BRIKOR LIMITED

REVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS

for the year ended

28 February 2011

Condensed consolidated **STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 28 February 2011

	Reviewed 2011 R'000	Audited 2010 R'000
Revenue	**273 638**	280 279
Cost of sales	**(223 779)**	(220 177)
Cost of sales depreciation	**(21 465)**	(21 502)
Gross profit	**28 394**	38 600
Other income	**2 022**	3 812
Depreciation and amortisation	**(4 510)**	(8 279)
Operating expenses	**(54 066)**	(53 714)
Operating loss before impairment charges	**(28 160)**	(19 581)
Impairments	**(196 568)**	(102 202)
Operating loss before interest and taxation	**(224 728)**	(121 783)
Interest received	**409**	2 763
Finance costs	**(29 132)**	(27 963)
Loss before taxation	**(253 451)**	(146 983)
Taxation	**34 497**	22 606
Total comprehensive loss for the year attributable to equity holders of the Company	**(218 954)**	(124 377)
Reconciliation of headline earnings		
Loss attributable to equity holders of the Company	**(218 954)**	(124 377)
Adjusted for impairment of goodwill	**10 825**	66 494
Adjusted for impairment of assets	**166 187**	25 710
Adjusted for profit/(loss) on disposal of non-current assets	**284**	(2 147)
Headline loss attributable to equity holders of the Company	**(41 658)**	(34 320)
Weighted average shares in issue on which earnings are based	**627 274 313**	624 656 746
Treasury shares (issued to the Brikor Share Incentive Scheme)	**15 900 000**	15 900 000
Fully diluted weighted average shares in issue	**643 174 313**	640 556 746
Loss per share (cents)	**(34,9)**	(19,9)
Headline loss per share (cents)	**(6,6)**	(5,5)
Fully diluted loss per share (cents)	**(34,0)**	(19,4)
Fully diluted headline loss per share (cents)	**(6,5)**	(5,4)

Condensed consolidated **STATEMENT OF FINANCIAL POSITION**

as at 28 February 2011

	Reviewed 2011 R'000	Audited 2010 R'000
ASSETS		
Non-current assets	**218 837**	436 130
Property, plant and equipment	**208 672**	410 741
Intangible assets	**6 639**	10 997
Non-current assets held for sale	**–**	1 450
Goodwill	**–**	10 825
Other financial assets	**3 526**	2 117
Current assets	**86 044**	109 546
Inventories	**50 554**	66 067
Trade and other receivables	**28 978**	35 010
Cash and cash equivalents	**6 512**	8 469
Total assets	**304 881**	545 676
EQUITY AND LIABILITIES		
Equity	**33 048**	251 502
Share capital	**63**	62
Share premium	**228 180**	227 680
Retained (loss)/earnings	**(195 195)**	23 760
Non-current liabilities	**50 456**	197 262
Borrowings	**40 328**	153 968
Deferred taxation	**–**	33 654
Provisions	**10 128**	9 640
Current liabilities	**221 377**	96 912
Borrowings	**136 123**	15 349
Taxation	**15 063**	15 912
Trade and other payables	**43 522**	40 609
Bank overdraft	**26 669**	25 042
Total equity and liabilities	**304 881**	545 676
Number of shares in issue (excluding treasury shares)	**629 342 031**	625 240 308
Net asset value per share (cents)	**5,3**	40,2
Net tangible asset value per share (cents)	**4,2**	37,2

Condensed consolidated **STATEMENT OF CASH FLOWS**

for the year ended 28 February 2011

	Reviewed 2011 R'000	Audited 2010 R'000
Cash (outflow)/inflow from operating activities	**(2 822)**	7 276
Cash outflow from investing activities	**(7 895)**	(9 163)
Cash inflow/(outflow) from financing activities	**7 133**	(1 914)
Net decrease in cash and cash equivalents	**(3 584)**	(3 801)
Cash and cash equivalents at beginning of the year	**(16 573)**	(12 772)
Cash and cash equivalents at end of year	**(20 157)**	(16 573)

