





## Operational review

# Construction

Despite recessionary conditions in South Africa for most of the year, growth in real value added by the construction sector remained firm over the period. Although demand for residential and non-residential buildings remained subdued, activity in the civil construction sector increased, albeit at a slower pace, due to ongoing infrastructure development projects.

Overall, the South African building industry faces difficult trading conditions. Slow economic growth and the impact of the global financial crisis led to tighter credit conditions in the local market, exacerbated by heightened competition for those tenders put out to market. By year end, prospects for the housing industry appeared better than those in the non-residential sector given the impact of lower interest rates that were now filtering through. Rising vacancies and lower company profits continue to act as a damper on developments in the non-residential sector.

However, infrastructural development – specifically roads, power and water – continues apace, although the rate may temporarily have slowed due to funding constraints.

The local civil engineering industry continues to be affected by the global economic downturn and poor commodities markets, resulting in certain projects being deferred or cancelled. In South Africa, the industry has benefited from government's expanded public works programme, with projects relating to power plants, railway expansions, port and harbour upgrades and water facilities.

### Performance

The construction division is Basil Read's largest, contributing 84% of group revenue and 71% of group operating profit. For the review period, revenue increased by 46% to R3,9 billion (2008: R2,7 billion). Operating profit was R288,6 million (2008: R170,4 million) at an operating margin of 7,4% (2008: 6,4%).

The divisional order book at year end was R5,0 billion, split between roads (R3,2 billion), civils (R1,1 billion) and buildings (R0,7 billion).



*Martin Lombard*  
Deputy chief executive officer





## Operational review continued

# Roads

Market conditions during the year were challenging, placing pressure on volumes and margins. The group however was awarded a number of road contracts valued at R1,8 billion, entrenching the broader roads division as a leader in this field. Apart from Basil Read Roads, this division includes group subsidiaries Roadcrete Africa, Newport Construction and Spray Pave.

The roads division has a full order book for 2010, stretching into 2011. In the current economic climate, this is tangible evidence of Basil Read's ability to compete cost effectively and to participate to the fullest in a multi-faceted road-building programme that stretches to 2018. The group is also well positioned to participate in major developments planned by transport, power and telecommunications parastatals.

### Management

Deon de Jager, Greg Badenhorst, Paul Walker, Steven Single, Jimmy Strydom, Stix de Jager, Zybrand van Dyk, Morné van Schalkwyk, Dave Bennett

Employees **2 014**

Contribution to revenue **46,6%**



Deon de Jager  
Managing director: Basil Read Roads



Atterbury

Basil Read Roads 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 Basil Read Roads division will continue to focus on larger, more demanding projects.

#### *N17 upgrade*

In January 2009, the group was awarded another contract on the N17, between Trichardsfontein and Bethal in Mpumalanga. The 24-month contract is valued at R343 million and follows the earlier award of a 21 km section of the N17 between Leandra and Leven station valued at R338 million.

The group was also awarded the R103-million contract to upgrade the route from Leven to Trichardt.

Towards the end of the year, Basil Read secured the 24-month contract to construct three toll plazas (Leandra, Bethal and Ermelo) on the N17, valued at R175 million.

#### *N12 upgrade*

In June 2009, the group began work on the Gauteng Freeway Improvement Project package K. This project involves the improvement and rehabilitation of section 19 of the busy N12 highway in Gauteng, which runs from the R21 to the Tom Jones off-ramp. This section of highway is part of a dual carriage freeway that runs in an east-west direction and is a high traffic route linking the areas of Benoni, Brakpan, Boksburg and Germiston with Johannesburg to the west and Witbank to the east.

It also includes four interchanges, one of which is a system interchange with the other three being access interchanges. From west to east, the project consists of the Rietfontein, Rondebult, Atlas Road and Tom Jones interchanges. These busy interchanges carry traffic serving suburban, industrial and recreational areas.



Package D2 of the Gauteng Freeway Improvement Project

The contract is valued at R800 million and is expected to take 30 months to complete. Despite being slightly behind schedule at the reporting date, the group is aiming to accelerate this project to complete it ahead of the December 2011 deadline.

#### *Packages D1 and D2 of the Gauteng Freeway Improvement Project*

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 valued at some R1,7 billion is scheduled to be substantially complete before the first-half 2010 deadline. This project is being undertaken with Roadcrete Africa, together with other joint venture partners.

#### *Atterbury*

The R370-million contract to improve a section of the N1 between Pretoria's landmark flying saucer and the Atterbury interchange was successfully completed in the year under review and handed over to the client in November 2009. The project involved extensive design changes to several busy interchanges to accommodate rising traffic density.

#### *Sasolburg*

Basil Read was the lead partner in a joint venture rehabilitating and upgrading two sections of the R59 passing Sasolburg between the Vaal River and the N1 highway. This R225-million contract was the largest single size roads contract to be awarded by the Free State province and was completed in September 2009.

#### *Winburg*

The Winburg project with a total contract value of R248 million, which involved rehabilitating 25km of the existing N1 between Bloemfontein and Winburg, was completed in May 2009, six months ahead of schedule.

