

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions commencing on page 4 of this circular apply, *mutatis mutandis*, throughout this circular, including on this front cover.

If you are in any doubt about the action to be taken, you should consult your CSDP, broker, banker, legal advisor, accountant or other professional advisor immediately.

### Action required

If you have disposed of all your shares in Buildmax, this document should be handed to the purchaser of your shares or to the CSDP broker, bank or other agent through whom the disposal was effected.

Buildmax shareholders are referred to page 1 of this circular, which sets out the action required by them.

The partial offer may be affected by the laws of the relevant jurisdictions of foreign shareholders. Such foreign shareholders should inform themselves about and observe any applicable legal requirements of such jurisdictions in relation to all aspects of this circular that may affect them, including the partial offer. It is the responsibility of any foreign shareholder to satisfy himself/herself as to the full observation of the laws and regulatory requirements of the relevant jurisdiction in connection with the rights offer, including the obtaining of any governmental, exchange control or other consent or the makings of any filings which may be required, the compliance with the other necessary formalities, the payment of any issue, transfer or other taxes or other payments due in such jurisdiction. The partial offer is governed by the laws of South Africa and is subject to any applicable laws and regulations, including the Exchange Control regulations. Any foreign shareholder who is in doubt as to his/her position, including without limitations, his/her tax status, should consult an appropriate independent professional advisor in the relevant jurisdiction without delay.

**Neither Buildmax nor the offerors accept responsibility and will not be held liable for any failure on the part of the CSDP or broker of a dematerialised shareholder to notify such shareholder of the partial offer set out in this circular.**



## BUILDMAX LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1995/012209/06)

Share code: BDM ISIN: ZAE000011250

("Buildmax" or the "company")

## CIRCULAR TO SHAREHOLDERS

relating to:

**an offer by the offerors to acquire 53,5% of the ordinary shares in the company not already owned by the offerors from shareholders for a purchase consideration of R0.25 for every one Buildmax share held;**

and incorporating:

- **views of the board of Buildmax;**
- **advice of the independent advisor; and**
- **a form of acceptance, surrender and transfer (*blue*) (for use by certificated shareholders only).**

Legal Advisor to Brait



Independent Advisor



Legal advisor and Sponsor  
to Buildmax



Offerors



CORONATION  
FUND MANAGERS

Financial Advisor



Corporate advisor to Brait



Date of issue: 6 September 2010

*This circular is only available in English. Copies may be obtained from the registered offices of Buildmax and the transfer secretaries whose registered addresses are set out in the "Corporate information and advisors" section of this circular during normal business hours from 6 September 2010 until the closing date.*

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## CORPORATE INFORMATION AND ADVISORS

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The definitions commencing on page 4 of this circular apply, *mutatis mutandis*, to this corporate information and advisors section.

### **Registered office of Buildmax**

Unit 19, 1st Floor, East Block  
Cambridge Office Park  
5 Bauhinia Street, Highveld Park  
Centurion, 0169  
(Postnet Suite 435, Private Bag X108, Centurion, 0046)

### **Transfer secretaries to Buildmax**

Computershare Investor Services (Proprietary) Limited  
(Registration number 2004/003647/07)  
Ground Floor, 70 Marshall Street  
Johannesburg, 2001  
(PO Box 61051, Marshalltown, 2107)

### **Corporate advisor, legal advisor and sponsor to Buildmax**

Java Capital (Proprietary) Limited  
(Registration number 2002/031862/07)  
2 Arnold Road  
Rosebank, 2196  
Johannesburg  
(PO Box 2087, Parklands, 2121)

### **Corporate advisor to Brait**

QuestCo (Proprietary) Limited  
(Registration number 2002/005616/07)  
The Pivot, No. 1 Montecasino Boulevard  
Entrance D, 2nd Floor  
Fourways, 2055  
(PO Box 98956, Sloane Park, 2152)

### **Date and place of incorporation of Buildmax**

Incorporated in South Africa on 14 November 1995

### **Company secretary to Buildmax**

Probity Business Services (Proprietary) Limited  
(Registration number 2000/002046/07)  
3rd Floor, The Mall Offices  
11 Cradock Avenue, Rosebank  
Johannesburg, 2196  
(PO Box 85392, Emmarentia, 2029)

### **Financial advisor**

Macquarie First South Advisers (Proprietary) Limited  
(Registration number 2003/014483/07)  
The Place, 1 Sandton Drive, South Wing  
Sandown, 2146, Johannesburg  
(PO Box 783745, Sandton, 2196, Johannesburg)

### **Legal advisor to Brait**

Read Hope Phillips Thomas & Cadman Inc.  
trading as Read Hope Phillips Attorneys  
2nd Floor, 30 Melrose Boulevard  
Melrose Arch  
Johannesburg  
(PO Box 757, Northlands, Gauteng, 2116)

### **Independent Advisor**

PKF Corporate Finance (Proprietary) Limited  
(Registration number 1998/018420/07)  
42 Wierda Road West  
Wierda Valley  
Sandton, 2196  
(Private Bag X10046, Sandton, 2146)

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## **ACTION REQUIRED BY BUILDMAX SHAREHOLDERS**

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The definitions commencing on page 4 of this circular apply, *mutatis mutandis*, to this section setting out the action required by Buildmax shareholders.

**Please take careful note of the following provisions regarding the action required by Buildmax shareholders:**

1. If you have disposed of all of your Buildmax shares, this circular should be handed to the purchaser of such Buildmax shares or to the broker, CSDP, banker, attorney or other agent through whom the disposal was effected.
2. If you are in any doubt as to what action you should take arising from this circular, please consult your broker, CSDP, banker, attorney, accountant or other professional advisor.
3. If you are a certificated Buildmax shareholder and you wish to accept the partial offer contained in this circular, you must complete and return the form of acceptance, surrender and transfer (blue) attached hereto in accordance with the instructions therein and lodge it with, or post it to, the transfer secretaries Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), which form of acceptance, surrender and transfer, in order to constitute a valid acceptance, must be received by no later than 12:00 on the closing date.
4. If you are a dematerialised Buildmax shareholder (including being registered as an own name dematerialised Buildmax shareholder) holding your Buildmax shares through a CSDP or broker (or its nominee), and you want to accept the partial offer, subject to the provisions of your agreement with your CSDP or broker, you must instruct such CSDP or broker timeously to accept the partial offer. Such instructions must be provided in accordance with the provisions of your agreement with your CSDP or broker.
5. Do not complete and return the attached form of acceptance, surrender and transfer (*blue*) if you are a dematerialised Buildmax shareholder or own name dematerialised Buildmax shareholder.
6. If you do not wish to accept the partial offer, you need not take any action.

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## IMPORTANT DATES AND TIMES

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**2010**

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Opening date of the partial offer	Monday, 6 September
Record date for participating in partial offer	Friday, 10 September
Closing date of the partial offer	Monday, 27 September
Results of partial offer announced on SENS	Monday, 27 September
Results of partial offer announced in press	Tuesday, 28 September

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**Notes:**

- The above dates and times are subject to change. Any changes will be released on SENS and published in the press.
- Shareholders may not dematerialise or rematerialise their shares between the business day after the last day to trade and the record date, both days inclusive.
- Dematerialised shareholders are required to notify their CSDP or broker of the acceptance of the partial offer by the cut-off time stipulated by their CSDP or broker in terms of their agreement with the CSDP or broker.
- In the case of dematerialised shareholders who have accepted the partial offer, payment will be made within five business days of accepting the partial offer by crediting their accounts at the CSDP or broker, as the case may be.
- In the case of certificated shareholders who have accepted the partial offer, payment will be made by cheque or deposited directly into the shareholder's bank account within five business days of accepting the partial offer.

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## DEFINITIONS

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In this document, unless the context indicates a contrary intention, an expression which denotes a gender includes the other genders, the singular includes the plural and *vice versa*, natural persons include a juristic person and the following terms bear the meanings assigned to them below.

<b>“acquisition”</b>	the acquisition by the offerors of 85 million (eighty five million) Buildmax shares from each of Westbrooke and Interactive at R0.25 (twenty five cents) per share, representing 53,5% (fifty three comma five percent) of each of Westbrooke’s and Interactive’s shareholding in Buildmax, in total comprising 170 (one hundred and seventy) million Buildmax shares;
<b>“acquisition agreement”</b>	the agreement entered into between Westbrooke, Interactive, Coronation and Brait on 5 August 2010 pursuant to which Brait and Coronation acquired 53,5% (fifty three comma five percent) of each of Westbrooke and Interactive’s shareholding in Buildmax;
<b>“Act”</b>	the Companies Act, 1973 (Act 61 of 1973) as amended;
<b>“Brait”</b>	collectively, Brait Investment, L.P and Brait IV SA Partnership, which together with Coronation is an offeror of the partial offer;
<b>“Brait IV Investment, L.P”</b>	Brait IV Investment L.P, a limited partnership duly established under and governed by the laws of the Cayman Islands and represented by its general partner, SAPEF GP Limited;
<b>“Brait IV SA Partnership”</b>	Brait IV SA Partnership an <i>en commandite</i> partnership duly established under and governed by the laws of South Africa and represented by its disclosed partner Brait Private Equity GP IV (Proprietary) Limited;
<b>“Buildmax” or the “company”</b>	Buildmax Limited (Registration number 1995/012209/06), a company duly registered and incorporated with limited liability under the company laws of South Africa, the shares of which are listed on the JSE;
<b>“Buildmax Aggregates and Quarries”</b>	Buildmax Aggregates and Quarries (Proprietary) Limited (Registration number 2005/043592/07) a private company duly registered and incorporated in accordance with the laws of South Africa (formerly known as Black Ginger 372 (Proprietary) Limited), a wholly-owned subsidiary of Buildmax;
<b>“Buildmax Equipment and Services”</b>	Buildmax Equipment and Services (Proprietary) Limited (Registration number 2005/027575/07), a private company duly registered and incorporated in accordance with the laws of South Africa (formerly known as Hollyberry Props 41 (Proprietary) Limited), a wholly-owned subsidiary of Buildmax;
<b>“Buildmax group” or “the group”</b>	Buildmax and its subsidiaries;
<b>“certificated shareholders”</b>	shareholders who have not dematerialised their shares, title to which is represented by a share certificate or other physical document/s of title;
<b>“circular”</b>	this offer circular to Buildmax shareholders dated Monday, 6 September 2010 and the annexures hereto;
<b>“closing date”</b>	Monday, 27 September 2010;
<b>“Common Monetary Area”</b>	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
<b>“Coronation”</b>	certain specific client funds managed by Coronation Asset Management (Proprietary) Limited (Registration number 1993/002807/07), a private company duly registered and incorporated in accordance with the laws of South Africa, which together with Brait is an offeror of the partial offer;

