BRIKOR LIMITED

REVIEWED CONDENSED CONSOLIDATED PROVISIONAL FINANCIAL RESULTS

for the year ended

29 February 2012

Condensed consolidated provisional **STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 29 February 2012

	Reviewed 2012 R'000	Audited 2011 R'000
CONTINUING OPERATIONS		
Revenue	**134 807**	125 888
Cost of sales	**(88 434)**	(76 765)
Cost of sales – depreciation	**(4 954)**	(10 734)
Gross profit	**41 419**	38 389
Other income	**4 251**	2 022
Depreciation and amortisation	**(1 204)**	(3 505)
Operating expenses	**(30 933)**	(43 723)
Operating profit/(loss) before impairment losses	**13 533**	(6 817)
Reversal of impairments	**8 549**	(15 395)
Operating profit/(loss) before interest and taxation	**22 082**	(22 212)
Interest received	**1 178**	312
Finance costs	**(29 654)**	(28 841)
Loss before taxation	**(6 394)**	(50 741)
Taxation	**–**	10 373
Loss after taxation from continuing operations	**(6 394)**	(40 368)
Loss from discontinued operation	**(30 033)**	(178 586)
Profit from disposal of discontinued operation	**3 675**	–
Total loss for the year attributable to equity holders of the Company	**(32 752)**	(218 954)
Total comprehensive loss for the year attributable to equity holders of the Company	**(32 752)**	(218 954)
Reconciliation of headline loss		
Loss attributable to ordinary shareholders	**(32 752)**	(218 954)
Adjusted for impairment of goodwill	**–**	10 825
Adjusted for impairment of assets	**15 277**	166 187
Adjusted for (profit)/loss on disposal of non-current assets	**(3 509)**	284
Headline loss attributable to ordinary shareholders of the Company	**(20 984)**	(41 658)
Weighted average shares in issue on which earnings are based ('000)	**629 342**	627 274
Treasury shares issued to the Brikor Share Incentive Scheme ('000)	**15 900**	15 900
Fully diluted weighted average shares in issue ('000)	**645 242**	643 174
LOSS PER SHARE (CENTS)		
Basic		
Continuing operations	**(1,0)**	(6,4)
Discontinued operations	**(4,2)**	(28,5)
Total	**(5,2)**	(34,9)
Diluted		
Continuing operations	**(1,0)**	(6,2)
Discontinued operations	**(4,1)**	(27,8)
Total	**(5,1)**	(34,0)
Headline loss		
Continuing operations	**(2,4)**	(4,6)
Discontinued operations	**(1,0)**	(2,0)
Total	**(3,4)**	(6,6)
Diluted headline loss		
Continuing operations	**(2,3)**	(4,7)
Discontinued operations	**(1,0)**	(1,9)
Total	**(3,3)**	(6,6)

Condensed consolidated provisional **STATEMENT OF FINANCIAL POSITION**

as at 29 February 2012

	Reviewed 2012 R'000	Audited 2011 R'000
ASSETS		
Non-current assets	**116 446**	218 837
Property, plant and equipment	**80 718**	208 672
Intangible assets	**8 350**	6 639
Other financial assets	**27 378**	3 526
Current assets	**59 115**	86 044
Inventories	**38 380**	50 554
Trade and other receivables	**18 317**	28 978
Cash and cash equivalents	**2 418**	6 512
Non-current assets held for sale	**60 159**	–
Total assets	**235 720**	304 881
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company	**296**	33 048
Share capital	**63**	63
Share premium	**228 179**	228 179
Retained loss	**(227 946)**	(195 194)
Non-current liabilities	**53 393**	50 456
Borrowings	**15 633**	15 042
Shareholders' loan	**27 574**	25 286
Provisions	**10 186**	10 128
Current liabilities	**182 031**	221 377
Borrowings	**108 394**	136 123
Trade and other payables	**29 546**	43 522
Taxation	**15 040**	15 063
Bank overdraft	**29 051**	26 669
Total equity and liabilities	**235 720**	304 881
Number of shares in issue (excluding treasury shares) ('000)	**629 342**	627 274
Net asset value per share (cents)	**0,05**	5,3
Net tangible asset value per share (cents)	**(1,3)**	4,2

