

**BRIKOR LIMITED**  
**("the Group")**

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

**Unaudited results for the six months ended 31 August 2016**

**PREPARED BY:**

The unaudited interim financial results ("interim financial results" or "results") for the six months ended 31 August 2016 were prepared by Laura Craig CA(SA) (group financial manager) under the supervision of Andre Hanekom (chief financial officer)(authorised director).

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**HIGHLIGHTS**

- REVENUE decreased by 1.5 % to R169 million
- EBIDTA decreased by 41.2 % to R24 million
- HEADLINE EARNINGS PER SHARE decreased by 64.4 % to 1.6 cents per share
- CASH AND CASH EQUIVALENTS increased by 0.5% to R29 million
- TOTAL DEBT decreased by 3,2 % to R191 million
- NET ASSET VALUE PER SHARE increased by 37,9 % to 9,1 cents per share
- NET TANGIBLE ASSET VALUE PER SHARE increased by 56,5 % to 7,2 cents per share

**OVERVIEW**

The directors of Brikor are pleased to present the unaudited/unreviewed interim financial results for the six months ended 31 August 2016, which reflect continued growth and improvement from a sustainability point of view. It is important that the performance indicators are considered in conjunction with the commentary in the financial results section below as the 2017 financial year has been a landmark year where a number of cost items ("Catch-up opex") have been incurred in order to catch-up on reporting which fell behind when the company was still under provisional liquidation.

Brikor is a diverse manufacturer and supplier of building and construction materials across a broad spectrum of the market from low-cost housing, residential to commercial, industrial, civil engineering and infrastructure projects. The group operates through three divisions, namely bricks, aggregates and coal (through its subsidiary, Ilangabi Investments 12 (Pty) Ltd).

The group's overall financial indicators continued to be healthy in a competitive trading environment when performance relating only to the 2017 financial year is viewed in isolation from the impact of Catch-up opex. Effective cost management initiatives, sustainable working capital management techniques and particular focus on the group's core operations were maintained.

**FINANCIAL RESULTS**

In a competitive operating environment, revenue decreased to R168,9 million (2015: R171,4 million) and the gross profit percentage decreased to 23,3% (2015: 28,7%). The decrease in revenue is largely contributed to the decline in the coal segment revenue of R10,3 m which was inevitable given the efforts which had to be made to rectify inefficient mining methods utilised in the previous years. It must be said however that decrease in coal revenue was partially offset by a reduction in exposure on rehabilitation expenditure which effectively increases the gross profit percentage. The overall gross profit percentage declined partially as a result of cost increases in the bricks segment which could not all be passed through to the customers and also due to the sales mix resulting from the sale of more stock bricks versus semi-face bricks as availability of semi-faced bricks were limited.

Operating expenses increased to R26,1 million (2015: R21,3 million) as a result of the Catch-up opex which had to be incurred in the 2017 financial year and which relates to a number of statutory and compliance expenditures. The expenses of this nature, included in the 2017 financial period amounted to R6,5 million for the 6 months to 31 August 2016. By excluding the Catch-up opex, no growth on expenditure is evident when compared to the same period for the 2015 financial year.

Interest earned during the period under review amounted to R0,7 million (2015: R2,6 million). The reduction in interest earned resulted from the reduction in funds invested as these funds were used in settling the debts of the company during the 2015 financial period in order to lift the provisional liquidation order. The comparative period therefore still had funds invested for a portion of that financial period.

The group ended the interim period with an attributable profit of R10,2 million (2015: R27,7 million), resulting in earnings per share of 1,6 cents (2015: 4,4 cents) and headline earnings per share of 1,6 cents (2015: 4,5 cents) for the period. With the group's shares still being suspended, the number of shares in issue in the earnings per share equation remains static. The 2017 financial year is anticipated to be the last year in which past inefficiencies are rectified and necessary historical expenditure is brought up to date. The sustainable management practises, time pertinent and consistent reporting in the subsequent financial periods promise to provide more valuable investor information.

## Capital expenditure

For the six months under review capital expenditure amounted to R8,6 million. The material items invested in are as follows:

Plant and equipment of R7,5 million made up as follows:

- Aggregates segment – R5,3 million on mobile plant and R0,9 million on fixed plant;
- Bricks segment – R0,1 million on mobile plant; and
- Coal segment – R1,2 million on mobile plant.

