BRIKOR LIMITED

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

ABRIDGED AUDITED CONSOLIDATED FINANCIAL RESULTS

for the year ended
29 February 2020

THE SPIRIT OF BRICKMAKING

PREPARED BY:

The summarised abridged audited consolidated financial results ("abridged financial results" or "results") for the year ended 29 February 2020 were prepared by Ms Laura Craig CA(SA), Chief Financial Officer, under supervision of Ms Joaret Botha CA(SA), Financial Director.

FINANCIAL HIGHLIGHTS

REVENUE increased by **2,7%** to R292,7 million

TOTAL EQUITY increased by **2,3%** to R68,5 million

NET ASSET VALUE PER SHARE increased by **2,8%** to 10,9 cents per share

TANGIBLE NET ASSET VALUE PER SHARE increased by **3,5%** to 5,9 cents per share

The abridged financial results are extracted from audited information but is not itself audited. The directors take full responsibility for the preparation of the abridged financial results and the correct extraction of the financial information included herein from the underlying annual financial statements.

The financial statements were audited by Nexia SAB&T., and the unmodified audit report thereon is available for inspection at the Company's registered office.

COMMENTARY

OVERVIEW

The Group's overall financial indicators mirror the constraints experienced in the current economic climate.

Challenging market conditions in the building and construction sector continued to put strain on selling prices in the Bricks segment, with the segment also experiencing a change in demand of product range, mixed with lower gross profit yielding product prevailing. The combination of operational challenges in the first quarter of the reporting period and increased price competition in the market resulted in the revenue derived from the Bricks segment being in line with the previous financial year. The increased supply of the Coal segment's product range yielded higher prices, resulting in improved revenue for the Group. The Coal segment showed an increase in revenue of 6,8%, with the Bricks segment decreasing revenue marginally by 0,4%, mainly attributable to pressure imposed by the market on selling prices.

The competitive operating environment continued to drive selling prices downward, placing pressure on gross profit margins. Gross profit increased mainly as a result of improved production efficiencies through the use of mobile equipment rentals compared to own equipment, and the resultant impact on the cost of production in the Coal segment. The use of mobile equipment rentals resulted directly in cost savings relating to diesel, repairs and maintenance, and labour cost.

Spend on Broad-Based Black Economic Empowerment targets set by the Group amounted to R5,9 million (F2019: R5,4 million), an increase of 9,3%, further impacting the bottom line. The spend related primarily to supplier development and socio-economic development initiatives. Spend on enterprise development increased to R3,2 million (F2019: R2,8 million), mainly due to the agreement having been in place for the full financial year.

Additional spend as a result of pending court cases significantly impacted the operating profits of the Group with an additional R3,8 million accrued for in respect of expected legal and advisory fees.

The Group's overall financial indicators evidenced the continued endeavours by management to cement a sustainable operating platform for the Group through ongoing settlement of liabilities and consistent management of the Group's working capital.

FINANCIAL OVERVIEW

The Group reports positive financial performance in a year challenged by economic recession. Revenue increased by 2,7% to R292,7 million (F2019: R284,9 million), driven by revenue increases in the Coal segment. Gross profit increased by 7,7% to R62,5 million (F2019: R58,0 million), mainly as a result of improved efficiencies and the impact of the mobile equipment rentals on cost of production in the Coal segment. The use of mobile equipment rentals resulted in direct cost savings relating to diesel, repairs and maintenance, and labour costs. Operating profit before interest and taxation decreased by 32,5% to R8,5 million (F2019: R12,5 million). This decrease is mostly as a result of increased spend on legal and advisory fees as well as the implementation of carbon taxes. The increase in administrative costs was largely as a result of obtaining the water use licenses for the Group. Operating expenses increased primarily due to the scrapping of old assets as well as increased legal and advisory fees.

Revenue

Revenue decreased by 0,4% in the Bricks segment to R161,2 million (F2019: R161,8 million), mainly due to the economic downturn in the construction industry, with the sales mix change resulting in plaster bricks being more in demand than semi-face bricks. The combination of operational challenges in the first quarter of the financial year, heavy rainfall during the last quarter and increased price competition in the market resulted in the revenue derived from the Bricks segment marginally decreasing in comparison to the previous financial year. Revenue increased by 6,8% to R131,5 million (F2019: R123,1 million) in the Coal segment. The increased revenue was a direct result of production efficiencies in the Coal segment as a result of the use of mobile equipment rental, which contributed to increased yields.

Gross profit

Gross profit increased by 7,7% to R62,5 million (F2019: R58,0 million). Gross profit increased mainly as a result of improved production efficiencies and the impact of mobile equipment rentals on the cost of production for the Coal segment. The use of mobile equipment rentals resulted in direct cost savings relating to diesel, repairs and maintenance, and labour cost. Increased price competition in the market as well as additional costs of R2,8 million relating to carbon taxes, not applicable in the previous financial year, added additional strain on the gross profit.

Commentary

continued

Operating profit before interest and taxation

Operating profit before interest and taxation decreased by 32,5% to R8,5 million (F2019: R12,5 million). This change is mainly as a result of increased spend on legal and advisory fees of R3,8 million relating to the pending court cases, an increase of R2,8 million on carbon taxes as well as scrapping of assets to the value of R0,9 million.

