



ANNUAL REPORT 2011

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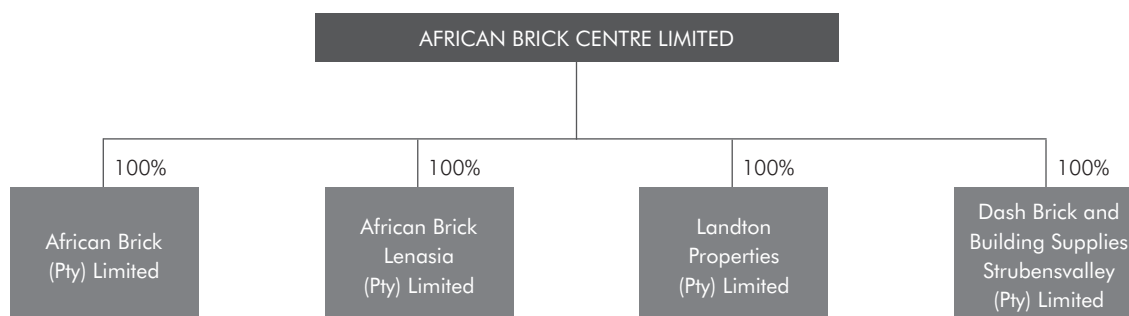
The reports and statements set out below comprise the annual financial statements presented to the shareholder:

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## ABOUT AFRICAN BRICK CENTRE

### GROUP STRUCTURE

The business of African Brick is transacted through its subsidiaries. A description of the activities conducted by these subsidiaries follows.



### LANDTON PROPERTIES (PTY) LIMITED

Landton Properties owns the premises on which the manufacturing facilities of African Brick Krugersdorp are situated. The Krugersdorp facility is 90 hectares in extent and consists of a factory building and an administrative building.

### AFRICAN BRICK (PTY) LIMITED TRADING AS AFRICAN BRICK

- The core of the current manufacturing facilities at the Krugersdorp factory was built in 1984 and extensively upgraded in 1994.
- Maximum production capacity of 36 million bricks per annum through a computer-controlled tunnel dryer system with the option to further dry 24 million bricks naturally. The company is in the process of finalising the acquisition of an additional 10 ha land next to the Krugersdorp facility in order to increase drying capacity. This will enable the factory to introduce a second shift, increasing production capacity from 36 million to 54 million bricks in the medium term.
- The Krugersdorp facility is the closest FBA manufacturing facility to Rustenburg and the West Rand.
- The nature of the clay reserves allows the factory to produce a brick with a dark blue colour. No other manufacturer can duplicate the features of this product, which commands a premium price whilst the recession had little impact on demand.
- African Brick has always been managed responsibly in terms of environmental issues, with all statutory approvals and permits in place. African Brick applied for the new order mineral rights shortly after the approval was obtained from the securities regulation panel for a 51% share acquisition by Yakani Infraco (Pty) Limited, a 100% owned empowerment group, on 30 January 2009.
- African Brick Krugersdorp is also registered in terms of the Atmospheric Pollution Prevention Act (Act 45 of 1965).

Output from the manufacturing operations of African Brick is sold to the retailing arm of the company at market related wholesale prices. This is a key strategy in ensuring a consistent pricing policy being applied over the full spectrum of wholesale and retail customers of the African Brick group.

### AFRICAN BRICK LENASIA (PTY) LIMITED TRADING AS AFRICAN BRICK COEGA

- African Brick expanded its manufacturing capacity in 2008 when Pentz Bricks was acquired and a new factory was commissioned, named Coega. The factory has a production capacity of 24 million bricks per annum and manufactures stock bricks. The brick represents exceptional quality with clay sourced in terms of a supply agreement from Addo Minerals, one of a few suppliers who received a new order mining right in this area.
- African Brick acquired the strategic Zuurbekom property in 2003, which lies in close proximity to the large Syferfontein reserves and which the company intends to develop as its third manufacturing facility. The project is currently on hold due to the effect of the recession and inability to secure electricity supply in the short term.
- In 1996 the mining rights to the nearby Syferfontein clay deposit were acquired. The raw material (clay) resource at the Syferfontein mine, 100 hectares in extent, is of an exceptionally high quality and scarce in occurrence west of Johannesburg. Clay is currently sold to African Brick (Pty) Limited for brick manufacturing purposes.

### RETAIL OPERATIONS

These centres operate under African Brick Centre trademark in terms of an agency agreement and are granted exclusive marketing rights for a particular geographical area.

The retail section of African Brick Centre Honeydew also markets third party building materials, with more than 50% of its sales coming from these sources.

## BOARD OF DIRECTORS

### **SIZWE ANDREW TATI (50)**

**Non-executive Chairman**

Appointed 30 January 2009

Sizwe holds a BCom degree, post graduate diplomas in Management and Company Directing and the Senior Executive Programme from Harvard Business School. He is the co-Chairman of Yakani Group (Pty) Limited and has extensive leadership and management expertise, having served as Deputy Managing Director of Get Ahead Foundation, Managing Director of Khula Enterprise Finance and Managing Executive of ABSA Vehicle Asset and Finance and ABSA Small Business.

### **MUSAWENKOSI PUNCTUAL SHANGASE (MUSA) (54)**

**Managing Director**

Appointed 1 March 2010

Musa worked at Pretoria Portland Cement Company Limited (PPC) from 1993 to 1995 as the Business Development Manager. He was appointed in 1995 as the General Manager and then the Managing Director in 1996 for Buildware Market. Musa worked as a Sales and Marketing Manager at PPC from 1998 until 2005 and as General Manager Business Development at Saint-Gobain Construction Productions from 2006 until 2009. Musa was appointed as the Sales and Marketing Director of African Brick (Pty) Limited, a wholly owned subsidiary of the company on 1 October 2009.

### **BURGERT BLOM (36)**

**Financial Director**

Appointed 30 January 2009

Burgert holds a BCompt (Hons) CA (SA) and has spent his career in banking and financial services where he specialised in Financial Analysis, Credit and Risk Management.

### **MITESH MOHANLAL PATEL (37)**

**Independent Non-executive Director**

Appointed 20 July 2009

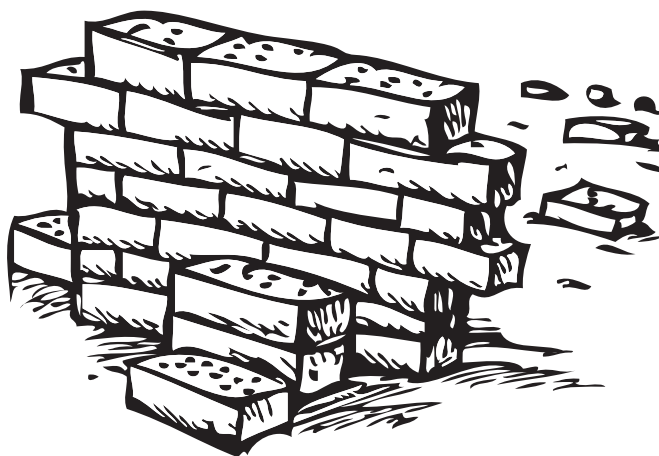
Mitesh is the Chairman of the Audit, Risk and Remuneration Committee. He is a Chartered Accountant and has a BCompt Honours in financial accounting, financial management, taxation and auditing. Mitesh is currently a partner at Nkonki Incorporated and further acts as an Independent Non-executive Director and Audit Committee Chairman for JSE listed companies, Africa Cellular Towers Limited, Stratcorp Limited, African Dawn Capital Limited and PSV Holdings Limited.

### **DERRICK THEMBINKOSI VUSUMUZI MSIBI (42)**

**Independent Non-executive Director**

Appointed 7 September 2009

Derrick holds a Bachelor of Business Science (Finance)(Honours); Bachelor of Commerce (Accounting)(Honours); Master of Commerce (Accounting); Chartered Accountant (SA). Derick is a member of the Remuneration Committee and is the Managing Director of Investment Solutions.



## MANAGING DIRECTOR'S REPORT

During 2010 African Brick celebrated its 65th production year in the semi face brick manufacturing industry. The group experienced mixed fortunes with revenue decreasing by 6,9% and an increase in average selling prices per thousand bricks. A moderate increase in demand for semi face bricks and a promising increase in average selling prices towards year end supported margins. Unfortunately work in progress was badly damaged during December and January as result of record breaking rainfall at the Krugersdorp factory, again reducing net margins prior to year end.

Demand for stock bricks remained unchanged in the Eastern Cape with intense competition in the retail sector due to a struggling residential development market.

Operating expenses further reduce with the restructuring of the retail arm of the group during the first quarter of the financial year. Volumes were lacking throughout the reporting period which placed pressure on net margins.

Finance cost increased from R2 million to R2,2 million as result of an increase in borrowings against working capital facilities. The sale and leaseback of the Honeydew property failed to realise by the third quarter of the financial year, limiting the group's ability to increase production levels and the retirement of debt.

Net loss for the year reduced by 22,3% from R15,4 million to R11,9 million, taking into consideration a further impairment of clay reserves, a direct result of not increasing production volume, limited cash resources available to support a required increase in production capacity at the Krugersdorp factory and a reduction in the deferred tax liability against the revaluation of the Krugersdorp property used for manufacturing purposes.

A rights offer was successfully concluded during September 2010, raising R11,1 million after costs which was used to fund operating activities of R4,8 million, investment into a debt redemption policy of R2,1 million, repayment of debt to the amount of R3,8 million, and a minor CAPEX investment.

Working capital management came under pressure towards year end, a direct result of the failure to realise cash through the sale of the Honeydew property. Debtor days outstanding and the quality of the debtors' book improved in recent years. Creditor payment terms have increased as payment terms are pushed out further into the working capital cycle. This will be normalised with the new loan funding of R5 million and a strategy to reduce finished product stock levels in months to come.

### PROSPECTS

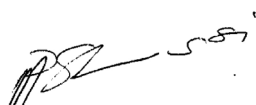
African Brick can return to profitability but this requires a further investment in operating activities at the Krugersdorp factory. The newly secured R5 million loan funding from the controlling shareholder is regarded as an interim solution whilst seeking alternatives to convert the loan into equity as part of a continuous effort to reduce debt and to free up cash for re-investment into operating activities. Post year end the group implemented further restructuring initiatives in order to reduce operating cost in an effort to achieve break even whilst reducing the Standard Bank term loan from R10 million to R4,8 million through liquidation of a debt redemption policy.

### DIVIDEND POLICY

In line with group policy, no dividend has been declared for the period.

### HUMAN CAPITAL

We thank our loyal staff for their commitment and also thank our business partners, advisers, clients and most importantly, our shareholders for their ongoing support and faith in the group.



**MP Shangase**  
Managing director

16 August 2011

# CORPORATE GOVERNANCE

## INTRODUCTION

The board is committed to ensuring that the group adheres to the highest standards of corporate governance in the conduct of its business and is committed to the principles of openness, integrity and accountability. The board supports the principles contained in the King Report III on Corporate Governance for South Africa 2009.

## STATEMENT OF COMPLIANCE

The Listings Requirements of the JSE Limited (JSE) require that listed companies report on the extent to which they comply with the principles incorporated in King III. The company is currently in non-compliance with the following King III principles:

King III Report	Comment
Board should elect a chairman of the board who is independent.	Chairman of the board is currently a representative of the major shareholder.
Board to appoint a Lead Independent if the Chairman is not independent.	Board will be reviewing the structure of the board in 2011.
The Audit Committee should consist of at least three members.	Audit and Risk Committee currently consists of two members. African Brick Centre currently has no internal audit department.
Company's remuneration policy to be endorsed by the shareholders.	The company's remuneration policy is under review and will be presented at the next annual general meeting.
Internal audit team.	The appointment of an internal audit team is temporarily suspended due to financial constraints.

There is no separate internal audit team within the group.

## THE BOARD

The board is governed by a formal Board Charter which sets out a clear balance of power and authority at board level to ensure that no one director has unfettered powers of decision-making. The primary responsibilities of the board include regular review of the strategic direction of investment decisions and performance against approved plans, budgets and best practice standards. The board retains full and effective control of the group and decisions on material matters are reserved for the board. The board is also responsible for monitoring the activities of the executive management.

To ensure that there is a clearly accepted division of responsibilities at the head of the company, the roles of Chairman and Managing Director are separate. The board currently comprises five directors, which include two executive directors, two independent non-executive directors and one non-executive director. The guidelines contained in the Listings Requirements of the JSE were used to determine the category most applicable to each director. The names of the directors are set out on page 2 of the annual report.

### Changes to the board

Mr Linda Yanta resigned as an independent non-executive director and member of the Audit and Risk Committee on 9 September 2010.

Mr Chris Strydom resigned as a non-executive director on 31 May 2011.

### The Chairman

Sizwe Tati was appointed as non-executive chairman on 30 January 2009. The Chairman provides guidance to the board as a whole and ensures that the board is efficient, focused and operates as a unit. He acts as facilitator at board meetings to ensure a sound flow of opinions and ensures that discussions lead to optimal outcomes in the interests of good governance. He represents the board in external communications, in consultation with the Managing Director and the Financial Director.

### The Managing Director

Musa Shangase was appointed as the Managing Director on 1 March 2010. Musa's responsibilities are to run the business and to implement the policies and strategies adopted by the board. All board authority conferred on management is delegated through the Managing Director, in line with the approved levels of authority for the group. The Managing Director is required to act within levels of authority delegated to him by the board. The Managing Director reports to the board on the achievement of company goals.

### The board committees

While the board remains accountable and responsible for the performance and affairs of the company, it delegates to management and board committees certain functions to assist it to properly discharge its duties. The Chairman of the Audit and Risk Committee reports at each scheduled meeting and attends the Annual General Meeting to answer questions raised by shareholders.

During the twelve months ended 28 February 2011, the Audit and Risk Committee comprised Mitesh Patel (Chairman) and Derrick Msibi. Linda Yanta resigned as a member on 9 September 2010.

The Audit and Risk Committee report setting out the committee responsibilities and duties during the period under review is set out on page 7 of the annual report.

One Remuneration Committee meeting was held during the financial year.

### Board and committee meeting attendance

The board met six times during the financial year. The Audit and Risk Committee met three times during the financial year. Representatives of the appointed Designated Advisers attend all board and Audit and Risk Committee meetings. The Company Secretary acts as Secretary to the board and the committee and attends all meetings. Details of the attendance at meetings are set out in the table below.

Director	Description	Notes	Board meetings	Audit and Risk Committee meetings	Remuneration Committee meetings
SA Tati	Board Chairman	No change	6/6	N/A	1/1*
B Blom	Financial Director	No change	6/6	3/3*	1/1*
WAF Strydom	Non-executive Director	Resigned on 31 May 2011	4/6	N/A	N/A
MP Shangase	Managing Director	No change	5/6	3/3*	1/1*
MM Patel	Independent Director and Chairman of the Audit and Risk (ARC) and Remuneration Committee	No change	3/6	3/3	1/1
L Yanta	Independent Director and Member of the ARC and Remuneration Committee	Resigned on 9 September 2010	1/3	2/2	1/1
DTV Msibi	Independent Director and Member of the ARC and Remuneration Committee	Appointment as a member of the ARC on 9 September 2010	3/6	1/1	0/1

\* Attended the meeting by invitation.

### Retirement and re-election of directors

All directors are subject to retirement and re-election by shareholders every three years in terms of the company's articles of association. In addition, all directors are subject to election by shareholders at the first opportunity after their initial appointment. Messrs Burgert Blom and Sizwe Tati, being eligible, have offered themselves for re-election. The biographical details are provided on page 2 of this annual report to enable shareholders to make an informed decision in respect of their election.

