

Audited results for the year ended 31 December 2009 and dividend declaration

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
www.basilread.co.za



Commentary

The consolidated abridged annual financial statements have been prepared in terms of International Financial Reporting Standards, IAS 34 on Interim Financial Reporting, Schedule 4 of the South African Companies Act 61 of 1973 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 2008.

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 offices.

Overall review

Basil Read had an exceptional year, despite 2009 being a challenging year that will be remembered for some time in the world's economic history books. The group successfully completed the acquisition of the Gerolomou/Mvela and TWP groups, strengthening the buildings division and diversifying the group's service offering in the process. Importantly, these acquisitions have contributed to our stated intention to build a company of critical mass for shareholders.

Another highlight in the year under review was the announcement in October 2009 that Basil Read had won the Sunday Times Business Times Top 100 Companies survey for the second consecutive year. This prestigious annual survey acknowledges listed companies that have earned the most wealth for shareholders over the past five years. This achievement confirms the group's status as one of the leading construction groups in the country and is an apt measure of our ability to sustain this performance. The board is proud to report steady growth, with net profit attributable to ordinary shareholders of R274.3 million (2008: R204.5 million), a notable increase of 34%. Turnover increased by 34% to R4.7 billion (2008: R3.5 billion) with operating profit increasing by 33% to R408.8 million (2008: R308.4 million). This translated into an operating margin of 8.8% (2008: 8.9%). Earnings per share increased by 19.5% to 317.15 cents (2008: 265.44 cents). Headline earnings per share was 333.12 cents (2008: 267.04 cents), an increase of 24.7%. Write backs for headline earnings include an impairment of R11.5 million relating to the disposal of Stone and Allied Industries Limited.

Cash on hand at the reporting date was R1.2 billion (2008: R943.8 million) with cash flow from operating activities satisfactory at R251.6 million (2008: R599.2 million). The decrease in operating cash flows was largely as a result of increased investment in working capital and a significantly higher amount of tax paid, mainly as a result of the change in legislation relating to provisional tax.

Working capital requirements increased in the period under review as debtors extended their terms due to the prevailing economic environment and money was invested in property developments, classified as development land held for sale. Development land comprises land held for the purposes of property development and subsequent resale. The investment in development land will be realised when sales gain momentum as the economic recovery gains traction.

A significant amount of taxation was paid in the year under review as the group's assessed losses of prior years were completely used and the South African Revenue Service introduced more stringent collection criteria. The group tax rate is an effective 34.2% (2008: 30.5%) due to share based payment expenses disallowed for tax purposes and the effects of secondary taxation on companies relating to the dividend paid. The group expects the effective tax rate to normalise in coming years to more closely approximate the current promulgated company tax rate of 28%.

The group raised R225 million in debt through its domestic medium term note programme to fund the acquisition of the Gerolomou/Mvela group. Other borrowings increased as a result of deferred payments relating to acquisitions during the year. The debt equity ratio now stands at a manageable 28.7% (2008: 38.3%).

Following on from recent years, which have been characterised by significant investment in new plant to revitalise the group's fixed asset base, substantially less plant was invested in, in the year under review. New plant worth R170.7 million (2008: R388.1 million) was acquired, of which R57.3 million (2008: 205.3 million) was funded by instalment sale agreements. Total capital expenditure budgeted for the 2010 financial year is R150 million.

The group experienced significant balance sheet growth, with total assets at a level of R4.2 billion (2008: R2.5 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 R6.5 billion (2008: R5.6 billion) and the order book is a healthy R8.1 billion (2008: R6.3 billion). Commensurate with the growth of the group, and in line with its strategic intentions, Basil Read has successfully targeted large scale contracts, with several under negotiation.

International opportunities abound and while the group has yet to make an international acquisition, several expansionary activities are being explored across Africa, the Middle East and Australia. While the global outlook for growth remains slow, opportunities for infrastructural development exist in various countries and Basil Read will look to join forces with international partners to obtain a share of the work on offer. Our hard work in this area recently paid off as the roads division was awarded its first cross border contract in a number of years. The contract, in Namibia, with a total contract value of R400 million, will be completed in joint venture with a local partner.