Earnings per share and headline earnings per share

Earnings per share decreased by 84,6% to 0,2 cents per share (F2019: 1,3 cents per share), mainly due to the decrease in profit for the reporting period as noted above. Headline earnings per share decreased by 85,7% to 0,1 cents per share (F2019: 0,7 cents per share), primarily due to the increased administrative and operating expenditure as a result of additional costs incurred in respect of legal and advisory fees, carbon taxes, consulting fees for the application of water use licences and scrapping of aged assets.

Net asset and tangible asset values

The Group continued to generate profits and invest in property, plant and equipment. This has resulted in an increase in net asset value per share of 2,8% to 10,9 cents per share (F2019: 10,6 cents per share), and an increase in net tangible asset value per share of 3,5% to 5,9 cents per share (F2019: 5,7 cents per share).

Capital expenditure

Major capital investments made by the Group during the reporting period comprised R1,3 million on major repairs for mobile plant in the Coal segment due to the expiration of their useful lives; R0,5 million on mobile equipment in the Bricks segment to improve efficiencies; R0,5 million on new motor vehicles in the Bricks segment due to motor vehicles reaching the end of their useful lives; and R0,5 million on furniture and fittings for the Bricks segment in respect of upgrades to computer equipment.

The Group is still committed to the moving of the Eskom power lines in order to ensure the sustainability of the mineral reserves and the Coal segment for the future.

GOING CONCERN

The 2020 financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that adequate cash is generated by operations and the necessary funds be available to finance future operations and that the realisation of the sale of assets, settlement of liabilities, contingent obligations and commitments occur in the ordinary course of business. The directors have prepared their budgets and cash flow forecast for the year ahead based on reasonable and supportable assumptions. The cash flow forecast, and current management results indicate that the Group will operate as a going concern for the foreseeable future.

SUBSEQUENT EVENTS

COVID-19 pandemic and lockdown

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic. Many governments are taking increasing stringent steps to help contain the spread of the virus, including self-isolation/quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. There has also been a significant increase in economic uncertainty, evidenced by more volatile asset prices, currency exchange rates and a significant decrease in long-term interest rates.

The South African economy was affected by the news of the first confirmed cases of the virus in the country early in March 2020 and this led to the President of the Republic of South Africa declaring a national disaster on 15 March 2020. The President made a further announcement on 23 March 2020 that the country will effectively be placed in a lockdown from midnight on 26 March 2020 until 16 April 2020, with only essential services permitted to operate during this time. On 9 April 2020, the President announced the extension of the lockdown period by an additional 14 days and a risk-adjusted strategy was announced with various different risk alert levels (alert levels 5 to 1), which the country would follow in the gradual relaxation of lockdown restrictions and return of economic activity.

The Group acted swiftly in ensuring that all the necessary protocols were put in place, as directed by government.

Commentary
continued

Appointment of Financial Director

As announced on SENS, and in compliance with paragraph 3.59 of the JSE Listings Requirements for a company to have a financial director, Ms Joaret Botha CA(SA) has been appointed as Financial Director of Brikor with effect from 29 June 2020.

Lifting of suspension and re-listing on the Alt^X of the Johannesburg Stock Exchange (JSE)

Subsequent to the reporting date, the Company met all the outstanding JSE Listings Requirements. The most important of these being the finalisation and submission of the statutory annual financial statements for the financial year ended 28 February 2019, of the subsidiary, Ilangabi Investments 12 (Pty) Ltd, and Brikor Company, to the JSE. On 29 June 2020, Ms Joaret Botha CA(SA) was appointed as Financial Director. Documentation pertaining to the lifting of the suspension of Brikor's listing has been submitted to the JSE and the JSE is in the process of considering the lifting of the suspension.

Other

Other than as disclosed above and in the notes to the abridged consolidated financial results, management is not aware of any material events which occurred subsequent to the year ended 29 February 2020 and which need adjustment or disclosure.

DIVIDEND

No dividend has been declared or paid during the reporting period.

CHANGES TO THE BOARD OF DIRECTORS

At the Annual General Meeting held on 9 October 2019, Mr Peter Moyanga and Mr Collen Madolo retired by rotation and were not re-elected by shareholders. These directors, therefore, retired with immediate effect on that date. We would like to thank Collen and Peter for their valuable contributions and mentorship to the Group during their tenure.

Ms Laura Craig's appointment as Financial Director was not ratified by shareholders at the Annual General Meeting held on 9 October 2019 and she was appointed as Chief Financial Officer.

Shareholders proposed the appointment of new directors and, after following due process and on recommendation of the Nomination Committee, the Board appointed four directors, being Mr Dries Ferreira (independent non-executive director), Mr Norman Hornby (non-executive director), Dr Tanya Hendry (non-executive director) and Mr Steve Naudé (independent non-executive director), to the Board with effect from 22 October 2020. We would like to welcome them to the Brikor family and look forward to their contributions.

On 29 June 2020, Ms Joaret Botha was appointed as Financial Director.

On 17 July 2020, Ms Mamsy Mokate was appointed as Lead Independent Director.

The Board of Directors now comprises nine directors of whom seven are non-executive with four being independent.