### Appointments to the board

The board has adopted a formal and transparent policy on the procedures for the appointment of directors, which is a matter for the board as a whole. The non-executive members of the board propose suitable candidates for consideration by the board. The Company Secretary ensures that individual appointees are free of any conflict of interest between the duties he/she owes to the company and their private interest.

### Induction and development

The Company Secretary ensures that the board is regularly updated with changes to legislation, regulation and best practice and has ensured that all the directors have attended the Altx Directors' Induction Programme.

### DIRECTORS' SHARE DEALINGS

Directors may not deal in the company's shares without first advising and obtaining clearance from the Chairman and the Financial Director. The Chairman and Financial Director may not deal in the company's shares without first advising and obtaining clearance from the board. No director or senior management may trade in African Brick shares during closed periods as defined in the JSE Listings Requirements. The directors of the company keep the Company Secretary advised of all their dealings in securities.

### DIRECTORS' INTERESTS IN CONTRACTS

Other than the interests disclosed in note 10 of the annual financial statements, directors are not interested in any other contracts. Directors are required to inform the board timeously of potential conflicts of interest they may have in relation to particular items of business and recuse themselves from discussions or decisions on matters in which they have a conflicting interest.

### DIRECTORS AND ASSOCIATES' INTERESTS IN SECURITIES

Directors and associates' interest for the prior and current financial year is set out on page 10 of the annual report.

## CORPORATE GOVERNANCE (continued)

### CONFLICTS OF INTEREST

The board encourages its directors to avoid situations where they have, or can have, a direct or indirect interest that conflicts with the company's interests. Directors are required to inform the board timeously of conflicts or potential conflicts of interest they may have in relation to particular items of business. A director who has a conflict of interest with respect to a contract or transaction that will be voted on at a meeting, shall not be counted in determining the presence of a quorum for purposes of the vote, may not vote on the contract or transaction, and shall not be present in the meeting room when the vote is taken.

### PRICE-SENSITIVE INFORMATION

The board acknowledges its responsibility for ensuring the equal treatment of all shareholders. The board has an approved Information Disclosure Policy in place which sets out the necessary guidelines that have to be adhered to at all times in the external communication of the company's affairs

### INDEPENDENT ADVICE

Individual directors may, after consulting with the Chairman or the Managing Director, seek independent professional advice, at the expense of the company, on any matter connected with the discharge of their responsibilities as directors.

### THE COMPANY SECRETARY

Premium Corporate Consulting Services (Pty) Limited resigned as Company Secretary on 31 May 2011. Mr Burgert Blom, currently the Financial Director of the group, assumed the role of Company Secretary to African Brick on 31 May 2011.

The Company Secretary is responsible for providing the board collectively, and each director individually, with guidance on the discharge of their responsibilities in terms of the legislation and regulatory requirements of the relevant jurisdictions. The Company Secretary ensures that the board and its committees are supplied with comprehensive and timely information, to ensure that the directors have all the relevant information and facts, to enable them to discharge their responsibilities.

### COMMUNICATION

The company is committed to transparent, timeous and consistent communication with shareholders and aims to present in all its communications a balanced assessment of the group's position. Shareholders' attendance at general meetings is encouraged. Company announcements are released on SENS and posted on the company's website.

### INDUSTRY ASSOCIATIONS

The company is an active member of the Clay Brick Association.

### EMPLOYMENT EQUITY

An affirmative action programme forms part of the group's business plan. The group offers equal opportunities to all employees. It seeks to provide a work environment in which individuals of ability and commitment are able to develop their careers regardless of their background, race, religion or gender.

The group fully supports the government's initiative to achieve greater equity in the workplace and management of all group companies is fully committed to complying with the Employment Equity Act of 1998 (as amended).

# AUDIT AND RISK COMMITTEE REPORT

## BACKGROUND

The committee presents its report for the financial year ended 28 February 2011 as recommended by the King III report on Corporate Governance and in line with the South African Companies Act, 61 of 1973 (as amended) (the Act). The new Companies Act 71 of 2008 came into effect on 1 May 2011 and will be effective for the period ended 28 February 2012 onwards.

## OBJECTIVE AND SCOPE

The overall objectives of the committee are as follows:

- To review the principles, policies and practices adopted in the preparation of the accounts of companies in the group and to ensure that the annual financial statements of the group and any other formal announcements relating to the financial performance comply with all statutory, regulatory and African Brick Centre (ABC) requirements as may be required;
- To ensure that the consolidated financial statements of the group comply with all statutory, regulatory and ABC requirements and similarly, that the financial information contained in any consolidated submissions to ABC is suitable for inclusion in its consolidated financial statements;
- To annually assess the appointment of the external auditors and their independence, recommend their appointment and approve their fees;
- To review the work of the group's external auditors to ensure the adequacy and effectiveness of the group's financial controls;
- To review the management of risk and the monitoring of compliance effectiveness within the group; and
- To perform duties that are attributed to it by the Act, the JSE and in future King III.

The committee performed the following activities:

- Received and reviewed reports from external auditors concerning the effectiveness of the internal control environment, systems and processes;
- Reviewed the reports of external auditors detailing their concerns arising out of their audits and requested appropriate responses from management resulting in their concerns being addressed;
- Made appropriate recommendations to the board of directors regarding the corrective actions to be taken as a consequence of audit findings;
- Considered the independence and objectivity of the external auditors and ensured that the scope of their additional services provided was not such that they could be seen to have impaired their independence; and
- Reviewed and recommended for adoption by the board such financial information that is publicly disclosed which for the year included:
  - the audited results for the year ended 28 February 2011; and
  - the interim results for the six months ended 31 August 2010.

The Audit Committee is of the opinion that the objectives of the committee were met during the year under review. Where weaknesses in specific controls had been identified, management undertook to implement appropriate corrective actions to mitigate the weakness identified.

## MEMBERSHIP

During the course of the year, the membership of the committee comprised solely independent non-executive directors. They are Mitesh Patel (Chairman) and Derrick Msibi.

## EXTERNAL AUDIT

The committee has satisfied itself through enquiry that the auditors of ABC are independent as defined by the Act. The committee, in consultation with executive management, agreed to an audit fee for the 2011 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. There is a formal procedure that governs the process whereby the external auditor is considered for the provision of non-audit services, and each engagement letter for such work is reviewed in accordance with set policy and procedure. Meetings were held with the auditor where management was not present, and no matters of concern were raised. The committee has reviewed the performance of the external auditors and nominated, for approval at the annual general meeting, SAB&T as the external auditor for the 2012 financial year.

## INTERNAL AUDIT

There is no separate internal audit team within the Group.

## FINANCIAL DIRECTOR

We have satisfied ourselves that Burgert Blom, has the appropriate expertise and experience to meet the responsibilities of his appointed position as Financial Director as required by the JSE. We are satisfied that, as part of the turnaround strategy, the resources within the finance function are being strengthened to provide the necessary support to the Financial Director.

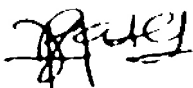
In making these assessments, we have obtained feedback from the external auditors. Based on the processes and assurances obtained, we believe that the accounting practices are effective.

## ANNUAL FINANCIAL STATEMENTS

The Audit Committee has evaluated the consolidated annual financial statements for the year ended 28 February 2011 and considers that they comply, in all material aspects, with the requirements of the Act and International Financial Reporting Standards. The committee has therefore recommended the annual financial statements for approval to the board. The board has subsequently approved the financial statements which will be open for discussion at the forthcoming annual general meeting.

## COMPANIES ACT

The Audit Committee together with the board and management have taken appropriate steps to ensure that the company has processes in place to comply fully with the Companies Act 71 of 2008 before the financial year ended 28 February 2013.



MM Patel  
Audit and Risk Committee Chairman

16 August 2011

## DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required in terms of the Companies Act 71 of South Africa, 2008 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

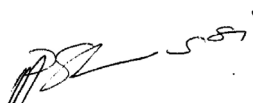
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year to 29 February 2012 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the group's annual financial statements. The annual financial statements have been examined by the group's external auditors and their report is presented on page 9.

The annual financial statements set out on pages 10 to 48, which have been prepared on the going concern basis, were approved by the board of directors on 27 May 2011 and were signed on its behalf by:



**MP Shangase**  
Managing Director

16 August 2011



**B Blom**  
Financial Director

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## DECLARATION BY COMPANY SECRETARY

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In terms of Section 268 (G) of the Companies Act 61 of 1973, as amended ("Act"), I certify that, to the best of my knowledge and belief, I, Burgert Blom have, in respect of the financial year ended 28 February 2011, lodged with Cipro all returns required of a public company in terms of the Act and that all such returns are true, correct and up to date.



**B Blom**  
Company Secretary

16 August 2011

# INDEPENDENT AUDITORS' REPORT

## To the members of African Brick Centre Limited

We have audited the annual group and company financial statements of African Brick Centre Limited, which comprise the group and company statement of financial position as at 28 February 2011, and the group and company statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 10 to 48.

## DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, 61 of 1973 (as amended). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

## BASIS FOR QUALIFIED OPINION

### Going concern

The group has been unable to re-negotiate or obtain the required financing to support its current working capital requirements. This situation indicates the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

### Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the annual financial statements present fairly, in all material respects, the financial position of African Brick Centre Limited as at 28 February 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, 61 of 1973 (as amended).



**SAB&T Chartered Accountants Incorporated**

Registered Auditors

Per: B Adam

Centurion

16 August 2011

## DIRECTORS' REPORT

The directors submit their report for the year ended 28 February 2011.

### REVIEW OF ACTIVITIES

#### Main business and operations

The group is engaged in manufacture and sale of bricks and building materials and operates principally in South Africa.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net loss of the group was R11 943 404 (2010: R15 379 750 loss), after taxation of R4 350 453 (2010: R2 384 302).

### GOING CONCERN

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Capital raised through a rights offer during September 2010 was in line with expectations but the group could not successfully raise a further R3,8 million through the sale of the Honeydew Property.

Subsequently the controlling shareholder approved a R5 million term loan on 27 July 2011. The loan is repayable within twelve months from date of issue with the option to convert into equity. The board is reviewing alternative options which are expected to be announced by November 2011.

Further to the above, the directors successfully implemented the following restructuring initiatives in order to reduce operating cost:

- reduction in salaries as an alternative to reduce payroll cost within the retail operation;
- further right sizing of retail operations to only focus on core product lines and the recovery of cash resources invested in stock;
- reduction in Standard Bank term loan from R10 million to R4,8 million through liquidation of a debt redemption policy;
- reduction in head office operating and payroll cost; and
- reduction in executive and non-executive salaries.

These initiatives were tailored to free up R400 000 cash on a monthly basis.

### EVENTS AFTER THE REPORTING PERIOD

The company successfully claimed against Absa Insurance, an amount of R1,6 million for rain damaged stock and loss of income. The damaged stock was fully impaired at year end. The claim was settled during June 2011.

### DIRECTORS' INTEREST

Director	Direct	Indirect	Total	% shareholding
<b>2011</b>				
SA Tati <sup>1</sup>	–	250 805 142	250 805 142	35,4
<b>2010</b>				
SA Tati <sup>1</sup>	–	79 620 680	79 620 680	26

<sup>1</sup> Has an indirect beneficial interest in Yakani Infracore (Pty) Limited.

<sup>2</sup> No other director holds any shares in the company.

No change in the above mentioned interests has occurred between the financial year end and the date of this report.

### BORROWING LIMITATIONS

In terms of the articles of association of the company, the directors may exercise all the powers of the company to borrow money, as they consider appropriate.

### NON-CURRENT ASSETS

There were no material changes to non-current assets during the year.

### DIVIDENDS

No dividends were declared or paid to shareholder during the year.

## DIRECTORS

The directors of the company during the year and to the date of this report are as follows:

<b>Name</b>	<b>Category</b>	<b>Changes</b>
MM Patel	Independent non-executive	
SA Tati (Chairperson)	Non-executive	
WAF Strydom	Non-executive with effect from 1 May 2009	Resigned 31 May 2011
B Blom	Executive	
L Yanta	Independent non-executive	Resigned 30 September 2010
DTV Msibi	Non-executive	
MP Shangase (Managing director)	Executive	

## SECRETARY

The secretary of the company is B Blom.

<b>Business address</b>	<b>Postal address</b>
Farm 246	PO Box 99
Luipaardsvlei	Rant en Dal
Krugersdorp	South Africa
South Africa	1751
1739	

## HOLDING COMPANY

The company's holding company is Yakani Infraco (Pty) Limited incorporated in South Africa.

## INTEREST IN SUBSIDIARIES

<b>Name of subsidiary</b>	<b>Country of incorporation</b>
African Brick (Pty) Limited	Republic of South Africa
Landton Properties (Pty) Limited	Republic of South Africa
African Brick Lenasia (Pty) Limited	Republic of South Africa
Dash Brick and Building Supplies (Pty) Limited	Republic of South Africa

Details of the company's investment in subsidiaries are set out in note 6.

## AUDITORS

SAB&T Chartered Accountants Incorporated will continue in office in accordance with section 90 of the Companies Act.

## DIRECTORS' EMOLUMENTS

Details of directors' emoluments are set out in note 28 of the annual financial statements.

# STATEMENT OF FINANCIAL POSITION

as at 28 February

	Note	GROUP		COMPANY	
		2011 R	2010 R	2011 R	2010 R
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investment property	3	660 000	625 000	–	–
Property, plant and equipment	4	50 822 394	54 506 077	8 671 799	10 380 337
Intangible assets	5	2 543 331	5 219 086	–	–
Investments in subsidiaries	6	–	–	41 363 518	54 868 941
Loans to group companies	7	–	–	26 425 292	19 420 580
Other financial assets	8	4 848 294	2 844 294	4 843 000	2 839 000
Deferred tax	9	1 189 357	1 277 435	565 244	565 244
		60 063 376	64 471 892	81 868 853	88 074 102
<b>Current assets</b>					
Inventories	10	19 148 234	20 304 211	–	–
Current tax receivable		253 884	781 092	–	283 299
Trade and other receivables	11	6 444 502	9 984 105	744 123	842 940
Cash and cash equivalents	12	1 093 523	1 106 388	84 088	114 938
		26 940 143	32 175 796	828 211	1 241 177
<b>Total assets</b>		<b>87 003 519</b>	<b>96 647 688</b>	<b>82 697 064</b>	<b>89 315 279</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	13	124 280 630	113 315 369	124 400 630	113 315 369
Reserves	14	1 805 880	2 682 223	2 595 877	3 472 220
Accumulated loss		(77 701 092)	(65 757 688)	(62 095 602)	(44 222 759)
		48 385 418	50 239 904	64 900 905	72 564 830
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Loans from group companies	7	–	–	493 232	–
Other financial liabilities	15	10 014 384	10 017 340	10 014 384	10 014 384
Instalment sale obligation	16	674 242	969 451	582 030	728 057
Deferred tax	9	5 598 713	10 044 752	416 625	565 244
Provisions	17	4 835 423	4 700 000	–	–
		21 122 762	25 731 543	11 506 271	11 307 685
<b>Current liabilities</b>					
Other financial liabilities	15	11 646	3 467 582	–	–
Instalment sale obligation	16	754 388	704 658	595 627	533 354
Trade and other payables	18	9 213 013	8 970 543	1 071 494	335 378
Provisions	17	500 000	500 000	–	–
Bank overdraft	12	7 016 292	7 033 458	4 622 767	4 574 032
		17 495 339	20 676 241	6 289 888	5 442 764
<b>Total liabilities</b>		<b>38 618 101</b>	<b>46 407 784</b>	<b>17 796 159</b>	<b>16 750 449</b>
<b>Total equity and liabilities</b>		<b>87 003 519</b>	<b>96 647 688</b>	<b>82 697 064</b>	<b>89 315 279</b>

## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February

	Note	GROUP		COMPANY	
		2011 R	2010 R	2011 R	2010 R
Revenue	19	83 596 844	89 779 903	2 021 754	2 838 216
Cost of sales		(76 229 868)	(80 771 639)	–	–
<b>Gross profit</b>		7 366 976	9 008 264	2 021 754	2 426 655
Other income		1 365 866	5 274 441	1 458 827	4 558 553
Operating expenses		(22 922 244)	(30 283 857)	(21 941 442)	(40 954 524)
<b>Operating loss</b>	20	(14 189 402)	(16 001 152)	(18 460 861)	(33 557 755)
Investment revenue	21	32 095	203 108	2 126 412	2 305 734
Fair value adjustments		35 000	–	–	–
Finance costs	22	(2 171 550)	(1 966 008)	(1 635 398)	(1 779 332)
<b>Loss before taxation</b>		(16 293 857)	(17 764 052)	(17 969 847)	(33 031 353)
Taxation	23	4 350 453	2 384 302	97 004	553 938
<b>Loss for the year</b>		(11 943 404)	(15 379 750)	(17 872 843)	(32 477 415)
Loss attributable to owners of the parent		(11 943 404)	(15 379 750)		
<b>Other comprehensive income:</b>					
Gains and losses on property revaluation		(1 024 496)	20 187	–	–
Taxation related to components of other comprehensive income		148 153	–	–	–
<b>Other comprehensive loss for the year net of taxation</b>		(876 343)	–	–	–
<b>Total comprehensive loss</b>		(12 819 747)	(15 359 750)	(17 872 843)	(32 477 415)
<b>Total comprehensive loss attributable to:</b>					
Owners of the parent		(12 819 747)	(15 359 750)	(17 872 843)	(32 477 415)
Earnings/(loss) per share (cents)	31	2,12	3,82		
Headline earnings/(loss) per share (cents)	32	1,67	2,95		

# STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February

	Share capital R	Share premium R	Total share capital R	Revaluation reserve R	Accumulated loss R	Total equity R
<b>GROUP</b>						
<b>Balance at 1 March 2009</b>	312 238	113 003 131	113 315 369	2 662 036	(50 377 938)	65 599 467
Changes in equity						
Total comprehensive loss for the year	–	–	–	20 187	(15 379 750)	(15 359 563)
<b>Balance at 1 March 2010</b>	312 238	113 003 131	113 315 369	2 682 223	(65 757 688)	50 239 904
Changes in equity						
Total comprehensive income for the year	–	–	–	(876 343)	(11 943 404)	(12 819 747)
Issue of shares	396 279	10 688 982	11 085 261	–	–	11 085 261
Purchase of treasury shares	(3 000)	(117 000)	(120 000)	–	–	(120 000)
Total changes	393 279	10 571 982	10 965 261	(876 343)	(11 943 404)	(1 854 486)
<b>Balance at 28 February 2011</b>	<b>705 517</b>	<b>123 575 113</b>	<b>124 280 630</b>	<b>1 805 880</b>	<b>(77 701 092)</b>	<b>48 385 418</b>
Note(s)	13	13	13	14		
<b>COMPANY</b>						
<b>Balance at 1 March 2009</b>	312 238	113 003 131	113 315 369	3 452 033	(11 745 344)	105 022 058
Changes in equity						
Total comprehensive income for the year	–	–	–	20 187	(32 477 415)	(32 457 228)
Total changes	–	–	–	20 187	(32 477 415)	(32 457 228)
<b>Balance at 1 March 2010</b>	312 238	113 003 131	113 315 369	3 472 220	(44 222 759)	72 564 830
Changes in equity						
Total comprehensive income for the year	–	–	–	(876 343)	(17 872 843)	(18 749 186)
Issue of shares	396 279	10 688 982	11 085 261	–	–	11 085 261
Total changes	396 279	10 688 982	11 085 261	(876 343)	(17 872 843)	(7 663 925)
<b>Balance at 28 February 2011</b>	<b>708 517</b>	<b>123 692 113</b>	<b>124 400 630</b>	<b>2 595 877</b>	<b>(62 095 602)</b>	<b>64 900 905</b>
Note(s)	13	13	13	14		

# STATEMENT OF CASH FLOWS

for the year ended 28 February

	Note	GROUP		COMPANY	
		2011 R	2010 R	2011 R	2010 R
<b>Cash flows from operating activities</b>					
Cash receipts from customers		117 916 268	101 591 588	1 725 532	15 670 452
Cash paid to suppliers and employees		(121 454 999)	(103 970 536)	(5 024 109)	(6 805 956)
Cash generated from (used in) operations	25	(3 538 731)	(2 378 948)	(3 298 577)	8 864 496
Interest income		32 095	203 108	2 126 412	2 305 734
Finance costs		(1 858 086)	(1 634 627)	(1 452 588)	(1 488 704)
Tax received (paid)	26	668 320	(288 917)	380 303	–
<b>Net cash from operating activities</b>		<b>(4 696 402)</b>	<b>(4 099 384)</b>	<b>(2 244 450)</b>	<b>9 681 526</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	4	(1 125 763)	(3 214 690)	(321 822)	(2 440 908)
Sale of property, plant and equipment	4	1 007 282	4 167 415	183 469	2 501 175
Repayment of loans from group companies		–	–	(6 511 480)	(7 000 565)
Purchase of financial assets		(2 128 242)	(2 003 450)	(2 004 000)	(2 003 450)
<b>Net cash from investing activities</b>		<b>(2 246 723)</b>	<b>(1 050 725)</b>	<b>(8 653 833)</b>	<b>(8 943 748)</b>
<b>Cash flows from financing activities</b>					
Proceeds on share issue	13	10 965 261	–	11 085 261	–
Proceeds from other financial liabilities		–	3 308 334	–	–
Repayment of other financial liabilities		(3 458 892)	(139 298)	–	(116 276)
Movement in loans to managers and employees		–	148 349	–	119 527
Proceeds from shareholders' loan		–	–	–	(137 247)
Payments of instalment sale obligations		(558 943)	(2 442 489)	(266 564)	(1 916 365)
<b>Net cash from financing activities</b>		<b>6 947 426</b>	<b>874 896</b>	<b>10 818 697</b>	<b>(2 050 361)</b>
<b>Total cash movement for the year</b>		<b>4 301</b>	<b>(4 275 213)</b>	<b>(79 586)</b>	<b>(1 312 583)</b>
Cash at the beginning of the year		(5 927 070)	(1 651 857)	(4 459 094)	(3 146 511)
<b>Total cash at the end of the year</b>	12	<b>(5 922 769)</b>	<b>(5 927 070)</b>	<b>(4 538 680)</b>	<b>(4 459 094)</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February

## 1. ACCOUNTING POLICIES

### Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of South Africa, 61 of 1973 (as amended). The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties, certain classes of property, plant and equipment and certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

### 1.1 Consolidation

#### Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the company and all entities, including special purpose entities, which are controlled by the company.

Control exists when the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions which result in changes in ownership levels, where the group has control of the subsidiary both before and after the transaction, are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

#### Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not effected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal group) that are classified as held-for-sale in accordance with IFRS 5 Non-current assets held-for-sale and discontinued operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interest arising from a business combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note on business combinations.

In cases where the group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the group at the end of each reporting period with the adjustment recognised in equity through to other comprehensive income.

## 1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

### **Trade receivables, held to maturity investments and loans and receivables**

The group assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

### **Available-for-sale financial assets**

The group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

### **Allowance for slow moving, damaged and obsolete stock**

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating profit note.

### **Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

### **Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the market price of manufactured product and rate at which the group mines may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 – Provisions.

### **Expected manner of realisation for deferred tax**

Deferred tax is provided for on the fair value adjustments of investment properties based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February

## 1. ACCOUNTING POLICIES (continued)

### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

#### Property, plant and equipment

Management has applied its judgement in assessing the useful lives and the residual values of property, plant and equipment as presented in the accounting policies.

### 1.3 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

### 1.4 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Land and buildings is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of land and buildings is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised to other comprehensive income and accumulated in the revaluation surplus in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation surplus in equity.

The revaluation surplus in equity related to a specific item of land and buildings is transferred directly to retained earnings when the asset is derecognised.

Plant and machinery are depreciated on the diminishing balance method over their expected useful lives to their estimated residual value.

Plant and machinery is carried at cost less accumulated depreciation and any impairment losses. All other classes of property, plant and equipment is depreciated on the straight-line method.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	20 years
Plant and machinery	5 years
Motor vehicles	5 years
Office equipment	10 years
IT equipment	3 years
Computer software	2 years
Hostel equipment	10 years
Workshop equipment	10 years
Production equipment	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the group and company holds for rentals to others and subsequently routinely sells as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.5 Site restoration and dismantling cost

The company has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss; and
- if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in profit or loss.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to other comprehensive income and accumulated in the revaluation surplus in equity, except that it is recognised in profit or loss to the extent that it reverses a revaluation deficit on the asset that was previously recognised in profit or loss; and
  - an increase in the liability is recognised in profit or loss, except that it is debited to other comprehensive income as a decrease to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in profit or loss; and
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to profit or loss and to other comprehensive income under (a). If a revaluation is necessary, all assets of that class are revalued.

### 1.6 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February

## 1. ACCOUNTING POLICIES (continued)

### 1.6 Intangible assets (continued)

- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Clay mineral reserves	20 years

### 1.7 Investments in subsidiaries

#### Company annual financial statements

In the company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

### 1.8 Financial instruments

#### Classification

The group classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment;
- Loans and receivables;
- Available-for-sale financial assets; and
- Financial liabilities measured at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

#### Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

#### Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective

interest method is recognised in profit or loss as part of other income. Dividends received on available-for-sale equity instruments are recognised in profit or loss as part of other income when the group's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in profit or loss, while translation differences on non-monetary items are recognised in other comprehensive income and accumulated in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

#### **Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

#### **Impairment of financial assets**

At each reporting date the group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

#### **Financial instruments designated as available-for-sale**

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. These investments are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

#### **Loans to (from) group companies**

These include loans to and from holding companies, fellow subsidiaries and subsidiaries and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

#### **Loans to shareholders, directors, managers and employees**

These loans are recognised initially at fair value plus direct transaction costs. These financial assets are classified as loans and receivables.

#### **Trade and other receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February

## 1. ACCOUNTING POLICIES (continued)

### 1.8 Financial instruments (continued)

#### Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Trade and other payables are classified as financial liabilities at amortised cost.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Cash and cash equivalents are classified as financial assets at fair value.

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

#### Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the group has the positive intention and ability to hold to maturity are classified as held to maturity.

### 1.9 Tax

#### Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction that, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income; or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

### 1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### Operating leases – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

#### Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

### 1.11 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in, first-out (FIFO) basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.12 Impairment of assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period; and
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February

## 1. ACCOUNTING POLICIES (continued)

### 1.12 Impairment of assets (continued)

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss that raises the carrying values above the historic carrying value of a revalued asset is treated as a revaluation increase.

### 1.13 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity.

### 1.14 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### 1.15 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

### 1.16 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

### 1.17 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Certain salary expenditure was allocated during the year to direct costs incurred. The allocation of these expenses reflect more appropriately the way in which economic benefits are derived from the use of the salaried employees.

### 1.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings; and
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.19 Instalment sale agreements lessee

Instalment sale agreements are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the assets or, if lower, the present value of the minimum payments. The corresponding liability to the lessor is included in the statement of financial position as an instalment sale obligation. The discount rate used in calculating the present value of the minimum instalment payments is the interest rate implicit in the instalment payment. The instalment payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the instalment sale term so as to produce a constant periodic rate of return on the remaining balance of the liability.

### 1.20 Segment report

The group's primary basis of segment reporting is all its business segments as reported to the Board of Directors.

### 1.21 Statement of cash flows

The statement of cash flows is prepared on the direct method.

## 2. NEW STANDARDS AND INTERPRETATIONS

### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

#### IFRIC 18 Transfers of assets from customers

The interpretation applies to circumstances where entities receive assets from customers to connect them to a network and/or to provide them with certain commodities, for example electricity, resulting from connection to the network. It also applies where the customer provides the entity with cash to construct such assets. It does not apply to government grants or to agreements within the scope of IFRIC 12 (AC 445) Service concession arrangements. If the item meets the definition of an asset to the entity, it is to be recognised at fair value. The corresponding credit shall be recognised as revenue and shall be allocated to the separately identifiable services which are provided, i.e the connection service and/or provision of access to commodities service. The revenue recognised for each service shall be based on the recognition criteria of IAS 18 (AC111) Revenue.

The effective date of the interpretation is for years beginning on or after 1 July 2009.

The group has adopted the interpretation for the first time in the 2011 annual financial statements.

The impact of the adoption is not material.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February

## 2. NEW STANDARDS AND INTERPRETATIONS (continued)

### 2.1 Standards and interpretations effective and adopted in the current year (continued)

#### **IFRIC 17 Distribution of non-cash assets to owners**

The interpretation provides guidance on accounting for non-reciprocal distributions of non-cash assets to owners, or distributions where owners have a choice between a cash or non-cash distribution. The distribution is to be recognised as a dividend on the date that the dividend has been appropriately authorised and is no longer subject to the discretion of the entity, and measured at the fair value of the assets to be distributed. The carrying amount of the dividend payable shall be reviewed at each reporting date and on settlement date to ensure it reflects fair value. Changes in measurement are recognised in equity as adjustments to the amount of the distribution. Additional disclosures are required.

The effective date of the interpretation is for years beginning on or after 1 July 2009.

The group has adopted the interpretation for the first time in the 2011 annual financial statements.

The impact of the adoption is not material.

#### **IFRIC 19 Extinguishing financial liabilities with equity instruments**

The amendment excludes common control transactions and the formation of joint ventures from the scope of IFRS 2 (AC 139) Share-based payment.

The effective date of the amendment is for years beginning on or after 1 July 2009.

The group has adopted the amendment for the first time in the 2011 annual financial statements.

The impact of the amendment is not material.

#### **IAS 24 Related party disclosures**

The amendment specifies that disclosures of other Standards do not apply to non-current assets (or disposal groups) held for sale or discontinued operations, unless specifically required by other Standards or for measurement disclosures of assets and liabilities in a disposal group which are outside the measurement requirements of IFRS 5 (AC 142) Non-current assets held for sale and discontinued operations.

The effective date of the amendment is for years beginning on or after 1 January 2010

The group has adopted the amendment for the first time in the 2011 annual financial statements.

The impact of the amendment is not material.

#### **2009 Annual Improvements Project**

Amendments resulting from the April 2009 annual improvements to IFRS effective for annual periods beginning on or after 1 January 2010 to the following standards, which have been applied from the year ended 28 February 2011:

- IFRS 5 Non-current assets held for sale and discontinued operations; the amendment will improve disclosure on non-current assets held for sale or discontinued operations and will clarify the correct accounting treatment on selling a controlling interest in a subsidiary;
- IFRS 8 Operating segments; the amendment will improve disclosure on information about segment assets;
- IAS 1 Presentation of financial statements; the amendment will classify convertible instruments as current or non-current;
- IAS 7 Statement of cash flow; the amendment will classify expenditure on unrecognised assets;
- IAS 17 Leases; the amendment will classify leases of land and buildings;
- IAS 21 The effects of changes in foreign exchange rates; there are consequential amendments from changes to business combinations;
- IAS 32 Financial instruments presentation; certain financial instruments will be classified as equity where previously they were classified as financial liabilities. Additionally accounting for rights issues that are denominated in a currency other than functional currency;
- IAS 36 Impairment of assets; the amendment will improve disclosure on estimates used to determine the recoverable amount;
- IAS 38 Intangible assets; the amendment will include the unit of production method for amortisation and measuring of fair value of an intangible asset acquired in a business combination;
- IAS 39 Financial instruments: Recognition and measurement; the amendment will reclassify derivatives into or out of the classification of fair value through profit or loss.