Condensed consolidated **STATEMENT OF CHANGES IN EQUITY**

for the year ended 28 February 2011

	Reviewed 2011 R'000	Audited 2010 R'000
Balance at beginning of year	**251 502**	375 579
Issue of share capital	**500**	300
Total comprehensive loss for the year	**(218 954)**	(124 377)
Balance at end of year	**33 048**	251 502

SEGMENTAL REPORTING

for the year ended 28 February 2011

	Brikor Main R'000	Brikor Stanger R'000	Brikor Donkerhoek R'000	Total R'000
Year ended 28 Febuary 2011 Reviewed				
Revenue	**175 686**	**72 357**	**25 595**	**273 638**
Cost of sales	**(163 114)**	**(63 955)**	**(18 175)**	**(245 244)**
Gross profit	**12 572**	**8 402**	**7 420**	**28 394**
Other income	**1 528**	**–**	**494**	**2 022**
Depreciation and amortisation	**(3 382)**	**(1 005)**	**(123)**	**(4 510)**
Operating expenses	**(37 746)**	**(10 341)**	**(5 979)**	**(54 066)**
Operating (loss)/profit before impairment charges	**(27 028)**	**(2 944)**	**1 812**	**(28 160)**
Impairments	**(159 405)**	**(37 163)**	**–**	**(196 568)**
Operating (loss)/profit before interest and taxation	**(186 433)**	**(40 107)**	**1 812**	**(224 728)**
Interest received				**409**
Finance costs				**(29 132)**
Loss before taxation				**(253 451)**
Taxation				**34 497**
Total comprehensive loss				**(218 954)**
Total assets	**206 951**	**61 828**	**36 102**	**304 881**
Year ended 28 Febuary 2010 **Audited**				
Revenue	164 013	97 034	19 232	280 279
Cost of sales	(144 856)	(76 830)	(19 993)	(241 679)
Gross profit/(loss)	19 157	20 204	(761)	38 600
Other income	3 538	–	274	3 812
Depreciation and amortisation	(6 350)	(1 385)	(544)	(8 279)
Operating expenses	(41 406)	(8 099)	(4 209)	(53 714)
Operating profit/(loss) before impairment changes	(25 061)	10 720	(5 240)	(19 581)
Impairments	(28 891)	(18 645)	(54 666)	(102 202)
Operating loss before interest and taxation	(53 952)	(7 925)	(59 906)	(121 783)
Interest received				2 763
Finance costs				(27 963)
Loss before taxation				(146 983)
Taxation				22 606
Total comprehensive loss				(124 377)
Total assets	403 603	107 277	34 796	545 676

COMMENTARY

OVERVIEW

The directors of Brikor present the reviewed condensed consolidated financial results for the year ended 28 February 2011 ("the financial year").

Brikor is a manufacturer and supplier of building and construction materials to the building industry, across a broad spectrum of the market from low-cost housing, residential and commercial to construction projects.

Adverse trading conditions continued in the building and construction sectors with a continued decline in residential and commercial building activities and very competitive pricing. Financial institutions maintained their rigid approach to lending, contributing further to the subdued activity in the residential market. The unrecorded additions and alterations market, which maintained levels of activity during the economic slowdown, also showed a decrease.

The Group's results for the financial year continued to be impacted by market conditions, in particular the delays and cancellations in building and construction projects, most notably, the awarding of tenders by metropolitan municipalities. Some local governments' capital expenditure budgets seemed to have been reduced to cover only current expenditure as their income from rates and taxes declined due to the recession, thereby resulting in the delay of new projects.

The very competitive trading environment, underpinned by reduced demand, increased pressure on margins with the resultant effect on the Group's trading results and liquidity during the financial year under review. Brikor's priority remains cash generation, working capital management and realising the value in inventory and receivables.

Key management focus areas remain sales growth, margin management, productivity improvement and cash and working capital management. Corrective measures have been taken to reduce costs and right-size the Group. Rigorous cost controls remain a key point of focus as Brikor aligns its operational cost structures with lower production volumes while maintaining its reputation for service delivery excellence and expanding its focus on the low-cost housing sector.