#### *St Michiel's*

Basil Read is currently involved in the design and construction of the St Michiel's International Leisure Estate, adjoining the N4 in Mpumalanga. Work on the 800ha estate and its 2 600m<sup>2</sup> north-facing stands began in 2007 and a significant portion of the estate will be left untouched, allowing for abundant space and privacy. The estate will also offer a 98-room luxury hotel, a signature golf course and club house, upmarket retail facilities, fly-fishing, an equestrian centre, and a spa and wellness centre. Work in the period centred around roads and infrastructure for phase 1.

#### *Postmasburg railway line*

Basil Read was awarded the contract for the civils and earthworks with associated roads and drainage structures for the 33km stretch of railway line near Postmasburg in the Northern Cape. The 14-month contract has a total contract value of R140 million.

#### *Gobabis – Namibia*

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 R381-million project, which will be fast-tracked over 18 months to upgrade 160km of gravel road to tar between Gobabis and Otjinandi. Investigations are well advanced in other countries in Africa.

[www.basilread.co.za](http://www.basilread.co.za)



Greg Badenhorst  
Managing director: Roadcrete Africa



Malibongwe Drive

Roadcrete Africa was established in 1987 as a civil engineering contractor dealing primarily in township infrastructure and related bulk services. In the face of challenging trading conditions during the 1990s, Roadcrete Africa succeeded in building a strong brand identity as well as a sound reputation for being a low-cost, high-quality producer within the road infrastructure arena.

Acquired in the prior reporting period, Roadcrete Africa was successfully integrated into the Basil Read portfolio and is performing well. Roadcrete Africa was awarded contracts worth over R850 million during the year.

#### *Malibongwe Drive*

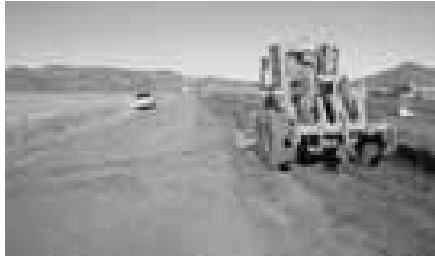
One of these is the R482-million upgrade of Malibongwe Drive between the N14 and Lanseria Airport, Gauteng. The first phase involved expanding the road into a dual carriageway between Cosmo City and the K29, and erecting the necessary bridges. This R108-million phase was completed on schedule by December 2009. Phase 2 continues the project to Lanseria Airport and should be substantially complete by 2011.

#### *Glen Lyon to Brandfort*

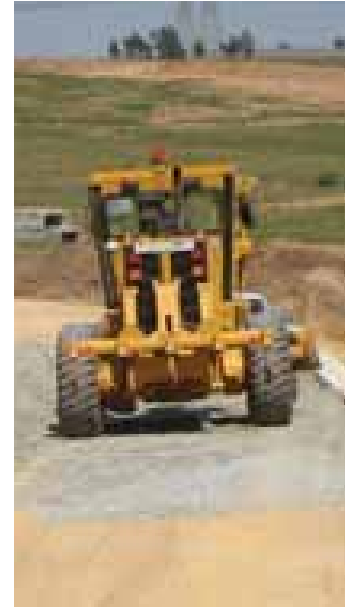
Another of these projects is a 22-month contract to reconstruct and rehabilitate 45km of the R30 between Glen Lyon and Brandfort, in the Free State province, into a new toll-road. All drainage structures on this road section form part of the site. All aggregates are being crushed on site and all surfacing is being done by Roadcrete Africa. The company will also be responsible for the nominated subcontractor building the toll plaza on this stretch of the project. This project is scheduled for completion by April 2011 and has a total contract value of R331 million.

#### *N1 rehabilitation*

A landmark project is the rehabilitation of the N1 (the main route between the southern and northern parts of South Africa) between



*K60 in Sunninghill*



the Orange River and Springfontein, awarded by SANRAL. The project, valued at R210 million, includes two interchanges and upgrading junction roads and was handed over on time to the client in November 2009.

#### *Mattafin precinct around Mbombela Stadium*

In joint venture with Basil Read Roads, Roadcrete Africa is busy with the construction of the Mattafin precinct access roads, transport rank and stadium boulevard for the Mbombela Stadium. Total contract value is R140 million and is expected to be completed by the end of March 2010.

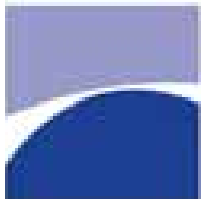
#### *Township infrastructure*

Roadcrete Africa is currently involved with the provision of infrastructure for two of the developments division's projects, Cosmo City and Klipriver Business Park. The Cosmo City project involves the construction of civil engineering services for Cosmo City Extension 11 Phase 3. The company is providing all infrastructure relating to water, sewer, storm water and roads at the Klipriver Business Park. Phase 1 was completed during the year under review with Phase 2 expected to commence during 2010.

The company also provided the internal civil engineering services and bulk water supply pipelines for the Elawini Lifestyle Estate in Nelspruit, Mpumalanga. Internal civil engineering infrastructure comprised surfaced roads with associated stormwater drainage facilities, a water reticulation supplying water to each stand and a waterborne sewer system. The contract was completed in February 2010.

