



Buildmax Limited ("Buildmax" or "the group")
(Registration no. 1995/012209/06)
Share Code BDM ISIN code ZAE000011250

Abridged consolidated statement of comprehensive income

	Unaudited six months ended 31 August 2009 R'000	Pro-forma Unaudited six months ended 31 August 2008 R'000	Restated Unaudited six months ended 31 August 2008 R'000	Audited year ended 28 February 2009 R'000
Revenue	957 318	845 742	755 336	1 633 911
Operating profit before interest, taxation, depreciation, amortisation and impairment ("EBITDA")	186 883	255 194	230 838	453 451
Depreciation	(84 963)	(64 109)	(55 273)	(134 143)
Operating profit before interest, taxation, amortisation, loss on disposal of business and impairment	101 920	191 085	175 565	319 308
Amortisation of intangible assets	(10 879)	(10 879)	(9 066)	(19 945)
Operating profit before interest, taxation, loss on disposal of business and impairment	91 041	180 206	166 499	299 363
Loss on disposal of business	(2 225)	-	-	-
Impairment of goodwill	-	-	-	(255 443)
Profit before interest and taxation ("PBT")	88 816	180 206	166 499	43 920
Interest received	9 704	7 267	5 834	17 378
Finance costs	(51 060)	(57 879)	(50 159)	(115 882)
Net profit/(loss) before taxation ("PBT")	47 460	129 594	122 174	(54 584)
Taxation	(14 187)	(34 358)	(32 607)	(54 793)
Net profit/(loss) after taxation	33 273	95 236	89 567	(109 377)
Other comprehensive income				
Unrealised loss due to change in fair value of cash flow hedge	40	-	-	(7 739)
Taxation	(11)	-	-	2 167
Total comprehensive income/(loss) for the year	33 302	95 236	89 567	(114 949)
Net profit/(loss) after taxation attributable to:				
Equity holders of Buildmax	33 413	95 253	89 550	(103 213)
Outside shareholders' interests	(140)	(17)	17	(6 164)
	33 273	95 236	89 567	(109 377)
Total comprehensive income/(loss) for the year attributable to:				
Equity holders of Buildmax	33 442	95 253	89 550	(108 785)
Outside shareholders' interests	(140)	(17)	17	(6 164)
	33 302	95 236	89 567	(114 949)

Abridged consolidated statement of financial position

	Unaudited at 31 August 2009 R'000	Restated Unaudited at 31 August 2008 R'000	Audited at 28 February 2009 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	1 368 545	1 234 251	1 324 615
Goodwill	810 578	1 066 021	810 578
Other intangible assets	213 238	234 996	224 117
Deferred taxation	4 316	1 905	2 216
	2 396 677	2 537 173	2 361 526
Current assets			
Inventories	94 113	92 988	90 911
Trade and other receivables	349 010	330 109	318 589
Taxation receivable	5 686	1 080	1 364
Bank and cash balances	219 652	55 928	326 957
	668 461	480 105	737 821
Total assets	3 065 138	3 017 278	3 099 347
EQUITY AND LIABILITIES			
Share capital and premium	1 732 382	1 536 144	1 732 382
Cash flow hedging reserve	(5 543)	-	(5 572)
(Accumulated loss)/retained earnings	(58 240)	101 110	(91 653)
Ordinary shareholders' interests	1 668 599	1 637 254	1 635 157
Outside shareholders' interests	3 464	9 785	3 604
Total shareholders' interests	1 672 063	1 647 039	1 638 761
Non-current liabilities			
Interest-bearing liabilities	430 116	530 302	525 082
Derivative instruments	2 852	-	4 076
Vendor amount payable	38 482	51 764	50 000
Deferred taxation	205 584	180 245	194 307
	677 004	762 311	773 465
Current liabilities			
Interest-bearing liabilities	338 722	307 200	358 121
Derivative instruments	4 846	-	3 663
Vendor amount payable	14 083	-	4 526
Trade and other payables	348 824	259 193	264 836
Taxation payable	6 074	41 535	15 942
Bank overdrafts	3 492	-	40 033
	716 041	607 928	687 121
Total equity and liabilities	3 065 138	3 017 278	3 099 347
Net asset value per share (cents)	160,7	181,5	157,5

Abridged consolidated statement of changes in equity

	Share capital and premium R'000	Cashflow hedging reserve R'000	(Accumulated loss)/retained earnings R'000	Outside shareholders' interest R'000	Total R'000
Balance as at 29 February 2008	42 266	-	11 560	-	53 826
Shares issued and to be issued	1 493 878	-	-	-	1 493 878
Total comprehensive income for the year	-	-	89 550	17	89 567
Outside shareholders' interests in subsidiaries acquired	-	-	-	9 768	9 768
Balance as at 31 August 2008	1 536 144	-	101 110	9 785	1 647 039
Shares issued	196 238	-	-	-	196 238
Total comprehensive loss for the year	-	(5 572)	(192 763)	(6 181)	(204 516)
Balance as at 28 February 2009	1 732 382	(5 572)	(91 653)	3 604	1 638 761
Total comprehensive income/(loss) for the year	-	29	33 413	(140)	33 302
Balance as at 31 August 2009	1 732 382	(5 543)	(58 240)	3 464	1 672 063

