

ABK - African Brick Centre - Reviewed interim results for the six months ended 31 August 2011

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

REVIEWED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2011

HIGHLIGHTS

Revenue	41.6 million
Revenue growth	-4.2%
Headline loss	5.9million
Headline LPS	0.8 cents
Dividend	-

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed at 31 August 2011	Unaudited at 31 August 2010	Audited at 28 February 2011
	R' 000	R' 000	R' 000
Assets			
Non-current assets	52,988	62,644	60,063
Current assets	27,389	30,173	26,940
Total assets	80,377	92,817	87,003
Equity and liabilities			
Capital and reserves	42,450	45,828	48,385
Non-current liabilities	15,690	25,441	21,123
Current liabilities	22,237	21,548	17,495
Total equity and liabilities	80,377	92,817	87,003
Net asset value per share (cents)	6.02	14.67	6.9
Net tangible asset value per share (cents)	5.66	13.01	6.5

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Reviewed for Unaudited Audited for

	the six months ended 31 August 2011	for the six months ended 31 August 2010	the year ended 28 February 2011
	R' 000	R' 000	R' 000
Gross revenue	41,606	43,434	83,597
Operating costs	(45,581)	(44,505)	(93,575)
Other income	34	23	1,366
Loss before disclosable income	(3,941)	(1,048)	(8,612)
Impairment of assets	-	-	(2,610)
(Loss)/profit on sale of assets	(20)	-	40
Depreciation and amortisation	(1,316)	(2,023)	(3,007)
Fair value gain	-	-	35
Operating loss	(5,277)	(3,071)	(14,154)
Finance costs	(658)	(1,341)	(2,172)
Interest received	-	-	32
(Loss)/profit before taxation	(5,935)	(4,412)	(16,294)
Taxation	-	-	4,351
(Loss)/profit after tax	(5,935)	(4,412)	(11,943)
(Loss)/profit attributable to: Owners of the parent	(5,935)	(4,412)	(11,943)
Reconciliation of headline loss			
Loss attributable to ordinary shareholders	(5,935)	(4,412)	(11,943)
Impairment of assets	-	-	2,610
(Loss)/profit on sale of assets	(20)	-	40
Fair value gain	-	-	(35)
Headline loss attributable to ordinary shareholders	(5,915)	(4,412)	(9,408)

Loss per share			
Loss attributable to ordinary shareholders	(5,935)	(4,412)	(11,943)
Loss attributable to ordinary shareholders	(5,935)	(4,412)	(11,943)
HEPS (Cents)/(HLPS)	(0.84)	(1.41)	(1.67)
EPS (Cents)/(LPS)	(0.84)	(1.41)	(2.12)
Shares in issue	705,517	312,239	705,517
Shares in issue - weighted average	705,517	312,239	563,417

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

Comprehensive loss			
Loss after tax	(5,935)	(4,412)	(11,943)
Loss on property revaluation	-	-	(1,025)
Taxation related to loss on property revaluation	-	-	148
Total comprehensive loss	(5,935)	(4,412)	(12,820)
Total comprehensive loss attributable to:			
Owners of the parent	(5,935)	(4,412)	(12,820)
	(5,935)	(4,412)	(12,820)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Reviewed for the six months ended 31 August 2011	Unaudited for the six months ended 31 August 2010	Audited for the year ended 28 February 2011
	R'000	R'000	R'000
Opening balance	48,385	50,240	50,239
- Total comprehensive loss for the year	(5,935)	(4,412)	(12,820)
- Issue of shares	-		11,085
- Issue of treasury shares	-		(120)