Motor vehicles of R0,5 million made up as follows:

- Aggregates segment – R0,1 million on a truck; and
- Bricks segment – R0,4 million on two motor vehicles.

Furniture and fittings of R0,4 million made up as follows:

- Bricks segment – R0,2 million on the refurbishment of the boardroom, R0,1 million on 8 computers and R0,1 million on new clocking systems.

Buildings of R0,2 million made up as follows:

- Bricks segment – R0,2 million on electrical upgrades.

Consolidated property, plant and equipment increased to R110,2 million from the February 2016 year end amount of R109,2 million as a net result of:

- additions to property, plant and equipment of R8,6 million
- disposals of property, plant and equipment of R0,5 million; and
- depreciation of R7,1 million.

**UNAUDITED CONSOLIDATED INTERIM STATEMENT OF PROFIT AND OTHER COMPREHENSIVE INCOME**

For the six months ended 31 August 2016

	Notes	6 months ended 31 August 2016 Unaudited R'000	6 months ended 31 August 2015 Unaudited R'000	12 months ended 29 February 2016 Audited R'000
<b>Revenue</b>		<b>168 923</b>	171 480	317 002
Cost of sales		<b>(129 576)</b>	(122 339)	(230 126)
<b>Gross profit</b>		<b>39 347</b>	49 141	86 876
Other income		<b>3 235</b>	4 819	5 376
Administrative expenses		<b>(22 102)</b>	(14 421)	(32 570)
Distribution expenses		<b>(2 427)</b>	(2 100)	(4 374)
Other expenses		<b>(1 583)</b>	(4 792)	(6 725)
<b>Operating profit before interest and taxation</b>		<b>16 470</b>	32 647	48 583
Finance income		<b>691</b>	2 628	3 083
Finance costs		<b>(4 941)</b>	(4 321)	(13 505)
<b>Profit before taxation</b>		<b>12 220</b>	30 954	38 161
Taxation		<b>(1 972)</b>	(3 204)	(5 314)
<b>Total profit for the year attributable to equity holders of the company</b>		<b>10 248</b>	27 750	32 847

**EARNINGS PER SHARE**

	6 months ended 31 August 2016 Unaudited cents	6 months ended 31 August 2015 Unaudited cents	12 months ended 29 February 2016 Audited cents
<b>Basic</b>			
Continued operations (cents)	<b>1.6</b>	4.4	5.2
Total	<b>1.6</b>	4.4	5.2
<b>Diluted</b>			
Continued operations (cents)	<b>1.6</b>	4.4	5.2
Total	<b>1.6</b>	4.4	5.2
<b>Headline earnings</b>			
Continued operations (cents)	<b>1.6</b>	4.5	5.6
Total	<b>1.6</b>	4.5	5.6
<b>Diluted headline earnings</b>			
Continued operations (cents)	<b>1.6</b>	4.5	5.6
Total	<b>1.6</b>	4.5	5.6

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

	6 months ended 31 August 2016 Unaudited R'000	6 months ended 31 August 2015 Unaudited R'000	12 months ended 29 February 2016 Audited R'000
<b>Six months ended 31 August 2016</b>			
Basic and diluted profit	<b>10 248</b>	27 750	32 847
(Profit)/loss on disposal of property, plant and equipment	<b>(42)</b>	806	669
Loss on scrapping of property, plant and equipment	<b>-</b>	-	1 449
<b>Headline and diluted headline profit</b>	<b>10 206</b>	28 556	34 965
<b>Number of shares</b>	<b>'000</b>	'000	'000
Weighted average number of shares	<b>629 342</b>	629 342	629 342
<b>Diluted weighed average number of shares</b>	<b>629 342</b>	629 342	629 342

