



1952  
**59**  
years  
2011

# BASIL READ

## Interim Results

August 2011

# Overview

- > Revenue of R2.9 billion (June 2010: R 2.6 billion)
  - > Increase of 12%
- > Operating profit of R202.2 million (June 2010) down to R150 million
  - > Decrease of 26%
- > Order book of R10.2 billion from R8.1 billion (June 2010)
  - > Increase of 26%

# Overview – conditions in industry

## > International markets

- Global markets characterised by uncertainty and volatility
- Higher metals prices as investors use metals as hedge against inflation
- Increased mining activities outside SA
- Influx of funding into rest of Africa for infrastructure projects

> 30% of group turnover is sourced outside the borders of South Africa

# Overview – conditions in industry

## > Local markets

- Construction market flooded with resources, both plant and people
- Fewer tenders, fierce competition, pressure on margins
- Delays in roll out of infrastructure spending by SA government
- Competition Commission enquiry affecting sentiment

# Agenda



➤ Overview

➤ **Financial overview**

➤ Operational overview

➤ Prospects

➤ Strategic Review

➤ Conclusion

## Income statement - extract

R '000	June 2011	June 2010	% change
Revenue	<b>2,944,986</b>	2,621,176	12%
Operating profit	<b>150,047</b>	202,207	(26%)
Operating profit margin	<b>5.1%</b>	7.7%	(34%)
Net profit for the period	<b>92,848</b>	127,519	(27%)
Net profit margin	<b>3.2%</b>	4.9%	(35%)

# Income statement

	June 2011	June 2010	% change
Earnings for the year (R'000)	<b>98,263</b>	128,629	(24%)
WA number of shares ('000)	<b>123,798</b>	123,798	-
Earnings per share (cents)	<b>79.37</b>	103.90	(24%)
Headline earnings per share (cents)	<b>75.21</b>	104.34	(28%)

# Segment report

R '000	Revenue		Operating profit		Operating margin %	
	HY11	HY10	HY11	HY10	HY11	HY10
	Construction	<b>2,023,468</b>	1,932,865	<b>48,241</b>	159,318	<b>2.38%</b>
Mining	<b>408,001</b>	362,730	<b>48,316</b>	46,158	<b>11.84%</b>	12.73%
Developments	<b>33,291</b>	14,688	<b>7,395</b>	2,074	<b>22.21%</b>	14.12%
Engineering	<b>480,226</b>	310,893	<b>46,095</b>	(5,343)	<b>9.60%</b>	(1.72%)



# Balance sheet

R '000	June 2011	Dec 2010
Property, plant and equipment	<b>1,041,502</b>	873,390
Intangible assets	<b>837,790</b>	843,183
Other non-current assets	<b>147,600</b>	137,435
Development land	<b>360,952</b>	351,938
Contract and trade debtors	<b>1,512,027</b>	993,467
Other current assets	<b>102,170</b>	166,508
Cash and cash equivalents	<b>560,106</b>	978,656
	<b>4,562,147</b>	4,344,577

# Balance sheet

R '000	June 2011	Dec 2010
Capital and reserves	<b>1,767,821</b>	1,715,289
Total borrowings	<b>843,291</b>	802,682
Non-current	<b>436,885</b>	363,846
Current	<b>406,406</b>	438,836
Other non-current liabilities	<b>67,306</b>	75,310
Trade and other payables	<b>1,672,955</b>	1,553,622
Other current liabilities	<b>210,774</b>	197,674
	<b>4,562,147</b>	4,344,577

# Balance sheet

	June 2011	Dec 2010
Net asset value per share (cents)	<b>1 426.93</b>	1 380.39
Tangible net asset value per share (cents)	<b>750.19</b>	699.29
Current ratio (times)	<b>1.10</b>	1.10
Debt equity ratio (long-term debt)	<b>24.7%</b>	21.2%