Roadcrete Africa is also busy with the design and construction of water and sewer networks systems and toilet structures for 1 058 stands in Etwatwa Extension 18 in Benoni, and expects to complete this project at the end of March 2010.

[www.roadcrete.co.za](http://www.roadcrete.co.za)



**NEWPORT**  
CONSTRUCTION



*Coega River Bridges*



*Paul Walker*  
*Managing director: Newport Construction*

Since its inception in 2003, Newport Construction has built a formidable track record in the civil engineering and construction industry. Based in the Eastern Cape, the company was formed to compete with larger construction companies as a pioneer in successful empowerment, not only in equity but also in its management progression.

Newport Construction operates from its own premises in Markham, Industria, an industrial area adjacent to the Coega Industrial Development Zone (IDZ), 20km north of Port Elizabeth. The company boasts an experienced management team that has already completed a number of high-profile contracts in the Coega IDZ.

The Coega IDZ is situated adjacent to the Port of Ngqura, Africa's largest deepwater port and comprises 11 000ha of sector-specific zoned land with purpose-built infrastructure. Future infrastructure planned includes two power stations, a 2 400MW combined cycle gas turbine powered station and a 300MW Department of Minerals and Energy peaking power plant. Renewable energy sources are also being explored.

Basil Read increased its shareholding in Newport Construction in the year under review and currently holds 70% of the company. Newport Construction is constructing several bridges and related infrastructure in the Coega region at present, with a total value of over R500 million.

#### **MR435**

Newport Construction is currently busy with the upgrade of Main Road 435, in joint venture with Basil Read Roads. The existing MR435 is being upgraded from a single carriageway to a dual carriageway and is being constructed in two phases. The upgrade, covering 10km of road, has become necessary due to increased traffic flows in and out of the Coega IDZ. The contract, valued at R214 million, is expected to be completed by July 2010.



Coega River Bridges

#### Coega River Bridges

Work continued on the Coega River Bridges and approach roadworks. This is a 24-month contract valued at R206 million which is scheduled for completion in July 2010. The contract entails the realignment and upgrading of a 2,3km section of the existing N2 to a dual carriageway, thus forming an integral component of the N2 doubling between St George's Strand and Hougham Park. Two road bridges over the Coega River are also being constructed.

#### Other contracts

Newport Construction is also constructing the Hougham Park interchange bridge and intersection across the N2 highway as well as the Brickmakerskloof Bridge in Baakens Valley, Port Elizabeth.



*Bitumen distributors*



*Steven Single*  
*Managing director: Spray Pave*

Founded in 1981, Spray Pave became part of the Basil Read group of companies in 2006. Based in Gauteng, the company offers world-class technology and the most modern fleet of bitumen distributors to a large spectrum of clients based throughout sub-Saharan Africa.

Spray Pave boasts a fleet of seven distributors with technically advanced Spraybar systems, seven bitumen haulers, an emulsion plant with accompanying CSIR and SRT certification and a state-of-the-art weigh-bridge installed at its premises.

The company specialises in supplying and spraying top-quality bituminous products for Basil Read and other leading construction companies. Spray Pave currently has 47 projects under way in four provinces and is supplying products further into Africa, including Mozambique and Zambia.

Using the Spray Pave mobile decanting plants and static tanks, hot bitumen can be shipped to the most remote sites to supply projects with drummed bitumen. Spray Pave recognised that simply delivering the product to a customer was not the end of the service that would be needed and offers full training to customer employees at the decanting plant.

Using its fleet of modern tankers, Spray Pave supplies bulk product to projects that require the supply, delivery and spraying of primes, emulsions and road binders. These include:

- > The supply delivery and spraying of primes and emulsions on the N3 toll road between Heidelberg and Cedara in South Africa's KwaZulu-Natal province.
- > The supply, delivery and spraying of primes, emulsions and road binders on the Bakwena N4 toll route that runs from Lobatse in Botswana to Tshwane (Pretoria) in South Africa.



*Bitumen distributor*

- > The supply of bitumen and primes for major projects on the ENI in Mozambique.
- > A three-year contract to supply and deliver bitumen to Mmila Projects, its associate company, to service its contract with the city of Tshwane (Pretoria) in Gauteng, South Africa.

In a world demanding cleaner industry at lower prices, Spray Pave is committed to ongoing research in replacing products traditionally used by the road surfacing industry. Spray Pave currently meets European guidelines and legislation. It is also a member of the Southern African Bitumen Association (SABITA), the main activities of which is "encouraging best practice in the use and application of bituminous materials; worker safety and environmental conservation; education and training and contact with government on the value of road provision and preservation."





## Operational review continued

# Civils

Basil Read's civil engineering division operates mainly in South Africa and neighbouring countries, working on a project basis. Worldwide, the division pursues projects where it has the required capacity and expertise. The range of activities includes concrete structures, water and fluid storage and transport, marine construction, and design.

This division recorded a successful year, despite the turbulent global economy.

### Management

Eugene du Toit, Willem Meyer, Hugo Carlier, Glenn Jardine, Ron van Biljon

Employees **450**

Contribution to revenue **12,4%**



*Mbombela Stadium*



*Eugene du Toit*  
*Executive director: Basil Read Civils*



*Willem Meyer*  
*Managing director: Basil Read Civils*

#### *Mbombela Stadium*

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.

