BRIKOR LIMITED

("Brikor") or ("the Company") or ("the Group")
(Incorporated in the Republic of South Africa)
Registration number: 1998/013247/06
JSE code: BIK
ISIN: ZAE000101945

ABRIDGED UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

for the six-month period ended 31 August 2019

THE SPIRIT OF BRICKMAKING

PREPARED BY:

The abridged unaudited condensed consolidated interim financial results ("interim financial results" or "results") for the six-month period ended 31 August 2019 were prepared by Laura Craig CA(SA), Group Chief Financial Officer.

FINANCIAL INDICATORS – CONTINUING OPERATIONS

- REVENUE **INCREASED BY** 8,1% to R166,1 million
- EBITDA **INCREASED BY** 42,6% to R23,1 million
- NET ASSET VALUE **INCREASED BY** 19% to 12,5 cents per share
- NET TANGIBLE ASSET VALUE **INCREASED BY** 32,2% to 7,8 cents per share
- CASH AND CASH EQUIVALENTS **DECREASED BY** 43,0% to R7,3 million
- EARNINGS PER SHARE **INCREASED BY** 50,0% to 1,8 cents per share
- HEADLINE EARNINGS PER SHARE **INCREASED BY** 275,0% to 1,5 cents per share
- CURRENT ASSET RATIO **INCREASED BY** 23,1% to 1,6:1
- ACID TEST RATIO **INCREASED BY** 16,7% to 0,7:1

COMMENTARY

OVERVIEW

Brikor is a diverse manufacturer and supplier of building and construction materials across a broad spectrum of the market from low-cost housing, residential to commercial, industrial and infrastructure projects. The Group operates through two segments, namely Bricks and Coal (the latter being through its subsidiary, Ilangabi Investments 12 (Pty) Ltd).

The directors of Brikor are pleased to present the abridged unaudited condensed consolidated interim financial results for the period ended 31 August 2019, which reflect improved results notwithstanding the competitive distressed economic trading environment. The Brikor Group continued to focus on its commitment to reduce risk and support sustainability for its stakeholders.

DIRECTOR RESPONSIBILITY

The directors take full responsibility for the preparation of the condensed report and confirm that the financial information has been correctly extracted from the underlying financial statements.

FINANCIAL RESULTS – CONTINUING OPERATIONS

Revenue increased to R166,1 million (August 2018: R153,6 million) with the gross profit percentage increasing to 26,6% (August 2018: 21,1%).

The competitive South African economic environment continues to put strain on selling prices in the Bricks segment. The Bricks segment also continued to experience a demand for product range mixes with lower gross profit yielding products prevailing. As a direct result the revenue in the Bricks segment has marginally increased by 0,2% to R89,1 million (August 2018: R88,9 million). The gross profit increased by 6,5% to R16,3 million (August 2018: R15,3 million), primarily due to the decision to cease the buy-in of bricks from third parties in favour of increasing the Group's own capacity with increased labour shifts. This resulted in a net saving of R1,0 million, despite inflationary increases and the increased costs associated with expanding internal capacity.

The Coal segment experienced the opposite effect with its product range with the demand for products yielding higher prices prevailing, resulting in an increase in revenue of 14,9% to R91,2 million (August 2018: R79,4 million), rendering an overall increase in revenue for the Group.

Gross profit for the Coal segment increased by 63,2% to R27,9 million (August 2018: R17,1 million) as a result of the streamlining of the concurrent environmental rehabilitation rolled out in the 2019 financial year via rental of bulldozers in the later part of the year. With the ramps being less steep and the distance to the sizing plant being shorter, the costs have been substantially reduced, with lower spend on diesel being the main contributing factor. Production has become more efficient as a direct result.

Other income increased by 19,4% to R3,7 million (August 2018: R3,1 million), mainly due to the sale of the held-for-sale property, namely Schist, for a profit of R1,5 million and the reduction of the diesel rebate of R0,7 million due to reduced diesel spend under cost of sales. The sale of Schist has reduced the environmental rehabilitation liability by R1,5 million.

Administration, distribution and other expenses increased to R28,8 million (August 2018: R27,9 million), mainly attributable to increases in Broad-Based Black Economic Empowerment ("B-BBEE") spend amounting to R1,8 million more when compared to the prior period, and a reduction in consulting fees amounting to R0,9 million. Due to the lack of B-BBEE ownership hindering the Group's ability to maximise its B-BBEE score, the Group has focused on non-ownership B-BBEE scoring points and has invested heavily in training and its existing B-BBEE mining partnerships. This has resulted in an improvement of the Group's overall B-BBEE score from a rating of Level 6 to Level 4. A strong B-BBEE score is a requirement for retaining the Group's existing mining rights and to be compliant with the existing mining rights criteria from the Department of Mineral Resources. A strong B-BBEE score is also a necessary requirement in order to secure possible future mining rights, which will ensure a long-term sustainable future for the Group.