The impact of the amendments are not material.

#### **IFRS 3 (Revised) Business combinations**

The revisions to IFRS 3 (AC 140) Business combinations require:

- acquisition costs to be expensed;
- non-controlling interest to either be calculated at fair value or at their proportionate share of the net identifiable assets of the acquiree;
- contingent consideration to be included in the cost of the business combination without further adjustment to goodwill, apart from measurement period adjustments;
- all previous interests in the acquiree to be remeasured to fair value at acquisition date when control is achieved in stages and for the fair value adjustments to be recognised in profit or loss;
- goodwill to be measured as the difference between the acquisition date fair value of consideration paid, non-controlling interest and fair value of previous shareholding and the fair value of the net identifiable assets of the acquiree;

- the acquirer to reassess, at acquisition date, the classification of the net identifiable assets of the acquiree, except for leases and insurance contracts; and
- contingent liabilities of the acquiree to only be included in the net identifiable assets when there is a present obligation with respect to the contingent liability.

The effective date of the standard is for years beginning on or after 1 July 2009.

The group has adopted the standard for the first time in the 2011 annual financial statements.

The impact of the adoption is not material.

#### **IAS 27 (Amended) Consolidated and separate financial statements**

The revisions require:

- losses of the subsidiary to be allocated to non-controlling interest, even if they result in the non-controlling interest being a debit balance;
- changes in level of control without loss of control to be accounted for as equity transactions, without any gain or loss being recognised or any remeasurement of goodwill;
- when there is a change in the level of control without losing control, the group is prohibited from making reclassification adjustments; and
- when control is lost, the net identifiable assets of the subsidiary as well as non-controlling interest and goodwill are to be derecognised. Any remaining investment is remeasured to fair value at the date on which control is lost, and a gain or loss on loss of control is recognised in profit or loss.

The effective date of the amendment is for years beginning on or after 1 July 2009.

The group has adopted the amendment for the first time in the 2011 annual financial statements.

The impact of the adoption is not material.

#### **IAS 12 Income taxes – consequential amendments due to IAS 27 (Amended) Consolidated and separate financial statements**

The amendment is as a result of amendments to IAS 27 (AC 132) Consolidate and separate financial statements. The amendment refers to situations where a subsidiary, on acquisition date, did not recognise a deferred tax asset in relation to deductible temporary differences, because, for example, there may not have been sufficient future taxable profits against which to utilise the deductible temporary differences. If the deferred tax asset subsequently becomes recognisable, the amendment now requires that the deferred tax asset should be recognised against goodwill (and profit or loss to the extent that it exceeds goodwill), only if it results from information in the measurement period about circumstances that existed at acquisition date. No adjustment may be made to goodwill for information outside of the measurement period.

The effective date of the amendment is for years beginning on or after 1 July 2009.

The group has adopted the amendment for the first time in the 2011 annual financial statements.

The impact of the adoption is not material.

## **2.2 Standards and interpretations not yet effective**

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 March 2011 or later periods:

#### **IFRS 9 Financial instruments**

This new standard is the first phase of a three phase project to replace IAS 39 Financial instruments: Recognition and measurement. Phase one deals with the classification and measurement of financial assets. The following are changes from the classification and measurement rules of IAS 39:

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.
- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value.
- Under certain circumstances, financial assets may be designated as at fair value.
- For hybrid contracts, where the host contract is within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the entity changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Investments in equity instruments may be measured at fair value through. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost under any circumstances.

The effective date of the standard is for years beginning on or after 1 January 2013.

The group expects to adopt the standard for the first time in the 2013 annual financial statements. It is unlikely that the standard will have a material impact on the company's annual financial statements, except for additional disclosure requirements.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February

## 2. NEW STANDARDS AND INTERPRETATIONS (continued)

### 2.2 Standards and interpretations not yet effective (continued)

#### IAS 24 Related party disclosures (Revised)

The revisions to IAS 24 include a clarification of the definition of a related party as well as providing a partial exemption for related party disclosures between government-related entities. In terms of the definition, the revision clarifies that joint ventures or associates of the same third party are related parties of each other. To this end, an associate includes its subsidiaries and a joint venture includes its subsidiaries. The partial exemption applies to related party transactions and outstanding balances with a government which controls, jointly controls or significantly influences the reporting entity as well as to transactions or outstanding balances with another entity which is controlled, jointly controlled or significantly influenced by the same government. In such circumstances, the entity is exempt from the disclosure requirements of paragraph 18 of IAS 24 and is required only to disclose:

- the name of the government and nature of the relationship; and
- information about the nature and amount of each individually significant transaction and a quantitative or qualitative indication of the extent of collectively significant transactions. Such information is required in sufficient detail to allow users to understand the effect.

The effective date of the amendment is for years beginning on or after 1 January 2011. The group expects to adopt the amendment for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

#### IFRS 3 Business combination

Amendments to transition requirements for consideration from a business combination that occurred before the effective date of the revised IFRS. Clarification on the measurement of non-controlling interests. Additional guidance provided on unreplaced and voluntarily replaced share-based payment awards.

The effective date of the amendment is for years beginning on or after 1 January 2011. The group expects to adopt the amendment for the first time in the 2012 annual financial statements. It is unlikely that the amendment will have a material impact on the group's annual financial statements.

#### IFRS 7 Financial instruments: Disclosures

Amendment clarifies the intended interaction between qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and removed some disclosure items which were seen to be superfluous or misleading.

The effective date of the amendment is for years beginning on or after 1 January 2012.

It is unlikely that the amendment will have a material impact on the group's annual financial statements.

Amendments require additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are superfluous or misleading undertaken around the end of a reporting period.

The effective date of the standard is for years beginning after 1 July 2011. The group expects to adopt the standard for the first time in the 2012 annual financial statements. The group cannot determine the impact of the standard at the stage.

#### IFRS 10 Consolidated financial statements

New standard that replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and separate financial statements. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess.

The effective date of the standard is for years beginning on or after 1 January 2013.

The group expects to adopt the standard for the first time in the 2013 annual financial statements. The group cannot determine the impact of the standard at the stage.

#### IFRS 11 Joint arrangements

New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. The standard requires a single method for accounting for interests in jointly controlled entities.

The effective date of the standard is for years beginning on or after 1 January 2013.

The group expects to adopt the standard for the first time in the 2013 annual financial statements. The group cannot determine the impact of the standard at the stage.

#### IFRS 12 Disclosure of interests in other entities

New and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

The effective date of the standard is for years beginning on or after 1 January 2013.

The group expects to adopt the standard for the first time in the 2013 annual financial statements. The group cannot determine the impact of the standard at the stage.

**IFRS 13 Fair value measurement**

New guidance on fair value measurement and disclosure requirements.

The effective date of the standard is for years beginning on or after 1 January 2013.

The group expects to adopt the standard for the first time in the 2013 annual financial statements. The group cannot determine the impact of the standard at the stage.

**IAS 1, Presentation of financial statements**

- Clarification of statement of changes in equity.

The effective date of the standard is for years beginning on or after 1 January 2011.

- New requirements to group together items within OCI that may be reclassified to the profit or loss section of the income statement in order to facilitate the assessment of their impact on the overall performance of an entity.

The effective date of the standard is for years beginning on or after 1 July 2012.

The group expects to adopt the standard for the first time in the 2012/13 annual financial statements. The group cannot determine the impact of the standard at the stage.

**IAS 12 Income taxes**

Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale.

The effective date of the standard is for years beginning on or after 1 January 2012.

The change should have no material impact on the financial statements of the group.

**IAS 19 Employee benefits**

Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans.

The effective date of the standard is for years beginning on or after 1 January 2013. The change should have no material impact on the financial statements of the group.

**IAS 27 Consolidated and separate financial statements**

Consequential amendments from changes to Business Combinations.

- Transition requirements for amendments arising as a result of IAS 27 Consolidated and separate financial statements.

The effective date of the standard is for years beginning on or after 1 July 2010.

- Consequential amendments resulting from the issue of IFRS 10, 11 and 12.

The effective date of the standard is for years beginning on or after 1 January 2013.

The change should have no material impact on the financial statements of the group.

**IAS 28 Investments in associates**

Consequential amendments from changes to Business Combinations.

- Consequential amendments from changes to IAS 27 Consolidated and separate financial statements (Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation).
- Consequential amendments resulting from the issue of IFRS 10, 11 and 12.

The change should have no material impact on the financial statements of the group.

**IAS 31 Interests in joint ventures**

- Consequential amendments from changes to Business Combinations.

- Consequential amendments from changes to IAS 27 Consolidated and separate financial statements (Clarification on the transition rules in respect of the disposal or partial disposal of an interest in a foreign operation).

The change should have no material impact on the financial statements of the group.

**IAS 34 Interim financial reporting**

Clarification of disclosure requirements around significant events and transactions including financial instruments.

The effective date of the standard is for years beginning on or after 1 January 2011.

The change should have no material impact on the financial statements of the group.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February

	2011			2010		
	Valuation R	Accumulated depreciation R	Carrying value R	Valuation R	Accumulated depreciation R	Carrying value R
<b>3. INVESTMENT PROPERTY</b>						
Investment property	660 000	–	660 000	625 000	–	625 000
				Opening balance R	Fair value gain R	Total R
<b>GROUP</b>						
<b>Reconciliation of investment property 2011</b>						
Investment property				625 000	35 000	666 000
<b>Reconciliation of investment property 2010</b>						
Investment property				625 000	–	35 000
				<b>GROUP</b>	<b>COMPANY</b>	
				2011 R	2010 R	2011 R
				2010 R		2010 R
<b>Pledged as security</b>						
Carrying value of assets pledged as security:						
Investment property	660 000		625 000	–		–
Mortgage bond over portion 6, Erf 67 Krugersdorp at a rate of prime less 1% with 12 months remaining and payments of R1 800 per month. Refer to note 15.						
<b>Details of property</b>						
Portion 6, Erf 67 Krugersdorp (Residential house comprising buildings 140m <sup>2</sup> in extent situated on an erf 694m <sup>2</sup> )	145 000		145 000	–		–
Purchase price: 5 April 1995	515 000		480 000	–		–
Additions since purchase or valuation	660 000		625 000	–		–
A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the company.						
<b>Details of valuation</b>						
The effective date of the revaluations was 28 February 2011. Revaluations were performed by an independent valuer, Mr MF Bezuidenhout [Professional Associated Valuer, Reg. No: 4462]. Mr Bezuidenhout is not connected to the group and has recent experience in location and category of the land and buildings being valued.						
The valuation was performed by reference to comparable sales of similar properties in the location of the investment property. These assumptions are based on current market conditions.						
<b>Amounts recognised in profit and loss for the year</b>						
Rental income from investment property	9 600		9 600	–		–

	2011			2010		
	Cost/ valuation R	Accumulated depreciation R	Carrying value R	Cost/ valuation R	Accumulated depreciation R	Carrying value R
<b>4. PROPERTY, PLANT AND EQUIPMENT GROUP</b>						
Land and buildings	42 954 812	(377 536)	42 577 276	43 914 054	(201 749)	43 712 305
Plant and machinery	16 604 134	(10 766 470)	5 837 664	13 302 904	(7 071 652)	6 231 252
Motor vehicles	3 085 226	(1 603 409)	1 481 817	4 778 031	(2 023 661)	2 754 370
Office equipment	692 791	(280 541)	412 250	765 318	(277 344)	487 974
IT equipment	632 629	(518 422)	114 207	633 908	(395 988)	237 920
Computer software	82 868	(82 437)	431	82 868	(66 354)	16 514
Production equipment	–	–	–	622 687	–	622 687
Workshop equipment	577 894	(186 373)	391 521	577 894	(142 871)	435 023
Hostel equipment	7 228	–	7 228	37 234	(29 202)	8 032
<b>Total</b>	<b>64 637 582</b>	<b>(13 815 188)</b>	<b>50 822 394</b>	<b>64 714 898</b>	<b>(10 208 821)</b>	<b>54 506 077</b>
<b>COMPANY</b>						
Land and buildings	7 121 818	(320 018)	6 801 800	8 081 059	(176 097)	7 904 962
Plant and machinery	508 900	(291 128)	217 772	704 057	(384 093)	319 964
Motor vehicles	2 241 399	(976 879)	1 264 520	2 254 590	(646 635)	1 607 955
Office equipment	492 009	(215 563)	276 446	540 913	(219 355)	321 558
IT equipment	417 851	(307 021)	110 830	417 622	(192 155)	225 467
Computer software	50 701	(50 270)	431	50 701	(50 270)	431
<b>Total</b>	<b>10 832 678</b>	<b>(2 160 879)</b>	<b>8 671 799</b>	<b>12 048 942</b>	<b>(1 668 605)</b>	<b>10 380 337</b>

## Reconciliation of property, plant and equipment

	2011						
	Opening balance R	Additions R	Disposals R	Transfers R	Depreciation R	Impairment loss R	Total R
<b>GROUP</b>							
Land and buildings	43 712 305	65 721	–	–	(175 788)	(1 024 962)	42 577 276
Plant and machinery	6 231 252	805 050	(81 004)	641 110	(1 658 744)	(100 000)	5 837 664
Motor vehicles	2 754 370	226 017	(872 478)	(18 423)	(607 669)	–	1 481 817
Office equipment	487 974	25 605	(13 826)	–	(87 503)	–	412 250
IT equipment	237 920	3 370	–	–	(127 083)	–	114 207
Computer software	16 514	–	–	–	(16 083)	–	431
Production equipment	622 687	–	–	(622 687)	–	–	–
Workshop equipment	435 023	–	–	–	(43 502)	–	391 521
Hostel equipment	8 032	–	–	–	(804)	–	7 228
	<b>54 506 077</b>	<b>1 125 763</b>	<b>(967 308)</b>	<b>–</b>	<b>(2 717 176)</b>	<b>(1 124 962)</b>	<b>50 822 394</b>

	2010						
	Opening balance R	Additions R	Disposals R	Transfers R	Depreciation R	Impairment loss R	Total R
Land and buildings	52 270 724	1 157 347	–	(4 581 081)	(117 435)	(5 017 250)	43 712 305
Plant and machinery	2 875 575	58 537	(993 958)	4 581 081	(289 983)	–	6 231 252
Motor vehicles	4 966 588	1 117 940	(2 738 767)	–	(591 391)	–	2 754 370
Office equipment	554 532	88 596	(87 000)	–	(68 154)	–	487 974
IT equipment	286 321	183 428	(104 433)	–	(127 396)	–	237 920
Computer software	51 363	32 166	(24 144)	–	(42 871)	–	16 514
Production equipment	1 406 350	576 676	–	–	(1 360 339)	–	622 687
Workshop equipment	483 360	–	–	–	(48 337)	–	435 023
Hostel equipment	8 924	–	–	–	(892)	–	8 032
	<b>62 903 737</b>	<b>3 214 690</b>	<b>(3 948 302)</b>	<b>–</b>	<b>(2 646 798)</b>	<b>(5 017 250)</b>	<b>54 506 077</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February