#### *Port of Durban*

Basil Read has been extensively involved in transforming the old multi-purpose terminal at Pier One, Port of Durban, into a modern container terminal. Additional contracted work includes a parking area for the car terminal and truck staging.

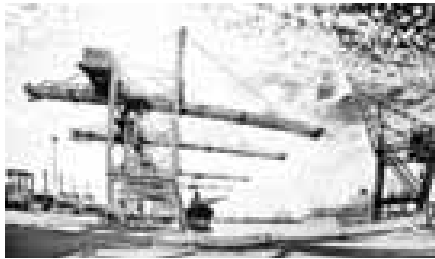
Subsequent to the Pier One contract, Basil Read was also awarded the R430-million project to provide complete infrastructure for Pier Two. Construction on this project began in April 2008 and is progressing well.

Within the Durban harbour complex, during the year Basil Read continued construction of a R130-million container vehicle repair and straddle carrier workshop. This was a technically challenging project given that the workshop area for the straddle carrier is the size of a rugby field, and required specialised formwork, support and equipment. There were also significant safety and health considerations as the container vehicle repair site had been contaminated with asbestos. Appropriate preventive measures ensured no risks were posed to the health and safety of employees and contractors.

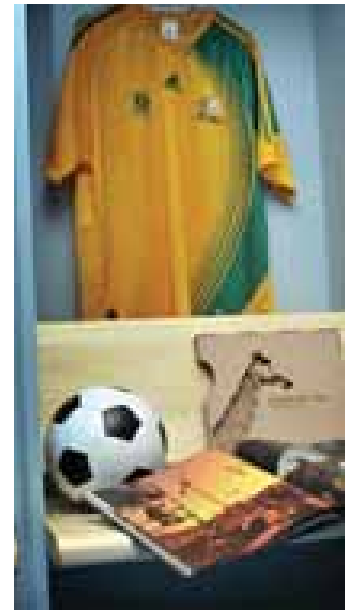
The division continued construction of the Khangela Bridge over the M4 south freeway to alleviate traffic congestion in and out of Durban harbour, with a joint venture partner.

#### *Kusile Power Station*

Work on the R2,9-billion Kusile power station contract began early in the reporting period. Located next to the existing Kendal power



Port of Durban



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.

#### *Ohlanga*

During December 2009, Basil Read was awarded the contract for the Ohlanga outfall sewer, pumpstation and rising main, on site between Umhlanga Rocks and Umdloti in KwaZulu-Natal. The scope of works includes the construction of concrete chambers and minor road works. The 24-month contract has a total value of R95 million and work commenced in January 2010.

#### *Water infrastructure*

In the years ahead, the South African government is planning a R30-billion investment to upgrade and expand water infrastructure. Proposed energy investments, both public and private sector, include green energy, independent power plants, nuclear plants and power projects in sub-Saharan Africa. Once conditions normalise in the mining sector, a resurgence is expected in process plants and infrastructure as mining companies activate deferred projects. Overall the division is well placed to participate in this activity, given its expertise and track record.





## Operational review continued

# Buildings

The buildings division is fully operational in Gauteng, Western Cape and KwaZulu-Natal. Included among its high-profile contracts are shopping mall developments in areas that will benefit from the economic boost. In a difficult year for this sub-sector across the board, the division successfully tendered for and negotiated additional work on existing contacts, ensuring it was able to retain its skills workforce.

Boosted by the acquisition of the Gerolemou/Mvela group, the division's order book for the year ahead is satisfactory and it is actively participating in a more buoyant tender market while maintaining the balance between competitive pricing and reasonable margins.

### Management

Peter Gerolemou, Reinoud Oranje, George de Sousa, Gerry Hanna,  
Louise Cornelessen

Employees | 151

Contribution to revenue 24,9%



Chris Hani/Baragwanath



Peter Gerole mou  
Executive director: Buildings



Reinoud Oranje  
Managing director: Buildings

#### Basil Read Buildings

##### Galleria Shopping Centre

In KwaZulu-Natal, 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 000m<sup>2</sup> 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.

##### West Coast Mall

The R365-million West Coast Mall, between Vredenburg and Saldanha, was completed in only 17 months (March 2009) despite extreme weather conditions. This is the largest shopping centre in the area, spanning four rugby fields with over 100 shops on two levels, and is already providing significant employment opportunities for residents from the west coast surrounding areas.

##### Paarl Hospital

In the Western Cape, work continued on the Paarl Hospital after Basil Read was awarded further on-site projects as part of the R315-million upgrade now scheduled for completion in December 2010.

##### Chris Hani/Baragwanath

In Gauteng, work valued at R420 million at Chris Hani/Baragwanath Hospital was completed in October 2009.

##### Gautrain projects

Basil Read was appointed to construct the Park Station box and car park for the Gautrain, part of a holistic and integrated transport plan for Gauteng province. Situated next to the existing Park Station in Braamfontein, Johannesburg, the underground station box measures around 200m x 17m x 17m, while the car park is seven storeys high.