Segmental analysis

	% of total	Unaudited six months ended 31 August 2009 R'000	% of total	Pro-forma Unaudited six months ended 31 August 2008 R'000	% of total	Audited year ended 28 February 2009 R'000
Revenue						
Mining Services	76,0	728 004	67,6	571 749	70,0	1 142 955
Construction Materials	24,0	229 314	32,4	273 993	30,0	490 956
	100,0	957 318	100,0	845 742	100,0	1 633 911
EBITDA						
Mining Services	84,3	157 585	78,2	199 459	84,0	380 707
Construction Materials	15,7	29 298	21,8	55 735	16,0	72 744
	100,0	186 883	100,0	255 194	100,0	453 451
Operating profit before interest, taxation, amortisation, loss on disposal of business and impairment						
Mining Services	80,2	81 783	76,4	146 010	82,1	262 003
Construction Materials	19,8	20 137	23,6	45 075	17,9	57 305
	100,0	101 920	100,0	191 085	100,0	319 308
Profit before taxation, amortisation, loss on disposal of business and impairment						
Mining Services	75,4	45 695	68,3	95 979	80,3	177 228
Construction Materials	24,6	14 869	31,7	44 494	19,7	43 576
	100,0	60 564	100,0	140 473	100,0	220 804

Abridged consolidated cash flow statement

	Unaudited six months ended 31 August 2009 R'000	Restated Unaudited six months ended 31 August 2008 R'000	Audited year ended 28 February 2009 R'000
Operating activities			
Net profit/(loss) before taxation ("PBT")	47 460	122 174	(54 584)
Non-cash flow items and changes in working capital	152 830	44 913	405 998
Net interest paid	41 356	44 325	98 504
Cash generated from operations	241 646	211 412	449 918
Net interest paid in cash	(40 882)	(44 325)	(94 676)
Taxation paid	(19 201)	(4 811)	(36 934)
Cash flows from operating activities	181 563	162 276	318 308
Investing activities			
Acquisition of businesses	-	(337 773)	(338 701)
Settlement of vendor liabilities in acquired businesses	-	(64 012)	(64 012)
Purchase of property, plant and equipment	-	-	-
- Expanding operations	(117 745)	(327 096)	(505 636)
- Maintaining operations	(25 480)	(24 080)	(30 938)
Proceeds on disposal of property, plant and equipment	10 219	23 001	42 306
Cash flows from investing activities	(133 006)	(729 960)	(896 981)
Financing activities			
Net proceeds from issue of shares	-	300 475	496 713
Interest-bearing liabilities raised	111 386	369 886	521 277
Interest-bearing liabilities repaid	(230 707)	(194 228)	(299 872)
Cash flows from financing activities	(119 321)	476 133	718 118
Net (decrease)/increase in cash and cash equivalents	(70 764)	(91 551)	139 445
Cash and cash equivalents at the beginning of the period	286 924	16 901	16 901
Cash acquired as part of business combinations	-	130 578	130 578
Cash and cash equivalents at the end of the period	216 160	55 928	286 924

Reconciliation of headline earnings and core headline earnings

	Unaudited six months ended 31 August 2009 R'000	Pro-forma Unaudited six months ended 31 August 2008 R'000	Restated Unaudited six months ended 31 August 2008 R'000	Audited year ended 28 February 2009 R'000
Net profit/(loss) for the year attributable to equity holders of Buildmax	33 413	95 253	89 550	(103 213)
Adjusted for:				
Loss on disposal of business	2 225	-	-	-
- Gross	2 225	-	-	-
- Taxation	-	-	-	-
Loss/(profit) on disposal of property, plant and equipment	2 962	(8 994)	(5 621)	(8 004)
- Gross	4 114	(10 586)	(6 606)	(9 746)
- Taxation	(1 152)	1 592	985	1 742
Impairment of goodwill	-	-	-	248 819
- Gross	-	-	-	255 443
- Outside shareholders' interest	-	-	-	(6 624)
Headline earnings attributable to ordinary shareholders	38 600	86 259	83 929	137 602
Adjusted for:				
Amortisation of intangible assets	7 632	7 631	6 360	13 991
- Gross	10 879	10 879	9 066	19 945
- Taxation	(3 046)	(3 046)	(2 538)	(5 585)
- Outside shareholders' interest	(201)	(202)	(168)	(369)
Deemed interest incurred on vendor loan	474	2 194	2 194	4 956
Core headline earnings attributable to ordinary shareholders	46 706	96 084	92 483	156 549

Supplementary information

	Unaudited six months ended 31 August 2009	Pro-forma Unaudited six months ended 31 August 2008	Restated Unaudited six months ended 31 August 2008	Audited year ended 28 February 2009
Headline earnings per share (cents)	3,7	9,5	11,0	15,8
Core headline earnings per share (cents)	4,5	10,6	12,1	18,0
Basic earnings/(loss) per share (cents)	3,2	10,5	11,7	(11,9)
Shares in issue ('000)				
- At end of the period	1 040 700	907 366	907 366	1 040 700
- Weighted	1 040 700	907 366	763 106	868 570

