



**BRIKOR LIMITED**



**“all your bricks  
under one roof”**

**REVIEWED  
CONDENSED  
FINANCIAL RESULTS**  
for the year ended  
**28 February 2009**

**Condensed Consolidated INCOME STATEMENTS**

for the year ended 28 February 2009

	<b>Reviewed 2009 R'000</b>	Audited 2008 R'000
<b>Revenue</b>	<b>339 335</b>	311 908
Cost of sales	<b>(275 386)</b>	(174 070)
Cost of sales depreciation	<b>(18 514)</b>	(13 719)
<b>Gross profit</b>	<b>45 435</b>	124 119
Other income	<b>645</b>	894
Government grants	-	6 303
Operating expenses	<b>(56 593)</b>	(36 930)
Depreciation and amortisation	<b>(6 456)</b>	(1 700)
Impairment of goodwill	<b>(3 747)</b>	-
<b>(Loss)/profit before interest and taxation</b>	<b>(20 716)</b>	92 686
Investment revenue	<b>4 545</b>	13 005
Finance costs	<b>(19 749)</b>	(6 780)
<b>(Loss)/profit before taxation</b>	<b>(35 920)</b>	98 911
Taxation	<b>7 747</b>	(25 869)
<b>(Loss)/profit attributable to ordinary shareholders</b>	<b>(28 173)</b>	73 042
<b>Reconciliation of headline earnings</b>		
(Loss)/profit attributable to ordinary shareholders	<b>(28 173)</b>	73 042
<i>Adjusted for:</i>		
IAS 16 profit on disposal of property, plant and equipment	<b>(7)</b>	-
Impairment of goodwill	<b>3 747</b>	-
Grant received	-	(6 303)
<b>Headline (loss)/earnings attributable to ordinary shareholders</b>	<b>(24 433)</b>	66 739
Weighted average shares in issue	<b>622 673 309</b>	560 227 730
Treasury shares (issued to the Brikor Share Incentive Scheme)	<b>15 900 000</b>	9 017 260
<b>Fully diluted weighted average shares in issue</b>	<b>638 573 309</b>	569 244 990
(Loss)/earnings per share (cents)	<b>(4,5)</b>	13,0
Headline (loss)/earnings per share (cents)	<b>(3,9)</b>	11,9
Fully diluted (loss)/earnings per share (cents)	<b>(4,5)</b>	11,7
Fully diluted headline (loss)/earnings per share (cents)	<b>(3,9)</b>	12,8
Dividend per share (cents)	<b>1,5</b>	-

**Condensed Consolidated CASH FLOW STATEMENTS**

for the year ended 28 February 2009

	<b>Reviewed 2009 R'000</b>	Audited 2008 R'000
<b>Cash flows from operating activities</b>	<b>(17 086)</b>	25 921
<b>Cash flow from investing activities</b>	<b>(235 480)</b>	(74 000)
<b>Cash flow from financing activities</b>	<b>144 305</b>	140 894
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(108 261)</b>	92 815
Cash and cash equivalents at beginning of the year	<b>95 699</b>	2 884
<b>Cash and cash equivalents at end of year</b>	<b>(12 562)</b>	95 699