New contracts awarded during the period include four stations as part of the Gautrain project – OR Tambo, Rhodesfield, Marlboro and Hatfield – valued at R100 million. This takes the total value of Gautrain projects awarded to the group to R340 million. Work on all four stations and related infrastructure is progressing well ahead of the 2010 deadlines.



Riverwalk Office Park

**Cosmo City**

In the second half of the year, work on 281 apartments in the Cosmo City complex was completed on time for the client Johannesburg Housing Company. Aimed at low to middle-income earners, the units are split between one- and two-bedroom configurations. Importantly, the project focused on maximising the use of local construction teams and meeting the client's quality standards.

**The Regent**

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.

**Gerolemou/Mvela group**

The Gerolemou/Mvela group, comprising P Gerolemou Construction (Pty) Limited, Mvela Phanda Construction (Pty) Limited and Contract Plumbing and Sanitation (Pty) Limited, has been in business for 28 years and operates out of its headquarters in Pretoria. It has valuable experience in all facets of the building industry, particularly hospitals and prisons.

The integration of the Gerolemou/Mvela group was completed 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.

**Natalspruit Hospital**

This ongoing R1,5-billion project involving a 760-bed facility for the Department of Public Works is scheduled for completion in November 2011.

**Germiston Hospital**

This 300-bed facility for the Department of Public Works, with an estimated completion date of November 2010, has progressed to finishes and mechanical and electrical installations.

**Skilpadhek border post**

Located between Botswana and South Africa's North West province, this project involves constructing the actual border post and all ancillary buildings, roadworks, parking and fencing, as well as mentoring subcontractors. Expected completion is towards the end of 2010.

**Waterkloof Air Force base**

The rehabilitation and upgrade of the main runway and taxiways proved an intense technical challenge, given the presence of dolomite in the area. This meant that existing layer work to the runway had to be excavated and replaced. In all, an area of over 740 000m<sup>3</sup> was removed in rebuilding the runway. The high-profile project, completed in joint venture, was handed over and officially opened by President Jacob Zuma in October 2009.

In tandem with the upgrade of the runway, the Gerolemou/Mvela group successfully negotiated the contract to demolish the existing VIP building and construct a new one. The work was carried out in only six months and had a contract value of R40 million.

**Riverwalk Office Park**

Constructed for clients, the Government Employees Pension Fund and PIC, this high-profile office park consists of three separate office blocks, each with three basement levels and four upper levels, and ancillary external works. Situated at the bottom of Atterbury Road in Pretoria, the office park has road frontage on the N1 highway. It was completed against stringent deadlines by November 2009.

**University of South Africa**

Work continued on the R110 million contract to construct a new entrance building for the University of South Africa. The five-storey multi-purpose building will house offices, student gathering facilities and galleries.





## Operational review continued

# Mining

The global financial crisis that began in 2008 rapidly worsened in 2009 into an economic meltdown not seen since the early decades of the 20th century. The impact on the South African economy and the country's mining sector was severe. South Africa was officially declared in recession after gross domestic product shrank by more than 6% in the first quarter of 2009.

The mining industry, already suffering from three consecutive years of declining output (1,6% in 2006, 0,8% in 2007 and 7% in 2008), saw output drop 9% in the first half of the review period. This was accompanied by a drop in the prices of most commodities traditionally sold in the global marketplace as demand dried up in major developed markets. Platinum group metals were particularly affected due to the dramatic decrease in vehicle sales, while the gold and diamond mining sectors suffered from an equally dramatic decrease in consumers' disposable income, with luxury goods first affected.

By year end, stability appeared to be returning to financial markets, and international stock exchanges were showing signs of recovery. For the mining industry, the significant recovery unfolding in key economies is a welcome precursor to improved demand.

### *Performance*

The mining division delivered a commendable performance for the review period, reporting revenue of R679,2 million (2008: R719,7 million). Operating profit was R113,9 million (2008: R124,5 million) at a margin of 16,8%, slightly down from the prior year operating margin of 17,3%. These results reflect the heightened focus on productivity and cost containment during the year, despite the difficult trading conditions as a result of the collapse of the commodities market. With an order book of R1,4 billion (2008: R685 million), the division is well placed to improve its performance in 2010.

### Management

Frans van Wyk, Antonie Fourie, Paul Merifield, Francois Stock, Derek Leatherbarrow, Danny Stopforth, Charles Schloesser, Eppo Broos, Trevor Moldenhauer, Stephen Marx

Employees **993**

Contribution to revenue **14,6%**



*Rössing Mine*



*Frans van Wyk*  
*Executive director: Mining*

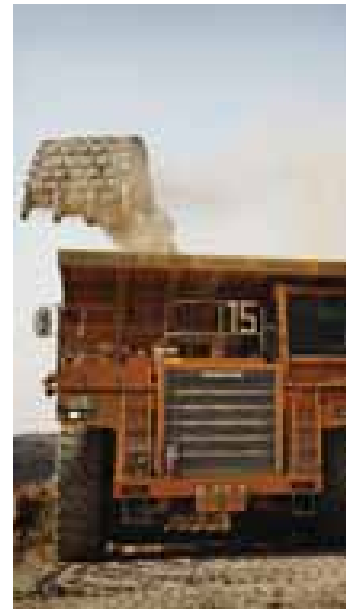
#### **Basil Read Mining**

Importantly, in arguably the worst conditions in the mining industry for decades, the division was able to maintain its base of expertise through careful management of human resources, thus avoiding any retrenchments. This is a decided competitive advantage in an industry so affected by the shortage of specialist skills.