Finance costs during the period reduced to R2,8 million (August 2018: R3,9 million) due to the repayments made on the shareholder loans. This has positively reduced the overall credit risk of the Group.

The Group ended the financial period with an attributable profit from continuing operations of R11,4 million (August 2018: R2,1 million), resulting in basic earnings per share of 1,8 cents (August 2018: 0,3 cents) and basic headline earnings per share of 1,5 cents (August 2018: 0,3 cents) from continuing operations.

Property, plant and equipment decreased to R67,5 million from the February 2019 year-end amount of R70,4 million due to the following:

- the additions to plant and equipment of R0,4 million;
- the additions to motor vehicles of R0,5 million;
- the additions to furniture and fittings of R0,1 million;
- the disposal of motor vehicles of R0,1 million; and
- depreciation of R3,8 million.

CORPORATE GOVERNANCE

The directors endorse and accept full responsibility for the application of the principles necessary to ensure that effective corporate governance is practiced consistently throughout the Group. Brikor is committed to the principles of openness, integrity and accountability to all stakeholders and the Board of Directors accepts its duty to ensure that the principles and practices (as applicable to Brikor), set out in the King Report of Corporate Governance for South Africa – 2016 (King IV™), are implemented on an apply and explain basis.

EVENTS AFTER THE REPORTING DATE

Changes to the Board of Directors

At the Annual General Meeting held on 9 October 2019 and as announced on SENS on 10 October 2019, shareholders resolved to not re-appoint Mr Peter Moyanga (Lead Independent Director) and Mr Collen Madolo (Independent Non-Executive Director) and Ms Laura Craig's appointment as Financial Director by the Board was not ratified by shareholders.

With the Board changes indicated above, the Brikor Board now comprises four directors of whom one is executive, one is a non-executive and two are independent non-executives. In terms of Brikor's Memorandum of Incorporation, a properly constituted Board comprises four directors. Even though the Board is properly constituted, additional appointments will be made, as requested by shareholders and to ensure the required spread of directors to properly constitute Board Committees, most notably the Audit and Risk Committee.

The Brikor Board is engaging with the major shareholders to assist in the appointment of new directors and thanks Mr Peter Moyanga and Mr Collen Madolo for their valuable contributions during their tenure. Ms Laura Craig will remain as Group Chief Financial Officer and the Board is considering the appointment of a Financial Director, as required by the JSE Listings Requirements.

Appointment of auditors

At the Annual General Meeting held on 9 October 2019 and as announced on SENS on 10 October 2019, shareholders resolved to not re-appoint KPMG Inc as external auditors, with Mr Riegert Stoltz as the designated audit partner. Once the new Board appointments have been made, the process for the appointment of new auditors will commence.

PROSPECTS

As the Group continuously and consistently reduces its debts with the South African Revenue Service and related parties in order to cement the statement of financial position into a secure solvent and liquid position, the Brikor Board is looking for future investment opportunities to grow the Group's foothold in the relevant markets it trades in.

DIVIDEND

No dividend has been declared for the six months ended 31 August 2019.

ABRIDGED UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 August 2019

	Notes	Unaudited 31 August 2019 R'000	Unaudited 31 August 2018 R'000	Audited 28 February 2019 R'000
ASSETS				
Non-current assets		**118 077**	118 608	123 357
Property, plant and equipment		**67 491**	68 062	70 402
Intangible assets		**3 904**	4 480	4 176
Other financial assets		**20 963**	21 390	21 942
Deferred tax asset		**25 719**	24 676	26 837
Current assets		**95 801**	93 372	82 382
Inventories		**47 819**	46 207	44 098
Trade and other receivables		**35 530**	34 329	27 176
Cash and cash equivalents		**10 968**	12 836	7 306
Taxation		**1 484**	–	3 802
Assets held-for-sale	2	**4 302**	4 108	4 222
Total assets		**218 180**	216 088	209 961
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company		**78 432**	66 230	66 998
Stated capital		**228 242**	228 242	228 242
Accumulated loss		**(149 810)**	(162 012)	(161 244)
Total liabilities		**139 748**	149 858	142 963
Non-current liabilities		**79 077**	82 870	77 711
Shareholders' loans		**16 078**	24 062	16 296
Provisions		**58 738**	55 560	55 382
Deferred tax liability		**4 261**	3 248	6 033
Current liabilities		**58 569**	64 533	61 786
Borrowings		**–**	2 419	–
Shareholders' loans		**2 738**	–	6 372
Trade and other payables		**46 399**	58 558	49 758
Taxation		**5 806**	3 556	5 656
Bank overdraft		**3 626**	–	–
Liabilities held-for-sale		**2 102**	2 455	3 466
Total equity and liabilities		**218 180**	216 088	209 961

