Director)*, N J Townshend^, C P Davies*†, S S Ntsaluba*, A T Tlelai*, G R Sibiya*†
(* Non-executive, † Independent, ^British)

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

Abridged statement of changes in equity

R'000	Audited 12 months 31 December 2011	Audited 12 months 31 December 2010
Issued capital		
Ordinary share capital		
Balance at the beginning of the year	948 667	948 667
Issued to share incentive scheme (net of treasury shares)	1	—
Balance at the end of the year	948 668	948 667
Retained income		
Balance at the beginning of the year	758 472	549 213
Total comprehensive income for the year	140 979	260 753
Share based payment – equity settled	545	1 193
Transactions with non-controlling interests	(2 353)	(697)
Dividend declared	(37 144)	(51 990)
Balance at the end of the year	860 499	758 472
Other reserves		
Balance at the beginning of the year	1 746	3 036
Total comprehensive income for the year	3 907	(1 290)
Balance at the end of the year	5 653	1 746
Non-controlling interests	22 901	6 404

Abridged consolidated statement of cash flows

R'000	Audited 12 months 31 December 2011	Audited 12 months 31 December 2010
Operating cash flow	513 081	616 878
Movements in working capital	(346 657)	(196 806)
Net cash generated by operations	166 424	420 072
Net finance (costs)/income	(36 007)	619
Dividends paid	(37 019)	(51 558)
Taxation paid	(129 263)	(165 672)
Cash flow from operating activities	(35 865)	203 461
Cash flow from investing activities	(99 291)	(123 095)
Cash flow from financing activities	(174 909)	(320 076)
Effects of exchange rates on cash and cash equivalents	(14 838)	(3 439)
Movement in cash and cash equivalents	(324 903)	(243 149)
Cash and cash equivalents at the beginning of the year	978 656	1 221 805
Cash and cash equivalents at the end of the year	653 753	978 656
Included in cash and cash equivalents as per the statement of financial position	653 729	978 656
Included in the assets of the disposal group	24	—
	653 753	978 656

Additional information to the financial statements

	Audited 12 months 31 December 2011	Audited 12 months 31 December 2010
Dividend paid per share (cents)	30,00	42,00
Dividend declared per share (cents)*	—	30,00
**Based on the year to which the dividend relates*		
Number of shares in issue ('000)	123 798	123 798
Headline earnings per share (cents)	139,65	209,25
Diluted headline earnings per share (cents)	139,65	209,25
Reconciliation of basic earnings to headline earnings	R'000	R'000
Basic earnings	140 979	260 753
Adjusted by – Profit on sale of subsidiary	(21 049)	—
– Profit on sale of property, plant and equipment	(4 249)	(2 234)
– Impairment of fixed assets	24 802	531
– Impairment of goodwill	32 403	—
Headline earnings	172 886	259 050
Reconciliation between weighted average number of shares and diluted average number of shares	'000	'000
Weighted average number of shares	123 798	123 798
Adjusted by – Share Incentive Scheme	—	—
Diluted average number of shares	123 798	123 798
Net asset value per share (cents)	1 465,95	1 380,38
Tangible net asset value per share (cents)	819,74	699,29
Capital expenditure for the period (R'000)	647 910	422 798
Depreciation (R'000)	242 237	220 794
Impairment of fixed assets (R'000)	24 802	531
Amortisation of intangible asset (R'000)	10 785	39 303
Impairment of goodwill (R'000)	32 403	—

COMMENTARY

The consolidated abridged annual financial statements have been prepared in terms of International Financial Reporting Standards, IAS 34 on Interim Financial Reporting, the South African Companies Act 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 2010.

Audit report

These abridged 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.

Overall review

The global economic environment is again faced with volatile conditions and a degree of uncertainty, making it clear that the economic recovery will be protracted. Against this background, and exacerbated by the marked slowdown in infrastructural projects, local construction groups of every size have faced unprecedented headwinds.

A strong order book and equally strong relationships with clients, suppliers and subcontractors, however, will enable the Basil Read group to manage these conditions effectively. This will be accompanied by stringent working capital management and fiscal discipline.

The year was characterised by fierce competition in the construction sector in the face of fewer projects and of lower value, widespread postponement of allocated contracts and a surplus of resources following the completion of numerous projects ahead of the 2010 FIFA World Cup. More positively, the group is starting to see significantly more activity in power generation, mining and infrastructure and roads tenders are definitely increasing as provinces are tasked with urgently improving the condition of South Africa's road network.