## Condensed Consolidated BALANCE SHEETS

as at 28 February 2009

Reviewed  
2009  
R'000

Audited  
2008  
R'000

<b>ASSETS</b>		
<b>Non-current assets</b>	<b>555 976</b>	327 275
Property, plant and equipment	<b>458 119</b>	299 832
Intangible assets	<b>19 448</b>	30
Goodwill	<b>77 037</b>	27 207
Other financial assets	<b>1 372</b>	206
<b>Current assets</b>	<b>135 447</b>	198 692
Inventories	<b>78 027</b>	65 225
Trade and other receivables	<b>52 295</b>	37 768
Cash and cash equivalents	<b>5 125</b>	95 699
<b>Total assets</b>	<b>691 423</b>	525 967
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>375 705</b>	412 035
Issued capital	<b>62</b>	62
Share premium	<b>227 380</b>	225 980
Retained earnings	<b>148 263</b>	185 993
<b>Non-current liabilities</b>	<b>185 058</b>	57 442
Borrowings	<b>116 278</b>	14 198
Deferred taxation	<b>56 300</b>	37 442
Environmental obligation	<b>12 480</b>	5 802
<b>Current liabilities</b>	<b>130 660</b>	56 490
Current portion of borrowings	<b>49 276</b>	8 977
Other financial liabilities	<b>11 003</b>	4 003
Taxation	<b>15 918</b>	16 110
Trade and other payables	<b>36 776</b>	27 400
Bank overdraft	<b>17 687</b>	–
<b>Total equity and liabilities</b>	<b>691 423</b>	525 967
Number of shares in issue at year-end	<b>639 640 308</b>	637 094 853
Number of shares in issue (excluding treasury shares)	<b>623 740 308</b>	621 194 853
Net asset value per share (cents)	<b>60,2</b>	66,3
Net tangible asset value per share (cents) (excludes deferred tax liability related to intangible assets)	<b>45,8</b>	61,9

## Condensed Consolidated STATEMENTS OF CHANGES IN EQUITY

for the year ended 28 February 2009

	Share capital R'000	Share premium R'000	Retained earnings R'000	Total equity R'000
<b>Balance 1 March 2007</b>	–	–	112 951	112 951
Share capital issued	64	–	–	64
Premium on share capital issued	–	251 095	–	251 095
Share issue expenses	–	(9 217)	–	(9 217)
Less: Treasury shares	(2)	(15 898)	–	(15 900)
Profit for the year	–	–	73 042	73 042
<b>Balance 1 March 2008</b>	<b>62</b>	<b>225 980</b>	<b>185 993</b>	<b>412 035</b>
Share capital issued	–	1 400	–	1 400
Dividend declared	–	–	(9 557)	(9 557)
Loss for the year	–	–	(28 173)	(28 173)
<b>Balance 28 February 2009</b>	<b>62</b>	<b>227 380</b>	<b>148 263</b>	<b>375 705</b>

## SEGMENTAL REPORTING

for the year ended 28 February 2009

	Brikor Inland R'000	Brikor Coastal R'000	Consolidated R'000
<b>2009</b>			
Revenue	<b>243 333</b>	<b>96 002</b>	<b>339 335</b>
Gross profit before depreciation	<b>38 811</b>	<b>25 138</b>	<b>63 949</b>
Depreciation and amortisation	<b>20 380</b>	<b>4 590</b>	<b>24 970</b>
Total current assets	<b>111 344</b>	<b>24 103</b>	<b>135 447</b>
Total current liabilities	<b>107 231</b>	<b>23 429</b>	<b>130 660</b>
Capital expenditure	<b>60 549</b>	<b>4 159</b>	<b>64 708</b>

## COMMENTARY

### OVERVIEW

The directors of Brikor present the reviewed condensed consolidated financial results for the year ended 28 February 2009 ("2009 year"). Brikor is a manufacturer and supplier of building and construction materials to the building industry, servicing all segments of the market ranging from low-cost housing, residential, commercial to construction projects. The diversification strategy to expand its concrete division and the acquisition of two quarries, Zululand Quarries, and Donkerhoek Quarries during the 2009 year has minimised the inherent risks of a traditional brickmaking business and ensured a spread of product offerings.

The local economic environment was characterised by high inflation and interest rates which impacted on market sentiment and consumer confidence. The interest rate cycle resulted in declining property prices, a considerably lower level of residential building plans being passed and a consequential slowdown in the building and construction industry, especially in the residential market. The recent interest rate moderation is only likely to have a positive impact on market conditions in the latter part of the current financial year and early into the next financial year.

Market conditions in the building industry remained subdued during the 2009 year, mainly impacted by reduced consumer spending, tightening of available bank funding as well as cautious market sentiment. Significant rainfall hampered clay brick and ready-mix concrete operations. The group's results for the 2009 year were affected by the knock-on effects of the global economic downturn, credit crunch and increased input

costs as well as delays and cancellations in building and construction projects. The severe decline in building activity resulted in an unexpected and unprecedented overstocked situation.