ABRIDGED UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 31 August 2019

	Notes	**Unaudited 6 months ended 31 August 2019 R'000**	Unaudited 6 months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
Revenue		**166 051**	153 641	284 894
Cost of sales		**(121 853)**	(121 204)	(226 858)
Gross profit		**44 198**	32 437	58 036
Other income		**3 709**	3 100	6 076
Administrative expenses		**(20 919)**	(20 074)	(37 215)
Distribution expenses		**(3 525)**	(3 906)	(6 751)
Other expenses		**(4 373)**	(3 078)	(7 601)
Operating profit before interest and taxation		**19 090**	8 479	12 545
Finance income		**306**	338	777
Finance costs		**(2 840)**	(3 859)	(6 955)
Profit before taxation		**16 556**	4 958	6 367
Taxation		**(5 122)**	(2 861)	(2 735)
Profit after taxation		**11 434**	2 097	3 632
Profit from discontinued operations	2	**–**	369	450
Profit from disposal of discontinued operations	2	**–**	5 105	4 257
Total comprehensive income for the period attributable to owners of the Company		**11 434**	7 571	8 339

	Notes	**Cents**	Cents	Cents
EARNINGS PER SHARE	3			
Basic and diluted				
Continuing operations		**1,8**	0,3	0,6
Discontinued operations		**–**	0,9	0,7
Basic		**1,8**	1,2	1,3
Headline and diluted headline earnings per share				
Continuing operations		**1,5**	0,3	0,6
Discontinued operations		**–**	0,1	0,1
Diluted		**1,5**	0,4	0,7

ABRIDGED UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 August 2019

	Unaudited 6 months ended 31 August 2019 R'000	Unaudited 6 months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
Stated capital	**244 142**	244 142	244 142
Treasury shares	**(15 900)**	(15 900)	(15 900)
Accumulated loss at the beginning of the period	**(161 244)**	(169 583)	(169 583)
Profit for the period	**11 434**	7 571	8 339
Total	**78 432**	66 230	66 998

ABRIDGED UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 August 2019

	Unaudited 6 months ended 31 August 2019 R'000	Restated * Unaudited 6 months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
Cash flows from/(to) operating activities	**4 570**	(14 454)	(15 408)
Cash generated from/(utilised by) operations	**8 469**	(8 345)	(5 951)
Finance income	**301**	891	1 226
Finance costs	**(762)**	(288)	(2 891)
Tax paid	**(3 438)**	(6 712)	(7 792)
Cash flows (to)/from investing activities	**(881)**	21 212	16 931
Additions to property, plant and equipment	**(1 048)**	(3 087)	(5 229)
Proceeds on disposal of property, plant and equipment	**137**	1 041	1 299
Proceeds on disposal of assets and liabilities held-for-sale	**30**	–	–
Proceeds on disposal of business	**–**	24 770	23 640
Increase in other financial assets	**–**	(1 512)	(2 779)
Cash flows to financing activities	**(3 653)**	(5 170)	(5 465)
Borrowings repaid	**(3 653)**	(5 170)	(5 465)
Net increase/(decrease) in cash and cash equivalents	**36**	1 588	(3 942)
Cash and equivalents at beginning of period	**7 306**	11 248	11 248
Cash and cash equivalents at end of period (net of bank overdraft)	**7 342**	12 836	7 306

** Refer to Note 11 for the restatement of the cash flow results*

SEGMENT REVENUE AND RESULTS

The following is an analysis of the Group's revenue and results from operations by reportable segments.

Segment profit reconciliation

	Bricks R'000	Coal R'000	Other # R'000	Total R'000
SIX MONTHS ENDED 31 AUGUST 2019 – UNAUDITED				
Total revenue	**89 103**	**91 151**	**–**	**180 254**
Intersegment revenue	**–**	**(14 203)**	**–**	**(14 203)**
Reportable segment revenue	**89 103**	**76 948**	**–**	**166 051**
– Clay products	**77 302**	**1 978**	**–**	**79 280**
– Coal	**–**	**72 376**	**–**	**72 376**
– Transportation services and ancillary products	**11 801**	**2 594**	**–**	**14 395**
Gross profit	**16 348**	**27 850**	**–**	**44 198**
Other income	**2 114**	**1 595**	**–**	**3 709**
Operating profit before interest and taxation	**5 510**	**13 580**	**–**	**19 090**
Segment assets and liabilities				
Segment assets	**92 187**	**81 996**	**43 997**	**218 180**
Segment liabilities	**(54 052)**	**(50 826)**	**(34 870)**	**(139 748)**
Other segment information				
Depreciation and amortisation included in cost of sales and operating expenditure	**(1 454)**	**(2 630)**	**–**	**(4 084)**
Additions to non-current assets	**475**	**573**	**–**	**1 048**
SIX MONTHS ENDED 31 AUGUST 2018 – UNAUDITED				
Total revenue	88 942	79 418	–	168 360
Intersegment revenue	–	(14 719)	–	(14 719)
Reportable segment revenue	88 942	64 699	–	153 641
– Clay products	76 818	1 649	–	78 467
– Coal	–	60 928	–	60 928
– Transportation services and ancillary products	12 124	2 122	–	14 246
Gross profit	15 294	17 143	–	32 437
Other income	654	2 446	–	3 100
Operating profit before interest and taxation	1 327	7 152	–	8 479
Segment assets and liabilities				
Segment assets	90 907	82 254	42 927	216 088
Segment liabilities	(49 558)	(66 455)	(33 845)	(149 858)
Other segment information				
Depreciation and amortisation included in cost of sales and operating expenditure	(2 680)	(5 076)	–	(7 756)
Additions to non-current assets	2 360	727	–	3 087