# Cash flow - extract

R '000	June 2011	June 2010
Operating cash flow	<b>262,782</b>	308,365
Movements in working capital	<b>(397,536)</b>	(401,076)
Cash utilised by operations	<b>(134,754)</b>	(92,711)
Net finance (costs) / income	<b>(11,915)</b>	547
Dividends and taxation paid	<b>(95,721)</b>	(143,149)
Cash from operating activities	<b>(242,390)</b>	(235,313)

## Cash flow - extract

R '000	June 2011	June 2010
Cash from investing activities	<b>(4,707)</b>	(19,430)
Cash from financing activities	<b>(171,453)</b>	(143,706)

# Agenda



➤ Overview

➤ Financial overview

➤ **Operational overview**

➤ Prospects

➤ Strategic Review

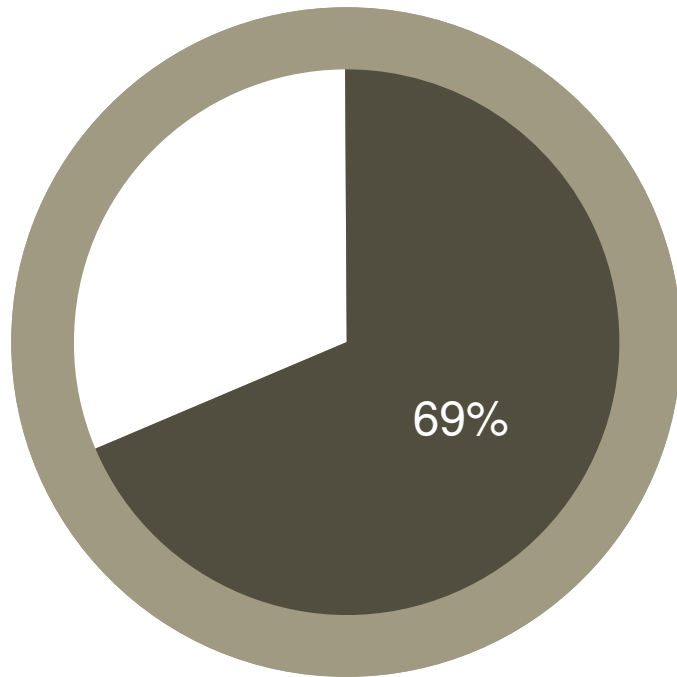