On 11 November 2019, the Board Committees were reconstituted as follows:

- Audit and Risk Committee
  - Mr Steve Naudé (Chairperson)
  - Mr Dries Ferreira
  - Ms Mamsy Mokate
- Remuneration Committee
  - Ms Mamsy Mokate (Chairperson)
  - Mr Norman Hornby
  - Mr Steve Naudé
- Nomination Committee
  - Mr Allan Pellow (Chairperson)
  - Mr Dries Ferreira
  - Dr Tanya Hendry
  - Mr Norman Hornby
  - Ms Mamsy Mokate
  - Mr Steve Naudé
  - Mr AP van der Merwe

Commentary
continued

- Social and Ethics Committee
  - Dr Tanya Hendry (Chairperson)
  - Mr Dries Ferreira
  - Mr AP van der Merwe

At the Board meeting held on 17 July, the Board appointed the following Committee:

- Investment Committee
  - Mr Steve Naudé
  - Mr Dries Ferreira
  - Dr Tanya Hendry
  - Mr Norman Hornby

As the Investment Committee is a newly constituted Committee, the Chairperson of this Committee will be appointed at the first meeting of the Committee and reporting on the role and responsibilities of this Committee as well as its performance against its set objectives will be contained in the 2021 Integrated Annual Report.

LITIGATION

As announced on SENS on 27 February 2020, shareholders were advised, in terms of section 3.93 of the JSE Listings Requirements, that the Company Secretary of Brikor received a letter and various further e-mail correspondence from Ms Elsie Parkin, a shareholder in Brikor, requesting a shareholders' meeting in terms of the Companies Act, no 71 of 2008 and Brikor's Memorandum of Incorporation.

Ms Elsie Parkin indicated that she holds more than 10% of the voting rights of Brikor and that she has been mandated by the following shareholders in the Company, namely the Elgar Share Trust, the Daniel Parkin Testamentary Trust and the Milan Rautenbach Testamentary Trust, to request a shareholders' meeting of Brikor.

The request for a shareholders' meeting is to consider the following matters:

- the removal of Mr Allan Pellow, Mr Garnett Parkin and Mr AP van der Merwe as directors of Brikor; and
- the appointment of Mr Norman Hornby, Dr Tanya Greeff (Hendry) and Mr Rod Mattheyse as directors of Brikor.

The request to call a shareholders meeting has for various reasons not been approved by the Independent Board of Brikor and, accordingly, the Company will, in accordance with the provisions of section 61(5) of the Companies Act, apply to court for an order setting aside the request for a shareholders' meeting on the grounds that the request is frivolous and/or otherwise vexatious.

Court proceedings have commenced in the High Court of South Africa, Gauteng division, under case number 11622/2020 and court dates are being awaited.

Shareholders will be kept up to date in this regard.

PROSPECTS AND OPPORTUNITIES

The Board of Directors remains positive about the potential which can be unlocked from the Group, given the consistent improvement of the statement of financial position, with the last major debts outstanding being those amounts owing to related parties.

A priority during the year ahead will be to continue strengthening Brikor's broad-based black economic empowerment status as well as exploring opportunities to expand production capacity and the sustainability of the Group's mineable reserves.

With a lower risk profile going forward, the Group is well positioned to unlock more opportunities in the mining and construction sectors and broaden its local footprint in the market.

Any forward-looking statements have neither been reviewed nor reported on by the Group's auditors, Nexia SAB&T.

MINERAL RESOURCES AND RESERVES

The Competent Person's Report was approved by the Johannesburg Stock Exchange on 14 July 2020. The full report is available on the Company's website www.brikor.co.za.

For and on behalf of the Board of Directors

Allan Pellow	**Garnett Parkin**	**Joaret Botha**
Independent Non-Executive Chairperson	*Chief Executive Officer*	*Financial Director*

Nigel
22 July 2020

ABRIDGED AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 29 February

	Note	GROUP 2020 R'000	GROUP 2019 R'000
ASSETS			
Non-current assets		117 750	123 357
Property, plant and equipment		65 260	70 402
Intangible assets		3 633	4 176
Restricted financial assets		21 166	21 942
Deferred tax asset		27 691	26 837
Current assets		84 536	82 382
Inventories		44 920	44 098
Trade and other receivables		31 112	27 176
Cash and cash equivalents		4 804	7 306
Taxation		3 700	3 802
Assets held-for-sale	4	4 377	4 222
Total assets		206 663	209 961
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company		68 536	66 998
Stated capital		228 242	228 242
Accumulated loss		(159 706)	(161 244)
Total liabilities		138 127	142 963
Non-current liabilities		76 499	77 711
Shareholders' loans		10 657	16 296
Provisions for environmental restoration	3	62 380	55 382
Deferred tax liability		3 462	6 033
Current liabilities		59 451	61 786
Shareholders' loans		5 421	6 372
Trade and other payables		47 235	49 758
Taxation		5 960	5 656
Bank overdraft		835	–
Liabilities directly associated with the assets held-for-sale	4	2 177	3 466
Total equity and liabilities		206 663	209 961