Other segment relates to non-segment-specific cash and liabilities as detailed on page 7.

SEGMENT REVENUE AND RESULTS

(continued)

	Bricks R'000	Coal R'000	Other # R'000	Total R'000
YEAR ENDED 28 FEBRUARY 2019 – AUDITED				
Total revenue	161 785	141 249	–	303 034
Intersegment revenue	–	(18 140)	–	(18 140)
Reportable segment revenue	161 785	123 109	–	284 894
– Clay products	140 997	2 684	–	143 681
– Coal	–	116 232	–	116 232
– Transportation services and ancillary products	20 788	4 193	–	24 981
Gross profit	23 168	34 868	–	58 036
Other income	1 980	4 096	–	6 076
Operating profit before interest and taxation	(365)	12 910	–	12 545
Segment assets and liabilities				
Segment assets	90 718	75 552	43 691	209 961
Segment liabilities	(52 285)	(52 500)	(38 178)	(142 963)
Other segment information				
Depreciation and amortisation included in cost of sales and operating expenditure	(4 936)	(8 379)	–	(13 315)
Additions to non-current assets	2 760	2 469	–	5 229

Other segment relates to non-segment-specific cash and liabilities as detailed below.

Factors used to identify segments are based on geographic location and divisional structuring; this is also how the Group reports financial results to the chief operating decision-maker on a monthly basis.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit represents the profit earned by each segment without allocation of finance costs and income tax expense. This is the measure reported to the chief operating decision-maker for the purposes of assessment of segment performance.

Reportable segment revenue relates to external customers only. Revenue is derived solely from South African customers.

Other assets and liabilities

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than assets held-for-sale, tax assets, deferred tax assets and cash and cash equivalents.
- all liabilities are allocated to reportable segments other than general borrowings, shareholders' loans, deferred taxation, taxation, bank overdraft and liabilities held-for-sale.

NOTES TO THE ABRIDGED UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2019

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The abridged unaudited condensed consolidated interim financial statements for the six months ended 31 August 2019 are prepared in accordance with the requirements of the JSE Listings Requirements for interim reports and the requirements of the Companies Act of South Africa. The Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of *International Financial Reporting Standards (IFRS)* and the *SAICA Financial Reporting Guides* as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by *IAS 34 Financial Reporting*.

The accounting policies applied in the preparation of the abridged unaudited condensed consolidated interim financial statements are in terms of IFRS and are consistent with those applied for the previous consolidated annual financial statements.

The results are presented in Rand rounded to the nearest thousand (R'000), unless otherwise indicated.

2. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATION

Assets and liabilities classified as held-for-sale

On 20 September 2016 and 17 November 2016, the Group committed to sell two of its properties, namely the Rayton property situated at Portion 31 of Witfontein NO.510 – JR District Bronkhorstspruit "Rayton" and the Nigel Schist property situated at Portion 58 of the Farm Vrisgewaag 510IR "Schist", respectively.

Rayton property

The offer amounting to R2,2 million, which is inclusive of the transfer of the environmental restoration obligation, was accepted and signed by the Company on 17 April 2017. For the six-month period ended 31 August 2019, the environmental provision of this property continued to unwind. Accordingly, in order to realign the property to its recoverable amount, R0,9 million (August 2018: R0,7 million) of the previous impairment was reversed.

The non-recurring fair value determination of the non-current assets held-for-sale of R2,2 million has been classified as a level 2 fair value. Valuation was determined by the contractual amount of the offer received in the open market.

The sale is subject to the approval in terms of section 11(1) of the Mineral and Petroleum Resources Development Act, no 28 of 2008, being granted by the minister in respect of the cession and transfer of the mining right to the purchaser.

