



AFRICAN BRICK CENTRE LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1999/006214/06)
Share code: ABK ISIN: ZAE000105169
("African Brick Centre" or "the Company" or "the Group")

UNAUDITED INTERIM GROUP RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2009

MATERIAL FEATURES

Reduction in revenue **59%**
Operating loss decreased by **56%**
Headline loss per share increased by **246%**
Cash used in operations decreased by **94%**

Consolidated statement of financial position

	Unaudited 31 August 2009 (R'000)	Unaudited 31 August 2008 (R'000)	Audited 28 February 2009 (R'000)
ASSETS			
Non-current assets	63 434	103 697	64 554
Property, plant and equipment	60 783	64 367	62 904
Investment property	625	625	625
Goodwill	-	36 997	-
Other financial assets	2 026	1 708	1 025
Current assets	37 960	91 326	48 351
Inventories	21 422	47 512	24 314
Trade and other receivables	15 782	33 599	22 470
Cash resources	756	10 215	1 567
TOTAL ASSETS	101 394	195 023	112 905
EQUITY AND LIABILITIES			
Total equity	58 465	142 349	60 380
Share capital and premium	113 315	113 315	113 315
Revaluation reserves (Accumulated loss)/ Retained income	2 662	3 452	2 662
Minority interest	(57 512)	23 266	(55 597)
Non-current liabilities	26 886	17 787	28 022
Non-current interest-bearing loans	10 830	5 263	11 966
Deferred taxation	11 356	11 184	11 356
Other financial liabilities	4 700	1 340	4 700
Current liabilities	16 043	34 887	24 503
Taxation payable	-	6 160	-
Other financial liability	500	910	500
Other current liabilities	15 543	27 817	24 003
TOTAL EQUITY AND LIABILITIES	101 394	195 023	112 905

Consolidated statement of comprehensive income for the six months ended 31 August 2009

	Unaudited 31 August 2009 (R'000)	Unaudited 31 August 2008 (R'000)	Audited 28 February 2009 (R'000)
Revenue	45 900	113 423	191 868
Profit/(Loss) before interest, taxation, depreciation and impairments	(5 124)	2 086	(32 365)
Depreciation and impairment	(1 195)	(6 475)	(50 538)
Bad debt recovered	4 370	-	-
Operating loss	(1 949)	(4 389)	(82 903)
Investment revenue	-	851	1 075
Finance costs	(894)	(814)	(1 538)
Other income	928	-	1 141
Loss before tax	(1 915)	(4 352)	(82 225)
Income tax expense	-	(196)	(521)
Loss after tax	(1 915)	(4 548)	(82 746)
Other comprehensive income/(loss)			
Reversal of revaluation reserve net of tax	-	-	(790)
Total comprehensive loss	(1 915)	(4 548)	(83 536)
Loss attributable to:			
Owners of the parent	(1 915)	(5 533)	(84 396)
Non-controlling interest	-	985	1 650
Total comprehensive loss attributable to:			
Owners of the parent	(1 915)	(5 533)	(85 213)
Non-controlling interest	-	985	1 650
Headline loss			
Loss attributable to owners of the parent	(1 915)	(5 533)	(84 396)
Profit on disposal of non-current assets	289	14	23
Impairment losses	-	5 053	43 115
Headline loss attributable to owners of the parent	(1 626)	(466)	(39 238)
Loss per share (cents)	(0.61)	(1.8)	(27.0)
Headline loss per share (cents)	(0.52)	(0.15)	(12.6)
Shares in issue	312 238	312 238	312 238

Consolidated statement of changes in equity

	Unaudited 31 August 2009 (R'000)	Unaudited 31 August 2008 (R'000)	Audited 28 February 2009 (R'000)
Opening balance	60 380	145 593	145 593
Total comprehensive (loss)/income	(1 915)	(5 533)	(84 396)
- Owners of the parent	-	985	1 650
- Non-controlling interest	-	-	-
Acquisition of additional shares	-	-	(2 982)
Preliminary expenses incurred	-	(28)	(27)
Reversal of reserves	-	-	(790)
Net income recognised directly in equity	-	1 332	1 332
Balance at end of the period	58 465	142 349	60 380