➤ Conclusion

# Construction

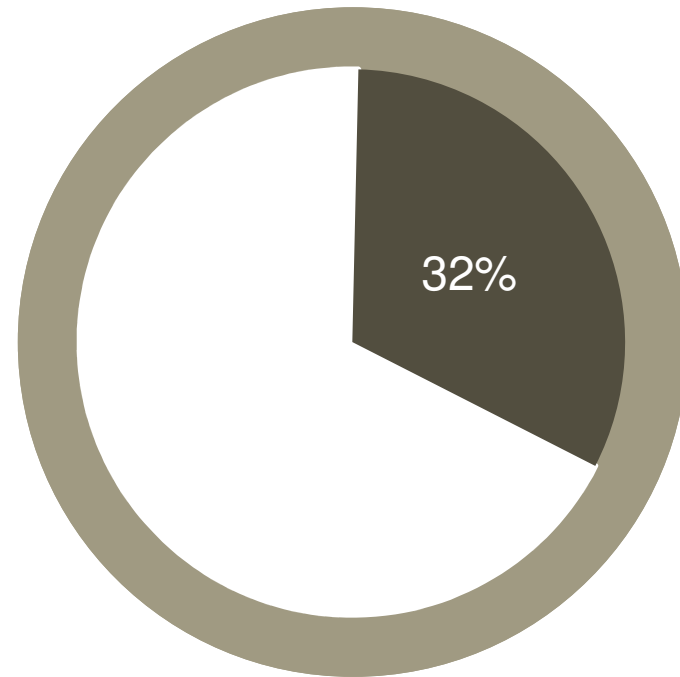


# Construction

Contribution to revenue



Contribution to operating profit

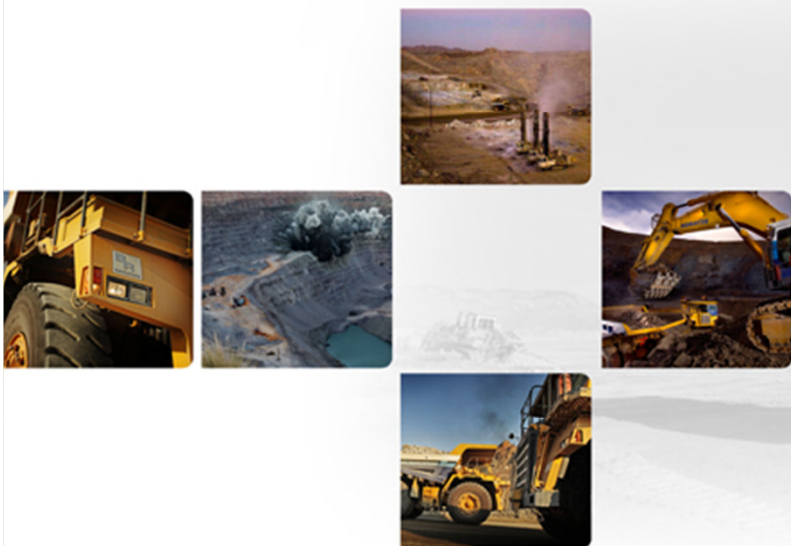




# Construction

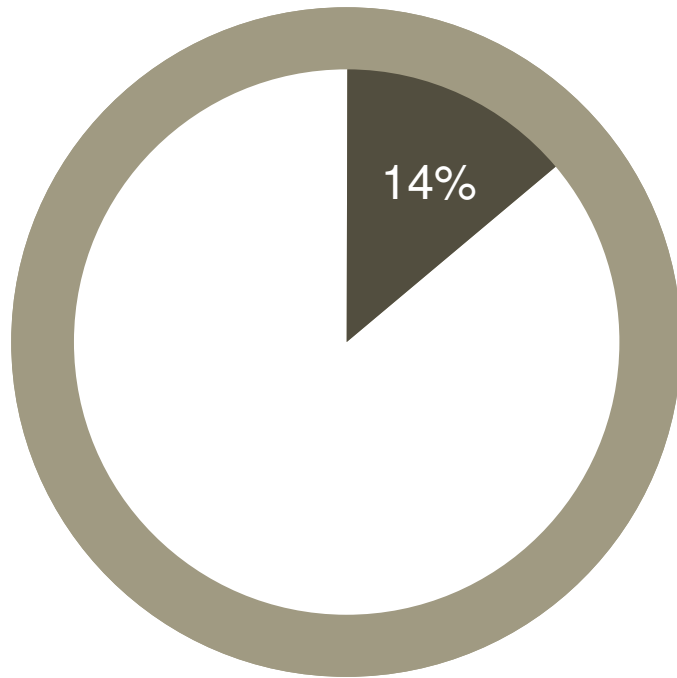
- > Challenging period due to current market conditions and fierce competition
- > First half of 2011 saw fewer tenders advertised at lower values
- > Exploring niche markets with long-term prospects in infrastructural spend in Africa
- > Secured contracts in Botswana, Namibia, Zimbabwe and an office established in Zambia
- > The division is actively tendering for work in East Africa

