

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 5 of this circular apply *mutatis mutandis* throughout this document including this cover page.

Holders of African Brick ordinary shares are entitled to participate in the rights offer in the same ratio of entitlement.

Shareholders are referred to pages 2 and 3 of this circular, which sets out the action required of them with regard to the rights offer, full details of which are set out in this circular. If you are in any doubt as to the action that you should take, please consult your broker, CSDP, banker, legal adviser, accountant or other professional adviser immediately.

If you have disposed of all of your African Brick ordinary shares, this circular and the enclosed form of instruction (where applicable) should be forwarded to the purchaser to whom, or the broker, CSDP or agent through whom you disposed of your African Brick ordinary shares, except that this circular and form of instruction should not be forwarded or transmitted by you to any person in any territory other than South Africa unless the rights offer can lawfully be made to such person or in such territory.

The shares issued in terms of the rights offer will not be registered for purposes of the rights offer with the Securities and Exchange Commission, Washington, D.C., the Canadian Provincial Securities Commission, or the Australian Securities Commission under the Australian Corporation Law, as amended. Accordingly, the rights offer will not be made to or be open for acceptance by persons with registered addresses in the United States of America or any of its territories, dependencies, possessions or commonwealths or in the District of Columbia or in the Dominion of Canada or in the Commonwealth of Australia, its states, territories or possessions. The CSDP or broker will ensure that where such persons are holding African Brick ordinary shares in dematerialised form that the CSDP or broker adheres to the above restrictions. Please refer to "Action required by African Brick shareholders" and Annexure 2 to this circular for further details in this regard.

Letters of allocation, which are renounceable, can only be traded in dematerialised form and, accordingly, African Brick has issued all letters of allocation in dematerialised form. The electronic record for holders of certificated shares is being maintained by Link Market Services South Africa (Proprietary) Limited which has made it possible for holders of certificated shares to enjoy the same rights and opportunities as holders of dematerialised shares in respect of the letters of allocation.

Only whole numbers of African Brick ordinary shares will be issued in terms of the rights offer and shareholders will be entitled to rounded numbers of shares once the ratio of entitlement has been applied according to the rounding principle. Excess applications will be permitted.

The form of instruction enclosed with this document is negotiable and may be sold on the JSE.



## AFRICAN BRICK CENTRE LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1999/006214/06)

Share code: ABK ISIN: ZAE000105169

("African Brick" or "the Company" or "the Group")

## CIRCULAR TO AFRICAN BRICK SHAREHOLDERS

relating to:

**a renounceable rights offer of 671,311,614 African Brick ordinary shares with a par value of 0.01 cent per share, to be issued at a subscription price of 3 cents per share, in the ratio of 215 rights offer shares for every 100 African Brick ordinary shares held at the close of business on Friday, 27 August 2010;**

and incorporating:

- **Revised Listing Particulars in respect of the Company; and**
- **a form of instruction in respect of a letter of allocation (to be completed by holders of certificated shares only).**

**Rights offer opens at 09:00 on**

**Monday, 30 August 2010**

**Rights offer closes at 12:00 on**

**Friday, 17 September 2010**

**Corporate and Designated Adviser**



**Reporting Accountants and Auditors**



Date of issue: 30 August 2010

This circular is available in English only. A copy of this document, together with the form of instruction and the documents referred to in section 145A of the Act, were lodged with CIPRO and the form of instruction was registered by CIPRO in terms of section 146A of the Act. Copies of this circular may be obtained from the registered office of African Brick, the Designated Adviser and the transfer secretaries whose addresses are set out in the "Corporate information and advisers" section of this circular, will be available in electronic form from Monday, 23 August 2010 as well as from the Company's website ([www.africanbrick.co.za](http://www.africanbrick.co.za)). These documents will be available from Monday, 30 August 2010 up to Friday, 17 September 2010, both days inclusive.

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## CORPORATE INFORMATION AND ADVISERS

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### Directors

#### **Executive:**

M P Shangase (*Managing Director*)  
B Blom (*Financial Director*)

#### **Non-executive:**

S A Tati (*Chairman*)  
W A F Strydom  
D Msibi #  
M M Patel#  
L Yanta#  
# *Independent*

### Registered Office

(Incorporated in the Republic of South Africa on 25 March 1999)  
Waterford Office Park, Unit 28, First Floor  
Corner Witkopp Road and Waterford Drive  
Fourways, 2188  
(PO Box 1078, Jukskei Park, 2153)

### Corporate and Designated Adviser

Grindrod Bank Limited  
Building Three, 1st Floor  
North Wing, Commerce Square  
39 Rivonia Road, corner Helling Road  
Sandton, 2196  
(PO Box 78011, Sandton, 2146)

### Reporting Accountants and Auditors

SAB&T Inc. Pretoria  
119 Witch-Hazel Avenue  
Highveld Technopark  
Centurion, 0046  
(PO Box 10512, Centurion, 0046)

### Attorneys

De Wet, Van der Watt & Jordaan ING  
1st Floor, Block B, Clearview Office Park  
77 Wilhelmina Street, Constantia Kloof  
Roodepoort, 1725  
(PO Box 1629, Roodepoort, 1725)

### Transfer secretaries

Link Market Services South Africa  
(Proprietary) Limited  
(Registration number 2000/007239/07)  
16th Floor, 11 Diagonal Street  
Johannesburg, 2001  
(PO Box 4844, Johannesburg 2000)

### Company Secretary

Premium Corporate Consulting Services  
(Proprietary) Limited  
Unit 28, First Floor, Waterford Business Park  
Corner Waterford Drive and Witkopp Road  
Fourways, 2188  
(PO Box 1078, Jukskei Park, 2153)

### Bankers

The Standard Bank of South Africa Limited  
(Registration number 1962/000738/06)  
12th Floor, East Towers, Bedford Centre  
Corner Smith and Bradford Streets  
Bedfordview, 2007  
(Private Bag X23, Gardenview, 2047)

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## **ACTION REQUIRED BY AFRICAN BRICK SHAREHOLDERS**

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If you are in any doubt as to what action you should take, you should consult your broker, CSDP, banker, legal adviser, accountant or other professional adviser immediately.

All holders of African Brick ordinary shares are entitled to participate in the rights offer in the same ratio of entitlement.

If you have disposed of all your African Brick ordinary shares, please forward this document, together with the enclosed form of instruction, to the purchaser of such shares or the broker, CSDP or other agent through whom you disposed of such shares. This circular and form of instruction should not be forwarded to any person in any territory other than South Africa unless the rights offer can lawfully be made to such person or in such territory.

The African Brick ordinary shares will only be traded in dematerialised form and holders of certificated African Brick ordinary shares wishing to trade in their shares will have to dematerialise their shares in accordance with the procedures outlined in this circular.

### **JURISDICTION**

The distribution of this circular, the rights offer, any form of instruction and the transfer of the rights offer shares and/or the rights to subscribe for the rights offer shares in jurisdictions other than South Africa may be restricted by law and failure to comply with any of those restrictions may constitute a violation of the laws of any such jurisdiction. Neither this circular, nor any form of instruction, may be regarded as an offer in any jurisdiction in which it is illegal to make such an offer. In those circumstances, this circular and any form of instruction are sent for information purposes only.

It is the responsibility of any person outside South Africa (including, without limitation, nominees, agents and trustees for such persons) receiving this circular and wishing to take up rights under the rights offer, to satisfy himself as to full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

### **NON-RESIDENTS**

Shareholders who are non-residents are referred to Annexure 2 to this circular regarding their rights.

### **ACTION REQUIRED BY SHAREHOLDERS OF CERTIFICATED SHARES:**

A form of instruction for completion by qualifying shareholders who hold certificated shares is enclosed with this circular and the relevant procedure for participation in the rights offer is set out below:

- a letter of allocation will be created in electronic form with the transfer secretaries;
- if you are a qualifying shareholder holding certificated shares and do not wish to subscribe for all of the rights allocated to you as reflected in the form of instruction, you may either dispose of or renounce all or part of your entitlement, as follows:
  - o if you wish to sell all or part of your entitlement, you must complete Form A in the enclosed form of instruction and return it to the transfer secretaries. The transfer secretaries will endeavour to procure the sale of rights on the JSE on your behalf and to remit the net proceeds thereof in accordance with your instructions. In this regard, neither the transfer secretaries nor African Brick will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained, or the failure to dispose of such entitlements. Please note that the last day to trade letters of allocation is on Friday, 10 September 2010, and must be received by the transfer secretaries by no later than 12:00 on Friday 10 September 2010; and
  - o if you wish to renounce your entitlement in favour of any named renounee, you must complete Form B in the enclosed form of instruction, and the renounee must complete Form C in the enclosed form of instruction and return it to the transfer secretaries, to be received by no later than 12:00 on Friday, 17 September 2010, together with a bank-guaranteed cheque or banker's draft for the appropriate amount.

If you are a qualifying shareholder holding certificated shares and wish to subscribe for all or part of your entitlement in terms of the enclosed form of instruction, you must complete the enclosed form of instruction in accordance with the instructions contained therein and lodge it, together with the amount due in Rand, with the transfer secretaries, as follows:

*By hand to:*

African Brick Centre Limited – Rights offer  
c/o Link Market Services South Africa  
(Proprietary) Limited  
Sixteenth Floor, 11 Diagonal Street  
Johannesburg, 2001

*By post to:*

African Brick Centre Limited – Rights offer  
c/o Link Market Services South Africa  
(Proprietary) Limited  
PO Box 4844  
Johannesburg, 2000

so as to be received by the transfer secretaries by no later than 12:00 on Friday, 17 September 2010.

If you are a qualifying shareholder holding certificated shares, after subscribing for any of the rights offer shares that you have been allocated, you will receive such shares in certificated form.

If you are a renounee you may elect to receive your rights offer shares in dematerialised form by providing the information requested in respect of your CSDP or broker in Form C in the enclosed form of instruction.

**If the required documentation and payment has not been received in accordance with the instructions contained in the enclosed form of instruction (either from the qualifying shareholders or from any person in whose favour the rights have been renounced) by 12:00 on Friday, 17 September 2010, then the rights to those unsubscribed shares will be deemed to have been declined and the rights offer entitlement will lapse.**

**ACTION REQUIRED BY HOLDERS OF DEMATERIALISED SHARES:**

If you are a qualifying shareholder and have dematerialised your African Brick ordinary shares, you will **not** receive a printed form of instruction and you should receive notification from your CSDP or broker regarding the rights to which you are entitled in terms of the rights offer.

Your CSDP or broker will credit your account with the number of rights to which you are entitled and will contact you to ascertain:

- whether you wish to follow your rights in terms of the rights offer and, if so, in respect of how many rights offer shares; and
- if you do not follow all or any of your rights:
  - o whether you wish to sell your rights and, if so, how many rights you wish to sell; or
  - o whether you wish to renounce your rights and, if so, how many rights and in favour of whom you wish to renounce those rights.
- If you wish to apply for excess rights offer shares, you must advise your CSDP or broker. Instructions on how to apply for excess rights offer shares are set out in paragraph 3.4 of this circular.

CSDPs effect payment in respect of dematerialised shareholders on a delivery versus payment basis.

If you are a qualifying shareholder holding dematerialised shares and wish to follow your rights in respect of the rights offer, you are required to notify your duly appointed CSDP or broker of your acceptance of the rights offer in the manner and time stipulated in the custody agreement governing the relationship between yourself and your CSDP or broker. If you are not contacted, you should contact your CSDP or broker and provide them with your instructions. If your CSDP or broker does not obtain instructions from you, they are obliged to act in terms of the mandate granted to them by you, or if the mandate is silent in this regard, not to subscribe for African Brick ordinary shares in terms of the rights offer.

African Brick does not take responsibility and will not be held liable for any failure on the part of any CSDP or broker to notify you of the rights offer and/or to obtain instructions from you to subscribe for the rights offer shares and/or to sell the rights allocated.

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## IMPORTANT DATES AND TIMES

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**2010**

The salient information announcement regarding the rights offer released on SENS by close of business (17:00)	Monday, 31 May
Last day to trade in African Brick ordinary shares in order to participate in the rights offer ( <i>cum</i> -entitlement)	Friday, 20 August
Listing of and trading in the letters of allocation in respect of new African Brick shares on the JSE commences at 09:00	Monday, 23 August
African Brick ordinary shares commence trading <i>ex</i> -rights on the JSE at 09:00	Monday, 23 August
Record date for the rights offer	Friday, 27 August
Rights offer opens at 09:00 and the rights offer circular and form of instruction posted to shareholders	Monday, 30 August
Certificated shareholders will have their letters of allocation credited to an electronic account held at the transfer secretaries	Monday, 30 August
Dematerialised shareholders will have their accounts at their CSDP or broker credited with their entitlement	Monday, 30 August
Last day for trading letters of allocation on the JSE	Friday, 10 September
Listing of rights offer shares and trading therein on the JSE commences	Monday, 13 September
Rights offer closes at 12:00. Payment to be made and form of instruction lodged by certificated shareholders at the transfer secretaries*	Friday, 17 September
Record date for the letters of allocation	Friday, 17 September
Rights offer shares issued and posted to shareholders in certificated form on or about	Monday, 20 September
CSDP or broker accounts in respect of dematerialised shareholders will be updated with rights offer shares and debited with any payments due	Monday, 20 September
Results of rights offer released on SENS	Monday, 20 September
CSDP or broker accounts in respect of dematerialised shareholders will be updated with excess rights offer shares (where applicable) and debited with any payments due on or about	Tuesday, 21 September
Excess rights offer shares issued (where applicable) and posted to shareholders in certificated form on or about	Wednesday, 22 September

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\* CSDPs effect payment in respect of dematerialised shareholders on a delivery versus payment method.

**Notes:**

- (1) Unless otherwise indicated, all times are South African times.
- (2) African Brick shareholders may not dematerialise or rematerialise their African Brick ordinary shares between Monday, 23 August 2010 and Friday, 27 August 2010, both dates inclusive.

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## DEFINITIONS AND INTERPRETATIONS

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Throughout this circular and the annexures hereto, unless the context indicates otherwise, the words in the column on the left below shall have the meaning stated opposite them in the column on the right below, reference to the singular shall include the plural and *vice versa*, words denoting one gender include the other and words and expressions denoting natural persons include juristic persons and associations of persons:

“African Brick shareholders” or “shareholders”	all registered holders of African Brick issued ordinary shares;
“African Brick shares” or “ordinary shares” or “shares”	the ordinary shares in the capital of the Company with a par value of 1 cent each;
“African Brick” or “the Company” or “the Group”	African Brick Centre Limited (Registration number 1999/006214/06), a public company listed on the ALT <sup>x</sup> Board of the JSE, and its subsidiaries and related associates, referred to, collectively, as set out in paragraph 2 of the Revised Listing Particulars forming part of this circular;
“African Brick Krugersdorp”	African Brick (Proprietary) Limited, a private company incorporated in South Africa and a wholly-owned subsidiary of African Brick;
“African Brick Lenasia”	African Brick Lenasia (Proprietary) Limited, a private company incorporated in South Africa trading as African Brick Coega and a wholly-owned subsidiary of African Brick;
“Act” or “Companies Act”	the Companies Act, 61 of 1973, as amended;
“Articles”	the Articles of Association of the Company;
“associate”	an associate as defined in the JSE Listings Requirements;
“the Board” or “the Directors”	the board of directors of African Brick, as set out in Appendix 3 to the Revised Listing Particulars, forming part of this circular;
“broker” or “stockbroker”	any person registered as a broking member (equities) in terms of the Rules of the JSE made in accordance with the provisions of the Securities Services Act;
“business day”	any day of the week, excluding Saturdays, Sundays and all official South African public holidays;
“certificated shareholders”	holders of African Brick certificated shares;
“certificated shares”	issued ordinary shares held in the form of certificates or other documents of title and which have not yet been surrendered for dematerialisation in terms of Strate;
“CIPRO”	the Companies and Intellectual Property Registration Office in South Africa;
“this circular” or “this document”	this bound document, dated 30 August 2010 and incorporating a form of instruction in respect of certificated shareholders;
“Common Monetary Area” or “CMA”	South Africa, the Republic of Namibia and the Kingdoms of Swaziland and Lesotho constitute a single monetary area known as the Common Monetary Area. There are no Exchange Control restrictions between these countries and similar Exchange Control measures are applied by each country in respect of all countries outside the CMA;

“CSDP”	a Central Securities Depository Participant registered in terms of the Securities Services Act and as defined in section 91A of the Act and appointed by individual shareholders for purposes of, and in regard to, dematerialisation in terms of such Act;
“Dash Brick and Building Supplies Strubensvalley”	Dash Brick and Building Supplies Strubensvalley (Proprietary) Limited, a private company incorporated in South Africa and a wholly-owned subsidiary of African Brick;
“dematerialise”	the process whereby paper share certificates or other documents of title are replaced with electronic records of ownership of shares or securities as contemplated in section 91A of the Act under the Strate system with a CSDP or stockbroker;
“dematerialised shareholders”	holders of African Brick dematerialised shares;
“dematerialised shares”	African Brick shares, which have been dematerialised and incorporated into Strate and which are no longer evidenced by share certificates or other physical documents of title;
“documents of title”	share certificates, certified transfer deeds, balanced receipts, or any other documents of title, as the case may be;
“excess rights offer shares”	those rights offer shares in excess of a shareholder’s entitlement which may be issued to a shareholder who has applied for such shares;
“Exchange Control Regulations”	the Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the South African Currency and Exchanges Act, 9 of 1933, as amended;
“form of instruction”	a form of instruction in respect of the letter of allocation;
“fractions” or “rounding principle”	fraction shares resulting from the rights offer will be rounded down to the nearest whole number if they are less than 0.5 and rounded up to the nearest whole number if they are equal to or greater than 0.5;
“Government”	the Government of South Africa;
“the JSE”	the JSE Limited (Registration number 2005/022939/08), a company duly registered and incorporated with limited liability under the Companies Act, and licensed as an exchange under the Securities Services Act;
“Landton Properties”	Landton Properties (Proprietary) Limited, a private company incorporated in South Africa and a wholly-owned subsidiary of African Brick;
“last practicable date”	Friday, 27 July 2010, the last practicable date prior to the finalisation of this circular;
“letters of allocation” or “LA’s”	a renounceable (nil paid) letter of allocation in electronic form relating to the rights offer;
“Link Market” or “transfer secretaries”	Link Market Services South Africa (Proprietary) Limited (Registration number 2000/007239/07), a private company incorporated in accordance with the laws of South Africa, being the transfer secretaries of African Brick;
“Listings Requirements”	the Listings Requirements of the JSE, as amended from time to time by the JSE;
“qualifying shareholder”	a registered holder of African Brick shares on the register of shareholders on the record date and which does not have its registered address in any jurisdiction in which it would be unlawful to make the rights offer;

“Rand” or “R”	South African Rand, the official currency of South Africa;
“register”	means the register of certificated shareholders maintained by African Brick and the sub-register of dematerialised shareholders maintained by the relevant CSDPs in terms of sections 91A and 105, respectively, of the Companies Act;
“rights”	the entitlement to subscribe for African Brick shares pursuant to the rights offer;
“the ratio of entitlement”	the number of rights offer shares to which qualifying shareholders are entitled to subscribe for in terms of the rights offer, being 215 shares for every 100 African Brick shares held on the record date and/or such proportionate lower number of shares in respect of a holding of less than 100 African Brick shares held on the record date;
“the record date”	the last day for shareholders to be recorded in the register in order to participate in the rights offer, being close of business on Friday, 27 August 2010;
“the rights offer”	the rights to subscribe for 671,311,614 African Brick ordinary shares at the rights offer share price in the ratio of 215 rights offer shares for every 100 African Brick ordinary shares held on the record date;
“the rights offer share price”	the price per new African Brick ordinary share to be offered to African Brick shareholders in terms of the rights offer, being 3 cents per African Brick ordinary share;
“the rights offer shares”	the 671,311,614 African Brick ordinary shares, which are the subject of the rights offer;
“Securities Services Act”	the Securities Services Act, 36 of 2004, as amended;
“SENS”	the Securities Exchange News Service of the JSE;
“South Africa” or “SA”	the Republic of South Africa;
“Strate”	Strate Limited (Registration number 1998/022242/06), a public company incorporated in South Africa and a registered CSDP responsible for the electronic clearing and settlement of transactions;
“subsidiary”	a subsidiary of African Brick, as set out in paragraph 2 of the Revised Listing Particulars, forming part of this circular;
“VAT”	Value-Added Tax; and
“Yakani Infraco” or “the controlling shareholder”	Yakani Infraco (Proprietary) Limited (Registration number 2005/043429/07), a private company incorporated in accordance with the laws of South Africa and the controlling shareholder, holding 51% African Brick ordinary shares.



# AFRICAN BRICK CENTRE LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1999/006214/06)

Share code: ABK ISIN: ZAE000105169

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## CIRCULAR TO AFRICAN BRICK SHAREHOLDERS

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### 1. INTRODUCTION

It was announced on SENS on Monday, 31 May 2010 that African Brick would raise a total amount of R20,139,348.00 from existing shareholders by way of a renounceable rights offer.

In terms of the rights offer, 671,311,614 new African Brick ordinary shares, with a par value of 0.01 cent per share in the authorised but unissued share capital of the Company, will be offered for subscription to African Brick shareholders recorded in the register at the close of trade on Friday, 27 August 2010 who will receive rights to subscribe for rights offer shares on the basis of 215 rights for every 100 African Brick shares held, for subscription at 3 cents per rights offer share. Only whole numbers of shares will be issued and African Brick shareholders will be entitled to rounded numbers of shares once the ratio has been applied, using the rounding principle. Shareholders are permitted to apply for shares in excess of their entitlement.

The JSE has agreed to the listing of the rights offer shares and the purpose of this circular is to furnish African Brick shareholders with relevant information relating to the rights offer, the action required and the implications thereof, in accordance with the Companies Act and the Listings Requirements.

### 2. RATIONALE FOR THE RIGHTS OFFER

The recessionary conditions in the building industry during the last two years have severely impacted African Brick, leading to comprehensive losses being recorded for the last two financial years ended 28 February 2009 and 2010 of R76.8 million and R15.4 million, respectively. To assist the Company the controlling shareholder advanced a R5 million loan, as working capital, to finance the operating losses.

Management has implemented a stringent programme of right sizing the business for the current economic climate by, *inter alia*, closing the Lenasia plant, spinning off and/or closing its retail stores, adopting energy-saving measures in its plants and generally reducing overhead costs. There are clear signs that these measures are starting to show effect and that African Brick is now close to break even. The brick market is showing signs of a recovery in demand to the extent that a modest increase in prices was made possible recently. African Brick is invested in high-quality assets in both Krugersdorp and Port Elizabeth, including clay rights and plant and equipment and is extremely well-positioned to benefit from any recovery in the building industry.

However, African Brick's balance sheet has been seriously weakened by the recent losses and impairments and requires a recapitalisation to alleviate any liquidity strain and sustain its turnaround strategy. It was concluded that the recapitalisation should take the form of a rights offer at 3 cents per rights offer share to strengthen its balance sheet, support working capital and facilitate its growth strategy. As part of the rights offer, the controlling shareholder has agreed to restructure its R5 million loan by effectively converting the loan into equity.

### 3. PARTICULARS OF THE RIGHTS OFFER

#### 3.1 Terms of the rights offer

African Brick hereby offers to qualifying shareholders a total of 671,311,614 African Brick ordinary shares with a par value of 0.01 cent per share, for subscription, upon the terms and conditions set out in this circular and in the enclosed form of instruction, by way of renounceable rights, at a subscription price of 3 cents per African Brick ordinary share on the basis of 215 rights offer shares for every 100 African Brick ordinary shares held by qualifying shareholders at the close of trade on the record date for the rights offer, raising a total amount of R20,139,348. The rights offer share price represents a 33% discount to the 30-day volume weighted average price per African Brick ordinary share in the 30 days prior to the publication of the rights offer announcement on SENS on 31 May 2010.

Qualifying shareholders recorded in the register of African Brick at the close of business on Friday, 27 August 2010 will be entitled to participate in the rights offer. The last day to trade in African Brick ordinary shares in order to be recorded in the register at the close of business on Friday, 27 August 2010, is Friday, 20 August 2010. African Brick ordinary shares will thereafter trade ex-entitlement.

The enclosed form of instruction contains details of the rights to which holders of certificated shares are entitled, as well as the procedure for acceptance and/or sale and/or renunciation of all or part of those rights. Holders of dematerialised shares will be advised of the rights to which they are entitled as well as the procedure for acceptance and/or sale and/or renunciation of all or part of those rights by their CSDP or broker in terms of the custody agreement entered into between the shareholder and his CSDP or broker, as the case may be.

The subscription price is payable in full, in Rand, by qualifying shareholders holding certificated shares on acceptance of the rights offer. CSDPs will make payment, on a delivery versus payment basis, in respect of qualifying shareholders holding dematerialised shares who have accepted the rights offer. Qualifying shareholders holding dematerialised shares who have accepted the rights offer must ensure that the necessary funds are deposited with the relevant CSDP or broker, as the case may be.

The rights offer shares will, upon allotment and issue, rank *pari passu* with all other existing ordinary shares in terms of both voting rights and dividends.

#### 3.2 Opening and closing dates of the rights offer

The rights offer will open at 09:00 on Monday, 30 August 2010 and will close at 12:00 on Friday, 17 September 2010.

#### 3.3 Entitlement

The number of rights offer shares to which qualifying shareholders will be entitled to is set out in Annexure 1 to this circular. The entitlement of each qualifying shareholder is reflected in the appropriate block in the form of instruction, which is enclosed with this circular. If you are a qualifying shareholder and hold dematerialised shares you will **not** receive a printed form of instruction.

Qualifying shareholders holding dematerialised shares will have their accounts automatically credited with their entitlements in accordance with Annexure 1 to this circular.

#### 3.4 Excess subscriptions

Shareholders are invited to apply for additional rights offer shares over and above their entitlement. Should there be excess rights offer shares available for allocation, the pool of such excess rights offer shares will be allocated equitably, taking cognisance of the number of rights offer shares held by the shareholder just prior to such allocation (the record date), including those taken up as a result of the rights offer, and the number of excess rights offer shares applied for by such shareholder. Non-equitable allocations of excess rights offer shares will only be allowed in instances where they are used to round holdings up to the nearest multiple of 100 rights offer shares. The rights pertaining to the rights offer shares are transferable upon renunciation.

An announcement will be released on SENS on Monday, 20 September 2010, stating the results of the rights offer and the allocation of any additional rights offer shares for which application was made. Cheques refunding monies in respect of unsuccessful applications by certificated shareholders for additional rights offer shares will be posted to the relevant applicants, at their risk, on or about Wednesday, 22 September 2010. No interest will be paid on monies received in respect of unsuccessful applications.

### **3.5 Minimum subscription**

As the rights offer has been implemented on the basis of obtaining an irrevocable undertaking from Yakani Infraco to follow its rights, the rights offer is not subject to a minimum subscription.

### **3.6 Holding of odd-lots and multiples other than 100 shares**

Qualifying shareholders holding less than 100 African Brick shares, or not a whole multiple of 100 African Brick shares, will be entitled, in respect of such holdings, to participate in the rights offer in accordance with Annexure 1 to this circular.

### **3.7 Fractional entitlement**

The whole number of rights to subscribe for rights offer shares to which qualifying shareholders will become entitled will be determined by the ratio of entitlement. Only whole numbers of shares will be issued and shareholders will be entitled to subscribe for rounded numbers of African Brick ordinary shares once the ratio of entitlement has been applied. Fractional entitlements of 0.5 or greater will be rounded up and less than 0.5 will be rounded down.

### **3.8 Irrevocable undertaking and underwriting**

#### ***3.8.1 Irrevocable undertaking:***

Yakani Infraco, representing 51% of the issued shares of the Company, has irrevocably committed to follow its rights, through the conversion of its R5 million loan into shares and the balance in cash, i.e a total amount of approximately R10.2 million. The irrevocable undertaking is not a guarantee that the rights offer will be fully subscribed.

#### ***3.8.2 Underwriting:***

The rights offer is not underwritten.

### **3.9 Procedures for acceptance**

**3.9.1** If you are a qualifying shareholder holding certificated shares and/or have had rights renounced in your favour, and wish to subscribe for all or part of your entitlement in terms of the enclosed form of instruction, you must complete the enclosed form of instruction in accordance with the instructions contained therein and lodge it together with payment of the subscription price with the transfer secretaries at the addresses set out in paragraph 3.11.1.2 below, so as to be received by the transfer secretaries by no later than 12:00 on Friday, 17 September 2010. Once received by the transfer secretaries, the acceptance is irrevocable and may not be withdrawn.

If payment is not received on or before 12:00 on Friday, 17 September 2010, the day of the closing of the rights offer, the qualifying shareholder or renounee concerned will be deemed to have declined the offer to acquire rights offer shares pursuant to the rights offer.

Qualifying shareholders holding certificated shares are advised to take into consideration the postal delivery times when posting their forms of instruction, as no late postal deliveries will be accepted. Qualifying shareholders are advised to deliver their completed forms of instruction together with their bank-guaranteed cheques or bankers' drafts by hand or by courier, where possible.

**3.9.2** If you are a qualifying shareholder and have dematerialised your African Brick ordinary shares you will **not** receive a printed form of instruction. You should receive notification from your CSDP or broker regarding the rights to which you are entitled in terms of the rights offer.

