

Reviewed consolidated interim results for the six months ended 31 August 2010



Abridged consolidated statement of comprehensive income

	Reviewed 6 months ended 31 August 2010 R'000	Unaudited 6 months ended 31 August 2009 R'000	Audited year ended 28 February 2010 R'000
CONTINUING OPERATIONS			
Revenue	659 754	632 678	1 240 906
Operating profit before depreciation and amortisation ("EBITDA")	45 822	143 432	215 063
Depreciation	(85 980)	(63 915)	(131 320)
Operating (loss)/profit before amortisation	(40 158)	79 517	83 743
Amortisation of intangible assets	(8 344)	(10 879)	(21 758)
(Loss)/profit before loss on disposal of business unit, impairments, interest and taxation	(48 502)	68 638	61 985
Loss on disposal of business	-	(2 225)	(2 467)
Impairment losses	(272 422)	-	(805 613)
(Loss)/profit before interest and taxation ("PBIT")	(320 924)	66 413	(746 095)
Interest received	813	6 798	10 449
Interest paid	(14 240)	(37 245)	(75 306)
(Loss)/profit before taxation ("PBT")	(334 351)	35 966	(810 952)
Taxation	37 071	(10 969)	62 803
(Loss)/profit for the period from continuing operations	(297 280)	24 997	(748 149)
DISCONTINUED OPERATIONS			
Revenue	69 669	324 640	564 678
Operating profit before depreciation and amortisation ("EBITDA")	15 678	43 451	12 477
Depreciation	(25 207)	(21 048)	(44 770)
(Loss)/profit before impairment losses, interest and taxation	(9 529)	22 403	(32 293)
Impairment losses	(21 313)	-	(263 553)
(Loss)/profit before interest and taxation ("PBIT")	(30 842)	22 403	(295 846)
Interest received	1 572	2 906	4 981
Interest paid	(9 166)	(13 815)	(26 550)
(Loss)/profit before taxation ("PBT")	(38 436)	11 494	(317 415)
Taxation	-	(3 218)	54 715
(Loss)/profit for the period from discontinued operations	(38 436)	8 276	(262 700)
Total (loss)/profit for the period	(335 716)	33 273	(1 010 849)
Other comprehensive income/(loss) for the period			
Unrealised profit due to change in fair value of cash flow hedge	576	40	1 711
Taxation	(161)	(11)	(479)
Total comprehensive (loss)/profit for the period	(335 301)	33 302	(1 009 617)
(Loss)/profit for the period attributable to:			
Equity holders of Buildmax	(328 566)	33 413	(1 007 245)
Outside shareholders' interests	(7 150)	(140)	(3 604)
Total comprehensive (loss)/profit for the period attributable to:	(335 716)	33 273	(1 010 849)
Attributable to:			
Equity holders of Buildmax	(328 151)	33 442	(1 006 013)
Outside shareholders' interests	(7 150)	(140)	(3 604)
Total comprehensive (loss)/profit for the period attributable to:	(335 301)	33 302	(1 009 617)

Abridged consolidated statement of financial position

	Reviewed 31 August 2010 R'000	Unaudited 31 August 2009 R'000	Audited 28 February 2010 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	708 764	1 368 545	901 997
Goodwill	27 111	810 578	190 848
Other intangible assets	74 348	213 238	174 801
Deferred taxation	14 596	4 316	20 087
Current assets	824 819	2 396 677	1 287 733
Inventories	52 225	94 113	72 049
Trade and other receivables	170 646	349 010	269 284
Taxation receivable	5 573	5 686	5 502
Bank and cash balances	33 727	219 652	136 447
	262 171	668 461	483 282
Assets classified as held for sale	45 067	-	-
Total assets	1 132 057	3 065 138	1 771 015
EQUITY AND LIABILITIES			
Share capital and premium	1 732 382	1 732 382	1 732 382
Cash flow hedging reserve	(3 925)	(5 543)	(4 340)
Accumulated loss	(1 427 464)	(58 240)	(1 098 898)
Ordinary shareholders' interests	300 993	1 668 599	629 144
Outside shareholders' interests	(7 150)	3 464	-
Total shareholders' interests	293 843	1 672 063	629 144
Non-current liabilities			
Interest-bearing liabilities	204 110	430 116	315 037
Derivative instruments	1 326	2 852	1 940
Vendor loan	-	38 482	-
Provisions	3 956	3 956	3 956
Deferred taxation	39 064	205 584	85 487
	248 456	680 990	406 420
Current liabilities			
Interest-bearing liabilities	262 573	338 722	307 522
Derivative instruments	4 126	4 846	4 088
Vendor loan payable	43 500	14 083	47 000
Trade and other payables	240 559	344 868	325 254
Provisions	17 710	-	19 571
Taxation payable	2 745	6 074	344
Bank overdrafts	18 545	3 492	31 672
	589 758	712 085	735 451
Total equity and liabilities	1 132 057	3 065 138	1 771 015
Net asset value per share (cents)	28.2	160.7	60.5
Net tangible asset value per share (cents)	20.5	68.0	30.0