ABRIDGED AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 29 February

	Note	GROUP 2020 R'000	GROUP 2019 R'000
Continuing operations			
Revenue		292 682	284 894
Cost of sales		(230 151)	(226 858)
Gross profit		62 531	58 036
Other income		6 624	6 076
Administrative expenses		(40 203)	(37 215)
Distribution expenses		(7 033)	(6 751)
Other expenses		(13 456)	(7 601)
– Expenses		(13 624)	(7 789)
– Impairment reversals		168	188
Operating profit before interest and taxation		8 463	12 545
Finance income		860	777
Finance costs		(5 549)	(6 955)
Profit before taxation		3 774	6 367
Taxation		(2 236)	(2 735)
Profit after taxation from continuing operations		1 538	3 632
Discontinued operations			
Profit from discontinued operations net of taxation	4	–	450
Profit from disposal of discontinued operations net of taxation	4	–	4 257
Profit for the year		1 538	8 339
Other comprehensive income for the year net of taxation		–	–
Total comprehensive income for the year attributable to owners of the Company		1 538	8 339

EARNINGS PER SHARE	2	2020 cents	2019 cents
Basic			
Continuing operations		0,2	0,6
Discontinued operations		–	0,7
Total		0,2	1,3
Diluted			
Continuing operations		0,2	0,6
Discontinued operations		–	0,7
Total		0,2	1,3

ABRIDGED AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February

	Stated capital R'000	Treasury shares R'000	Accumu-lated loss R'000	Total equity R'000
GROUP				
Balance at 28 February 2018	244 142	(15 900)	(169 583)	58 659
Total comprehensive income for the year	–	–	8 339	8 339
Balance at 28 February 2019	244 142	(15 900)	(161 244)	66 998
Total comprehensive income for the year	–	–	1 538	1 538
Balance at 29 February 2020	244 142	(15 900)	(159 706)	68 536

ABRIDGED AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 29 February

	Note	GROUP 2020 R'000	GROUP 2019 R'000
Cash flows from/(to) operating activities		5 703	(15 408)
Cash generated from/(utilised by) operations		12 150	(5 951)
Finance income		461	1 226
Finance costs		(1 422)	(2 891)
Tax paid		(5 486)	(7 792)
Cash flows (to)/ from investing activities		(2 650)	16 931
Additions to property, plant and equipment		(3 183)	(5 229)
Proceeds on disposal of plant and equipment		503	1 299
Proceeds on disposal of assets held-for-sale	4	30	–
Proceeds on disposal of discontinued operation	4	–	23 640
Payments/contributions to rehabilitation trust funds, investments and loans		–	(2 779)
Cash flows to financing activities		(6 390)	(5 465)
Shareholders' loans and borrowings repaid		(6 390)	(5 465)
Net decrease in cash and cash equivalents		(3 337)	(3 942)
Cash and cash equivalents at beginning of year		7 306	11 248
Cash and cash equivalents at end of year		3 969	7 306

SEGMENT REPORTING

for the year ended 29 February

SEGMENT REVENUES AND RESULTS

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

	Bricks R'000	Coal R'000	Other * R'000	Total R'000
Segment profit reconciliation				
2020				
Total revenue	161 214	152 612	–	313 826
Intersegment revenue	–	(21 144)	–	(21 144)
Reportable segment revenue	161 214	131 468	–	292 682
– Clay products	141 299	3 306	–	144 605
– Coal	–	124 215	–	124 215
– Transportation services and ancillary products	19 915	3 947	–	23 862
Gross profit	26 102	36 429	–	62 531
Other income	3 256	3 368	–	6 624
Operating (loss)/profit before interest and taxation	(2 194)	10 657	–	8 463
Segment assets and liabilities				
Segment assets	89 408	74 683	42 572	206 663
Segment liabilities	(58 294)	(50 607)	(29 226)	(138 127)
Other segment information				
Depreciation and amortisation included in cost of sales and operating expenditure	(3 173)	(5 268)	–	(8 441)
Additions to non-current assets	1 411	1 772	–	3 183

** Other segment relates to non-segment-specific assets and liabilities which include the assets and liabilities classified as held-for-sale.*

Segment reporting

continued

	Bricks R'000	Coal R'000	Other * R'000	Total R'000
Segment profit reconciliation				
2019				
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 (loss)/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 assets and liabilities which include the aggregates segment classified as held-for-sale.*

Factors used to identify segments are based on product and service line and divisional structuring, this is also how the Group reports financial results to management on a monthly basis.

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

Two customers contribute to more than 10% of the Group's revenue. These customers form part of the Bricks and Coal segment,

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

- all assets are allocated to reportable segments other than assets held-for-sale, 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 AUDITED CONSOLIDATED FINANCIAL RESULTS

for the year ended 29 February 2020

1. STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND AUDIT REPORT

The abridged consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for abridged reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require abridged 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: Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for the adoption of new and revised standards and interpretations.

The abridged financial results are presented in South African rand and all financial information has been rounded to the nearest Rand thousands, except when otherwise indicated.

These abridged financial results were extracted from audited information but is not itself audited. The directors take full responsibility for the preparation of the abridged financial results and that the financial information has been correctly extracted from the underlying audited consolidated financial statements.