If you are a qualifying shareholder holding dematerialised shares and wish to follow your rights in respect of the rights offer, you are required to notify your duly appointed CSDP or broker of your acceptance of the rights offer in the manner and time stipulated in the custody agreement governing the relationship between yourself and your CSDP or broker.

**African Brick does not take responsibility and will not be held liable for any failure on the part of any CSDP or broker to notify you of the rights offer and/or to obtain instructions from you to subscribe for the rights offer shares and/or to sell the rights allocated.**

### 3.10 Procedures for sale and renunciation

**3.10.1** If you are a qualifying shareholder holding certificated shares and do not wish to subscribe for all of the rights allocated to you as reflected in the form of instruction, you may either dispose of or renounce all or part of your entitlement, as follows:

- if you wish to sell all or part of your entitlement, you must complete Form A in the enclosed form of instruction and return it to the transfer secretaries to be received by no later than 12:00 on Friday, 10 September 2010. The transfer secretaries will endeavour to procure the sale of rights on the JSE on your behalf and to remit the net proceeds thereof in accordance with your instructions. In this regard, neither the transfer secretaries nor African Brick will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained, or the failure to dispose of such entitlements; and
- if you wish to renounce your entitlement or any part thereof in favour of any named renounee, you must complete Form B in the enclosed form of instruction, and the renounee must complete Form C in the enclosed form of instruction and return it to the transfer secretaries, to be received by no later than 12:00 on Friday, 17 September 2010, together with a bank-guaranteed cheque or banker's draft for the appropriate subscription amount. If you wish to renounce parts of your entitlement in favour of different renounees, you may copy Form B and use a copied Form B for each additional renounee.

**3.10.2** If you are a qualifying shareholder holding dematerialised shares and wish to sell some or all of the rights allocated to you as a holder of dematerialised shares, you should make the necessary arrangements with your CSDP or broker in the manner and time stipulated in the custody agreement governing the relationship between yourself and your CSDP or broker.

### 3.11 Payment

#### **3.11.1 Payment by holders of certificated shares**

3.11.1.1 The amount due on acceptance of the rights offer is payable in Rand.

3.11.1.2 A banker's draft drawn on a registered bank or a bank-guaranteed cheque drawn on a South African bank (each of which should be crossed and marked "not transferable" and, in the case of a cheque, with the words "or bearer" deleted) in favour of "**African Brick Centre Limited – Rights offer**" in respect of the amount due, together with a properly completed form of instruction, should be clearly marked "**African Brick Centre Limited – Rights offer**" and delivered to:

African Brick Centre Limited – Rights offer  
c/o Link Market Services South Africa (Proprietary) Limited  
Sixteenth Floor, 11 Diagonal Street, Johannesburg, 2001

so as to be received by no later than 12:00 on Friday, 17 September 2010; or may be posted, at the risk of the shareholder or his renounee, to:

African Brick Centre Limited – Rights offer  
c/o Link Market Services South Africa (Proprietary) Limited  
PO Box 4844, Johannesburg, 2000

so as to be received by no later than 12:00 on Friday, 17 September 2010.

3.11.1.3 All bank-guaranteed cheques or bankers' drafts received by the transfer secretaries will be deposited immediately for payment. The payment as referred to in paragraph 3.11.2 below will constitute an irrevocable acceptance by the shareholder or renounee of the rights offer upon the terms and conditions set out in this circular and in the enclosed form of instruction. In the event that any

cheque or banker's draft is dishonoured, African Brick, in its sole discretion, may treat the relevant acceptance as void or may tender delivery of the relevant rights offer shares to which it relates against payment in cash of the issue price for such shares.

Money received in respect of an application that is rejected or otherwise treated as void by African Brick, or which is otherwise not validly received in accordance with the terms stipulated, will be posted, by registered post, by way of a cheque drawn (without interest) in Rand to the applicant concerned, at the applicant's risk, on or about Tuesday, 21 September 2010. If the applicant concerned is not a shareholder and gives no address in the enclosed form of instruction, then the relevant refund will be held by African Brick until collected by the applicant and no interest will accrue to the applicant in respect thereof.

### **3.11.2 Payment by holders of dematerialised shares**

Payment will be effected on the shareholder's behalf in Rand by the CSDP or broker. The CSDP or broker will make payment in respect of qualifying shareholders holding dematerialised shares on a delivery versus payment basis.

### **3.11.3 Excess subscriptions**

Should you wish to apply for rights offer shares in addition to those allocated to you in terms of the rights offer you may do so by indicating the number of additional rights offer shares that you wish to subscribe for on the form of instruction and by enclosing payment, in accordance with paragraph 3.11.1.2 above, for such additional rights offer shares with your subscription. Further details on excess subscriptions are noted in paragraph 3.4 above.

Should you wish to apply for rights offer shares in addition to those allocated to you in terms of the rights offer, you should advise your CSDP or broker that you wish to do so and ensure that you have sufficient funds in your account.

## **3.12 Exchange Control Regulations**

An outline of the applicable Exchange Control Regulations is available in Annexure 2 to this circular.

## **3.13 JSE listings**

The Issuer Services Division of the JSE has approved the listings of:

- the renounceable letters of allocation in respect of all of the 671,311,614 rights offer shares with effect from the commencement of trade on Monday, 23 August 2010 to the close of trade on Friday, 10 September 2010, both days inclusive;
- a maximum listing with an adjustment later on of 671,311,614 rights offer shares with effect from the commencement of trade on Monday, 13 September 2010.

## **3.14 Documents of title**

New share certificates to be issued to qualifying shareholders holding certificated shares or renounees in respect of those rights offer shares to which they were entitled and for which they have subscribed, will be posted to persons entitled thereto, by registered post, at the risk of the shareholders concerned, on or about Monday, 20 September 2010.

Qualifying shareholders receiving the rights offer shares must note that such certificated shares are not good for delivery in respect of trades concluded on the JSE until they have been dematerialised.

Qualifying shareholders holding African Brick ordinary shares who have applied for, and been allotted, African Brick ordinary shares under the rights offer will have their accounts updated with the rights offer shares to which they are entitled and in respect of which they have accepted the rights offer, on Monday, 20 September 2010.

### 3.15 Registration of documents

The following documents in English have been lodged with and registered by CIPRO in terms of section 146A of the Companies Act for purposes of implementing the rights offer:

- a copy of the form of instruction with respect to the letters of allocation enclosed with this document;
- a signed copy of this circular;
- the audited financial information of African Brick for the financial year ended 28 February 2010;
- signed copies of the auditors' report on the financial information of African Brick for the financial year ended 28 February 2010;
- the letters of consent from the Corporate and Designated Adviser, Reporting Accountants and Auditors and the Transfer Secretaries, to act in their respective capacities and to their names being stated in this circular;
- powers of attorney signed by each of the directors of African Brick;
- a copy of the application for listing of the rights offer shares to be issued pursuant to the rights offer; and
- a copy of the letter from the JSE agreeing to the listing of the rights offer shares and the letters of allocation.

### 3.16 Taxation

African Brick shareholders are advised to consult their tax and financial advisers regarding any taxation implications pertaining to them regarding the acceptance of their rights in terms of the rights offer.

### 3.17 Material contracts

Details of material contracts entered into by African Brick, other than in the ordinary course of business, in the two years preceding this document, are detailed in paragraph 7.1 and Appendix 6 to the Revised Listing Particulars.

## 4. PRO FORMA FINANCIAL INFORMATION

4.1 The table below illustrates the unaudited *pro forma* financial effects of the rights offer on the audited results of the Company for the year ended 28 February 2010.

The preparation of the unaudited *pro forma* financial effects is the responsibility of the directors of African Brick. The unaudited *pro forma* financial effects have been prepared for illustrative purposes only to provide information on how the rights offer may have impacted on African Brick's results and financial position and, due to the nature thereof, may not give a fair reflection of African Brick's results and financial position, changes in equity and results of operations or cash flows after the rights offer. The reporting accountants' limited assurance report on the financial effects is set out in Annexure 4 to this circular.

	Before <sup>(1)</sup> (cents)	After <sup>(2)</sup> (cents)	Percentage change	After <sup>(3)</sup> (cents)	Percentage change
Loss per share	(4.9)	(1.4)	71.6	(2.3)	54.1
Headline loss per share	(3.8)	(1.0)	72.6	(1.7)	55.0
Net asset value per share	16.1	7.1	(56.0)	9.1	(43.3)
Tangible net asset value per share	14.4	6.5	(54.6)	8.3	(42.2)
Number of shares in issue ('000)	312,238	983,550	215,0	654,607	109.7
Weighted number of shares ('000)	312,238	983,550	215,0	654,607	109.7

#### Notes:

1. The 'Before' column is based on the audited results for the year ended 28 February 2010.
2. The 'After' column has been adjusted for the effects of the rights offer, on the assumption that all shareholders follow their rights and African Brick raises R20,139,348 through the issue of 671,311,614 new African Brick ordinary shares at the issue price.

3. The 'After' column has been adjusted for the effects of the rights offer, on the assumption that only Yakani Infracore follow its rights and African Brick raises R10,271,067 through the issue of 342,368,924 new African Brick ordinary shares at the issue price.
4. The financial effects are calculated on the assumptions that:
  - a. The cash proceeds have been received and the rights offer shares issued on 1 March 2009 for the income statement effect.
  - b. The estimated expenses of the rights offer have been offset against the proceeds from the rights offer.
  - c. The proceeds from the rights offer are used exclusively to repay debt. Interest savings are based on actual interest costs incurred for the year. This will create renewed borrowing capacity to provide working capital to support both current trading and increased production capacity in the short to medium term.
  - d. The cash proceeds have been received and the rights offer shares issued on 28 February 2010 for the balance sheet impact.
  - e. Transaction costs relate to the fees paid to professional advisers and legal and compliance fees. This is not expected to have a continuing effect on African Brick.

#### 4.2 Unaudited income statement and balance sheet

The unaudited *pro forma* income statement and balance sheet, based on the audited annual results for the year ended 28 February 2010 are presented in Annexure 3 to this circular.

The reporting accountants' report on the unaudited *pro forma* income statement and balance sheet is set out in Annexure 4 to this circular.

#### 4.3 Application of the proceeds from the rights offer

The net proceeds of the R20 million rights offer, after capitalisation of the R5 million shareholder loan, will be applied to:

- initially repay interest bearing debt; and so
- create renewed borrowing capacity to provide working capital to support both current trading and increased production capacity in the short to medium term.

### 5. ESTIMATED EXPENSES

It is estimated that African Brick's expenses relating to the rights offer will amount to approximately R768,625.92. These expenses will be paid from the proceeds of the rights offer. The expenses (excluding VAT) relating to the rights offer are detailed below:

Nature of expense	R
JSE documentation inspection fee	35,737.90
JSE listing fee	26,995.02
Printing, publication and distribution	53,344.00
Corporate and Designated Adviser	600,000.00
Reporting accountants and auditors	30,149.00
Transfer secretaries	22,400.00
	<b>768,625.92</b>

### 6. INFORMATION ON AFRICAN BRICK

#### 6.1 Group profile

African Brick is listed in the Alt<sup>x</sup> board of the JSE.

African Brick was incorporated in South Africa under the name "African Brick Centre (Proprietary) Limited" on 25 March 1999 and converted to a public company under Registration number 1999/006214/06 on 6 September 2007.

The African Brick Group has its origins on the West Rand of Johannesburg when, in 1945, the late Ben van Graan moved his clay brick making facilities from the South of Johannesburg to the current Krugersdorp manufacturing premises. African Brick has, up to the time of its listing on the JSE on 8 October 2007, primarily been a family owned and managed business with select key management owning minority interests in the business.

Yakani Infraco (Proprietary) Limited acquired a 51% shareholding in African Brick at a price of 28 cents per share, in terms of an offer to shareholders on 30 January 2009. There was an offer to shareholders on 15 December 2008.

African Brick's business consists of clay mining, manufacturing of clay semi-face bricks and a strong "wet trade" retail section. The growth of the business up to February 2008 has been the result of the strong growth in the building industry, increased productivity at its manufacturing facilities and the roll-out of a network of retail outlets. As a result of the recession, the Group closed the Lenasia plant during October 2008 as well as non-profitable retail outlets. African Brick currently has five retail outlets that are independently owned and one fully owned branch.

African Brick is a well-respected name in the clay brick industry. Today African Brick is one of only a few large independent brick makers still left in South Africa.

Since 1983, African Brick has sold over 1 billion face bricks to the residential building industry. As these bricks have unique colours, African Brick's products are the natural first choice when additions and/or improvements to these homes and other buildings are undertaken.

## **6.2 Prospects**

With the economy recovering slowly and positive signs in the retail building industry, banks reducing interest rates and reviewing credit granting criteria, the Group has a positive medium-term outlook.

A relatively new Executive and Sales team is surefooted to prepare for the new challenges. African Brick believes that the worst in the building industry has passed and are positive that the year ahead will bear a moderate increase in sales and sales margins.

Expansion to the Krugersdorp factory was tailored and approved, which will enable the Group to regain production capacity towards the end of the 2011 financial year, lost during the recession.

## **6.3 Share price history**

The price history of the shares of African Brick on the JSE since October 2007 until the last practicable date is set out in Annexure 6 to this circular.

## **6.4 Directors**

The full names, functions, date of appointment, ages, nationalities, business addresses, qualifications and experience of the directors are set out in Appendix 3 to the Revised Listing Particulars forming part of this circular.

## 6.5 Senior management

The full names, functions, date of appointment, ages, nationalities, business addresses, qualifications and experience of the African Brick senior management who are not directors are set out below:

<b>Wessel Geldenhuys</b>		
<b>Position:</b>	Managing Director of a subsidiary	<b>Experience:</b>
<b>Appointed:</b>	2004	Wessel was Production Manager at DPI Plastics for 14 years, later moving to PM Manufacturing as Factory Manager for four years. In 2004 Wessel joined African Brick as Managing Director at African Brick (Proprietary) Limited, situated in Krugersdorp.
<b>Age:</b>	52	
<b>Nationality:</b>	South African	
<b>Qualifications:</b>	Qualified Brick Manufacturer	
<b>Business address:</b>	Waterford Office Park, Unit 28 First Floor, corner Witkoppen Road and Waterford Drive, Fourways, 2188	

<b>G Marius Pentz</b>		
<b>Position:</b>	Operational Manager of a subsidiary	<b>Experience:</b>
<b>Appointed:</b>	2007	Marius carried on with the family business of Pentz Brick when his father died in 1986. In 2007 he sold the business to African Brick and is presently responsible for the operations of Pentz Brick in Port Elizabeth, a division of African Brick Lenasia (Proprietary) Limited
<b>Age:</b>	54	
<b>Nationality:</b>	South African	
<b>Qualifications:</b>	Qualified Brick Manufacturer	
<b>Business address:</b>	Waterford Office Park, Unit 28 First Floor, corner Witkoppen Road and Waterford Drive, Fourways, 2188	

## 6.6 Directors' emoluments

There will be no variation in the remuneration receivable by any of the directors of African Brick as a consequence of the rights offer.

An analysis of the aggregate emoluments paid and/or accrued for each director as payable during the last financial year is set out in the table below:

	<b>Salary R</b>	<b>Bonus R</b>	<b>Retirement and medical contribution R</b>	<b>Directors' fees R</b>	<b>Other services R</b>	<b>Total R</b>
<b>Non-executive directors</b>						
S A Tati				80,000		80,000
W A F Strydom	21,000					21,000
M J Jack						
M M Patel				55,000		55,000
L Yanta				20,000		20,000
B van Graan	165,999					165,999
H Knoetze	274,662					274,662
	<b>461,661</b>			<b>155,000</b>		<b>616,661</b>
<b>Executive directors</b>						
J M de Wet	1,384,695					1,384,695
B Blom	1,053,452					1,053,452
	2,438,147					2,438,147
<b>February 2010</b>	<b>2,802,544</b>					<b>3,054,808</b>
February 2009	2,340,883					2,340,883

All executive directors are eligible for an annual performance-related bonus payment linked to appropriate Group and business sector targets. The structure of the individual annual bonus plans and awards is decided by the Group Remuneration Committee.

## 6.7 Directors' interests

### 6.7.1 Directors' interests in African Brick shares

Other than S A Tati who holds in aggregate an indirect beneficial interest of 25.5% (2009: 25.5%) in the issued share capital of the Company at 31 May 2010, no other directors hold any interest in African Brick shares.

There are no shareholders other than Yakani Infraco (Proprietary) Limited and the Beno van Graan Trust (No 2 Account) who, in so far as it is known, are directly or indirectly, beneficially interested in 5% or more of any class of the Company's capital.

The changes in the directors' interests in the issued share capital of the Company as a result of the rights offer are as follows:

	Beneficial					
	Directly held before rights offer	Directly held after rights offer	Indirectly held before rights offer	Percentage Before	Indirectly held after rights offer	Percentage After
<i>Comprising:</i>						
<b>Executive directors</b>						
M Shangase	-	-	-	-	-	-
B Blom	-	-	-	-	-	-
<b>Non-executive directors</b>						
S A Tati	-	-	79,620,680	25.5	250,805,142	25.5
W A F Strydom	-	-	-	-	-	-
D T V Msibi	-	-	-	-	-	-
M M Patel	-	-	-	-	-	-
L Yanta	-	-	-	-	-	-

There have been no material changes in the directors' interests from 28 February 2010 to the date of this circular.

### 6.7.2 Directors' interests in transactions

None of the directors of African Brick, including directors who have resigned in the 18 months prior to this circular, have any material, direct or indirect, beneficial interest in any transaction that was effected by the Group during the current or immediately preceding financial year, which remains in any respect outstanding or unperformed.

## 6.8 African Brick Employee Share Incentive Scheme

The African Brick Employee Share Incentive Scheme has, to date, not been implemented, nor have any shares been allocated to any employee of African Brick or its subsidiaries.

## 6.9 Corporate Governance

African Brick is committed to the principles of openness, integrity and accountability in its dealings with all stakeholders and supports the Code of Corporate Practices and Conduct as recommended by the King II Report on Corporate Governance.

Extracts of the corporate governance policies adopted by African Brick are set out in Annexure 5 to this circular.

## 6.10 Share capital

The authorised and issued share capital of African Brick, at the last practicable date and after the rights offer, is set out below:

	Number of shares	Rand
<b>Authorised</b>		
Ordinary shares of 0.1 cent each	1,000,000,000	1,000,000
Preference shares of 1 cent each	250,000,000	2,500,000
<b>Total authorised share capital</b>		<b>3,500,000</b>
<b>Issued share capital, before the rights offer</b>		
Ordinary shares of 0.1 cent each	312,237,960	312,237.96
<b>Total issued share capital</b>		<b>312,237.96</b>
<b>Share premium</b>		
On 312,237,960 ordinary shares of 0.1 cent each		113,003,131.00
<b>Total share premium</b>		<b>113,003,131.00</b>
<b>Issued share capital, after the rights offer</b>		
Ordinary shares of 0.1 cent each	983,549,574	983,549.57
<b>Total issued share capital</b>		<b>983,549.57</b>
<b>Share premium</b>		
On 983,549,574 ordinary shares at 0.1 cent each		132,471,167.81
<b>Total share premium</b>		<b>132,471,167.81</b>

## 6.11 Litigation statement

The directors of the Company, whose details are given in Appendix 3 to the Revised Listing Particulars forming part of this circular, are not aware of any legal or arbitration proceedings, pending or threatened against the Group, which may have had, in the 12 months preceding the date of this circular, a material effect on the Group's financial position.

## 7. RESPONSIBILITY STATEMENT

The current directors of African Brick, whose details appear in Appendix 3 to the Revised Listing Particulars forming part of this circular, collectively and individually, accept full responsibility for the accuracy of the information given in this circular, and certify that, to the best of their knowledge and belief, there are no facts, the omission of which would make any statement in this circular false or misleading, and that they have made all reasonable enquiries to ascertain such facts and that this circular contains all information required by law and the Listings Requirements.

## 8. AUTHORISATIONS

At the Annual General Meeting of the Company held on 25 September 2009, shareholders granted a general authority to the directors to allot and issue at their discretion, the authorised unissued shares for such purposes as they may determine. The directors of African Brick agreed to the rights offer by the passing of a Board resolution on 27 May 2010.

## 9. CONSENTS

Each of the Independent Reporting Accountants, Corporate and Designated Adviser, Company Secretary, Attorneys and Transfer Secretaries have consented in writing to act in the capacity stated and to their names being stated in this circular and have not withdrawn their consent prior to the issue of this circular.

The independent Reporting Accountants have consented in writing to the inclusion of their report in this circular in the form and context in which it appears and have not withdrawn such consent prior to the publication of this circular.

## 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of African Brick during normal business hours (excluding Saturdays, Sundays and South African public holidays) from the date of issue of this circular up to and including Friday, 17 September 2010:

- the memorandum and articles of association of African Brick and each of its subsidiaries;
- the annual financial statements of African Brick for the three financial years ended 29 February 2008; 28 February 2009 and 28 February 2010;
- a copy of the standard directors' service agreement;
- the *pro forma* income statement and balance sheet of African Brick;
- the signed independent reporting accountants' report on the *pro forma* financial information of African Brick;
- the irrevocable undertaking by Yakani Infraco;
- the latest sworn appraisals or valuations relative to movable and immovable property;
- written consents of the Independent Reporting Accountants, Corporate and Designated Adviser, Company Secretary and Transfer Secretaries to the inclusion of their names in this circular in the context and form in which they appear; and
- a signed copy of this circular and the form of instruction.

## 11. PREPARATION OF REVISED LISTING PARTICULARS

Section 9.22 of the Listings Requirements requires that a transaction by a listed company that will result in the issue of new shares in excess of 50% (based on the existing issued share capital of the listed company) requires the issue of Revised Listing Particulars. Implementation of the rights offer falls into that category and, accordingly, this circular incorporates Revised Listing Particulars.

## SIGNED ON BEHALF OF THE BOARD OF DIRECTORS OF AFRICAN BRICK



**Burgert Blom**  
*Financial Director*

30 August 2010

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**TABLE OF ENTITLEMENT**


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The number of rights offer shares to which qualifying shareholders will be entitled is set out below, based on the assumption that African Brick shareholders will be entitled to 215 rights offer shares for every 100 African Brick shares held. Shareholders' entitlements will be rounded up or down, as appropriate with fractions of 0.5 and above being rounded up, and only whole numbers of rights offer shares will be issued, in accordance with the Listings Requirements.

<b>Number of African Brick shares held</b>	<b>Number of rights offer shares to which an African Brick shareholder is entitled</b>	<b>Number of African Brick shares held</b>	<b>Number of rights offer shares to which an African Brick shareholder is entitled</b>	<b>Number of African Brick shares held</b>	<b>Number of rights offer shares to which an African Brick shareholder is entitled</b>
1	2	35	75	69	148
2	4	36	77	70	151
3	6	37	80	71	153
4	9	38	82	72	155
5	11	39	84	73	157
6	13	40	86	74	159
7	15	41	88	75	161
8	17	42	90	76	163
9	19	43	92	77	166
10	22	44	95	78	168
11	24	45	97	79	170
12	26	46	99	80	172
13	28	47	101	81	174
14	30	48	103	82	176
15	32	49	105	83	178
16	34	50	108	84	181
17	37	51	110	85	183
18	39	52	112	86	185
19	41	53	114	87	187
20	43	54	116	88	189
21	45	55	118	89	191
22	47	56	120	90	194
23	49	57	123	91	196
24	52	58	125	92	198
25	54	59	127	93	200
26	56	60	129	94	202
27	58	61	131	95	204
28	60	62	133	96	206
29	62	63	135	97	209
30	65	64	138	98	211
31	67	65	140	99	213
32	69	66	142	100	215
33	71	67	144		
34	73	68	146		

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## EXCHANGE CONTROL REGULATIONS

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The following summary is intended only as a guide and is, therefore, not comprehensive. If shareholders are in any doubt as to the appropriate course of action they are advised to consult their professional adviser.

The rights offer shares will not be freely transferable from South Africa and will have to be dealt with in terms of the Exchange Control Regulations.

In respect of African Brick shareholders who will not be entitled to transfer their rights offer shares from South Africa in terms of the Exchange Control Regulations, the rights offer entitlement attributable to such shareholders will, if a premium can be obtained over the expenses of the sale, be sold on the JSE for the benefit of, and remitted to such shareholders. The sale proceeds cannot be remitted abroad if the shareholder in question is an emigrant, but must be credited to such emigrant's blocked account.

Should the net proceeds of the sale in relation to any one holding be an amount of less than R5.00, such amount will be retained for the benefit of African Brick. The transfer secretaries or any broker appointed by them or African Brick will not have any obligation or be responsible for any loss or damage whatsoever in relation to or arising out of the timing of such sales or the remittance of the net proceeds of such sales. For further details, contact Link Market Services South Africa (Proprietary) Limited on telephone number: +27 11 630 0800 or fax number: +27 (0) 866 743 330.

Pursuant to the Exchange Control Regulations of South Africa and upon specific approval of the South African Reserve Bank, non-residents, excluding former residents, of the Common Monetary Area, will be allowed to:

- take up rights allocated to them in terms of the rights offer;
- purchase letters of allocation on the JSE;
- purchase excess rights offer shares which have been applied for in terms of the rights offer;
- subscribe for the rights offer shares arising in respect of the letters of allocation purchased on the JSE, provided payment is received either through normal banking channels from abroad or from a non-resident account.

All applications by non-residents for the above purposes must be made through an authorised dealer in foreign exchange. Electronic statements issued in terms of Strate and any share certificates issued pursuant to such applications will be endorsed "non-resident".

Where a right in terms of the rights offer becomes due to a former resident of the Common Monetary Area, which right is based on shares blocked in terms of the Exchange Control Regulations of South Africa, then only emigrant blocked funds may be used to:

- take up the rights allocated to them in terms of the offer;
- purchase letters of allocation on the JSE;
- purchase excess shares which have been applied for in terms of the rights offer;
- subscribe for the rights offer shares arising in respect of the letters of allocation purchased on the JSE.

All applications by emigrants using blocked funds for the above purposes must be made through the authorised dealer in South Africa controlling their blocked assets. Share certificates issued to such emigrants will be endorsed "non-resident" and placed under the control of the authorised dealer in foreign exchange through whom the payment was made. The proceeds due to emigrants from the sale of the letters of allocation, if applicable, will be returned to the authorised dealer in foreign exchange for credit to such emigrants' blocked accounts. Electronic statements issued in terms of Strate and any rights offer share certificates issued pursuant to blocked Rand transactions will be endorsed "non-resident" and placed under the control of the authorised dealer through whom the payment was made. The proceeds arising from the sale of letters of allocation or arising from the sale of blocked shares will be credited to the blocked accounts of the emigrants concerned.

Any qualifying shareholder resident outside the Common Monetary Area who receives this circular and any form of instruction should obtain advice as to whether any governmental and/or other legal consent is required and/or any other formality must be observed to enable a subscription to be made in terms of such form of instruction.

New share certificates issued pursuant to the rights offer to an emigrant will be endorsed "non-resident" and forwarded to the address of the relevant authorised dealer controlling such emigrant's blocked assets for control in terms of the Exchange Control Regulations of South Africa. Where the emigrant's shares are in dematerialised form with a CSDP or broker, the electronic statement issued in terms of Strate will be despatched by the CSDP or broker to the address of the emigrant in the records of the CSDP or broker.

The rights offer does not constitute an offer in any jurisdiction in which it is illegal to make such an offer and this circular and any form of instruction should not be forwarded or transmitted by you to any person in any territory, other than where it is lawful to make such an offer.

The offer shares have not been and will not be registered under the Securities Act of the United States of America. Accordingly, the rights offer shares may not be offered, sold, resold, delivered or transferred, directly or indirectly, in or into the United States or to, or for the account or benefit of, United States persons, except pursuant to exemptions from the Securities Act. This circular and the accompanying documents are not being, and must not be, mailed or otherwise distributed or sent in, into or from the United States. This circular does not constitute an offer of any securities for sale in the United States or to United States persons.

The rights offer contained in this offering circular does not constitute an offer in the District of Columbia, the United States, the Dominion of Canada, the Commonwealth of Australia, Japan or in any other jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. Non-qualifying shareholders should consult their professional advisers to determine whether any governmental or other consents are required or other formalities need to be observed to allow them to take up the rights offer, or trade their entitlement. Shareholders holding African Brick shares on behalf of persons who are non-qualifying shareholders are responsible for ensuring that taking up the rights offer, or trading in their entitlements under that offer, do not breach regulations in the relevant overseas jurisdictions.

## UNAUDITED *PRO FORMA* FINANCIAL INFORMATION

The unaudited *pro forma* financial information has been prepared for illustrative purposes only and, because of its nature, may not fairly present African Brick's financial position and results of operations; nor the effect and impact of the rights offer.

The unaudited *pro forma* income statement and balance sheet have been prepared using accounting policies that comply with International Financial Reporting Standards and that are consistent with those applied in the audited results of African Brick for the year ended 28 February 2010.

The directors of African Brick are responsible for the compilation, contents and preparation of the unaudited *pro forma* financial information contained in this circular and for the financial information from which it has been prepared. Their responsibility includes determining that: the unaudited *pro forma* financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of African Brick; and the *pro forma* adjustments are appropriate for the purposes of the unaudited *pro forma* financial information disclosed in terms of the Listings Requirements

The independent reporting accountants' report on the *pro forma* financial information is set out in Annexure 4.