A further arrangement was entered into with the purchaser to extend the original agreement up to 28 February 2020, in order to allow for the section 11(1) transfer to be finalised by the Department of Mineral Resources.

Schist property

Management secured the sale of this property on 10 July 2019 for R0,03 million, along with a Section 41 closure application which was received on 6 September 2019. As a result of the closure application, a profit of R1,5 million was realised on this property. This profit was achieved due to the environmental restoration provision flushing out into the statement of comprehensive income of the same amount.

The non-recurring fair value of the non-current assets held-for-sale has been classified as a level 2 fair value.

2. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATION (continued)

Cumulative income or (expenses) included in profit/(loss) and other comprehensive income for held-for-sale

	Rayton property R'000	Schist property R'000	Total R'000
SIX MONTHS ENDED 31 AUGUST 2019 – UNAUDITED			
Impairment reversal	**93**	**–**	**93**
Net finance costs	**(93)**	**–**	**(93)**
Profit/(loss) from non-current assets and liabilities held-for-sale	**–**	**–**	**–**
SIX MONTHS ENDED 31 AUGUST 2018 – UNAUDITED			
Impairment reversal	74	–	74
Net financing cost	(74)	–	(74)
Profit/(loss) from non-current assets and liabilities held-for-sale	–	–	–
YEAR ENDED 28 FEBRUARY 2019 – AUDITED			
Change in estimate for environmental rehabilitation provision	(39)	(897)	(936)
Impairment reversal	188	–	188
Net finance costs	(149)	–	(149)
Loss from non-current assets and liabilities held-for-sale	–	(897)	(897)

Discontinued operation classified as held-for-sale

Donkerhoek Quarries

The final agreement for the sale of Donkerhoek business was signed on 27 October 2017 with conditions precedent, including shareholder approval subsequent to the release of the required category 1 circular. The category 1 circular was posted and the notice of general meeting was issued on SENS on 14 March 2018. The general meeting in terms of the disposal was held at 1 Marievale Road, Vorsterskroon, Nigel, 1490 on 17 April 2018, and the disposal of the Donkerhoek business was approved by a quorum of shareholders present.

The final purchase consideration amounted to R44,8 million, of which R20,4 million was in lieu of plant and equipment; R10,0 million in lieu of property; R7,2 million in lieu of inventory; and R7,2 million in terms of the disposal of the shares. R1,2 million disposal costs were incurred, leaving the amount of R43,6 million net proceeds.

Recognition dates in terms of the sale were as follows:

- 17 April 2018 – sale of plant and equipment and inventory upon general meeting approval;
- May 2018 – sale of shares upon transfer of secretarial documents and share certificates; and
- 10 August 2018 – sale of property upon transfer of the properties at the deeds office.

The fair value of the Donkerhoek business has been classified as a level 2 fair value. The market comparison technique was used for the fair value of the Donkerhoek business.

2. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATION (continued)

The table below analyses the results relating to the discontinued operations:

Donkerhoek Quarries	Unaudited 6 months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
Revenue and other income	–	401
Expenses	(515)	(579)
Net finance income	578	578
Profit before taxation	63	400
Taxation	306	50
Profit from discontinued operations	369	450

Assets and liabilities held-for-sale

At 31 August 2019, the assets held-for-sale were stated at fair value less cost to sell and comprised the following:

	Rayton property R'000	Total R'000
SIX MONTHS ENDED 31 AUGUST 2019 – UNAUDITED		
Assets held-for-sale		
Property, plant and equipment	**4 302**	**4 302**
Non-current assets held-for-sale	**4 302**	**4 302**
Liabilities held-for-sale		
Environmental rehabilitation provision	**2 102**	**2 102**
Non-current liabilities held-for-sale	**2 102**	**2 102**

At 31 August 2018, the assets held-for-sale were stated at fair value less cost to sell and comprised the following:

	Rayton property R'000	Schist property R'000	Total R'000
SIX MONTHS ENDED 31 AUGUST 2018 – UNAUDITED			
Assets held-for-sale			
Property, plant and equipment	4 095	13	4 108
Non-current assets held-for-sale	4 095	13	4 108
Liabilities held-for-sale			
Environmental rehabilitation provision	1 895	560	2 455
Non-current liabilities held-for-sale	1 895	560	2 455

2. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATION (continued)

At 28 February 2019, the assets held-for-sale were stated at fair value less cost to sell and comprised the following:

	Rayton property R'000	Schist property R'000	Total R'000
YEAR ENDED 28 FEBRUARY 2019 – AUDITED			
Assets held-for-sale			
Property, plant and equipment	4 209	13	4 222
Non-current assets held-for-sale	4 209	13	4 222
Liabilities held-for-sale			
Environmental rehabilitation provision	2 009	1 457	3 466
Non-current liabilities held-for-sale	2 009	1 457	3 466