2. EARNINGS AND FULLY DILUTED EARNINGS PER ORDINARY SHARE

	GROUP	
	2020 cents	2019 cents
EARNINGS PER SHARE		
Basic		
Continuing operations	0,2	0,6
Discontinued operations	–	0,7
Total	0,2	1,3
Diluted		
Continuing operations	0,2	0,6
Discontinued operations	–	0,7
Total	0,2	1,3
Headline earnings		
Continuing operations	0,1	0,6
Discontinued operations	–	0,1
Total	0,1	0,7
Diluted headline earnings		
Continuing operations	0,1	0,6
Discontinued operations	–	0,1
Total	0,1	0,7

Notes to the Abridged Audited Consolidated Financial Results

continued

for the year ended 29 February 2020

2. EARNINGS AND FULLY DILUTED EARNINGS PER ORDINARY SHARE continued

The calculation of the basic profit or loss per share attributable to the ordinary equity holders is based on the following information:

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

	GROUP		
	Continuing operations R'000	Discontinued operations R'000	Total R'000
2020			
Basic and diluted profit	1 538	–	1 538
Profit on disposal of property, plant and equipment	(204)	–	(204)
Profit on disposal of assets held-for-sale	(1 474)	–	(1 474)
Loss on scrapping of property, plant and equipment	893	–	893
Impairment of assets	(168)	–	(168)
Headline and diluted headline profit	585	–	585
2019			
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 headline profit	4 016	450	4 466

	GROUP	
Number of shares	2020 '000	2019 '000
Weighted average number of shares	629 342	629 342
Diluted weighted average number of shares	629 342	629 342

Notes to the Abridged Audited Consolidated Financial Results
continued

for the year ended 29 February 2020

3. PROVISIONS

	GROUP	
	2020 R'000	2019 R'000
Environmental rehabilitation provision	62 380	55 382
Total	62 380	55 382
Provision: Environmental rehabilitation		
Opening balance	55 382	52 262
Unwinding of interest	3 640	3 318
Rehabilitation performed	–	(7 052)
Change in estimate	5 518	6 854
Recognised in profit or loss	4 554	694
Recognised in property, plant and equipment	964	6 160
Disposed	(2 160)	–
Transfer to liabilities held-for-sale	–	–
Closing balance	62 380	55 382

GROUP

The rehabilitation provision relates to the estimated costs of correcting any disturbance relating to mining and other activities and those incidental thereto. The level of provision is commensurate with work completed to date. The current gross closure cost of rehabilitation was estimated at R74,8 million (2019: R69,4 million). The future cost of the provision was calculated by escalating estimated costs at a risk adjusted CPI of 6% (2019: 6%) per annum over the life of the operations ranging between 7 to 13 years (2019: 7 to 13,25 years). This future cost is discounted at South African Government Bond Rate ranging between 7,86% and 9,20% (2019: 8,79% and 9,15% respectively) to arrive at a carrying value of R62,4 million (2019: R55,4 million).

The Group has invested funds into various environmental trusts to be utilised by the Group as and when restoration activities are incurred. Investments made during the year into these funds amounted to Rnil million (2019: R2,8 million). The total amount held in these trusts amounted to R21,2 million (2019: R21,9 million) at year-end.

The Department of Minerals and Energy hold guarantees in their favour for the mining rehabilitation cost to the amount of R16,7 million (2019: R25,3 million). Furthermore, the Group holds decommissioning assets to the value of R17,7 million as part of property, plant and equipment, which will be utilised in extinguishing the rehabilitation liability.

Material changes in estimates

Portion 27, Varkensfontein no.169

Due to the closure of Portion 27 Farm Varkensfontein no.169 nearing completion, management reassessed the quantum with the following requirements :

- The associated plant areas would be shaped as part of surface rehabilitation to drain into the created lakes to aid towards these as sustainable water bodies, integrated with the adjoining Blesbokspruit wetland areas. Allowance was made to augment surface runoff to these created water bodies from the adjacent rehabilitated plant site to sustain their water levels.
- As the plant areas are extremely close to a major road the sloping of one side of the void to a safe run of angle is practically unlikely to be performed. Berms will be needed to be built instead and the property will be fenced off at the side next to the road to prevent access to the property and any motor vehicles from accidentally entering the void.

This resulted in a R5,0 million increase in the gross closure cost, which was allocated to the statement of profit or loss.

Marievale no. 5 Rock Dump

The Group has received a closure application (certificate no 4/2020) in terms of section 43 of the Mineral Resources and Petroleum Act, 2002 (Act 28 of 2002), on 24 February 2020. As a direct result of the closure certificate, the gross closure cost of R2,2 million of the environmental rehabilitation provision has been directly credited to the statement of profit or loss.

Notes to the Abridged Audited Consolidated Financial Results

continued

for the year ended 29 February 2020

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

Assets 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 received for Rayton, amounting to R2,2 million which is inclusive of the transfer of the environmental rehabilitation obligation, has been accepted and signed by the Company on 17 April 2017. The environmental provision of this property continued to unwind and had a change of estimate to the value of R0,2 million (2019: R0,4 million). Accordingly, in order to realign the property to its recoverable amount, R0,2 million (2019: R0,2 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 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 has been entered into with the purchaser to extend the original agreement up to 29 February 2020, in order to allow for the section 11(1) transfer to be finalised by the Department of Mineral Resources. At date of these financial statements the section 11(1) transfer is still in progress and a renewed revival agreement was entered into to extend the original agreement to 30 November 2020.

All documentation have been submitted to the Minister and the only outstanding matter is the section 11(1) transfer to be finalised.

Schist property

During 2018, an interested buyer was identified and the directors were in the process of finalising a sale agreement to the value of R0,2 million. Conditions precedent for the signature thereof is that a Section 11 closure certificate is received from the Department of Mineral Resources and that the purchaser fences the property off. The directors subsequently secured the sale of this property on 10 July 2019 for R0,03 million, which includes the rehabilitation liability, along with a Section 41 closure application, which was received on 6 September 2019. The non-recurring fair value of the non-current assets held-for-sale has been classified as a level 2 fair value.