Total	42,450	45,828	48,385
-------	--------	--------	--------

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed for the six months ended 31 August 2011 R' 000	Unaudited for the six months ended 31 August 2010 R' 000	Audited for the year ended 28 February 2011 R' 000
Cash generated/(used) in operations	655	(713)	(3,538)
Interest received	-	-	32
Finance cost	(658)	(1,002)	(1,858)
Taxation received/(paid)	-	781	668
Cash applied in operating activities	(3)	(934)	(4,696)
Cash received/(applied) in investing activities	4,848	(1,003)	(2,247)
Cash flows from/(repayment) of financing activities	(4,525)	1,481	6,947
Total cash movement for the year	320	(456)	4
Cash at the beginning of the year	(5,923)	(5,923)	(5,927)
Cash and equivalents at end of year	(5,603)	(6,379)	(5,923)

CONDENSED CONSOLIDATED SEGMENT REPORT

	Reviewed for the six months ended 31 August 2011 R' 000	Unaudited for the six months ended 31 August 2010 R' 000	Audited for the year ended 28 February 2011 R' 000
External Customers	41,606	43,434	83,596
Retail	35,362	38,461	76,812

Manufacturing	6,244	4,973	6,784
Corporate	-	-	-
Inter-segment revenue			
Retail	-	-	-
Manufacturing	20,038	16,088	33,574
Eliminations	(20,038)	(16,088)	(33,574)
<hr/>			
Consolidated Revenue	41,606	43,434	83,596
<hr/>			
Segment result before disclosed items	(3,941)	(1,048)	(8,612)
Retail	(645)	72	(856)
Manufacturing	(2,720)	281	(6,168)
Corporate (Head Office)	(576)	(1,401)	(1,588)
Profit/(loss) with sale of assets	(20)	-	40
Retail	-	-	44
Manufacturing	(20)	-	(1)
Corporate	-	-	(3)
Impairment of assets	-	-	(2,610)
Manufacturing	-	-	(2,610)
Depreciation and amortisation	(1,316)	(2,023)	(3,007)
Retail	(356)	(454)	(784)
Manufacturing	(960)	(1,569)	(2,223)
Reportable segment profit/(loss)	(5,277)	(3,071)	(14,189)
Retail	(1,001)	(382)	(1,120)
Manufacturing	(3,700)	(1,288)	(11,478)
Corporate (Head Office)	(576)	(1,401)	(1,591)
Operating profit/(loss)	(5,277)	(3,071)	(14,189)
Finance costs	(658)	(1,341)	(2,172)
Fair value adjustment	-	-	35
Investment revenue	-	-	32
Profit/(loss) before taxation	(5,935)	(4,412)	(16,294)
Taxation	-	-	4,351
<hr/>			
Profit/(loss) after tax	(5,935)	(4,412)	(11,943)
<hr/>			

CONDENSED CONSOLIDATED SEGMENT REPORT

Reviewed for
the six

Unaudited
for the six

Audited for
the year

	months ended 31 August 2011 R' 000	months ended 31 August 2010 R' 000	ended 28 February 2011 R' 000
Reportable Segment			
Assets			
Retail	16,582	18,056	17,763
Manufacturing	62,098	71,010	65,286
Corporate	25,224	17,393	34,531
Eliminations	(23,527)	(13,642)	(30,577)
Total	80,377	92,817	87,003
Reportable Segment			
Liabilities			
Retail	(13,904)	(8,785)	(9,656)
Manufacturing	(40,658)	(36,803)	(41,743)
Corporate	(6,892)	(15,043)	(17,796)
Eliminations	23,527	13,642	30,577
Total	(37,927)	(46,989)	(38,618)
Net asset value	42,450	45,828	48,385

INTRODUCTION

African Brick's business consists of clay mining, manufacturing of clay semi-face and -, stock bricks and a "wet trade" retail section. The growth of the business up to February 2008 was as a result of the strong growth in the building industry. Since the recession, the group closed its Lenasia Plant and only retained one retail branch in Honeydew Johannesburg. During the period under review the Directors further reduced operating cost in an effort to return to profitability.