Although the division is protected to an extent in the prevailing economic climate by long-term contractual agreements, the cancellation of a major Debswana contract early in the reporting period required immediate action, both to replace lost income and preserve a long-standing relationship with this client. An amicable settlement was agreed and the division has successfully tendered for other contracts for Debswana. The cancelled contract was replaced by a two-year contract on a local magnetite mine which began in August 2009 and is valued at R180 million.



*Antonie Fourie*  
*Managing director: Mining*



Rössing Mine

#### *Rössing Mine*

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.

Following capital expenditure of around R130 million in the prior period, in support of the capital-intensive nature of this business, levels dropped to R12 million in the review period. Capital expenditure is expected to increase again in 2010, reflecting ongoing investment in new plant and equipment.

There was a welcome improvement in industry activity levels from August, with several tenders issued or under negotiation.

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



BLASTING & EXCAVATING



*Drilling and blasting operations at Rössing Mine*



*Charles Schloesser  
Contracts director*



*Paul Merifield  
Financial director: Mining*

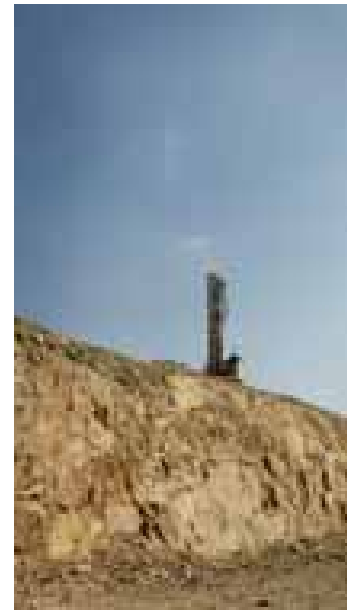
Blasting and Excavating (B&E) offers specialised services in drilling, blasting, hauling, crushing, screening, plant hire and blast monitoring. It is the foremost user of explosives in the South African construction industry, with a strong presence in the contract mining and civil engineering sectors.

While the dramatic downturn in the aggregates market in 2009 was in stark contrast to buoyant conditions in the prior year, both years were anomalies that misrepresent the long-term sustainability of the market. Given potential activity levels from pending water-supply and power projects, we believe this market has sustainable steady-state levels.

The level of synergy between the group's blasting and excavating activities and its mining activities is growing. Equally, this division has strong alliances with external clients. Together, these provide a sustainable base of long-term contracts that will be enhanced by the global potential of TWP's consulting activities.

#### **DeBeers Venetia Mine**

B&E 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 165mm and 127mm percussion holes at this open-pit mine.



Peninsula Blast

## Prospects

A measure of stability is expected to return to major commodity markets in the coming year: steel is expected to revert to steady state; the uranium sector should maintain volumes and the diamond market is expected to return to normal. By focusing on the group's proven expertise in hard-rock mining, we expect to penetrate the coal industry in the near future.

We will continue to build strategic relationships with local partners in the countries in which we operate, while exploring opportunities further afield.

The combination of improving commodity markets, strong partnerships and a solid track record is expected to underpin improved performance in the year ahead.





## Operational review continued

# Developments

The review period was arguably one of the worst for the residential market in recent memory. Given the protracted effect of the National Credit Act and dearth of mortgage finance in the wake of global economic turmoil, lower interest rates had almost no effect on the housing market. In the last months of the year, the housing market started to improve as banks relaxed their lending criteria and consumers began to feel the pressure on disposable income lessen. Government has reaffirmed its commitment to eradicating informal settlements, with a concomitant effect on job creation and poverty reduction.

### *Performance*

Given the long lead times for development projects in general, the division recorded acceptable performance for the review period. Revenue was R68,3 million (2008: R77,4 million), with operating profit of R6,2 million (2008: R13,5 million). Operating margins dropped to 9,1% (2008: 17,5%). 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.

### Management

Des Hughes, Brian Mulherron, Tshiwo Yenana

Employees **19**

Contribution to revenue **1,5%**



*Des Hughes*  
*Managing director: Developments*



*Cosmo City Apartments*

### *Cosmo City*

At Cosmo City, in Johannesburg's northern suburbs, 9 000 of the 12 500 homes have been occupied. Six schools, including a hotel school, and various churches are fully operational. Construction is under way on the first shopping centre. A private medical clinic was opened by the Minister of Health in January 2010. Importantly, Cosmo City has created 21 000 direct and indirect jobs during construction, with estimates of a further 95 000 jobs post construction each year.

The second phase of Cosmo City is aiming to break ground during the second half of 2010, but this may be delayed until early 2011 due to budgetary constraints. This phase will accommodate the informal settlement of Itsoosing on the northern boundary of Cosmo City and involve constructing over 5 000 residential units as well as a school, churches, parks and commercial facilities.

### *Savanna City*

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.

### *Cape Town*

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 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.