<b>“Cream Magenta 36”</b>	Cream Magenta 36 (Proprietary) Limited (Registration number 2004/017751/07), a private company duly registered and incorporated in accordance with the laws of South Africa, a shareholder in Buildmax;
<b>“CSDP”</b>	Central Securities Depository Participant accepted as a participant in terms of the Securities Services Act, 2004 (Act 36 of 2004), as amended, appointed by an individual shareholder for purposes of, and in regard to, the dematerialisation of shares evidenced by physical documents of title into the Strate system;
<b>“dematerialisation”</b>	the process by which certificated shares are converted to an electronic form as uncertificated shares registered in the sub-register of shareholders maintained by a CSDP;
<b>“dematerialised shareholders”</b>	shareholders who hold Buildmax shares which have been incorporated into the Strate system and which are no longer evidenced by physical documents of title in terms of the Securities Services Act, 2004 (Act 36 of 2004), as amended, the evidence of ownership of which is determined electronically and recorded in sub-registers maintained by CSDPs;
<b>“directors” or “the Board”</b>	the board of directors of the company whose names are set out on page 8 of the circular;
<b>“document/s of title”</b>	share certificates and/or certificated transfer deeds and/or balance receipts or any other document/s of title in respect of the offer shares;
<b>“Exchange Control Regulations”</b>	the South African Exchange Control Regulations;
<b>“excluded shares”</b>	the Buildmax shares owned by the offerors (being 258 533 333 Buildmax shares held by Brait and 52 838 299 shares held by Coronation comprising approximately 29,92% (twenty nine comma nine two percent) of the total issued share capital of the company); and  the Buildmax shares owned by the specified shareholders (being in aggregate 317,810,943 Buildmax shares comprising approximately 30,54% (thirty comma five four percent) of the total issued share capital of the company);
<b>“form of acceptance”</b>	the form of acceptance, surrender and transfer attached to this document for use by certificated shareholders only;
<b>“independent advisor”</b>	PKF Corporate Finance (Proprietary) Limited the independent advisor appointed by the board to advise as to whether the terms of the mandatory offer are fair and reasonable to holders of the offer shares;
<b>“Interactive”</b>	collectively, Interactive Capital, Cream Magenta 36 and Interactive Capital Management;
<b>“Interactive Capital”</b>	Interactive Capital (Proprietary) Limited (Registration number 2003/019612/07), a private company duly registered and incorporated in accordance with the laws of South Africa;
<b>“Interactive Capital Management”</b>	Interactive Capital Management (Proprietary) Limited (Registration number 2005/014194/07), a private company duly registered and incorporated in accordance with the company laws of South Africa;
<b>“Java Capital”</b>	Java Capital (Proprietary) Limited (Registration number 2002/031862/07), a private company duly registered and incorporated in accordance with the company laws of South Africa, the company’s sponsor, full details of which are set out in the inside front cover of this circular;
<b>“JSE”</b>	JSE Limited (Registration number 2005/022939/06), a company duly registered and incorporated with limited liability under the company laws of South Africa and licensed as an exchange under the Securities Services Act, 2004 (Act 36 of 2004), as amended;

<b>“King Code”</b>	the Code of Corporate Practices and Conduct in South Africa representing principles of good corporate governance as laid out in the King Report, as amended from time to time;
<b>“the last practicable date”</b>	Friday, 3 September 2010, being the last practicable date prior to the finalisation of this circular;
<b>“mandatory offer”</b>	the requirement in terms of rule 8.1 of the SRP code for the offerors to make an offer to shareholders (excluding Westbrooke and Interactive) to acquire all of their Buildmax shares at R0.25 (twenty five cents) per share;
<b>“minority shareholders”</b>	Buildmax shareholders excluding Brait, Coronation, Westbrooke and Interactive;
<b>“offer consideration”</b>	the cash consideration that will be paid to each offer participant, namely R0.25 (twenty five cents) for every offer share held;
<b>“offerors”</b>	Brait and Coronation;
<b>“offer participant”</b>	the Buildmax shareholders other than the offerors and the specified shareholders who accept the partial offer during the offer period and who surrender their documents of title;
<b>“offer period”</b>	the period from 09:00 on the opening date to 12:00 on the closing date;
<b>“offer shares”</b>	53,5% (fifty three comma five percent) of the shares held by each of the offer participants;
<b>“opening date”</b>	09:00 on Monday, 6 September 2010;
<b>“partial offer” or “offer”</b>	the offer contained in this circular by the offerors to minority shareholders to acquire 53,5% (fifty three comma five percent) of each of such minority shareholders’ shares at R0.25 (twenty five cents) per share;
<b>“rights offer”</b>	the proposed underwritten renounceable rights offer to be undertaken by Buildmax at an anticipated issue price of R0.125 (twelve point five cents) per share in the ratio of 2.31 (two point three one) rights offer shares for every one Buildmax share held at the relevant record date, in order to raise R300 502 033 (three hundred million, five hundred and two thousand and thirty-three Rand);
<b>“SENS”</b>	the Securities Exchange News Service of the JSE;
<b>“shares” or “Buildmax shares”</b>	ordinary shares of R0.01 (one cent) each in the issued share capital of the company;
<b>“shareholders” or “Buildmax shareholders”</b>	holders of shares in the company;
<b>“South Africa”</b>	the Republic of South Africa;
<b>“specified shareholders”</b>	Westbrooke and Interactive;
<b>“SRP”</b>	the Securities Regulation Panel established in terms of section 440 B of the Companies Act;
<b>“SRP Code”</b>	the Securities Regulation Code on Takeovers and Mergers and the Rules of the SRP;
<b>“Strate”</b>	the electronic custody, clearing and settlement system for all share transactions concluded on the JSE and off-market conducted by Strate Limited (Registration number 1998/022242/06), a company duly registered and incorporated with limited liability under the company laws of South Africa;
<b>“transfer secretaries”</b>	Computershare Investor Services (Proprietary) Limited (Registration number 2004/003647/07), a limited liability private company duly registered and incorporated in South Africa;
<b>“Vuwa”</b>	Vuwa Investment (Proprietary) Limited (Registration number 2005/009252/07), a private company duly registered and incorporated under the company laws of South Africa;

<b>“waiver”</b>	the waiver, by a majority of independent Buildmax shareholders’ (being shareholders other than Brait, Coronation, Westbrooke and Interactive) votes cast at the general meeting, of the requirement for the offerors together to make the mandatory offer which would otherwise be required in terms of the provisions of rule 8 of the SRP Code arising from the implementation of the acquisition, the partial offer, following the rights to which they are entitled under the rights offer and underwriting the rights offer;
<b>“Westbrooke”</b>	collectively, Westbrooke Capital, Westbrooke Investments, and Westbrooke SO;
<b>“Westbrooke Capital”</b>	Westbrooke Capital Partners (Proprietary) Limited (Registration number 1999/015993/07), a private company duly registered and incorporated under the company laws of South Africa;
<b>“Westbrooke Investments”</b>	Westbrooke Investments (Proprietary) Limited, Registration number 2004/001258/07), a private company duly registered and incorporated under the company laws of South Africa; and
<b>“Westbrooke SO”</b>	Westbrooke Special Opportunities (Proprietary) Limited Registration number 2004/001277/07), a private company duly registered and incorporated under the company laws of South Africa.



## BUILDMAX LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1995/012209/06)

Share code: BDM ISIN: ZAE000011250

("Buildmax" or the "company")

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### Directors

Terrence Peter Bantock (*Executive Chairman*)

Christiaan Stephanus Els (*Financial Director*)

Colin Bertram Brayshaw $\Delta$

Mabusela David Lamola $\Delta$

Dennis John Mack  $\Omega$

Anil Maharaj  $\Omega$

Mark Matisonn  $\Omega$

Raymond Munitz  $\Omega$

Bulelani Thandabantu Ngcuka  $\Omega$

Colin John Milner Wood $\Delta$

$\Omega$  Non-executive director

$\Delta$  Independent non-executive director

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## OFFER CIRCULAR TO BUILDMAX SHAREHOLDERS