Condensed consolidated provisional **STATEMENT OF CASH FLOWS**

for the year ended 29 February 2012

	Reviewed 2012 R'000	Audited 2011 R'000
Cash flows from operating activities	**(8 290)**	(2 822)
Cash flows from investing activities	**25 049**	(7 895)
Cash flows from financing activities	**(23 235)**	7 133
Net decrease in cash and cash equivalents	**(6 476)**	(3 584)
Cash and cash equivalents at beginning of year	**(20 157)**	(16 573)
Cash and cash equivalents at end of year	**(26 633)**	(20 157)

SEGMENTAL REPORTING

for the year ended 29 February 2012

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

	Brikor Main R'000	Brikor Donkerhoek R'000	Total R'000
Year ended 28 Febuary 2012			
Reviewed			
Revenue from external customers	**112 818**	**21 989**	**134 807**
Operating profit before impairments	**8 015**	**5 518**	**13 533**
Reversal of impairments	**8 549**	**–**	**8 549**
Operating profit before interest and taxation	**16 564**	**5 518**	**22 082**
Interest received	**–**	**–**	**1 178**
Finance costs	**–**	**–**	**(29 654)**
Loss before taxation	**–**	**–**	**(6 394)**
Taxation	**–**	**–**	**–**
Loss after taxation from continuing operations	**–**	**–**	**(6 394)**
Segment assets and liabilities			
Segment assets	**135 777**	**39 784**	**175 561**
Segment current liabilities	**(175 742)**	**(6 289)**	**(182 031)**
Other segment information			
Depreciation and amortisation included in cost of sales and operating expenses	**(5 278)**	**(880)**	**(6 158)**
Additions to non-current assets	**4 693**	**991**	**5 684**
Year ended 28 Febuary 2011			
Audited			
Revenue from external customers	100 293	25 595	125 888
Operating (loss)/profit before impairments	(8 630)	1 813	(6 817)
Impairments	(15 395)	–	(15 395)
Operating (loss)/profit before interest and taxation	(24 025)	1 813	(22 212)
Interest received			312
Finance costs			(28 841)
Loss before taxation			(50 741)
Taxation			10 373
Loss after taxation			(40 368)
Segment assets and liabilities			
Segment assets	206 951	36 102	243 053
Segment current liabilities	(201 074)	(7 454)	(208 528)
Stanger assets	–	–	61 828
Stanger current liabilities	–	–	(12 849)
Other segment information			
Depreciation and amortisation included in cost of sales and operating expenses	(13 457)	(783)	(14 240)
Additions to non-current assets	4 047	161	4 208

The major changes in segment assets during the year relate to the sale of the Stanger segment on 30 November 2011.

As a result of the sale, total segment assets of the Stanger segment as at 29 February 2012 are nil (28 February 2011: R61,8 million).

Condensed consolidated provisional **STATEMENT OF CHANGES IN EQUITY**

for the year ended 29 February 2012

	Reviewed 2012 R'000	Audited 2011 R'000
Balance at beginning of year	**33 048**	251 502
Issue of share capital	**–**	500
Total comprehensive loss for the year	**(32 752)**	(218 954)
Balance at end of year	**296**	33 048

COMMENTARY

OVERVIEW

The directors of Brikor present the reviewed condensed consolidated provisional financial results for the year ended 29 February 2012.

Brikor is a manufacturer and supplier of building and construction materials across a broad spectrum of the market from low-cost housing, residential to commercial and industrial projects and has clay, aggregate and coal mining operations.

The continuing difficult economic conditions affected the building and construction sectors. Notwithstanding relatively low housing mortgage rates, financial institutions maintained their rigid credit approach to mortgage bonds, which continued to subdue Brikor's markets throughout the year. The residential market was sustained by ongoing orders from the additions and alterations sector, accounting for the majority of construction activity on which Brikor focussed.