## 4. PROPERTY, PLANT AND EQUIPMENT (continued)

### Reconciliation of property, plant and equipment (continued)

	2011					Total R
	Opening balance R	Additions R	Disposals R	Revaluations R	Depreciation R	
<b>COMPANY</b>						
Buildings	7 904 962	65 721	–	(1 024 962)	(143 921)	6 801 800
Plant and machinery	319 964	–	(42 975)	–	(59 217)	217 772
Motor vehicles	1 607 955	226 017	(130 013)	–	(439 439)	1 264 520
Office equipment	321 558	25 605	(13 826)	–	(56 891)	276 446
IT equipment	225 467	4 479	–	–	(119 116)	110 830
Computer software	431	–	–	–	–	431
	<b>10 380 337</b>	<b>321 822</b>	<b>(186 814)</b>	<b>(1 024 962)</b>	<b>(818 584)</b>	<b>8 671 799</b>

	2010					Total R
	Opening balance R	Additions R	Disposals R	Depreciation R	Total R	
Buildings	6 839 399	1 157 347	–	(91 784)		7 904 962
Plant and machinery	754 569	–	(300 969)	(133 636)		319 964
Motor vehicles	3 039 770	1 117 940	(2 028 619)	(521 136)		1 607 955
Office equipment	464 770	–	(87 000)	(56 212)		321 558
IT equipment	284 002	165 621	(104 433)	(119 723)		225 467
Computer software	51 363	–	(24 155)	(26 777)		431
	<b>11 433 873</b>	<b>2 440 908</b>	<b>(2 545 176)</b>	<b>(949 268)</b>		<b>10 380 337</b>

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
<b>Pledged as security</b>				
Carrying value of assets pledged as security:				
<b>Land and buildings</b>	<b>4 595 613</b>	<b>6 516 433</b>	<b>3 789 244</b>	<b>7 904 962</b>
First continuing covering mortgage bond for R1 500 000 over portion 554 (a portion of portion 502) of the farm Boschkop with Standard Bank. Refer to note 12 on cash and cash equivalents.				
Second continuing coverage mortgage bond for R3 900 000 with Standard Bank. Refer to note 12 on cash and cash equivalents.				
Unrestricted cession of Santam material damage insurance policy and SASRIA cover over portion 554 (a portion of portion 20 of the farm Boschkop).				
First continuing covering mortgage bond for R13 000 000 over remaining of portion 140 and 143 of Farm Luipaardsvlei by Landton Properties (Pty) Limited. Unrestricted cession of material damage insurance policy including Sasria over remaining of portion 140 and 143 of Farm Luipaardsvlei by Landton Properties (Pty) Limited.				
<b>Plant and machinery</b>	<b>266 229</b>	<b>351 874</b>	<b>266 229</b>	<b>351 874</b>
Certain plant and machinery has been pledged as security for instalment sale agreements. Refer to note 16.				
<b>Motor vehicles</b>	<b>1 322 292</b>	<b>2 162 048</b>	<b>1 322 292</b>	<b>2 162 048</b>
Certain plant and machinery has been pledged as security for instalment sale agreements. Refer to note 16.				

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
<b>4. PROPERTY, PLANT AND EQUIPMENT (continued)</b>				
<b>Reconciliation of property, plant and equipment (continued)</b>				
<b>Revaluations</b>				
<b>Property 1, 3 – 6: Honeydew, Luipaardsvlei and Zuurbekom</b>				
The effective date of the revaluations was 28 February 2011. Revaluations were performed by an independent valuer, Mr MF Bezuidenhout [Professional Associated Valuer, Reg. No: 4462]. Mr Bezuidenhout is not connected to the group and has recent experience in location and category of the land and buildings being valued.				
<b>Assumptions used in the valuation of Honeydew property</b>				
The valuation of the property was based on the income capitalisation method, by capitalising net income at an appropriate rate of return. The rate of return was determined in line with the Rode Report and the ABSA economic report. The market related income was determined based on the expected reasonable market related rental for similar buildings in the area.				
The recoverable amount of land and buildings is determined based on the value-in-use calculation which uses cash flow projections based on a combination of financial budgets, interim results and current results and forecasts, approved by directors, and a discounted rate of 19%. Based on this, the fair value of the Honeydew building has been impaired by R1 024 962 (2010: RNil).				
<b>Assumptions used in the valuation of Luipaardsvlei property</b>				
The valuation of property was based on the replacement less depreciation method. The average building costs as per the SAIV guide was used in determining the replacement values of the building. The recoverable amount of land and buildings is determined based on the value-in-use calculation which uses cash flow projections based on a combination of financial budgets, interim results and current results and forecasts, approved by directors, and a discounted rate of 19%. Based on this, the fair value of the Luipaardsvlei Property has been impaired by RNil (2010: R5 017 000).				
<b>Property 2: Uitenhage</b>				
The effective date of the revaluation was 28 February 2010. Revaluations were performed by an independent valuer, from CMW Real Estate, Mr E Kruger. Mr Kruger is not connected to the group and has recent experience in location and category of the land and buildings being valued.				
<b>Assumptions used in the valuation of Uitenhage</b>				
The valuation of the property was based on the income capitalisation method, by capitalising net income at an appropriate rate of return. The rate of return was determined in line with the Rode Report and the ABSA economic report. The market related income was determined based on the expected reasonable market related rental for similar buildings in the area.				
Land and buildings are revalued independently with sufficient regularity to identify significant changes in the fair value.				
The carrying value of the revalued assets under the cost model would have been:				
Land and buildings	6 465 041	6 634 650	3 723 538	3 690 608

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
<b>4. PROPERTY, PLANT AND EQUIPMENT (continued)</b>				
Reconciliation of property, plant and equipment (continued)				
Details of properties				
Property 1				
Portion 554 (a portion of 543) of the farm Boschkop, No. 1991.Q., Honeydew (retail use, 8 600m <sup>2</sup> in extent)				
– Purchase price: 19 March 2003	1 200 000	1 200 000	1 200 000	1 200 000
– Revaluation	3 012 503	4 037 465	3 012 503	4 037 465
– Capitalised expenditure	2 909 315	2 843 594	2 909 315	2 843 594
– Depreciation	(320 017)	(176 096)	(320 017)	(176 096)
Total	6 801 800	7 904 963	6 801 800	7 904 963
Property 2				
Portion 10 (a portion of portion 1) of the farm Welbedachtsfontein No 300 (in extent approximately 13 hectares) in the division Uitenhage, situated at Morester Farm, Coega				
– Purchase price: 1 December 2005	1 600 000	1 600 000	–	–
– Revaluation	254 029	254 029	–	–
– Depreciation	(57 518)	(25 649)	–	–
Total	1 796 511	1 828 380	–	–
Property 3				
Portion 140 (a portion of portion 1) of the farm Luipaardsvlei 246, Krugersdorp (with land of 31,1903ha in extent with various buildings of 11 717m <sup>2</sup> in extent)				
– Purchase price: 31 December 1965	4 405	4 405	–	–
– Revaluation	32 786 161	32 786 161	–	–
– Capitalised expenditure	216 944	216 944	–	–
Total	33 007 510	33 007 510	–	–
Property 4				
Portion 143 (a portion of portion 1) of the farm Luipaardsvlei 246, Krugersdorp, with improvements thereon (land of 54,4188ha in extent)				
– Purchase price: 6 December 1971	182 272	182 272	–	–
– Capitalised expenditure	402 748	402 748	–	–
Total	585 020	585 020	–	–
Property 5				
Portion 169 (a portion of portion 1) of the farm Luipaardsvlei 246, Krugersdorp, with improvements thereon (land of 54,4188ha in extent)				
Purchase price of land: 6 October 1987	14 187	14 187	–	–
Total	14 187	14 187	–	–
Property 6				
Portion 38 of Farm 297, Zuurbekom (73.78980 ha in extent)				
– Purchase price: 30 July 2006	350 000	350 000	–	–
– Capitalised expenditure	22 245	22 245	–	–
Total	372 245	372 245	–	–

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the company.

	2011			2010			
	Cost R	Accumulated amortisation R	Carrying value R	Cost R	Accumulated depreciation R	Carrying value R	
<b>5. INTANGIBLE ASSETS</b>							
<b>GROUP</b>							
Clay reserves	2 543 331	–	2 543 331	5 219 086	–	5 219 086	
				Opening balance R	Amortisation R	Impairment loss R	Total R
<b>GROUP</b>							
<b>Reconciliation of intangible assets 2011</b>							
Clay mineral reserves				5 219 086	(289 949)	(2 385 806)	2 543 331
				Opening balance R	Amortisation R	Impairment reversal R	Total R
<b>GROUP</b>							
<b>Reconciliation of intangible assets 2010</b>							
Clay mineral reserves				5 219 082	(289 994)	289 998	5 219 086

#### Details of valuation

##### Impairment of clay mineral reserve

The recoverable amount of clay mineral reserves has been determined on the basis of value-in-use calculations. The value-in-use calculations use the cash flow projection method based on 2011 cash flow projections, discounted back at the weighted average cost of capital of 19%. Key assumptions used in the value-in-use calculations include budgeted revenue streams, production capacity and production volumes. Such assumptions are based on historical results and adjusted for anticipated future growth. The directors believe that any reasonable possible change in the key assumptions on which the recoverable amount is based, would not cause the clay mineral reserves' carrying amount to further exceed its recoverable amount. The useful life of clay mineral reserves is considered to be 20 years or 1.485 billion production units. Amortisation is calculated using the unit of production method. This method used is selected on the basis of the expected pattern of consumption of the expected future economic benefits.

These assumptions are based on current market conditions.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February

	% voting power 2011	% voting power 2010	% holding 2011	% holding 2010	Carrying amount 2011 R	Carrying amount 2010 R
<b>6. INVESTMENTS IN SUBSIDIARIES</b>						
Name of company						
African Brick (Pty) Limited	100,00	100,00	100,00	100,00	23 000 000	23 000 000
African Brick Lenasia (Pty) Limited	100,00	100,00	100,00	100,00	12 500 500	12 500 000
Landton Properties (Pty) Limited	100,00	100,00	100,00	100,00	40 000 000	40 000 000
Dash Brick and Building Supplies (Pty) Limited	100,00	100,00	100,00	100,00	12 090 250	12 090 750
					87 590 750	87 590 750
Impairment of investment in subsidiaries					(46 227 232)	(32 721 809)
					41 363 518	54 868 941

The recoverable amount of investment in subsidiaries has been determined on the basis of the net asset values of subsidiaries. Based on this calculation the recoverable amount attributable to Dash Brick and Building Supplies (Pty) Limited, Landton Properties (Pty) Limited, African Brick (Pty) Limited and African Brick Lenasia (Pty) Limited has been impaired.

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
The carrying amounts of subsidiaries net of impairment losses are shown below:				
African Brick (Pty) Limited	–	–	8 614 747	15 136 047
African Brick Lenasia (Pty) Limited	–	–	5 700 000	8 854 271
Landton Properties (Pty) Limited	–	–	25 548 770	24 049 617
Dash Brick and Building Supplies (Pty) Limited	–	–	1 500 000	1 828 946
<b>7. LOANS TO (FROM) GROUP COMPANIES</b>				
<b>Subsidiaries</b>				
African Brick (Pty) Limited	–	–	24 187 753	17 811 956
Dash Brick and Building Supplies (Pty) Limited	–	–	1 604 911	1 338 259
Landton Properties (Pty) Limited	–	–	(493 232)	270 365
African Brick Lenasia (Pty) Limited	–	–	632 628	–
	–	–	25 932 060	19 420 580
The loans are unsecured, bears interest at prime and has no fixed terms of repayment.				
Non-current assets	–	–	26 425 292	19 420 580
Non-current liabilities	–	–	(493 232)	–
	–	–	25 932 060	19 420 580

### Credit quality of loans to group companies

The credit quality of loans to group companies are assessed with reference to the repayment history of the companies. The companies have not been blacklisted. The company's maximum exposure to credit risk with regard to the loans to group companies is limited to the carrying value of the loans to group companies as detailed above.

### Fair value of loans to and from group companies

As no repayment terms exist, the fair value of the group loans cannot be determined, therefore the carrying values of loans to group companies approximate their fair values. The loans to the group companies have not been pledged as security for any other financial obligations.

## 7. LOANS TO (FROM) GROUP COMPANIES (continued)

### Loans to group companies past due but not impaired

The loans to group companies are considered to be neither past due nor impaired and subsequently no provision was created for the irrecoverability of any portion (or the whole) of the loans to group companies. The terms of the loans to group companies have not been renegotiated during the year.

African Brick Centre Limited has subordinated its right to claim payment of a debt of R24,2 million (2010: R17,8 million) owing by African Brick (Pty) Limited, a wholly owned subsidiary, until the assets of this company exceed the liabilities. African Brick (Pty) Limited waives its right of claiming in favour of other creditors in the event of insolvency.

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
<b>8. OTHER FINANCIAL ASSETS</b>				
<b>Available-for-sale</b>				
Unlisted shares in Magaliesgraan Kooperasie	5 294	5 294	–	–
<b>Held to maturity</b>				
Liberty Life redemption policy				
The policy is payable over 60 months at R167 000 per month. Pledged as security against the capital of the R10 000 000 medium-term loan. Refer to note 15.	4 843 000	2 839 000	4 843 000	2 839 000
<b>Total other financial assets</b>	<b>4 848 294</b>	<b>2 844 294</b>	<b>4 843 000</b>	<b>2 839 000</b>
<b>Non-current assets</b>				
Available-for-sale	5 294	5 294	–	–
Held to maturity	4 843 000	2 839 000	4 843 000	2 839 000
	<b>4 848 294</b>	<b>2 844 294</b>	<b>4 843 000</b>	<b>2 839 000</b>
<b>Fair value information</b>				
Available-for-sale financial assets are recognised at fair value, unless they are unlisted equity instruments and the fair value cannot be determined using other means, in which case they are measured at cost. Fair value information is not provided for these financial assets.				
The fair value of available-for-sale investments could not be determined but the difference between the carrying amount of these instruments and their respective fair values is deemed to be immaterial. The shares are subsequently measured at cost plus levy expenditure.				
The group has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.				
There were no gains or losses realised on the disposal of held to maturity financial assets in 2011 and 2010.				
<b>Credit quality of other financial assets</b>				
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. The maximum exposure to credit risk at the reporting date is the carrying amount.				
<b>9. DEFERRED TAX</b>				
<b>Deferred tax asset</b>				
Accelerated capital allowances for tax purposes	(592 025)	(843 473)	–	–
Revaluation, net of related depreciation	(5 006 688)	(9 201 279)	(416 625)	(565 244)
Tax losses available for set off against future taxable income	597 331	630 677	565 244	565 244
Rehabilitation provision	592 026	646 758	–	–
	<b>(4 409 356)</b>	<b>(8 767 317)</b>	<b>148 619</b>	<b>–</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
<b>9. DEFERRED TAX (continued)</b>				
<b>Reconciliation of deferred tax asset (liability)</b>				
At beginning of the year	(8 767 317)	(11 171 807)	–	(574 126)
Increase (decrease) in tax losses available for set off against future taxable income	(33 345)	557 672	–	553 938
Originating temporary difference on tangible fixed assets	251 447	(125 363)	–	–
Reversal of operating lease accrual	–	(9 695)	–	–
Originating temporary difference on revaluation of property	4 194 591	1 425 018	148 619	20 188
Originating temporary differences on rehabilitation provisions	(54 732)	556 858	–	–
	(4 409 356)	(8 767 317)	148 619	–
<b>10. INVENTORIES</b>				
Raw materials, components	3 550 726	3 808 516	–	–
Work in progress	7 219 040	6 751 435	–	–
Finished goods	8 378 468	9 744 260	–	–
	19 148 234	20 304 211	–	–
<b>11. TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	5 840 028	10 549 015	125 400	136 800
Staff loans	43 212	124 075	456	86 695
Prepayments	–	10 800	–	–
Deposits	60 000	400 000	60 000	400 000
VAT	643 527	248 488	504 717	166 787
Other receivables	208 467	159 591	53 550	52 658
Provision for bad debts	(350 732)	(1 507 864)	–	–
	6 444 502	9 984 105	744 123	842 940
<b>Trade and other receivables pledged as security</b>				
Trade receivables are pledged for overdraft facilities. Refer to note 12.				
<b>Credit quality of trade and other receivables</b>				
The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to historical repayment trends and CGIC insurance of the individual debtors. Credit terms are only offered to highly reputable clients. The trade debtors are spread over a broad spectrum of companies in the construction and retail sector, with the concentration risk attached to debtors limited to the construction sector. The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above.				
<b>Trade receivables</b>				
<b>Total trade receivables within normal terms (low risk)</b>				
Trade receivables outstanding within normal credit terms	5 840 028	6 187 136	–	–
CGIC insurance at 70% (2010: 75%) of outstanding trade receivables	(3 416 123)	(4 640 352)	–	–
Uncovered trade receivables outstanding within normal credit terms	2 423 905	1 546 784	–	–
<b>Total trade receivables outside normal terms (high risk)</b>				
Trade receivables outstanding longer than 90 days	45 995	4 362 429	–	–
CGIC insurance on trade receivables outside normal terms	–	(2 012 077)	–	–
Provision for bad debts raised	(45 995)	(1 507 684)	–	–
Uncovered trade receivables outstanding longer than 90 days	–	842 668	–	–