During the 2009 year, Brikor was also severely affected by a strike. Business operations were hampered throughout the strike period, resulting in a decrease in business activity as well as the loss of production. Throughout the strike period the company was able to service its major customers and project commitments. Brick and roof tile sales decreased significantly during the strike period. The strike was resolved in mid-October 2008 and sales and production levels returned to 60% of pre-strike levels by the end of November 2008. A new wage agreement was reached and the platform for a long-term relationship with unions has been set.

The negotiation process relating to the strike necessitated substantial spending on increased safety precautions and legal action, which resulted in non-recurring expenditure and production losses of approximately R14 million (R6 million is included under cost of sales and the balance is included in operating expenses).

The concrete manufacturing facility in Olifantsfontein yielded negative returns during the first half of the year as a result of the late commissioning of a section of the plant and unforeseen mechanical problems in the commissioning phases together with production management problems which have been addressed.

The brick handling automation and the burning process upgrade in Vereeniging has been successfully commissioned. The Stanger plant at Zululand Quarries is

performing to expectations and the surrounding market appears stable. Donkerhoek Quarries is expanding its product range and is expected to grow its market share.

## FINANCIAL RESULTS

The group's consolidated revenue increased by 8,8% to R339,3 million (2008: R311,9 million), mainly as a result of the inclusion of the Zululand Quarries acquisition from 1 March 2008 and the Donkerhoek acquisition from 1 August 2008. Gross profit decreased by 63,4% to R45,4 million (2008: R124,1 million) and gross profit margins decreased from 39,8% to 13,4% as a result of the continued increased input costs, such as labour (including the strike action), energy, fuel and raw materials.

Margins remained under pressure due to lower margin products in the sales mix combined with a lower growth in demand, exacerbated by the group's inability to pass input cost increases on to its customers as a result of price pressure and competition for volume. Subsequent to the financial year-end, the group returned to profitability and overall gross profit margins improved. It is not anticipated that the group will achieve the same gross profit margin levels as reported in 2008 in the medium-term.

The reduction in the group's gross profit, combined with higher operating expenses, increased depreciation charges for the larger asset base and finance costs, resulted in a loss per share of 4,5 cents (2008 earnings: 13,0 cents). Fully diluted headline loss per share was 3,9 cents (2008 earnings: 12,8 cents).

The increase in fixed assets, goodwill, intangible assets, inventories and trade and other receivables relate to the acquisitions of Zululand Quarries and Donkerhoek Quarries. Additions to property, plant and equipment amounted to R64,7 million, largely attributable to the upgrading of facilities to maintain, improve and increase current production capabilities.

## BORROWINGS

The increase in borrowings to finance the acquisitions amounted to R113,2 million. The interest charged reduced the earnings per share and headline earnings per share by 1,3 cents.

## BUSINESS COMBINATIONS

Zululand Quarries was acquired on 1 March 2008 for R102 million. These aggregate and concrete operations are located on the North Coast of KwaZulu-Natal in the Ballito and Mandini areas. Zululand Quarries contributed revenue of R96 million and after tax profit

of R4,2 million to the group for the year ended 28 February 2009. Goodwill in respect of the acquisition amounted to R29,5 million and intangible assets amounted to R11,9 million.

Brikor also acquired Donkerhoek Quarries with effect from 1 August 2008 for R70 million. This aggregate business is located in the Donkerhoek area, east of Pretoria. Donkerhoek Quarries contributed revenue of R15,7 million and a net loss after tax of R2,9 million for the seven months ended 28 February 2009. Goodwill amounted to R20,4 million after an impairment loss of R3,7 million and intangible assets amounted to R7,5 million. Taking into account current market sentiment and the pressure on the building industry, the board believes it prudent to provide for an impairment loss of R3,7 million on goodwill.

## POST-BALANCE SHEET EVENTS

Management is not aware of any material events, other than as outlined above, which occurred subsequent to the year ended 28 February 2009. There has been no material change in the group's contingent liabilities since the financial year-end.

## STATEMENT ON GOING CONCERN

The reviewed condensed consolidated annual financial statements for the year ended 28 February 2009 have been prepared on the going concern basis as the directors have every reason to believe that the group has adequate resources to continue in operation for the foreseeable future.