**UNAUDITED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**

As at 31 August 2016

	<b>31 August 2016 Unaudited R'000</b>	31 August 2015 Unaudited R'000	29 February 2016 Audited R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>137 257</b>	140 918	134 445
Property, plant and equipment	110 243	113 447	109 202
Intangible assets	11 651	12 989	12 320
Other financial assets	14 242	13 585	12 714
Deferred tax asset	1 121	897	209
<b>Current assets</b>	<b>110 402</b>	97 671	96 617
Inventories	45 219	40 516	45 499
Trade and other receivables	35 689	27 798	29 871
Cash and cash equivalents	29 494	29 357	21 247
<b>Total assets</b>	<b>247 659</b>	238 589	231 062
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the company</b>	<b>57 102</b>	41 757	46 854
Stated capital	228 242	228 242	228 242
Accumulated loss	(171 140)	(186 485)	(181 388)
<b>Non-current liabilities</b>	<b>106 829</b>	99 308	95 616
Borrowings	6 342	11 150	5 582
Shareholder loans	50 230	42 651	43 115
Provisions	50 257	45 507	46 919
<b>Current liabilities</b>	<b>83 728</b>	97 524	88 592
Borrowings	6 384	8 455	9 984
Trade and other payables	61 784	67 763	58 661
Taxation	15 560	21 306	19 947
<b>Total equity and liabilities</b>	<b>247 659</b>	238 589	231 062
<b>Asset value per share</b>			
Net asset value per share (cents)	9.1	6.6	7.4
Net tangible asset value per share (cents)	7.2	4.6	5.5

**UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

For the six months ended 31 August 2016

	<b>6 months ended 31 August 2016 Unaudited R'000</b>	6 months ended 31 August 2015 Unaudited R'000	12 months ended 29 February 2016 Audited R'000
Stated capital	244 142	244 142	244 142
Treasury shares	(15 900)	(15 900)	(15 900)
Accumulated loss beginning of year	(181 388)	(214 235)	(214 235)
Profit for the period	10 248	27 750	32 847
<b>Total equity</b>	<b>57 102</b>	41 757	46 854

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**UNAUDITED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**

For the six months ended 31 August 2016

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	<b>6 months ended 31 August 2016 Unaudited</b>	6 months ended 31 August 2015 Unaudited	12 months ended 29 February 2016 Audited
<b>Cash flows from operating activities</b>	<b>13 605</b>	<b>34 736</b>	<b>37 086</b>
Cash generated from operations	25 126	37 225	48 010
Finance income	691	2 628	3 083
Finance costs	(4 827)	(3 958)	(8 623)
Tax paid	(7 385)	(1 159)	(5 384)
<b>Cash flows to investing activities</b>	<b>(9 632)</b>	<b>(9 106)</b>	<b>(15 989)</b>
Purchase of property, plant and equipment	(8 644)	(11 017)	(18 450)
Proceeds on disposal of plant and equipment	540	3 214	4 340
Increases in investments into other financial assets	(1 528)	(1 303)	(1 879)
<b>Cash flows from/(to) financing activities</b>	<b>4 274</b>	<b>(90 764)</b>	<b>(94 341)</b>
Borrowings raised	8 244	16 860	18 600
Borrowings repaid	(3 970)	(107 624)	(112 941)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>8 247</b>	<b>(65 134)</b>	<b>(73 244)</b>
Cash and cash equivalents at beginning of period	21 247	94 491	94 491
<b>Cash and cash equivalents at end of period</b>	<b>29 494</b>	<b>29 357</b>	<b>21 247</b>

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**UNAUDITED SEGMENTAL REPORT**  
For the six months ended 31 August 2016

	Brick				
	Manufacturing	Coal	Aggregates	*Other	Total
<b>Six months ended 31 August 2016 unaudited</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Total revenue	94 604	56 839	24 056	-	175 499
Intersegmental revenue	-	(6 576)	-	-	(6 576)
Reportable segment revenue	<b>94 604</b>	<b>50 263</b>	<b>24 056</b>	<b>-</b>	<b>168 923</b>
Gross profit	24 229	14 540	578	-	39 347
Other income	802	2 032	401	-	3 235
Operating profit/(loss) before interest and taxation	9 295	8 964	(1 789)	-	16 470
<b>Segment assets and liabilities</b>					
Segment assets	67 581	68 380	81 082	30 616	247 659
Segment liabilities	(38 677)	(77 740)	(8 349)	(65 791)	(190 557)
<b>Other segment information</b>					
Depreciation and amortisation included in cost of sales and operating expenditure	(3 219)	(2 911)	(1 645)	-	(7 775)
Additions to non-current assets	1 107	1 264	6 273	-	8 644