At the reporting date, the group had issued guarantees in the amount of R1.8 billion (2008: R1.1 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 BBEE contributor, meaning that companies are entitled to recognise 100% of the amount spent with our group in calculating their procurement spend.

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.

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.

On 1 March 2009, the group acquired the remaining 66.67% of Sunset Bay Trading 282 (Pty) Limited, thereby increasing its effective holding to 100%. Sunset Bay is responsible for the development of St. Michaels International Leisure Estate in Mpumalanga. Previously disclosed as an associate, Sunset Bay has been consolidated from date of acquisition. The acquisition gave rise to the recognition of a contract based intangible asset of R8.6 million.

On 1 July 2009, the group increased its stake in Newport Construction (Pty) Limited, one of its empowerment companies, to 70% (2008: 55%). The transaction resulted in the recognition of a loss on transactions with minorities of R0.1 million. If a suitable empowerment partner is found, the group may consider reducing its investment in this company.

The acquisition of the Gerolomou/Mvela group, comprising P Gerolomou Construction (Pty) Limited, Mvela Phanda Construction (Pty) Limited and Contract Plumbing and Sanitation (Pty) Limited, was successfully completed during the 2009 financial year and their results have been consolidated from 1 September 2009. The total purchase consideration of R351.5 million was settled through a cash payment of R245.7 million and the recognition of a deferred payment liability of R105.8 million. The acquisition gave rise to the recognition of a contract based intangible asset of R32.2 million and goodwill of R170.0 million. An amount of R10.8 million relating to the amortisation of the intangible asset was recognised in the income statement in the year under review.

The group completed the acquisition of the TWP group on 21 December 2009 and have consolidated from that date. The total purchase consideration of R271.3 million is payable in two instalments. The first instalment was settled on 21 December 2009 through the issue of 37.3 million shares and a cash payment of R178.9 million. The remaining R92.4 million is conditional on the TWP group meeting its profit warranty for the financial year ended 31 December 2010 and if met, is expected to be paid during the first half of 2011. Due to the high level of uncertainty surrounding TWP's results for the 2010 financial year, this deferred payment has not been provided for Management will re-assess this position throughout the coming year and may provide for this liability in the 2010 financial year. The acquisition gave rise to the recognition of intangible assets totalling R68.4 million and goodwill of R320.6 million. The trading results of TWP had no effect on the trading results of Basil Read for the year to December 2009.

To aid with our transformation goals, the group disposed of 80% of BR-Tsima Construction (Pty) Limited to two emerging contractors for no consideration, effective from 1 January 2009. The loss on the transaction was R0.1 million and has been included in the results to December 2009. Basil Read will continue to exercise significant influence over the operations of BR-Tsima, through management support and mentoring to ensure that the black-owned entity will be successful.

The performance of Stone and Allied Industries Limited, an operator in the aggregate business with static crushers erected on mine dumps mainly in the Free State and North West provinces, remained disappointing and Basil Read disposed of the loss-making operation on 1 July 2009. Impairments relating to the disposal amount to R11.5 million in the period under review, with no further loss on disposal reported.

While no significant corporate activity is planned for the 2010 financial year, the group will continue to explore investment opportunities, both locally and abroad.

Operational review

Safety, health, environmental, risk management and quality

As part of our commitment to safety, health, the environment, risk management and quality ("SHERQ"), Basil Read successfully attained ISO 14001 certification in November 2009. The ISO 14000 series provide a framework for a holistic, strategic approach to environmental policy, plans and actions. SHERQ is the cornerstone of Basil Read's operations – the driving force behind project delivery, teamwork, operational discipline and overall business excellence.

The disabling injury frequency rate ("DIFR") was a low 0.58 for the period under review. Unfortunately, we suffered five fatalities at our roads sites which emphasizes the need to continually train and teach staff regarding the various hazards associated with construction sites. A comprehensive industrial theatre road show was launched in the second quarter, performed in three of the country's official languages, to remind staff that Basil Read considers the safety and well-being of all staff as paramount to its success and to highlight the need for workers to stay alert and attentive to what is going on around them.