Abridged consolidated statement of changes in equity

	Share capital and premium R'000	Cash flow hedging reserve R'000	Accumulated loss R'000	Ordinary shareholders' interest R'000	Outside shareholders' interest R'000	Total shareholders' interest R'000
Balances as at 28 February 2009	1 732 382	(5 572)	(91 653)	1 635 157	3 604	1 638 761
Total comprehensive income/(loss) for the period	-	29	33 413	33 442	(140)	33 302
Balances as at 31 August 2009	1 732 382	(5 543)	(58 240)	1 668 599	3 464	1 672 063
Total comprehensive income/(loss) for the period	-	1 203	(1 040 658)	(1 039 455)	(3 464)	(1 042 919)
Balances as at 28 February 2010	1 732 382	(4 340)	(1 098 898)	629 144	-	629 144
Total comprehensive income/(loss) for the period	-	415	(328 566)	(328 151)	(7 150)	(335 301)
Balances as at 31 August 2010	1 732 382	(3 925)	(1 427 464)	300 993	(7 150)	293 843

Segmental analysis

	Reviewed 6 months ended 31 August 2010 R'000	% of total	Unaudited 6 months ended 31 August 2009 R'000	% of total	Audited year ended 28 February 2010 R'000	% of total
REVENUE						
Mining Services						
- Continuing operations	57.4	418 520	42.1	403 364	45.2	816 561
- Discontinued operations	9.6	69 669	33.9	324 640	31.3	564 678
Equipment sales and rental	5.5	40 117	-	-	-	-
Construction Materials	27.5	201 117	24.0	229 314	23.5	424 345
	100.0	729 423	100.0	957 318	100.0	1 805 584
EBITDA						
Mining Services						
- Continuing operations	65.5	40 282	61.1	114 134	80.2	182 411
- Discontinued operations	25.5	15 678	23.3	43 451	5.5	12 477
Equipment sales and rental	-	-	-	-	-	-
Construction Materials	9.0	5 540	15.6	29 298	14.3	32 652
	100.0	61 500	100.0	186 883	100.0	227 540
Operating (loss)/profit before amortisation						
Mining Services						
- Continuing operations	68.3	(33 950)	58.3	59 380	136.1	70 029
- Discontinued operations	19.2	(9 529)	22.0	22 403	(62.8)	(32 293)
Equipment sales and rental	-	-	-	-	-	-
Construction Materials	12.5	(6 208)	19.7	20 137	26.7	13 714
	100.0	(49 687)	100.0	101 920	100.0	51 450
(Loss)/profit before interest and taxation ("PBIT")						
Mining Services						
- Continuing operations	50.9	(179 021)	59.1	52 529	27.4	(285 392)
- Discontinued operations	8.8	(30 842)	25.2	22 403	28.4	(295 846)
Equipment sales and rental	-	-	-	-	-	-
Construction Materials	40.3	(141 903)	15.7	13 884	44.2	(460 703)
	100.0	(351 766)	100.0	88 816	100.0	(1 041 941)

Abridged consolidated statement of cash flows

	Reviewed 6 months ended 31 August 2010 R'000	Unaudited 6 months ended 31 August 2009 R'000	Audited year ended 28 February 2010 R'000
Operating activities			
(Loss)/profit before taxation ("PBT")	(372 787)	47 460	(1 128 367)
Non-cash flow items and changes in working capital	442 942	152 830	1 426 597
Net interest paid	21 021	41 356	86 426
Cash generated from operations	91 176	241 646	384 656
Net interest paid in cash	(21 021)	(40 882)	(86 985)
Taxation paid	(1 691)	(19 201)	(29 388)
Cash flows from operating activities	68 464	181 563	268 283
Investing activities			
Purchase of property, plant and equipment	-	-	-
- Expanding operations	(1 669)	(117 745)	(151 215)
- Maintaining operations	(17 521)	(25 480)	(45 774)
Proceeds on disposal of property, plant and equipment	20 310	10 219	15 201
Net cash outflows from investing activities	1 120	(133 006)	(181 788)
Financing activities			
Interest-bearing liabilities raised	11 986	111 386	85 245
Interest-bearing liabilities repaid	(171 163)	(230 707)	(353 889)
Net cash outflows from financing activities	(159 177)	(119 321)	(268 644)
Net decrease in cash and cash equivalents	(89 593)	(70 764)	(182 149)
Cash and cash equivalents at the beginning of the period	104 775	286 924	286 924
Cash and cash equivalents at the end of the period	15 182	216 160	104 775