Notes to the Abridged Audited Consolidated Financial Results

continued

for the year ended 29 February 2020

4. 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 assets held-for-sale:

	Rayton property R'000	Schist property R'000	Total R'000
GROUP			
2020			
Change in estimate for environmental rehabilitation provision	16	–	16
Impairment reversal	168	–	168
Net financing cost	(184)	–	(184)
Loss from operating activities (no tax effect)	–	–	–
2019			
Change in estimate for environmental rehabilitation provision	(39)	(897)	(936)
Impairment reversal	188	–	188
Net financing cost	(149)	–	(149)
Loss from operating activities (no tax effect)	–	(897)	(897)

The table below summaries the profit on the sale relating to the held-for-sale assets and liabilities:

Schist properties	2020 R'000
Gross proceeds	30
Net proceeds	30
ASSETS	
Non-current assets	13
– Property, plant and equipment	13
Total assets	13
LIABILITIES	
Non-current liabilities	(1 457)
– Provisions	(1 457)
Total liabilities	(1 444)
Add: net liability value of Schist property	1 444
Profit on disposal of held-for-sale assets and liabilities	1 474
Less: taxation	(412)
Profit on disposal of held-for-sale assets and liabilities	1 062

Notes to the Abridged Audited Consolidated Financial Results

continued

for the year ended 29 February 2020

4. ASSETS AND LIABILITIES HELD-FOR-SALE AND DISCONTINUED OPERATIONS

continued

Discontinued operations

The final agreement for the sale of the 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 notice on the 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 division 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.

The tables below analyse the results relating to the discontinued operations:

	2019 R'000
Revenue and other income	401
Expenses	(579)
Finance income	578
Profit from operating activities	400
Taxation	50
Profit after taxation	450

No income or expenses were recognised in other comprehensive income relating to the disposal group.

Notes to the Abridged Audited Consolidated Financial Results

continued

for the year ended 29 February 2020

4. ASSETS AND LIABILITIES HELD-FOR-SALE AND DISCONTINUED OPERATIONS

continued

Assets and liabilities held-for-sale

The non-current assets held-for-sale stated at the lower of carrying value or fair value less cost to sell and comprised the following:

	Rayton property R'000
2020	
Non-current assets held-for-sale	
Property, plant and equipment	4 377
	4 377
Non-current liabilities held-for-sale	
Environmental rehabilitation provision	(2 177)
	(2 177)

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

Assets and liabilities held-for-sale are not specifically allocated to a reportable segment.

Notes to the Abridged Audited Consolidated Financial Results

continued

for the year ended 29 February 2020

4. ASSETS AND LIABILITIES HELD-FOR-SALE AND DISCONTINUED OPERATIONS

continued

The table below summarises the profit on the sale relating to the discontinued operations in 2019:

	Donkerhoek business R'000
Gross proceeds	44 855
Less: disposal costs	(1 215)
Net proceeds	43 640
ASSETS	
Non-current assets	33 444
– Property, plant and equipment	28 370
– Intangible assets	5 074
Current assets	7 207
– Inventory	7 207
Total assets	40 651
LIABILITIES	
Non-current liabilities	(5 662)
– Provisions	(5 662)
Current liabilities	(374)
– Trade and other payables	(374)
Total liabilities	(6 036)
Less: net asset value of the Donkerhoek business	34 615
Profit on disposal of discontinued operation before taxation	9 025
Less: taxation	(4 768)
Profit on disposal of discontinued operation	4 257

The table below summarises the cash flow effects relating to the discontinued operations in 2019:

	Donkerhoek business R'000
Cash flow	
Net cash flows from operating activities	465
Net cash flows from investing activities *	23 640
Net increase in cash flow	24 105
*** Reconciliation of net cash flow from investing activities**	
Net proceeds	43 640
Direct transfer to shareholders' loans	(20 000)
Net cash flow from investing activities	23 640

Notes to the Abridged Audited Consolidated Financial Results

continued

for the year ended 29 February 2020

5. CONTINGENCIES

Contingent liabilities

GROUP

Environmental rehabilitation

The Group's operations is located in Nigel and is in close proximity to the Blesbokspruit watercourse (the Blesbokspruit watercourse is classified as a RAMSAR site in terms of the RAMSAR convention on Wetlands of International importance). The precise particulars of the operation's proximity to the watercourse still needs to be formally delineated by a wetland specialist.

However, considering the current location of the Group's operation and the potential movement of groundwater and drainage towards the Blesbokspruit watercourse, and allowing for the current rehabilitation approach that was consistently applied for Vlakfontein, Plant 1 and 3 as well as Portion 27, further analysis and monitoring would be required in assessing the potential future impact on water quality that might occur, after the closure.

The proximity assessment and results from the water monitoring is required to assess and confirm a justifiable approach (as required by the National Water Act) that does not pose a long-term water quality-related risk at eventual quarry closure. In addition, the nature and extent for the direction of surface run-off still need to be fully understood. The cost determination of water quality-related effects and water use requirements (in terms of the National Water Act) remain uncertain at this stage and are not currently reasonable quantifiable.

Additional information that are obtained from further studies and monitoring could result in future obligation that would require the Group to recognise additional cost provisions for environmental rehabilitation.