Construction

Basil Read's largest division continued to perform well in the review period and reported revenue of R3.9 billion (2008: R2.7 billion) with operating profit of R288.6 million (2008: R170.4 million). The order book remains acceptable at a level of R5.1 billion (2008: 5.5 billion).

The roads division has an established reputation in the industry and is seen by many as one of the leading contractors in this field. The division has maintained its visibility with a number of high profile projects, particularly those that are part of the Gauteng Freeway Improvement Project.

The roads division was awarded a further three contracts relating to the upgrade of the N17 highway with a total contract value of R621 million. These include the construction of three toll plazas at Leandra, Bethal and Ermelo. In June 2009, the group began work on the improvement and rehabilitation of section 19 of the busy N12 highway in Gauteng, which runs from the R21 to the Tom Jones offramp. Total contract value is R800 million and will take 30 months to complete.

Work continued on the group's largest contract – packages D1 and D2 of the Gauteng Freeway Improvement Project – covering improvements between the Brakfontein and Flying Saucer interchanges, and the N4 interchanges from Atterbury to Scientia. Construction on this combined contract with an some R1.9 billion is scheduled to be substantially complete before the first-half 2010 deadline.

Roadcrete Africa (Pty) Limited, acquired during the 2008 financial year, has been successfully integrated into the Basil Read stable of companies and continues to perform well. Focusing on township infrastructure and related bulk services, Roadcrete was awarded new contracts with a value of R850 million in the period under review. One of these projects is the upgrading of Malibongwe Drive between the N14 and Lanseria. The project involves the expansion of the road into a dual carriageway and should be substantially complete by 2011.

In line with the group's stated intention to expand further beyond South Africa's border, Roads Africa was established during the year and secured its first contract in Namibia in October 2009. This is a R400-million project, which will be fast-tracked over 18 months to upgrade a 160km of gravel road to tar between Gobabis and Otjiyandi. Investigations are well advanced in other countries in Africa.

The acquisition of the Gerolomou/Mvela group further bolstered the buildings division. The newly acquired group was successfully integrated by the end of the review period, adding critical mass to the group's ability to target larger projects in South Africa and across borders.

Statement of changes in equity

	Audited 12 months 31 December 2009 R'000	Audited 12 months 31 December 2008 R'000
Issued capital		
Ordinary share capital		
Balance at the beginning of the year	466 134	233 954
Issued to share incentive scheme (net of treasury shares)	10	42
Acquisition of subsidiary	482 523	52 581
Private placement	—	179 557
Balance at the end of the year	948 667	466 134
Retained income		
Balance at the beginning of the year	315 607	117 901
Comprehensive income for the year	274 270	204 516
Share based payment – equity settled	9 612	30 493
Transactions with minorities	(128)	517
Dividend declared	(50 148)	(37 820)
Balance at the end of the year	549 213	315 607
Other reserves		
Balance at the beginning of the year	7 811	4 008
Comprehensive income for the year	(4 775)	3 803
Balance at the end of the year	3 036	7 811
Minority interests	(1 212)	2 521

Summarised consolidated statement of cash flows

	Audited 12 months 31 December 2009 R'000	Audited 12 months 31 December 2008 R'000
Operating cash flow	624 756	490 382
Movements in working capital	(122 419)	211 708
Net cash generated by operations	502 337	702 090
Net finance income/(costs)	3 019	(12 314)
Dividends paid	(50 623)	(38 423)
Taxation paid	(203 095)	(52 159)
Cash flow from operating activities	251 638	599 194
Cash flow from investing activities	(141 077)	(171 681)
Cash flow from financing activities	167 487	81 473
Movement in cash and cash equivalents	278 048	508 986
Cash and cash equivalents at the beginning of the year	943 757	434 771
Net cash and cash equivalents at the end of the year	1 221 805	943 757