FINANCIAL RESULTS

The Company's revenue decreased marginally by 2,4% to R273,6 million (2010: R280,3 million), mainly as a result of lower demand. Gross profit decreased by 26,4% to R28,4 million (2010: R38,6 million).

Gross margins at 10,4% (2010: 13,8%) remained under pressure due to lower margin products in the sales mix combined with a lower growth in demand, exacerbated by continued increased input costs, such as energy, fuel, gas and raw materials. The Company was unable to pass these increased input costs fully on to its customers as a result of continued price pressure and competition for volume.

Tight controls resulted in operating expenses being maintained at R54,1 million (2010: R53,7 million) showing a slight increase of 1%. The reduction in the Group's gross profit and finance costs resulted in a loss per share of 34,9 cents for the year (loss per share 2010: 19,9 cents) and a fully diluted headline loss per share of 6,5 cents (fully diluted headline loss per share 2010: 5,4 cents).

Property, plant and equipment reduced to R208 million (2010: R410 million) mainly attributable to the depreciation charge, impairments and the sale of certain land and buildings. The expectation of the future economic viability of certain plants deteriorated to such an extent that management had to impair those assets to their recoverable amount. Therefore, an amount of R196,6 million was impaired. Capital expenditure amounted to R4,6 million and related to the maintenance of production capacities.

Brikor is currently in breach of covenants as set out by Rand Merchant Bank ("RMB") regarding the RMB loan. The current carrying value of the loan is R125 million. The full amount of the loan is reflected as part of current liabilities as a result of the breach of covenants.

As discussed under events after the reporting date, Brikor is currently negotiating the sale of non-core assets to correct the situation. Negotiations are taking place with RMB to discuss ways and means of remedying the breach of covenants.

PROSPECTS

The pace of South Africa's economic recovery, in particular in the building and construction sectors, remains uncertain and it is anticipated that further restrictive and volatile trading conditions will prevail in the short to medium term.

The Board is, however, confident that the residential sector will benefit from increased levels of private credit facilities extended by banks and low interest rates with the subsequent flow through to demand for Brikor's product ranges. Energy and mining expansion are also expected to create further demand from consequential housing activity. Government is also experiencing increased pressure to deliver on infrastructure and housing requirements.

The corrective measures taken to reduce costs and right-size the Group, combined with an aggressive sales drive, a renewed focus on the Group's core business activities and the coal operations, position the Group well to benefit from a gradual improvement in market conditions.

BASIS OF PREPARATION

The reviewed condensed consolidated results for the year ended 28 February 2011 have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the AC500 standards as issued by the Accounting Standards Board, IAS 34: Interim Financial Reporting, the Companies Act of South Africa and the JSE Limited Listings Requirements. The accounting policies used to prepare these year-end financial statements, which are in terms of IFRS, are consistent with those applied in the preparation of the annual financial statements for the year ended 28 February 2010.

REVIEW REPORT AND EMPHASIS OF MATTER

The condensed financial results have been reviewed by Brikor's independent auditors, RSM Betty & Dickson (Tshwane). The auditors' review report concluded that, based on their review, nothing has come to their attention that caused them to believe that the condensed financial results are not prepared, in all material respects in accordance with International Financial Reporting Standards and the AC 500 standards as issued by the Accounting Standards Board or its successor, the JSE Listings Requirements and in the manner required by the Companies Act of South Africa.

The auditors' review report also includes an emphasis of matter whereby the auditors, without qualifying their report, draw attention to the total comprehensive loss of R218,954 million incurred during the year ended 28 February 2011 and that this indicate a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The ability of the Group to continue as a going concern is dependent on several factors which inter alia include that profitable operations can be resumed and the continued support of the Group's financiers and creditors as set out by the directors as part of the "Statement on Going Concern".

A copy of the auditors' review report is available for inspection at the Company's registered office.