Margins remained under pressure in a competitive environment, as evidenced in the Group's results. The focus of the Company was management of cash flows through ardent cost-cutting and working capital management measures. The Company has successfully implemented corrective measures resulting in reduced costs and right-sizing the Group. The scaled-down operations are focussed on clay brick production and coal operations in Nigel and the aggregates business at Donkerhoek. Improvements in production processes have also impacted positively on availability and yields. In addition the constructive relationship with the union impacted positively on workers, which led to improved productivity levels.

These measures have only impacted towards the end of the financial year and the financial benefits are only expected in the next financial year.

Brikor is strategically situated to supply aggregates from Donkerhoek operations for infrastructure development and has successfully commenced supply on several of these projects. The improvements of the Donkerhoek production process have resulted in better yields and volumes achieved and resulted in the securing of tenders, which were previously unattainable.

Marked improvement in the demand for clay bricks and demand for maxi-blocks for low-cost housing have increased significantly during the second half of the year under review. As a result of corrective measures taken the clay brick division is geared to meet the higher demand.

During the year under review Brikor was granted a mining license which allowed for the opening of its mining operations at Vlakfontein, giving it access to additional clay and coal deposits.

The mining of coal is a new division which is anticipated to show substantial returns in the 2013 financial year. Significant costs have been incurred in the latter part of the financial year to open the coal mine.

FINANCIAL RESULTS

Despite continuing difficult market conditions the Company's revenue increased by 7,1% to R134,8 million (2011: R125,9 million) and gross profit increased by 7,9% to R41,4 million (2011: R38,4 million). The improvement is mainly due to improved yields and sales margins as a result of the successful implementation of the restructuring plan giving renewed focus on the Company's core business.

Competitive pressure remained throughout the year, inhibiting the Group's ability to fully pass input cost increases on to customers. The coal mine development costs were also incurred in this year, the benefits of which will only be realised in the next financial year.

Operating expenses decreased by 29,3% to R30,9 million (2011: R43,7 million) as a result of cost-saving initiatives due to the implementation of the restructuring plan. Directors' remuneration decreased by 18% due to a reduced number of executive directors and the Chief Executive Officer sacrificing compensation for twelve months.

The above measures led to the Group generating an operating profit before impairment losses of R13,5 million (2011: operating loss before impairment losses of R6,8 million).

After taking finance costs and impairment losses into consideration, the loss for the year amounted to R6,4 million (2011: R50,7 million), which resulted in a loss per share of 5,2 cents (2011: 34,9 cents) for the year and a fully diluted loss per share of 3,3 cents (2011: 6,5 cents). Continuing operations delivered a loss per share of 1,0 cents (2011: 6,4 cents) and a fully diluted headline loss per share of 2,3 cents (2011: 4,6 cents).

Property, plant and equipment reduced to R80,7 million (2011: R208,7 million) as a net result of:

- the disposal of operations of R52,1 million (2011: R5,9 million);
- additions of R5,7 million (2011: R4,2 million);

- depreciation and amortisation of R6,2 million (2011: R14,2 million); and
- a reversal of impairment of R8,5 million on capital projects that will be commissioned in the ensuing financial year.

Assets reclassified as held for sale amounted to R60,2 million.

Impairments amounting to R23,8 million (2011: R196,6 million) were recognised in respect of these assets held for sale to reduce the assets to their recoverable amounts.

Brikor is currently in breach of the financing covenants of its RMB facilities. The current carrying value of the loans are R110,5 million (2011: R124,7 million). As a result of the breach of these banks' covenants, the portion of the loans relating to continuing operations is reflected under current liabilities. The Company and the Group's financiers are in negotiations on restructuring the loan facilities to resolve the breach to the Company and the Group financiers' satisfaction.

DISCONTINUED OPERATIONS

On 18 August 2011 the Company entered into an agreement for the sale of the Stanger operations for R50 million; to be settled through the payment of R30 million in cash and R20 million in 72 monthly instalments. The agreement became unconditional on 30 November 2011.