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### 1. INTRODUCTION

- 1.1 Buildmax announced on Monday, 7 July 2010, that the board of Buildmax had resolved to proceed with a R300 million (three hundred million) rights offer to recapitalise the company subject to shareholders approving the increase in the company's authorised share capital and the placing of the authorised but unissued shares under the control of the directors at the general meeting. Shareholders were informed that Brait had offered, subject to the fulfilment of certain conditions and on terms to be agreed, to underwrite a portion of the rights offer and that Buildmax was in the process of finalising the terms of the rights offer as well as the terms of the proposed underwriting with Brait and other potential underwriters.
- 1.2 On Thursday, 5 August 2010 it was further announced that subject to the entering into of relevant written agreements and certain conditions being fulfilled including but not limited to shareholders approving the waiver at the general meeting, the offerors, have agreed:
  - 1.2.1 to acquire a total number of 170 million (one hundred and seventy million) Buildmax shares representing approximately 16% (sixteen percent) of the issued share capital of the company from Westbrooke and Interactive under the terms of the acquisition in equal blocks of 85 million (eighty five million) shares from Westbrooke and Interactive each, representing 53,5% (fifty three comma five percent) of each of their respective shareholdings in Buildmax;
  - 1.2.2 to acquire 53,5% (fifty three comma five percent) of the shares owned by minority shareholders under the terms of the partial offer. (As the implementation of the acquisition together with the underwriting of the rights offer is anticipated to result in the offerors' collective shareholding in Buildmax increasing from approximately 30% (thirty percent) to between 54% (fifty four percent) and 78% (seventy eight percent) (the final percentage being dependent on the number of shareholders that follow their rights pursuant to the rights offer), this series of transactions will constitute an affected transaction in terms of the SRP Code and the offerors would be regarded as concert parties by the SRP even though there is no formal agreement between them in relation to the exercising of control of Buildmax post the implementation of the acquisition, the partial offer and the underwriting of the rights offer. In the ordinary course, the fact that the offerors will exceed the mandatory offer thresholds of the SRP code will require the offerors to make a mandatory offer to minority shareholders to acquire all of the shares held by such minority shareholders, in accordance with Rule 8.1 of the SRP Code. In terms of rule 8.7 of the SRP Code the requirement to make a mandatory offer may be dispensed with by the SRP upon application being made to it, provided that a majority of independent Buildmax shareholders cast their votes, in person or represented by proxy, in favour of the waiver at a properly constituted meeting of Buildmax shareholders);
  - 1.2.3 to follow the rights to which they are entitled under the rights offer; and
  - 1.2.4 to underwrite the balance of the rights offer, after taking into account certain irrevocable undertakings, on terms to be contained in the rights offer circular to be posted to shareholders in due course subject to receipt by the company of all approvals required to implement the rights offer.

- 1.3 The implementation of the acquisition, the making of the partial offer and the underwriting of the rights offer by the offerors was conditional on the waiver being approved by the requisite majority of independent Buildmax shareholders at the general meeting. The waiver was approved by the requisite majority of independent Buildmax shareholders at a general meeting held on Monday, 30 August 2010. Accordingly, as a term of the waiver, the offerors are obliged to extend the partial offer to the minority shareholders.
- 1.4 The company will embark on the rights offer immediately following the closing of the partial offer. Shareholders who have elected to accept the partial offer may apply the proceeds received from such acceptance towards following their rights to which they are entitled under the rights offer.
- 1.5 The proceeds that will be received by minority shareholders who elect to accept the partial offer is expected to cover 99,61% (ninety nine comma six one percent) of such shareholders' anticipated cash costs to follow in full the rights in respect of their remaining shares to which they are entitled to under the rights offer. Minority shareholders who otherwise may have been financially constrained from so following their rights will as a result of electing to accept the partial offer, be in a position to follow their rights and, in doing so, will avoid being further diluted in the rights offer.
- 1.6 The company is in the process of obtaining irrevocable commitments from shareholders to follow their rights in terms of the rights offer. To date, 95% (ninety five percent) of the quantum to be raised pursuant to the rights offer has been secured by irrevocable undertakings received by the company and underwriting commitments given by the offerors. Further verbal undertakings have been obtained to the extent that the directors are confident that the rights offer will be fully subscribed.
- 1.7 As a term of the acquisition, the specified shareholders have agreed to waive their right to participate in the partial offer.

## **2. PURPOSE OF THIS CIRCULAR**

The purpose of this circular is to:

- 2.1 extend the partial offer to the minority shareholders;
- 2.2 provide Buildmax shareholders with relevant information relating to the partial offer in order for Buildmax shareholders other than the offerors and the specified shareholders, to make an informed decision in regard to the offer; and
- 2.3 communicate to Buildmax shareholders the views of the board of Buildmax regarding the partial offer and the substance of the advice given to the board by its independent advisor in accordance with the provisions of the Code.

## **3. THE PARTIAL OFFER**

### **3.1 The partial offer and the offer consideration**

- 3.1.1 The offerors hereby irrevocably offer to purchase from the offer participants, free of all costs to them and on the terms set out in paragraph 3.5 of this circular, 53,5% (fifty three comma five percent) of the shares held by them on the record date (Friday, 10 September 2010) in respect of which the offerors received valid acceptances prior to 12:00 on the closing date.
- 3.1.2 The price offered for each offer share in terms of the partial offer is R0.25 (twenty five cents). The 30 day volume weighted average price at which Buildmax shares traded prior to the announcement of the details of the offer on SENS on Thursday, 5 August 2010, was R0.26 (twenty six cents).

### **3.2 Offer period**

The partial offer will be open for acceptance from 09:00 on Monday, 6 September 2010 and will remain open until 12:00 on Monday, 27 September 2010.

### **3.3 Confirmation of cash resources**

The SRP has been provided with independent written confirmation by First National Bank, a division of FirstRand Bank Limited, in respect of Brait, and Standard Bank and Nedbank Limited respectively in respect of Coronation, indicating that the offerors have sufficient cash resources at their disposal to enable them to fulfil their obligations in terms of the offer.

### 3.4 Procedure for acceptance of the offer

- 3.4.1 In the case of certificated shareholders, the accompanying form of acceptance must be completed by shareholders who wish to accept the partial offer in accordance with the instructions set out therein and the terms set out in this circular. The form of acceptance must then be returned to Computershare Services (Proprietary) Limited together with the relevant document/s of title by hand or registered post as soon as possible but to be received by no later than 12:00 on the closing date, in an envelope marked "The Buildmax Limited Offer" to the offices of the transfer secretaries, ground Floor, 70 Marshall Street, Johannesburg, 2001 or posted at the shareholder's risk to the transfer secretaries to PO Box 61763, Marshalltown, 2107.
- 3.4.2 Acceptance of the partial offer by dematerialised shareholders must be notified to the relevant CSDP or broker in terms of the agreement between the dematerialised shareholder and its CSDP or broker as soon as possible. CSDP or broker accounts will be updated and credited within five business days of receipt of valid acceptances by the transfer secretaries from Strate.
- 3.4.3 All acceptances of the partial offer once received by the offerors are irrevocable and may not be withdrawn.
- 3.4.4 No amendment or variation of the partial offer will be valid unless in writing and signed for and on behalf of the offerors by a duly authorised representative of the offerors.
- 3.4.5 The offerors shall be entitled without waiving its rights generally, to condone, in its sole discretion, the non-observance by any shareholder of the terms contained in this partial offer.
- 3.4.6 In the case of certificated shareholders, a form of acceptance may be rejected at the discretion of the offerors due to non-compliance with the instructions thereon. If the form of acceptance is rejected, then the shareholder concerned will be deemed not to have accepted the partial offer.
- 3.4.7 No receipt will be issued for a form of acceptance, except that the lodging agents for any certificated shareholders who require special transaction receipts are requested to prepare such receipts and submit them for stamping together with the document/s lodged.
- 3.4.8 If the document/s of title relating to any shares in the company in respect of which the partial offer is accepted have been lost or destroyed, certificated shareholders who wish to accept the partial offer should nevertheless return the applicable form of acceptance duly signed and completed. The offerors may dispense with the surrender of such document/s of title upon production to them, by such date as the offerors may in its absolute discretion decide, of evidence to the offerors' satisfaction that the document/s of title have been lost or destroyed, and upon delivery to the offerors of a suitable indemnity. Only indemnity forms obtained from the transfer secretaries will be regarded as suitable and will be available on request.
- 3.4.9 The partial offer is not an offer in any area or jurisdiction in which it is illegal to make such an offer. In such circumstances this circular is sent for information purposes only.

### 3.5 Terms of the partial offer

- 3.5.1 All the offer shares in respect of which the partial offer is accepted must be acquired by the offerors free of all liens, charges and encumbrances and with the right to receive all dividends, distributions, benefits or rights which accrue or are declared after the closing date irrespective of the actual date of registration of the offer shares concerned in the name of the offerors.
- 3.5.2 The partial offer and its acceptance will be governed by the laws of South Africa.

### 3.6 Revision of the partial offer

- 3.6.1 If the partial offer (in its original or any previously revised form) is revised, then provided that such revision does not result, on the date on which such revision is announced, in a reduced value of the consideration, the benefit of the revised offer will, subject to the provisions of paragraph 3.6.2, automatically accrue to a shareholder who has accepted the partial offer in its original or any previously revised form/s ("**previous acceptor**"). The acceptance by or on behalf of a previous acceptor of the partial offer in its original or any previously revised form/s shall, subject to paragraph 3.6.2, be deemed to be an acceptance of the partial offer as revised and shall constitute an irrevocable authority and power of attorney *in rem suam* to any duly authorised representative/s of the offerors:
- 3.6.1.1 to accept any such revised offer on behalf of such previous acceptor; and
- 3.6.1.2 to execute on behalf of and in the name of such previous acceptor all such further document/s (if any) as may be required to give effect to such acceptances and/or elections.

- 3.6.2 The deemed acceptances referred to in paragraph 3.6.1 shall not apply and the authority conferred by paragraph 3.6.1 shall not be exercised by any trustee or duly authorised representative of the offerors if, as a result thereof, the previous acceptor would receive less in aggregate in cash than he would have received in aggregate in cash as a result of his acceptance of the partial offer in the form in which it was originally accepted by him.
- 3.6.3 The offerors reserves the right to treat any acceptance of the partial offer (in its original or any previously revised form/s) which is received after the announcement or issue of the partial offer in any revised form, as a valid acceptance of the revised offer and such acceptance shall constitute a power of attorney and authority in terms of paragraph 3.6.1, *mutatis mutandis*, on behalf of the relevant shareholder.

### 3.7 Payment of the offer consideration

#### *Method of payment*

- 3.7.1 In the case of certificated shareholders, the offer consideration will be paid by cheque and will be forwarded by ordinary post at the risk of the certificated shareholder concerned to the address specified in the form of acceptance. Where no address is specified in the form of acceptance, payment will be forwarded to the shareholder's registered address. Cheques posted in terms of the foregoing which are returned undelivered for any reason whatsoever will be held in trust by the company's transfer secretaries until claimed by the person legally entitled thereto. No interest will be payable on any such unclaimed moneys. Alternatively if the shareholder so instructs the transfer secretary timeously, payment will be deposited directly into the shareholders' bank account in South Africa.
- 3.7.2 The offer consideration due to certificated shareholders who accept the partial offer will be forwarded in accordance with the provisions of paragraph 3.7.1 within 5 business days of the acceptance of the partial offer.
- 3.7.3 The CSDP or broker accounts of dematerialised shareholders will be updated and credited accordingly within 5 business days of the receipt of valid acceptances by the transfer secretaries from Strate.