Summarised consolidated segment report

	Revenue 31 December 2009 R'000	Operating profit 31 December 2009 R'000	Operating margin 31 December 2009 %	Operating margin 31 December 2008 %
Construction	3 915 029	288 645	7.37	6.36
Mining	679 187	113 907	16.77	17.30
Developments	68 276	6 198	9.08	17.48
Engineering	—	—	—	—
Total	4 662 492	408 750	8.77	8.87

Additional information to the annual financial statements

	Audited 12 months 31 December 2009	Audited 12 months 31 December 2008
Number of shares in issue ('000)	123 797	86 472
Headline earnings per share (cents)	333.12	267.04
Diluted headline earnings per share (cents)	332.43	263.71
Reconciliation of basic earnings to headline earnings	R '000	R '000
Basic earnings	274 270	204 516
Adjusted by:		
– Loss on sale of available-for-sale financial asset	—	48
– Loss on sale of subsidiary	130	—
– Loss/(profit) on sale of property, plant and equipment	2 151	(1 115)
– Impairment of goodwill	—	2 304
– Impairment of assets in disposal group	11 528	—
Headline earnings	288 079	205 753
Reconciliation between weighted average number of shares and diluted average number of shares	'000	'000
Weighted average number of shares	86 479	77 049
Adjusted by – Share Incentive Scheme	181	974
Diluted average number of shares	86 660	78 023
Net asset value per share (cents)	1 211.42	915.99
Net tangible asset value per share (cents)	627.26	749.57
Capital expenditure for the period (R'000)	170 675	388 128
Depreciation (R'000)	171 669	145 038
Impairment (R'000)	11 528	—
Amortisation of intangible asset (R'000)	20 488	4 947

Summarised consolidated income statement

	Audited 12 months 31 December 2009 R'000	Audited 12 months 31 December 2008 R'000
Revenue	4 662 492	3 474 831
Operating profit for the year	408 750	308 390
Net finance income/(costs)	3 019	(12 314)
Share of profits from associates	10	85
Profit for the year before taxation	411 779	296 161
Taxation	(140 869)	(90 319)
Profit for the year after taxation	270 910	205 842
<i>Profit for the year attributable to the following:</i>		
Equity shareholders of the company	274 270	204 516
Minority interest	(3 360)	1 326
Net profit for the year	270 910	205 842
Earnings per share (cents)	317.15	265.44
Diluted earnings per share (cents)	316.49	262.12
Ordinary dividend per share (cents)	58.00	50.00

Summarised consolidated statement of comprehensive income

	Audited 12 months 31 December 2009 R'000	Audited 12 months 31 December 2008 R'000
Net profit for the year	270 910	205 842
Other comprehensive income for the year; net of tax	(4 125)	3 803
Movement in foreign currency translation reserve	(4 404)	3 792
Disposal of available-for-sale financial asset	—	66
Movement in fair value adjustment reserve	279	(55)
Total comprehensive income for the year	266 785	209 645
<i>Total comprehensive income for the year attributable to the following:</i>		
Equity shareholders of the company	269 495	208 319
Retained income	274 270	204 516
Other reserves	(4 775)	3 803
Minority interest	(2 710)	1 326
Total comprehensive income for the year	266 785	209 645

Summarised consolidated statement of financial position

	Audited 31 December 2009 R'000	Audited 31 December 2008 R'000
ASSETS		
Non-current assets	1 647 284	960 792
Property, plant and equipment	798 490	761 470
Intangible assets	723 174	143 907
Investments in jointly controlled entities	26 324	12 001
Investments in associates	1 383	21 579
Available-for-sale financial assets	25 414	2
Deferred income tax asset	72 499	21 833
Current assets	2 543 292	1 515 927
Inventories	24 928	25 940
Development land	280 718	54 734
Trade and other receivables	782 934	411 804
Work in progress	197 644	73 902
Investments in jointly controlled entities	—	705
Current income tax asset	11 029	5 085
Cash and cash equivalents	1 246 039	943 757
	4 190 576	2 476 719
EQUITY AND LIABILITIES		
Capital and reserves	1 499 704	792 073
Stated capital	948 667	466 134
Retained income	549 213	315 607
Other reserves	3 036	7 811
Minority interests	(1 212)	2 521
Non-current liabilities	515 947	348 150
Interest-bearing borrowings	350 852	264 249
Other borrowings	79 357	38 811
Provisions for other liabilities and charges	—	5 405
Deferred income tax liability	85 738	39 685
Current liabilities	2 174 925	1 336 496
Trade and other payables	997 740	688 906
Amounts due to customers	485 893	335 894
Current portion of borrowings	459 979	155 646
Provisions for other liabilities and charges	130 174	69 805
Current income tax liability	76 905	86 245
Bank overdraft	24 234	—
	4 190 576	2 476 719