## DIRECTORATE

Mr Mitesh Patel resigned as an independent non-executive director of the company and as Chairperson of the Audit Committee on 18 March 2009 due to a conflict of interest with another board appointment.

Mr Elmar Grobbelaar (CA (SA)) was appointed to the board on 24 April 2009 as a non-executive director and as Chairman of the Audit Committee.

Mr Alwyn Cronje resigned on 8 June 2009 as an executive director of the company in order to pursue personal interests.

## PROSPECTS

The challenging economic conditions are likely to continue over the medium term as the consequences of the global economic crisis take effect and while market confidence remains weak and uncertainty continues. The group remains committed to its diversification

strategy, underpinned by its product offering and exposure to identified market segments, being non-residential (construction industry, commercial building and offices) and residential (affordable and low-cost housing), to counter the risks associated with the worldwide economic climate and to sustain growth. The Board continues to be positive about Brikor's long-term growth prospects as:

- The group is well positioned to participate significantly in the infrastructure improvement programme and volume growth will be further supported by the acceleration of consequential building activity from large infrastructure projects. The group has recently tendered for a number of large infrastructure projects.
- Through the alignment of its businesses, assets will be exploited by maximising synergies and economies of scale.
- The geographical footprint of the group increases its ability to present its offering to other market segments with specific needs where differentiation can be achieved.

No major capital expenditure in the clay and concrete divisions is planned for the year as the plants are running at low capacity. Existing projects will be completed and capital expenditure will be limited to maintenance of plant and equipment. This is not expected to exceed R10 million for the 2010 year.

Capital expenditure on the aggregates division is planned for expansions to increase capacity to meet demands and is expected not to exceed R15 million.

Margin improvement will be driven through improved internal efficiencies and optimised production. Key focus areas will remain cash flow generation and strict working capital management. The directors are confident that Brikor is well positioned to take advantage of any improvement in the current economic environment.

## CORPORATE GOVERNANCE

The group subscribes to the principles of, and implements where possible, the recommendations of the King II Code on Corporate Governance.

## DIVIDEND POLICY

After taking cognisance of market conditions, the current availability of credit and recent acquisitions made by the company, the directors consider it prudent to conserve cash and do not propose a dividend in respect of the 2009 year. It remains the policy of the group to review the dividend policy annually in light of cash flow, gearing and capital requirements.

## BASIS OF PREPARATION

The reviewed condensed consolidated financial statements for the year have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards, the disclosure requirements of IAS34: Interim Financial Reporting and in the manner required by the JSE Limited Listings Requirements and the South African Companies Act, 1973. The accounting policies and method of measurement and recognition applied in preparation of the reviewed consolidated annual financial statements are consistent with those applied in the group's annual financial statements for the year ended 29 February 2008, which comply with International Financial Reporting Standards.

## REVIEW OPINION

These reviewed condensed consolidated annual financial statements have been reviewed by the group's auditors, RSM Betty & Dickson (Tshwane), and their unmodified review opinion is available for inspection at the company's registered office.

By order of the Board

**G v N Parkin**  
*Chief Executive Officer*

**H Botha**  
*Financial Director*

**Nigel**  
12 June 2009

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## CORPORATE INFORMATION

**Non-executive directors:** EG Dube; E Grobbelaar

**Executive directors:** G v N Parkin (Chairman and CEO); H Botha (Financial Director); G Parkin (Jnr) (Alternate)

**Registration number:** 1998/013247/06

**JSE code:** BIK • **ISIN:** ZAE000101945

**Registered address:** 1 Marievale Road, Vorsterskroon, Nigel

**Postal address:** PO Box 884, Nigel 1490

**Company secretary:** Hanleu Botha

**Telephone:** (011) 739 9000

**Facsimile:** (011) 739 9021

**Transfer secretaries:** Computershare Investor Services (Pty) Limited

**Designated Adviser:** Vunani Corporate Finance

**Auditors:** RSM Betty & Dickson (Tswane)

These results and an overview of Brikor are available at **[www.brikor.co.za](http://www.brikor.co.za)**