# Mining

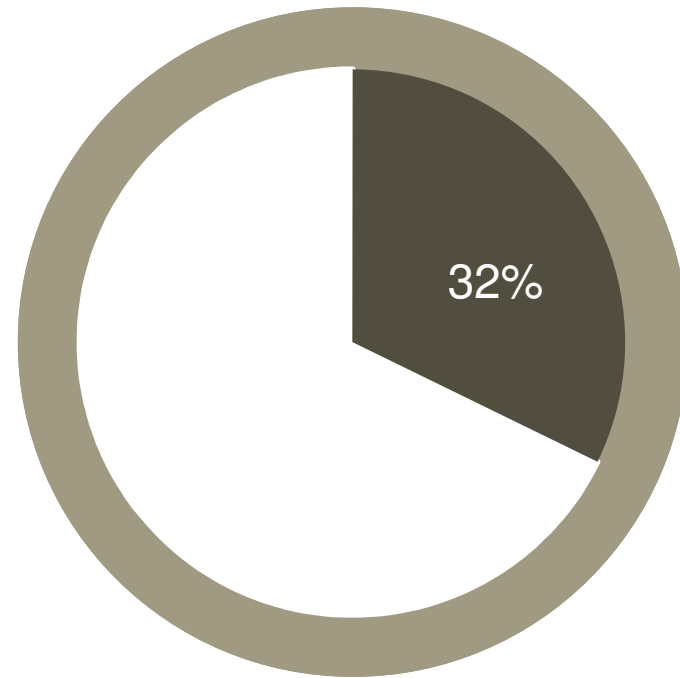


# Mining

Contribution to revenue



Contribution to operating profit



# Mining

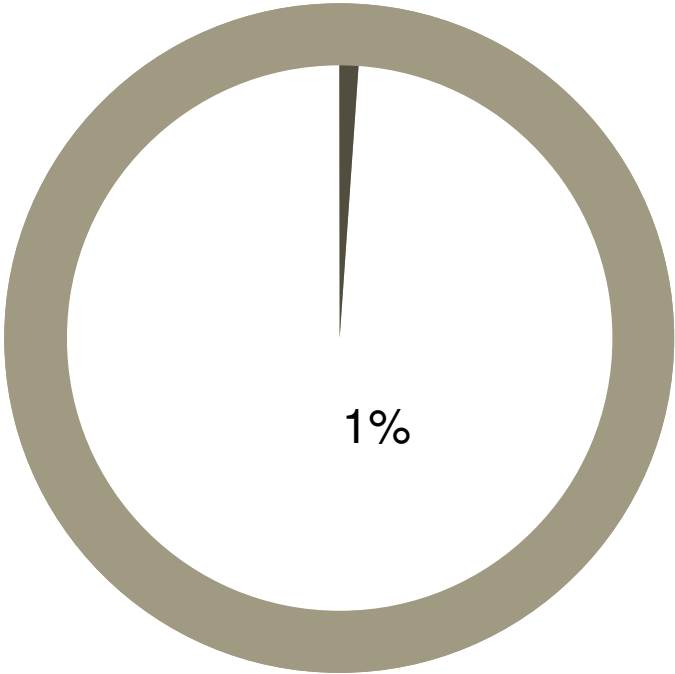
- > Continues to be a steady performer for the group, with ongoing contracts in Botswana and Namibia
- > Higher commodity prices are boosting mining production and market sentiment is favourable
- > Awarded five year multi-billion rand mining service contract with Debswana Diamond Company in Botswana
  - Joined forces with Australian-based Leighton International and local Botswana company, Bothakga Burrow to form Majwe Mining Joint venture
- > Work secured at Highveld Steel's Uitvlugt project (Mpumalanga) and on Venetia Mine in Limpopo
- > Blasting & Excavating (B&E) performing well, secured a 12 month contract in Swaziland, and a contract extension for the drilling and blasting operations at Jwaneng mine in Botswana