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
<b>11. TRADE AND OTHER RECEIVABLES (continued)</b>				
<b>Fair value of trade and other receivables</b>				
Normal credit terms advanced varies between 30 – 60 days. All trade other receivables' fair values approximate their carrying values.				
<b>Trade and other receivables past due but not impaired</b>				
Trade and other receivables which are less than three months past due are not considered to be impaired. At 28 February 2011, R563 808 (2010: R842 486) were past due but not impaired. The ageing of amounts past due but not impaired is as follows:				
– one month past due	55 572	85 374	–	–
– two months past due	105 736	46 512	–	–
– three months past due	402 500	710 601	–	–
<b>Trade and other receivables impaired</b>				
As of 28 February 2011, trade and other receivables of R1 682 423 (2010: R810 000) were impaired and R525 291 (2010: R1 420 072) was provided for by the group. The amount of the provision is R350 732 as of 28 February 2011 (2010: R1 507 864).				
<b>Reconciliation of provision for impairment of trade and other receivables</b>				
Opening balance	1 507 864	897 792		810 000
Provision for impairment raised	525 291	1 420 072		–
Amounts written off as uncollectable	(1 682 423)	(810 000)	–	(810 000)
	350 732	1 507 864	–	–
<b>12. CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents consist of:				
Cash on hand	41 759	71 123	13 950	13 950
Bank balances	893 087	859 738	–	–
Short-term deposits	158 677	175 527	70 138	100 988
Bank overdraft	(7 016 292)	(7 033 458)	(4 622 767)	(4 574 032)
	(5 922 769)	(5 927 070)	(4 538 679)	(4 459 094)
Current assets	1 093 523	1 106 388	84 088	114 938
Current liabilities	(7 016 292)	(7 033 458)	(4 622 767)	(4 574 032)
	(5 922 769)	(5 927 070)	(4 538 679)	(4 459 094)

First continuing covering mortgage bond for R1 500 000 over portion 554 (a portion of portion 502) of the farm Boschkop with Standard Bank.

Second continuing coverage mortgage bond for R3 900 000 with Standard Bank.

Unrestricted cession of Santam material damage insurance policy and SASRIA cover over portion 554 (a portion of portion 20) of the farm Boschkop.

First continuing covering mortgage bond for R13 000 000 over remaining of portion 140 and 143 of Farm Luipaardsvlei by Landton Properties (Pty) Limited.

Unrestricted cession of material damage insurance policy including Sasria over remaining of portion 140 and 143 of Farm Luipaardsvlei by Landton Properties (Pty) Limited.

Trade receivables have been pledged as security. Refer to note 11.

#### Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
<b>13. SHARE CAPITAL</b>				
<b>Authorised</b>				
1 000 000 000 ordinary shares of 0,1 cent each	1 000 000	1 000 000	1 000 000	1 000 000
250 000 000 preference shares of 0,1 cent each	250 000	250 000	250 000	250 000
	<b>1 250 000</b>	<b>1 250 000</b>	<b>1 250 000</b>	<b>1 250 000</b>
<b>Reconciliation of number of shares issued:</b>				
Reported as at the beginning of the period	312 237 960	312 237 960	312 237 960	312 237 960
Issue of ordinary shares through rights issue	396 279 079	–	396 279 079	–
Buy back of treasury shares	(3 000 000)	–	–	–
	<b>705 517 039</b>	<b>312 237 960</b>	<b>708 517 039</b>	<b>312 237 960</b>
<b>Issued</b>				
708 517 039 ordinary shares of 0,1 cent each	708 517	312 238	708 517	312 238
Share premium	123 692 113	113 003 131	123 692 113	113 003 131
Treasury shares/held by subsidiaries	(120 000)	–	–	–
	<b>124 280 630</b>	<b>113 315 369</b>	<b>124 400 630</b>	<b>113 315 369</b>
<b>14. REVALUATION RESERVE</b>				
Revaluation of land and buildings	3 247 468	4 037 465	4 037 465	4 037 465
Deferred tax on revaluation of land and buildings	(565 245)	(565 245)	(565 245)	(565 245)
Reversal of revaluation reserve	(876 343)	(789 997)	(876 343)	–
	<b>1 805 880</b>	<b>2 682 223</b>	<b>2 595 877</b>	<b>3 472 220</b>
<b>15. OTHER FINANCIAL LIABILITIES</b>				
<b>Held at amortised cost</b>				
Standard Bank of South Africa – medium-term loan	10 014 384	10 017 340	10 014 384	10 014 384
Interest on the loan is repayable monthly, charged at current commercial rates, whereas the capital is only payable at the end of the loan term of five years. Secured by an unrestricted cession of the Liberty Life redemption policy. Refer to note 8.				
Mortgage bond	11 646	26 829	–	–
Mortgage bond over portion 6, Erf 67 Krugersdorp at a rate of prime less 1% with 12 months remaining and payments of R1 800 per month. Refer to note 3.				
Yakani Infracore (Pty) Limited	–	3 440 753	–	–
Interest on the loan is charged at prime plus 2%. The capital was paid during the year as a result of funds available from the rights issue.				
	<b>10 026 030</b>	<b>13 484 922</b>	<b>10 014 384</b>	<b>10 014 384</b>
<b>Non-current liabilities</b>				
At amortised cost	10 014 384	10 017 340	10 014 384	10 014 384
<b>Current liabilities</b>				
At amortised cost	11 646	3 467 582	–	–
	<b>10 026 030</b>	<b>13 484 922</b>	<b>10 014 384</b>	<b>10 014 384</b>
<b>Fair values of other financial liabilities</b>				
All other financial liabilities' fair values approximate their carrying values.				

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
<b>16. INSTALMENT SALE OBLIGATION</b>				
<b>Minimum payments due</b>				
– within one year	876 873	852 451	595 627	640 270
– in second to fifth year inclusive	798 668	1 100 116	496 678	834 977
	1 675 541	1 952 567	1 092 305	1 475 247
Less: future finance charges	(246 911)	(278 458)	(122 111)	(213 836)
<b>Present value of minimum lease payments</b>	<b>1 428 630</b>	<b>1 674 109</b>	<b>1 177 657</b>	<b>1 261 411</b>
<b>Present value of minimum payments due</b>				
– within one year	754 388	704 658	595 627	533 354
– in second to fifth year inclusive	674 242	969 451	582 030	728 057
	1 428 630	1 674 109	1 177 657	1 261 411
Non-current liabilities	674 242	969 451	582 030	728 057
Current liabilities	754 388	704 658	595 627	533 354
	1 428 630	1 674 109	1 177 657	1 261 411

It is group policy to lease certain motor vehicles and equipment under instalment sale agreements.

The average instalment sale term was three to six years and the average effective borrowing rate was 9,5% (2010: 9%) Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The group's obligations under instalment sale agreements are secured by the charge over the fixed assets. Refer note 4.

#### Market risk

For details of sensitivity of exposures to market risk related to instalment sale liabilities, as well as liquidity risk, refer to note 29.

The fair value of instalment sale liabilities approximates their carrying amounts.

	Opening balance R	Additions R	Utilised R	Total R
<b>17. PROVISIONS</b>				
<b>GROUP</b>				
<b>Reconciliation of provisions 2011</b>				
Environmental rehabilitation	5 200 000	210 423	(75,000)	5 335 423
<b>Reconciliation of provisions 2010</b>				
Environmental rehabilitation	5 200 000	–		5 200 000

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
Non-current liabilities	4 835 423	4 700 000	–	–
Current liabilities	500 000	500 000	–	–
	5 335 423	5 200 000	–	–

The environmental rehabilitation provision represents management's best estimate of the group's liability based on an assessment performed by the directors in line with the regulations as stipulated by the Department of Minerals and Energy.

The group's rehabilitation provision is a result of activities to excavate raw materials used in the brick manufacturing process. A provision is recognised for the present value of costs to be incurred, for the rehabilitation of the land where the excavation activities are taking place. The expected timing to settle the rehabilitation provision is uncertain at reporting date.

The short term portion for rehabilitation is calculated as the cost to remove overburden during mining activities during the 2011 financial year, which will be used for rehabilitation, plus cost projections to finalise rehabilitation by November 2012.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
<b>18. TRADE AND OTHER PAYABLES</b>				
Trade payables	7 983 742	7 811 625	937 022	226 424
VAT	183 134	214 428	–	–
Accrued expenses	1 046 137	944 490	134 472	108 954
	<b>9 213 013</b>	<b>8 970 543</b>	<b>1 071 494</b>	<b>335 378</b>
<b>Fair value of trade and other payables</b>				
All trade and other payables' fair values approximate their carrying values.				
<b>19. REVENUE</b>				
Sale of goods	83 596 844	88 863 441	–	–
Rendering of services	–	916 462	2 021 754	2 838 216
	<b>83 596 844</b>	<b>89 779 903</b>	<b>2 021 754</b>	<b>2 838 216</b>
<b>20. OPERATING LOSS</b>				
Operating loss for the year is stated after accounting for the following:				
<b>Operating lease charges</b>				
Premises				
– Contractual amounts	(146 080)	790 940	–	–
Lease rentals on operating lease				
– Contractual amounts	60 335	–	–	–
	<b>(85 745)</b>	<b>790 940</b>	<b>–</b>	<b>–</b>
Profit (loss) on sale of property, plant and equipment	39 974	219 113	(3 345)	(44 001)
Impairment of intangible assets	2 385 806	–	–	–
Impairment on property, plant and equipment	100 000	5 017 250	–	–
Reversal of impairment on intangible assets	–	289 994	–	–
Impairment of investment in subsidiaries	–	–	13 505 423	32 721 809
Impairment on other financial assets	124 242	–	–	–
Amortisation on intangible assets	289 949	289 994	–	–
Depreciation on property, plant and equipment	2 717 175	2 646 793	818 583	949 268
Employee costs	13 629 091	17 751 254	3 547 233	4 426 334
<b>21. INVESTMENT REVENUE</b>				
<b>Interest revenue</b>				
Bank	51	10 809	–	–
Other interest	32 044	192 299	2 126 412	2 305 734
	<b>32 095</b>	<b>203 108</b>	<b>2 126 412</b>	<b>2 305 734</b>
<b>22. FINANCE COSTS</b>				
Trade and other payables	188 007	–	–	–
Instalment sale agreements	313 464	331 381	182 810	290 628
Bank	1 384 018	1 634 627	1 452 588	1 488 704
Other interest paid	286 061	–	–	–
	<b>2 171 550</b>	<b>1 966 008</b>	<b>1 635 398</b>	<b>1 779 332</b>

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
<b>23. TAXATION</b>				
<b>Major components of the tax income</b>				
<b>Current</b>				
Local income tax – recognised in current tax for prior periods	(141 112)	–	(97 004)	–
<b>Deferred</b>				
Originating and reversing temporary differences	(196 714)	114 057	–	–
Arising from previously unrecognised tax losses	–	(546 366)	–	(553 938)
Temporary difference on impairment/revaluation of buildings	(4 012 627)	(1 404 830)	–	–
Originating temporary differences on rehabilitation provisions	–	(556 858)	–	–
Reversing of temporary difference on operating lease	–	9 695	–	–
	(4 209 341)	(2 384 302)	–	(553 938)
	(4 350 453)	(2 384 302)	(97 004)	(553 938)
<b>Reconciliation of the tax expense</b>				
Reconciliation between accounting profit and tax expense				
Accounting loss	(16 293 857)	(17 764 052)	(17 969 847)	(33 031 353)
Tax at the applicable tax rate of 28% (2009: 28%)	(4 562 280)	(4 973 935)	(5 031 557)	(9 248 779)
<b>Tax effect of adjustments on taxable income</b>				
Non-deductible expenses	730 813	–	3 781 518	9 162 107
Other	–	–	(27 161)	–
Tax losses carried forward (utilised)	3 493 640	2 589 633	1 180 196	(467 266)
Valuation of buildings	(4 012 627)	–	–	–
	(4 350 453)	(2 384 302)	(97 004)	(553 938)
<b>24. AUDITORS' REMUNERATION</b>				
Fees	573 741	5 272	369 253	–
<b>25. CASH (USED IN) GENERATED FROM OPERATIONS</b>				
Loss before taxation	(16 293 857)	(17 764 052)	(17 969 847)	(33 031 353)
<b>Adjustments for:</b>				
Depreciation and amortisation	3 007 124	2 936 787	818 583	949 268
(Profit) loss on sale of assets	(39 974)	(219 113)	3 345	44 001
Interest received	(32 095)	(203 108)	(2 126 412)	(2 305 734)
Finance costs	2 171 550	1 966 008	1 635 398	1 779 332
Fair value adjustments	(35 000)	–	–	–
Impairment loss	2 610 048	4 727 256	13 505 423	32 721 809
Movements in provisions	135 423	–	–	–
<b>Changes in working capital:</b>				
Inventories	1 155 977	4 009 345	–	6 525 897
Trade and other receivables	3 539 603	11 811 685	98 817	12 832 236
Trade and other payables	242 470	(9 643 756)	736 116	(10 650 960)
	(3 538 731)	(2 378 948)	(3 298 577)	8 864 496
<b>26. TAX REFUNDED (PAID)</b>				
Balance at beginning of the year	781 092	492 175	283 299	283 299
Current tax for the year recognised in profit or loss	141 112	–	97 004	–
Balance at end of the year	(253 884)	(781 092)	–	(283 299)
	668 320	(288 917)	380 303	–