The following table summarises the assets and liabilities of the Schist property that were sold during the six-month period ended 31 August 2019:

Schist property	**Unaudited 6 months ended 31 August 2019 R'000**
Proceeds on disposal of held-for-sale assets and liabilities	**30**
Net proceeds	**30**
ASSETS	
Non-current assets	**13**
– Property, plant and equipment	**13**
Total assets	**13**
LIABILITIES	
Non-current liabilities	**(1 457)**
– Environmental rehabilitation provision	**(1 457)**
Total liabilities	**(1 457)**
Add: net liability value of Schist property	**1 444**
Profit on disposal of discontinued operation before taxation	**1 474**
Less: taxation	**412**
Profit on disposal of discontinued operation (net of taxation)	**1 062**

2. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATION (continued)

The following table summarises the assets and liabilities of the Donkerhoek business that were sold:

Donkerhoek Quarries	Unaudited 6 months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
Proceeds on disposal of discontinued operations	44 770	44 855
Less: disposal cost	–	(1 215)
Net proceeds	44 770	43 640
ASSETS		
Non-current assets	33 444	33 444
– Property, plant and equipment	28 370	28 370
– Intangible assets	5 074	5 074
Current assets	7 233	7 207
Inventory	7 233	7 207
Total assets	40 677	40 651
LIABILITIES		
Non-current liabilities	(5 662)	(5 662)
– Environmental rehabilitation provision	(5 662)	(5 662)
Current liabilities	(374)	(374)
– Trade and other payables	(374)	(374)
Total liabilities	(6 036)	(6 036)
Less: net asset value of Donkerhoek business	34 641	34 615
Profit on disposal of discontinued operation before taxation	10 129	9 025
Less: taxation	5 024	4 768
Profit on disposal of discontinued operation	5 105	4 257

The table below analyses the results relating to the discontinued operations:

Donkerhoek Quarries	Unaudited 6 months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
Cash flows from operating activities	63	465
Cash flows from investing activities*	24 770	23 640
Net cash flows	24 833	24 105

2. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE AND DISCONTINUED OPERATION (continued)

* Reconciliation of net cash flow from investing activities:

	Unaudited 6 months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
Net proceeds	44 770	43 640
Direct transfer to shareholder's loans	(20 000)	(20 000)
Net cash flow from investing activities	24 770	23 640

3. EARNINGS PER SHARE

The calculations for earnings per share attributable to the ordinary equity holders are based on the following:

Reconciliation between basic earnings and headline earnings as well as diluted earnings

	Continuing operations R'000	Total R'000
SIX MONTHS ENDED 31 AUGUST 2019 – UNAUDITED		
Basic and diluted profit	**11 434**	**11 434**
Profit on disposal of property, plant and equipment	**(189)**	**(189)**
Profit on disposal of assets and liabilities held-for-sale	**(1 474)**	**(1 474)**
Impairment reversal of assets	**(93)**	**(93)**
Headline and diluted profit	**9 678**	**9 678**

	Continuing operations R'000	Discontinued operations R'000	Total R'000
SIX MONTHS ENDED 31 AUGUST 2018 – UNAUDITED			
Basic and diluted profit	2 097	5 474	7 571
Loss on disposal of property, plant and equipment	123	–	123
Profit on disposal of discontinued operation	–	(5 105)	(5 105)
Impairment reversal of assets	(74)	–	(74)
Headline and diluted profit	2 146	369	2 515

for the six months ended 31 August 2019

3. EARNINGS PER SHARE (continued)

	Continuing operations R'000	Discontinued operations R'000	Total R'000
YEAR ENDED 28 FEBRUARY 2019 – AUDITED			
Basic and diluted profit	3 632	4 707	8 339
Profit on disposal of discontinued operation	–	(4 257)	(4 257)
Loss on disposal of property, plant and equipment	171	–	171
Loss on scrapping of property, plant and equipment	401	–	401
Impairment/(reversal) of assets	(188)	–	(188)
Headline and diluted profit	4 016	450	4 466

Number of shares

	Unaudited 6 months ended 31 August 2019 '000	Unaudited 6 months ended 31 August 2018 '000	Audited year ended 28 February 2019 '000
Weighted average number of shares	**629 342**	629 342	629 342
Diluted weighted average number of shares	**629 342**	629 342	629 342