### 1. UNAUDITED *PRO FORMA* INCOME STATEMENT

The unaudited *pro forma* income statement set out below presents the effects of the rights offer on the results of African Brick for the year ended 28 February 2010. It has been assumed for purposes of the unaudited *pro forma* financial effects that the Rights Offer was implemented with effect from 1 March 2009 and 28 February 2010 for income statement and balance sheet purposes, respectively.

R'000	Before the rights offer <sup>(1)</sup>	<i>Pro forma</i> adjustment	<i>Pro forma</i> After the rights offer <sup>(2)</sup>	<i>Pro forma</i> adjustment	<i>Pro forma</i> After the rights offer <sup>(3)</sup>
Gross revenue	89,780		89,780		89,780
Operating costs	(102,108)		(102,108)		(102,108)
Earnings before disclosable items	(12,328)		(12,328)		(12,328)
Impairment of assets	(5,017)		(5,017)		(5,017)
Profit on sale of assets	219		219		219
Depreciation and amortisation	(4,149)		(4,149)		(4,149)
Other income	5,274		5,274		5,274
Operating profit	(16,001)		(16,001)		(16,001)
Finance costs	(1,966)	1,634	(332)	584	(1,382)
Interest received	203		203		203
Loss before taxation	(17,764)	1,634	(16,130)	584	(17,180)
Taxation	2,384		2,384		2,384
Loss after taxation	(15,380)	1,634	(13,746)	584	(14,796)
Profit/(Loss) attributable to:					
Non-controlling interest – Owners of the parent	(15,380)	1,634	(13,746)	584	(14,796)

## 1. UNAUDITED PRO FORMA INCOME STATEMENT (continued)

R'000	Before the rights offer <sup>(1)</sup>	Pro forma adjustment	Pro forma After the rights offer <sup>(2)</sup>	Pro forma adjustment	Pro forma After the rights offer <sup>(3)</sup>
Headline loss					
Loss attributable to ordinary shareholders	(15,380)	1,634	(13,746)	584	(14,796)
Impairment of assets	3,677		3,677		3,677
Profit on sale of assets (net of tax)	(158)		(158)		(158)
Headline loss attributable to ordinary shareholders	(11,861)	1,634	(10,277)	584	(11,277)
Loss per share					
Profit/(Loss) Attributable to ordinary shareholders	(15,380)	1,634	(13,746)	584	(14,796)
Loss attributable to ordinary shareholders	(15,380)	1,634	(13,746)	584	(14,796)
HEPS (cents)/(HLPS)	(3.8)		(1.0)		(1.7)
EPS (cents)/(LPS)	(4.9)		(1.4)		(2.3)
Shares in issue	312,238	671,312	983,550	342,369	654,607
Shares in issue – weighted average	312,238	671,312	983,550		312,238
There is no factors existing during the reporting period which require the calculation of diluted EPS or HEPS					
Comprehensive income					
Change in tax rate on revaluation of property, plant and equipment	20		20		20
Loss after tax	(15,380)	1,634	(13,746)	584	(14,796)
Total comprehensive income	(15,360)	1,634	(13,726)	584	(14,776)
Total comprehensive income attributable to:					
Non-controlling interest – Owners of the parent	(15,360)	1,634	(13,726)	584	(14,776)
	(15,360)	1,634	(13,726)	584	(14,776)

### Notes:

- The 'Before' column is based on the audited results for the year ended 28 February 2010.
- The 'After' column has been adjusted for the effects of the rights offer, on the assumption that all shareholders follow their rights and African Brick raises R20,139,348 through the issue of 671,311,614 new African Brick ordinary shares at the issue price.
- The 'After' column has been adjusted for the effects of the rights offer, on the assumption that only Yakani Infracore follow its rights and African Brick raises R10,271,067 through the issue of 342,368,924 new African Brick ordinary shares at the issue price.
- The financial effects are calculated on the assumptions that:
  - The cash proceeds have been received and the rights offer shares issued on 1 March 2009 for the income statement effect.
  - The estimated expenses of the rights offer have been offset against the proceeds from the rights offer.
  - The proceeds from the rights offer are used exclusively to repay debt. Interest savings are based on actual interest costs incurred for the year. This will create renewed borrowing capacity to provide working capital to support both current trading and increased production capacity in the short to medium term.

- d. The cash proceeds have been received and the rights offer shares issued on 28 February 2010 for the balance sheet impact.
- e. Transaction costs relate to the fees paid to professional advisers and legal and compliance fees. This is not expected to have a continuing effect on African Brick.
- f. The *pro forma* financial information has been prepared in accordance with IFRS and in terms of The Guide on *Pro Forma* Financial Information issued by The South African Institute of Chartered Accountants, in line with the Listings Requirements.

## 2. UNAUDITED PRO FORMA BALANCE SHEET

R'000	Audited Before rights offer <sup>(1)</sup>	Pro forma adjust- ment	Costs	Pro forma After the rights offer <sup>(2)</sup>	Pro forma adjust- ment	Costs	Pro forma After the rights offer <sup>(3)</sup>
<b>Assets</b>							
<i>Non-current assets</i>	64,471	–	–	64,471	–	–	64,471
Investment Property	625			625			625
Property, plant and equipment	54,506			54,506			54,506
Intangible assets	5,219			5,219			5,219
Deferred tax	1,277			1,277			1,277
Other financial assets	2,844			2,844			2,844
<i>Current assets</i>	32,176	–	–	32,176	–	–	32,176
Inventories	20,304			20,304			20,304
Current tax receivable	782			782			782
Trade and other receivables	9,984			9,984			9,984
Cash and cash equivalents	1,106			1,106			1,106
<b>Total assets</b>	96,647	–	–	96,647	–	–	96,647
<b>Equity and liabilities</b>							
<b>Equity</b>	50,239	20,139	(769)	69,609	10,271	(769)	59,741
Ordinary share capital	113,315	20,139	(769)	132,685	10,271	(769)	122,817
Reserves	2,682			2,682			2,682
Accumulated loss	(65,758)			(65,758)			(65,758)
<b>Liabilities</b>							
<i>Non-current liabilities</i>	25,731	(10,017)	–	15,714	–	–	25,731
Other financial liabilities	10,017	(10,017)		–			10,017
Instalment sale obligation	969			969			969
Deferred tax	10,045			10,045			10,045
Provisions	4,700			4,700			4,700
<i>Current liabilities</i>	20,677	(10,122)	769	11,324	(10,271)	769	11,175
Other financial liabilities	3,468	(3,468)		–	(3,468)		–
Instalment sale obligation	705			705			705
Trade and other payables	8,971			8,971			8,971
Provisions	500			500			500
Bank overdraft	7,033	(6,654)	769	1,148	(6,803)	769	999
<b>Total liabilities</b>	46,408	(20,139)	769	27,038	(10,271)	769	36,906
<b>Total equity and liabilities</b>	96,647	–	–	96,647	–	–	96,647
NAV per share (cents)	16.1			7.1			9.1
NTAV per share (cents)	14.4			6.5			8.3
Number of shares ('000)	312,238	671,312		983,550	342,369		654,607

**Notes:**

1. The 'Before' column is based on the audited results for the year ended 28 February 2010.
2. The 'After' column has been adjusted for the effects of the rights offer, on the assumption that all shareholders follow their rights and African Brick raises R20,139,348 through the issue of 671,311,614 new African Brick ordinary shares at the issue price.
3. The 'After' column has been adjusted for the effects of the rights offer, on the assumption that only Yakani Infracore follow its rights and African Brick raises R10,271,067 through the issue of 342,368,924 new African Brick ordinary shares at the issue price.
4. The financial effects are calculated on the assumptions that:
  - a. The cash proceeds have been received and the rights offer shares issued on 1 March 2009 for the balance sheet effect.
  - b. The estimated expenses of the rights offer have been offset against the proceeds from the rights offer.
  - c. The proceeds from the rights offer are used exclusively to repay debt. This will create renewed borrowing capacity to provide working capital to support both current trading and increased production capacity in the short to medium term.
  - d. The cash proceeds have been received and the rights offer shares issued on 28 February 2010 for the balance sheet impact.
  - e. Transaction costs relate to the fees paid to professional advisers and legal and compliance fees. This is not expected to have a continuing effect on African Brick.
  - f. The *pro forma* financial information has been prepared in accordance with IFRS and in terms of The Guide on *Pro Forma* Financial Information issued by The South African Institute of Chartered Accountants, in line with the Listings Requirements.

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**INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT  
ON THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION**

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"The Directors  
African Brick Centre Limited  
Farm 246  
Luipaardsvlei  
Krugersdorp  
South Africa  
1739

2 August 2010

Dear Sirs

**INDEPENDENT REPORTING ACCOUNTANTS' LIMITED ASSURANCE REPORT ON THE UNAUDITED  
*PRO FORMA* FINANCIAL INFORMATION OF AFRICAN BRICK CENTRE LIMITED ("African Brick")****Introduction**

African Brick is proposing to raise approximately R20 million through the issue of a renounceable rights offer of 671,311,614 African Brick ordinary shares at an issue price of 3 cents per share ("the Rights Offer").

We have performed our limited assurance engagement with regard to the unaudited *pro forma* financial effects on the income statement and balance sheet (collectively, "the *pro forma* financial information") of African Brick Centre Limited ("African Brick") set out in paragraph 4 commencing on page 13 and Annexure 3 to the Circular, to be dated on or about 30 August 2010, issued in connection with the renounceable rights offer ("Circular").

The unaudited *pro forma* financial information has been prepared in accordance with the Listings Requirements of the JSE Limited ("JSE"), for illustrative purposes only, to provide information about how the Rights Offer might have affected the reported historical financial information presented, had the Rights Offer been undertaken at the commencement of the period or date of the *pro forma* balance sheet being reported on.

Because of its nature, the *pro forma* financial Information may not present a fair reflection of the financial position, changes in equity, results of operations or cash flows of African Brick, after the Rights Offer.

**Directors' responsibilities**

The directors of African Brick are responsible for the compilation, contents and preparation of the unaudited *pro forma* financial information contained in the Circular and for the financial information from which it has been prepared. Their responsibility includes determining that: the unaudited *pro forma* financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of African Brick; and the *pro forma* adjustments are appropriate for the purposes of the unaudited *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

**Reporting accountants' responsibility**

Our responsibility is to express our limited assurance conclusion on the unaudited *pro forma* financial information included in the Circular. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Revised Guide on *Pro Forma* Financial Information issued by The South African Institute of Chartered Accountants. This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited *pro forma* financial information, beyond that owed to those to whom those reports were addressed at their dates of issue.

## Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of African Brick, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted unaudited *pro forma* information with the directors of African Brick in respect of the rights offer that is subject to the Circular.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of African Brick and other information from various public, financial and industry sources.

Whilst the work we performed involved an analysis of the historical audited financial information and other information provided to us, our limited assurance engagement does not constitute either an audit or review of any of the underlying financial information in accordance with International Standards on Auditing or International Standards on Review Engagements and, accordingly, we do not express an audit or review opinion.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe that our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

## Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that:

- the unaudited *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of African Brick;
- the adjustments are not appropriate for the purposes of the unaudited *pro forma* financial information as disclosed pursuant to Sections 8.17 and 8.30 of the JSE Listings Requirements.

## Consent

We consent to the inclusion of this letter and the reference to our opinion in the Circular to be issued by African Brick in the form and context in which it appears.

Yours faithfully

## SAB&T Chartered Accountants Incorporated

*Registered Auditors*

Per: **Bashier Adam**

119 Witch-Hazel Avenue  
Highveld Technopark  
Centurion, 0046"

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## CORPORATE GOVERNANCE

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### 1. 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 is committed to the principles of openness, integrity and accountability and supports the principles contained in King II and are taking steps to ensure that it will be compliant with the King Report on Corporate Governance for South Africa – 2009.

The directors of African Brick are of the opinion that they have complied fully with the provisions of the Listings Requirements relating to Corporate Governance as recommended by the King Code, with the exception of the appointment of an Independent Non-Executive Chairman.

### 2. THE BOARD

The Board is governed by a formal Board Charter setting out composition, processes and responsibilities. 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.

### 3. COMPOSITION OF THE BOARD

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 comprises seven Directors, which include two Executive Directors, three Independent Non-Executive Directors and two Non-Executive Directors. The guidelines contained in the Listings Requirements were used to determine the category most applicable to each director.

The names of the directors are set out in Appendix 3 to the Revised Listing Particulars, forming part of this circular.

### 4. THE CHAIRMAN

Mr S A 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.

### 5. THE MANAGING DIRECTOR

Mr M P Shangase was appointed as the Managing Director on 28 February 2010. Mr Shangase's responsibilities will be 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.

## **6. APPOINTMENTS TO THE BOARD**

The Board has adopted a policy on the procedures for the appointment of directors. Directors are invited to assist with the identification and nomination of potential candidates. The Company Secretary ensures that individual appointees are free of any conflict of interest between the duties he owes to the Company and their private interest.

## **7. 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 Listings Requirements. The directors of the Company keep the Company Secretary advised of all their dealings in securities.

## **8. INTERESTS IN CONTRACTS**

The directors have no interest in contracts. Directors are required to inform the Board timeously of potential conflict of interests 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. The register of interests of directors in contracts in terms of section 234 of the Companies Act is updated on a regular basis.

## **9. INDUCTION AND DEVELOPMENT**

The Company Secretary ensures that the Board is regularly updated with changes to legislation, regulation and best practice and further assists the Chairman with the induction and orientation of directors, including arranging specific training, if required. The Company is also committed to continuing director development in order that they may build on their expertise and develop an ever more detailed understanding of the business and the markets in which the Company operates.

## **10. RETIREMENT AND RE-ELECTION OF DIRECTORS**

All directors are subject to retirement and re-election by shareholders every three years. In addition, all directors are subject to election by shareholders at the first opportunity after their initial appointment.

## **11. 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.

## **12. BOARD ATTENDANCE**

The Board meets regularly, at least once a quarter and when circumstances may require. The Company Secretary acts as Secretary to the Board and its committees and attends all meetings.

## **13. THE COMPANY SECRETARY**

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.

## **14. 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 Board had one committee. The Chairman of the Audit, Risk and Remuneration Committee reports at each scheduled meeting and attends all Annual General Meetings to answer questions raised by shareholders.

### **14.1 The Audit, Risk and Remuneration Committee**

During the twelve months ended 28 February 2010, the Audit Committee comprised Mr M M Patel (Chairman) and Independent Non-Executive Director Mr L Yanta.

The responsibilities of the Audit, Risk and Remuneration Committee are as follows:

- the effectiveness of the Company's information systems and other systems of internal control;
- the reports of both the external and internal auditors;
- the Annual Report and specifically the Annual Financial Statements included therein;
- the accounting policies of the Company and any proposed revisions thereto;
- the external audit findings, reports and fees and the approvals thereof;
- ensuring that non-audit services will not be obtained from the external auditors where the provisions of such services could impair audit independence;
- compliance with applicable legislation and requirements of regulatory authorities;
- review and recommend the general remuneration policy, percentage increases, performance bonuses and employee benefits;
- review and recommend conditions of employment and remuneration packages of directors;
- deal with the appointment, removal and resignation of directors; and
- ensure that succession planning is in place for directors.

## **15. BOARD AND COMMITTEE MEETING ATTENDANCE**

Representatives of the appointed Designated Adviser attend all Board and committee meetings. The Company Secretary acts as Secretary to the Board and the committee and attends all meetings.

## **16. 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. Communications with institutional shareholders and investment analysts are maintained through presentation of financial results, trading statement, press announcements and one-on-one visits.

## **17. INDUSTRY ASSOCIATIONS**

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

## **18. 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).

## SHARE PRICE HISTORY OF AFRICAN BRICK

### Daily

The highest, lowest and closing price of African Brick shares on the JSE for each trading day commencing from 28 June 2010 to 27 July 2010 (being the last practicable date) and the daily volume and value is as follows:

Date	High (c)	Low (c)	Close (c)	Volume	Value (R)
27 July 2010	7	7	7	15,000	1,050
26 July 2010	6	6	6	10,000	600
23 July 2010	7	7	7	40,867	2,860
22 July 2010	7	7	7	35,714	2,499
21 July 2010	7	7	7	20,803	1,456
20 July 2010	0	0	7	0	0
19 July 2010	0	0	7	0	0
16 July 2010	7	7	7	33,333	2,333
15 July 2010	6	6	6	50,500	3,030
14 July 2010	0	0	6	0	0
13 July 2010	0	0	6	0	0
12 July 2010	0	0	6	0	0
09 July 2010	6	6	6	50,000	3,000
08 July 2010	6	6	6	200,000	12,000
07 July 2010	0	0	6	0	0
06 July 2010	6	6	6	40,000	2,400
05 July 2010	6	6	6	15,000	900
02 July 2010	0	0	5	0	0
01 July 2010	0	0	5	0	0
30 June 2010	5	5	5	10,000	500
29 June 2010	7	5	5	35,000	2,150
28 June 2010	7	6	7	162,400	9,853

### Monthly

The highest, lowest and closing price of the shares of African Brick on the JSE for each month commencing from 1 July 2009 to 27 July 2010 and the aggregate monthly volume and value is as follows:

Date	High (c)	Low (c)	Close (c)	Volume	Value (R)
27 July 2010	7	6	7	511,217	32,128
30 June 2010	9	5	5	1,947,386	128,988
31 May 2010	11	7	9	1,039,457	94,102
30 April 2010	11	7	8	1,531,520	132,405
31 March 2010	13	8	11	1,384,240	146,535
26 February 2010	14	10	12	687,339	84,678
29 January 2010	15	11	14	984,989	125,259
31 December 2009	14	9	14	305,787	34,672
30 November 2009	14	12	14	213,310	28,557
30 October 2009	16	13	14	767,326	110,541
30 September 2009	16	11	16	634,790	89,949
31 August 2009	20	13	15	2,034,189	303,033
31 July 2009	20	15	20	328,650	57,704

### Quarterly

The highest, lowest and closing price of African Brick shares on the JSE for each quarter commencing from 1 October 2007 to 30 June 2009 and the aggregated quarterly volume and value is as follows:

Date	High (c)	Low (c)	Close (c)	Volume	Value (R)
30 June 2009	22	14	20	3,027,461	525,205
31 March 2009	28	15	20	1,396,043	341,530
31 December 2008	28	14	27	65,915,898	16,919,102
30 September 2008	31	17	20	36,049,344	8,184,075
30 June 2008	55	20	27	15,512,030	5,630,968
31 March 2008	68	45	55	24,364,498	12,889,934
31 December 2007	150	65	69	40,575,896	42,546,970

Source: McGregors BFA



# AFRICAN BRICK CENTRE LIMITED

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

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## REVISED LISTING PARTICULARS

The definitions and interpretations commencing on page 5 of the circular apply *mutatis mutandis* to these Revised Listing Particulars.

The rights issue circular incorporates these Revised Listing Particulars, prepared on the premise that the rights offer is fully subscribed, and is issued in compliance with the Listings Requirements for purposes of providing information to the public with regard to the Company. These Revised Listing Particulars are not an invitation to the public to subscribe for securities.

African Brick has an authorised ordinary share capital of R1,250,000 consisting of 1,000,000,000 ordinary shares of 0.1 cent each and 250,000,000 preference shares of 0.1 cent each, of which 312,237,960 ordinary shares are in issue.

The directors of African Brick, whose names are set out in Appendix 3, collectively and individually, accept full responsibility for the accuracy of the information contained herein and certify that, to the best of their knowledge and belief, there are no omissions of facts or considerations which would make any statements of fact or opinion contained in these Revised Listing Particulars false or misleading and that all reasonable enquiries to ascertain such facts have been made and that these Revised Listing Particulars contain all information required by law and the Listings Requirements.

SAB&T, whose report is included in the circular, has given and has not, prior to publication, withdrawn their written consent to the inclusion of their report in the form and context in which it appears. The Corporate and Designated Adviser and transfer secretaries, whose names are included in the circular, have given and have not, prior to the issue of this document, withdrawn their consents to the inclusion of their names in the capacities stated in these Revised Listing Particulars.

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### Corporate and Designated Adviser



### Reporting Accountants and Auditors



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## REVISED LISTING PARTICULARS

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### 1. THE BUSINESS OF AFRICAN BRICK

#### 1.1 Incorporation and history

African Brick was incorporated in South Africa under the name “African Brick Centre (Proprietary) Limited” on 25 March 1999 and converted to a public company under Registration number 1999/006214/06 on 6 September 2007.

The African Brick Group has its origins on the West Rand of Johannesburg when, in 1945, the late Ben van Graan moved his clay brick making facilities from the South of Johannesburg to the current Krugersdorp manufacturing premises. African Brick has, up to the time of its listing on the JSE on 8 October 2007, primarily been a family owned and managed business with select key management owning minority interests in the business.

Yakani Infraco (Proprietary) Limited acquired a 51% shareholding in African Brick at a price of 28 cents per share, in terms of an offer to shareholders on 30 January 2009.

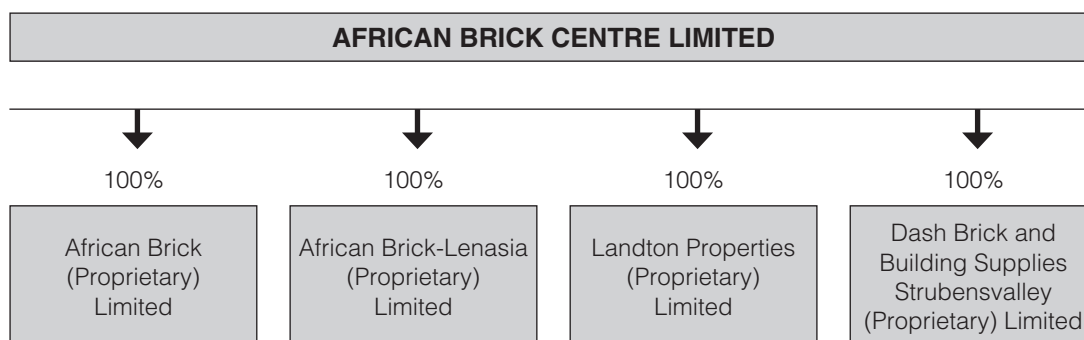
African Brick’s business consists of clay mining, manufacturing of clay semi-face bricks and a strong “wet trade” retail section. The growth of the business up to February 2008 has been the result of the strong growth in the building industry, increased productivity at its manufacturing facilities and the roll-out of a network of retail outlets. As a result of the recession, the Group closed the Lenasia plant during October 2008 as well as non-profitable retail outlets. African Brick currently has five retail outlets that are independently owned and one fully owned branch.

African Brick is a well-respected name in the clay brick industry. Today African Brick is one of the larger independent brick makers still left in South Africa.

Since 1983, African Brick has sold over 1 billion face bricks to the residential building industry. As these bricks have unique colours, African Brick’s products are the natural first choice when additions and/or improvements to homes and other buildings are undertaken.

## 1.2 Group structure and nature of business

1.2.1 African Brick's group structure may be depicted as follows:



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

### 1.2.2 Manufacturing operations

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.

### 1.2.3 African Brick (Proprietary) Limited, trading as African Brick Krugersdorp

- The core of the current manufacturing facilities at the Krugersdorp factory was built in 1984 and extensively upgraded in 1994. The manufacturing process was designed in-house in 1994.
- Maximum production capacity of 36 million bricks per annum through a computer-controlled tunnel dryer system and a further 24 million bricks can be dried outside. The company is in the final stage to acquire an additional 10 hectares of 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.
- 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 transported by road to the Krugersdorp factory.
- African Brick has always been managed responsibly when it comes to environmental issues, with all statutory approvals and permits in place. African Brick has 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, 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).

### 1.2.4 African Brick Lenasia 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 manufacture stock bricks. The brick represents exceptional quality with clay sourced in terms of a supply agreement from Addo Minerals who is 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.

Output from the manufacturing operations of the African Brick Group 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.

### **1.3 Retail operations**

The centres operate under the 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. This retail branch provides a turnkey solution for developers sourcing a wide range of building materials and delivering on site.

### **1.4 The South African Clay Brick Industry**

Demand for face brick and clay brick has significantly declined since May 2008. Retail was most affected due to the state of the housing market, with wholesale following.

The drastic decline in demand caught brick manufacturers off-guard considering that, until recently, the industry was faced by a shortfall in production capacity. Reductions in production levels were lagging behind, resulting in increased stock levels, which only declined towards the end of the 2009 financial year.

The African Brick Group aggressively reduced stock levels since its peak in October 2008 through extended shut down periods, a reduction in production capacity and closure of the Lenasia plant. To date, production capacity is scheduled in line with market demand.

African Brick is in the fortunate position of having converted to new order mining rights in terms of Black Economic Empowerment credentials, placing the Company a step ahead of some of its competitors who have not been able to convert to new order mining rights.

With the economic down-turn absorbed by most manufacturers, established brick manufacturers are positioned to retain core value:

- High barriers to entry due to expensive plant and equipment and a long cash flow cycle.
- Maximum available production levels through available resources not sufficient to support economic growth over the medium to long term.
- Recapitalisation of the industry is required to meet long-term growth projections, which will see the demise of small players and consolidation of traditionally family-owned businesses.
- Ongoing commitment from Government to spend on infrastructure and residential housing developments which support sustainable growth in the construction industry and by extension, the brick manufacturing industry.
- Increased risk that some brick manufacturing companies will not be able to convert to the new order mining rights.
- Cement bricks are not as attractive as face bricks and traditionally cost less, although the price differential has decreased dramatically over the last few years as a result of cement prices having increased at a faster rate than price increases of clay bricks.
- Claybricks is a viable alternative to other products. The Group has lined up marketing programmes to attract and comply with the environmental requirements of green building through the Claybrick Association.

## 2. DETAILS OF SUBSIDIARIES

The following information relates to the subsidiaries:

### 2.1 Subsidiaries

	Revenue R	Total assets R	Percentage assets	Percentage revenue
<b>Group</b>	<b>89,779,903</b>	<b>96,647,688</b>		
African Brick	24,990,411	22,568,660	23	28
African Brick Lenasia	6,349,327	12,944,421	13	7
Landton Properties	150,480	34,448,766	36	–
Dash Brick and Building Supplies Strubensvalley	81,004,969	13,788,553	14	90

### 2.2 Details of subsidiaries

Name of company:	African Brick (Proprietary) Limited
Date and place of incorporation:	26 September 1990, South Africa
Registration number:	1990/005785/07
Date of becoming a subsidiary:	1 March 2007
Directors:	W Geldenhuys; B Blom; M P Shangase
Nature of business:	Manufacturing of bricks
Percentage held by African Brick:	100
Issued share capital:	R100
Name of company:	African Brick-Lenasia (Proprietary) Limited
Date and place of incorporation:	23 July 1984, South Africa
Registration number:	1984/007435/07
Date of becoming a subsidiary:	1 March 2007
Directors:	B Blom; M P Shangase;
Nature of business:	Manufacturing of bricks
Percentage held by African Brick:	100
Issued share capital:	R100
Name of company:	Landton Properties (Proprietary) Limited
Date and place of incorporation:	26 September 1990, South Africa
Registration number:	1990/005781/07
Date of becoming a subsidiary:	1 March 2007
Directors:	M P Shangase; B Blom
Nature of business:	Real estate investment
Percentage held by African Brick:	100
Issued share capital:	R100
Name of company:	Dash Brick and Building Supplies Strubensvalley (Proprietary) Limited
Date and place of incorporation:	February 2006, South Africa
Registration number:	2006/026311/07
Date of becoming a subsidiary:	1 April 2008
Directors:	M P Shangase; B Blom
Nature of business:	Retailer
Percentage held by African Brick:	100
Issued share capital:	R100

**Note:**

(1) None of the above companies or businesses or any part thereof is managed by a third party under a contract or arrangement.