Directors: S L L Peteni*† (Chairman), M L Heyns (Chief Executive Officer), M D G Gouveia (Financial Director), N J Townshend^, L B Dyosi*, C P Davies*†, S S Ntsaluba*, N Y September*†, A T Tlelai*, G R Sibiba*† (* Non-executive, † Independent, ^ British)

Group Secretary: E Kruger **Registered office:** 7 Brook Road, Lilianton, Boksburg, 1459 **Auditors:** PricewaterhouseCoopers Inc
Transfer secretaries: Link Market Services South Africa (Pty) Limited **Sponsor:** Sasfin Capital (a division of Sasfin Bank Limited)

Revenue
R4,7 billion +34%

Operating profit
R408,8 million +33%

Headline earnings per share
333,12 cents +25%

Order book of
R8,1 billion +29%

The upmarket Regent apartment block was completed in October 2009, adding over 100 luxury apartments and penthouses to the pool of accommodation in the sought-after high-density area of Morningside, Sandton.

Basil Read is the lead contractor on the Galleria Shopping Centre, a R670-million project south of Durban on the N2 freeway and close to the city's airport. Original plans for this 97 000 m² centre were amended to include additional cinemas and a third-floor ice rink. Although progress was affected by unprecedented weather conditions, construction of the Galleria Shopping Centre was completed in November 2009. The shopping centre will be a welcome addition to the rapidly growing South Coast area.

Contracts secured in the period under review include the OR Tambo, Rhodesfield, Marlboro and Hatfield stations as part of the Gautrain project. Total contract value for all four stations is R100 million. The contract to construct the Cosmo City flats was completed during the year under review. The flats comprise 281 units, split between one- and two-bedroomed configurations, and are aimed at low- to middle-income earners.

Constructed for clients, the Government Employees Pension Fund and PIC, the Riverwalk Office Park consists of three separate office blocks, each with three basement levels and four upper levels, and ancillary external works. It was completed against stringent deadlines by November 2009.

The division is also busy with the construction of numerous hospitals, including Paarl Hospital, Germiston Hospital and Natalspruit Hospital. Work valued at R420 million at Chris Hani/Baragwanath Hospital was completed in October 2009.

The division is actively pursuing private-public partnerships in joint venture with various partners. This type of business model enables the group to partner with larger teams of architects and other development partners, in the process developing skills and creating jobs.

One of the highlights of the review period was the completion of the Mbombela Stadium in Nelspruit, despite various setbacks from widespread labour unrest to freak storms. Handed over well before the FIFA deadline, Mbombela was the second stadium completed in South Africa, and the first stadium in the group's portfolio. Basil Read is now completing external work around the stadium such as roads and parking.

Work on the R2,9-billion Kusile power station began early in the reporting period. Located next to the existing Kendal power station in the Witbank area of Mpumalanga province, Kusile's expected capacity will be 4 800MW, with the first unit planned for commercial operation in 2012. This is a joint venture with three other construction companies and work during the year focused on planning, piling tests and soil investigation.

Mining

The mining division performed well in the year to December 2009, contributing revenue of R679,2 million (2008: R719,7 million) and operating profit of R113,9 million (2008: R124,4 million). Despite pressure on commodity prices, the division's order book remains promising at a level of R1,4 billion (2008: R685 million).