4. RELATED PARTIES

Relationships	Related Director
Entities controlled/significantly influenced by director	
Cyndara 113 (Pty) Ltd	G Parkin
Scarlett Sun 33 (Pty) Ltd	G Parkin
Galiya (Pty) Ltd	G Parkin
Nigel Brick and Clay (Pty) Ltd	G Parkin
Elgar Share Trust	G Parkin

for the six months ended 31 August 2019

4. RELATED PARTIES (continued)

	Nature of goods and services purchased or sold	Unaudited 6 months ended 31 August 2019 R'000	Unaudited 6 months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
RELATED PARTY BALANCES				
Loan accounts – owing (to)/by related parties				
Estate late: GvN Parkin				
Shareholder loan – loan 1	Unsecured, interest 7,59% p.a, monthly repayments of R0,4 million	**(16 620)**	(20 237)	(18 875)
Shareholder loan – loan 2	Unsecured, interest 12% p.a, no fixed repayment terms	**–**	–	–
Shareholder loan – loan 3	Unsecured, interest free, monthly repayments of R0,2 million	**(822)**	(2 234)	(2 202)
G Parkin				
Shareholder loan	Unsecured, interest free	**(1 374)**	(1 591)	(1 591)
Amounts included in trade receivables and (trade payables)				
Scarlett Sun 33 (Pty) Ltd	Machinery parts and consumables	**–**	34	26
Scarlett Sun 33 (Pty) Ltd	Surface rights	**(421)**	(7 107)	(451)
Nigel Brick and Clay (Pty) Ltd	Coal and clay	**2 359**	2 226	1 252
Nigel Brick and Clay (Pty) Ltd	Bricks	**(24)**	–	28
Nigel Brick and Clay (Pty) Ltd	Bricks	**7**	(5 814)	–
Galiya (Pty) Ltd	Transport	**–**	48	–
Galiya (Pty) Ltd	Transport	**(2)**	(81)	3
AP van der Merwe	Consultancy fees	**(59)**	(48)	(47)
Cyndara	Engineering	**(97)**	(97)	(97)
Kaslam Magazine	Advertising	**–**	(5)	–
Amounts included in borrowings regarding related parties				
Scarlett Sun 33 (Pty) Ltd	Interest at prime plus 1%	**–**	(1 351)	–
Related party transactions				
Interest paid				
G v N Parkin (loan 1)		**(677)**	(1 169)	(1 903)
G v N Parkin (loan 2)		**–**	(183)	(183)
Consultancy fees				
AP van der Merwe		**(298)**	(262)	(520)

NOTES TO THE ABRIDGED UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(continued)

for the six months ended 31 August 2019

4. RELATED PARTIES (continued)

	Nature of goods and services purchased or sold	Unaudited 6 months ended 31 August 2019 R'000	Unaudited 6 months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
Purchases from related parties				
Scarlett Sun 33 (Pty) Ltd	Surface rights	**(2 227)**	(2 594)	(5 058)
Scarlett Sun 33 (Pty) Ltd	Machinery parts	**–**	(234)	(151)
Galiya (Pty) Ltd	Transport	**(13)**	(430)	(604)
Nigel Brick and Clay (Pty) Ltd	Bricks	**(10)**	(15 325)	(12 149)
Kaslam Magazine	Advertising	**–**	(35)	(55)
Sales to related parties				
Nigel Brick and Clay (Pty) Ltd	Coal and clay	**5 362**	4 896	8 411
Nigel Brick and Clay (Pty) Ltd	Diesel and maintenance	**-**	613	611
Scarlett Sun 33 (Pty) Ltd	Diesel and maintenance	**3**	737	8
Galiya (Pty) Ltd	Transport	**3**	255	398

5. SUBSEQUENT EVENTS

Management is not aware of any material events, other than as outlined in the Commentary, which occurred subsequent to 31 August 2019 and which need adjustment or disclosure.

6. GOING CONCERN

The directors have prepared their budgets and cash flow forecasts for the year ahead based on reasonable and supportable assumptions.

The cash flow forecasts and current management results indicate that the Company and its subsidiaries will operate as going concerns for the foreseeable future.

7. OTHER LEGAL AND REGULATORY REQUIREMENTS

On 16 May 2019, the auditors reported reportable irregularities to the Independent Regulatory Board of Auditors in respect on non-compliance with the Income Tax Act, No 58 of 1962 and the Companies Act, No 71 of 2008 of South Africa. The particulars of the reportable irregularities relate to the following instances:

- non-submission of annual tax returns, as required by the Income Tax Act, No 58 of 1962; and
- non-compliance with Section 30 of the Companies Act of South Africa in terms of preparing and approving of annual financial statements within six months after the end of its financial year.

The directors are aware of the above and are in the process of taking corrective steps, particularly since the provisional liquidation of Brikor has been lifted to ensure that the relevant non-compliances are adequately addressed. Full provision has been made in the unaudited condensed consolidated interim financial statements for any related amounts due. All provisional income tax returns have been submitted and paid as at the date of signature of the report.