Report on other legal and regulatory requirements

On 20 January 2011 the auditors reported a reportable irregularity to the Regulatory Board for Auditors pertaining to the release of the interim results where the procedure to obtain the appropriate authority from the Board of the Company, as required by the Articles of Association of the Company, had not been adequately followed. They notified the Regulatory Board for Auditors on 8 February 2011 that the reportable irregularity had been rectified.

CORPORATE ACTIVITIES

Following the termination of Vunani Corporate Finance as Designated Advisor of Brikor, Exchange Sponsors (2008) (Pty) Limited was appointed Designated Adviser of Brikor in January 2011.

Messrs R van Rooyen and JH Wood have been appointed as independent non-executive directors to the Brikor Board of Directors with effect from 21 January 2011.

EVENTS AFTER THE REPORTING DATE

Changes to the Board of Directors and Board Committees

Mrs E Chimombe-Munyoro resigned as non-executive director from the Board with effect from 15 March 2011. Mr E Grobbelaar resigned as non-executive director from the Board with effect from 18 March 2011. The Board of Brikor would like to thank them for their efforts and wish them well in their future endeavours.

Mrs H Botha resigned as company secretary and CIS Company Secretaries (Pty) Limited was appointed with effect from 18 March 2011.

Ms RJ Magoele and Mr NM Anderson were appointed as non-executive directors of the Board with effect from 18 March 2011.

The Board of Brikor would like to welcome Ms Magoele and Mr Anderson and looks forward to a long and valued working relationship.

In compliance with the King Report on Governance for South Africa 2009 ("King III") the roles of the CEO and the Chairman have been split with Mr R van Rooyen being appointed as Chairman and Mr G v N Parkin continuing as CEO.

In terms of Brikor's commitment to Corporate Governance and as a result of the above appointments to the Board, the Board has decided to re-constitute its sub-committees as follows:

Audit Committee

The following non-executive directors were appointed as the members of the Audit Committee:
Ms RJ Magoele *(Chairman)*;
Mr R van Rooyen;
Mr NM Anderson; and
Mr JH Wood.

Remuneration Committee

The following non-executive directors were appointed as the members of the Remuneration Committee:
Mr JH Wood *(Chairman)*; and
Ms RJ Magoele.

Sale of non-core and unprofitable assets

Negotiations are continuing regarding the sale of non-core assets.

The sales of non core and unprofitable assets are in line with Brikor's strategy to strengthen the Group's cash resources as well as improving its current debt position.

The proposals are subject to various conditions precedent which are customary in transactions of this nature, *inter alia* shareholders' and other regulatory approvals.

The parties have not concluded final agreements as yet and therefore shareholders were advised on 29 March 2011, which cautionary announcement was renewed on 19 May 2011, to continue exercising caution when dealing in their Brikor shares until such time as detailed announcements, containing *inter alia* the full financial effects, are made.

STATEMENT ON GOING CONCERN

The 2011 year-end financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the necessary funds will be available to finance future operations and that the realisation of the sale of assets, settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Group to continue as a going concern is dependent on several factors, including profitable operations, the sale of certain assets and the continued support of the Group's financiers and creditors.

The statement of comprehensive income indicates that the Group has incurred a loss of R219 million for the year ended 28 February 2011. Included in this loss are finance costs amounting to R29,1 million, impairments of R196,6 million and bad debts written off of R7,2 million.

As a result of the attributable comprehensive loss for the year ended 28 February 2011, as well as that of prior years, coupled with the current macro economic climate, the directors have entered into a comprehensive restructuring programme to restore operations to profitability, and to strengthen the Group's financial position.

To execute the different activities of the restructuring plan, the Board is in the process of finalising the appointment of a Chief Restructuring Officer ("CRO"). The CRO will facilitate the restructuring process and play an important role, together with the Board and management, to successfully implement and execute this critically important initiative of the Company.

The restructuring programme includes *inter alia*:

- **Internal restructuring.** The Company aims to reduce operating expenses to its historical level of no more than 12% of revenue. To achieve this goal, the Company's staff complement was reduced to support its core operations at its Nigel plants. This restructuring, along with the re-assessment of all operating expenses – including salaries and wages – should result in an estimated saving of R11 million per annum. The restructuring was completed by 31 May 2011. The financial benefit is expected to materialise from June 2011 onwards.