Overall, Basil Read fared relatively well, given the group's initiatives in recent years to develop and strengthen its speciality services and explore other markets. Importantly, the group ended the year with its strongest order book in nearly six decades, at a level of R12,5 billion (2010: R7,8 billion), and secured several major contracts during the year. By the reporting date, the order book had risen to R14 billion (2010: R8,5 billion).

The board is pleased to report a satisfactory set of results despite extremely difficult trading conditions, with revenue of R6,2 billion (2010: R5,4 billion), an increase of 15,6%. Operating profit decreased by 24% to R280,9 million (2010: R369,5 million), which translated into an operating margin of 4,5% (2010: 6,9%). Headline earnings were R172,9 million (2010: R259,1 million), a decrease of 33,3%. Adjustments to headline earnings include the impairment of goodwill relating to the acquisition of Sladden International (Botswana) (Pty) Limited, following a disappointing performance in the year under review and unsatisfactory forecasts. Earnings for the year decreased by 45,9% to R141,0 million (2010: R260,8 million).

Cash on hand as at 31 December 2011 decreased to R653,8 million (2010: R978,7 million), as the group continued to be hampered by increased working capital levels, mostly due to a significant increase in trade and other receivables as a result of delayed payments from clients. Despite a net repayment of debt to the value of R174,9 million (2010: R320 million), the group's debt levels increased by 30,4% to R1,0 billion (2010: R802,7 million), largely due to an increase in instalment sale agreements to fund expansionary capital expenditure on property, plant and equipment. Of the total capital expenditure of R647,9 million (2010: R422,8 million), R436 million (2010: R199,4 million) was financed with the remaining R211,9 million (2010: R223,4 million) being funded out of cash resources, further impacting the group's cash balances. Replacement capital expenditure for the 2012 year is budgeted at R200 million.

Under the domestic medium-term note programme, the group successfully refinanced its maturing note of R125 million through the further issue of a R150 million note, maturing in July 2013. The group raised a further note of R100 million which, together with an existing note for R125 million, matures in June 2012 and has been classified as part of the short-term portion of interest-bearing borrowings. The group's debt equity ratio is currently at 29,7% (2010: 21,3%).

The group experienced moderate balance sheet growth, with total assets at a level of R4,9 billion (2010: R4,4 billion).

At the reporting date, the group had issued guarantees in the amount of R2,0 billion (2010: R2,0 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 (Pty) Limited and TWP Projects (Pty) Limited, the group's main South African operating companies, attained a level 3 BBBEE contributor rating, meaning that companies are entitled to recognise 110% of the amounts spent with these companies in calculating their procurement spend. Both companies were further rated as value added suppliers, which affords a further 25% benefit.

Corporate activity

Basil Read's integrated growth strategy involves the group increasing and diversifying its products and services with a streamlined approach that extends to some of TWP's newer initiatives. For this reason the group made several investments and divestitures in 2011.

On 1 January 2011, the group disposed of 100% of Basil Read Contracting (Pty) Limited for a sale consideration of R94 million. The company was a property owning company and the group realised a profit on disposal of R4,5 million.

The group acquired a 35% share in Metrowind (Pty) Limited, a provider of alternative energy sources, for an amount of R10 million. Metrowind has been announced as a preferred bidder for the supply of alternate energy by the Department of Energy and is in the process in developing a wind farm in the Nelson Mandela Bay Metropolitan area, which should realise a R450 million EPC contract for the group.

On 1 June 2011, the group disposed of 30% of its stake in Newport Construction (Pty) Limited to a local BEE partner. The sale consideration was R2,0 million and the transaction resulted in the recognition of a gain on transactions with non-controlling interests of R0,4 million.

On 30 September 2011, the group bought the remaining 12,5% of TWP Australia (Pty) Limited for no consideration, realising a loss on transactions with non-controlling interests of R3,2 million. Subsequent to this acquisition, the group disposed of 50% of the company to WSP (Pty) Limited for a sale consideration of R5,7 million. Due to the recovery of previously recognised losses, the group recorded a profit of R33,1 million and the renamed entity, TWSP (Pty) Limited, was reclassified as a jointly controlled entity. The group's new partner, WSP (Pty) Limited is one of the world's largest design, engineering, environment and energy consultancies with 9 000 staff in 200 offices across 35 countries.

On 31 December 2011, TWP disposed of its 74% share in TRG Trading (Pty) Limited for no consideration, realising a loss on disposal of R13,1 million.

Operational review

Safety, health, environmental, risk management and quality

Basil Read'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 continues to integrate systems across the group after a period of rapid organic and acquisitive growth. In the prior year, risk management was incorporated into the safety, health and environment division, aligning our governance processes with the recommendations of King III and reinforcing our commitment to an integrated approach focused on zero harm.