REVIEW OF RESULTS

For the six months under review revenue decreased by 4.2%. Margins came under pressure due to an increase in production cost as a result of increased commodity prices, an increase in compliance costs and an abnormal waste factor incurred during the production process at the Coega operation. An area of concern is the lack of financial means to provide for the replacement of certain yellow equipment, badly required to normalise efficiencies at the Krugersdorp operation and to decrease the occurrence of breakages associated with product handling.

Finance costs decreased from R1.3 million to R658,000 as result of the rights offer completed during the second half of the previous financial year and the reduction of long-term debt.

Net loss for the period increased by 35% from R4.4 million to R5.3 million as result of abnormal waste, increase compliance cost and the write down of mined clay not currently used in production as well as a provision for bad debt relating to an RDP project which is currently on hold.

Funding to support working capital was obtained from the controlling shareholder, Yakani Infraco (Proprietary) Limited ("Yakani Infraco") which granted a R5 million term loan during August 2011.

The Company also announced on 3 November 2011 that Yakani Infraco has made an offer to acquire the remaining issued share capital of African Brick not held by African Brick's subsidiary and Yakani Infraco by way of a scheme of arrangement. The meeting to consider the scheme will be held on 6 December 2011, and, if successfully implemented, the Company's listing on the JSE Limited ("JSE") will be terminated.

PROSPECTS

The directors are of the view that African Brick can return to profitability but that it requires a further investment in operating activities and the replacement of yellow equipment to reduce waste.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed consolidated financial statements, which are based on reasonable judgments and estimates, are in accordance with IFRS, the disclosure requirements of IAS 34 - Interim Financial Reporting and are consistent with those applied in the annual financial statements for the year ended 28 February 2011. These reviewed consolidated condensed financial statements as set out in this report comply with the Companies Act, 71 of 2008, as amended, and the Listings Requirements of the JSE.

GOING CONCERN

The financial statements have been prepared on the going concern basis. The Company acknowledges the challenges that lie ahead to raise further capital but also highlights the strengths of the group and low long-term debt levels and is confident that it can raise further capital in the near future. Restructuring initiatives to reduce operating costs announced after the year end were successfully implemented which included:

- * a further reduction in headcount and payroll costs;
- * further right sizing of the retail operations to only focus on core product;
- * restructuring of the Standard Bank term loan; and
- * a reduction in executive and non-executive director's salaries.

REVIEW OPINION

The auditors, SAB&T have reviewed the condensed consolidated interim financial statements for the six month ended 31 August 2011. The auditors modified review report is available for inspection at the Company's registered offices.

The review report contains the following qualified review opinion paragraph:

"Going concern

The Group is actively attempting to obtain the financing and to realise non-core assets in order to support its current working capital requirements. This situation indicates the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business."

The auditors have reviewed the financial information in terms of section 3.18 of the Listings Requirements of the JSE.

APPRECIATION

We thank our loyal staff for their continued commitment during this trying period and also thank our business partners, financiers, advisors, clients, and most importantly our shareholders, for their ongoing support.

By order of the Board
20 November 2011

MP Shangase
Managing Director

SA Tati
Chairman

B Blom
Financial Director

CORPORATE INFORMATION

Directors:

Non-Executive

SA Tati (Chairman), MM Patel*, DTV Msibi*, WAF Strydom

**Independent*

Executive

MP Shangase (Managing Director), B Blom (Financial Director)

Company Secretary

B Blom

Registered office

Farm 246, Luipaardsvlei

Krugersdorp

1739

Business address
Farm 246, Luipaardsvlei
Krugersdorp
1739

Postal address
PO Box 99
Rant en Dal
Krugersdorp
1751

Holding company
Yakani Infraco (Proprietary) Limited
(Incorporated in South Africa)

Transfer secretaries
Linked Market Services South Africa (Pty) Limited

Designated Adviser
Grindrod Bank Limited

These results and an overview of African Brick Centre are available
at www.africanbrick.co.za.

#109452