Notes to the unaudited consolidated interim results

The format of the financial statements presented has been revised to bring it in line with the revisions to IAS 1 Presentation of Financial Statements. The group also adopted IFRS 8 Operating Segments which requires that the segments presented are consistent with those used internally by management to make operating decisions. Certain operating segments in the Construction Materials strategic business unit have been aggregated as they are similar in nature and have similar economic characteristics. Comparative information has been restated where necessary. The adoption of these standards and amendments did not impact the group's financial results.

The previous reported interim results for the period ended 31 August 2008 were restated due to the recognition and amortisation of intangible assets identified during February 2009 when the provisionally determined fair value of assets, liabilities and contingent liabilities acquired as a result of the acquisitions of Diesel Power Open Cast Mining (Pty) Limited and the Buildco group were finalised.

Commentary

INTRODUCTION

The directors of Buildmax present the unaudited interim results for the six months ended 31 August 2009 ("interim period"). Compared to the prior interim period the international and local business environment has deteriorated significantly which, combined with industrial action at Diesel Power Open Cast Mining ("Diesel Power"), the group's largest subsidiary, negatively impacted Buildmax's results.

GROUP PROFILE

Buildmax is a leading opencast coal mining contractor and supplier of construction materials in South Africa and is listed on the JSE in the 'Construction and Materials' sector. Buildmax operates through two strategic business units ("SBU's") namely:

Mining Services

This SBU comprises Diesel Power and Vukuza Earth Works ("Vukuza") and is the major contributor to group revenue and profitability. The companies are opencast coal mining and bulk earthworks contractors and together are approved service providers to the major coal mining and construction groups in the country.

Construction Materials

This SBU quarries, manufactures and distributes a range of aggregates, bricks and blocks as well as various building materials to the construction industry.

FINANCIAL RESULTS

The acquisitions of Diesel Power and the Buildco group became effective in April 2008 and are therefore included for only five months in the unaudited comparative period results. To assist in meaningful comparison to the comparative period on a like-for-like basis, unaudited pro forma historical results are included in this announcement ("pro forma historical results").

Compared to the pro forma historical results the group reported a 13% increase in revenue to R957 million from R846 million.

Net profit before tax, amortisation of intangibles and loss on disposal of a business ("NPBT") was R60,6 million, which is 57% lower than the pro forma NPBT of R140,5 million.

CORE HEPS AND HEPS

Core HEPS is defined as headline earnings per share ("HEPS") excluding non-cash flow items relating to amortisation of intangibles and the implied interest incurred on a deferred vendor consideration as required in terms of International Financial Reporting Standards.

Core HEPS of 4,5 cents and HEPS of 3,7 cents are 58% and 61% lower than the pro forma historical core HEPS and HEPS of 10,6 cents and 9,5 cents, respectively. Earnings per share ("EPS") of 3,2 cents is 70% lower than the pro forma historical EPS of 10,5 cents.

NET DEBT AND CASH

Buildmax reduced its net debt position from R650,8 million at February 2009 to R605,2 million at the end of the interim period. Cash generated from operations of R242 million is 15% higher than the cash generated from operations in the comparative period of R211 million.

OPERATIONS

Mining Services

Mining Services delivered revenue growth of 27% but was unable to convert the higher revenue into increased profits. Industrial action by a significant portion of the workforce at Diesel Power severely disrupted production and resulted in strike activity during the months of May and June. Lengthy lead times for replacement employees resulting from induction programmes further hampered July's production. However, Diesel Power's operations returned to full production at the start of August.

The loss in revenue due to the industrial action and the downtime in July approximated R95 million, while fixed costs remained ongoing and additional HR costs were incurred.

The credit crisis and economic slowdown led to the decision late in the previous year to defer capital expenditure where possible in favour of balance sheet protection. Amongst other effects this resulted in running the plant fleet for longer at Vukuza, which in turn resulted in reduced margins due to increased repair, maintenance and fueling costs, particularly increases in the number of sub-contractors and the hiring of additional mining equipment.

Operating margins came under pressure due to intensified competition from hard rock mining contractors and difficulty in passing on cost increases to certain clients following a softening in the global demand for coal.

Notwithstanding the above factors, no contracts were lost during the interim period and the Mining Services SBU succeeded in extending its tenure on a number of large contracts.

The performance of Diesel Power's bulk earthworks division was disappointing as a result of delays in a number of contracts and the general downturn in construction activity.

Capital Expenditure

In line with group strategy, capital expenditure of R122 million was incurred for the interim period, compared to R323 million in the comparative period. The majority of the capital expenditure was expansionary and committed to in prior periods. The SBU is reviewing the reliability of its existing fleet and is considering selective capital expenditure based on plant efficiencies, cost considerations and production demands.

Construction Materials