In the past three years, the disabling-injury frequency rate (DIFR) has dropped from 0,58 in 2009 to 0,4 in 2011. While this falls short of the target set at 0,3 for the review period, it is consistent with results for 2010.

Understanding that over 90% of all accidents are caused by human behaviour, decreasing at-risk behaviour remains key in the group. Equally, we believe behaviour-based safety is not a programme, it is a process. Because we are serious about continually reducing work-related injuries, our focus is on making safety a way of life.

Construction	Dec 2011	Dec 2010
Revenue (R'000)	4 149 208	3 900 481
Operating profit (R'000)	81 294	265 753
Operating margin (%)	1,96	6,81
Order book (R'000)	7 700 000	4 900 000

The review period was challenging for the group's largest division as a result of current market conditions amid fierce competition. With fewer tenders on offer, and significant pressure on margins, the challenge is to secure new work and keep resources occupied.

Given depressed local conditions, 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. With secured contracts in Botswana, Namibia, Zimbabwe, Democratic Republic of Congo and offices established in Mozambique and Zambia, the group is actively tendering for projects in Africa, where there are a number of public and private work opportunities.

Results in the division were overshadowed by a number of loss making contracts in the roads division. End of site losses in the amount of R115 million have been raised in the year under review. These provisions relate primarily to three loss making contracts comprising a railway construction project in the Northern Cape, a roads contract in the Free State and a roads contract in Botswana. The group currently has claims against certain of these losses but due to the uncertain nature of the outcome of these claims, no provision has been made for any potential recovery.

The division secured a number of contracts during the period under review, including the R3,1 billion multi-disciplinary contract to construct and operate an airport on the island of St Helena and the recently awarded phases 2C and 2H in terms of the Olifants River Water Resources Development Project for the Trans-Caledon Tunnel Authority, valued at R1,2 billion.

Mining	Dec 2011	Dec 2010
Revenue (R'000)	930 713	801 718
Operating profit (R'000)	107 680	111 346
Operating margin (%)	11,57	13,89
Order book (R'000)	2 000 000	1 300 000

Basil Read's mining division remains a stable performer in the group, with ongoing contracts locally and in Botswana. This division plays an important role in the group by balancing fluctuations in the construction sector.

Rising commodity prices have boosted mining production significantly in the past year, resulting in a plethora of goods contracts for capable service providers.

Despite recent conditions in the South African mining industry, the division maintained its base of expertise by carefully managing both its people and their deployment. This pool of specialist skills is a decided advantage in an industry characterised by an ongoing shortage of core skills and intense competition. Solid long-term contractual agreements and good client relationships are added advantages.

Basil Read Mining has joined forces with Australian-based Leighton International and local Botswana company, Bothakga Burrow to form the Majwe Mining Joint Venture. Majwe was awarded a five year multi-billion rand mining service contract with Debswana in Botswana. Botswana remains a buoyant prospect for the mining division with various growth opportunities on the horizon.

In a joint venture, the division secured a three year contract at Assmang's Beeshoek mine. Mobilisation started in November 2011.

Blasting & Excavating again recorded an acceptable performance for the year, given sharply higher competition and price sensitivity. This company, with its established track record, is well placed to participate in South Africa's planned infrastructure upgrade.

Developments	Dec 2011	Dec 2010
Revenue (R'000)	38 276	24 191
Operating profit (R'000)	9 065	4 653
Operating margin (%)	23,68	19,23
Order book (R'000)	200 000	100 000

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.

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.

Despite the improved results, the year under review proved to be a frustrating one for the division. The affordable housing development sector continues to be constrained by slow progress among provinces and municipalities in allocating and spending resources on key high-impact projects in which the division has invested or has tendered for. In addition, the banking sector has tightened lending criteria to home owners.

Savanna City, south of Johannesburg, is a 1 462-hectare project – the largest private urban lifestyle development of its kind in South Africa – which is being developed in partnership with the Old Mutual group as funder, and will ultimately be larger than Cosmo City.

Klipriver Business Park, a pivotal spine between Johannesburg, Meyerton and Ekurhuleni, was affected by delays in proclamation, which meant sales could only begin in the latter part of 2011. Sales are now taking place and the number of enquiries is encouraging.

The division broke ground at Malibongwe Ridge, following receipt of all regulatory approvals from the City Of Johannesburg. This development is adjacent to Cosmo City.

In Cape Town, our involvement in the Garden Cities development was terminated at the request of the land owners who opted to pursue the project alone.