On 10 October 2011 a decision was taken by the Board to dispose of the operations in Olifantsfontein, Vereeniging and Bronkhorstspruit. The table below analyses key amounts relating to the discontinued operations:

	Olifants-fontein R'000	Ver-eeniging R'000	Bronkhorst-spruit R'000	Stanger R'000	Total R'000
February 2012					
Revenue	**36**	**8 657**	**4 038**	**52 667**	**65 398**
Expenses	**(4 121)**	**(9 827)**	**(6 213)**	**(51 369)**	**(71 530)**
Impairments	**(21 882)**	**–**	**–**	**(1 944)**	**(23 826)**
Net financing costs	**–**	**–**	**–**	**(75)**	**(75)**
Loss before taxation	**(25 967)**	**(1 170)**	**(2 175)**	**(721)**	**(30 033)**
Taxation	**–**	**–**	**–**	**–**	**–**
Loss from discontinued operations	**(25 967)**	**(1 170)**	**(2 175)**	**(721)**	**(30 033)**
Profit on disposal of discontinued operations	**–**	**–**	**–**	**3 675**	**3 675**
Total loss from discontinued operations	**(25 967)**	**(1 170)**	**(2 175)**	**2 954**	**(26 358)**
February 2011					
Revenue	23 628	22 983	28 783	72 356	147 750
Expenses	(26 635)	(29 084)	(38 071)	(75 302)	(169 092)
Impairments	(72 142)	(71 868)	–	(37 163)	(181 173)
Net financing costs	–	–	–	(194)	(194)
Loss before taxation	(75 149)	(77 969)	(9 288)	(40 303)	(202 709)
Taxation	6 457	6 432	–	11 235	24 124
Total loss from discontinued operations	(68 692)	(71 537)	(9 288)	(29 068)	(178 585)

The following table summarise the carrying values on 29 February 2012 of the assets and liabilities held for sale, and of the assets and liabilities of the Stanger division that were sold on 30 November 2011:

	Olifants-fontein R'000	**Ver-eeniging R'000**	**Bronkhorst-spruit R'000**	**Total R'000**	**Stanger R'000**
Property, plant and equipment	20 219	25 066	14 874	60 159	41 856
Inventories	–	–	–	–	5 080
Trade and other receivables	–	–	–	–	7 168
Cash and cash equivalents	–	–	–	–	1 440
Provisions	–	–	–	–	(1 440)
Borrowings	–	–	–	–	(1 615)
Trade and other payables	–	–	–	–	(6 164)
	20 219	25 066	14 874	60 159	46 325
Profit on disposal					3 675
Proceeds on disposal					50 000
Less cash and cash equivalents					(1 440)
					48 560

RELATED PARTIES

Ultimate controlling party

The Group's ultimate controlling party is G v N Parkin.

Related party transactions

	Transaction value for the year ended		**Balance outstanding**	
	29 Feb 2012 R'000	28 Feb 2011 R'000	**29 Feb 2012 R'000**	28 Feb 2011 R'000
Sales to related parties				
Cavaletto 45 (Pty) Ltd	**–**	224	**–**	–
Cyndara 113 (Pty) Ltd	**707**	258	**49**	–
Kuvula Trade 40 (Pty) Ltd	**2 837**	420	**328**	35
Leomega (Pty) Ltd	**–**	–	**–**	–
Vecto Trade 449 (Pty) Ltd	**–**	2 362	**218**	–
Scarlet Sun 33 (Pty) Ltd	**1 609**	688	**147**	–
E-Fuel (Pty) Ltd	**–**	3	**–**	–
Purchases from related parties				
Ilangabi Investments 12 (Pty) Ltd	**–**	6 639	**6 639**	6 639
Cavaletto 45 (Pty) Ltd	**–**	855	**–**	35
Cyndara 113 (Pty) Ltd	**939**	191	**246**	58
Kuvula Trade 40 (Pty) Ltd	**7 818**	2 074	**68**	144
Leomega (Pty) Ltd	**64**	13	**22**	2
Vecto Trade 449 (Pty) Ltd	**295**	13 036	**–**	51
Scarlet Sun 33 (Pty) Ltd	**–**	54	**–**	3 765
Scarlet Sun 33 (Pty) Ltd	**–**	–	**–**	–
Interest paid to related parties				
G v N Parkin	**2 288**	2 819	**27 573**	25 286

The above transactions occurred at arm's length on market-related terms.