Pending court cases

Court case 1:

Ilangabi Investments 12 (Pty) Ltd is currently a party to a litigation process instituted against the company as a result of events dating back to 2015. The case has been ongoing for the past five years and management is of the opinion that it is not likely that the case would result in a material outflow of economic benefits. The case has been submitted to the High Court and the outcome as well as potential financial impact can not be measured reliably at the date of these abridged consolidated financial results.

Court case 2:

As announced on SENS on 27 February 2020, the request to call a shareholders meeting has for various reasons not been approved by the Independent Board of Brikor and, accordingly, the directors will in accordance with the provisions of section 61(5) of the Companies Act, apply to court for an order to set aside the request for a shareholders meeting on the grounds that the request is frivolous and/or otherwise vexations.

An accrual of R2,8 million as well as a further provision of R1,0 million has been made in respect of legal and advisory fees relating to the matter noted above. The case could, however, result in additional future obligations that would require the Group to raise additional cost in respect of legal and advisory fees. As a result of uncertainty relating to the timing and amount of potential additional legal and advisory fees that would need to be incurred as well as the resultant outcome of the court case, the exact amount cannot be measured reliably at the date of these abridged consolidated financial results.

At the time of publication of this report the litigation is ongoing.

Notes to the Abridged Audited Consolidated Financial Results

continued

for the year ended 29 February 2020

6. DIRECTORS AND PRESCRIBED OFFICERS' EMOLUMENTS

	2020 R'000	2019 R'000
EXECUTIVE		
Directors		
Short-term employee benefits	5 036	4 895
Post-employment benefits	242	236
Prescribed officers		
Short-term employee benefits	821	1 043
Post-employment benefits	34	27
NON-EXECUTIVE		
Directors		
Short-term employee benefits	2 306	2 288

7. DIRECTORS' INTEREST IN SHARES

	Beneficial		
Name of director	Direct	Indirect	Total
As at 29 February 2020			
Executive			
G Parkin	107 291 950	17 563 067	124 855 017
	107 291 950	17 563 067	124 855 017
As at 28 February 2019			
Executive			
G Parkin	207 320	–	207 320
Estate Late G v N Parkin	356 948 768	52 689 201	409 637 969
	357 156 088	52 689 201	409 845 289

The Company has not been advised of any changes in the above interest of the directors between the year-end and the date of this report.

Notes to the Abridged Audited Consolidated Financial Results

continued

for the year ended 29 February 2020

8. SUBSEQUENT EVENTS

COVID-19 pandemic and lockdown

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic. Many governments are taking increasing stringent steps to help contain the spread of the virus, including self-isolation/quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. There has also been a significant increase in economic uncertainty, evidenced by more volatile asset prices, currency exchange rates and a significant decrease in long-term interest rates.

The South African economy was affected by the news of the first confirmed cases of the virus in the country early in March 2020 and this led to the President of the Republic of South Africa declaring a national disaster on 15 March 2020. The President made a further announcement on 23 March 2020 that the country will effectively be placed in a lockdown from midnight on 26 March 2020 until 16 April 2020, with only essential services permitted to operate during this time. On 9 April 2020, the President announced that the lockdown period is extended for an additional 14 days and a risk-adjusted strategy was announced with various different risk alert levels (alert levels 5 to 1), which the country would follow in the gradual relaxation of lockdown restrictions and return of economic activity.

The initial lockdown period required that the Company be closed until the end of April 2020. As required under the alert level 5 lockdown regulations, there were no production or sales during the initial period and the following initiatives were implemented to preserve liquidity during these times:

- Reduced variable overhead costs as a result of managing overheads and to limit spend to only critical fixed cost and, as a result, the Company was able to honour loan and other payable commitments during the initial and extended lockdown periods;
- Actual production labour cost incurred in March 2020 up until the 26th was paid on normal fortnight dates at the rate at which it was accrued for. Thereafter, no production labour costs were incurred during the lockdown period; and
- As a gesture of goodwill, management decided to grant advance payments to wage employees in the amount of R1 500 per employee. These advance payments will be deducted from employees' wages once they return to work over a period of four fortnights, so as to minimise the effects of the repayments as far as possible.

Ilangabi Investments 12 (Pty) Ltd, the Group's coal mining operation, was allowed to continue to operate at 50% of its capacity during the lockdown period as the supply of coal was considered an essential service to the electricity supply-chain.

With the country moving into alert level 5 during April 2020, the Company was permitted to start operating with a reduced capacity and a small number of employees returned to work on 20 April 2020. Brikor's merchants were informed that the Company was permitted to service customers operating as essential services.

As from 1 May 2020, the country moved into alert level 4 and the Company was able to operate at 50% of production capacity. Management took the decision to follow a phased-in approach with regards to the start-up of production. No production occurred for May 2020 and a phased-in approach was planned to commence on 1 June 2020 returning to full planned production towards the first week in July 2020. This was also in line with the country moving to alert level 3 from 1 June 2020, which allows the Company to operate at 100% production. The Group's Coal segment was permitted to operate at 100% capacity from 1 May 2020 with limited impact on sales and production.