Engineering	Dec 2011	Dec 2010
Revenue (R'000)	1 112 259	663 379
Operating profit (R'000)	82 907	(12 257)
Operating margin (%)	7,45	(1,85)
Order book (R'000)	2 600 000	1 500 000

After a relatively slow start in the first two months of 2011, the workload ramped up significantly in most TWP companies and performance for the year surpassed expectations. The division employed more than 300 professionals in the year under review taking the total staff complement to 1 200. The increased workforce reflects a deliberate strategy to maintain capacity during the downturn, sacrificing short-term profitability for long-term gains as a large portion of current work is in feasibility stage. Much of this will translate into project execution, which will require further growth to cater for the work at hand.

TWP continues to expand locally and internationally in the mining and infrastructure sectors, with its Peru office recording a profit in its first full year of trading. TWP, together with Basil Read, has extended its services to include a full turnkey solution including design, project management and construction across virtually the entire spectrum of engineering for the built environment.

Within South Africa's borders, TWP is currently managing a significant number of shaft projects, including its flagship – Impala 17 shaft – the biggest shaft-sinking project under way in the world.

International operations are steadily gaining momentum. The branch in Australia, now 50% owned in joint venture with WSP (Pty) Limited, returned to profitability during the year, while the Peru office secured a number of new projects – including a gold plant in Colombia – and increased its staff complement to over 120 people.

Prospects

The economic uncertainty that has characterised the trading environment for the past couple of years prevails. The group continues to monitor developments in the global economy and the potential impact on local conditions.

The President's recent State of the Nation address once again affirms government's commitment to infrastructural spend and certainly this bodes well for the sector as a whole. The group remains cautiously optimistic given the significant delays in the roll out of projects in recent years.

Fundamentals in the construction sector remain challenging with a real recovery only expected from 2013 onwards. Against this background, Basil Read remains committed to continued expansion, underpinned by a strong order book. The group has secured a number of key projects which will sustain performance until a real recovery in the sector becomes reality.

As a sector, operating performances in construction are likely to continue to be affected by high cost increases and greater competition. To counter the difficult conditions, the group is concentrating on retaining skills, maximising efficiencies and maintaining capacity for the eventual turnaround.

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

The mining industry should remain buoyant through 2012. Demand is outstripping supply in most commodities and, compounding this, many projects have to be executed to replace mining output, let alone increase it. The chosen geographies of South America, Africa and Australasia should all record significant growth over the year. Infrastructure development, on the back of mining activity, is expected to be significant, particularly in developing countries.

Key to the ongoing success of the group will be the effective management of working capital and a commitment to the reduction of debt. Delayed payment from mostly government clients has put pressure on cash flow, but the group is working closely with these clients to resolve issues.

While Basil Read has not been immune to lower industry margins and loss-making contracts, we believe the group has other factors working in its favour. These include an order book of R14 billion at the reporting date, a resurgent mining sector on the back of high commodity prices and judicious acquisitions in high-growth sectors such as renewable energy. The group is also investing in future projects in the alternative energy sector and has submitted a Renewable Energy Feed-in Tariff (Refit) phase two bid for a solar powered development in Beaufort West, in conjunction with the BW Energy Corporation, which if successful could translate into a further R1,5 billion construction contract.

We are confident that the building blocks are in place for continued growth as the local construction industry recovers and international expansion initiatives gain traction.

Corporate Governance

The directors and senior management of the group endorse the Code of Governance Principles and Report on Governance, together referred to as King III. 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 has engaged with its advisors and is actively addressing the principles and practices of King III and ensuring compliance with the new Companies Act.

On 1 June 2011, Macquarie First South Capital (Pty) Limited was appointed as the company's sponsor on the JSE Limited.

On 12 March 2012, the group announced the resignation of the company secretary, Mrs Enna Kruger, with effect from 5 April 2012. An announcement regarding the appointment of the new company secretary will be made in due course.

Competition Commission

The group continues to engage with the Competition Commission and the outcome is unknown. The group has, however, raised a provision for a possible penalty.

Dividend

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

Post-balance sheet review

On 13 February 2012, the group concluded an agreement for the sale of 100% of Basil Read Properties No. 3 (Pty) Limited, a property owing subsidiary, for a sale consideration of R66,3 million. The agreement was concluded with Thunderstruck Investments (Pty) Limited, a related party in relation to the group. In terms of the agreement, Basil Read further agreed to acquire 50% of Thunderstruck Investments (Pty) Limited for a purchase consideration of R44,4 million. Thunderstruck Investments (Pty) Limited is the owner of the Basil Read head office campus.

On behalf of the board

S L L Peteni *(Chairman)* **M L Heyns** *(Chief Executive Officer)*

22 March 2012

BASTION GRAPHICS