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
<b>27. RELATED PARTIES</b>				
<b>Relationships</b>				
Holding company		Yakani Infraco (Pty) Limited		
Subsidiaries		Refer to note 6		
Fellow subsidiary		Yakani Bricks (Pty) Limited		
Members of key management		Refer to directors' report		
<b>Related party balances</b>				
Loan accounts – Owning (to) by related parties				
African Brick (Pty) Limited	–	–	24 187 753	17 811 956
Landton Properties (Pty) Limited	–	–	(493 232)	270 365
Yakani Infraco (Pty) Limited	(135 782)	(3 440 753)	–	(3 440 753)
Dash Brick and Building Supplies (Pty) Limited	–	–	1 604 911	1 388 259
African Brick Lenasia (Pty) Limited	–	–	632 628	–
Amounts included in trade receivable (trade payable) regarding related parties				
Yakani Bricks (Pty) Limited	58 273	–	–	–
<b>Related party transactions</b>				
Interest paid to (received from) related parties				
African Brick (Pty) Limited	–	–	(1 588 890)	(1 722 248)
Dash Brick and Building Supplies (Pty) Limited	–	–	(182 550)	(551 829)
Landton Properties (Pty) Limited	–	–	48 137	(27 617)
Yakani Infraco (Pty) Limited	283 217	40 753	–	40 753
African Brick Lenasia (Pty) Limited	–	–	(283 191)	–
Rent paid to (received from) related parties				
Landton Properties (Pty) Limited	–	–	–	150 480
Dash Brick and Building Supplies (Pty) Limited	–	–	1 320 000	–
Management fees paid to (received from) related parties				
Brickveld (Pty) Limited	(130 269)	–	–	(916 462)
Yakani Infraco (Pty) Limited	–	–	–	411 561
African Brick (Pty) Limited	–	–	(684 502)	(650 000)
African Brick Lenasia (Pty) Limited	–	–	(450 000)	(450 000)
African Brick (Pty) Limited	–	–	(120 000)	–
Dash Brick and Building Supplies (Pty) Limited	–	–	(767 251)	–
			<b>Emoluments R</b>	<b>Total R</b>
<b>28. DIRECTORS' EMOLUMENTS</b>				
<b>Executive</b>				
<b>2011</b>				
B Blom			1 017 939	1 017 939
WJJP Geldenhuys			950 368	950 368
MP Shangase			1 017 939	1 017 939
			<b>2 986 246</b>	<b>2 986 246</b>
<b>2010</b>				
B Blom			1 053 451	1 053 451
JM de Wet			1 384 695	1 384 695
MP Shangasi			883 952	883 952
			<b>3 322 098</b>	<b>3 322 098</b>
<b>Non-executive</b>				
<b>2011</b>				
WAF Strydom			40 000	40 000
SA Tati			130 000	130 000
MM Patel			135 000	135 000
L Yanta			40 000	40 000
DTV Msibi			30 000	30 000
			<b>375 000</b>	<b>375 000</b>
<b>2010</b>				
WAF Strydom			21 000	21 000
MM Patel			55 000	55 000
H Knoetze			274 662	274 662
B van Graan			165 999	165 999
SA Tati			80 000	80 000
L Yanta			20 000	20 000
			<b>616 661</b>	<b>616 661</b>

## 29. RISK MANAGEMENT

### Capital risk management

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports regularly to the board of directors on its activities.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The group Audit and Risk Committee oversees how management monitors compliance with the group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

### Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities. During the period under review, the group could not successfully raise additional cash to the amount of R3,8 million to reduce future commitments.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The cash shortfall of R3,8 million is addressed by temporarily increasing creditor repayment terms, optimising stock turnaround and reduction in debtor collection days. In addition a R5 million term loan was obtained from the controlling shareholder to support the group's working capital need.

The table below analyses the group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than one year R	Between two and five years R	Over five years R
<b>GROUP</b>			
<b>At 28 February 2011</b>			
Trade and other payables	(9 213 013)	–	–
Instalment sale agreements	(754 388)	(672 242)	–
Other financial liabilities	(1 889 532)	(3 124 852)	(4 699 625)
<b>At 28 February 2010</b>			
Trade and other payables	(8 970 543)	–	–
Instalment sale agreements	(704 658)	(969 451)	–
Other financial liabilities	(3 467 582)	(10 017 340)	–
<b>COMPANY</b>			
<b>At 28 February 2011</b>			
Trade and other payables	(1 071 494)	–	–
Instalment sale agreements	(595 627)	(582 030)	–
<b>At 28 February 2010</b>			
Trade and other payables	(335 378)	–	–
Instalment sale agreements	(533 354)	(728 057)	–
Other financial liabilities	–	(10 014 384)	–

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February

## 29. RISK MANAGEMENT (continued)

### Interest rate risk

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. Group policy is to maintain approximately 60% of its borrowings in fixed rate instruments. During 2011 and 2010, the group's borrowings at variable rate were denominated in the Rand.

The group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

At 28 February 2011, if interest rates on Rand-denominated borrowings had been 1% higher/lower with all other variables held constant, decrease in post-tax profit for the year would have been R134 907 (2010: R221 751; 2009: R170 496) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

### Cash flow interest rate risk

	Current interest rate %	Due in less than a year R	Due in one to five years R	Due in two to three years R	Due in three to four years R
<b>Financial instrument</b>					
Trade and other receivables – normal credit terms	9,00	6 444 502	–	–	–
Standard Bank medium-term loan	9,00	1 889 532	1 889 532	1 220 936	–
Instalment sale agreements	9,00	754 388	417 375	317 592	11 922
Cash in current bank	–	1 093 523	–	–	–
Overdraft facilities used	9,00	7 016 292	–	–	–
Bond over property – floating rate	9,00	15 382	–	–	–

### Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers, cash and cash equivalent, and other financial liabilities.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year-end were as follows:

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
<b>Financial instrument</b>				
Trade and other receivables	6 444 502	9 984 105	744 123	842 940
Cash and cash equivalents	1 093 523	1 106 388	84 088	114 938
Other financial assets	4 848 294	2 844 294	4 843 000	2 839 000
Loans to group companies	–	–	26 425 292	19 420 580

## 29. RISK MANAGEMENT (continued)

### Foreign currency risk

The group is currently not exposed to any foreign exchange risk.

### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>28 February 2011</b>				
Available for sale assets	–	–	5 294	5 294
<b>28 February 2010</b>				
Available for sale assets	–	–	5 294	5 294

The fair value of available for sale investments could not be determined. The difference between the carrying value and the fair value of the instrument is considered to be immaterial. Subsequently no movement in the fair value occurred during the current year.

	GROUP	
	2011 R	2010 R
<b>30. CONSOLIDATED SEGMENT REPORT</b>		
<b>Consolidated revenue</b>		
External customers	76 812 400	82 282 138
Retail	76 812 400	82 283 138
Manufacturing	6 784 444	6 580 303
Corporate	–	916 462
<b>Inter-segment revenue</b>		
Retail	–	–
Manufacturing	33 574 081	24 997 011
Eliminations	(33 574 081)	(24 997 011)
<b>Consolidated revenue</b>	<b>83 596 844</b>	<b>89 779 903</b>
<b>Segment result before disclosed items</b>	<b>(8 612 203)</b>	<b>(7 054 398)</b>
Retail	(856 399)	637 839
Manufacturing	(6 167 867)	(6 439 645)
Corporate (Head office)	(1 587 937)	(1 252 592)
<b>Profit (loss) on sale of assets</b>	<b>39 973</b>	<b>219 113</b>
Retail	44 428	29 496
Manufacturing	(1 109)	189 617
Corporate (Head office)	(3 346)	–
<b>Impairment of assets</b>	<b>(2 610 048)</b>	<b>(5 017 250)</b>
Retail	–	–
Manufacturing	(2 610 048)	(5 017 250)
<b>Depreciation and amortisation</b>	<b>(3 007 124)</b>	<b>(4 148 617)</b>
Retail	(783 673)	(860 587)
Manufacturing	(2 223 451)	(3 288 030)
Corporate (Head office)	–	–
<b>Reportable segment profit (loss)</b>	<b>(14 189 402)</b>	<b>(16 001 152)</b>
Retail	(1 120 402)	(3 481 282)
Manufacturing	(11 477 717)	(11 267 278)
Corporate (Head office)	(1 591 283)	(1 252 592)

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February

	GROUP	
	2011 R	2010 R
<b>30. CONSOLIDATED SEGMENT REPORT (continued)</b>		
<b>Operating profit (loss)</b>	(14 189 402)	(16 001 152)
Finance costs	(2 171 550)	(1 966 008)
Fair value adjustment	35 000	–
Investment revenue	32 095	203 108
<b>Profit (loss) before taxation</b>	(16 293 857)	(17 764 052)
Taxation	4 350 453	2 384 302
<b>Profit (loss) after tax</b>	(11 943 404)	(15 379 750)
<b>Reportable segment assets</b>		
Retail	17 762 602	24 168 890
Manufacturing	65 286 679	70 526 935
Corporate	34 531 280	22 743 901
Eliminations	(30 577 042)	(20 792 038)
<b>Total</b>	<b>87 003 519</b>	<b>96 647 688</b>
<b>Reportable segment liabilities</b>		
Retail	(9 655 538)	(13 519 001)
Manufacturing	(41 743 445)	(39 530 044)
Corporate	(17 796 159)	(14 150 777)
Eliminations	30 577 042	20 792 038
<b>Total</b>	<b>(38 618 100)</b>	<b>(46 407 784)</b>
<b>Net asset value</b>	<b>48 385 418</b>	<b>50 239 904</b>

**Notes to the segment report**

Management review performance of the business against retail, manufacturing and corporate activities. The retail segment derives revenue from the sale of products acquired from the manufacturing segment and non-related building material manufacturers and suppliers.

The client base consist of agents trading under the African Brick Centre name, merchants and a contractor base. The manufacturing segment manufactures semi face stick bricks which are supplied at a market related wholesale price, mainly to the retail segment.

The corporate segment derives revenue from services rendered to group related companies at arm's length.

	Reviewed 2011 R	Audited 2010 R
	<b>31. LOSS PER SHARE</b>	
Loss attributable to ordinary shareholders	(11 943 404)	(15 379 750)
<b>EPS (LPS) (cents)</b>	(2,12)	(3,82)
Shares in issue	705 517 039	312 238 960
Shares in issue – weighted average	563 416 972	402 368 505
There are no factors during this reporting period which require the disclosure or calculation of diluted EPS.		
The 2010 LPS of 4,9 cents was adjusted using the weighted average number of shares.		
<b>32. HEADLINE LOSS</b>		
Loss attributable to ordinary shareholders	(11 943 404)	(15 379 750)
Impairment of assets	2 610 048	3 677 184
Fair value gain	(35 000)	–
Profit on sale of assets	(39 973)	(157 761)
<b>Headline loss attributable to ordinary shareholders</b>	<b>(9 408 329)</b>	<b>(11 860 327)</b>
<b>HEPS (HLPS) (cents)</b>	(1,67)	(2,95)
Shares in issue	705 517 039	312 238 960
Shares in issue – weighted average	563 416 972	402 368 505
There are no factors during this reporting period which require the disclosure or calculation of diluted EPS.		
The 2010 HLPS of 3,8 cents was adjusted using the weighted average number of shares.		

# SHAREHOLDER ANALYSIS

for the year ended 28 February

	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
<b>Size of holdings</b>				
1 – 1 000 shares	35	6,28	20 002	–
1 001 – 10 000 shares	186	33,40	854 525	0,12
10 001 – 100 000 shares	205	36,80	8 568 191	1,21
100 001 – 1 000 000 shares	110	19,75	34 420 930	4,86
1 000 001 shares and over	21	3,77	664 653 391	93,81
<b>Total</b>	<b>557</b>	<b>100,00</b>	<b>708 517 039</b>	<b>100,00</b>

	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
<b>Distribution of shareholders</b>				
Private companies	14	2,51	507 897 334	71,68
Trusts	19	3,41	110 193 665	15,55
Retail shareholders	503	90,31	65 252 586	9,21
Public companies	2	0,36	17 421 844	2,46
Treasury	2	0,36	3 400 000	0,48
Close corporations	11	1,97	3 734 988	0,53
Unclaimed scrip	1	0,18	488 000	0,07
Investment partnerships	2	0,36	60 780	0,01
Custodians	1	0,18	62 500	0,01
Foundations and charitable funds	2	0,36	5 342	–
<b>Total</b>	<b>557</b>	<b>100,00</b>	<b>708 517 039</b>	<b>100,00</b>

	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
<b>Shareholder type</b>				
Non-public shareholders	3	0,54	162 641 360	22,96
Directors of the company or its subsidiaries	1	–	159 241 360	22,48
Directors and Associates (direct holding)	–	–	–	–
Directors and Associates (indirect holding)	1	–	159 241 360	22,48
Treasury	2	–	3 400 000	0,48
Public shareholders	554	99,46	545 875 679	77,04
<b>Total</b>	<b>557</b>	<b>100,00</b>	<b>708 517 039</b>	<b>100,00</b>

	Number of shareholdings	Total shareholding	% of shares in issue
<b>Beneficial shareholders with a holding greater than 3% of the shares in issue</b>			
Yakani Infracore (Pty) Limited	1	501 610 284	70,80
Beno Van Graan Trust	1	81 511 623	11,50
<b>Total</b>	<b>2</b>	<b>583 121 907</b>	<b>82,30</b>

**Total number of shareholdings** 557  
**Total number of shares in issue** 708 517 039

#### Share price performance

Opening price 1 March 2010 13 cents  
 Closing price 28 February 2011 4 cents  
 Closing High for the period 13 cents  
 Closing Low for the period 3 cents  
 Number of shares in issue 708 517 039  
 Volume traded during period 19 702 616  
 Ratio of volume traded to shares in issue (%) 2,78

# NOTICE OF ANNUAL GENERAL MEETING



## AFRICAN BRICK CENTRE LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1999/006214/06)

JSE Share code: ABK • ISIN: ZAE000105169

(the company)

Notice is hereby given that the Annual General Meeting of the company's shareholders will be held at African Brick Centre Limited, Farm 246, Luipaardsvlei, Krugersdorp on Monday, 3 October 2011 at 09:00 to conduct the following business:

Shareholders or their proxies may participate in the meeting by way of a teleconference call and, if they wish to do so:

- must contact the Company Secretary (by email at the address [bblom@africanbrick.co.za](mailto:bblom@africanbrick.co.za)) by no later than 16h00 on Wednesday, 28 September 2011 in order to obtain a pin number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

This notice of meeting includes the attached proxy form.

## ATTENDANCE AND VOTING

The date on which an individual must be registered as a shareholder in the company's register for purposes of being entitled to attend and vote at the meeting is the date of the meeting (record date).

**If you are a registered shareholder** as at the record date, you may attend the meeting in person. Alternatively, you may appoint a proxy (who need not be a shareholder of the company) to represent you at the meeting. Any appointment of a proxy may be effected using the attached proxy form and, in order for the proxy to be effective and valid, must be completed and delivered in accordance with the instructions contained in the attached proxy form.

**If you are a beneficial shareholder and not a registered shareholder** as at the record date:

- and wish to attend the meeting, you must obtain the necessary letter of authority to represent the registered shareholder of your shares from your CSDP or broker;
- and do not wish to attend the meeting but would like your vote to be recorded at the meeting, you should contact the registered shareholder of your shares through your CSDP or broker and furnish them with your voting instructions; and
- you must not complete the attached proxy form.

*All participants at the meeting will be required to provide reasonably satisfactory identification to the chairman of the meeting.*

## PURPOSE OF THE MEETING

The purpose of this meeting is to:

- present the directors' report and the audited annual financial statements of the group for the year ended 28 February 2011;
- present the Audit Committee report;
- consider any matters raised by shareholders; and
- consider and if deemed fit, pass, with or without modification, the resolutions set out below:

### Ordinary Resolution Number 1 – Adoption of the annual financial statements

"Resolved that the annual financial statements for the company and the group for the year ended 28 February 2011, including the Directors' Report and the Auditors' Report therein, be and are hereby received and confirmed."

### Ordinary Resolution Number 2 – Re-election of directors

"Resolved that the following directors, who retire in accordance with the articles of association, and being eligible, offer themselves for re-election, be and are hereby re-elected as directors of the company:

2.1 B Blom

2.2 SA Tati

(Brief *curricula vitae* for these directors are set out on page 2 of this annual report.)

### Ordinary Resolution Number 3 – Re-appointment of auditors

"Resolved that SAB&T Chartered Accountants Inc. (SAB&T) be re-appointed as auditors of the group and Mr B Adam, being a member of SAB&T, as the individual designated auditor who will undertake the audit of the group for the ensuing year."