### 3.8 Non-resident shareholders

- 3.8.1 In the case of shareholders whose registered addresses in the company's register are outside the Common Monetary Area, the consideration will be settled as follows. The offer consideration due to a shareholder who is:
- 3.8.1.1 an emigrant from South Africa whose document/s of title have been restrictively endorsed "non-resident" under the Exchange Control Regulations will be deposited in a blocked rand account with the nominated authorised dealer in foreign exchange in South Africa controlling his blocked assets or, failing such nomination, with the transfer secretaries in a non-interest bearing account until such time as a written instruction is received as to the disposal of such amount;
- 3.8.1.2 a non-resident of South Africa who has never resided in South Africa, whose registered address in the register of members of Buildmax is outside the Common Monetary Area, and whose document/s of title have been restrictively endorsed under the Exchange Control Regulations, will be deposited in a non-resident account with the authorised dealer in foreign exchange in South Africa nominated by the shareholder or, failing such nomination, with the transfer secretaries in a non-interest bearing account until such time as a written instruction is received as to the disposal of such amount. Such consideration may be transferred or otherwise dealt with in accordance with the Exchange Control Regulations, where applicable.
- 3.8.2 The attached form of acceptance makes provision for shareholders to provide the instructions and to nominate the authorised dealer referred to in paragraph 3.8.1.1 above. It follows therefor that the authorised dealer releasing the blocked share certificates must countersign the form of acceptance thereby indicating that the offer consideration will be credited to the emigrants blocked Rand accounts.
- 3.8.3 Dematerialised shareholders should provide their CSDP or broker with instructions for the nomination and instruction of an authorised dealer for the action to be taken by the authorised dealer in relation to the acceptance of the partial offer, in terms of the agreement between the shareholder and its CSDP or broker.

### 3.9 No set-off

Payment of the offer consideration to which any shareholder is entitled under the partial offer shall be made without regard to any lien, right of set-off, counterclaim or other analogous right to which the offerors may otherwise be, or claim to be, entitled against such shareholder.

#### 4. FINANCIAL INFORMATION OF BUILDMAX

Extracts from the published financial results of Buildmax for the three financial years ended 29 February 2008, 28 February 2009 and 28 February 2010 are included in **Annexure 1** to this circular.

#### 5. SHAREHOLDING INFORMATION IN RESPECT OF THE OFFERORS AND BUILDMAX

##### 5.1 **The authorised and issued share capital of Buildmax before the increase in the authorised share capital**

	<b>Rand R'000</b>
<i>Authorised</i>	
2 000 000 000 ordinary shares of R0.01 each	200 000
<i>Issued</i>	
1 040 699 681	10 407
Share premium on issued ordinary shares	1 721 975

##### 5.2 **Holdings of securities and dealings**

The offerors comprises Brait and Coronation.

Brait holds 258 533 333 shares and Coronation holds 52 838 299 shares (comprising approximately 30% (thirty percent) of the issued share capital of Buildmax).

Save for the acquisition the offerors have not dealt for value in Buildmax shares in the period beginning six months prior to the offer opening and ending on the last practicable date.

Save as disclosed in 6.1 below neither the company nor any of its directors have a beneficial interest, whether directly or indirectly, in the offerors.

No director of the offerors has an interest directly in Buildmax shares, save as may arise as a result of their holding of shares in the offerors.

The major beneficial shareholders currently directly holding 5% or more of the issued capital of the company, as at the last practicable date, are set out in the table below.

<b>Holder</b>	<b>Number of shares (‘000)</b>	<b>Percentage of issued shares</b>
Brait	258 533	24.84
Interactive	158 908	15.27
Westbrooke	158 903	15.27
Vuwa*	151 012	14.51
<b>Total</b>	<b>727 356</b>	<b>69.89</b>

##### **Notes**

\* Vuwa holds the shares indicated in the column headed “Number of shares (‘000)” in the following entities as set out below:

Arrowville Investments (Proprietary) Limited:	81 607
Ashbrook Investments 136 (Proprietary) Limited:	40 000
Austinville Investments (Proprietary) Limited:	29 405

Save that the offerors would be regarded by the SRP for purposes of this transaction as acting in concert, there are no persons acting in concert with either of them and none of the offer shares acquired by the offerors in pursuance of the offer will be transferred to any other person other than the offerors or entities controlled or associated with them.

5.3 There is no party acting in concert with Buildmax.

5.4 No subsidiary of Buildmax or any party acting in concert with that subsidiary owns or controls any Buildmax shares.

##### 5.5 **Buildmax’s trading history**

A table showing the trading history of Buildmax’s shares on the JSE is set out in **Annexure 3** to this circular.

## 6. DIRECTORS

### 6.1 Directors' interests

Save as set out below, none of the directors of the company held any Buildmax shares either directly or indirectly as at the last practicable date:

Name	Beneficial		Total shares	%
	Direct	Indirect		
T P Bantock*	-	-	-	-
C B Brayshaw	100 000	-	100 000	-
C S Els	-	-	-	-
M D Lamola	100 000	-	100 000	-
M Matisonn	-	32 808 617	32 808 617	3.15
R Munitz	-	17 366 728	17 366 728	1.67
B T Ngcuka	30 000	20 239 372	20 269 372	1.95
D J Mack*	-	-	-	-
A J Maharaj*	-	-	-	-
C J M Wood	-	-	-	-
<b>Total</b>	<b>230 000</b>	<b>70 414 717</b>	<b>70 644 717</b>	<b>6.77</b>

\* Have an indirect but non-material interest in Brait.

Save for the fact that M Matisonn has an interest in Westbrooke and R Munitz has an interest in Interactive, no director has dealt for value in the shares in the company in the six month period ending on the last practicable date.

### 6.2 Buildmax directors' emoluments

The salaries and other emoluments paid to directors of the company during the financial year ended 28 February 2010, were as follows:

Director's name	Board and committee fees R'000	Salary R'000	Bonus R'000	Company benefits R'000	Expense allowance R'000	Total R'000
<b>Executive directors</b>						
T P Bantock	-	208	-	-	-	208
P J de Klerk	-	1 720	-	63	48	1 831
H P Fourie	-	1 363	320	206	35	1 924
<b>Non-executive directors</b>						
C B Brayshaw	275	-	-	-	-	275
M D Lamola	220	-	-	-	-	220
D J Mack	132	-	-	-	-	132
A Maharaj	132	-	-	-	-	132
M Matisonn	132	-	-	-	-	132
R Munitz	132	-	-	-	-	132
B T Ngcuka	132	-	-	-	-	132
C J M Wood	253	-	-	-	-	253
	1 408	3 921	320	269	83	5 371

The directors' emoluments will not be affected by the partial offer or the increase in the offerors' shareholding as a result of the partial offer. However, unrelated to the partial offer, the board has appointed an independent consultant to review the remuneration structures of all executive directors and the executive committee appointed by the board and revised remuneration policies will be tabled before the Buildmax remuneration committee for formal approval in due course.

### 6.3 Buildmax directors' service contracts

The following written service contracts have been entered into between Buildmax and its directors:

#### 6.3.1 Service and restraint of trade agreement entered into between Buildmax and Terry Bantock

##### 6.3.1.1 Effective date: 1 February 2010;

- 6.3.1.2 Duration: fixed term of 30 months after which it is indefinite subject to 6 months notice and summary termination by the company in certain instances;
- 6.3.1.3 Capacity, function and duties: the executive has been appointed as the executive chairman of the company; and
- 6.3.1.4 Remuneration:
  - 6.3.1.4.1 R2 500 000;
  - 6.3.1.4.2 minimum R1 000 000 guaranteed bonus for the financial year ending 28 February 2011 and an incentive bonus based on the performance of the company's share price; and
  - 6.3.1.4.3 participation in the company's share incentive scheme.
- 6.3.2 Service and restraint of trade agreement entered into between Buildmax and Christie Els
  - 6.3.2.1 Effective date: 1 April 2010;
  - 6.3.2.2 Duration: indefinitely, subject to summary termination by the company in certain instances;
  - 6.3.2.3 Capacity, function and duties: the executive has been appointed as the financial director and chief financial officer of the group;
  - 6.3.2.4 Remuneration:
    - 6.3.2.4.1 R1 650 000;
    - 6.3.2.4.2 minimum R1 000 000 guaranteed bonus for the financial year ending 28 February 2011 and an incentive bonus based on the performance of the company's share price; and
    - 6.3.2.4.3 participation in the company's share incentive scheme.

Save for that of Terry Bantock all of the executive managements' and certain of the key executives' services contracts contain terms and conditions that are standard in nature and are terminable on one to three months notice. The service contracts contain non-compete provisions in terms of which the directors and certain executive management are restrained from competing with the group during their employment and for a period of up to 24 months after termination. No consideration was paid for the non-compete agreements.

No part of the business of the group is managed or proposed to be managed by a third party under a contract or arrangement.

- 6.4 Save as set out above, there are no other written service contracts between Buildmax and its directors.
- 6.5 None of the contracts mentioned above have been amended within six months of this circular.

## **7. VIEWS OF THE BOARD AND ITS INDEPENDENT ADVISOR**

- 7.1 The board has appointed PKF Corporate Finance (Proprietary) Limited as an independent advisor to the company, to provide to the board its opinion on whether the price of R0.25 (twenty five cents) per share at which the mandatory offer would be made to minority shareholders were it to be made, is fair. The independent advisor based the conclusion of its opinion on the assumption that the following current risks have been mitigated:
  - 7.1.1 the rights offer of R300 million (three hundred million) is successfully implemented;
  - 7.1.2 minority shareholders would follow their rights in terms if the impending rights offer;
  - 7.1.3 management effectively implement their improved productivity plans and cost control measures, and successfully negotiate and implement rate increases with certain key customers;
  - 7.1.4 the company does not lose any of its current mining clients in the Mining Services Business Unit in accordance with the plan; and
  - 7.1.5 the company operates substantially free of industrial action for the forthcoming five years.