7. OTHER LEGAL AND REGULATORY REQUIREMENTS (continued)

Since 31 August 2018, the Group has finalised the following statutory individual annual financial statements and submitted the following tax returns:

Ilangabi Investments 12 (Pty) Ltd: 2017

Holding company: 2013, 2014, 2015, 2016 and 2017

The remaining outstanding individual statutory annual financial statements and tax returns are as follows:

Ilangabi Investments 12 (Pty) Ltd: 2018 and 2019

Holding company: 2018 and 2019

8. SALIENT FEATURES

	Unaudited 6 months ended 31 August 2019	Unaudited 6 months ended 31 August 2018	Audited year ended 28 February 2019
Number of shares in issue (excluding treasury shares) ('000)	**629 342**	629 342	629 342
Net asset value per share (cents)	**12,5**	10,5	10,6
Net tangible asset value per share (cents)	**7,8**	5,9	5,7
Impairment reversals – continuing operations (R'000)	**74**	93	188
Employee cost (R'000)	**(49 914)**	(48 665)	(94 726)

Net asset value per share is determined by dividing the total equity by the actual number of shares in issue at reporting date.

Net tangible asset value per share is determined by dividing the total equity less intangible assets by the actual number of shares in issue at reporting date.

Reconciliation of EBITDA – continuing operations

	Unaudited 6 months ended 31 August 2019 R'000	Unaudited 6 months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
Operating profit before interest and taxation	**19 090**	8 479	12 545
Depreciation – cost of sales	**3 381**	7 048	11 811
Depreciation – other expenses	**432**	404	896
Amortisation – cost of sales	**271**	304	608
Impairment reversals	**(93)**	(74)	(188)
	23 081	16 161	25 672

8. SALIENT FEATURES (continued)

Solvency and liquidity

	Unaudited 6 months ended 31 August 2019 R'000	Unaudited 6 months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
STATEMENT OF FINANCIAL POSITION EXTRACTS			
Current assets			
– Inventory	**47 819**	46 207	44 098
– Trade and other receivables	**35 530**	34 329	27 176
– Cash and cash equivalents	**835**	4 619	2 782
Cash and cash equivalents	**10 968**	12 836	7 306
Less: Restricted cash	**(6 507)**	(8 217)	(4 524)
Overdraft	**(3 626)**	–	–
Taxation	**1 484**	–	3 802
Total current assets	**85 668**	85 155	77 858
Total current assets less inventory	**37 849**	38 948	33 760
Current liabilities			
– Borrowings	**–**	2 719	–
– Shareholders' loans	**2 738**	–	6 372
– Trade and other payables	**46 399**	58 558	49 758
– Taxation	**5 806**	3 556	5 656
Total current liabilities	**54 943**	64 833	61 786
Current assets ratio	**1,6**	1,3	1,3
Acid test ratio	**0,7**	0,6	0,5

9. DIRECTORS' EMOLUMENTS

	Unaudited 6 months ended 31 August 2019 R'000	Unaudited 6 months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
Executive			
Short-term benefits	**2 706**	2 563	4 895
Post-employment benefits	**134**	110	236
	2 840	2 673	5 131
Non-executive			
Short-term benefits	**840**	860	1 768

10. FAIR VALUE

When measuring the fair value of an asset or a liability, the group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Measurement of fair values

Assets-held-for sale (Level 2):

The market comparison technique was used for determining the fair value of the assets held-for-sale. The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated cost to sell (refer note 2 for detail).

11. RESTATEMENT OF CASH FLOW RESULTS

The cash flow statement for the period ended 31 August 2018 has been restated due to reclassification of proceeds from the disposal of the discontinued operation being transferred directly to the Estate late GvN Parkin attorneys' trust account. This has been done in order to better reflect actual cash flows in and out of the Group.

The effect of the restatement when applied consistently in the period ended 31 August 2018 had the following impact on the statement of cash flows:

	Previously reported R'000	Adjustment R'000	Restated R'000
Reclassification of proceeds			
Cash flows to investing activities	41 212	(20 000)	21 212
Cash flows to financing activities	(25 170)	20 000	(5 170)

The restatement had no effect on earnings per share, headline earnings per share, net asset value per share or tangible net asset value per share.

By order of the Board

Allan Pellow
Chairman of the Board

Garnett Parkin
Chief Executive Officer

21 October 2019

CORPORATE INFORMATION

DIRECTORS:

A Pellow (Chairman)^; G Parkin (CEO); AP van der Merwe*; M Mokate^

** Non-executive* *^ Independent non-executive*

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COMPANY SECRETARY:

Fusion Corporate Secretarial Services (Pty) Ltd

TRANSFER SECRETARIES:

Computershare Investor Services (Pty) Ltd

AUDITORS:

Currently vacant

DESIGNATED ADVISER:

Exchange Sponsors (2008) (Pty) Ltd

These results and an overview of Brikor are available at www.brikor.co.za