# Developments

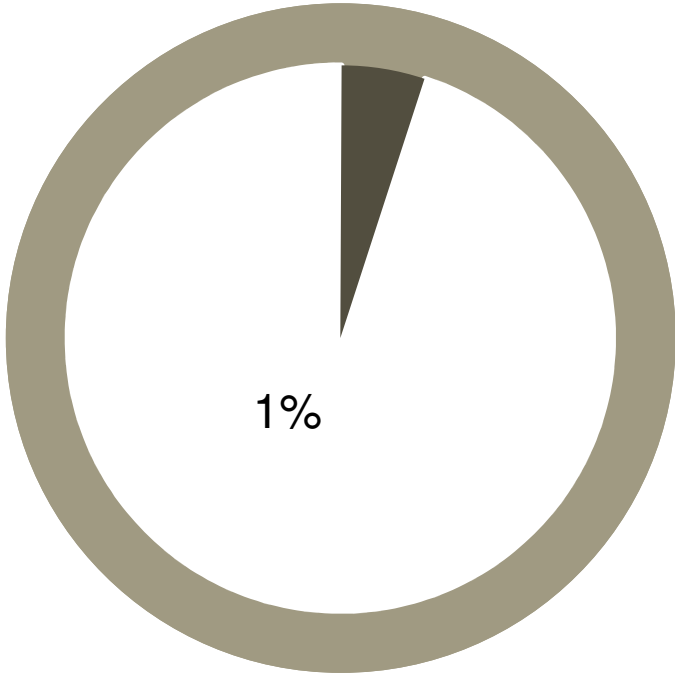


# Developments

Contribution to revenue



Contribution to operating profit



# Developments

- > Strategically significant division with largest socio-economic impact
- > Government committed to eradication of informal settlements, with concomitant effect on job creation and poverty reduction
- > Delays in breaking ground on several projects
- > Regulatory approvals slow to materialise
- > Continuing with number of projects – Savanna City, Garden City New Town, Phakisa Estate, Malibongwe Ridge, Klipriver Business Park
- > Divisional results bolstered by the first recorded sales of stands at Klipriver Business Park