Assuming that the abovementioned risks are mitigated, the opinion of PKF concludes that the price of R0.25 (twenty five cents) would be unfair to minority shareholders. The opinion is reproduced in **Annexure 2** to this circular. Given the independent advisor's advice and given that the partial offer of R0.25 (twenty five cents) per share is the same price at which the mandatory offer to shareholders would have been made, the board recommends that minority shareholders should not sell 53,5% (fifty three comma five percent) of the shares held by them pursuant to the partial offer unless such shareholders wish to utilise the proceeds of the sale of their shares under the partial offer to follow their rights in terms of the rights offer.

The directors of the board who have a beneficial holding of securities in Buildmax namely C B Brayshaw, and M D Lamola will not be accepting the partial offer. M Matisonn and R Munitz have an indirect interest in Westbrooke and Interactive respectively. Pursuant to the acquisition, Westbrooke and Interactive each sold 53,5% (fifty three comma five percent) of their shares to the offerors and are precluded from accepting the partial offer. M Matisonn and R Munitz will accordingly not be accepting the partial offer. B T Ngcuka will not be accepting the partial offer in respect of the shares held by him directly. He has however an interest in Vuwa, which has verbally indicated that it will in all likelihood be accepting the partial offer.

#### **8. INTENTIONS REGARDING THE DIRECTORS OF BUILDMAX AND THE BUSINESS OF BUILDMAX**

As set out in clause 7 above, management is in the process of negotiating rate increases with certain key customers. The offerors do not intend changing the nature of Buildmax's business nor do they intend changing the composition of the Buildmax board of directors. Furthermore the offerors do not have any right or ability individually to change the nature of Buildmax's business nor the composition of its board nor does any agreement exist between them to do so or to act together in any way whatsoever including any joint control agreement.

#### **9. MATERIAL ARRANGEMENTS, UNDERTAKINGS OR AGREEMENTS**

Other than as contemplated in this circular, no material agreement, arrangement or understanding exists between the offerors themselves, the offerors and any of the Buildmax directors (or previous Buildmax directors) or any Buildmax shareholders (or previous Buildmax shareholders) having any connection with or dependence upon the partial offer.

#### **10. SPECIAL ARRANGEMENTS**

Other than as contemplated in this circular, there are no arrangements with, undertakings by, or agreements between the offerors and Buildmax or persons acting in concert with either of them, nor between the offerors themselves.

#### **11. OFFERORS' RESPONSIBILITY STATEMENT**

The offerors accept full responsibility for the accuracy of the information regarding the partial offer being made in this circular and certify that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement regarding the partial offer false or misleading, and that they have made all reasonable enquiries to ascertain such facts.

#### **12. BUILDMAX DIRECTORS' RESPONSIBILITY STATEMENT**

The directors of Buildmax accept full responsibility for the accuracy of the information given in this circular and state that, to the best of their knowledge and belief having made all reasonable enquiries, there are no other facts the omission of which would make any statement herein false or misleading.

#### **13. CONSENTS**

The independent advisor and financial advisor, the legal advisor, corporate advisor and sponsor to Buildmax, the legal advisor and corporate advisor to Brait, the financial advisor and the transfer secretaries have all consented in writing to act in the capacity stated and to their names being used in this circular and have not withdrawn their consents prior to the publication of this circular.

#### **14. DOCUMENTS FOR INSPECTION**

Copies of the following documents will be available from the opening date until 12:00 on the closing date at the offices of Java Capital:

- 14.1 the memorandum and articles of association of the company and its subsidiaries;
- 14.2 letters of consent of the various advisors to act in the capacities stated and to their names appearing herein;
- 14.3 a signed copy of the circular and the powers of attorney relating thereto;
- 14.4 copies of the service contracts referred to in paragraph 6.3;
- 14.5 the audited financial statements of Buildmax for the three financial years ended 29 February 2008, 28 February 2009 and 28 February 2010; and
- 14.6 the report furnished by the independent advisor referred to in paragraph 7.

Signed on behalf of:

**Buildmax Limited and the offerors**

## HISTORICAL FINANCIAL INFORMATION OF THE GROUP

These are extracts from the audited financial statements of Buildmax for the years ended 28 February 2010, 28 February 2009 and the 11 months ended 28 February 2008 on which the auditors of the Buildmax group, PKF (Jhb) Inc., have issued unqualified audit reports. These extracts are the responsibility of the directors of Buildmax.

It is anticipated that during the first six months of the current financial year, the Mining Services Business Unit will incur a loss as a result of right-sizing the business, implementing cost cutting measures, improving utilization and entering into price negotiations with customers. It is anticipated that the group will report poor interim results. Save as aforesaid, there have been no material changes to the financial or trading position of the company between the end of the year ended 28 February 2010 and the last practicable date.

### Statements of financial position as at 28 February

	2010 R'000	GROUP 2009 R'000	2008 R'000
<b>Assets</b>			
Non-current assets			
Property, plant and equipment	901 997	1 324 615	12 288
Goodwill	190 848	810 578	–
Other intangible assets	174 801	224 117	–
Prepayments	–	–	2 811
Deferred taxation	20 087	2 216	2 186
	1 287 733	2 361 526	17 285
<b>Current assets</b>			
Inventories	72 049	90 911	22 586
Trade and other receivables	269 284	318 589	18 921
Taxation receivable	5 502	1 364	271
Bank and cash balances	136 447	326 957	16 901
	483 282	737 821	58 679
<b>Total assets</b>	<b>1 771 015</b>	<b>3 099 347</b>	<b>75 964</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	10 407	10 407	418
Share premium	1 721 975	1 721 975	41 848
Cash flow hedging reserve	(4 340)	(5 572)	–
(Accumulated loss)/retained earnings	(1 098 898)	(91 653)	11 560
Ordinary shareholders' interests	629 144	1 635 157	53 826
Outside shareholders' interests	–	3 604	–
<b>Total shareholders' interests</b>	<b>629 144</b>	<b>1 638 761</b>	<b>53 826</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	315 037	525 082	–
Derivative instruments	1 940	4 076	–
Provisions	3 956	3 956	–
Deferred taxation	85 487	194 307	421
	406 420	727 421	421
<b>Current liabilities</b>			
Interest-bearing liabilities	307 522	358 121	19
Derivative instruments	4 088	3 663	–
Vendor loan payable	47 000	54 526	–
Trade and other payables	325 213	260 839	21 440
Provisions	19 571	–	–
Taxation payable	344	15 942	217
Shareholders for dividends	41	41	41
Bank overdrafts	31 672	40 033	–
	735 451	733 165	21 717
<b>Total equity and liabilities</b>	<b>1 771 015</b>	<b>3 099 347</b>	<b>75 964</b>

**Statements of comprehensive income  
for the year/period ended 28 February**

	<b>Year ended 28 February 2010 R'000</b>	<b>GROUP Year ended 28 February 2009 R'000</b>	<b>11 months 29 February 2008 R'000</b>
<b>Revenue</b>	<b>1 805 584</b>	<b>1 633 911</b>	<b>111 543</b>
Cost of sales and services	(1 372 789)	(990 817)	(85 859)
<b>Gross profit before depreciation</b>	<b>432 795</b>	<b>643 094</b>	<b>25 684</b>
Other income	14 699	16 897	2 304
Operating expenses	(219 954)	(206 538)	(21 976)
<b>Operating profit before depreciation and amortisation</b>	<b>227 540</b>	<b>453 453</b>	<b>6 012</b>
Depreciation	(176 090)	(134 145)	(1 894)
<b>Operating profit before amortisation</b>	<b>51 450</b>	<b>319 308</b>	<b>4 118</b>
Amortisation of intangible assets	(21 758)	(19 945)	-
<b>Profit before loss on sale of business unit, impairment, interest and taxation</b>	<b>29 692</b>	<b>299 363</b>	<b>4 118</b>
Loss on disposal of business unit	(2 467)	-	-
Impairment losses	(1 069 166)	(255 443)	-
<b>(Loss)/Profit before interest and taxation</b>	<b>(1 041 941)</b>	<b>43 920</b>	<b>4 118</b>
Interest received	15 430	17 378	1 110
Interest paid	(101 856)	(115 882)	(247)
<b>(Loss)/Profit before taxation</b>	<b>(1 128 367)</b>	<b>(54 584)</b>	<b>4 981</b>
Taxation	117 518	(54 793)	1 849
<b>(Loss)/Profit for the year/period</b>	<b>(1 010 849)</b>	<b>(109 377)</b>	<b>6 830</b>
<b>Other comprehensive gain/(loss) for the year/period</b>			
Unrealised profit/(loss) due to change in fair value of cash flow hedge	1 711	(7 739)	-
Taxation	(479)	2 167	-
<b>Total comprehensive (loss)/income for the year/period</b>	<b>(1 009 617)</b>	<b>(114 949)</b>	<b>6 830</b>
<b>(Loss)/profit for the year/period attributable to:</b>			
Equity holders of Buildmax	(1 007 245)	(103 213)	6 830
Outside shareholders' interests	(3 604)	(6 164)	-
	<b>(1 010 849)</b>	<b>(109 377)</b>	<b>6 830</b>
<b>Total comprehensive (loss)/profit for the period attributable to:</b>			
Equity holders of Buildmax	(1 006 013)	(108 785)	6 830
Outside shareholders interest	(3 604)	(6 164)	-
	<b>(1 009 617)</b>	<b>(114 949)</b>	<b>6 830</b>

**Ordinary share statistics  
for the year/period ended 28 February**

	<b>Year ended 28 February 2010 cents</b>	<b>GROUP Year ended 28 February 2009 cents</b>	<b>11 months 29 February 2008 cents</b>
Headline (loss)/earnings per ordinary share	(5.9)	15.8	16.2
Core headline (loss)/earnings per ordinary share	(4.4)	18.0	16.2
Basic (loss)/earnings per ordinary share	(96.8)	(11.9)	16.3
Net asset value per ordinary share	60.5	157.5	128.8

**Accounting policies  
for the year ended 28 February 2010**

**1. BASIS OF PREPARATION**

These annual financial statements have been prepared in conformity with International Financial Reporting Standards (“IFRS”), the requirements of the South African Companies Act and the requirements of the JSE Limited on the historic cost basis except in the case of financial instruments which are measured using the fair value and amortised cost models. The preparation of annual financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the annual financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the annual financial statements are disclosed under the management estimates heading.