The Company was able to generate limited sales in May 2020 from customers in essential services in the construction sector, and the directors have assessed the current and planned production levels for the remainder of the 2021 financial year and have concluded that the Company had sufficient stock on hand at the end of May 2020 to deliver on its current order book and allowing for the phased return to full production to deliver on the additional orders that were being received. The outstanding confirmed orders from the pre-lockdown period and additional orders received in May 2020 supported the expected sales used in the updated budgets and cash flow forecasts noted in the going concern note (note 9).

COVID-19 is an evolving pandemic and information available changes rapidly. Where possible, the resources from the National Department of Health (DoH), National Institute of Occupational Health (NIOH), and National Institute for Communicable Diseases (NICD) will be utilised to improve and expand the Company's protocols in an effort to ensure the wellbeing of all employees and other stakeholders.

Appointment of Financial Director

As announced on SENS, and in compliance with paragraph 3.59 of the JSE Listings Requirements for a company to have a financial director, Ms Joaret Botha CA(SA) has been appointed as Financial Director of Brikor with effect from 29 June 2020.

Notes to the Abridged Audited Consolidated Financial Results

continued

for the year ended 29 February 2020

8. SUBSEQUENT EVENTS

continued

Lifting of suspension and re-listing on the Alt^X of the Johannesburg Stock Exchange (JSE)

Subsequent to the reporting date, the Company met all the outstanding JSE Listings Requirements. The most important of these being the finalisation and submission of the statutory annual financial statements for the financial year ended 28 February 2019, of the subsidiary, Ilangabi Investments 12 (Pty) Ltd, and Brikor Company, to the JSE. On 29 June 2020, Ms Joaret Botha CA(SA) was appointed as Financial Director. Documentation pertaining to the lifting of the suspension of Brikor's listing has been submitted to the JSE and the JSE is in the process of considering the lifting of the suspension.

Other

Other than as disclosed above and in the notes to the abridged consolidated financial results, management is not aware of any material events which occurred subsequent to the year ended 29 February 2019 and which need adjustment or disclosure.

9. GOING CONCERN

The Group incurred a profit for the year ended 29 February 2020 of R1,5 million (2019: profit from continuing operations of R3,6 million) and as of that date the Group is solvent as total assets exceeded total liabilities by R68,5 million (2019: R67,0 million). Furthermore, the Group is liquid as current assets exceeded current liabilities by R25,1 million (2019: R20,6 million).

Furthermore, in light of the COVID-19 pandemic (as discussed in note 8), the directors have re-assessed the appropriateness of the use of the going concern basis in the preparation of the consolidated financial statements.

The directors considered the financial performance of the Group to date of this report and have also prepared and interrogated adjusted budgets and cash flow forecasts for the twelve months subsequent to the reporting date. This adjusted budget and cash flows allow for the planned phased return to normal production, considering the available information at hand, and allow for the best estimates and assumptions of the impact that the COVID-19 pandemic is expected to have on the operating and financial performance of the Group. The adjusted budget and cash flow forecasts also include, *inter alia,* the return of sales volumes and prices at levels aligned with those achieved in pre-lockdown periods, no payroll increases nor bonus payments as well as additional health and safety expenses to comply with COVID-19 return to work protocols.

While COVID-19 has and is expected to result in an initial reduction in operating profits and cash flows, the impact thereof is not expected to have a prolonged impact on the Group's financial performance, allowing for the Group and the construction and mining industries to return to, and be allowed to continue to operate at normal capacity, under alert level 3 or lower alert levels thereafter. The directors thus believe that the Group is in a sound financial position and that it will continue to operate as a going concern for the foreseeable future.

As such, the abridged consolidated financial results have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

CORPORATE INFORMATION

BRIKOR LIMITED

Incorporated in the Republic of South Africa
Registration number: 1998/013247/06
JSE code: BIK
ISIN: ZAE000101945

Registered office

1 Marievale Road
Vorsterskroon
Nigel 1490

(PO Box 884, Nigel 1490)
Telephone: 011 739 9000
Facsimile: 011 739 9021

Directors as at 17 July 2020

Allan Pellow (Chairperson)*
Mamsy Mokate (Lead Independent Director) *
Garnett Parkin (Chief Executive Officer)
Joaret Botha (Financial Director)
Dries Ferreira *
Norman Hornby #
Tanya Hendry #
Steve Naudé *
AP van der Merwe #

** Independent non-executive*
 # Non-executive

Company Secretary

Fusion Corporate Secretarial Services (Pty) Ltd
Registration number 2007/008376/07
Unit 7, Block C
Southdowns Office Park
Karee Street
Irene
Centurion 0157

(PO Box 68528, Highveld 0169)
Tel: (012) 749 6793
Fax: 086 616 6545

Designated adviser

Exchange Sponsors (2008) (Pty) Ltd
44a Boundary Road
Inanda
Sandton 2196

(PO Box 411216, Craighall 2024)

Auditors

Nexia SAB&T
119 Witch-Hazel Ave
Highveld Techno Park
Centurion, 0157

(PO Box 10512, Centurion, 0046
Docex 15, Centurion)

Commercial banker

Nedbank Limited
Shop 17, Selcourt Towers Centre
Cnr Wit, Ramona and Hewitt Roads
Selcourt
Springs 1559

Transfer secretaries

Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank 2196

(PO Box 61051, Marshalltown 2107)

Attorneys

Werksmans Attorneys
The Central
96 Rivonia Rd
Dennehof
Sandton, 2196

(Private Bag 10015, Sandton, 2146)

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