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 contract extension awarded in the prior period, with significant progress made during the year.

The division continues to work at Venetia diamond mine, near Musina in Limpopo Province, for owner DeBeers, the world's leading diamond company. The R138-million contract for the mine's percussion drilling project began in October 2008 and is expected to be complete in September 2011. Major works include drilling 165 mm and 127 mm percussion holes at this open-pit mine.

To date, the division has secured contracts valued at R900 million for the next two years. Negotiations for several other tenders are well advanced.

Developments

The developments division continued to be a stable performer with revenue of R68,3 million (2008: R77,4 million) and operating profit of R6,2 million (2008: R13,5 million). Operating margin halved from 17,5% in 2008 to 9,1% at December 2009. This contraction of margins is largely due to professional fees paid to technical advisors for work performed relating to existing developments that are yet to break ground. Preliminary expenses are typical to this type of project due to the long lead times to bring the project to fruition.

While being the smallest of Basil Read's divisions it has the largest socio-economic impact of all the divisions with a direct investment of R21 billion, and a total economic impact of R68 billion between current projects and developments in the planning stages. It is strategically significant given the focus on sustainable development and the secondary work the division creates for the group. Some R3 billion in work, which is not yet included in the group's order book, will be created for other Basil Read divisions over the life of current projects.

The development of the Doornkuil site, south of Johannesburg and recently named Savanna City, will break ground in April 2010 after all approvals were received late in the review period. Savanna City is being developed in partnership with the Old Mutual group, which is providing funding, and has the full support of the Midvaal Municipality. This planned development, a R9-billion project, will be larger than Cosmo City. Site development of the 230ha Klipriver Business Park, a pivotal spine between Johannesburg, Meyerton and Ekurhuleni, is progressing well. Phase 1 infrastructure, including roads and services, was completed in December 2009.

In Cape Town, Basil Read is developing another integrated mixed-use residential area in partnership with Garden Cities, a non-profit group with an established track record of 90 years of providing affordable housing. Garden City New Town, a 700-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. Regulatory approvals are beginning to flow and good relationships are being built with stakeholders, including municipalities, government bodies and communities.

Engineering

In 2009, Basil Read revived its engineering division to meet demand both from the infrastructural upgrade by local governments across the country, and for companies that require the full spectrum of services for construction projects. The group has now brought key skills in-house and concluded a merger with the multi-disciplinary engineering firm, TWP Holdings to offer clients a comprehensive range of specialist services.

Although Basil Read and TWP currently operate in two different spheres, the acquisition complements both businesses. With prospective clients, especially those outside the borders of South Africa, looking for a single point of contact for their projects, the enlarged group will be uniquely equipped to offer a full service to the world's construction environment and mining sectors. While both Basil Read and TWP will continue to grow their core businesses in their respective sectors, the enlarged group will be able to accept a wider range of new projects encompassing:

- Public-private partnerships (PPPs) where funding is often part of the offering
- Build, own, operate and transfer (BOOT)
- Engineer, procure, construct (EPC)
- Plant, process and mine operation.

The value of projects currently under TWP management exceeds R60 billion and parts of its project pipeline extend beyond 2016. With its core business still based in engineering design, procurement and construction management, the union of Basil Read and TWP will see more work conducted in this arena.

Prospects

Basil Read continues to actively pursue growth, both organic and acquisitive, to build a company of critical mass for shareholders. Despite these uncertain economic times the trend of development, particularly in sub-Saharan Africa, is expected to resume in the near future, even if the growth trajectory is flatter.

Government has reaffirmed its commitment to infrastructure investment and aims to spend R846 billion over the next three years. Of this, Eskom's planned construction of power plants comprises one-third. The other two-thirds will be spent mainly on transport infrastructure and water supply capacity. Despite government commitment to infrastructural spend, a definite delay in the roll out of projects has been noted. Budgetary constraints in certain municipal areas create opportunities for the group to partner with municipalities in developing innovative solutions to finance future projects, particularly for our developments division.