  In order to increase its gross profit margin, an assessment of all costs relating to the manufacturing process was also conducted. The implementation of cost-saving measures on items such as labour, transport and materials will have an estimated impact of R30 million for the 2012 financial year.
- **Termination of unprofitable businesses, namely the Bronkhorstspruit, Vereeniging and Olifantsfontein operations.** Products produced at these factories proved to be economically unviable due to current market prices, high production costs and high logistics costs. Production at the Company's Vereeniging plant was stopped in October 2010, with operations at the Bronkhorstspruit and Olifantsfontein plants terminated at 30 April 2011. All movable equipment was relocated to the Nigel operations. Stock produced at these plants is being sold off, which is scheduled to continue until July 2012. A caretaking staff will maintain the plants at a total cost of R310 000 per month for the three plants until these plants are sold or re-commissioned. The total cost-saving due to the closure of these plants is R50 million.
- **Sale of non-core assets.** The Stanger business has been identified as non-core to the main business of Brikor. The parties to the sale of the Stanger Brick & Tile operations have entered into a Sale Agreement on 11 March 2011, subject to certain suspensive conditions. The purchaser is currently finalising the transaction structure in order to meet the suspensive conditions in the Sale Agreement.
- **Sale of other surplus or redundant assets.** Some transport vehicles and other equipment were sold on auction on 17 May 2011 for a total consideration of R9 million.
- **Logistics.** In order to improve its transport efficiencies, the Company has formulated a strategy that outsources its transport requirement to sub-contractors. Utilisation of sub-contractors will provide financial flexibility and reduce transport-related expenses to the amount of R4 million.
- **Coal plant.** Brikor's coal operations will contribute to the profitability of the Group and management at the coal plant will be strengthened to optimise the potential of the coal operations.
- **Debt restructuring.** As part of its debt restructuring plan, the Company plans to reduce its unacceptably high debt and financing costs levels.
- **Cash flow management.** As cash flow management is critical to the success of the restructuring programme, the CRO will oversee the preparation and management of a rolling quarterly cash flow to be submitted to the Board. The Board will report to shareholders as and when required on the cash flow situation and any other significant deviations or variances in respect of the restructuring plans in place.

Based on the Group's restructuring plans being successfully executed and implemented, budgets and cash flow forecasts for the ensuing year, (which are based on the current expected economic and market conditions), and the continued support of the Group's financiers (who remain fully apprised of the Group's results, liquidity challenges, future business and contingency plans), the directors believe that the Company and the Group have adequate financial resources to continue as a going concern during the ensuing year. Accordingly, the directors have adopted the going concern basis in preparing the annual financial statements.

DIVIDEND POLICY

No dividend has been declared for the year.

By order of the Board

G v N Parkin
Chief Executive Officer

H Botha
Financial Director

Nigel
31 May 2011

CORPORATE INFORMATION

BRIKOR LIMITED
("Brikor" or "the Company" or "the Group")

Registration number: 1998/013247/06

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

Non-executive directors: R van Rooyen *(Chairman)*; NM Anderson; RJ Magoele; JH Wood

Executive directors: G v N Parkin *(CEO)*; W Krüger *(COO)*; H Botha *(Financial Director)*; G Parkin (Jnr) *(Alternate director to the CEO)*

Registered address: 1 Marievale Road, Vorsterskroon, Nigel

Postal address: PO Box 884, Nigel 1490

Telephone: (011) 739 9000 • **Facsimile:** (011) 739 9021

Company secretary: CIS Company Secretaries (Pty) Limited

Transfer secretaries: Computershare Investor Services (Pty) Limited

Auditors: RSM Betty & Dickson (Tshwane) per Paul den Boer, designated auditor

Designated Adviser: Exchange Sponsors (2008) (Pty) Limited

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

GRAPHICULTURE