*Klipriver Business Park*

#### *Klipriver Business Park*

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. The development is being marketed by a professional third party, and although initial response has been good, sales are expected to improve significantly once the economic recovery gains traction.

#### *Prospects*

Basil Read plans to continue creating developments aligned to government's Breaking New Ground initiative, given the equal importance of housing provision, local job creation and the development of community associations.





## Operational review continued

# 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 offer 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.

Given the significant synergies between Basil Read and TWP, the merger creates an enlarged group uniquely equipped to offer a full service to the world's building environment and mining sectors, particularly in the EPC (engineering, procurement and construction) arena.

With a team of some 800 engineers and architects, TWP provides a wide 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 will support Basil Read's stated intention to tender for larger contracts, pursue international acquisitions and compete globally – a development that has been positively received by clients globally.

With Basil Read already geared to take on more complex projects after 2010, particularly where it has identified deficiencies in local infrastructure, TWP will play a key role in the group's ability to serve clients across a much broader spectrum with a fast-track turnkey offering.

### Management

Nigel Townshend, Steve Dewsbery, Digby Glover, Franco Pellegrini, Dean Cunningham, Chris Erasmus

Employees **768**

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Nigel Townshend  
Chief executive officer: TWP Holdings



Digby Glover  
Managing director: TWP Projects

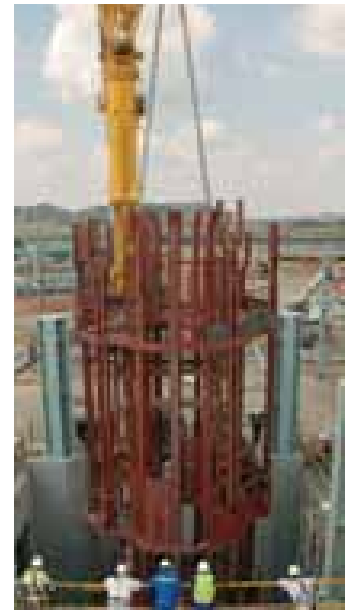
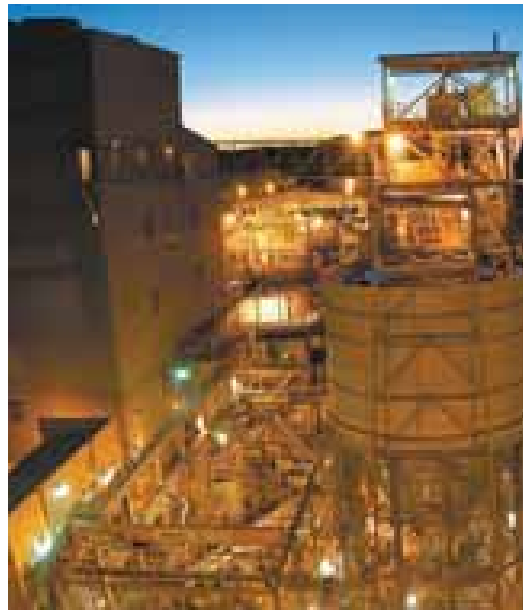
Founded in 1982, TWP is acknowledged as a leading engineering consultancy, with particular expertise in the mining industry. TWP is well known for offering clients all the resources traditionally held in-house by mining houses, and its employees across the spectrum of mining disciplines have been involved with some of the largest and most challenging projects in the world.

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 the EPC arena.

Headquartered in Melrose Arch in Johannesburg, the TWP group has offices in Australia and Zambia, as well as regional offices in Rustenburg and Polokwane. TWP will extend its footprint into Peru, Zimbabwe and Abu Dhabi in 2010. From its South African base, TWP has exported mining and process technical expertise to North and South America, Australasia and other parts of Africa, while its track record in southern Africa includes some of the largest and most complex mining projects on the continent. Although TWP has been involved in projects for most minerals, it is particularly strong in the platinum sector and recent contracts include the new concentrator at Anglo Platinum's Mogalakwena mine, Anglo Platinum's Styldrift and Twickenham projects, and a number of deep shafts such as Impala's 20 and 17 shafts, and Anglo Platinum's Paardekraal shaft. In copper, TWP is involved in the Zambian Copperbelt.

The scope of the TWP group most relevant to Basil Read's operations is summarised below. For further information, copies of the October 2009 circular to shareholders are available on request (see inside back cover) or on [www.twp.co.za](http://www.twp.co.za).

TWP Projects is uniquely positioned to offer clients a complete solution – from concept, safety, risk management, environmental definition, design, and project management to execution, operation and closure. It is the largest EPCM service provider in southern Africa and largest subsidiary in the TWP group. TWP Projects comprises three



Bafokeng Rasimone Platinum Mine

primary divisions, with a current order book valued at more than R80 billion:

- > **TWP Mining**
- > **TWP Process:** offers clients a unique engineering capability focused on mineral processing plants, base and precious metal refinery projects, chemical and water treatment plants. Its track record includes successful greenfield and brownfield projects, detailed evaluations of existing beneficiation plants for expansion or upgrading, full audits of current installations and implementation of tailings retreatment facilities.
- > **TWP Energy:** provides electrical power and alternative energy solutions to companies and organisations across Africa and the Middle East. It is also active in the build-own-operate sector of the power-generation industry. Its comprehensive services include: energy master plans, conceptual studies, feasibility studies, bankable feasibility studies, basic development (control budget estimates), detail engineering design, execution (definitive cost estimates), commissioning and start-up.