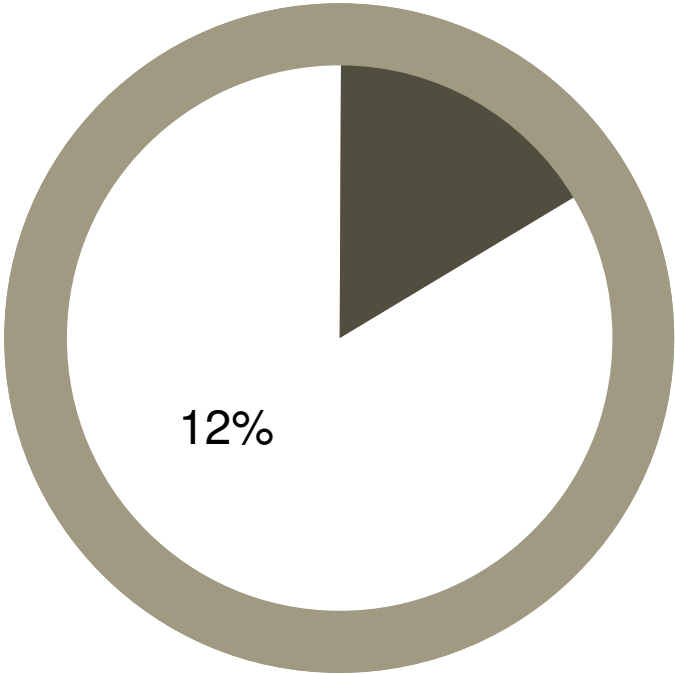
# Engineering



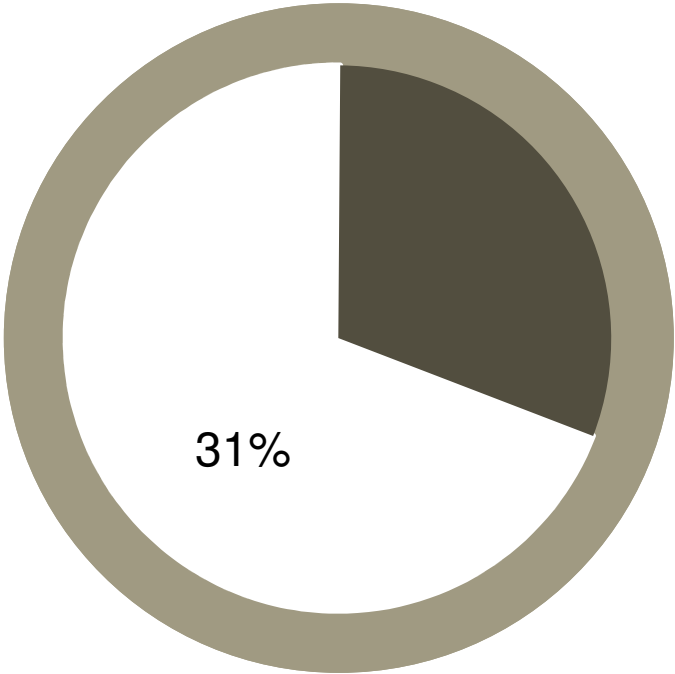


# Engineering

Contribution to revenue



Contribution to operating profit



# Engineering

- > First half of 2011 has been buoyant for TWP
- > TWP secured significant work in the mining, process and infrastructure divisions
- > Key execution contracts have continued well, with many large mining projects in the construction phase
- > Busy with blue chip feasibility studies for the Venetia Underground study for DeBeers, as well as key work for Assmang, Mimosa, AngloGold and Lonmin
- > Basil Read Matomo, the group's turnkey business is exceeding growth expectations with the Phoenix platinum project for Pan African Resources and the Mongwalu study of AngloGold Ashanti in the DRC
- > International offices in Australia and Peru expanding and operating profitably

# Order book



# Order book

R millions	Total	2011	>2012
Construction	<b>6,300</b>	2,250	4,050
SA	<b>5,410</b>	1,790	3,620
Africa	<b>890</b>	460	430
Mining	<b>2,300</b>	410	1,890
SA	<b>500</b>	90	410
Africa	<b>1,800</b>	320	1,480
Developments – SA	<b>100</b>	20	80
Engineering	<b>1,500</b>	500	1,000
SA	<b>1,050</b>	350	700
Africa/Australasia/South America	<b>450</b>	150	300
<b>TOTAL</b>	<b>10,200</b>	3,180	7,020

# Agenda



➤ Overview

➤ Financial overview

➤ Operational overview

➤ **Prospects**

➤ Strategic Review

➤ Conclusion

# Prospects

- > New contracts secured to the value of R5.3 billion  
(June 2010: R 2.6 billion)
- > Tenders to the value of R35 billion submitted in the six months to June 2011
- > Acquired a 50% stake in Siyaya Energy (Pty) Limited, for a purchase consideration of R10 million
- > Acquired a 35% stake in Metrowind (Pty) Limited for an amount of R10 million

# Prospects

- > Construction sector characterised by high level of uncertainty
- > Difficult trading conditions expected to continue through 2011
- > Affected by cost increases and greater competition
- > Margins to remain under pressure
- > Recovery in sector will lag economic recovery due to long lead times
- > Government committed to infrastructure spend to drive growth, but delays in roll-out of these projects are negatively impacting construction operations

# Prospects

- > Remain committed to continued organic and acquisitive growth, locally and internationally
- > Currently negotiating with the British Government for the construction of an international airport on St. Helena island
- > Recently appointed, in Joint Venture, as one of two consortia to submit a best and final offer for the N1 / N2 toll road
- > Currently in negotiations with various developers for the construction of a 20 000m<sup>2</sup> - 30 000m<sup>2</sup> building to serve as TWP's HQ



# Prospects

- > Positive change in sentiment in mining sector
- > Bodes well for mining and engineering divisions
- > Engineering division secured significant amount of work on new projects, majority cross border.
- > Australian and Peruvian offices forecast a profit for 2011
- > Await announcements of preferred bidders relating to PPPs
- > Targeting emerging countries in Africa and South America
- > Reviewing selected opportunities in Australia