### 3. MAJOR AND CONTROLLING SHAREHOLDERS AND SHAREHOLDER SPREAD

Analysis of ordinary shareholders of African Brick as at 31 May 2010:

Size of holdings	Number of shareholdings	Percentage of total shareholdings	Number of shares	Percentage of shares in issue
1 – 1,000 shares	43	7.4	26,926	0.01
1,001 – 10,000 shares	248	42.5	1,220,927	0.39
10,001 – 100,000 shares	219	37.6	9,033,112	2.89
100,001 – 1,000,000 shares	61	10.5	14,329,137	4.59
1,000,001 shares and over	12	2.1	287,627,858	92.12
	<b>583</b>	<b>100.0</b>	<b>312,237,960</b>	<b>100.00</b>

Distribution of shareholders	Number of shareholdings	Percentage of total shareholdings	Number of shares	Percentage of shares in issue
Private companies	14	2.40	161,119,757	51.60
Trusts	24	4.12	109,373,805	35.03
Retail shareholders	521	89.37	27,901,037	8.94
Public companies	2	0.34	10,820,344	3.47
Close Corporations	12	2.06	2,029,550	0.65
Retirement Benefit Funds	1	0.17	408,150	0.13
Treasury	2	0.34	400,000	0.13
Investment Partnerships	4	0.69	120,780	0.04
Custodians	1	0.17	62,500	0.02
Foundations and Charitable Funds	2	0.34	2,037	0.00
	<b>583</b>	<b>100.00</b>	<b>312,237,960</b>	<b>100.00</b>

Shareholder type	Number of shareholdings	Percentage of total shareholdings	Number of shares	Percentage of shares in issue
Non-public shareholders	3	0.51	159,641,360	51.13
• Directors of the Company or its subsidiaries	1		159,241,360	51.00
– Directors and associates (direct holding)	–		–	–
– Directors and associates (indirect holding)	1		159,241,360	51.00
• Treasury	2		400,000	0.13
Public shareholders	580	99.49	152,596,600	48.87
	<b>583</b>	<b>100.00</b>	<b>312,237,960</b>	<b>100.00</b>

Analysis of ordinary shareholders of African Brick as at 31 May 2010 (continued):

**BENEFICIAL SHAREHOLDERS WITH A HOLDING GREATER THAN 3% OF THE SHARES IN ISSUE**

	Number of shareholdings	Total shareholding	Percentage of shares in issue
Yakani Infraco	1	159,241,360	51.00
*Beno van Graan Trust (No. 2 Account)	1	67,810,866	21.72
*Beno van Graan Trust	1	14,970,757	4.79
*The PJ Gouws Family Trust	1	14,638,531	4.69
	<b>4</b>	<b>256,661,514</b>	<b>82.20</b>
<b>Total number of shareholdings</b>	<b>583</b>		
<b>Total number of shares in issue</b>		<b>312,237,960</b>	

**SHARE PRICE PERFORMANCE**

Opening price 3 June 2009 (cents)	20
Closing price 31 May 2010 (cents)	9
Closing high for the period (cents)	20
Closing low for the period (cents)	7
Number of shares in issue	312,237,960
Volume traded during period	10,541,097
Ratio of volume traded to shares in issue (%)	3.38

\* Beno van Graan Trust (No. 2 Account; Beno van Graan Trust and The PJ Gouws Family Trust are all family trusts with family members as the beneficiaries of these trusts.

**4. DIRECTORS AND MANAGEMENT**

**4.1 Details and experience of directors and management**

- The full names, ages, occupations, business addresses and brief *curriculum vitae* of the directors and management of African Brick are outlined in Appendix 3 to these Revised Listings Particulars.
- All directors are South African citizens.
- A list of other directorships held by the directors is set out in Appendix 4 to these Revised Listings Particulars. There is no conflict between the director's duty to the Company and his private interests.

**4.2 Qualification, appointment, remuneration and borrowing powers of directors**

The relevant provisions of the articles of association of African Brick relating to qualification, appointment, remuneration and borrowing powers of directors and power enabling a director to vote remuneration to themselves or any member of the board, is set out in Appendix 5 to these Revised Listings Particulars. 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. The borrowing powers may only be varied by special resolution and have not been exceeded since African Brick's incorporation. There is no Exchange Control or other restrictions on the borrowing powers of the Company.

None of the directors of African Brick have:

- been declared bankrupt, insolvent or have entered into any individual voluntary compromise arrangements;
- entered into any receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company voluntary arrangements or any compromise or arrangement with creditors generally or any class of creditors of any company where such directors are or were directors with an executive function during the preceding 12 months;
- entered into any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such directors are or were partners during the preceding 12 months;
- entered into any receiverships of any asset(s) or of a partnership where such directors are or were partners during the preceding 12 months;

- been publicly criticised by a statutory or regulatory authority, including recognised professional bodies or disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company; and/or
- been involved in any offence of dishonesty, fraud or embezzlement.

#### **4.3 Service contracts of directors**

Each of the executive directors has a letter of appointment or service agreement from African Brick, containing terms that are normal for such contracts. The service agreement stipulates a notice period of thirty days.

#### **4.4 Secretarial and technical fees**

Other than the minimum monthly retainer of R17,500 plus costs paid for secretarial fees, no other managerial and technical fees are payable to third parties by African Brick.

#### **4.5 Directors' emoluments**

**4.5.1** The information pertaining to the directors' remuneration is set out in paragraph 6.6 of the circular.

**4.5.2** There will be no variation in the remuneration receivable by any of the directors as a consequence of the rights offer.

**4.5.3** No payments were made, or accrued as payable, or are proposed to be paid, either directly or indirectly, in cash or securities or otherwise to any third party *in lieu* of directors' fees.

**4.5.4** African Brick has not paid any amounts (whether in cash or in securities), nor given any benefits to any directors or to any company in which directors are, directly or indirectly, beneficially interested, or to any partnership, syndicate or other association of which the directors are members, or to any director as an inducement to become a director or otherwise, or for services rendered by directors, or otherwise for services rendered by directors or by the associate company or associate entity in connection with the promotion or formation of African Brick, during the preceding three years.

**4.5.5** No director or promoter has any material beneficial interest, direct or indirect, in the promotion of African Brick and in any property to be acquired or proposed to be acquired by African Brick regarding the rights offer or during the three years preceding the date of the circular.

**4.5.6** Neither African Brick nor its subsidiaries will be managed by third parties under a contract or arrangement.

#### **4.6 Directors' interests in securities**

The interest of the directors of African Brick and their associates are set out in paragraph 6 in the circular. The information pertaining to the directors' interests, post the implementation of the rights offer, is set out in paragraph 6.7.1 of the circular.

Other than Mr S A Tati who holds an indirect beneficial interest in African Brick (Yakani Infraco), no other director, or their associates, holds a direct or indirect beneficial interest in African Brick shares.

### **5. FINANCIAL INFORMATION**

#### **5.1 Audited financial information**

The audited financial information for African Brick is presented in Appendix 2 to these Revised Listing Particulars.

Appendix 1 to these Revised Listing Particulars contains the auditors and reporting accountants' report on the audited financial information of African Brick.

#### **5.2 Dividends and dividend policy**

**5.2.1** Given the strategy of the Company, it is the Board's intention to annually review the dividend policy and to take account prevailing circumstances and cash requirements.

**5.2.2** In terms of the Articles of Association, any dividend that remains unclaimed for a period of three years may either be invested or used by the directors for the benefit of the Company until claimed, under certain conditions as set out in Article 41.

**5.2.3** There is no arrangement under which future dividends will be waived or have been waived.

### **5.3 Material changes**

**5.3.1** There have been no material changes in the financial or trading position of the African Brick Group since 28 February 2010 until the last practicable date.

**5.3.2** There have been no material changes in the business of the African Brick Group or trading objects during the preceding five years.

### **5.4 Material commitments, lease payments and contingent liabilities**

The African Brick Group had no material commitments, lease payments or contingent liabilities at the last practicable date.

### **5.5 Material loans**

**5.5.1** No material loans have been made by African Brick or any of the subsidiaries.

**5.5.2** No material loans have been made to African Brick or any of the subsidiaries, other than a R5 million shareholder's loan approved by the Board on 30 November 2009 by Yakani Infraco of which R3.6 million was advanced on 24 January 2010 to African Brick Lenasia (Proprietary) Limited. Interest on the loan is capitalised at prime plus 2%. The loan is repayable by 28 February 2011 in one bullet payment plus interest. The loan is secured by a notarial and covering bond registered over plant and equipment and land owned in the Eastern Cape. Both African Brick and African Brick Centre signed limited suretyships. The balance of the R5 million was drawn against the facility after 28 February 2010. This is used for working capital purposes. Appendix 7 to these Revised Listing Particulars sets out the assets that form part of the security of the Yakani Infraco loan.

**5.5.3** Neither African Brick nor any of the subsidiaries have made any loans to or for the benefit of any director, manager or associate of any director or manager of African Brick.

**5.5.4** No loan capital is currently outstanding.

**5.5.5** Details of inter-company balances before elimination on consolidation:

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• Loan from Lenasia to African Brick	R3,080,224.70
• Loan from African Brick Centre to African Brick (subordinated)	R17,811,955.54
• Loan from African Brick Centre to Dash Brick and Building Supplies Strubensvalley	R1,338,278.00
• Loan from African Brick Centre to Landton	R242,748.00
• Loan from Landton to African Brick	R821,684.00
• Debtor balance (African Brick), Creditor balance Dash Brick and Building Supplies Strubensvalley	R3,676,187.03

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**5.5.6** The borrowing powers of the African Brick Group may only be varied by special resolution and have not been exceeded since incorporation. There is no Exchange Control or other restrictions on the borrowing powers of the African Brick Group.

### **5.6 Property and subsidiaries acquired or to be acquired or disposed of**

**5.6.1** Details of subsidiaries acquired by the African Brick Group within the preceding three years:

Dash Brick and Building Supplies Strubensvalley was acquired from One Vision Investments 239 (Proprietary) Limited (Registration number 2006/019312/07). The first 51% share was acquired on 1 April 2008 with the remaining 49% acquired on 30 January 2009. The total cash consideration of R12,090,750 was entirely settled in cash on the respective effective dates.

5.6.1.1 African Brick was indemnified from any undisclosed liabilities arising. The net asset value was reconciled and adjusted for any non-payment by debtors for a period of up to two months after the effective date of the 100% acquisition, and deducted from the remainder 20% of the purchase price that was held in trust. The actual final adjustment was immaterial; book debts were therefore guaranteed.

5.6.1.2 The acquisition agreement specified that the vendor and its indirect controlling shareholder, Mr Johannes Marthinus de Wet, would not be permitted to engage in any capacity, directly or indirectly, in the same or similar business as that of Dash Brick and Building Supplies Strubensvalley, in South Africa, with the exception of Mr J M de Wet's involvement in African Brick. Mr de Wet was later appointed as Managing Director of African Brick, and has since resigned from the Company.

5.6.1.3 R7,722,686 goodwill was raised. The full amount was written off through the income statement during the same financial year (2009).

**5.6.2** No property has been acquired or disposed of during the preceding three years.

## **5.7 Principal immovable property owned and leased**

**5.7.1** The African Brick Group owns the following immovable property:

- portion 554 (a portion of portion 543) of the farm Boschkop, No. 199 I.Q Honeydew (retail use 8,600m<sup>2</sup> in extent);
- portion 6, Erf 67, Krugersdorp (residential house comprising buildings 140m<sup>2</sup> in extent, situated on an erf 694m<sup>2</sup> in extent);
- portion 38 of farm 297, Zuurbekom (73,7890 hectares in extent);
- portion 140 (a portion of portion 1) of the farm Luipaardsvlei 246, Krugersdorp (with land of 31,1903 hectares in extent with various buildings of 11,717m<sup>2</sup> in extent);
- portion 143 (a portion of portion 1) of the farm Luipaardsvlei 246, Krugersdorp (with land of 54,4188 hectares in extent);
- portion 169 (a portion of portion 1) of the farm Luipaardsvlei 246, Krugersdorp (with land of 9,7474 hectares in extent); and
- portion 10 (a portion of portion 1) of the farm Welbedachtsfontein No. 300, 13 hectares in extent in the division Uitenhage.

**5.7.2** The African Brick Group leased portion 1 of portion K of the farm Rietfontein in Gauteng from Applemint Properties (Proprietary) Limited for R11,280 per month, which lease expired on 31 July 2008. The lease was not renewed.

**5.7.3** The African Brick Group leased a portion of the farm Boschkop, Honeydew in Gauteng from Eagle Canyon Building Supplied (Proprietary) Limited for R30,000 per month, which lease expired on 31 May 2010 with an option to renew for three years. The lease has been renegotiated to continue the lease for at least an additional six months at a rate of R15,000 per month for half of the property.

## **5.8 Vendors**

The rights offer does not co-incide, directly or indirectly, with the acquisition by the company, or any of its subsidiaries, of securities in or of the business undertaking of any other company, in consequence of which that company or business undertaking will become a subsidiary of or part of the business of African Brick.

## **5.9 Royalties**

African Brick is currently not subject to any royalty agreements or payments of a similar nature.

## 6. SHARE CAPITAL

### 6.1 Authorised and issued

- 6.1.1** The authorised and issued ordinary share capital of African Brick, taking into account the rights offer and the costs as set out in paragraph 5 of the circular, which are offset against the share premium, are set out in paragraph 6.10 of the circular.
- 6.1.2** The full amount of the rights offer expenses will be written-off against the share premium account to the extent permissible by the Companies Act.
- 6.1.3** Other than the commission paid to PSG Capital (Proprietary) Limited as disclosed in paragraph 7.3.1 below, no commissions have been paid, from date of listing to the date of this document, to any person for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions for any of the securities of the Company.

### 6.2 Alterations to authorised share capital

- 6.2.1** African Brick was incorporated with an authorised ordinary share capital of 1,000 ordinary shares with a par value of 100 cents per share.
- 6.2.2** The company:
- increased its authorised ordinary share capital of R1,000 to R1,000,000 by the creation of 999,000 ordinary shares with a par value of 100 cents per share on 6 September 2007;
  - altered its authorised ordinary share capital, by sub-dividing the 1,000,000 ordinary shares with a par value of 100 cents per share into 1,000,000,000 ordinary shares with a par value of 0.1 cent per share on 6 September 2007; and
  - increased its authorised share capital by the creation of 250,000,000 preference shares with a par value of 1 cent per share on 6 September 2007.
- 6.2.3** Save as set out above, no share repurchases, sub-divisions or consolidations have been undertaken by African Brick.

### 6.3 Alterations to issued share capital

- 6.3.1** On incorporation, African Brick issued and allotted 100 ordinary shares with a par value of 100 cents per share.
- 6.3.2** On 6 September 2007 resolutions was passed whereby the 100 issued ordinary share with a par value of 100 cents per share were sub-divided into 100,000 ordinary shares with a par value of 0.1 cent per share.
- 6.3.3** The Company issued:
- a total of 75,500,000 ordinary shares at an issue price of 100 cents per share on 1 September 2007 to the Beno van Graan Trust and The Piet Gouws Family Trust in terms of purchase agreements dated 3 September 2007. In terms of such agreements, African Brick acquired 100% of the issued shares in African Brick Krugersdorp, African Brick Lenasia and Landton Properties at a net asset value of R75.5 million from the shareholders of those companies with effect from 4 September 2007; and
  - a total of 199,400,000 ordinary shares, at a par value of 0.1 cent per share on 1 September 2007 to shareholders of the Company at that date and certain other parties in terms of the restructuring, so as to result in 275,000,000 shares in issue prior to the private placing. These shares were issued to the following persons and entities:

Name	Number of shares
Beno van Graan Trust	96,721,732
Piet Gouws Family Trust	25,265,799
Bernard Reyneke Familie Trust	25,913,469
Dr O van Graan	5,000,000
K van Graan	10,000,000
M & R Global Finance (Proprietary) Limited	18,249,500
Indequity Specialised Insurance Limited	4,909,000
Indequity International (Proprietary) Limited	8,431,500
Preferred Securities (Proprietary) Limited	4,909,000

**6.3.4** 45,000,000 ordinary shares were issued at 100 cents per share pursuant to an offer for subscription to applicants in a private placement prior to the listing of the Company on the JSE on 8 October 2007.

**6.3.5** During the 2008 financial year African Brick repurchased 7,762,040 ordinary shares for a total purchase consideration of R3,918,192.63 at prices ranging between 46 cents and 57 cents per share. The shares were repurchased in terms of a general authority to repurchase shares granted at a general meeting of shareholders held on 16 August 2007. These shares were subsequently cancelled.

**6.3.6** Save for the share issues as set out above, no further offers or issues of shares were made.

#### **6.4 Authorised unissued shares**

On 16 August 2007 resolutions were passed whereby:

**6.4.1** 45,000,000 of the authorised but unissued ordinary shares in the share capital of African Brick were placed under the control of the directors with specific authority for them to allot and issue such shares pursuant to the offer for subscription to the applicants;

**6.4.2** 32,000,000 of the authorised but unissued ordinary shares in the share capital of African Brick were placed under the control of the directors with specific authority for them to allot and issue such shares to employees in terms of The African Brick Centre Employee Share Incentive Scheme;

**6.4.3** the entire authorised but unissued ordinary shares and authorised but unissued preference shares in the share capital of African Brick were placed under the control of the directors, with authority for them to allot and issue such shares to such persons and on such terms and conditions as they in their discretion may determine, subject to the provisions of sections 221 and 222 of the Companies Act and the Listings Requirements.

#### **6.5 Voting, variation and conversion of rights**

**6.5.1** The provisions of the Articles of Association of African Brick relating to the voting rights, rights to dividends, redemption rights, rights on liquidation and variation of rights attaching to African Brick shares are set out in Appendix 5 to these Revised Listing Particulars.

**6.5.2** There are currently no preferential conversion or exchange rights to shares in African Brick.

#### **6.6 No other listings**

No offer has been made to the public for the subscription or sale of shares during the period from the date of African Brick's listing until the date of these Revised Listing Particulars. No shares of African Brick will be listed on any other stock exchange.

#### **6.7 Shares issued, other than for cash**

No shares have been issued or agreed to be issued by the Company or any of the subsidiaries since incorporation, other than for cash.

#### **6.8 Options and preferential rights in respect of shares**

There is no contract or arrangement, either actual or proposed, whereby any option or preferential right of any kind has been or will be given to any person to subscribe for any shares in the Company or the subsidiaries.

#### **6.9 Adequacy of working capital**

The directors, having considered the effects of the rights offer, are of the opinion that the working capital available to the African Brick Group, subsequent to the rights offer, is adequate for the present requirements of the African Brick Group, that is at least the next twelve months after the completion of the rights offer. However, should no other rights than that of Yakani Infraco, who have given an irrevocable commitment, be subscribed for, then the African Brick Group will have to undertake further means to ensure the adequacy of working capital for the next twelve months. In this regard, the disposal of the Honeydew property has been authorised by the Board.

## **6.10 The African Brick Employee Share Incentive Scheme**

The African Brick Employee Share Incentive Scheme has, to date, not been implemented, nor have any shares been allocated to any employee of African Brick or its subsidiaries.

## **7. GENERAL INFORMATION**

### **7.1 Material contracts**

- 7.1.1** African Brick entered into purchase agreements in terms whereof it acquired 100% of the issued shares in African Brick Krugersdorp, African Brick Lenasia and Landton Properties from the shareholders of those companies with effect from 1 March 2007, as further set out in Appendix 6 to these Revised Listing Particulars;
- 7.1.2** certain shareholders of African Brick, prior to the listing, entered into a pre-listing agreement on 3 September 2007, in terms of which such shareholders have pre-emptive rights in respect of any African Brick shares any of them may wish to dispose at any time after the date of listing;
- 7.1.3** shareholders party to the agreement as set out in paragraph 7.1.2 above are restrained for three years after listing from competing with African Brick in respect of certain specified activities, from employing any person who is employed by African Brick and from using any confidential information relating to the business and affairs of African Brick;
- 7.1.4** African Brick acquired 100% of Dash Brick and Building Supplies Strubensvalley, as further set out in paragraph 5.6 above;
- 7.1.5** Other than mentioned in paragraphs 7.1.1 to 7.1.4 above, no material contracts have been entered into by the Company, other than in the ordinary course of business, within the preceding two years or at any time that contain an obligation or settlement that is material to the African Brick Group at the last practicable date.
- 7.1.6** the African Brick Group is not subject to any Government protection or any investment encouragement law.

### **7.2 Litigation**

There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened) of which the African Brick Group is aware, which may have or have had a material effect on the financial position of the African Brick Group in the financial year ended 28 February 2010, up to and including the date of the circular.

### **7.3 Promoters and other interests**

- 7.3.1** PSG Capital (Proprietary) Limited assisted African Brick with the placing of African Brick shares in terms of the private placing at the time of its listing in October 2007, in consideration for a commission of R2,250,000.
- 7.3.2** Other than stated in paragraph 7.3.1 above, no amounts have been paid by African Brick within the preceding three years or are payable to any director or promoter of African Brick or for any property acquired by African Brick.
- 7.3.3** No commissions, discounts, brokerages or other special terms have been granted by African Brick from date of listing to the date of this document, in connection with the issue or sale of any shares in African Brick.

### **7.4 Commissions paid or payable in respect of underwriting**

No amounts have been paid, or accrued as payable, within the preceding three years in respect of underwriting commissions for subscribing, or agreeing to subscribe for any securities of the Company.

### **7.5 Expenses and listing fees**

The estimated expenses of the rights offer, exclusive of VAT, are set out in paragraph 5 of the circular.

## **7.6 Directors' statement**

The directors of African Brick, whose names are given in Appendix 3 to these Revised Listing Particulars:

- have considered all statements of fact and opinion in these Revised Listing Particulars;
- accept, collectively and individually, full responsibility for the accuracy of such statements;
- certify that, to the best of their knowledge and belief, there are no omissions of facts or considerations which would make any statements of fact or opinion contained in the circular false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the circular contains all information required by law and the Listings Requirements.

## **7.7 Statement of Corporate Practice and Conduct**

**7.7.1** African Brick and its directors are committed to the principles of effective corporate governance and application of the highest ethical standards in the conduct of its business and affairs.

**7.7.2** The Board of directors has appointed the Audit, Risk and Remuneration Committee.

**7.7.3** The Audit Committee has considered and satisfied itself of the appropriateness of the financial director's expertise and experience.

**7.7.4** The Board ensures that conduct of its business is done according to the highest standards of corporate governance. The Board strives to foster a culture that values and rewards exemplary ethical standards, personal and corporate integrity.

**7.7.5** The Board is committed to the principles of openness, integrity and accountability and supports the principles contained in King II and is taking steps to ensure that it will be compliant with the King Report on Corporate Governance for South Africa – 2010.

## **7.8 Advisers' consents**

Each of the advisers, whose names appear on the inside front cover of the circular, have given and have not, prior to registration of the circular, withdrawn their written consent to the inclusion of their names and to act in the capacities stated and, where applicable, to their reports being included in the circular.

## **7.9 Documents available for inspection**

The documents, or copies thereof, available for inspection at the registered office of African Brick, during normal office hours from the date of issue of these Revised Listings Particulars up to and including Friday, 17 September 2010, are detailed in paragraph 10 of the circular

**SIGNED ON BEHALF OF THE BOARD OF DIRECTORS OF AFRICAN BRICK**



**Burgert Blom**  
*Financial Director*

30 August 2010

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## INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON AFRICAN BRICK HISTORICAL FINANCIAL INFORMATION

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"The Directors  
African Brick Centre Limited  
Farm 246  
Luipaardsvlei  
Krugersdorp  
South Africa  
1739

2 August 2010

Dear Sirs

### **REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE HISTORICAL FINANCIAL INFORMATION OF AFRICAN BRICK CENTRE LIMITED ("African Brick")**

#### **Introduction**

At your request and for the purposes of the Circular, to be dated on or about 30 August 2010, in complying with the Listing Requirements of the JSE Limited ("JSE") we report on the historical financial information of African Brick attached as Appendix 2 to the Circular, for the periods ended 28 February 2009 and 28 February 2010.

#### **Responsibilities**

The directors of African Brick are responsible for the compilation, contents and preparation of the Circular and for the accuracy of the information, including the financial information, contained therein and for the financial information from which it has been prepared.

Our responsibility is to express audit opinions on the report of historical financial information of African Brick included in the Circular.

#### **Scope**

We have audited the historical financial information for the years ended 28 February 2009 and 28 February 2010 prepared in accordance with International Financial Reporting Standards.

#### **Basis of the audit opinions**

We conducted our audits in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that the historical financial information at February 2009 and 28 February 2010 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the historical financial information. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the historical financial information, 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 historical financial information 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 the directors, as well as evaluating the overall presentation of the historical financial information.

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

## **Audit opinion**

In our opinion the historical financial information of African Brick for the years ended February 2009 and 28 February 2010, fairly presents for the purposes of the Circular, in all material respects, the financial position at those dates and the results of operations for the years then ended and has been prepared in accordance with International Financial Reporting Standards and in the manner required by the JSE Listings Requirements and the Companies Act of South Africa.

## **Consent**

We have given and not withdrawn our written consent to the inclusion of this report in the Circular in the form and context in which the report appears.

Yours faithfully

## **SAB&T Chartered Accountants Incorporated**

*Registered Auditors*

*Per: **Bashier Adam***

119 Witch-Hazel Avenue  
Highveld Technopark  
Centurion, 0046"

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## HISTORICAL FINANCIAL INFORMATION OF AFRICAN BRICK FOR THE YEARS ENDED 28 FEBRUARY 2009 AND 28 FEBRUARY 2010

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### PERFORMANCE REVIEW

The period under review saw the collapse of demand for clay brick as result of the economic recession, personal debt levels and an increase in production output towards the end of the economic boom. Expansion of retail activity by African Brick Centre was not successful due to drop in demand.

The clay brick industry expects a slow recovery with approximately 60% of factories operating between 40% to 50% capacity. African Brick Centre right sized the group during the 2009/2010 financial year through downsizing of human resources, reduction in production capacity and cutting planned production from five days a week to three days in the Eastern Cape.

Whilst the market price of clay bricks remains under pressure, restructuring initiatives were successful, limiting operational losses and positioning the Group for turn around.

Expansion to the Krugersdorp factory was tailored, which will enable the Group to regain production capacity lost during the recession. Final implementation is dependent on the Company's ability to recapitalise the Group.

Significant impairments relating to the clay reserves and impairment to the Krugersdorp factory, hostel and bad debt contributed to a drop in net asset value. The impairment to the clay reserves is not of a permanent nature as the valuation was based on current market circumstances.

### BASIS OF PREPARATION

The audited consolidated financial statements for the year ended 28 February 2010 have been prepared in accordance with the framework concepts and the measurement requirements of International Financial Reporting Standards (IFRS), the JSE Listings Requirements and in the manner required by the Companies Act, 61 1973, as amended. The accounting policies and method of measurement and recognition applied in preparation of the audited consolidated annual financial statements are consistent with those applied in the Group's annual financial statements for the year ended 28 February 2009, which comply with IFRS.

The following new standards and amendments to standards have become mandatory for the financial year beginning 1 March 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.

\* 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.

\* IAS 36 – Impairment of Assets

The standard requires disclosures of estimates used to determine the recoverable amount of cash-generating units containing goodwill or intangible assets with indefinite useful lives. When discounted cash flows are used to estimate fair value less costs to sell, disclosure of the period over which the cash flows are projected, the growth rate used and the discount rate is required.

### Going Concern

The financial statements have been prepared on the going concern basis. The Group is comfortable that funding will be available to support working capital needed through the rights issue, as underwritten by the major shareholder representing 51% of the issued shares.

## Related Party Transactions

Yakani Brickveld (Proprietary) Limited (100% subsidiary of Yakani Infraco)

The Company received management fees for financial and administration services rendered, in the amount of R916,462 during the period under review.

Clay bricks in the amount of R4,243,534 were purchased during the period under review. All related party transactions were fully settled at year-end.

Prior period error – Restatement of intangible clay reserve

With the listing of African Brick Centre towards the end of 2007, the Company acquired a 100% shareholding in the manufacturing company, African Brick, which also mines clay (owns the rights to mine the clay) as well as a property company, Landton Properties, which owns the land and clay reserves (and the mining rights) on which premises African Brick currently mines the clay.

The clay reserves were never fair valued at date of acquisition resulting in only goodwill being raised.

The correction of the error(s) resulted in adjustments as follows:

### Statement of Financial Position

<b>Figures in Rand</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Goodwill – as previously stated	–	–	35,391,931
Adjustment as result of prior period error	–	–	(30,036,477)
Goodwill after adjustment for prior period error	–	–	5,355,454
Goodwill total – Restated	–	–	5,355,454
<b>Intangible assets</b>			
Clay rights	–	–	162,253
Additions through business combinations	–	8,222,730	30,036,477
Accumulated depreciation	–	(3,003,648)	(1,501,824)
Clay reserves after adjustment for prior period error	–	5,219,082	28,534,653
Intangible total – Restated	–	5,219,082	28,696,906
<b>Profit or Loss</b>			
Impairment of goodwill – as previously stated	–	(43,114,617)	–
Adjustment as result of prior period error – impairment loss	–	30,036,477	–
Impairment of goodwill after adjustment for prior period error	–	(13,078,140)	–
Impairment of intangible – as previously stated	–	(162,253)	–
Adjustment as result of prior period error – impairment loss	–	(21,813,747)	–
Reversal of impairment	–	–	–
Impairment of intangible after adjustment for prior period error	–	(21,976,000)	–
Amortisation of clay reserve as previously stated	–	–	–
Amortisation based on units of production	–	(1,501,823)	(1,501,823)
Impairment of intangible after adjustment for prior period error	–	(1,501,823)	(1,501,823)
Total through profit and loss, as previously stated	–	(43,276,870)	–
Total through profit and loss after adjustment for prior period error	–	(36,555,963)	(1,501,823)
Profit and loss total – restated	–	6,720,907	(1,501,823)
Accumulated movement through profit and loss		5,219,084	
<b>Reconciliation</b>			
Loss for the period as previously recorded		(82,745,785)	
Loss for the period – Restated		(76,024,878)	
Net movement		6,720,907	

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 2010 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 changes 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.

## **DIVIDEND**

In line with its policy, the Group will not pay a dividend for the 2010 year.

## **POST-BALANCE SHEET EVENT**

The Company announced a R20 million rights issue at 3 cents per share to strengthen its balance sheet, support working capital and facilitate its growth strategy. Yakani Infraco, representing 51% of the issued shares, has irrevocably undertaken to follow its rights.

## **INTRODUCTION**

The Board of directors of African Brick Centre announces the Group's results for the twelve months ended 28 February 2010. The consolidated Group results include Dash Brick and Building Supplies Strubensvalley (Proprietary) Limited ("Dash Brick"), African Brick (Proprietary) Limited ("African Brick"), African Brick Lenasia (Proprietary) Limited ("African Brick Lenasia") and Landton Properties (Proprietary) Limited ("Landton Properties") ("the subsidiaries"). The majority shareholder of African Brick Centre is Yakani Infraco (Proprietary) Limited ("Yakani Infraco") who acquired a 51% shareholding on 30 January 2009, and took effective control on 1 February 2009.