BASIS OF PREPARATION

The reviewed condensed consolidated provisional financial results for the year ended 29 February 2012 have been prepared in accordance with the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the presentation and disclosure requirements of IAS 34: Interim Financial Reporting, the AC500 standards as issued by the Accounting Standards Board, the Companies Act of South Africa and the JSE Limited Listings Requirements. These reviewed condensed consolidated provisional financial results do therefore not include all of the information required for full annual financial statements. The accounting policies used to prepare these reviewed condensed consolidated provisional financial results, 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 2011, except for the standard noted that became effective on 1 January 2011: IAS 24 (Related Party Disclosures). The reviewed condensed consolidated provisional financial results have been prepared by the Chief Financial Officer, Mrs H Botha.

REVIEW REPORT AND EMPHASIS OF MATTER

The condensed consolidated provisional financial results for the year ended 29 February 2012 have been reviewed by the Company's auditor, KPMG Inc. In their review report dated 27 June 2012, which is available for inspection at the Company's registered office, KPMG Inc. stated that their review was conducted in accordance with the International Standard on Review Engagements 2410, Review of Interim Information Performed by the Independent Auditor of the Entity, and have expressed an unmodified opinion on the reviewed condensed consolidated provisional financial results for the year ended 29 February 2012. The auditor's review report includes the following emphasis of matter paragraph:

"Without qualifying our review report, we draw attention to the going concern note in the financial information, which indicates that Brikor Limited incurred a loss for the year ended 29 February 2012. This condition, along with other matters as set forth in the commentary, indicates the existence of a material uncertainty that may cast significant doubt on the ability of the Company and its subsidiaries to continue as going concern."

EVENTS AFTER THE REPORTING DATE

As announced on SENS on 4 June 2012, the option to acquire 10% of the Group's shares, granted to the Group's restructuring officer, Matuson and Associates, has lapsed.

The conditions precedent pertaining to the disposal of the Olifantsfontein operation were not met and therefore, as announced on SENS on 15 March 2012, the agreement has lapsed.

GOING CONCERN

The Group incurred a loss of R32,8 million for the year ended 29 February 2012.

The Group's directors have put the following plans in place to turn Brikor, as soon as possible, into a profitable organisation again:

- a restructuring plan which included the closure of current non-profitable operations, sale of non-core businesses, reduced overheads and cost-cutting, improved efficiencies and the successful commissioning of the coal operations;
- the sale of certain non core assets. Asset disposals effected during the year are disclosed under the heading 'Discontinued Operations'.

The directors regard Brikor as a going concern based on:

- the continued support of its financiers and creditors. The Company is currently negotiating the terms of the finance restructuring agreement. Should the restructuring plan not be accepted by RMB, there exists a material uncertainty which may cast significant doubt about the Company and its subsidiaries' ability to continue as going concerns and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business;
- no material adverse changes in current economic and market conditions;
- no adverse changes in the regulatory environment; and
- the continuance of profitable results.

The reviewed condensed consolidated provisional financial results are prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

PROSPECTS

The Group should benefit from a gradual improvement in market conditions and has positioned itself accordingly to extrapolate maximum benefits from such improvements. Positioning strategies include the restructuring and repositioning of the Company and the opening of the coal division.

Based on the repositioning and restructuring of the Company, support of its financiers and assuming that current market and economic conditions will not deteriorate, Brikor is expecting improved results in the next financial year.

The market and prospect information contained in the condensed consolidated provisional financial results for the year ended 29 February 2012 have been neither reviewed nor reported on by the Group's external auditors.

DIVIDEND

No dividend has been declared for the period.

By order of the Board

G v N Parkin
Chief Executive Officer

H Botha
Financial Director

Nigel
27 June 2012

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)*; H Botha *(CFO)*; 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: KPMG Inc.

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

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