# Agenda



➤ Overview

➤ Financial overview

➤ Operational overview

➤ Prospects

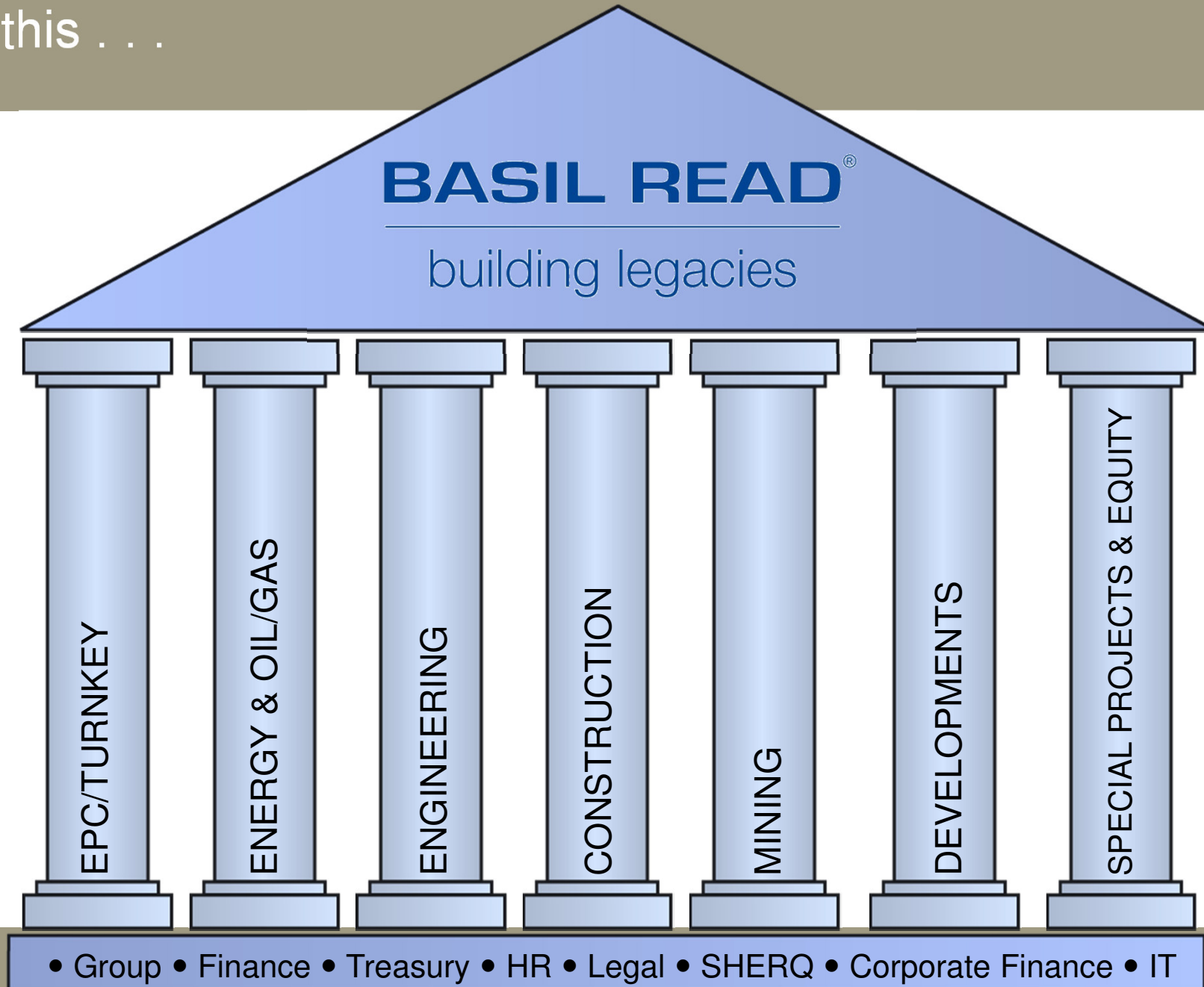
➤ **Strategic Review**

➤ Conclusion

From this . . .



To this . . .