## **PROSPECTS**

With the economy recovering slowly and positive signs in the retail building industry, banks reducing interest rates and reviewing credit granting criteria, the Group has a positive medium-term outlook.

The Department of Human Settlement has invited alternative building material suppliers to show case their products, with claybricks as a viable alternative to other products. The Group has lined up marketing programmes to attract and comply with the environmental requirements of green building through the Claybrick Association.

A relatively new Executive and Sales team is surefooted to prepare for the new challenges. We believe that the worst in the building industry has passed and are positive that the year ahead will bear a moderate increase in sales and sales margins.

Expansion to the Krugersdorp factory was tailored and approved, which will enable the Group to regain production capacity towards the end of the 2011 financial year, lost during the recession.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 28 February 2010**

Figures in Rand	Notes	2010	Group 2009
Revenue	22	89,779,903	191,867,895
Cost of sales		(80,771,639)	(171,180,909)
<b>Gross profit</b>		<b>9,008,264</b>	<b>20,686,986</b>
Other income		5,274,441	982,384
Operating expenses		(30,283,857)	(96,868,704)
<b>Operating loss</b>	23	<b>(16,001,152)</b>	<b>(75,199,334)</b>
Investment revenue	24	203,108	1,074,693
Fair value adjustments		–	159,278
Finance costs	25	(1,966,008)	(1,538,360)
<b>Loss before taxation</b>		<b>(17,764,052)</b>	<b>(75,503,723)</b>
Taxation	26	2,384,302	(521,155)
<b>Loss for the year</b>		<b>(15,379,750)</b>	<b>(76,024,878)</b>
<b>Profit/(Loss) attributable to:</b>			
Non-controlling interest		–	1,650,711
Owners of the parent		(15,379,750)	(77,675,589)
		<b>(15,379,750)</b>	<b>(76,024,878)</b>
HLPS (Cents)	37	(3.8)	(13.1)
LPS (Cents)	38	(4.9)	(24.4)
<b>Other comprehensive income/(loss) for the year net of taxation</b>		<b>20,187</b>	<b>(789,997)</b>
Total comprehensive loss		(15,359,563)	(76,814,875)
<b>Total comprehensive income/(loss) attributable to:</b>			
Non-controlling interest		–	1,650,711
Owners of the parent		(15,359,750)	(78,465,586)
		<b>(15,359,750)</b>	<b>(76,814,875)</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
for the year ended 28 February 2010

Figures in Rand	Notes	2010	Group 2009	2008	2010	Company 2009	2008
<b>ASSETS</b>							
<b>Non-current assets</b>							
Investment property	3	625,000	625,000	625,000	–	–	–
Property, plant and equipment	4	54,506,077	62,903,737	60,232,041	10,380,337	11,433,873	12,190,982
Goodwill	5	–	–	5,355,454	–	–	–
Intangible assets	6	5,219,086	5,219,082	28,696,906	–	–	–
Investments in subsidiaries	7	–	–	–	54,868,941	87,590,750	75,500,000
Loans to Group companies	8	–	–	–	19,420,580	12,614,348	402,748
Other financial assets	10	2,844,294	840,844	5,294	2,839,000	835,550	–
Deferred tax	11	1,277,435	183,906	183,906	565,244	11,306	11,306
Prepayments		–	–	248,052	–	–	248,052
		<b>64,471,892</b>	<b>69,772,569</b>	<b>95,346,653</b>	<b>88,074,102</b>	<b>112,485,827</b>	<b>88,353,088</b>
<b>Current assets</b>							
Inventories	12	20,304,211	24,313,556	34,768,259	–	6,525,897	21,603,609
Loans to managers and employees	13	–	148,349	796,475	–	119,527	741,790
Current tax receivable		781,092	527,209	–	283,299	283,299	–
Trade and other receivables	14	9,984,105	21,795,790	17,010,813	842,940	13,675,176	16,523,543
Cash and cash equivalents	15	1,106,388	1,566,596	36,592,946	114,938	71,942	28,257,173
		<b>32,175,796</b>	<b>48,351,500</b>	<b>89,168,493</b>	<b>1,241,177</b>	<b>20,675,841</b>	<b>67,126,115</b>
<b>Total assets</b>		<b>96,647,688</b>	<b>118,124,069</b>	<b>184,515,146</b>	<b>89,315,279</b>	<b>133,161,668</b>	<b>155,479,203</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
Equity attributable to equity holders of parent							
Share capital	16	113,315,369	113,315,369	113,341,502	113,315,369	113,315,369	113,341,502
Reserves	17	2,682,223	2,662,036	3,452,033	3,472,220	3,452,033	3,452,033
Accumulated loss		(65,757,688)	(50,377,938)	27,297,651	(44,222,759)	(11,745,344)	17,303,666
		<b>50,239,904</b>	<b>65,599,467</b>	<b>144,091,186</b>	<b>72,564,830</b>	<b>105,022,058</b>	<b>134,097,201</b>
<b>Liabilities</b>							
<b>Non-current liabilities</b>							
Loans from Group companies	8	–	–	–	–	194,333	368,117
Other financial liabilities	18	10,017,340	10,176,588	58,942	10,014,384	10,130,660	–
Instalment sale obligation	19	969,451	1,788,947	3,132,807	728,057	1,298,072	1,975,950
Deferred tax	11	10,044,752	11,355,713	11,501,780	565,244	585,432	585,432
Provisions	20	4,700,000	4,700,000	–	–	–	–
		<b>25,731,543</b>	<b>28,021,248</b>	<b>14,693,529</b>	<b>11,307,685</b>	<b>12,208,497</b>	<b>2,929,499</b>
<b>Current Liabilities</b>							
Loans from shareholders	9	–	139,298	133,271	–	137,247	131,220
Other financial liabilities	18	3,467,582	–	–	–	–	–
Current tax payable		–	35,034	11,476,424	–	–	5,043,451
Instalment sale obligation	19	704,658	1,996,270	1,716,515	533,354	1,589,076	1,355,337
Operating lease liability		–	–	33,430	–	–	–
Trade and other payables	21	8,970,543	18,614,299	11,460,791	335,378	10,986,337	11,922,495
Provisions	20	500,000	500,000	910,000	–	–	–
Bank overdraft	15	7,033,458	3,218,453	–	4,574,032	3,218,453	–
		<b>20,676,241</b>	<b>24,503,354</b>	<b>25,730,431</b>	<b>5,442,764</b>	<b>15,931,113</b>	<b>18,452,503</b>
<b>Total liabilities</b>		<b>46,407,784</b>	<b>52,524,602</b>	<b>40,423,960</b>	<b>16,750,449</b>	<b>28,139,610</b>	<b>21,382,002</b>
<b>Total equity and liabilities</b>		<b>96,647,688</b>	<b>118,124,069</b>	<b>184,515,146</b>	<b>89,315,279</b>	<b>133,161,668</b>	<b>155,479,203</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the financial year ended 28 February 2010

Figures in Rand	Notes	Group		Company	
		2010	2009	2010	2009
<b>Cash flows from operating activities</b>					
Cash receipts from customers		101,591,588	187,082,919	15,670,452	139,266,765
Cash paid to suppliers and employees		(103,970,536)	(202,719,890)	(6,805,955)	(148,810,061)
Cash generated from operations	28	(2,378,948)	(15,636,971)	8,864,497	(9,543,296)
Interest income		203,108	1,074,693	2,305,734	589,155
Finance costs		(1,634,627)	(1,073,121)	(1,488,704)	(591,102)
Tax paid	29	(288,917)	(12,563,786)	–	(5,326,750)
<b>Net cash from operating activities</b>		<b>(4,099,384)</b>	<b>(28,199,185)</b>	<b>9,681,527</b>	<b>(14,871,993)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	4	(3,214,690)	(6,144,703)	(2,440,908)	(1,429,138)
Sale of property, plant and equipment	4	4,167,415	321,488	2,501,175	206,692
Loans advanced to Group companies		–	–	(6,826,781)	(12,385,384)
Repayment of loans from Group companies		–	–	(173,784)	–
Purchase of financial assets		(2,003,450)	(835,550)	(2,003,450)	(835,550)
Purchase of subsidiaries		–	(12,603,175)	–	(12,090,750)
<b>Net cash from investing activities</b>		<b>(1,050,725)</b>	<b>(19,261,940)</b>	<b>(8,943,748)</b>	<b>(26,534,130)</b>
<b>Cash flows from financing activities</b>					
Preliminary expenses incurred	16	–	(26,133)	–	(26,133)
Proceeds from other financial liabilities		3,308,334	10,117,646	–	10,130,660
Repayment of other financial liabilities		–	–	(116,276)	–
Movement in loans to managers and employees		148,349	648,126	119,527	622,263
Proceeds from shareholder's loan		–	6,027	–	6,027
Repayment of shareholder's loan		(139,298)	–	(137,247)	–
Payments of instalment sale obligations		(2,442,489)	(1,529,344)	(1,916,365)	(730,379)
<b>Net cash from financing activities</b>		<b>874,896</b>	<b>9,216,322</b>	<b>(2,050,361)</b>	<b>10,002,438</b>
<b>Total cash movement for the year</b>		<b>(4,275,213)</b>	<b>(38,244,803)</b>	<b>(1,312,582)</b>	<b>(31,403,685)</b>
<b>Cash at the beginning of the year</b>		<b>(1,651,857)</b>	<b>36,592,946</b>	<b>(3,146,511)</b>	<b>28,257,174</b>
<b>Total cash at end of the year</b>	15	<b>(5,927,070)</b>	<b>(1,651,857)</b>	<b>(4,459,093)</b>	<b>(3,146,511)</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the year ended 28 February 2010

Figures in Rand	Share capital	Share premium	Total share capital	Revaluation reserve	Accumulated loss	Total attributable to equity holders of the Group company	Non-controlling interest	Total equity
<b>Group</b>								
Opening balance as previously reported	312,238	113,029,264	113,341,502	3,452,033	28,799,474	145,593,009	–	145,593,009
Adjustments:								
Prior period error – Refer to note 34	–	–	–	–	(1,501,823)	(1,501,823)	–	(1,501,823)
<b>Balance at 1 March 2008 as restated</b>	<b>312,238</b>	<b>113,029,264</b>	<b>113,341,502</b>	<b>3,452,033</b>	<b>27,297,651</b>	<b>144,091,186</b>	<b>–</b>	<b>144,091,186</b>
Changes in equity:								
Total restated comprehensive loss for the year	–	–	–	(789,997)	(76,024,878)	(76,814,875)	–	(76,814,875)
Acquisition of additional shares	–	–	–	–	–	–	(2,982,214)	(2,982,214)
Preliminary expenses incurred	–	(26,133)	(26,133)	–	–	(26,133)	–	(26,133)
Acquisition of subsidiary	–	–	–	–	–	–	1,331,503	1,331,503
Minority share of net profit	–	–	–	–	(1,650,711)	(1,650,711)	–	–
Total changes	–	(26,133)	(26,133)	(789,997)	(77,675,589)	(78,491,719)	–	(78,491,719)
Opening balance as previously reported	312,238	113,003,131	113,315,369	2,662,036	(55,597,022)	60,380,383	–	60,380,383
Adjustments:								
Prior period error – Refer to note 34	–	–	–	–	5,219,084	5,219,084	–	5,219,084
<b>Balance at 1 March 2009 as restated</b>	<b>312,238</b>	<b>113,003,131</b>	<b>113,315,369</b>	<b>2,662,036</b>	<b>(50,377,938)</b>	<b>65,599,467</b>	<b>–</b>	<b>65,599,467</b>
Changes in equity:								
Total comprehensive loss for the year	–	–	–	20,187	(15,379,750)	(15,359,563)	–	(15,359,563)
Total changes	–	–	–	20,187	(15,379,750)	(15,359,563)	–	(15,359,563)
<b>Balance at 28 February 2010</b>	<b>312,238</b>	<b>113,003,131</b>	<b>113,315,369</b>	<b>2,682,223</b>	<b>(65,757,688)</b>	<b>50,239,904</b>	<b>–</b>	<b>50,239,904</b>
Notes	16	16	16	17				
<b>Company</b>								
<b>Balance at 1 March 2008</b>	<b>312,238</b>	<b>113,029,264</b>	<b>113,341,502</b>	<b>3,452,033</b>	<b>17,303,666</b>	<b>134,097,201</b>	<b>–</b>	<b>134,097,201</b>
Changes in equity								
Total comprehensive loss for the year	–	–	–	–	(29,049,010)	(29,049,010)	–	(29,049,010)
Preliminary expenses incurred	–	(26,133)	(26,133)	–	–	(26,133)	–	(26,133)
Total changes	–	(26,133)	(26,133)	–	(29,049,010)	(29,075,143)	–	(29,075,143)
<b>Balance at 1 March 2009</b>	<b>312,238</b>	<b>113,003,131</b>	<b>113,315,369</b>	<b>3,452,033</b>	<b>(11,745,344)</b>	<b>105,022,058</b>	<b>–</b>	<b>105,022,058</b>
Changes in equity								
Total comprehensive loss for the year	–	–	–	20,187	(32,477,415)	(32,457,228)	–	(32,457,228)
Total changes	–	–	–	20,187	(32,477,415)	(32,457,228)	–	(32,457,228)
<b>Balance at 28 February 2010</b>	<b>312,238</b>	<b>113,003,131</b>	<b>113,315,369</b>	<b>3,472,220</b>	<b>(44,222,759)</b>	<b>72,564,830</b>	<b>–</b>	<b>72,564,830</b>
Notes	16	16	16	17				

## **ACCOUNTING POLICIES**

### **1. 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, 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 Rand.

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, liabilities or equity which arise as a result of the contingent consideration are not affected 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 for 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.

### **Investment in associates**

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the Group and an associate are eliminated to the extent of the Group's interest therein.

When the Group reduces its level of significant influence or loses significant influence, the Group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

## **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 judgment. In making this judgment, 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**

If required, an allowance for stock to write stock down to the lower of cost or net realisable value is made each year. Management has made estimates of the selling price and direct cost to sell on certain inventory items.

### **Plant and equipment**

Due to the specialised nature of the Group's plant and machinery, the residual value attached to these assets has been estimated to be nil. The Group estimates that the useful life of the plant and machinery, being the period of time for which the assets can be utilised without significant modifications, replacements or improvements is five years based on current levels of production and repairs and maintenance costs incurred.

### **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 [name a key assumption] assumption 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. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

## **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 20 – Provisions.

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

Deferred tax is provided for on the fair value adjustments of investment properties and land and buildings 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. Refer note 11 – Deferred tax.

## **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.

### **1.3 Investment property**

Investment property comprises non-owner occupied buildings held to earn rentals and for capital appreciation. 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;
- 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.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are 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.

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.

When an item of land and buildings is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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.

The revaluation surplus in equity related to a specific item of land and buildings is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Plant and machinery is depreciated on the diminishing balance method over their expected useful lives to their estimated residual value. Depreciation on office equipment, IT equipment, motor vehicles, advertising material and computer software is provided to write down the cost, less residual value, on the straight line method at the rates indicated below.

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

<b>Item</b>	<b>Average useful life</b>
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
Advertising material	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.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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.

## 1.5 Goodwill

Goodwill is initially measured at cost, being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is capitalised and reviewed annually for impairment or more frequently when there are indications that impairment may have occurred. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of, is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss in respect of goodwill is recognised in the income statement and is not reversed. Internally generated goodwill is not recognised as an asset.

## 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;
- 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;
- 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;
- 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.

Re-assessing 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
Clay rights	Indefinite

## 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.
- 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.

### **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.

### **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.

### **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.

### **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.

### **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.

## **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

### **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:

IAS 1 (Revised) Presentation of Financial Statements

The main revisions to IAS 1 (AC 101):

- Require the presentation of non-owner changes in equity either in a single statement of comprehensive income or in an income statement and statement of comprehensive income.
- Require the presentation of a statement of financial position at the beginning of the earliest comparative period whenever a retrospective adjustment is made. This requirement includes related notes.

- Require the disclosure of income tax and reclassification adjustments relating to each component of other comprehensive income. The disclosures may be presented on the face of the statement of comprehensive income or in the notes.
- Allow dividend presentations to be made either in the statement of changes in equity or in the notes only.
- Have changed the titles to some of the financial statement components, where the 'balance sheet' becomes the 'statement of financial position' and the 'cash flow statement' becomes the 'statement of cash flows.' These new titles will be used in International Financial Reporting Standards, but are not mandatory for use in financial statements.

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

The Group has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

### **IFRS 8: Operating Segments**

IFRS 8 (AC 145) replaces IAS 14 (AC 115) Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

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

The Group has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

### **May 2008 Annual Improvements to IFRS's: Amendments to IAS 36 Impairment of Assets**

The amendment requires disclosures of estimates used to determine the recoverable amount of cash-generating units containing goodwill or intangible assets with indefinite useful lives. Specifically, the following disclosures are required when discounted cash flows are used to estimate fair value less costs to sell:

- the period over which management has projected cash flows;
- the growth rate used to extrapolate cash flow projections;
- the discount rate(s) applied to the cash flow projections.

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

The group has adopted the amendment for the first time in the 2010 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

### **Improvements to IFRS**

Improvements to IFRS (issued in May 2008) include 35 amendments across 20 different standards that largely clarify the required accounting treatment where previous practice had varied, and have resulted in a number of changes in the detail of the Group's accounting policies. These amendments have had no material impact on the Group's accounting policies.

All other standards and interpretations that were effective for periods commencing on or after 1 January 2009 have had no material impact on the Group.

### **Amendments to IFRS 7: Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments**

The amendment requires additional disclosures about fair value measurement, including separating fair value measures into a hierarchy. The amendments also require liquidity risk disclosure to be separated between non-derivative financial liabilities and derivative financial liabilities.

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

The Group has adopted the amendment for the first time in the 2010 annual financial statements.

The adoption of this amendment has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

## **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 2010 or later periods:

### **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.
- 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 expects to adopt the standard for the first time in the 2011 annual financial statements.

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

### **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. 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 expects to adopt the amendment for the first time in the 2011 annual financial statements.

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

## **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 expects to adopt the amendment for the first time in the 2011 annual financial statements.

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

## **IFRS 9 (Financial Instruments: Classification and Recognition)**

This statement will be the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement.

The amendment was issued during November 2009 but is only effective for the annual periods beginning on or after 1 January 2013. The company will comply with the applicable standard from the year ending 31 December 2013.

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

## **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 expects to adopt the interpretation for the first time in the 2011 annual financial statements.

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

## **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 expects to adopt the interpretation for the first time in the 2011 annual financial statements.

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

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

The amendment was issued during January 2009 but is only effective for annual periods beginning on or after 1 July 2010. The Group will comply with the applicable standard from the year ending 31 December 2011.

The Group expects to adopt the amendment for the first time in the 2010 annual financial statements.

### **IAS 24 (Related Party Disclosures)**

This statement will clarify the definition of related parties.

The amendment was issued during November 2009 but is only effective for the annual periods beginning on or after 1 January 2011. The company will comply with the applicable standard from the year ending 31 December 2011.

### **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 will be applied from the year ended 31 December 2010:

- 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; and
- 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.

## **3. INVESTMENT PROPERTY**

<b>Group</b>	<b>2010</b>			<b>2009</b>			<b>2008</b>		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Investment property	625,000	–	625,000	625,000	–	625,000	625,000	–	625,000

### **Reconciliation of investment property – Group: 2008 – 2010**

<b>Rand</b>	<b>Opening balance</b>	<b>Total</b>
Investment property	625,000	625,000

<b>Figures in Rand</b>	<b>2010</b>	<b>Group 2009</b>	<b>2008</b>	<b>2010</b>	<b>Company 2009</b>	<b>2008</b>
Fair value of investment properties	625,000	625,000	625,000	–	–	–
<b>Pledged as security</b>						
Carrying value of assets pledged as security:						
Investment property	625,000	625,000	625,000	–	–	–
Mortgage bond over portion 6, Erf 67 Krugersdorp at a rate of prime less 1% with 67 months remaining and payments of R1,800 per month. Refer to note 18.						
<b>Details of property</b>						
<b>Portion 6, Erf 67 Krugersdorp (Residential house comprising buildings 140m<sup>2</sup> in extent situated on an erf 694m<sup>2</sup>).</b>						
– Purchase price: 5 April 1995	145,000	145,000	145,000	–	–	–
– Additions since purchase or valuation	480,000	480,000	480,000	–	–	–
	625,000	625,000	625,000	–	–	–

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

#### **Details of valuation**

The effective date of the revaluation was 28 February 2010. Revaluation was performed by an independent valuer, Mr P M Maboya. Mr Maboya is not connected to the Group and has recent experience in location and category of the investment property 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.

Amounts recognised in profit and loss for the year.

<b>Figures in Rand</b>	<b>2010</b>	<b>Group 2009</b>	<b>2008</b>	<b>2010</b>	<b>Company 2009</b>	<b>2008</b>
Rental income from investment property	9,600	10,500	9,800	–	–	–

#### 4. PROPERTY, PLANT AND EQUIPMENT

Group	2010			2009		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Land and buildings	43,914,054	(201,749)	43,712,305	52,406,341	(135,617)	52,270,724
Plant and machinery	13,302,904	(7,071,652)	6,231,252	5,261,037	(2,385,462)	2,875,575
Advertising material	–	–	–	–	–	–
Motor vehicles	4,778,031	(2,023,661)	2,754,370	9,635,360	(4,668,772)	4,966,588
Office equipment	765,318	(277,344)	487,974	794,376	(239,844)	554,532
IT equipment	633,908	(395,988)	237,920	1,034,342	(748,021)	286,321
Computer software	82,868	(66,354)	16,514	126,004	(74,641)	51,363
Leasehold improvements	–	–	–	–	–	–
Production equipment	622,687	–	622,687	6,503,970	(5,097,620)	1,406,350
Workshop equipment	577,894	(142,871)	435,023	577,894	(94,534)	483,360
Hostel equipment	37,234	(29,202)	8,032	37,234	(28,310)	8,924
	<b>64,714,898</b>	<b>(10,208,821)</b>	<b>54,506,077</b>	<b>76,376,558</b>	<b>(13,472,821)</b>	<b>62,903,737</b>

Group	2008		
	Cost/ Valuation	Accumulated depreciation	Carrying value
Land and buildings	49,487,879	–	49,487,879
Plant and machinery	4,740,418	(2,654,676)	2,085,742
Advertising material	586,869	(21,814)	565,055
Motor vehicles	6,694,783	(2,315,916)	4,378,867
Office equipment	731,998	(160,483)	571,515
IT equipment	728,701	(419,647)	309,054
Computer software	86,478	(15,024)	71,454
Leasehold improvements	173,146	–	173,146
Production equipment	6,893,777	(4,846,301)	2,047,476
Workshop equipment	577,894	(40,828)	537,066
Hostel equipment	32,244	(27,457)	4,787
	<b>70,734,187</b>	<b>(10,502,146)</b>	<b>60,232,041</b>

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

##### Reconciliation of property, plant and equipment – Group – 2009

Rand	Opening balance	Additions	Additions through business combinations	Disposals	Impairment loss
Land and buildings	49,487,879	4,643,339	–	(815,701)	(206,422)
Plant and machinery	2,085,742	187,369	88,497	692,989	–
Advertising material	565,055	–	–	(496,582)	–
Motor vehicles	4,378,867	974,061	1,424,700	(266,191)	–
Office equipment	571,515	47,925	5,521	(9,450)	–
IT equipment	309,054	200,250	2,332	(8,134)	–
Computer software	71,454	39,526	–	–	–
Leasehold improvements	173,146	–	–	(135,346)	(37,800)
Production equipment	2,047,476	47,243	–	–	–
Workshop equipment	537,066	–	–	–	–
Hostel equipment	4,787	4,990	–	–	–
	<b>60,232,041</b>	<b>6,144,703</b>	<b>1,521,050</b>	<b>(1,038,415)</b>	<b>(244,222)</b>

Rand	Transfers	Revaluations	Revaluation reversal	Depreciation	Total
Land and buildings	–	221,219	(923,973)	(135,617)	52,270,724
Plant and machinery	293,391	–	–	(472,413)	2,875,575
Advertising material	–	–	–	(68,473)	–
Motor vehicles	–	–	–	(1,544,849)	4,966,588
Office equipment	19,425	–	–	(80,404)	554,532
IT equipment	(19,425)	–	–	(197,756)	286,321
Computer software	–	–	–	(59,617)	51,363
Leasehold improvements	–	–	–	–	–
Production equipment	(293,391)	–	–	(394,978)	1,406,350
Workshop equipment	–	–	–	(53,706)	483,360
Hostel equipment	–	–	–	(853)	8,924
	<b>–</b>	<b>221,219</b>	<b>(923,973)</b>	<b>(3,008,666)</b>	<b>62,903,737</b>

##### Reconciliation of property, plant and equipment – Group – 2008

Rand	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land and buildings	46,400,000	3,087,879	–	–	–	49,487,879
Plant and machinery	1,689,747	–	(2,741)	736,474	(337,738)	2,085,742
Advertising material	–	586,869	–	–	(21,814)	565,055
Motor vehicles	3,533,621	3,139,925	(395,658)	(736,474)	(1,162,547)	4,378,867
Office equipment	363,839	317,661	(24,948)	(25,541)	(59,496)	571,515
IT equipment	183,627	297,587	(24,388)	25,541	(173,313)	309,054
Computer software	–	86,478	–	–	(15,024)	71,454
Leasehold improvements	37,800	135,346	–	–	–	173,146
Production equipment	1,412,449	1,111,718	(114,265)	–	(362,426)	2,047,476
Workshop equipment	7,929	535,577	(309)	–	(6,131)	537,066
Hostel equipment	5,319	–	–	–	(532)	4,787
	<b>53,634,331</b>	<b>9,299,040</b>	<b>(562,309)</b>	<b>–</b>	<b>(2,139,021)</b>	<b>60,232,041</b>

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

##### Reconciliation of property, plant and equipment – Company – 2010

Rand	Opening balance	Additions	Disposals	Depreciation	Total
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>

- 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 15 on cash and cash equivalents.
- Second continuing coverage mortgage bond for R3,900,000 with Standard Bank. Refer to note 15 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 R7,300,000 over portion 10 of the farm Welbedachtsfontein No. 300 with Yakani Infraco (Proprietary) Limited. Refer to note 18 other financial liabilities.
- First ranking general and special notarial bond over movable assets.
- First continuing covering mortgage bond for R13,000,000 over remaining of portions 140 and 143 of Farm Luipaardsvlei by Landton Properties (Proprietary) Limited.
- Unrestricted cession of material damage insurance policy including Sasria over remaining of portions 140 and 143 of Farm Luipaardsvlei by Landton Properties (Proprietary) Limited.

Rand	2010	Group 2009	2008	2010	Company 2009	2008
Plant and machinery	351,874	460,438	588,874	351,874	460,438	588,874
Certain plant and machinery has been pledged as security for instalment sale agreements. Refer to note 19.						
Motor vehicles	2,162,048	3,897,121	6,059,169	2,162,048	3,897,121	6,059,169
Certain plant and machinery has been pledged as security for instalment sale agreements. Refer to note 19.						
<b>Capitalised expenditure</b>						
Land and buildings	1,157,348	4,632,389	254,029	1,157,348	10,950	1,675,296

#### Revaluations

##### Properties 1, 3 to 6: Honeydew, Luipaardsvlei and Zuurbekom

The effective date of the revaluations was 28 February 2009. Revaluations were performed by an independent valuer, Mr M F 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.

## Property 2: Uitenhage

The effective date of the revaluation was 28 February 2009. 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.

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

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 hostel building in Landton Properties (Proprietary) Limited has been impaired by R5,017,000.