The public-private partnership model continues to evolve and remains a feasible method of undertaking larger contracts. Given our long-standing and robust partnerships with international construction conglomerates and turnkey contractors, such as Bouygues, Sodexo and Alstom, we are well placed to bid on projects of this nature. Various PPP projects are in the pipeline, including government office blocks, mixed classification correctional centres and toll roads. Basil Read has pre-qualified for a number of these and submitted bids, in joint venture, where applicable.

Government recently announced their intention to broaden the use of PPPs in the health sector. The flagship PPP hospital project is Chris Hani/Baragwanath and the new George Mkhari and Polokwane academic health complexes are to be fast-tracked. Basil Read has particular expertise in this area and aims to submit bids in due course. The combined construction value for the group's targeted PPPs is over R15 billion.

We expect significant water-supply projects to be offered for tender in the near future. Some R30 billion worth of work is anticipated, specifically to supply water to power plants under construction. The government has also committed to upgrading water treatment and waste-water treatment plants to create much-needed capacity.

Internationally, the group is building a presence in the rest of Africa, in partnership with selected local contractors. Expansionary opportunities are also being explored elsewhere, particularly in the Middle East and Australia, where Basil Read has held discussions with local partners with established reputations in their respective construction industries. Opportunities for acquisition will continue to be cautiously explored.

TWP's core mining and process business has seen a significant improvement in sentiment off the lows of last year. There has been an increase in the number of new enquiries and projects awarded at feasibility stage. An improvement in capital markets will be key to these projects moving to the execution phase. TWP is successfully broadening its product offering into the infrastructure field, process plant operation and EPC/Turkey work. The business climate in Australia, where TWP has a presence, has improved and new contracts have been secured. TWP has also recently established an office in Peru to target a growing number of new mining and process opportunities. An excellent working relationship between Basil Read and TWP has been established and strong synergy has already developed. On a go forward basis the combined group will be offering exciting new products to clients and maximising business efficiency.

On the back of a healthy balance sheet and effective management structure, Basil Read will adopt a prudent approach to managing the prevailing volatility to ensure the group continues to grow in a controlled and structured way.

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 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 assessing the impact of King III and the new Companies Act.

At the group's annual general meeting, held on 7 May 2009, Mr Bulelani Ngcuka resigned as chairman and non-executive director with immediate effect. Mr Lester Peteni was appointed as the new independent non-executive chairman of Basil Read, effective from 7 May 2009. Mr Peteni, who holds a BSc (Building Science) degree obtained from the University of Cape Town has substantial experience in the construction and property development industries.

The group is pleased to welcome Mr Donny Gouveia to the board in his capacity as Financial Director. The board is pleased to further welcome Ms Given Refilwe Sibiyi as an independent non-executive director, who was appointed on 1 July 2009. She is a qualified chartered accountant and in addition to her board responsibilities, will serve on the audit/risk committee.

Following the acquisition of the TWP group, Nigel Townshend, chief executive officer of TWR was appointed as an executive director. His appointment was effective from 1 January 2010 and the board welcomes his experience and expertise.

Dividends

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 42 cents per share (2008: 58 cents) in respect of the year ended 31 December 2009. This will result in a dividend paid of R52 million and a Secondary Taxation on Companies tax charge of R5,2 million. This equates to an earnings dividend cover of 5,3 times. Had the group not issued 37,3 million shares on 21 December 2009 in terms of the TWP acquisition, the equivalent dividend per share would have been 60 cents at a constant earnings dividend cover of 5,3 times. In order to comply with the requirements of Strate the relevant details are as follows:

Event	Date
Last date to trade cum-dividend	Friday, 07 May 2010
Share to commence trading ex-dividend	Monday, 10 May 2010
Record date (date shareholders recorded in books)	Friday, 14 May 2010
Payment date	Monday, 17 May 2010

No share certificates may be dematerialised or rematerialised between Monday, 10 May 2010 and Friday, 14 May 2010, 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.

On behalf of the board

S L L Peteni (Chairman)

M L Heyns (Chief Executive Officer)

11 March 2010



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