- Cosmo
  - Klipriver
  - Savanna
- Valente Bros (Pty) Ltd  
Civil Engineering Contractors
- THE BASIL READ GROUP
- VB
- Investments

BR MATOMO

BR  
BASIL READ  
ENERGY

BR  
BASIL READ  
OIL & GAS

TWP  
THE BASIL READ GROUP  
Limpopo

TWP  
THE BASIL READ GROUP  
North West

TWP  
THE BASIL READ GROUP  
Australia

TWP  
THE BASIL READ GROUP  
Peru

TPS.P Architects

BR  
BASIL READ  
CONSTRUCTION

ROADCRETE AFRICA

NEWPORT

SPRAY PAVE

SLADDEN INTERNATIONAL  
CIVIL ENGINEERING  
CONTRACTORS

Valente Bros (Pty) Ltd  
Civil Engineering Contractors

BR  
BASIL READ  
MINING

BR & B  
BLASTING &  
EXCAVATING

BR  
BASIL READ  
DEVELOPMENTS

- Cosmos City
- Klipriver
- Savanna City
- Malibongwe Ridge
- Garden City

TWP  
THE BASIL READ GROUP  
Investments

- Lehating Manganesse
- N1/N2 Winelands
- St Helena Airport

- Group
- Finance
- Treasury
- HR
- Legal
- SHERQ
- Corporate Finance
- IT

**Marius Heyns - CEO**  
**Donny Gouveia - FD**  
**Nigel Townshend - Director and Chairman - TWP**

**EPC/TURNKEY**  
**Erik Bruggink**

**ENERGY & OIL/GAS**  
**Manny Singh**

**ENGINEERING**  
**Digby Glover**

**CONSTRUCTION**  
**Chris Erasmus**

**MINING**  
**Antonie Fourie**

**DEVELOPMENTS**  
**Des Hughes**

**SPECIAL PROJECTS & EQUITY**  
**Eugene Du Toit**

• Group • Finance • Treasury • HR • Legal • SHERQ • Corporate Finance • IT

**BASIL READ**

# Summary of current group strategy

- > Diversify core business into new locations
  - Africa
  - Australasia
  - South America
- > Enter Engineering, Procurement and Construction (EPC) market
- > Diversify TWP offering
- > Synergistic bolt on acquisitions
- > Develop TWP Investments
- > Nurture
  - BR Energy
  - BR Oil & Gas

# Summary of current group strategy

## > But most importantly:

- Do what we do, but BETTER
- Re-brand and market as a group, internally and externally



# Summary of current group strategy – Scorecard July 2011

## > Diversify core business into new locations

- Africa – well advanced in many locations (7 / 10)
- Australasia – TWP Australia securing more work and more profitable (8 / 10)
- South America – TWP now has 60 staff in Lima, contracts in three countries (8 / 10)

## > Enter EPC market

- Slow progress but prospects look good as construction contracts increase (6 / 10)

## > Diversify TWP offering

- TWP Infrastructure division very busy, although largely for mining clients (7 / 10)

## > Synergistic bolt on acquisitions

- Small Australian acquisition to be announced soon (7 / 10)

# Summary of current group strategy – Scorecard July 2011

## > Develop TWP Investments

- Should see genuine value created late 2011 early 2012 (9 / 10 )

## > Nurture

- BR Energy – 35% Owner in Metrowind, PE. Other initiative progressing (7 / 10)
- BR Oil & Gas – 50% Owner in Siyaya Energy which has a R1 billion supply Contract (7 / 10)

But most importantly

## > Do what we do, but BETTER

- Divisions focussing on delivering quality work, but margins tight in construction (6 / 10)

## > Re-brand and market as a group, internally and externally

- In hand but a work in progress (7 / 10)

## Summary of current group strategy

Strategy is about the journey not just the destination. When you plan your journey, make sure you take everything with you that you need and the most important is a good map. Follow the route you planned if at all possible, but don't be afraid to turn around and find a better road if the going gets too tough

Nigel Townshend

# Agenda



➤ Overview

➤ Financial overview

➤ Operational overview

➤ Prospects

➤ Strategic Review

➤ **Conclusion**

# Conclusion

- > Satisfactory results in extremely difficult trading conditions
- > Strong order book of R10.2 billion
- > Mining and engineering division supporting group performance
- > Resolution with Competition Commission needed for industry to move forward
- > Construction sector expected to improve from mid-2012
- > Remain prudent backed by effective management and loyal workforce

# Questions?