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:

Rand	2010	Group 2009	2008	2010	Company 2009	2008
Land and buildings	6,914,327	10,481,153	4,452,126	3,867,497	2,801,934	2,875,296

#### Details of properties

##### Property 1

Portion 554 (a portion of 543), of the farm Boschkop, No. 199I.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	1,200,000	1,200,000
– Revaluation	4,037,465	4,037,465	4,037,465	4,037,465	4,037,465	4,037,465
– Capitalised expenditure	2,843,594	1,686,246	1,675,296	2,843,594	1,686,246	1,675,296
– Depreciation on buildings	(176,097)	(84,312)	–	(176,097)	(84,312)	–
	<b>7,904,962</b>	<b>6,839,399</b>	<b>6,912,761</b>	<b>7,904,962</b>	<b>6,839,399</b>	<b>6,912,761</b>

##### 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	1,600,000	–	–	–
– Revaluation	254,029	4,886,418	254,029	–	–	–
– Depreciation	(25,649)	(51,305)	–	–	–	–
	<b>1,828,380</b>	<b>6,435,113</b>	<b>1,854,029</b>	<b>–</b>	<b>–</b>	<b>–</b>

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

Rand	2010	Group 2009	2008	2010	Company 2009	2008
<b>Property 3</b>						
Portion 140 (a portion of portion 1) of the farm Luipaardsvlei 246, Krugersdorp (with land of 31.1903 ha in extent with various buildings of 11 717m <sup>2</sup> in extent)						
– Purchase price:						
31 December 1965	4,405	4,405	4,405	–	–	–
– Revaluation	32,786,161	37,803,411	37,582,192	–	–	–
– Capitalised expenditure	216,944	216,944	216,944	–	–	–
	<b>33,007,510</b>	<b>38,024,760</b>	<b>37,803,541</b>	–	–	–
<b>Property 4</b>						
<b>Rand</b>						
Portion 143 (a portion of portion 1), of the farm Luipaardsvlei 246, Krugersdorp, with improvements thereon (land of 54.4188 ha in extent)						
– Purchase price:						
6 December 1971	182,272	182,272	182,272	–	–	–
– Capitalised expenditure	402,748	402,748	402,748	–	–	–
	<b>585,020</b>	<b>585,020</b>	<b>585,020</b>	–	–	–
<b>Property 5</b>						
Portion 169 (a portion of portion 1) of the farm Luipaardsvlei 246, Krugersdorp, with improvements thereon (land of 54.4188 ha in extent)						
– Purchase price:						
6 October 1987	14,187	14,187	14,187	–	–	–
<b>Property 6</b>						
Portion 38 of farm 297, Zuurbekom (73.7890 ha in extent)						
– Purchase price:						
30 July 2003	350,000	350,000	350,000	–	–	–
– Capitalised expenditure	22,245	22,245	120,395	–	–	–
– Revaluation	–	–	1,847,946	–	–	–
	<b>372,245</b>	<b>372,245</b>	<b>2,318,341</b>	–	–	–

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

## 5. GOODWILL

Group	2010		Carrying value	2009		Carrying value
Rand	Cost	Accumulated impairment		Cost	Accumulated impairment	
Goodwill	–	–	–	–	–	–

Group	2008		Carrying value
Rand	Cost	Accumulated impairment	
Goodwill	5,355,454	–	5,355,454

### Reconciliation of goodwill – Group – 2009

Rand	Opening balance	Additions of Dash Brick and Building Supplies (Proprietary) Limited	Impairment loss	Total
Goodwill	5,355,454	7,722,686	(13,078,140)	–

### Reconciliation of goodwill – Group – 2008

Rand	Opening balance	Additions through business combinations	Acquisition of going concern by subsidiary	Total
Goodwill	–	5,105,454	250,000	5,355,454

The cash-generating unit relating to goodwill is the business of Dash Brick and Buildings Supplies (Proprietary) Limited and African Brick Lenasia (Proprietary) Limited and Peens Steenmasonry CC.

The recoverable amount of goodwill has been determined on the basis of value-in-use calculations. The value-in-use calculations use the cash flow projection method based on 2010 cash flow projections, discounted back at the weighted average cost of capital. The net asset value was then deducted from this value to give the value-in-use. Key assumptions used in the value-in-use calculations include budgeted revenue streams. Such assumptions are based on historical results and adjusted for anticipated future growth. Based on this calculation the recoverable amount attributable to Dash Brick and Building Supplies (Proprietary) Limited, African Brick Lenasia (Proprietary) Limited and Peens Steenmasonry CC was less than the carrying value and resulted in an impairment to goodwill of R7,722,686 and R5,355,454, respectively.

## 6. INTANGIBLE ASSETS

Group	2010		Carrying value	2009		Carrying value
Rand	Cost/ Valuation	Accumulated amortisation		Cost/ Valuation	Accumulated amortisation	
Clay rights	–	–	–	–	–	–
Clay reserves	9,724,558	(4,505,472)	5,219,086	8,222,730	(3,003,648)	5,219,082
	<b>9,724,558</b>	<b>(4,505,472)</b>	<b>5,219,086</b>	<b>8,222,730</b>	<b>(3,003,648)</b>	<b>5,219,082</b>

Group	2008		Carrying value
Rand	Cost/ Valuation	Accumulated amortisation	
Clay rights	162,253	–	162,253
Clay reserves	30,036,477	(1,501,824)	28,534,653
	<b>30,198,730</b>	<b>(1,501,824)</b>	<b>28,696,906</b>

## 6. INTANGIBLE ASSETS (continued)

### Reconciliation of intangible assets – Group – 2010

	Opening balance	Amortisation	Impairment reversal	Total
Clay mineral reserves	5,219,082	(289,949)	1,289,949	5,219,086

### Reconciliation of intangible assets – Group – 2009

	Opening balance	Amortisation	Impairment loss	Total
Clay rights	162,253	–	(162,253)	–
Clay mineral reserves	28,534,653	(1,501,824)	(21,813,747)	5,219,082
	<b>28,696,906</b>	<b>(1,501,824)</b>	<b>(21,976,000)</b>	<b>5,219,082</b>

### Reconciliation of intangible assets – Group – 2008

Rand	Opening balance	Additions through business combinations	Amortisation	Total
Clay rights	162,253	–	–	162,253
Clay reserves	–	30,036,477	(1,501,824)	28,534,653
	<b>162,253</b>	<b>30,036,477</b>	<b>(1,501,824)</b>	<b>28,696,906</b>

### 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 2010 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 minerals 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.

## 7. INVESTMENTS IN SUBSIDIARIES

Held by	Percentage holding	Percentage holding	Percentage holding	Carrying amount	Carrying amount	Carrying amount
Name of company	2010	2009	2008	2010	2009	2008
African Brick (Proprietary) Limited	100.00	100.00	100.00	23,000,000	23,000,000	23,000,000
African Brick Lenasia (Proprietary) Limited	100.00	100.00	100.00	12,500,000	12,500,000	12,500,000
Landton Properties (Proprietary) Limited	100.00	100.00%	100.00	40,000,000	40,000,000	40,000,000
Dash Brick and Buildings Supplies (Proprietary) Limited	100.00	100.00	–	12,090,750	12,090,750	–
				<b>87,590,750</b>	<b>87,590,750</b>	<b>75,500,000</b>
Impairment of investment in subsidiaries	–	–	–	(32,721,809)	–	–
				<b>54,868,941</b>	<b>87,590,750</b>	<b>75,500,000</b>

### Impairment of investment in subsidiaries

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 (Proprietary) Limited, Landton Properties (Proprietary) Limited, African Brick (Proprietary) Limited and African Brick Lenasia (Proprietary) Limited has been impaired. The carrying amounts of subsidiaries net of impairment losses are shown below:

<b>Rand</b>	<b>2010</b>	<b>Group 2009</b>	<b>2008</b>	<b>2010</b>	<b>Company 2009</b>	<b>2008</b>
African Brick (Proprietary) Limited	–	–	–	15,136,047	23,000,000	23,000,000
African Brick Lenasia (Proprietary) Limited	–	–	–	8,854,271	12,500,000	12,500,000
Landton Properties (Proprietary) Limited	–	–	–	24,049,617	40,000,000	40,000,000
Dash Brick and Buildings Supplies (Proprietary) Limited	–	–	–	1,828,946	12,090,750	12,090,750

### 8. LOANS TO/FROM GROUP COMPANIES

#### Subsidiaries

African Brick (Proprietary) Limited	–	–	–	17,811,956	9,511,531	(363,882)
Dash Brick and Building Supplies (Proprietary) Limited	–	–	–	1,338,259	2,860,069	–
Landton Properties (Proprietary) Limited	–	–	–	270,365	242,748	402,748
African Brick Lenasia (Proprietary) Limited	–	–	–	–	(194,333)	(4,235)
	–	–	–	<b>19,420,580</b>	<b>12,420,015</b>	<b>34,631</b>

The loans are unsecured, bears interest at prime and has no fixed terms of repayment.

Non-current assets	–	–	–	19,420,580	12,614,348	402,748
Non-current liabilities	–	–	–	–	(194,333)	(368,117)
	–	–	–	<b>19,420,580</b>	<b>12,420,015</b>	<b>34,631</b>

#### 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 regards to the loans to Group companies are 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 exists, the fair value of the Group loans cannot be determined, therefore the carrying values of loans to Group companies approximates their fair values. The loans to the Group companies have not been pledged as security for any other financial obligations.

#### 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.

## 8. LOANS TO/FROM GROUP COMPANIES (continued)

### Subordination of loans to Group companies

African Brick Centre Limited has subordinated its right to claim payment of a debt of R17.8 million (2009: Nil; 2008: Nil) owing by African Brick (Proprietary) Limited, a wholly-owned subsidiary, until the assets of this company exceed the liabilities. African Brick (Proprietary) Limited waives its right of claiming in favour of other creditors in the event of insolvency.

## 9. LOANS FROM SHAREHOLDERS

Rand	2010	Group 2009	2008	2010	Company 2009	2008
B van Graan (Jnr)	–	(101,798)	(100,213)	–	(99,747)	(98,162)
P J. Gouws	–	(12,500)	(12,500)	–	(12,500)	(12,500)
B Reynecke	–	(12,500)	(8,058)	–	(12,500)	(8,058)
Indequity International (Proprietary) Limited	–	(6,250)	(6,250)	–	(6,250)	(6,250)
M&R Global Finance Limited	–	(6,250)	(6,250)	–	(6,250)	(6,250)
	–	<b>(139,298)</b>	<b>(133,271)</b>	–	<b>(137,247)</b>	<b>(131,220)</b>

The loans are unsecured, bear no interest and have no fixed terms of repayment.

### Fair value of loans to and from shareholders

As no repayment terms exists, the fair value of loans from shareholders cannot be determined, therefore the carrying values of these loans approximates their fair values.

## 10. OTHER FINANCIAL ASSETS

### Available-for-sale

Unlisted shares in Magaliesgraan Kooperasie	5,294	5,294	5,294	–	–	–
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### Held to maturity

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 17	2,839,000	835,550	–	2,839,000	835,550	–
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<b>Total other financial assets</b>	<b>2,844,294</b>	<b>840,844</b>	<b>5,294</b>	<b>2,839,000</b>	<b>835,550</b>	<b>–</b>
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### Non-current assets

Available-for-sale	5,294	5,294	5,294	–	–	–
Held to maturity	2,839,000	835,550	–	2,839,000	835,550	–
	<b>2,844,294</b>	<b>840,844</b>	<b>5,294</b>	<b>2,839,000</b>	<b>835,550</b>	<b>–</b>

### Fair value information

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 are deemed to be immaterial. The shares are subsequently measured at cost plus levy expenditure.

## 10. OTHER FINANCIAL ASSETS (continued)

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 2010 and 2009.

### Credit quality of other financial assets

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 of the held to maturity and available for sale financial assets.

## 11. DEFERRED TAX

### Deferred tax asset

Rand	2010	Group 2009	2008	2010	Company 2009	2008
Accelerated capital: allowances for tax purposes	(843,473)	(718,110)	(792,142)	–	11,306	11,306
Revaluation, net of related depreciation	(9,201,279)	(10,626,297)	(10,698,332)	(565,244)	(585,432)	(585,432)
Tax losses available for set off against future taxable income	630,677	73,005	73,005	565,244	–	–
Operating lease accrual	–	9,695	9,695	–	–	–
Rehabilitation provision	646,758	89,900	89,900	–	–	–
	<b>(8,767,317)</b>	<b>(11,171,807)</b>	<b>(11,317,874)</b>	<b>–</b>	<b>(574,126)</b>	<b>(574,126)</b>

### Reconciliation of deferred tax asset/(liability)

At beginning of the year	(11,171,807)	(11,317,874)	(11,184,490)	(574,126)	(574,126)	(574,126)
Increase in tax losses available for set-off against future taxable income	557,672	–	–	553,938	–	–
Originating temporary difference on tangible fixed assets	(125,363)	74,032	(133,384)	–	–	–
Reversal of operating lease accrual	(9,695)	–	–	–	–	–
Originating temporary difference on revaluation of property	1,425,018	72,035	–	20,188	–	–
Originating temporary differences on rehabilitation provisions	556,858	–	–	–	–	–
	<b>(8,767,317)</b>	<b>(11,171,807)</b>	<b>(11,317,874)</b>	<b>–</b>	<b>(574,126)</b>	<b>(574,126)</b>

## 12. INVENTORIES

### Rand

Raw materials, components	3,808,516	3,393,429	4,352,991	–	–	–
Work in progress	6,751,435	4,987,767	8,396,214	–	–	–
Finished goods	9,744,260	15,780,765	20,723,631	–	6,525,897	20,723,631
Production supplies	–	128,235	330,984	–	–	–
Consumable goods	–	23,360	964,439	–	–	879,978
	<b>20,304,211</b>	<b>24,313,556</b>	<b>34,768,259</b>	<b>–</b>	<b>6,525,897</b>	<b>21,603,609</b>

### 13. LOANS TO MANAGERS AND EMPLOYEES

<b>Rand</b>	<b>2010</b>	<b>Group 2009</b>	<b>2008</b>	<b>2010</b>	<b>Company 2009</b>	<b>2008</b>
Loans to directors, managers and employees						
At beginning of the year	148,349	796,475	90,214	119,527	741,790	26,032
Advances	–	–	970,859	–	–	966,299
Repayments/Classification	(148,349)	(648,126)	(264,598)	(119,527)	(622,263)	(250,541)
	<b>–</b>	<b>148,349</b>	<b>796,475</b>	<b>–</b>	<b>119,527</b>	<b>741,790</b>

The loans to managers and employees are unsecured, bear no interest and have no fixed terms of repayment.

#### Fair values of loans to managers and employees

The fair value of loans to managers and employees approximates their carrying values.

### 14. TRADE AND OTHER RECEIVABLES

Trade receivables	10,549,565	22,009,370	15,643,107	137,350	14,085,176	15,673,736
Provision for bad debts	(1,507,864)	(897,792)	(50,250)	–	(810,000)	(50,250)
Deposits	400,000	480,786	670,387	400,000	400,000	400,000
Other receivables	159,041	306	500,057	52,108	–	500,057
Prepayments	10,800	–	122,000	–	–	–
Staff loans	124,075	–	–	86,695	–	–
VAT	248,488	203,120	125,512	166,787	–	–
	<b>9,984,105</b>	<b>21,795,790</b>	<b>17,010,813</b>	<b>842,940</b>	<b>13,675,176</b>	<b>16,523,543</b>

#### Trade and other receivables pledged as security

Trade receivables were pledged as security for overdraft facilities.

#### Credit quality of trade and other receivables

The credit quality of trade receivables that are neither past nor 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.

#### Trade receivables

##### Total trade receivables within normal terms (Low risk)

Trade receivables outstanding within normal credit terms	6,187,136	–	–	–	–	–
CGIC insurance at 75% of outstanding trade receivables	(4,640,352)	–	–	–	–	–
<b>Uncovered trade receivables outstanding within normal credit terms</b>	<b>1,546,784</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

#### 14. TRADE AND OTHER RECEIVABLES (continued)

<b>Rand</b>	<b>2010</b>	<b>Group 2009</b>	<b>2008</b>	<b>2010</b>	<b>Company 2009</b>	<b>2008</b>
<b>Total trade receivables outside normal terms (High risk)</b>						
Trade receivables outstanding longer than 90 days	4,362,429	2,905,311	–	–	–	–
CGIC insurance on trade receivables outside normal terms	(2,012,077)	(1,243,081)	–	–	–	–
Provision for bad debts raised	(1,507,684)	(810,000)	–	–	–	–
<b>Uncovered trade receivables outstanding longer than 90 days</b>						
	842,668	852,230	–	–	–	–

None of the financial assets that are fully performing have been renegotiated in the last year.

#### **Fair value of trade and other receivables**

Normal credit terms advanced varies between 30 – 60 days. All trade other receivables' fair values approximate their carrying values.

#### **Trade and other receivables past due but not impaired**

Trade and other receivables which are less than three months past due are not considered to be impaired. At 28 February 2010, R842,486 (2009: R Nil; 2008: R Nil) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

<b>Rand</b>						
1 month past due	85,374	–	–	–	–	–
2 months past due	46,512	–	–	–	–	–
3 months past due	710,601	–	–	–	–	–

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

As of 28 February 2010, Group trade and other receivables of R1,507,864 (2009: R897,792; 2008: R50,250) and company trade and other receivables of R Nil (2009: R810,000; 2008: R50,250) were impaired and provided for.

<b>Rand</b>						
<b>Reconciliation of provision for impairment of trade and other receivables</b>						
Opening balance	897,792	50,250	–	810,000	50,250	–
Provision for impairment raised	1,420,072	897,792	50,250	–	810,000	50,250
Amounts written off as uncollectable	(810,000)	(50,250)	–	(810,000)	(50,250)	–
	<b>1,507,864</b>	<b>897,792</b>	<b>50,250</b>	<b>–</b>	<b>810,000</b>	<b>50,250</b>

## 15. CASH AND CASH EQUIVALENTS

<b>Rand</b>	<b>2010</b>	<b>Group 2009</b>	<b>2008</b>	<b>2010</b>	<b>Company 2009</b>	<b>2008</b>
Cash and cash equivalents consist of:						
Cash on hand	71,123	45,227	55,450	13,950	9,646	43,450
Bank balances	859,738	901,468	4,431,697	–	–	288,148
Short-term deposits	175,527	619,901	32,105,799	100,988	62,296	27,925,575
Bank overdraft	(7,033,458)	(3,218,453)	–	(4,574,032)	(3,218,453)	–
	<b>(5,927,070)</b>	<b>(1,651,857)</b>	<b>36,592,946</b>	<b>(4,459,094)</b>	<b>(3,146,511)</b>	<b>28,257,173</b>
Current assets	1,106,388	1,566,596	36,592,946	114,938	71,942	28,257,173
Current liabilities	(7,033,458)	(3,218,453)	–	(4,574,032)	(3,218,453)	–
	<b>(5,927,070)</b>	<b>(1,651,857)</b>	<b>36,592,946</b>	<b>(4,459,094)</b>	<b>(3,146,511)</b>	<b>28,257,173</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.
- 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 ranking general and special notarial bond over movable assets.
- First continuing covering mortgage bond for R13,000,000 over remaining of portions 140 and 143 of Farm Luipaardsvlei by Landton Properties (Proprietary) Limited.
- Unrestricted cession of material damage insurance policy including Sasria over remaining of portions 140 and 143 of Farm Luipaardsvlei by Landton Properties (Proprietary) Limited.

### 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.

## 16. SHARE CAPITAL

<b>Rand</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	1,000,000	1,000,000
250,000,000 preference shares of 0.1 cent each	250,000	250,000	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>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	100	–	–	–
Sub-division of historic 100 R1.00 shares into 100,000 0.1 cent shares	–	–	99,900	–	–	–
Issue of ordinary shares	–	–	274,900,000	–	–	–
Issue of ordinary shares to directors	–	–	45,000,000	–	–	–
Share buy back	–	–	(7,762,040)	–	–	–
	<b>312,237,960</b>	<b>312,237,960</b>	<b>312,237,960</b>	<b>–</b>	<b>–</b>	<b>–</b>

**16. SHARE CAPITAL (continued)**

<b>Rand</b>	<b>2010</b>	<b>Group 2009</b>	<b>2008</b>	<b>2010</b>	<b>Company 2009</b>	<b>2008</b>
<b>Issued</b>						
312,237,960 ordinary shares of 0.1 cent each	312,238	312,238	312,238	312,238	312,238	312,238
Share premium	113,003,131	113,003,131	113,029,264	113,003,131	113,003,131	113,029,264
	<b>113,315,369</b>	<b>113,315,369</b>	<b>113,341,502</b>	<b>113,315,369</b>	<b>113,315,369</b>	<b>113,341,502</b>

**17. REVALUATION RESERVE**

Revaluation of land and buildings	4,037,465	4,037,465	4,037,465	4,037,465	4,037,465	4,037,465
Deferred tax on revaluation of land and buildings	(565,245)	(585,432)	(585,432)	(565,245)	(585,432)	(585,432)
Reversal of revaluation reserve	(789,997)	(789,997)	–	–	–	–
	<b>2,682,223</b>	<b>2,662,036</b>	<b>3,452,033</b>	<b>3,472,220</b>	<b>3,452,033</b>	<b>3,452,033</b>

**18. OTHER FINANCIAL LIABILITIES****Held at amortised cost**

<b>Rand</b>						
Standard Bank of South Africa – Medium-term Loan	10,017,340	10,030,660	–	10,014,384	10,030,660	–
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 9.						
Mortgage bond	26,829	45,928	58,942	–	–	–
Mortgage bond over portion 6, Erf 67 Krugersdorp at a rate of prime less 1% with 67 months remaining and payments of R1,800 per month. Refer to note 3.						
Yakani Infraco (Proprietary) Limited	3,440,753	–	–	–	–	–
Interest on the loan is charged at prime plus 2%. The capital is payable at the end of the loan term, 28 February 2011. The loan is secured by specific notarial covering bond over plant and machinery and covering bond over land and buildings. Refer to note 4.						
Franchise deposit held	–	100,000	–	–	100,000	–
	<b>13,484,922</b>	<b>10,176,588</b>	<b>58,942</b>	<b>10,014,384</b>	<b>10,130,660</b>	<b>–</b>

**18. OTHER FINANCIAL LIABILITIES (continued)**

<b>Rand</b>	<b>2010</b>	<b>Group 2009</b>	<b>2008</b>	<b>2010</b>	<b>Company 2009</b>	<b>2008</b>
<b>Non-current liabilities</b>						
At amortised cost	10,017,340	10,176,588	58,942	10,014,384	10,130,660	–
<b>Current liabilities</b>						
At amortised cost	3,467,582	–	–	–	–	–
	<b>13,484,922</b>	<b>10,176,588</b>	<b>58,942</b>	<b>10,014,384</b>	<b>10,130,660</b>	<b>–</b>

**19. INSTALMENT SALE OBLIGATION****Minimum payments due**

– within one year	852,451	2,445,734	2,060,935	640,270	1,925,269	1,621,821
– in second to fifth year inclusive	1,100,116	2,274,389	3,887,718	834,977	1,610,267	2,385,873
	1,952,567	4,720,123	5,948,653	1,475,247	3,535,536	4,007,694
<i>Less: Future finance charges</i>	(278,458)	(934,906)	(1,099,331)	(213,836)	(648,388)	(676,407)

<b>Present value of minimum payments</b>	<b>1,674,109</b>	<b>3,785,217</b>	<b>4,849,322</b>	<b>1,261,411</b>	<b>2,887,148</b>	<b>3,331,287</b>
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**Present value of minimum payments due**

– within one year	704,658	1,996,270	1,716,515	533,354	1,589,076	1,355,337
– in second to fifth year inclusive	969,451	1,788,947	3,132,807	728,057	1,298,072	1,975,950
	<b>1,674,109</b>	<b>3,785,217</b>	<b>4,849,322</b>	<b>1,261,411</b>	<b>2,887,148</b>	<b>3,331,287</b>

Non-current liabilities	969,451	1,788,947	3,132,807	728,057	1,298,072	1,975,950
Current liabilities	704,658	1,996,270	1,716,515	533,354	1,589,076	1,355,337
	<b>1,674,109</b>	<b>3,785,217</b>	<b>4,849,322</b>	<b>1,261,411</b>	<b>2,887,148</b>	<b>3,331,287</b>

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

The average instalment sale term was 3 to 6 years and the average effective borrowing rate was 11% (2009: 15%; 2008: 14%).

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 35.

The fair value of finance lease liabilities approximates their carrying amounts.

## 20. PROVISIONS

### Reconciliation of provisions – Group – 2010

Rand	Opening balance	Total
Environmental rehabilitation	5,200,000	5,200,000

### Reconciliation of provisions – Group – 2009

	Opening balance	Additions	Total
Environmental rehabilitation	910,000	4,290,000	5,200,000

### Reconciliation of provisions – Group – 2008

			Opening balance			Total
Environmental rehabilitation			910,000			910,000
Non-current liabilities	4,700,000	4,700,000	–	–	–	–
Current liabilities	500,000	500,000	910,000	–	–	–
	<b>5,200,000</b>	<b>5,200,000</b>	<b>910,000</b>	<b>–</b>	<b>–</b>	<b>–</b>

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 balance sheet date.

## 21. TRADE AND OTHER PAYABLES

Rand	2010	Group 2009	2008	2010	Company 2009	2008
Trade payables	7,811,625	17,793,593	10,852,483	226,424	10,653,307	11,611,244
VAT	214,428	225,309	252,797	–	128,253	152,593
Accrued expenses	944,490	595,397	355,511	108,954	204,777	158,658
	<b>8,970,543</b>	<b>18,614,299</b>	<b>11,460,791</b>	<b>335,378</b>	<b>10,986,337</b>	<b>11,922,495</b>

### Fair value of trade and other payables

All trade and other payables' fair values approximate their carrying values.

## 22. REVENUE

Rand	2010	Group 2009	2010	Company 2009
Sale of goods	88,863,441	191,699,674	–	136,250,176
Rendering of services	916,462	–	2,838,216	–
Royalty income	–	168,221	–	168,221
	<b>89,779,903</b>	<b>191,867,895</b>	<b>2,838,216</b>	<b>136,418,397</b>

## 23. OPERATING PROFIT

Operating (loss)/profit for the year is stated after accounting for the following:

Rand	Group		Company	
	2010	2009	2010	2009
<b>Operating lease charges – Premises</b>				
• Contractual amounts	790,940	87,641	–	–
Profit/(Loss) on sale of property, plant and equipment	219,113	32,343	(44,001)	11,669
Impairment on property, plant and equipment	5,017,250	244,222	–	–
Impairment on intangible assets	–	21,976,000	–	–
Reversal of impairment of intangible assets	(289,994)	–	–	–
Impairment of investment in subsidiaries	–	–	32,721,809	–
Impairment on staff loans	–	549,450	–	549,450
Amortisation on intangible assets	289,994	1,501,824	–	–
Depreciation on property, plant and equipment	2,646,793	3,008,666	949,268	1,494,641
Employee costs	17,751,254	13,105,206	4,426,334	8,216,719
Impairment of goodwill	–	13,078,140	–	–

## 24. INVESTMENT REVENUE

Bank	10,809	1,074,693	–	589,155
Other interest	192,299	–	2,305,734	–
	<b>203,108</b>	<b>1,074,693</b>	<b>2,305,734</b>	<b>589,155</b>

## 25. FINANCE COSTS

Instalment sale agreements	331,381	465,239	290,628	286,240
Bank	1,634,627	594,237	1,488,704	357,535
South African Revenue Services	–	478,884	–	233,567
	<b>1,966,008</b>	<b>1,538,360</b>	<b>1,779,332</b>	<b>877,342</b>

## 26. TAXATION

### Major components of the tax (income)/expense

#### Current

Local income tax – current period	–	595,187	–	–
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#### Deferred

Originating and reversing temporary differences	114,057	(74,032)	–	–
Arising from previously unrecognised tax losses	(546,366)	–	(553,938)	–
Temporary difference on impairment of buildings	(1,404,830)	–	–	–
Originating temporary differences on rehabilitation provisions	(556,858)	–	–	–
Reversing of temporary difference on operating lease	9,695	–	–	–
	(2,384,302)	(74,032)	(553,938)	–
	(2,384,302)	521,155	(553,938)	–

**26. TAXATION (continued)**

Rand	Group		Company	
	2010	2009	2010	2009
<b>Reconciliation of the tax expense</b>				
Reconciliation between accounting profit and tax expense:				
Accounting loss	(17,764,052)	(75,503,723)	(33,031,353)	(29,049,010)
Tax at the applicable tax rate of 28% (2009: 28%)	(4,973,935)	(21,141,042)	(9,248,779)	(8,133,723)
<b>Tax effect of adjustments on taxable income</b>				
Non-deductible expenses	–	10,559,019	9,162,107	438,152
Non-taxable income	–	(44,598)	–	–
Tax losses carried forward	2,589,633	11,147,776	(467,266)	7,695,571
	<b>(2,384,302)</b>	<b>521,155</b>	<b>(553,938)</b>	<b>–</b>

No provision has been made for 2010 tax as the Group has no taxable income. The estimated tax loss available for set-off against future taxable income is R52,712,857 (2009: R40,311,676; 2008: R Nil).

**27. AUDITORS' REMUNERATION**

Fees	5,272	430,000	–	190,000
Consulting	–	34,635	–	34,635
	<b>5,272</b>	<b>464,635</b>	<b>–</b>	<b>224,635</b>

**28. CASH (USED IN)/GENERATED FROM OPERATIONS**

Rand				
Loss before taxation	(17,764,052)	(75,503,723)	(33,031,353)	(29,049,010)
<b>Adjustments for:</b>				
Depreciation and amortisation	2,646,793	4,510,490	949,268	1,494,641
(Profit)/Loss on sale of assets	(219,113)	(32,343)	44,001	(11,669)
Interest received	(203,108)	(1,074,693)	(2,305,734)	(589,155)
Finance costs	1,966,008	1,538,360	1,779,332	877,342
Fair value adjustments	–	(159,278)	–	–
Impairment loss	5,017,250	39,905,942	32,721,809	–
Movements in operating lease assets and accruals	–	(33,430)	–	–
Movements in provisions	–	4,290,000	–	–
Other non-cash items	–	2,457,998	–	–
<b>Changes in working capital</b>				
Inventories	4,009,345	5,847,122	6,525,897	15,077,712
Trade and other receivables	11,811,685	(4,784,976)	12,832,236	2,848,367
Prepayments	–	248,052	–	248,052
Trade and other payables	(9,643,756)	7,153,508	(10,650,959)	(936,158)
	<b>(2,378,948)</b>	<b>(15,636,971)</b>	<b>8,864,497</b>	<b>(9,543,296)</b>

**29. TAX PAID**

Balance at beginning of the year	492,175	(11,476,424)	283,299	(5,043,451)
Current tax for the year recognised in profit or loss	–	(595,187)	–	–
Balance at end of the year	(781,092)	(492,175)	(283,299)	(283,299)
	<b>(288,917)</b>	<b>(12,563,786)</b>	<b>–</b>	<b>(5,326,750)</b>

### 30. CONTINGENCIES

The Group has offered termination benefits to certain of its employees. The Group has finalised and agreed, with the trade unions, the terms and conditions of the plan. The plan has been implemented and will continue for the next three months. Management is uncertain about the number of employees who will accept the offer. If all employees take the offer the potential financial effect would approximately be R138,652.