The format of the financial statements presented has been revised to bring it in line with the revisions to IAS 1: Presentations 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 due to their similar nature and economic characteristics. Comparative information has been restated where necessary. The adoption of these standards and amendments did not impact the group’s financial results.

Except for the adoption of the new and revised accounting standards the principal accounting policies of the group are consistent with those applied in the audited consolidated financial statements for the year ended 28 February 2009.

*Standards and interpretations issued but not yet effective*

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective.

<b>Standard</b>	<b>Details of Amendment</b>	<b>Effective for annual periods beginning on or after</b>
IFRS 1: First-time Adoption of International Financial Reporting Standards	Amendments relating to oil and gas assets and determining whether an arrangement contains a lease	1 January 2010
IFRS 2: Share-based Payments	Clarification of scope of IFRS 2 and IFRS 3 revised	1 July 2009
IFRS 2: Share-based Payments	Accounting for group cash-settled share-based payment transactions – clarity of the definition of the term “Group”.	1 January 2010
IFRS 3: Business Combinations	Amendments to accounting for business combinations	1 July 2009
IFRS 5: Non-current Assets Held for Sale and Discontinued Operations	Plan to sell the controlling interest in a subsidiary	1 July 2009
IFRS 5: Non-current Assets Held for Sale and Discontinued Operations	Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations	1 January 2010
IFRS 5: Non-current Assets Held for Sale and Discontinued Operations	Amendments resulting from IFRIC 17 for assets held for distribution to owners	1 July 2009
IFRS 8: Operating Segments	Disclosure of information about segment assets	1 January 2010
IAS 7: Statement of Cash Flows	Classification of expenditures on unrecognised assets	1 January 2010
IAS 10: Events after the Reporting Period	Amendment resulting from the issue of IFRIC 17	1 July 2009
IAS 17: Leases	Classification of leases of land and buildings	1 July 2010
IAS 36: Impairment of Assets	Unit of accounting for goodwill impairment test	1 January 2010
IAS 38: Intangible Assets	Measuring the fair value of an intangible asset acquired in a business combination	1 July 2009

<b>Standard</b>	<b>Details of Amendment</b>	<b>Effective for annual periods beginning on or after</b>
IAS 39: Financial Instruments: Recognition and Measurement	Clarifies two hedge accounting issues: – Inflation in a financial hedged item – A one-sided risk in a hedged item	1 July 2009
IAS 39: Financial Instruments: Recognition and Measurement	Treating loan prepayment penalties as closely related embedded derivatives	1 January 2010
IAS 39: Financial Instruments: Recognition and Measurement	Scope exemption for business combinations	1 January 2010
<p>The directors have not yet determined which are applicable to the group and what the impact of these Standards and Interpretations on the group or company will be.</p> <p><i>Standards and interpretations adopted with no effect on financial statements</i></p> <p>The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.</p>		
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRS for the first time and with the recognition of dividend income from subsidiaries in a parent's separate financial statements.	
Amendments to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations	The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.	
IAS 23 (as revised in 2007) Borrowing Costs	The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets.	
Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a <i>pro rata</i> share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.	
Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.	
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.	
Improvements to IFRS (2008)	The Improvements have led to a number of changes in the detail of the group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. The majority of these amendments are effective from 1 January 2009.	

## *Basis of consolidation*

### **Goodwill**

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on the acquisition of businesses and the difference between the cost of the acquisition and the fair value of the net identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is measured at cost less accumulated impairment losses. For impairment testing purposes, goodwill is allocated to cash-generating units expected to benefit from synergies of the combination and is tested annually for impairment. Negative goodwill arising on an acquisition is recognised directly in the statement of comprehensive income.

### **Investment in subsidiary companies**

In the company's financial statements the investment in subsidiary companies are carried at cost less accumulated impairment losses. The results of subsidiaries are consolidated in the group financial statements from the effective date of control up to the date control ceases in the group financial statements.

### **Intra-group transactions and balances**

Consolidation principles relating to the elimination of intra-company transactions, balances and adjustments for unrealised intra-company profits are applied in all intra-group transactions.

### **Transactions and outside shareholders' interest**

The groups applies a policy of treating transactions with minority interest as transactions with parties external to the group. Disposals to minority interests results in gains or losses for the group and are recorded in the statement of comprehensive income. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of the net identifiable assets, liabilities and contingent liabilities of the subsidiary.

### *Impairment of assets*

The carrying amounts of the group's assets are reviewed at least annually to determine whether there is any indication of impairment. If there is an indication that an asset may be impaired, its recoverable amount is estimated. For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at least annually.

The recoverable amount is the higher of an asset's fair market value less cost to sell and its value in use. In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of the cash generating unit exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then to reduce the carrying amount of other assets in the unit on a *pro rata* basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly as other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly as other comprehensive income is recognised in the statement of comprehensive income even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the statement of comprehensive income is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income.

Where an impairment loss on tangible and intangible assets (other than goodwill) subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in a subsequent period.

### *Property, plant and equipment*

Items of property, plant and equipment are recorded at historic cost and depreciated over the estimated useful life of the asset, on a straight-line basis, as follows:

Plant and equipment	5 – 20 years
Motor vehicles	4 – 5 years
Leasehold improvements	Over the term of the lease
Land	No depreciation is provided
Computer and office equipment	
Computer equipment and software	2 – 4 years
Office equipment	10 years
Furniture and equipment	6 – 10 years

The carrying value of assets is reviewed annually to assess whether there is an indication of impairment. If any indication exists, the recoverable amount of the asset is estimated. Where the carrying amount is greater than its estimated recoverable amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the statement of comprehensive income.

The useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing assets' lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying value and are recognised in the statement of comprehensive income.

Repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred. The cost of major refurbishments is included in the carrying amount of the asset when it is probable that future economic benefits will flow to the group. Major refurbishments are depreciated over their remaining useful life.

### *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

### *Intangible assets*

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Intangible assets include mining rights, marketing related intangibles and customer related intangibles.

Marketing related intangibles include trademarks, trade names and service marks. Customer related intangibles include customer lists, order or production backlogs, customer contracts and the related customer relationships and non-contractual customer relationships.

Intangible assets with finite lives are amortised over their estimated useful economic lives, and tested for impairment where there is a triggering event. The directors' assessment of the useful life of intangible assets is based on the nature of the asset acquired, the durability of the products to which the asset attaches and the expected future impact of competition on the business. The intangible assets are amortised over the following periods:

Mining rights	15 – 22 years
Marketing related intangibles	7 – 10 years
Customer related intangibles	5 – 8 years

### *Leases*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the group as lessee.

Assets subject to finance leases are recognised at the commencement of the lease term at the amount equal to their fair value or, if lower, the present value of the minimum lease payments determined at inception of the lease, using a discount rate implicit in the lease. The related lease obligation is recognised at the same value. Capitalised leased assets are depreciated to their estimated residual values over their estimated useful lives. Finance lease payments are allocated, using the effective interest rate method, between lease finance costs and the capital repayment.

Leases where the lessor retains significant risks and rewards of ownership of the underlying asset are classified as operating leases. Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the relevant lease.

### *Inventories*

Inventories are valued at the lower of cost or net realisable value, using the first-in-first-out ("FIFO") basis. Costs are determined on the following basis:

Finished goods and manufacturing work-in-progress are valued at cost of materials plus direct costs and a proportion of manufacturing overhead expenses.

Inventories include contract work-in-progress which include direct labour, other costs and fixed production overheads incurred for services rendered but not invoiced at the reporting date.

Where necessary, specific provision is made for obsolete, redundant and slow-moving inventories based on the age of merchandise.

### *Foreign currency transactions*

Transactions in foreign currencies are converted to South African Rand at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are stated in South African Rand using rates of exchange ruling at the reporting date. Resulting surpluses and deficits are recognised in the statement of comprehensive income and are separately identified.

### *Taxation*

Current taxation comprises taxation payable calculated on the basis of the expected taxable income for the year, using the taxation rates and laws enacted and substantively enacted at the reporting date, and any adjustment of taxation payable for previous years.

### *Deferred taxation*

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the taxation bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current enacted or substantively enacted taxation laws and rates are used to calculate deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is not probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred taxation is charged to the statement of comprehensive income except to the extent it relates directly to items accounted for in other comprehensive income. The effect on deferred taxation of any changes in taxation rates is recognised in the statement of comprehensive income, except to the extent that it relates to items previously charged or credited directly to other comprehensive income.

### *Provisions*

Provisions are recognised when the group has a legal or constructive obligation as a result of a past event, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the present value of future expenditure expected to settle the current obligation using a discount rate that reflects the current assessment of the risks and uncertainties surrounding the obligation.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the group has a contract where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

### *Revenue*

Revenue is stated at invoice value of finished goods, excluding value added tax. Revenue from sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, costs can be measured reliably and receipt of the future benefits is probable.

Service revenue is recognised when the service is completed in terms of the substance of the various customer agreements.

Other income earned by the group is recognised on the following basis:

Interest income is recognised as it accrues on the effective interest rate method unless collectability is in doubt.

Rental income from operating leases in respect of property is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

Revenue is recognised net of VAT, returns, rebates and discounts.