Wholly owned subsidiary Matomo is a process design and project execution company operating in southern Africa, and focused on executing small- and medium-sized process-based projects. Its services include process plant EPCM and commissioning capability. These services are based on Matomo's extensive process plant operational experience, years of practical implementation, and the skills of experienced engineering and project management staff.

Rounding out the spectrum of TWP services are civil and structural engineering; mechanical and piping engineering; electrical, control and instrumentation engineering; risk management; contract models; environmental services; shafts and infrastructure; and geology and mining engineering consulting.

Quality is pivotal to TWP's success and it has full ISO 9001:2000 accreditation from the German authority Dekra. This keen focus on skills, structure, process and service has resulted in a reputation for consistent delivery for the world's leading companies in the fields of infrastructure, mining and commercial development.

TWP recognises project management as a discipline in its own right. In addition to intensive development programmes for its engineers and project managers, TWP uses proprietary software that allows project managers to take their projects from conception to handover using methodologies based on industry best practice. The TWP project risk management guideline incorporates all requirements in terms of PMBOK, ISO 14001 and OHSAS 18001, as well as the collective project risk lessons accumulated over 27 years of capital project experience and housed in a proprietary knowledge base.

TWP Projects' SHE department has a wealth of experience and skills in establishing, integrating and managing risk-based SHE management systems in both a project management and general industry environment. This ensures clients meet corporate governance and other compliance requirements, and adds business value in line with stakeholder expectations. Each phase of a project, from concept to handover, is associated with specific SHE deliverables, from high-level and project execution risk assessments to closure reports.

[www.twp.co.za](http://www.twp.co.za)



*The Place at Sandton Drive*



*Franco Pellegrini*  
*Managing director: TPS.P Architects*

TPS.P Architects, a wholly owned subsidiary of TWP, is a company of professionals dedicated to excellence in architecture and quality service. Its portfolio includes multiple national and international projects in commercial, industrial and residential buildings, hotels and leisure facilities, as well as many projects for the mining industry.

In mining and industrial projects the company's role ranges from building design, to the design of complete towns or projects. TPS.P's broad range of expertise and skills allows them to successfully complete turnkey projects, including organisational studies, design and execution of building projects and contemporary interior design.

The company's approach to designing office buildings seeks to achieve the client's objective to maximise the rentable area from the available bulk, by optimising development efficiencies with design solutions that will remain flexible to the future requirements of both client and occupant. Where required, TPS.P utilises its interior team – Facets Interiors – to undertake organisational studies to determine the organisational structure of the user and to deliver the most appropriate building design solution. The design process thus allows the company to cross-check for suitability of purpose.

TPS.P's designers work on local and regional projects throughout Africa from its head office in Johannesburg, or reside on location. The company's offices in Maputo, Mozambique, are used as a base to pursue commercial and industrial projects in Mozambique as well as in Angola, with a possibility of extending the company's African footprint further afield into Nigeria and Ghana.

### *Services*

TPS.P offers a comprehensive range of services, including:

- > Project evaluation
- > Feasibility studies
- > Space and organisational planning
- > Conceptual and detailed architectural design



Zurich Insurance head office

- > Building consultants
- > Acting as principal agents to a team of consultants
- > Contract administration
- > Site supervision and quality control
- > Interior design.

### Commercial projects

As designers, TPS.P strives to remain at the forefront of building technology, which enables it to deliver design solutions which are environmentally sensitive, energy efficient, with a consistent focus on “buildability”, tolerance control and minimising maintenance service in future.

Some of the company’s larger recently completed projects include the new Johannesburg Securities Exchange Building in Sandton, the Dimension Data Campus in Bryanston, AngloGold Ashanti, the new Domestic Terminal at OR Tambo International Airport and The Place at I Sandton Drive.

TPS.P’s experience in commercial buildings extends to:

- > Hotels and leisure developments
- > Airports and transportation infrastructure
- > Office developments
- > Restaurants
- > Mixed-use developments
- > Housing
- > Industrial and retail projects
- > Community and education infrastructure
- > Mining projects.

### Interior design and space planning

Interior design team Facets Interiors is on hand to advise on base building and tenant interior work, ranging from the design of public areas such as lift lobbies and toilets, to the design of tenant-specific areas such as the general office space, including space planning.

Facets offers an interior design service on a consulting basis. This includes organisational studies, space planning, selection of finishes, specialised joinery, procuring furniture and soft furnishings. All costs are reported on a transparent basis, and mark-ups are passed on to the developer as savings.

### Information technology

All architects and technicians work with AutoCAD or Revit and other software on the most up-to-date computer equipment available, which includes state-of-the-art colour plotters and in-house printing facilities. The company uses electronic visualisation and presentation tools such as CorelDraw, DrawCad, Microstation, Accrender and the top-of-the-range 3D Studio Max for walk-through presentations.

[www.tpsp.co.za](http://www.tpsp.co.za)