### 31. RELATED PARTIES

#### Relationships

Holding company	Yakani Infraco (Proprietary) Limited
Subsidiaries	Refer to note 7
Fellow subsidiary	Brickveld (Proprietary) Limited

#### Related party balances

##### Loan accounts – Owing (to)/by related parties

Rand	Group		Company	
	2010	2009	2010	2009
African Brick (Proprietary) Limited	–	–	17,811,956	9,511,531
Landton Properties (Proprietary) Limited	–	–	270,365	242,748
African Brick Lenasia (Proprietary) Limited	–	–	–	(194,333)
Dash Brick and Building Supplies (Proprietary) Limited	–	–	1,388,259	2,860,069
Yakani Infraco (Proprietary) Limited	(3,440,753)	–	(3,440,753)	–

##### Amounts included in trade receivable/ (trade payable) regarding related parties

African Brick (Proprietary) Limited	–	–	–	593
African Brick Lenasia (Proprietary) Limited	–	–	–	428,407
Dash Brick and Building Supplies (Proprietary) Limited	–	–	–	859,979
Dash Brick and Building Supplies (Proprietary) Limited	–	–	–	(335,174)

#### Related party transactions

##### Interest paid to/(received from) related parties

African Brick (Proprietary) Limited	–	–	(1,722,248)	–
Dash Brick and Building Supplies (Proprietary) Limited	–	–	(551,829)	–
Landton Properties (Proprietary) Limited	–	–	(27,617)	–
Yakani Infraco (Proprietary) Limited	40,753	–	40,753	–

##### Purchases from/(sales to) related parties

Dash Brick and Building Supplies (Proprietary) Limited	–	–	–	(2,909,900)
Dash Brick and Building Supplies (Proprietary) Limited	–	–	–	8,033,883
African Brick (Proprietary) Limited	–	–	–	32,267,573
African Brick Lenasia (Proprietary) Limited	–	–	–	16,148,221
Ibhayi Brick (Proprietary) Limited	–	–	2,237,302	5,096,712

##### Rent paid to/(received from) related party

Landton Properties (Proprietary) Limited	–	–	150,480	–
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### 31. RELATED PARTIES (continued)

Rand	Group		Company	
	2010	2009	2010	2009
<b>Administration fees paid to/ (received from) related parties</b>				
Brickveld (Proprietary) Limited	(916,462)	–	(916,462)	–
Yakani Infraco (Proprietary) Limited	411,561	–	411,561	–
African Brick (Proprietary) Limited	–	–	(650,000)	–
African Brick Lenasia (Proprietary) Limited	–	–	(450,000)	–
Dash Brick and Building Supplies (Proprietary) Limited	–	–	(701,754)	–
Landton Properties (Proprietary) Limited	–	–	(120,000)	–

### 32. DIRECTORS' EMOLUMENTS

#### Executive

Rand	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
B Blom	1,053,451	–	–	–	1,053,451
J M de Wet	1,384,695	–	–	–	1,384,695
	<b>2,438,146</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,438,146</b>
B Blom	100,000	–	–	–	100,000
B van Graan	553,212	–	–	–	553,212
B Reyneke	930,456	–	–	–	930,456
T C Meyer	55,800	–	–	–	55,800
	<b>1,639,468</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,639,468</b>

#### Non-executive

Rand	Emoluments	Pension paid or receivable	Compensation for loss of office	Gain on exercise of options	Total
C Strydom	21,000	–	–	–	21,000
S Tati	80,000	–	–	–	80,000
L Yanta	20,000	–	–	–	20,000
M M Patel	55,000	–	–	–	55,000
B van Graan	165,999	–	–	–	165,999
H Knoetze	274,662	–	–	–	274,662
	<b>616,661</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>616,661</b>
Dr O van Graan	589,815	–	–	–	589,815
D B Mostert	61,800	–	–	–	61,800
M J Jack	49,800	–	–	–	49,800
	<b>701,415</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>701,415</b>

### 33. PRIOR PERIOD ERRORS

With the listing of African Brick Centre towards the end of 2007, the Company acquired 100% shareholding in the manufacturing company (African Brick) which also mines clay (owns the rights to mine the clay) as well as a property company: Landton Properties which own the land and clay reserves (and the mining rights) on which premises African Brick currently mines the clay.

The clay reserves were never fair valued at date of acquisition resulting in only goodwill being raised.

The correction of the error(s) results in adjustments as follows:

#### Statement of Financial Position

Figures in Rand	2010	2009	2008
Goodwill – as previously stated	–	–	35,391,931
Adjustment as result of prior period error	–	–	(30,036,477)
Goodwill after adjustment for prior period error	–	–	5,355,454
Goodwill total – Restated	–	–	5,355,454
<b>Intangible assets</b>			
Clay rights	–	–	162,253
Additions through business combinations	–	8,222,730	30,036,477
Accumulated depreciation	–	(3,003,648)	(1,501,824)
Clay reserves after adjustment for prior period error	–	5,219,082	28,534,653
Intangible total – Restated	–	5,219,082	28,696,906
<b>Profit or Loss</b>			
Impairment of goodwill – as previously stated	–	(43,114,617)	–
Adjustment as result of prior period error – impairment loss	–	30,036,477	–
Impairment of goodwill after adjustment for prior period error	–	(13,078,140)	–
Impairment of intangible – as previously stated	–	(162,253)	–
Adjustment as result of prior period error – impairment loss	–	(21,813,747)	–
Reversal of impairment	–	–	–
Impairment of intangible after adjustment for prior period error	–	(21,976,000)	–
Amortisation of clay reserve as previously stated	–	–	–
Amortisation based on units of production	–	(1,501,823)	(1,501,823)
Impairment of intangible after adjustment for prior period error	–	(1,501,823)	(1,501,823)
Total through profit and loss, as previously stated	–	(43,276,870)	–
Total through profit and loss after adjustment for prior period error	–	(36,555,963)	(1,501,823)
Profit and loss total – restated	–	6,720,907	(1,501,823)
Accumulated movement through profit and loss		5,219,084	
<b>Reconciliation</b>			
Loss for the period as previously recorded		(82,745,785)	
Loss for the period – Restated		(76,024,878)	
Net movement		6,720,907	

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 2010 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 changes 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.

### 34. COMPARATIVE FIGURES

Certain comparative figures have been reclassified. Loans to Group companies have been reclassified from current to non-current assets as the company has resolved not to call upon payments of these loans within the next twelve months.

The effects of the reclassification are as follows:

#### Statement of financial position

Rand	Group		Company	
	2010	2009	2010	2009
Non-current assets	–	–	–	12,371,600
Current assets	–	–	–	(12,371,600)
Non-current liabilities	–	–	–	(194,333)
Current liabilities	–	–	–	194,333

### 35. RISK MANAGEMENT

#### Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

#### 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 program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. 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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

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.

#### Group

At 28 February 2010 Rand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	(8,970,542)	–	–	–
Instalment sale agreements	(704,658)	–	–	–
Other financial liabilities	(3,467,582)	–	(10,017,340)	–

### 35. RISK MANAGEMENT (continued)

#### Group

<b>At 28 February 2010 Rand</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Trade and other payables	(18,614,298)	–	–	–
Instalment sale agreements	(1,996,270)	–	–	–
Other financial liabilities	–	–	(1,017,688)	–

#### Company

<b>At 28 February 2010</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Trade and other payables	(335,378)	–	–	–
Instalment sale agreements	(533,354)	–	–	–
Other financial liabilities	–	–	(10,014,384)	–

<b>At 28 February 2010</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>
Instalment sale agreements	(1,589,076)	–	–	–
Trade and other payables	(10,986,336)	–	–	–
Other financial liabilities	–	–	(10,130,660)	–

#### Interest rate risk

The Group's interest rate risk arises from borrowings and cash deposits. Borrowings and deposits 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. During 2010 and 2009, 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 2010, if interest rates on Rand-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been R221,751 (2009: R170,496) and for the company the post-tax profit/loss for the year would have been R158,354 (2009: R161,056) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

#### Cash flow interest rate risk – Group

<b>Financial instrument</b>	<b>Current interest rate</b>	<b>Due in less than a year</b>	<b>Due in one to two years</b>	<b>Due in two to three years</b>	<b>Due in three to four years</b>	<b>Due after five years</b>
Standard Bank Medium-Term Loan	10.50%	–	–	(10,017,340)	–	–
Instalment sale agreements	10.50%	(704,658)	(704,658)	(264,793)	–	–
Cash in current bank	10.50%	859,738	–	–	–	–
Short term loan – Yakani						
Infraco (Proprietary) Limited	12.50%	(3,440,753)	–	–	–	–
Overdraft facilities used	10.50%	(7,033,458)	–	–	–	–
Bond over property – floating rate	10.50%	(26,829)	–	–	–	–

### 35. RISK MANAGEMENT (continued)

#### Cash flow interest rate risk – Company

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Standard bank Medium-Term Loan	10.50%	–	–	(R10,017,340)	–	–
Instalment sale agreements	10.50%	(R533,354)	(R533,354)	(R194,703)	–	–
Overdraft facilities used	10.50%	(R4,574,032)	–	–	–	–

#### Credit risk

Credit risk is managed on a Group basis.

Credit risk consists mainly of cash deposits, cash equivalents, other financial assets and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluated 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.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

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

Financial instrument Rand	Group – 2010	Group – 2009	Group – 2008	Company – 2010	Company – 2009	Company – 2008
Trade and other receivables	9,984,105	21,795,789	17,010,813	842,940	13,675,175	16,523,543
Cash and cash equivalents	1,106,388	1,566,596	36,592,946	114,938	71,942	28,257,173
Other financial assets	2,844,294	840,844	5,294	2,839,000	835,550	–
Loans to Group companies	–	–	–	19,420,580	12,614,348	402,748

#### Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

### 36. SEGMENT REPORT

#### Condensed consolidated segment report

Rand

Financial instrument	28 February 2010	28 February 2009
<b>REPORTABLE SEGMENT ASSETS</b>		
Retail	24,168,890	39,437,694
Manufacturing	70,526,935	75,113,147
Corporate	22,743,901	13,521,840
Eliminations	(20,792,038)	(9,948,612)
	<b>96,647,688</b>	<b>118,124,069</b>
<b>REPORTABLE SEGMENT LIABILITIES</b>		
Retail	(13,519,001)	(17,739,187)
Manufacturing	(39,530,044)	(31,190,579)
Corporate	(14,150,777)	(13,543,446)
Eliminations	20,792,038	9,948,610
	(46,407,784)	(52,524,602)
Net asset value	50,239,904	65,599,467
<b>EXTERNAL CUSTOMERS</b>		
	<b>February 2010</b>	<b>February 2009</b>
Retail	82,283,138	191,867,895
Manufacturing	6,580,303	–
Corporate	916,462	–
<b>Inter-segment revenue</b>		
Retail	–	9,585,223
Manufacturing	24,997,011	50,538,215
Eliminations	(24,997,011)	(60,123,438)
	89,779,903	191,867,895
<b>Segment result before disclosed items</b>		
Retail	(3,510,778)	(33,240,708)
Manufacturing	(6,349,695)	(39,847,661)
Corporate (Head Office)	(1,252,592)	(2,145,600)
<b>Profit/(Loss) with sale of assets</b>		
Retail	29,496	11,669
Manufacturing	189,617	22,966
Impairment	–	–
Retail	–	–
Manufacturing	(5,107,200)	–
<b>Reportable segment</b>	<b>(16,001,152)</b>	<b>(75,199,334)</b>
Retail	(3,481,282)	(33,229,039)
Manufacturing	(11,267,278)	(39,824,695)
Corporate (Head Office)	(1,252,592)	(2,145,600)
Eliminations	–	–
Other profit or loss	–	–
<b>Operating loss</b>	<b>(16,001,152)</b>	<b>(75,199,334)</b>
Investment revenue	203,108	1,074,693
Fair value adjustment	–	159,278
Finance costs	(1,966,008)	(1,538,360)
<b>Loss before tax</b>	<b>(17,764,052)</b>	<b>(75,503,723)</b>
Income tax expense	2,384,302	(521,155)
<b>Loss after tax</b>	<b>(15,379,750)</b>	<b>(76,024,878)</b>

### 36. SEGMENT REPORT (continued)

<b>EXTERNAL CUSTOMERS</b>	<b>February 2010</b>	<b>February 2009</b>
<b>Reportable segment assets</b>		
Retail	24,168,890	39,437,694
Manufacturing	70,526,935	75,113,147
Corporate	22,743,901	13,521,840
Eliminations	(20,792,038)	(9,948,612)
	<b>96,647,688</b>	<b>118,124,069</b>
<b>Reportable segment liabilities</b>		
Retail	(13,519,001)	(17,739,187)
Manufacturing	(39,530,044)	(31,190,579)
Corporate	(14,150,777)	(13,543,446)
Eliminations	20,792,038	9,948,610
	<b>(46,407,784)</b>	<b>(52,524,602)</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 manufactures and suppliers.

Client base consists of agents trading under the African Brick Centre trading name, merchants and a contractor base. Manufacturing segment manufacture semi-face and stock 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.

### 37. HEADLINE EARNINGS

	<b>2010</b>	<b>2009</b>
Profit attributable to ordinary shareholders	(15,379,750)	(76,024,878)
Impairment of assets	3,677,184	35,054,140
Profit on sale of assets (net of tax)	(157,761)	(23,287)
<b>Headline earnings attributable to ordinary shareholders</b>	<b>(11,860,327)</b>	<b>(40,994,025)</b>
Shares in issue	312,238,960	312,238,960
Shares in issue – weighted average	312,238,960	312,238,960
<b>HLPS (Cents)</b>	<b>(3.8)</b>	<b>(13.1)</b>

There are no factors existing during this reporting period which require the disclosure or calculation of diluted HLPS.

### 38. EARNINGS PER SHARE

Profit attributable to ordinary shareholders	(15,379,750)	(76,024,878)
<b>Earnings attributable to ordinary shareholders</b>	<b>(15,379,750)</b>	<b>(76,024,878)</b>
Shares in issue	312,238,960	312,238,960
Shares in issue – weighted average	312,238,960	312,238,960
<b>LPS (Cents)</b>	<b>(4.9)</b>	<b>(24.4)</b>

There are no factors existing during this reporting period which require the disclosure or calculation of diluted LPS.

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## DETAILS AND EXPERIENCE OF DIRECTORS AND COMPANY SECRETARY

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The full names, ages, occupations, business addresses and brief *curriculum vitae* of the directors and management of African Brick are set out below.

All the directors of African Brick are South African citizens.

### **Mr Sizwe Andrew Tati (49)**

*Non-Executive Chairman*

Appointed 30 January 2009

Business Address: Yakani Group (Proprietary) Limited, Melrose Arch, 11 Crescent Drive, 3rd Floor, Unit B, Block D

Sizwe is a member of the Remuneration Committee. He 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 the Yakani Group 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.

### **Mr Musawenkosi Punctual Shangase (Musa) (53)**

Managing Director

Appointed 28 February 2010

Business Address: African Brick Centre Limited, Farm 246, Luipaardsvlei, Krugersdorp

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 Build-war Market. Musa worked as a Sales & 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 (Proprietary) Limited, a wholly-owned subsidiary of the company on 1 October 2009.

### **Mr Burgert Blom (35)**

Financial Director

Appointed 30 January 2009

Business Address: African Brick Centre Limited, Farm 246, Luipaardsvlei, Krugersdorp

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

### **Mr Willem Andreas Ferdinand (Chris) Strydom (62)**

Non-Executive Director

Appointed 30 January 2009

Business Address: African Brick Centre Limited, Farm 246, Luipaardsvlei, Krugersdorp

Chris holds a BCom and has held various senior banking positions through his career and retired in 2007 as a General Manager at ABSA. His specialist experience covers Structured Finance, Foreign Exchange, Money Market Asset Based Finance, Credit and Financing Joint Ventures.

**Mr Mitesh Mohanlal Patel (36)**

Independent Non-Executive Director

Appointed 20 July 2009

Business Address: Nkonki Incorporated, 3 Simba Road, Sunninghill, 2157

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 Chairperson for JSE-listed companies, Africa Cellular Towers Limited, Stratcorp Limited and African Dawn Capital Limited and PSV Holdings Limited.

**Mr Linda Yanta (49)**

Independent Non-Executive Director

Appointed 20 July 2009

*Business Address:* Assurance & Forensic Department, Eskom Megawatt Park, No. 1 Maxwell Drive, Sunninghill

Linda has a B Accountancy (Majored in Accountancy, Auditing and Taxation). Linda is a member of the Audit, Risk and Remuneration Committee. He is the General Manager: Corporate Audit at Eskom where he manages the Audit function and trains Chartered Accountants in Eskom.

**Mr Derrick Thembinkosi Vusumuzi Msibi (41)**

Independent Non-Executive Director

Appointed 7 September 2009

Business Address: Investment Solutions Limited, Investment Solutions Office Park, 54 Wierda Road East, Wierda Valley

Derrick holds a Bachelor of Business Science (Finance)(Honours); Bachelor of Commerce (Accounting) (Honours); Masters of Commerce (Accounting); Chartered Accountant (SA). Derrick is the Managing Director of Investment Solutions.

**Company Secretary:**

**Premium Corporate Consulting Services (Proprietary) Limited**

("PremCorp")

(Registration number 2003/0095212/07)

Business Address: Unit 28, First Floor, Waterford Office Park, corner Witkopen Road and Waterford Drive, Fourways

PremCorp is a company that provides company secretarial and related services to listed companies on the JSE.

## OTHER DIRECTORSHIPS HELD BY AFRICAN BRICK DIRECTORS

### Mr S A Tati

Role	Status	Enterprise name	Registration No.	Entity type	Entity status
Both director and officer	Resigned	BUSINESS VENTURE INVESTMENTS NO. 701	2002/021866/07	Private company	Deregistration process
Director	Resigned	KHULA LAND REFORM EMPOWERMENT FACILITY	2003/014636/08	Section 21	In business
Member	Active	PUBLIC XTREMES	2000/017885/23	Close Corporation	In business
Director	Resigned	ABSA DEBTOR FINANCE	1990/001207/07	Private company	In business
Director	Resigned	ABSA FLEET SERVICES	1977/002924/06	Public company	In business
Director	Resigned	ABSA INSURANCE AND FINANCIAL ADVISERS	1970/002732/07	Private company	In business
Director	Resigned	ABSA TECHNOLOGY FINANCE SOLUTIONS	1980/010876/07	Private company	In business
Director	Resigned	ABSA VEHICLE MANAGEMENT	1998/006289/07	Private company	In business
Director	Resigned	ABSA VEHICLE MANAGEMENT SOLUTIONS	1994/005779/07	Private company	In business
Director	Resigned	AERO EIENDOMME	1964/009320/07	Private company	Deregistration final
Director	Active	AFRICAN BRICK CENTRE	1999/006214/06	Public company	In business
Director	Resigned	AKANANI MINING	1999/009073/07	Private company	In business
Director	Resigned	ALLPAY EASTERN CAPE	1970/016671/07	Private company	In business
Director	Active	ANDISA ADVISORY	2007/002066/07	Private company	In business
Director	Resigned	ANGLO KHULA MINING FUND	2002/017946/07	Private company	In business
Director	Resigned	BONAERO PARK	1965/001229/07	Private company	In business
Director	Resigned	BOUNDARY FINANCING	1990/001579/06	Public company	In business
Director	Resigned	BUSINESS PARTNERS	1981/000918/06	Public company	In business
Director	Resigned	BUSINESS PARTNERS	1981/000918/06	Public company	In business
Director	Resigned	CELTEC	2004/011451/07	Private company	Deregistration process
Director	Active	COMMUNITY PAINTS	2003/004064/07	Private company	In business
Director	Active	COURTNEY ROOFING	2007/028699/07	Private company	In business
Director	Resigned	CREATIVE EVENTS EXHIBITIONS AND SPONSORSHIPS INTERNATIONAL	1998/025244/07	Private company	Deregistration process
Director	Resigned	DENEL PROPERTIES	1967/011918/07	Private company	In business
Director	Active	DIPAPATSO MEDIA	1999/016895/07	Private company	Deregistration process
Director	Resigned	FFS FINANCE SOUTH AFRICA	1986/002238/07	Private company	In business
Director	Resigned	GATEWAY HOME LOANS	1998/021452/07	Private company	In business
Director	Resigned	IMPERIAL HOLDINGS	1946/021048/06	Public company	In business
Director	Active	ININGI INVESTMENTS 98	2000/025251/07	Private company	Deregistration process
Director	Resigned	KEDJONA MINING AND EXPLORATION	2006/007599/07	Private company	In business
Director	Resigned	KHULA BUSINESS PREMISES	2003/002883/07	Private company	Deregistration process
Director	Resigned	KHULA CREDIT GUARANTEE	1987/001736/06	Public company	Deregistration process
Director	Resigned	KHULA ENTERPRISE FINANCE	1995/011258/06	Public company	Deregistration process
Director	Resigned	KHULA INSTITUTIONAL SUPPORT SERVICES	1997/021917/08	Section 21	In business
Director	Resigned	LEDJADJA COAL	2006/010257/07	Private company	In business
Director	Resigned	MAN FINANCIAL SERVICES (SA)	1997/011686/07	Private company	In business

**Mr S A Tati (continued)**

<b>Role</b>	<b>Status</b>	<b>Enterprise name</b>	<b>Registration No.</b>	<b>Entity type</b>	<b>Entity status</b>
Director	Resigned	MICRO FINANCE REGULATORY COUNCIL	1998/024305/08	Section 21	In business
Director	Resigned	MKN EQUITY FUND	1998/019663/07	Private company	Deregistration process
Director	Resigned	NATIONAL CREDIT GUARANTEE FUND	1996/000046/07	Private company	Deregistration process
Director	Active	NATIONAL HOUSING FINANCE CORPORATION	1996/005577/06	Public company	In business
Director	Active	NATIONAL SMALL BUSINESS COUNCIL	1996/008177/08	Section 21	Final liquidation
Director	Resigned	NORTHERN/EASTERN AND WESTERN CAPE REGIONAL EQUITY FUND	1998/011536/07	Private company	Deregistration process
Director	Resigned	PLANET WAVES 127	2005/039394/07	Private company	Deregistration process
Director	Active	QUANDOPATH	2009/020663/07	Private company	In business
Trust	Active	RINGA CONVERGENCE	2008/208662/23	Close Corporation	In business
Director	Active	SUPER FAST PIGMENTS	2002/011004/07	Private company	In business
Member	Active	TATI AND TATI TRADING	2006/017598/23	Close Corporation	In business
Member	Active	TATISIZWE INVEST HOLDINGS	2002/001661/23	Close Corporation	In business
Director	Resigned	UNITRANS FINANCE	1998/013013/07	Private company	Deregistration final
Director	Resigned	WANANCHI POWER CORPORATION	2006/015101/07	Private company	In business
Director	Active	YAKANI BLACK AURUM COMMODITIES	2007/007022/07	Private company	In business
Director	Active	YAKANI BRICKVELD	2005/024489/07	Private company	In business
Director	Resigned	YAKANI BRICKVELD	2005/024489/07	Private company	In business
Director	Active	YAKANI GROUP	1998/012147/07	Private company	In business
Director	Active	YAKANI INFRACO	2005/043429/07	Private company	In business
Director	Resigned	YAKANI INFRACO	2005/043429/07	Private company	In business
Director	Active	YAKANI LIQUID INVESTMENTS	2007/021121/07	Private company	In business
Director	Active	YAKANI PROPERTIES	2007/021117/07	Private company	In business
Director	Resigned	YAKANI PROPERTIES	2007/021117/07	Private company	In business
Director	Resigned	YAKANI RESOURCES	2002/025969/07	Private company	In business

**Mr M P Shangase**

Director	Active	AFRICAN BRICK	1990/005785/07	Private company	In business
Director	Active	AFRICAN BRICK CENTRE	1999/006214/06	Public company	In business
Director	Active	AFRICAN BRICK-LENASIA	1984/007435/07	Private company	In business
Director	Active	DASH BRICK AND BUILDING SUPPLIES-STRUBENSVALLEY	2006/026311/07	Private company	In business
Director	Active	LANDTON PROPERTIES	1990/005781/07	Private company	In business
Member	Active	MUSAS CREATIONS	2002/078836/23	Close Corporation	Deregistration process

**Mr B Blom**

Company secretary (natural person)	Resigned	FAST FORWARD FINANCE	2004/030385/07	Private company	In business
Director	Active	AFRICAN BRICK	1990/005785/07	Private company	In business
Director	Active	AFRICAN BRICK CENTRE	1999/006214/06	Public company	In business
Director	Active	AFRICAN BRICK-LENASIA	1984/007435/07	Private company	In business
Director	Active	DASH BRICK AND BUILDING SUPPLIES-STRUBENSVALLEY	2006/026311/07	Private company	In business
Director	Active	ERMELO BESTUURSDIENSTE	1998/002335/07	Private company	Deregistration final
Director	Active	LANDTON PROPERTIES	1990/005781/07	Private company	In business

**Mr W A F Strydom**

Role	Status	Enterprise name	Registration No.	Entity type	Entity status
Member	Active	SUIKERBOSRAND BOERDERY	1996/003209/23	Close Corporation	In business
Director	Active	AFRICAN BRICK CENTRE	1999/006214/06	Public company	In business
Director	Resigned	AFRICAN BRICK-LENASIA	1984/007435/07	Private company	In business
Director	Resigned	DASH BRICK AND BUILDING SUPPLIES-STRUBENSVALLEY	2006/026311/07	Private company	In business
Director	Resigned	LANDTON PROPERTIES	1990/005781/07	Private company	In business
Director	Resigned	YAKANI GROUP	1998/012147/07	Private company	In business
Director	Resigned	IMBIZA YE GOLIDE	2006/011535/07	Private company	In business

**Mr D Msibi**

Director	Resigned	AMABUBESI INVESTMENTS	2002/007019/07	Private company	In business
Director	Active	TSIBA EI HOLDINGS	2008/010901/07	Private company	In business
Director	Active	TSIBA INVESTMENT CORPORATION	2007/012945/07	Private company	In business
Director	Active	AFRICAN BRICK CENTRE	1999/006214/06	Public company	In business
Director	Resigned	ANCHOR INDUSTRIES	2005/043215/07	Private company	In business
Director	Active	CAPE TOWN COMMUNITY HOUSING COMPANY	1998/022050/07	Private company	In business
Director	Active	CAVEO FUND SOLUTIONS	2003/017504/07	Private company	In business
Director	Resigned	COMMUNITY GROWTH MANAGEMENT COMPANY	1992/002327/06	Public company	In business
Director	Resigned	CORPINVEST 40	1998/001404/06	Public company	In business
Director	Resigned	DELICO INVESTMENTS 3	2000/021876/07	Private company	In business
Director	Active	FOODCORP	2004/000743/07	Private company	In business
Director	Active	ICESA EDUCATION SERVICES	2004/004008/07	Private company	Deregistration process
Director	Active	INVESTMENT SOLUTIONS	1997/000595/06	Public company	In business
Director	Active	INVESTMENT SOLUTIONS HOLDINGS	1997/022540/06	Public company	In business
Director	Resigned	KHATHUMA INVESTMENTS NO. 2	2005/018989/07	Private company	In business
Director	Resigned	MARICO SOUTH AFRICA	1977/001752/07	Private company	In business
Director	Resigned	MARRIOTT ASSET MANAGEMENT	1987/003316/07	Private company	In business
Director	Resigned	MARRIOTT ASSET MANAGEMENT	1987/003316/07	Private company	In business
Director	Resigned	MARRIOTT UNIT TRUST MANAGEMENT COMPANY	1988/003359/06	Public company	In business
Director	Resigned	OLD MUTUAL INVESTMENT GROUP (SOUTH AFRICA)	1993/003023/07	Private company	In business
Director	Active	ORION PROPERTIES 22	2006/004806/07	Private company	Deregistration process
Director	Active	PATON PERSONNEL	2005/002378/07	Private company	In business
Director	Active	SAVINGS AND INVESTMENTS ASSOCIATION – SOUTH AFRICA	2008/017776/08	Section 21	In business
Director	Resigned	SETSING FINANCIAL SERVICES	1997/005496/07	Private company	In business
Director	Active	SUPERFLEX	1995/010767/06	Public company	In business
Director	Resigned	UNILOG	2001/017138/07	Private company	In business
Director	Resigned	ZENITH INVESTMENTS	2002/026955/07	Private company	In business
Director	Active	PLUSKO 139	2005/006163/07	Private company	In business