### *Employee benefits*

#### **Short-term employee benefits**

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The provisions for employees' entitlements to wages, salaries, annual and sick leave represent the amount which the group has a present obligation to pay as a result of the employees' services provided to the reporting date.

#### **Retirement benefits**

The group provides retirement benefits for employees by payments to independent defined contribution funds and contributions are charged against income as incurred. The group has no liability towards any pension or provident fund, apart from normal recurring monthly contributions deducted from employees to be paid to the relevant funds.

### *Government grants*

Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attached to them and that the grants will be received.

Government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to the statement of comprehensive income on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in the statement of comprehensive income in the period in which they become receivable.

### *Financial instruments*

#### **Initial recognition and measurement**

All financial instruments are recognised in the statement of financial position. Financial instruments are initially recognised when the group becomes party to the contractual terms of the instruments and are measured at cost, which is the fair value of the consideration given (financial asset) or received (financial liability or equity instrument). Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement on initial recognition. Transaction costs are included in the initial measurement of the financial instrument other than for financial instruments recognised at fair value through the statement of comprehensive income. Subsequent to initial recognition these instruments are measured as set out below.

## **Financial assets**

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

Trade and other receivables are stated at amortised cost using the effective interest rate method less provision for impairment. The provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Bad debts are written off during the year in which they are identified.

### ***Amounts owing by subsidiaries***

Amounts owing by subsidiaries are stated at amortised cost using the effective interest rate method less provision for impairment.

### ***Cash and cash equivalents***

Cash and cash equivalents are measured at their fair value. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group unless otherwise stated.

The carrying amount of financial assets are reduced by impairment losses directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of comprehensive income.

## **Financial liabilities**

The group's principal financial liabilities are long-term borrowings, accounts payable, bank overdrafts and other short-term borrowings.

### ***Borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### ***Trade and other payables***

Trade payables are measured initially at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### ***Derivative instruments***

Hedge accounting is applied to derivatives designated as cashflow hedges provided certain criteria are met. At the inception of a hedging transaction, the relationship between the hedging instrument and the hedged items, the group's management objective and its strategy for undertaking the hedge, is documented. A documented assessment, both at the inception of the hedge and on an on-going basis, of whether the hedging instruments that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the cash flows of the hedged items, is also prepared.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cashflow hedges are recognised as other comprehensive income until the hedging instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting.

## **Derecognition**

Financial assets (or a portion thereof) are derecognised when the group realises the rights to the benefits specified in the contract, the rights expire or the group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. In derecognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that have been reported as other comprehensive income are included in the statement of comprehensive income.

Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and amount paid for it are included in the statement of comprehensive income.

### **Fair value methods and assumptions**

The fair value of financial instruments not traded in an organised financial market, is determined using a variety of methods and assumptions that are based on market conditions and risks existing at reporting date, including independent appraisals and discounted cash flow methods. The fair value determined is adjusted for any transaction costs necessary to realise the assets or settle the liabilities.

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their nominal amounts as the effects of the time value of money are considered to be immaterial.

### **Set-off**

Where a legally enforceable right to set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are set-off in the financial statements.

### *Management estimates*

Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments, as follows:

### **Assets lives and residual values**

Property, plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing assets lives, factors such as usage, technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

### **Impairment of assets**

Goodwill is considered for impairment at least annually. Property, plant and equipment and intangible assets are also considered for impairment if there is any reason to believe that impairment may be necessary. Factors taken into consideration include the economic viability of the asset itself and where it is a component of a larger cash generating unit, the viability of the unit. Future cash flows expected to be generated by the assets are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows determined using an appropriate discount rate, is compared to the current carrying value and, if lower,

the assets are impaired to the present value.

### **Trade and other receivables**

The group assesses its trade and other receivables for impairment at each reporting date. In determining whether impairment should be recognised in the statement of comprehensive income, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from each receivable.

### **Stock impairments**

Impairment of stock is calculated on a line by line basis with reference to average consumption to identify absolute, redundant and slow moving items.

### **Deferred tax assets**

The group recognises the 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 forecasted cash flows from operations and the application of existing tax laws. 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 reporting date could be impacted.

**Provision for onerous contracts**

Certain of the group's mining contracts in Vukuza Earth Works (Pty) Limited were determined to be onerous. Management assessed the present value of the unavoidable costs, net of income, of meeting the obligations under these contracts and included it as a provision for onerous contracts in the statement of comprehensive income and statement of financial position.

**Provision for ground rehabilitation**

The group's mining activities are subject to various laws and regulations governing the protection of the environment. Management estimates the group's expected expenditure for the rehabilitation, management and remediation of environmental impacts on closure at the end of the lives of the mines. The estimation of future costs on environmental obligations relating to decommissioning and rehabilitation is particularly complex and requires management to make estimates, assumptions and judgements. These estimates are dependent on a number of factors including assumptions around current environmental legislation, life of mine estimates and discount rates.

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## INDEPENDENT ADVISOR'S REPORT

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“5 August 2010

The Directors  
Buildmax Limited  
Unit 19, 1st Floor, East Block  
Cambridge Office Park  
5 Bauhinia Street, Highveld Park  
Centurion  
0046

Dear Sirs

### EXTERNAL ADVICE ON THE WAIVER OF A MANDATORY OFFER BY BUILDMAX SHAREHOLDERS

#### Introduction

As detailed in the circular and in terms of the SRP Code, following the acquisition, the partial offer and the rights offer, the SRP has deemed that this series of transactions constitutes an affected transaction in terms of the SRP Code. In terms of Rule 8.7 of the SRP Code this would ordinarily result in the requirement for a mandatory offer to be made to the minority shareholders of Buildmax by Brait and Coronation. The SRP has advised however that it is willing to grant a dispensation to Brait and Coronation from the obligation to make a mandatory offer to the Buildmax minority shareholders provided the Buildmax minority shareholders waive their rights to the aforementioned mandatory offer. As a result we have been requested to provide appropriate external advice to the directors of Buildmax in terms of Rule 3.1 of the SRP Code as to whether or not the price at which the mandatory offer would be made, were it to be made, is fair.

Full details of, *inter alia*, the mandatory offer and the waiver are set out in the circular to be issued to Buildmax shareholders on or about 6 September 2010 (“the circular”). Terms defined in the circular have, unless the context requires otherwise, the same meanings in this report as given to them elsewhere in the circular.

#### Responsibility

The circular and compliance with the JSE Listings Requirements and the SRP Code are the responsibility of the directors of Buildmax. Our responsibility is to provide appropriate external advice to the directors of Buildmax on the terms and conditions of the mandatory offer and the waiver.

#### Meaning of fairness

Fairness is primarily based on quantitative issues. For illustrative purposes, in the case of a mandatory offer to acquire a minority shareholder's shares, such mandatory offer may be said to be fair to the minority shareholders if the consideration offered for their shares is equal to or greater than the fair market value of those shares.

In preparing our opinion for purposes of complying with the SRP Code we will apply the aforementioned principle.

#### Sources of information

We have relied on information from the following sources in arriving at our opinion:

- The annual financial statements of Buildmax for the year ended 28 February 2010.
- The unaudited management accounts of Buildmax for the 3 months ended 31 May 2010.
- The five year cash flow forecasts of Buildmax for the financial years ending 28 February 2011 to 28 February 2015 as prepared by management.
- The management representation letter provided to us in respect of this fairness opinion.
- Discussions with the directors of Buildmax.
- Various other items of publicly available information with regards Buildmax.

- The historical share price history of Buildmax shares.
- The circular.

Where practical, we have corroborated the reasonability of the information provided to us for the purposes of our opinion, including publicly available information, whether in writing or obtained in discussion with the directors of Buildmax. Where possible, such information has been substantiated by reference to supporting documentation and other corroborating evidence. Whilst our work has involved an analysis of the financial information, as provided to us, our engagement does not constitute, nor does it include an audit or review in accordance with International Standards on Auditing. We have not and we do not assume responsibility or liability for such information.

### **Scope and factors considered**

In arriving at our opinion we have:

- Reviewed the historic financial information of Buildmax detailed above.
- Reviewed the terms and conditions of the acquisition, the mandatory offer and the waiver as detailed in the circular.
- Considered the conditions under which Brait and Coronation will underwrite the rights offer as set out in the circular.
- Reviewed the Buildmax five year cash flow forecasts for the financial years ending 28 February 2011 to 28 February 2015.
- Obtained an understanding of the basis on which the forecasts were prepared, reviewed the assumptions applied for reasonableness and checked the arithmetical accuracy of the models. The cash flow forecasts incorporate the following key assumptions:
  - the successful implementation of the rights offer as the rights offer proceeds are fundamental to the company achieving its forecast operating cash flows; and,
  - price increases in the company's Mining Services Business Unit.
- Performed an independent valuation of the shares in Buildmax. The valuation was performed using discounted cash flow methodology and was based on the aforementioned cash flow forecasts. We valued a share in Buildmax at 54 cents (based on 1 040 699 681 shares in issue).
- Considered the price of 25 cents per Buildmax share at which the mandatory offer would be made, were it to be made, in relation to our valuation of Buildmax shares.
- Considered the terms and conditions of the impending rights offer.

### **Opinion**

Our opinion is based on the economic, regulatory, market and other conditions in effect on, and information made available to us, at 5 August 2010. Subsequent developments may affect this opinion which we are under no obligation to update, review or re-affirm.

Our opinion is provided to the directors of Buildmax in connection with and for the purpose of their consideration of the mandatory offer and the waiver and may not be reproduced in any form save with our prior written consent.

Based upon and subject to the foregoing as well as the limiting conditions set out below, we are of the opinion, at 5 August 2010 that the price of 25 cents per share at which the mandatory offer would be made to minority shareholders, were it to be made, is unfair to the minority shareholders of Buildmax.

An individual shareholder's decision may be influenced by his or her particular circumstances. This fairness opinion does not purport to cater for each shareholder's circumstances and risk profile, but rather the general body of shareholders taken as a whole. Should a shareholder be in any doubt as to what action to take, he or she should consult an independent advisor.