Reconciliation of headline (loss)/earnings and core headline (loss)/earnings

	Reviewed 6 months ended 31 August 2010 R'000	Unaudited 6 months ended 31 August 2009 R'000	Audited year ended 28 February 2010 R'000
Loss for the period attributable to shareholders of Buildmax	(328 566)	33 413	(1 007 245)
Adjusted for:			
Loss on disposal of business	-	2 225	2 467
(Profit)/loss on disposal of property, plant and equipment	(1 460)	2 962	4 465
- Gross	(2 028)	4 114	6 202
- Taxation	568	(1 152)	(1 737)
Impairment of property, plant and equipment	33 247	-	303 752
- Gross	37 888	-	421 878
- Taxation	(4 641)	-	(118 126)
Impairment of goodwill and other intangibles	223 893	-	635 459
- Gross	255 847	-	647 288
- Taxation	(25 791)	-	(7 716)
- Outside shareholders' interest	(6 163)	-	(4 113)
Headline (loss)/earnings attributable to ordinary shareholders	(72 886)	38 600	(61 102)
Adjusted for:			
Amortisation of intangible assets	5 851	7 632	15 264
- Gross	8 344	10 879	21 758
- Taxation	(2 336)	(3 046)	(6 092)
- Outside shareholders' interest	(157)	(201)	(402)
Deemed interest incurred on vendor loan	-	474	474
Core headline (loss)/earnings attributable to ordinary shareholders	(67 035)	46 706	(45 364)

Supplementary information

	Reviewed 6 months ended 31 August 2010	Unaudited 6 months ended 31 August 2009	Audited year ended 28 February 2010
Headline (loss)/earnings per share (cents)			
- Continuing and discontinued operations	(7.0)	3.7	(5.9)
- Continuing operations	(5.2)	2.6	(11.0)
Core headline (loss)/earnings per share (cents)			
- Continuing and discontinued operations	(6.4)	4.5	(4.4)
- Continuing operations	(4.7)	3.4	(9.5)
Basic (loss)/earnings per share (cents)			
- Continuing and discontinued operations	(31.6)	3.2	(96.8)
- Continuing operations	(27.9)	2.4	(71.5)
Shares in issue ('000)			
- at end of the period	1 040 700	1 040 700	1 040 700

Notes to the reviewed consolidated interim results

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The reviewed consolidated interim financial statements for the six months ended 31 August 2010 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically IAS 34 *Interim Financial Reporting* and AC 500 Statements, and comply with the requirements of the South African Companies Act, 1973 and the Listings Requirements of JSE Limited. The accounting policies applied by the group in the consolidated interim financial statements for the six months ended 31 August 2010 are consistent with those applied in the audited annual financial statements for the year ended 28 February 2010.

The consolidated interim financial statements have been reviewed by the external auditors, PKF (Jhb) Inc., and their unqualified report is available for inspection at the registered office of the company.

Commentary

INTRODUCTION

The directors present the group's reviewed consolidated results for Buildmax for the six months ended 31 August 2010 ("the period"). The results reflect the impact of the global recession on the sectors in which Buildmax operates, and specifically the adverse domino effect on the second-hand yellow metal fleet market worldwide.

The group operates through three business units: *Mining Services*, *Equipment Sales & Rental* and *Construction Materials*. During the period Buildmax continued with significant restructuring initiatives in its *Mining Services* business unit and began formulating an expansion and diversification strategy to penetrate less capital intensive areas of the mining services supply chain going forward.

OVERVIEW

The industries in which Buildmax operates continue to be affected by the global economic crisis. The group's principal business - opencast mining services - is, amongst other factors, highly dependent on fleet replacement and securing reasonable prices for its second-hand equipment. The low levels of activity in global markets in the wake of the economic downturn have resulted in a surplus of second-hand equipment and vehicles, which has reduced second-hand resale prices by as much as 50%, to the detriment of the group. This situation is expected to continue, negatively impacting on the group as a substantial percentage of the fleet will need to be replaced in the next five years.

In light of this and compounded by the tougher credit climate, Buildmax has been forced to continue with extending the useful life of assets beyond the ideal replacement cycle. Consequently production has been pressured and maintenance costs increased, which has reduced top and bottom line growth.

Wherever possible, albeit in a constrained market, the group continues to dispose of equipment when compelling opportunities present themselves. To this end a new business unit, Equipment Sales & Rental, was formed in the period. This new business unit will focus on improving the group's second-hand brand equity as well as the efficiency of asset disposal compared to ad-hoc disposals of assets in the various businesses in the group. The financial results of this business unit are reported under *Mining Services*.

Further, with effect from the start of the current financial year, Buildmax has adopted a more appropriate depreciation policy, which is now based on the actual hours worked by the mining assets. Utilising the services of internal and external industry experts, management has revised the residual values and useful lives of all items of property, plant and equipment ("PPE") and adjusted them accordingly.

Repeating the previous year's exercise, management again conducted a critical review of the value of the *Mining Services* fleet ("the review"). As a result the carrying value has been impaired by R16.6 million before tax (in continuing operations) and by R21.3 million before tax (in discontinued operations).

Although accounting standards dictate that the carrying value of goodwill must be tested for impairment at least annually, given the deterioration in the outlook for the industries in which the group operates it was decided to test for impairment at the interim stage. This entailed calculating the recoverable amount of any business (referred to as a cash generating unit ("CGU")) to which