**Ordinary Resolution Number 4 – Appointment of Audit Committee**

“Resolved that the following non-executive directors be elected as members of the Audit Committee:

5.1 MM Patel

5.2 DTV Msibi

**Ordinary Resolution Number 5 – Unissued shares to be placed under the control of the directors**

“Resolved that all the unissued ordinary shares of the company be placed under the control of the directors who are hereby authorised, subject to the provisions of the Companies Act and the JSE Listings Requirements, to allot and issue such shares in their discretion when, and on such terms and conditions as, they deem it fit to do so.”

**Ordinary Resolution Number 6 – General authority to issue shares for cash**

“Resolved that the directors of the company and/or any of its subsidiaries from time to time be and they are hereby authorised, by way of a general authority, to:

- allot and issue shares or options in respect of all or any of the authorised but unissued ordinary shares in the capital of the company; and/or
- sell or otherwise dispose of or transfer, or issue any options in respect of, ordinary shares in the capital of the company purchased by subsidiaries of the company;
- issue shares for cash, to such person/s on such terms and conditions and at such times as the directors in their discretion deem fit, subject to the Companies Act, 71 of 2008, as amended, the Articles of Association of the company, the Listings Requirements of JSE Limited and the following limitations:
  - the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
  - any such issue may only be made to public shareholders as defined by the Listings Requirements of JSE and not to related parties;
  - the number of ordinary shares issued for cash shall not in any one financial year in the aggregate exceed 50% (fifty percent) of the number of issued ordinary shares;
  - this general authority is valid until the earlier of the company’s next annual general meeting or expiry of a period of 15 (fifteen) months from the date that this authority is given;
  - an announcement giving full details, including the impact on the net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share, and, if applicable, diluted earnings per share and diluted headline earnings per share, will be released when the company has issued ordinary shares representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of ordinary shares in issue prior to the issue;
  - in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of the ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the shares; and
  - whenever the company wishes to use ordinary shares, held as treasury stock by a subsidiary of the company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares.”

In terms of the Listings Requirements of the JSE, a 75% (seventy five percent) majority of the votes cast by shareholders present or represented by proxy at the general meeting must be cast in favour of ordinary resolution number 6 for it to be approved, excluding the Designated Adviser and the controlling shareholders together with their associates.

To consider and, if deemed fit, pass the following resolutions as Special Resolution:

**Special Resolution Number 1 – Approval of non-executive directors’ fees**

“Resolved that the following non-executive directors’ fees payable for the period 1 October 2011 until the next annual general meeting, be and are hereby approved:

Amount	Director	Description
Rnil	SA Tati	Chairman of the board
Rnil	MM Patel	Chairman of the Audit and Risk Committee and Remuneration Committee
Rnil	DTV Msibi	Member of the Audit and Risk Committee and Remuneration Committee

**Special Resolution Number 2 – Financial assistance to related or inter-related company**

“Resolved that the directors be and are hereby authorised, in terms of and subject to the provision of Section 45 of the Companies Act 71 of 2008 to cause the company to provide any financial assistance to any company or corporation which is related or inter-related to the company.

**Special Resolution Number 3 – Acquisition of own securities**

“Resolved that the mandate given to the company (or any of its wholly owned subsidiaries) providing authorisation, by way of a general approval, to acquire the company’s own securities, upon such terms and conditions and in such amounts as the directors may from time to

## NOTICE OF ANNUAL GENERAL MEETING (continued)

time decide, but subject to the company's Articles of Association, the provisions of the Companies Act 71 of 2008 (the Act) and the Listings Requirements of JSE Limited (JSE) (the Listings Requirements) be extended, provided that:

- any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter-party;
- at any point in time, the company may only appoint one agent to effect any repurchase on the company's behalf;
- this general authority be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution (whichever period is shorter);
- an announcement be published as soon as the company has cumulatively repurchased 3% (three percent) of the initial number (the number of that class of share in issue at the time that the general authority is granted) of the relevant class of securities and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, containing full details of such repurchases;
- repurchases by the company, and/or its subsidiaries, in aggregate in any one financial year may not exceed 20% (twenty percent) of the company's issued share capital as at the date of passing this special resolution or 10% (ten percent) of the company's issued share capital in the case of an acquisition of shares in the company by a subsidiary of the company;
- repurchases may not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the securities for the 5 (five) business days immediately preceding the date on which the transaction was effected;
- repurchases may not be made by the company and/or its subsidiaries during a prohibited period as defined by the Listings Requirements of the JSE unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period; and
- the company may not enter the market to proceed with the repurchase of its ordinary shares until the company's sponsor has confirmed the adequacy of the company's working capital for the purpose of undertaking a repurchase of securities in writing to the JSE."

The directors, after considering the effect of the maximum repurchase permitted, must be of the opinion that if such repurchase is implemented:

- the company and the group will be able, in the ordinary course of business, to pay their debts for a period of 12 months after the date of this notice;
- the assets of the company and the group will be in excess of the liabilities of the company and the group, the assets and liabilities being recognised and measured in accordance with the accounting policies used in the latest audited annual group financial statements for a period of 12 months after the date of this notice;
- the share capital and reserves will be adequate for the ordinary business purposes of the company and the group for a period of 12 months after the date of this notice; and
- the working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of this notice.

The reason for the passing of the above special resolution is to grant the company a general authority in terms of the Act for the acquisition by the company or any of its subsidiaries of securities issued by the company, which authority shall be valid until the earlier of the next annual general meeting, or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company; provided that the general authority shall not extend beyond 15 (fifteen) months from the date of this general meeting. The passing and registration of this special resolution will have the effect of authorising the company or any of its subsidiaries to acquire securities issued by the company.

The following information, which is required by the JSE Listings Requirements with regard to the resolution granting a general authority to the company to repurchase its securities, appears on the pages of the financial statements to which this notice of general meeting is annexed, is indicated below:

Directors and management	page 2
Major shareholders	page 49
Directors' interests in securities	page 10
Share capital	page 40
Responsibility statement	page 8
Material changes	page 10

### LITIGATION

There are no legal or arbitration proceedings, either pending or threatened against the company or its subsidiaries, of which the company is aware, which may have, or have had in the recent past, being at least the previous 12 months, a material effect on the financial position of the company or its subsidiaries.

## SOLVENCY AND LIQUIDITY STATEMENT

The board of directors of the company confirm that the company will not enter into a transaction to distribute capital and reserves in terms of ordinary resolution number 6 or to repurchase shares in terms of special resolution number 3 unless:

- a) the company and its subsidiaries (collectively the group) will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months after the date of that distribution or repurchase;
- b) the assets of the company and the group, valued in accordance with the accounting policies used in the latest audited group annual financial statements, will exceed the liabilities of the company and the group for a period of 12 months after the date of that distribution or repurchase;
- c) the share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of that distribution or repurchase; and
- d) the working capital available to the company and the group will be adequate for the ordinary business purposes for a period of 12 months after the date of that distribution or repurchase.

The directors of the company hereby state that:

- a) the intention of the directors of the company is to utilise the authority if, at some future date, the cash resources of the company are in excess of its requirements. In this regard the directors will take account of, *inter alia*, an appropriate capitalisation structure for the company, the long-term cash needs of the company and will ensure that any such utilisation is in the interests of the shareholders; and
- b) the method by which the company intends to re-purchase its securities and the date on which such re-purchase will take place, has not yet been determined.

## JSE LIMITED LISTINGS REQUIREMENTS [S14.10]

In terms of the JSE Listings Requirements, any shares currently held by the African Brick Share Incentive Scheme will not have their votes at the annual general meeting taken into account in determining the results of voting on special resolution number 3 and ordinary resolutions numbers 5 and 6.

By order of the board



**B Blom**

Company Secretary

16 August 2011

## GENERAL INFORMATION

<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Manufacture and sale of bricks and building materials
<b>Directors</b>	SA Tati (Chairperson) MP Shangase (Managing director) B Blom (Financial director) DTV Msibi MM Patel
<b>Registered office</b>	Farm 246 Luipaardsvlei Krugersdorp South Africa 1739
<b>Business address</b>	Farm 246 Luipaardsvlei Krugersdorp South Africa 1739
<b>Postal address</b>	PO Box 99 Rant en Dal Krugersdorp 1751
<b>Holding company</b>	Yakani Infraco (Pty) Limited incorporated in South Africa
<b>Bankers</b>	Standard Bank of South Africa Limited
<b>Auditors</b>	SAB&T Chartered Accountants Incorporated Registered Auditors
<b>Company secretary</b>	B Blom
<b>Company registration number</b>	1999/006214/06

## FORM OF PROXY

**AFRICAN BRICK CENTRE LIMITED**

(Incorporated in the Republic of South Africa)  
 (Registration number 1999/006214/06)  
 JSE Share code: ABK ISIN: ZAE000105169  
 (the company)

To be completed by registered certificated shareholders and dematerialised shareholders with own-name registration only

This proxy form relates to the annual general meeting to be held at African Brick Centre Limited, Farm 246, Luipaardsvlei, Krugersdorp on Monday, 3 October 2011 at 09:00 (meeting) (see note 1) and is for use by registered shareholders whose shares are registered in their own names on the date of the meeting (record date) (see note 2).

Please print clearly when completing this form and see the instructions and notes at the end of this form for an explanation of the use of this proxy form and the rights of the shareholder and the proxy.

I/We (full name in block letters) \_\_\_\_\_

of (address) \_\_\_\_\_

Telephone (work) \_\_\_\_\_

(home) \_\_\_\_\_

being a shareholder of the company and being the registered owner/s of \_\_\_\_\_ ordinary shares in the company (note 3)

hereby appoint \_\_\_\_\_

or failing him, the chairman of the meeting (see note 4)

to attend and participate in the meeting and to speak and to vote or abstain from voting for me/us and on my/our behalf in respect of all matters arising (including any poll and all resolutions put to the meeting) at the meeting, even if the meeting is postponed, and at any resumption thereof after any adjournment (see note 5).

My/Our proxy shall vote as follows:

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. If you do not do so, the proxy may vote or abstain at his discretion (see note 6).

	For	Against	Abstain
Ordinary Resolution Number 1 – Adoption of the annual financial statements			
Ordinary Resolution Number 2 – Re-election of directors			
2.1 B Blom			
2.2 SA Tati			
Ordinary Resolution Number 3 – Reappointment of auditors			
Ordinary Resolution Number 4 – Appointment of Audit Committee			
4.1 MM Patel			
4.2 DTV Msibi			
Ordinary Resolution Number 5 – To place the unissued shares under the control of the directors			
Ordinary Resolution Number 6 – General authority to issue shares for cash			
Special Resolution Number 1 – Approval of directors' fees			
1.1 SA Tati			
1.2 MM Patel			
1.3 DTV Msibi			
Special Resolution Number 2 – Financial assistance			
Special Resolution Number 3 – Acquisition of shares			

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011

Signature \_\_\_\_\_

Please read the notes on the reverse side hereof.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2011

Signature (see note 1)

## NOTES TO THE FORM OF PROXY

1. This proxy form will not be effective at the meeting unless received at the company's transfer office, Link Market Services South Africa (Pty) Limited, 11 Diagonal Street, Johannesburg 2001 (PO Box 4844, Johannesburg 2000), by no later than 09h00 on Thursday, 29 September 2011. If a shareholder does not wish to deliver this proxy form to that address, it may also be posted, at the risk of the shareholder, to Link Market Services South Africa (Pty) Limited, PO Box 4844, Johannesburg 2000.
2. This form is for use by registered shareholders who wish to appoint another person (a proxy) to represent them at the meeting. If duly authorised, companies and other corporate bodies who are registered shareholders may appoint a proxy using this form, or may appoint a representative in accordance with paragraph 12 below.  

Other shareholders should not use this form. All beneficial shareholders who have dematerialised their shares through a CSDP or broker, must provide the CSDP or broker with their voting instruction. Alternatively, if they wish to attend the meeting in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between the beneficial shareholder and the CSDP or broker.
3. This proxy shall apply to all ordinary shares registered in the name of the shareholder who signs this proxy form at the record date unless a lesser number of shares is inserted.
4. A shareholder may appoint one person of his own choice as his proxy by inserting the name of such proxy in the space provided. Any such proxy need not be a shareholder of the company. If the name of the proxy is not inserted, the chairman of the meeting will be appointed as proxy. If more than one name is inserted, then the person whose name appears first on the proxy form and who is present at the meeting will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in this proxy form may delegate the authority given to him in this proxy form by delivering to the company, in the manner required by these instructions, a further proxy form which has been completed in a manner consistent with the authority given to the proxy in this proxy form.
5. Unless revoked, the appointment of a proxy in terms of this proxy form remains valid until the end of the meeting, even if the meeting or part thereof is postponed or adjourned.
6. If:
  - 6.1 a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against or to abstain from voting or any resolution; or
  - 6.2 the shareholder gives contradictory instructions in relation to any matter; or
  - 6.3 any additional resolution/s which are properly put before the meeting; or
  - 6.4 any resolution listed in the proxy form is modified or amended,then the proxy shall be entitled to vote or abstain from voting, as he thinks fit, in relation to that resolution or matter. If however, the shareholder has provided further written instructions which accompany this form and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in 6.1 to 6.4, then the proxy shall comply with those instructions.
7. If this proxy is signed by a person (signatory) on behalf of the shareholder, whether in terms of a power of attorney or otherwise, then this proxy form will not be effective unless:
  - 7.1 it is accompanied by a certified copy of the authority given by the shareholder to the signatory; or
  - 7.2 the company has already received a certified copy of that authority.
8. The chairman of the meeting may, in his discretion, accept or reject any proxy form or other written appointment of a proxy which is received by the chairman prior to the time when the meeting deals with a resolution or matter to which the appointment of the proxy relates, even if that appointment of a proxy has not been completed and/or received in accordance with these instructions. However, the chairman shall not accept any such appointment of a proxy unless the chairman is satisfied that it reflects the intention of the shareholder appointing the proxy.
9. Any alternations made in this proxy form must be initialled by the authorised signatory/ies.
10. This proxy form is revoked if the shareholder who granted the proxy:
  - 10.1 gives written notice of such revocation to the company, so that it is received by the company by not later than 09h00 on Thursday, 29 September 2011; or
  - 10.2 subsequently appoints another proxy for the meeting; or
  - 10.3 attends the meeting himself in person.
11. All notices which a shareholder is entitled to receive in relation to the company shall continue to be sent to that shareholder and shall not be sent to the proxy.
12. If duly authorised, companies and other corporate bodies who are shareholders of the company having shares registered in their own names may, instead of completing this proxy form, appoint a representative to represent them and exercise all of their rights at the meeting by giving written notice of the appointment of that representative. That notice will not be effective at the meeting unless it is accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed and is received at the company's transfer office, Link Market Services South Africa (Pty) Limited, 11 Diagonal Street, Johannesburg 2001 (PO Box 4844, Johannesburg 2000), by not later than 09h00 on Thursday, 29 September 2011. If a shareholder does not wish to deliver that notice to that address, it may also be posted, at the risk of the shareholder to Link Market Services South Africa (Pty) Limited, 11 Diagonal Street, Johannesburg 2001 (PO Box 4844, Johannesburg 2000).
13. The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed by the shareholder.
14. The chairman of the annual general meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he shall not accept a proxy unless he is satisfied as to the manner in which a shareholder wishes to vote.

### Transfer secretaries' office

Link Market Services South Africa (Pty) Limited  
11 Diagonal Street  
Johannesburg 2001  
(PO Box 4844, Johannesburg 2000)





Farm 246, Luipaardsvlei, Krugersdorp, South Africa 1739  
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