### **Limiting conditions**

#### ***Inherent limitations of forecasts***

Our valuation of the shares in Buildmax has been prepared using discounted cash flow methodology and is dependent on management's forecasts. Forecasts in general relate to future events and are based on assumptions that may not correspond with those future events. Whilst we have reviewed the forecasts and are of the opinion that they appear reasonable, we cannot express an opinion as to how closely they will correspond to the actual results.

In particular, and as mentioned above, the cash flow forecasts assume the successful implementation of the rights offer as well as price increases in the company's Mining Services Business Unit. Both of these assumptions are fundamental to the company achieving its forecasts and failure to achieve either would have a material negative effect on our valuation to the extent that we may alter our opinion.

### ***The rights offer***

For the reasons stated above it is our opinion that the price of 25 cents at which the mandatory offer would be made, were it to be made, is unfair to minority shareholders and therefore that the minority shareholders should not sell their shares at this price. In coming to this conclusion we have assumed that minority shareholders will follow their rights in terms of the impending rights offer as a decision not to may result in a significant dilution in value for those shareholders.

### **Conclusion**

We record that the directors of PKF Corporate Finance (Pty) Ltd have no interest in:

- the issued share capital of Buildmax, or
- the success or failure of the waiver of the mandatory offer,

We hereby consent to the inclusion of this letter in its entirety in the circular to be issued to shareholders of Buildmax on or about 6 September 2010.

Yours faithfully

### **PKF Corporate Finance (Pty) Ltd**

Per: Duncan Church

Registration number 1998/018420/07

42 Wierda Road West  
Wierda Valley  
2196"

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**SHARE PRICE HISTORY OF BUILDMAX SHARES**


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**Buildmax shares**

	<b>High (cents)</b>	<b>Low (cents)</b>	<b>Close (cents)</b>	<b>Volume</b>	<b>Value</b>
<b>Quarterly</b>					
<b>2007</b>					
September	525	158	480	4 558 621	12 000 819
December	500	251	310	2 965 038	10 505 378
<b>2008</b>					
March	399	220	275	2 308 081	6 869 484
June	270	145	169	37 410 701	64 144 646
September	165	96	120	18 481 333	21 195 945
December	128	81	111	12 304 027	12 903 669
<b>2009</b>					
March	110	60	66	27 731 811	25 215 806
June	85	70	76	17 709 711	12 787 755
<b>Monthly</b>					
<b>2009</b>					
June	85	71	76	9 556 271	7 196 349
July	80	55	80	14 044 298	10 160 504
August	82	74	77	3 136 989	2 413 799
September	78	73	77	9 961 759	7 487 528
October	99	65	82	7 062 182	5 228 768
November	85	70	73	1 484 959	1 113 741
December	80	73	75	4 548 137	3 416 783
<b>2010</b>					
January	81	75	76	17 332 637	13 348 438
February	78	60	71	1 264 675	915 482
March	80	55	60	2 541 953	1 779 434
April	65	48	51	5 616 125	2 981 693
May	53	31	38	3 653 466	1 677 867
June	37	21	24	1 586 809	471 364
<b>Daily</b>					
<b>2010</b>					
1 July	24	24	24	10 000	2 400
2 July	24	24	24	200 000	48 000
5 July	28	25	28	72 956	20 382
6 July	29	27	29	24 773	6 692
7 July	27	27	27	30 000	8 100
8 July	26	24	24	70 000	17 357
9 July	27	26	27	10 200	2 654
12 July	–	–	27	–	–
13 July	24	23	23	51 000	12 191
14 July	–	–	23	–	–
15 July	25	23	25	75 500	17 405
16 July	–	–	25	–	–
19 July	22	22	22	2 600	572
20 July	28	23	25	218 572	54 633
21 July	22	22	22	5 000	1 100

	<b>High (cents)</b>	<b>Low (cents)</b>	<b>Close (cents)</b>	<b>Volume</b>	<b>Value</b>
<b>Daily</b>					
<b>2010</b>					
22 July	28	27	27	153 282	42 386
23 July	28	27	27	311 000	84 112
26 July	28	27	28	32 564	9 107
27 July	29	28	28	10 400	2 916
28 July	28	26	28	104 070	28 779
29 July	26	26	26	105 270	27 370
30 July	24	24	24	50 000	12 000
2 August	–	–	24	–	–
3 August	25	25	25	20 000	5 000
4 August	28	27	28	53 963	15 026
5 August	29	27	29	70 570	19 807
6 August	25	24	24	10 000	2 448
10 August	25	24	25	12 000	2 940
11 August	29	26	26	264 426	76 527
12 August	–	–	26	–	–
13 August	30	30	30	435 045	130 513
16 August	30	26	30	57 000	14 980
17 August	30	30	30	53 131	15 939
18 August	30	29	30	34 000	10 070
19 August	–	–	30	–	–
20 August	31	30	30	350 000	105 593
23 August	30	30	30	164 000	49 200
24 August	30	27	27	24 100	6 573
25 August	29	29	29	3 500	1 015
26 August	29	29	29	70 000	20 300
27 August	30	29	30	30 000	8 893
30 August	30	27	27	672 283	198 344
1 September	–	–	27	–	–
2 September	27	27	27	500	135



## BUILDMAX LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1995/012209/06)

Share code: BDM ISIN: ZAE000011250

("Buildmax" or the "company")

This document is important and applies to certificated shareholders of the company electing to accept the offer by the offeror as described in the circular to which this form is attached ("the offeror")

Please turn over for instructions. Subject to the discretion of the offeror, non-compliance with these instructions could result in the rejection of this form and you will be deemed not to have accepted the offer.

If you are in any doubt about how to complete this form, please consult your professional adviser immediately.

**Note:** A form of acceptance and surrender may be rejected if it is not received by the transfer secretaries by 12:00 on 27 September 2010.

### FORM OF ACCEPTANCE AND SURRENDER (FOR CERTIFICATED SHAREHOLDERS ONLY)

To: Buildmax Limited  
c/o Computershare Investor Services (Proprietary) Limited  
Ground Floor, 70 Marshall Street  
Johannesburg, 2001  
(PO Box 61763, Marshalltown, 2107)

I/We, the undersigned, accept your offer (or any revised offer in terms of paragraph 3.6 of the circular) in respect of the following ordinary shares held by me/us (if no number is indicated by me/us, the acceptance will be in respect of 53,5% my/our ordinary shares reflected in the register of shareholders of the company):

Shareholder's name	Number of ordinary shares in respect of which the partial offer is accepted

I/We surrender and enclose the undermentioned ordinary share certificate/s, certified transfer deed/s or other document/s of title.

I/We irrevocably authorise you to procure the signature of such document/s that may be necessary to complete my/our acceptance of the partial offer or any revised offer in terms of paragraph 3.6 of the circular to shareholders and for the transfer of the ordinary shares concerned into the name of either of the offerors and/or its nominee/s.

I/We instruct you to forward the cheque/s in respect of the amount/s due and owing in respect of the ordinary shares to me/us by ordinary post at my/our risk to the undermentioned address (if no address is specified, payment will be forwarded to the shareholder's address contained in the share register):

Signature of acceptor

Assisted by (where applicable)

Place of signature

Date

2010

Surname or Name of company

First names (in full, if applicable)

Title (Mr, Mrs, Miss, etc)

Postal address (preferably PO Box address)

Postal code

Telephone number (during office hours)

Cellphone number

Share certificates/other document/s of title surrendered

Certificate/Other document/s of title	Number of ordinary shares covered by each certificate/ other document/s of title
<b>Total</b>	

**For office use only**

Amount of cheque to be prepared	
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**Instructions:**

- Non-resident shareholders who are emigrants from the Common Monetary Area** (comprising South Africa, the Republic of Namibia and the Kingdoms of Swaziland and Lesotho) ("the Common Monetary Area")

The cash consideration due to shareholders accepting the offer who are emigrants from the Common Monetary Area will be sent to the authorised dealer in foreign exchange in the Common Monetary Area controlling his or her blocked assets in terms of the Exchange Control Regulations, whose details are to be filled in below.

Such non-resident shareholders must give the following information:

<b>Name and address of authorised dealer in South Africa</b>	
Blocked Rand account number	

- All other non-resident shareholders**

The cash consideration due to all other non-resident shareholders accepting the offer, whose registered addresses are outside the Common Monetary Area, will be sent to a nominated authorised dealer in foreign exchange within the Common Monetary Area. It is incumbent on the non-resident concerned to instruct his or her nominated authorised dealer in foreign exchange within the Common Monetary Area as to the disposal of any foreign currency received.

All other non-resident shareholders must give the following information:

<b>Name and address of authorised dealer in South Africa</b>	
Account number	

**If no nomination is made in terms of the above, the relevant cash consideration will be held in trust by the company's transfer secretaries and will be placed to the credit of a non-interest bearing account with those transfer secretaries until such time as a written instruction is received as to the disposal of that amount. Neither the company nor the offeror will have any liability to any shareholder, for interest on any amount, in such circumstances.**

- No receipt will be issued, unless specifically requested, for this form of acceptance and surrender or other document/s lodged with it. Certificated shareholders or lodging agents who require special transaction receipts, are requested to prepare such receipts and submit them for stamping with the document/s lodged.
- A minor must be assisted by her/his parent or guardian unless the relevant document/s establishing her/his legal capacity are produced or have been registered with the transfer secretaries to the offer.
- Where shares are jointly held this form of acceptance and surrender must be signed by all joint holders.
- If this form of acceptance and surrender is signed under a power of attorney, such power must be produced unless it has already been registered with the transfer secretaries to the offer.
- If this form of acceptance and surrender is signed on behalf of a company, pension or provident fund, it must be accompanied by a certified copy of the resolution authorising the signature.
- If the offeror at any time elects to increase the offer, any shareholder who has already accepted the partial offer will be entitled to such increased consideration and shall be deemed to have accepted such increased offer in terms of and granted the authorities referred to in paragraph 3.6 of the circular to shareholders.