Consolidated segment report

	Unaudited 31 August 2009 (R'000)	Unaudited 31 August 2008 (R'000)	Audited 28 February 2009 (R'000)
Consolidated revenue			
External customers			
Retail	42 918	113 423	190 819
Manufacturing	2 982	-	1 052
Inter-segment revenue			
Manufacturing	11 610	45 290	60 123
Eliminations	(11 610)	(45 290)	(60 123)
Total	45 900	113 423	191 868
Segment result before disclosed items			
Retail	311	(4 514)	(24 788)
Manufacturing	(3 372)	3 684	(7 800)
Depreciation and impairment			
Retail	(142)	(1 072)	(2 330)
Manufacturing	(213)	(588)	(5 343)
Bad debt recovered	4 370	-	-
Manufacturing	-	-	-
Reportable segment profit/(loss)			
Retail	4 539	(1 551)	(27 119)
Manufacturing	(3 585)	3 096	(13 144)
Eliminations	(88)	(881)	-
Other profit or loss	(2 815)	(5 053)	(42 640)
Operating (loss)	(1 949)	(4 389)	(82 903)
Investment revenue	-	851	1 075
Finance costs	(894)	(814)	(1 538)
Other income	928	-	1 141
(Loss) before tax	(1 915)	(4 352)	(82 225)
Income tax expense	-	(196)	(521)
(Loss) after tax	(1 915)	(4 548)	(82 746)
Reportable segment assets			
Retail	32 752	67 310	55 820
Manufacturing	70 286	80 125	70 269
Reconciling items at consolidation and unallocated amounts	(1 644)	47 588	(13 184)
Group assets	101 394	195 023	112 905
Reportable segment liabilities			
Retail	27 105	20 477	31 283
Manufacturing	20 277	25 178	21 679
Reconciling items at consolidation and unallocated amounts	(4 453)	7 019	(437)
Group liabilities	42 929	52 674	52 525

Consolidated statement of cash flows

	Unaudited 31 August 2009 (R'000)	Unaudited 31 August 2008 (R'000)	Audited 28 February 2009 (R'000)
Cash (used in) operations	(567)	(9 209)	(15 637)
Net interest received	-	37	1 075
Interest paid	(894)	-	(1 538)
Income tax paid	-	(5 894)	(12 564)
Net cash (from) operating activities	(1 461)	(15 066)	(28 664)
Net cash flow from/(utilised) in investing activities	235	(12 847)	(19 261)
Net cash flow from financing activities	415	1 535	12 899
Net movement in cash balance	(811)	(26 378)	(35 026)
Cash balances at beginning of period	1 567	36 593	36 593
Cash balances at end of period	756	10 215	1 567

NOTES FOR THE SIX MONTHS ENDED 31 AUGUST 2009

- Basis of preparation**
The interim results have been prepared in terms of International Financial Reporting Standards ("IFRS"), IAS 34: Interim Financial Reporting, the Listings Requirements of the JSE Limited and the Companies Act 61, 1973, as amended. The accounting policies used to prepare these interim financial statements are consistent with those applied in the most recent annual financial statements.
The following new standards and amendments to standards have become mandatory for the financial year beginning 1 January 2009:
- IAS 1 (revised) - Presentation of Financial Statements.
The Group has elected to present one performance statement, namely a statement of comprehensive income and to rename the balance sheet to the statement of financial position. The interim financial statements have been prepared under the revised disclosure requirements.
- IFRS 8 - Operating Segments.
This standard requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. These results have not been reviewed or audited by the Company's auditors.
These *pro-forma* interim statements incorporate the financial statements of the Company and its subsidiaries. All inter-company transactions were eliminated on consolidation.
- Related party transactions**
Yakani Brickveld (Pty) Limited (100% subsidiary of controlling shareholder)
The Company received management fees for financial and administration services rendered, to the amount of R500 000 during the period under review.
Clay bricks to the amount of R4 243 534 were purchased during the period under review. Balance outstanding as at 31 August 2009, included in trade debtors and trade creditors, are R500 000 and R557 424, respectively.
African Brick Eastern Cape (Pty) Limited (indirectly controlled by minority shareholder)
The Company acquired clay for its Eastern Cape operations to the amount of R391 161. Balance outstanding as at 31 August 2009 amounts to R96 575.
- Going concern**
The financial statements have been prepared on the going concern basis. Subsequent to the interim reporting period, the controlling shareholder approved a R5 million loan against collateral security to be registered over the assets of the Eastern Cape operation, to fund budgeted losses and working capital requirements. The Board through Management is pursuing measures to achieve operational and financial sustainability in the medium to long term.