**Mr M M Patel**

Member	Resigned	WINTERTIDE TRADING 33	2006/085847/23	Close Corporation	In business
Director	Resigned	YAKANI GROUP	1998/012147/07	Private company	In business
Director	Active	AFRICA CELLULAR TOWERS	2000/027374/06	Public company	In business
Director	Active	AFRICAN DAWN CAPITAL	1998/020520/06	Public company	In business
Representative	Resigned	AMALGAMATED SANDSTONE MINING COMPANIES OF SOUTHERN AFRICA	2007/023970/07	Private company	In business
Director	Resigned	AMALGAMATED SANDSTONE MINING COMPANIES OF SOUTHERN AFRICA	2007/023970/07	Private company	In business

**Mr M M Patel (continued)**

<b>Role</b>	<b>Status</b>	<b>Enterprise name</b>	<b>Registration No.</b>	<b>Entity type</b>	<b>Entity status</b>
Director	Resigned	APPLEWOOD TRADING 56	2007/014170/07	Private company	Deregistration process
Director	Resigned	ARIGO TRADING 2	2007/000559/07	Private company	Deregistration process
Director	Resigned	ARIGO TRADING 6	2007/012147/07	Private company	Deregistration process
Director	Resigned	BLUE LOUNGE TRADING 41	2007/001851/07	Private company	Deregistration process
Director	Resigned	BLUE LOUNGE TRADING 41	2007/001851/07	Private company	Deregistration process
Director	Resigned	BRIKOR	1998/013247/06	Public company	In business
Director	Resigned	BRIKOR	1998/013247/06	Public company	In business
Director	Resigned	CEDAR POINT HOLDINGS	2007/002246/07	Private company	Deregistration Process
Director	Active	CRYSTAL LAKES VAAL PRIVATE ECO ESTATE	2006/021783/07	Private company	Deregistration process
Director	Resigned	CRYSTAL LAKES VAAL PRIVATE ECO ESTATE	2006/021783/07	Private company	Deregistration process
Director	Active	CUBIC FINANCE	2010/003661/07	Private company	In business
Director	Resigned	ERNST & YOUNG	2005/002308/21	Incorporated	In business
Director	Resigned	EVENING STAR TRADING 609	2006/012216/07	Private company	Deregistration process
Member	Resigned	FAIRDALE TRADING 19	2006/139719/23	Close Corporation	In business
Director	Resigned	FAZEL SONDIYAZI	2001/006715/21	Incorporated	In business
Director	Resigned	FULCRUM BUSINESS INVESTMENTS	2005/022949/07	Private company	In business
Member	Active	KM PRINTING AND MAILING	2003/070338/23	Close Corporation	In business
Director	Resigned	MARLEY INVESTMENTS 7	2005/013192/07	Private company	Deregistration process
Member	Resigned	MI-TEL INSTITUTE OF ACCOUNTING	2002/080027/23	Close Corporation	Deregistration process
Member	Active	MITKAM PROPERTIES	2001/011284/23	Close Corporation	Deregistration process
Director	Active	NKONKI INSTITUTE OF TRAINING	2009/022324/07	Private company	In business
Director	Resigned	PERSONAL FINANCIAL ADMINISTRATORS	2004/027291/07	Private company	Deregistration process
Director	Resigned	PHAMBI INVESTMENT HOLDINGS	2007/023876/07	Private company	In business
Director	Resigned	PINNACLE SECRETARIAL SERVICES	2007/015174/07	Private company	Deregistration process
Director	Resigned	PINNACLE VAAL DAM PROPERTIES	2007/023028/07	Private company	Deregistration process
Director	Resigned	PKF BEE SOLUTIONS	2005/025060/07	Private company	In business
Director	Active	PSV HOLDINGS	1998/004365/06	Public company	In business
Member	Resigned	ROUND THE WORLD INTERNATIONAL TRAVEL SERVICES	1998/023641/23	Close Corporation	In business
Director	Resigned	SA NATURAL STONE	2009/001470/07	Private company	In business
Director	Resigned	SALESTALK 315	2007/002106/07	Private company	Deregistration process
Director	Resigned	SAN PAULO INVESTMENTS 18	2004/035117/07	Private company	Deregistration process
Director	Resigned	SEA KAY HOLDINGS	2006/004967/06	Public company	In business
Director	Resigned	SEVEN DAYS TRADING 38	2007/001959/07	Private company	Deregistration process
Director	Resigned	SHANTI BOND ORIGINATION	2007/029378/07	Private company	Deregistration process
Director	Resigned	SHANTI FINANCIAL MANAGEMENT	2007/020661/07	Private company	Deregistration process
Director	Active	SKINWELL HOLDINGS	2003/025374/06	Public company	In business
Director	Resigned	STRATCORP	2000/031842/06	Public company	In business

**Mr M M Patel (continued)**

<b>Role</b>	<b>Status</b>	<b>Enterprise name</b>	<b>Registration No.</b>	<b>Entity type</b>	<b>Entity status</b>
Director	Active	STRATCORP	2000/031842/06	Public company	In business
Director	Active	STRATEQUITY EMPOWERMENT INVESTMENTS 1	2007/033697/06	Public company	In business
Director	Active	STRATEQUITY EMPOWERMENT INVESTMENTS 2	2007/033702/06	Public company	In business
Director	Active	STRATEQUITY EMPOWERMENT INVESTMENTS 3	2007/033600/06	Public company	In business
Director	Resigned	SUNSET BAY TRADING 644	2007/014503/07	Private company	Deregistration process
Director	Resigned	T AND D MAILING SOLUTIONS	2004/022876/07	Private company	Deregistration process
Director	Resigned	T AND D PRINTING AND FINISHING SOLUTIONS	2004/025712/07	Private company	Deregistration process
Director	Active	TAHIN PROPERTIES	2006/021664/07	Private company	Deregistration process
Director	Resigned	TAHIN PROPERTIES	2006/021664/07	Private company	Deregistration process
Director	Resigned	TIYA PROPERTIES GROUP	2004/022937/07	Private company	Deregistration process
Member	Resigned	TIYA PROPERTY DEVELOPMENT	2000/064836/23	Close Corporation	Conversion CO/CC or CC/CO
Member	Active	TIYA PROPERTY DEVELOPMENT	2000/064836/23	Close Corporation	Conversion CO/CC or CC/CO
Director	Resigned	TIYA PROPERTY DEVELOPMENT	2007/008856/07	Private company	Deregistration process
Director	Invalid Code	TOPAZ SKY TRADING 124	2007/002295/07	Private company	Deregistration process
Director	Active	W G WEARNE	1994/005983/06	Public company	In business
Director	Resigned	WESTSIDE TRADING 725	2007/014181/07	Private company	Deregistration process
Director	Resigned	YAKANI GROUP	1998/012147/07	Private company	In business
Director	Active	AFRICAN BRICK CENTRE	1999/006214/06	Public company	In business

**Mr L Yanta**

Director	Active	AFRICAN BRICK CENTRE	1999/006214/06	Public company	In business
Director	Active	THE INSTITUTE OF INTERNAL AUDITORS – SOUTH AFRICA	1985/003686/08	Section 21	In business
Director	Resigned	TRANS-AFRICA PROJECTS	1996/012611/07	Private company	In business
Both director and officer	Active	COMMON PURPOSE SOUTH AFRICA	2000/016751/08	Section 21	In business

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## EXTRACTS FROM THE AFRICAN BRICK ARTICLES OF ASSOCIATION

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### “MODIFICATION OF RIGHTS

42. Subject to the provisions of section 102 of the Act and these articles, if at any time the Company's share capital, by reason of the issue of preference shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to any class may be modified or varied by agreement between the Company and any person purporting to contract on behalf of that class, provided such agreement is either:
- 42.1 authorised in writing by the holders of at least three-quarters of the nominal amount of the issued shares of that class; or
  - 42.2 sanctioned by resolution passed at a separate general meeting of the holders of the shares of that class, and the provisions of section 199 of the Act and those herein contained relating to general meetings shall *mutatis mutandis* apply to every such meeting, except that the quorum therefore (subject to the provisions contained in Article in regard to the quorum at adjourned meetings) shall be two Members at least holding or representing by proxy not less than one-third of the nominal amount of the issued shares of that class, unless that class has only one Member, in which case it shall be such Member.
43. The creation or issue of additional preference shares ranking as to capital and dividend after any existing preference shares and/or ordinary shares shall not be deemed to be a modification or variation of the rights of the holders of any preference shares in the Company.
44. The rights conferred upon the holders of the shares of any class shall not, unless otherwise expressly provided by the conditions of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

### ALTERATION OF CAPITAL

39. The Company may from time to time by special resolution:
- 39.1 consolidate and divide all or any part of its share capital into shares of larger amount than its existing shares, or consolidate and reduce the number of the issued shares of no par value;
  - 39.2 increase the number of its issued no par value shares without an increase of its stated capital;
  - 39.3 cancel any shares which, at the time of passing of the resolution in respect thereof, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
  - 39.4 subdivide its shares or any of them into shares of smaller amount than is fixed by or pursuant to its Memorandum of Association and so that the resolution whereby any share is sub-divided, may determine that, as between the holders of the shares resulting from such sub-division one or more of the shares may have such preferred or other rights over, or may have such qualified or deferred rights, or be subject to any such restrictions as compared with, the other or others as the Company has power to attach to unissued or to new shares;
  - 39.5 vary, modify or amend any rights attached to any shares whether issued or not (including the conversion of any shares into preferred shares) subject to any consent or sanction required from the holders of that and/or any other class of shares under Article 42;
  - 39.6 subject to the listings requirements of any securities exchange on which the shares or debentures of the Company are listed or quoted, approve the acquisition of shares or debentures issued by the Company or, if the Company is a subsidiary, approve the acquisition of shares or debentures issued by its holding company up to any maximum provided for in the Statutes, which approval may be a general approval subject to the provisions of the Statutes or a specific approval for a particular acquisition;

- 39.7 convert all its shares of one class having a par value into stated capital constituted by shares of no par value or such of its stated capital as is constituted by shares of no par value into share capital consisting of shares having a par value;
- 39.8 convert any of its ordinary shares into redeemable preference shares;
- 39.9 convert any of its shares, whether issued or not, into shares of another class;
- 39.10 alter the provisions of its Memorandum of Association with respect to the objects and powers of the Company.

## **POWERS TO EFFECT BORROWINGS**

91.

- 91.1 The Company may create and issue secured or unsecured debentures and subject to the listings requirements of any securities exchange on which the shares of any holding company of the Company are listed or quoted and to any regulations from time to time made by the Company in general meeting, the Directors may raise or borrow from time to time for the purposes of the Company or secure the payment of such sums as they think fit and may secure the repayment or payment of any such sums by bond, mortgage or charge upon all or any of the property or assets of the Company or by the issue of debentures or otherwise as they may think fit, and may make such regulations regarding the transfer of debentures, the issuing of certificates therefore (subject always to Article and all such other matters incidental to debentures as they may think fit: Provided that no special privileges as to allotment of shares in the Company, attending and voting at general meetings, appointment of Directors or otherwise, shall be given to the holders of debentures of the Company save with the sanction of the Company in general meeting.
- 91.2 The Company may issue guarantees in order to secure obligations and loans, including but not limited to loans to subsidiaries.

## **VOTES OF MEMBERS**

- 63. Subject to the provisions of section 195 of the Act, these articles and any special terms as to voting upon which any share may be issued or may for the time being be held, on a show of hands, every Member present in person or by proxy and entitled to vote shall have one vote and, upon a poll, every Member present in person or by proxy and entitled to vote shall have one vote for every share held by him.
- 64. The holder of any preference share, when that holder is entitled to vote on any shareholder's resolution which is required in terms of the listings requirements of any securities exchange on which the shares or debentures of the Company are listed or quoted, shall have (in accordance with the provisions of section 195(4)(b) of the Act):
  - 64.1 a number of votes in respect of the preference shares of the class held by that holder (based on the number of votes attributable to the relevant shares, using their par value) which is *pro rata* to the total number of votes exercisable by the holders of all the issued preference shares, irrespective of class (based on the number of votes attributable to the relevant shares, using their par value), which are entitled to vote at the relevant general meeting of the Company;
  - 64.2 which number of votes shall be limited to that holder's said *pro rata* portion of 25% less one vote of the total number of votes exercisable by the holders of all the issued shares, including all the issued preference shares, of whatever class (based on the number of votes attributable to the relevant shares, using their par value), which are entitled to vote at the said general meeting (with any cumulative fraction of a vote in respect of any preference share rounded down to the nearest whole number).
- 65. Any corporation holding shares conferring the right to vote may, by resolution of its Directors or other governing body, authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of holders of any class of shares of the Company, as provided by section 188 of the Act and such representative shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member of the Company. The Directors may but shall not be obliged to require proof to their satisfaction of the appointment or authority of such representative to act.

66. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register or in the case of persons entitled to a share by transmission the order in which their names were given in the notice to the Company of the fact of the transmission.

## **DIRECTORS**

72.

72.1 Until otherwise from time to time determined by the Company in general meeting, the number of Directors shall be not less than four.

72.2 The Directors shall be entitled to such remuneration as a director as the Company by ordinary resolution in general meeting may from time to time determine, which remuneration shall be divided among the Directors in such proportion as they may agree, or in default of such agreement, equally, except that any Director holding office for less than a year shall only rank in such division in proportion to the period during which he has held office during the year.

73. Any Director who serves on any executive or other committee or who devotes special attention to the business of the Company or who goes or resides outside South Africa for any purposes of the Company, or who otherwise performs services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration, in addition to or in substitution for the remuneration to which he may be entitled as a director, as a disinterested quorum of the Directors may determine. The Directors shall also be paid all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company and in attending meetings of the Directors or of committees of the Directors or of the Company.

74. Without prejudice to the provisions for retirement by rotation or otherwise herein contained, the office of a Director shall be vacated in any of the events following, namely:

74.1 if he becomes insolvent or assigns his estate for the benefit of his creditors, suspends payments generally, or compounds with his creditors, or files a petition for the surrender of his estate;

74.2 if he is found or becomes of unsound mind;

74.3 if he be removed by a resolution of the Directors passed at a duly constituted meeting of the Directors convened either in the ordinary course or on not less than forty eight hours notice specifically for this purpose;

74.4 if he be removed by a resolution of the Company pursuant to section 220 of the Act;

74.5 if he shall pursuant to the provisions of the Statutes or by reason of any order made thereunder be prohibited from acting as a Director;

74.6 if he resigns his office by notice in writing to the Company;

74.7 if he is absent from meetings of the Directors for six consecutive months without leave of the Directors otherwise than on the business of the Company and is not represented at any such meetings during such six consecutive months by an alternate Director, and the Directors resolve that his office be, by reason of such absence, vacated; provided that the Directors shall have power to grant to any Director not resident in South Africa leave of absence for any or an indefinite period.

75. A Director may hold any other office or position with the Company (except that of auditor) or may be employed as a director or employee of a subsidiary of the Company, in conjunction with his office of Director for such period and on such remuneration terms (in addition to the remuneration to which he may be entitled as a director) and otherwise as a disinterested quorum of the Directors may determine.

76. Save as otherwise provided in Article 75, a Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as shareholder or otherwise and (except insofar as otherwise decided by the Directors), he shall not be accountable for any remuneration or other benefits received by him as a director or officer of or from his interest in such other company.

77. Any Director may act by himself or through his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
78. A Director who is in any way whether directly or indirectly interested in a contract or arrangement or proposed contract or arrangement with the Company, shall declare the nature of his interest in accordance with sections 234, 235, 237 and 238 of the Act.
79. Subject to Article 80, no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any other office or position with the Company or in any Company promoted by the Company or in which the Company is interested or in respect of professional services rendered or to be rendered by such Director or as vendor, purchaser or in any other manner whatever, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such appointment, contract or arrangement by reason of such Director holding the office or of the fiduciary relationship thereby established.
- 80.
- 80.1 A Director shall not vote nor be counted in the quorum and if he shall do so his vote shall not be counted on any resolution for his own appointment to any other office or position with the Company or in respect of any contract or arrangement in which he is interested, but this prohibition shall not apply to:
- 80.1.1 any arrangement for giving to any Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or
- 80.1.2 any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company which the Director has himself guaranteed or secured; or
- 80.1.3 any contract by a Director to subscribe for or underwrite shares or debentures of the Company; or
- 80.1.4 any contract or arrangement with a company in which he is interested by reason only of being a director, officer, creditor or member of such company;
- Provided that these provisions may at any time be suspended or relaxed to any extent, either generally or in respect of any particular contract or arrangement, by the Company in general meeting.
- 80.2 Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or positions with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and in such cases each of the Directors concerned shall be entitled to vote (and be counted in the quorum) in respect of each resolution, except that concerning his own appointment.
- 80.3 If any question shall arise at any meeting as to the entitlement of any Directors to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to any other Director shall be final and conclusive, except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed.
81. The Directors may exercise the voting powers conferred by the shares in any other company held or owned by the Company in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing themselves or any of them to be directors or officers of such other company or voting or providing for the payment of remuneration to the directors or officers of such other company.

## **ALTERNATE DIRECTORS**

82. Each Director may appoint either another Director or any person approved for that purpose by a resolution of the Directors to act as alternate Director in his place and during his absence and may at his discretion remove such alternate Director. A person so appointed shall, except as regards power to appoint an alternate, and remuneration, be subject in all respects to the terms and conditions existing with reference to the other Directors, and each alternate Director, whilst so acting, shall be entitled to receive notices of all meetings of the Directors or of any committee of the Directors of which his appointor is a member, and to attend and vote at any such meeting at which his appointor is a member, and to attend and vote at any such meeting at which his appointor is not personally present and he shall generally be entitled to exercise and discharge all the functions, powers and duties of his appointor in such appointor's absence as if he were a Director. Any Director acting as alternate shall (in addition to his own vote) have a vote for each Director for whom he acts as alternate. An alternate Director shall *ipso facto* cease to be an alternate Director if his appointor ceases for any reason to be a Director: Provided that if any Director retires by rotation or otherwise but is re-elected at the same meeting, any appointment made by him pursuant to this article which was in force immediately before his retirement shall remain in force as though he had not retired. Any appointment or removal of an alternate Director shall be effected by notice in writing delivered at the Office and signed by the appointor or remover, as the case may be. The remuneration of an alternate Director shall be payable only out of the remuneration payable to the Director appointing him and he shall have no claim against the Company for his remuneration.

## **RETIREMENT OF DIRECTORS IN ROTATION**

83. Subject to Article, at the first annual general meeting of the Company all of the Directors for the time being and at every subsequent annual general meeting one-third of the Directors for the time being or if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from office. The Directors so to retire at every subsequent annual general meeting shall be those who have been longest in office since their last election, but as between persons who become or were last elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot; provided that notwithstanding anything herein contained, if at the date of any annual general meeting any Director shall have held office for a period of three years since his last election or appointment, he shall retire at such meeting either as one of the Directors to retire in pursuance of the foregoing or additionally thereto. The length of time a Director has been in office shall be computed from his last election, appointment or date upon which he was deemed re-elected. A Director retiring at a meeting shall retain office until the close or adjournment of the meeting.
84. Retiring Directors shall be eligible for re-election but no person, other than a Director retiring at the meeting, shall, unless recommended by the Directors, be eligible for election to the office of a Director at any general meeting; unless not more than thirteen but at least six clear days before the day appointed for the meeting there shall have been left at the Office a notice in writing by some Member, duly qualified to be present and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected (so that the period of days shall not include the day on which the notices are left at the office or the day appointed for the meeting).
85. Subject to Article 84, the Company, at the meeting at which a Director retires in the manner aforesaid, may fill the vacated office by electing a person thereto and in default the retiring Director, if willing to continue to act, shall be deemed to have been re-elected, unless at such meeting it is expressly resolved not to fill such vacated office, or unless a resolution for the re-election of such Director shall have been put to the meeting and lost.

## **COMPANY'S POWER TO APPOINT DIRECTORS**

86. The Company in general meeting may (but subject to the provisions of Article 84) appoint any person to be a Director either to fill a casual vacancy or as an additional Director, but so that the total number of Directors shall not exceed at any time any maximum number fixed in accordance with these articles. The Company in general meeting may also from time to time increase or reduce the number of Directors and may also determine in what rotation such increased or reduced number is to go out of office.

## DIVIDENDS

109. The Company in general meeting or the Directors may from time to time declare a dividend to be paid to the Members according to their respective rights and interest in proportion to the number of shares held by them in each class in respect whereof the dividend is payable; but if any share be issued on terms providing that it shall rank for dividend as from a particular date or for all dividends declared after a particular date, such share shall rank for dividend accordingly.
110. A dividend may be declared out of the profits or reserves of the Company, whether realised or unrealised, whether of a revenue or a capital nature and whether designated distributions or not, and no dividend shall carry interest as against the Company, except as otherwise provided under the conditions of issue of the shares in respect of which such dividend is payable. Dividends may be declared either free of or subject to the deduction of income tax and any other tax or duty in respect of which the Company may be chargeable.
111. The Company in general meeting or the Directors may from time to time pay to the Members such interim dividends as appear to the Directors to be justified by the position of the Company. The Directors may also pay the fixed dividend payable on any preference share of the Company half-yearly or otherwise on fixed dates whenever such position in the opinion of the Directors justifies that course.
112. Dividends shall be declared payable to Members registered as such on a date at least fifteen days after the date of the declaration of the dividend.
113. No larger dividend shall be declared by the Company in general meeting than is recommended by the Directors; but the Company in general meeting may declare a smaller dividend.
114. All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed; provided that dividends unclaimed for a period of three years may be forfeited by the Directors for the benefit of the Company; and provided further that if so resolved by the Directors such unclaimed dividends may be settled by the Company upon trustees to be held in trust for the benefit of such Members, whereupon the liability of the Company in relation thereto shall be extinguished.
115. Any dividend, interest or other sum payable in cash to the holder of a share may be paid by a "non-negotiable and/or "transferable" cheque sent through the post addressed to the holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first on the register in respect of the share at his registered address, or addressed to such person and at such address as the holder or joint holders may in writing direct, or by electronic transfer for credit to an account nominated in writing by the holder or, in the case of joint holders, an account nominated in writing by the holder whose name stands first in the register in respect of the share. Every such cheque shall, unless the holder or joint holders otherwise direct, be made payable to the order of the person to whom it is addressed and shall be sent at the risk of the holder or joint holders. Every such electronic transfer shall be made at the risk of the holder or joint holders. The Company shall not be responsible for the loss in transmission of any cheque or warrant or of any document (whether similar to a cheque or not) sent through the post as aforesaid or for the loss or misdirection of any electronic transfer. Payment of any such cheque, or the making of such electronic transfer, to whomsoever effected, shall be a good discharge to the Company.
116. Any dividend may be paid and satisfied, either wholly or in part, by the distribution of specific assets, or in shares, debentures or securities of the Company or of any other Company, or in cash, or in any one or more of such ways as the Directors or the Company in general meeting may at the time of declaring the dividend determine and direct, and where any difficulty arises in regard to such distribution the Directors may settle the same as they think expedient and in particular may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any Member upon the footing of the value so fixed in order to secure equality of distribution and may vest any such assets in trustees upon such trusts for the persons entitled to the dividend as may seem expedient to the Directors.
117. The Directors may from time to time make such regulations as they may think fit in regard to the payment of dividends to Members having registered addresses outside South Africa, and such regulations may provide for the payment of such dividends in any foreign currency and the rate of exchange at which such payment shall be made and such other matters as the Directors may think fit."

## AFRICAN BRICK ACQUISITIONS

The following represents a list of all material assets acquired by African Brick during the preceding three years:

Name of asset acquired or to be acquired <sup>(1)</sup>	Acquiring company	Date of acquisition	Name of vendor	Address of vendor	Percentage acquired from each vendor	Shares in African Brick issued to each vendor	Total amount paid/shares to vendor and percentage acquired by African Brick
African Brick Krugersdorp	African Brick	1 March 2007	Beno van Graan Trust	31 Biccard Street Krugersdorp 1739	100	23,000,000 at 100 cents per share	R23 million 100%
African Brick Lenasia	African Brick	1 March 2007	The Piet Gouws Family Trust Beno van Graan Trust	31 Biccard Street Krugersdorp 1739	25 75	3,125,000 9,375,000	R12.5 million a total of 12,500,000 shares at 100 cents per share 100%
Landton Properties	African Brick 100%	1 March 2007	Beno van Graan Trust	31 Biccard Street Krugersdorp 1739	100	40,000,000 at 100 cents per share	R40 million 100%
Dash Brick and Building Supplies Strubensvalley	African Brick 100%	1 April 2008 51% 30 January 2009 49%	One Vision Investments 239 (Proprietary) Limited	45 Cotswold Drive Florida Hill 1716	100	N/A	R12,090,750

### Notes:

- (1) Refer to paragraph 1 for the nature of business of such entities.
- (2) The net asset value of African Brick Krugersdorp at the effective date of acquisition was R3,984,580. This resulted in goodwill of R19,015,420 being attributed to African Brick Krugersdorp.
- (3) The net asset value of African Brick Lenasia at the effective date of acquisition was R7,224,229. This resulted in goodwill of R5,272,771 being attributed to African Brick Lenasia.
- (4) The net asset value of Landton Properties at the effective date of acquisition was R28,836,518. This resulted in goodwill of R11,161,595 being attributed to Landton Properties.
- (5) None of the assets were acquired by the vendors in the three years prior to their disposal to African Brick.
- (6) The vendors provided normal warranties to African Brick. No book debts were guaranteed.
- (7) No restraints of trade or restrictions were imposed on the vendors.
- (8) Accrued taxation liabilities for all vendor companies was settled by African Brick on their respective due dates.

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**ASSETS THAT FORM PART OF THE SECURITY FOR THE YAKANI INFRACO LOAN**


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**African Brick Lenasia (Proprietary) Limited**

R335 Road, Coega Valley, Coega, on Addo Road, Port Elizabeth

ITEMS	DESCRIPTION	SERIAL NUMBER
<b>OFFICE</b>		
1	Proline	ETLM00207B1400709
	Marius – Screen	93881JA010763
	Marius – UPS	538311520
1	Desktop	ETLM00207A1100513
	Zandre	31679BA009502
	Zandre	538311520
1	HP	CNCT7DDJ2B
	HP	CNCJ892289
1	Clock Card Machine (Office Equipment)	Uniclock
1	Safe 1	Jaguar Electronic
1	Fridge – Laboratory (Office Equipment)	KIC 2 Door Super Cool
1	Fridge – Marius Office	Telefunken 145lt Bar Fridge
1	Microwave Kitchen	Smart Microwave
1	Aircon	Telefunken (SPLIT TYPE) MODEL TAS 240A <sup>(1)</sup>
1	Aircon	Telefunken (SPLIT TYPE) MODEL TAS 240A <sup>(1)</sup>
1	Aircon	Symphony (SPLIT TYPE) Estimate
4	Steel Stationery Cabinets	Filling Cabinets
4	Steel Draw Filling Cabinets	Filling Cabinets
5	Office Chairs	Mixed Type's
2	Office Desks	2 from old
1	Paper Cutter	Model 3920
1	Paper Shredder	Promax
2	Polophones	Centurion
1	Temperature Reader	Duel Thermo
1	4 Door Kitchen Cupboard	White with top glass doors
	5 Speed Drill Press	2J4113A
1	<b>Digi Scale</b>	<b>Digi DS673 Scale</b>
<b>PLANT AND MOTOR</b>		
1	KIA Workhorse	DXX175EC
1	Bell 220 Forklift – 3 Wheel	NO2 – BCH 1831 80 Model 220
1	Bell Forklift – 3 Wheel	NO3 – BCH 9675 01 Model 220
1	Bell Loader	NO1 BFL 81 48 (old model)
1	Grademaster	B87G063 – Model HD NUCSS9201
1	3 Wheel Bell Forklifts No 1	NO4 – BCH 2485 89 Model 220
1	3 Wheel Bell Forklifts No 2	NO5 – BCH 2905.89 Model 220
1	3 Wheel Bell Forklifts No 3	NO6 – BCH 5488.93 Model 120
1	3 Wheel Bell Forklifts No 4	NO7 – BCH 5486 93 Model 120
1	Bell Loader	NO2 – AEB4125174R000040 Model L1204C
1	Bell Loader	NO3 – AEB4125174R000039 Model L1204C
1	Massey	188 369021
1	3 Wheel Bell Forklifts No 5	Forklift in Krugersdorp

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**MANUFACTURING**

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- 115kw Toshiba (Electric motor plant)
- 45kw Toshiba (Electric motor plant)
- Warnes
- Forced Vent Fan
- 30KW 380KW 380V 4P B3
- Wendy House
- 4 Boxfeeders
- Disintegrator
- High Speed Roller
- Conveyor belts
- Rusticator
- Lubrication Pump
- Compressor
- JC Steel Extruder
- Slugcutter
- Pushthrough
- Offtake
- 6 Turntables
- Brick gripper
- Watercart
- Pallets (Production)
- Off Cut conveyors
- # Metate Construction (Plant)
- Carbon Tester

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**Assets that form part of the security for the Yakani Infraco loan**

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**WORKSHOP**

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- Welders
- Lathe
- Milling machine
- Compressor
- Loose tools

**BUILDINGS**

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- Steel Structure
- Concrete flooring
- Electrical
- Building Office
- Building Transformer
- Building Rest Room
- Building House/Garage

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**PROPERTY CEDED AS SECURITY FOR THE YAKANI INFRACO LOAN**

Portion 10 (Portion of portion 1) of the farm Welbedachtsfontein No. 300, in the Nelson Mandela Bay Metropolitan Municipality, a division of Uitenhage, Province of the Eastern Cape.