GROUP PROFILE

African Brick Centre operates mainly in Gauteng and the Eastern Cape, with expertise in the manufacturing of face and clay brick through African Brick (Pty) Limited and African Brick Lenasia (Pty) Limited trading as Coega. The Group also trades as a retailer of building material in Honeydew, Gauteng through Dash Brick and Building Supplies Strubensvalley (Pty) Ltd trading as African Brick. The Group also supplies face brick to seven independent agents who trade under the African Brick Centre trading name.
The current revenue contribution of the Group activities is as follows:
Manufactured product 35%
Building material retailer - other products 65%
Manufacturing activities contribute 48% of gross profit at a reduced production capacity of 60%. Production capacity was reduced due to weak market demand and excessive stock levels of competitors.

TRADING CONDITIONS

Trading conditions were difficult during the interim period due to economic conditions. Limited availability of credit to individuals continued during the period under review which directly influenced product demand.

The directors of African Brick Centre hereby present the unaudited Group financial results for the six months ended 31 August 2009.

Group revenue reduced by R67.5 million from R113.4 to R45.9 million and operating loss reduced from R4.4 million to a loss of R1.9 million, mainly due to the reduction in fixed overhead expenditure and enhanced credit control. Restructuring of business activities reduced fixed operating costs from R45.6 million to R22.8 million on an annualised basis. Impairment of goodwill to the amount of R5 million is included in the 31 August 2008 interim report due to the closure of the Lenasia plant.

Headline loss per share increased from 0.15 cents to 0.52 cents mainly due to pressure on revenue.

Cash invested in operations reduced from R9.209 million to R0.567 million, mainly due to a reduction in stock levels and improved debtor collections.

At the end of the period the Group made extensive use of its overdraft facilities, which led to an increase in interest-bearing non-current liabilities from R5.2 million to R10.8 million. Subsequent to the reporting period, the Group further increased borrowing facilities with a R5 million shareholder's loan advanced by the controlling shareholder.

The audited year-end results for the 12 months ended 28 February 2009 are supplied as additional supporting information due to closure of branches between November 2008 and February 2009 and the impairment of goodwill during February 2009 which had a material impact on the Group's capital structure.

OPERATIONAL OVERVIEW

African Brick Centre's performance for the period under review was below expectations, mainly as a result of the economic downturn and the continuing adverse impact on the housing sector in particular. Operational efficiencies are continuously being improved and will support manufacturing deliverables in the medium term.
Improvements to the African Brick Centre Honeydew branch and upgrading of Information Technology will improve efficiencies within the Company.

OUTLOOK

Trading conditions in the building industry are expected to remain tough in the second half of the financial year, with only a moderate increase in demand evident. Stock levels of brick manufacturers remain high and therefore margins on brick products are under pressure. However, the retail operation assists the Group to alleviate pressure on the sales margin.

The strategic intent to participate in the affordable housing sector by expanding the Krugersdorp factory is pursued actively by Management. This expansion is dependant on securing funding which remains challenging in the current economic climate.

CONTINGENCIES AND SUBSEQUENT EVENTS

There is no contingent obligation, current or pending, which is considered likely have an adverse effect on the Group. No events material to the understanding of this report have occurred in the period between the period-end date and the date of this report.

By order of the board

JM de Wet

Managing Director

B Blom

Financial Director

CORPORATE INFORMATION

Designated advisor: PSG Capital (Proprietary) Limited

Registration number: 1999/006214/06

Registered address: Waterford Office Park

Unit 28, corner Witkoppen and

Waterford Drive, Fourways, 2188

PO Box 99, Rand en Dal, Krugersdorp, 1751

Postal address: Directors: SA Tati (Chairman), JM de Wet (Managing Director), B Blom (Financial Director)

Non-executive director: WAF Strydom

Independent non-executive directors: MM Patel, L Yanta, DTV Msibi

Company secretary: Premium Corporate Consulting Services (Proprietary) Limited

Transfer secretaries: Link Market Services South Africa (Proprietary) Limited