	Brick				
	Manufacturing	Coal	Aggregates	*Other	Total
<b>Six months ended 31 August 2015 unaudited</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Total revenue	89 638	63 939	21 267	-	174 844
Intersegmental revenue	-	(3 364)	-	-	(3 364)
Reportable segment revenue	89 638	60 575	21 267	-	171 480
Gross profit	31 929	15 498	1 714	-	49 141
Other income	2 455	1 605	759	-	4 819
Operating profit before interest and taxation	22 680	9 527	440	-	32 647
<b>Segment assets and liabilities</b>					
Segment assets	68 515	67 483	72 338	30 253	238 589
Segment liabilities	(48 582)	(73 068)	(11 225)	(63 957)	(196 832)
<b>Other segment information</b>					
Depreciation and amortisation included in cost of sales and operating expenditure	(1 820)	(5 474)	(1 313)	-	(8 607)
Additions to non-current assets	325	7 943	2 749	-	11 017

	Brick				
	Manufacturing	Coal	Aggregates	*Other	Total
<b>12 months ended 29 February 2016 audited</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Total revenue	172 612	114 283	37 935	-	324 830
Intersegmental revenue	-	(7 828)	-	-	(7 828)
Reportable segment revenue	172 612	106 455	37 935	-	317 002
Gross profit	51 801	29 351	5 724	-	86 876
Other income	3 388	922	1 066	-	5 376
Operating profit before interest and taxation	33 811	12 334	2 438	-	48 583
<b>Segment assets and liabilities</b>					
Segment assets	68 272	69 446	71 888	21 456	231 062
Segment liabilities	(37 720)	(74 265)	(9 161)	(63 062)	(184 208)
<b>Other segment information</b>					
Depreciation and amortisation included in cost of sales and operating expenditure	(8 546)	(6 963)	(2 578)	-	(18 087)
Additions to non-current assets	2 164	12 494	3 792	-	18 450

\*Other segment relates to non segment specific cash and liabilities

Factors used to identify segments are based on geographical location and divisional structuring, this is also how the group reports financial results to management on a monthly basis.

Segment profit represents the profit earned by each segment without allocation of finance costs and income tax expense. This is the measure reported to the chief operating decision-maker for the purposes of assessment of segment performance.

No single customer exists upon which the group is significantly dependent on for revenue and revenue is derived solely from the South African customers.

**Other assets and liabilities**

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

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

**NOTES TO THE UNAUDITED/UNREVIEWED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
for the six months ended 31 August 2016**

**1 BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The interim results are prepared in accordance with the requirements of the JSE Listings Requirements for interim reports and the requirements of the Companies Act 71 of 2008 of South Africa. The Listings Requirements require provisional 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 are consistent with those applied in the annual financial statements for the year ended 29 February 2016 and are in terms of IFRS as issued by the International Accounting Standards Board.

The interim results have been prepared on the historic cost convention, except for certain financial instruments, which are stated at fair value. The results are presented in Rand rounded to the nearest thousand (R'000).

**2 OTHER LEGAL AND REGULATORY REQUIREMENTS**

On 24 November 2016 the auditors reported reportable irregularities to the Independent Regulatory Board of Auditors in respect on non-compliance with the Income Tax Act, No 58 of 1962 and the Mineral and Petroleum Resources Royalties Act, No 29 of 2008. The particulars of the reportable irregularities relate to the following instances, which resulted in penalties and interest being charged to the group:

- Non-submission of annual tax returns and non-timeous payment of provisional tax on due dates, as required by the Income Tax Act, No 58 of 1962; and
- Non-registration for Royalty Tax and/or submission of returns and/or payment of Royalty Tax due to SARS, as required by the Mineral and Petroleum Resources Royalties Act, No 29 of 2008.

These non-compliances were due to the provisional liquidation of Brikor and cash flow constraints on the group.

Management is aware of the above and is in the process of taking corrective steps, particularly since the provisional liquidation of Brikor has been lifted to ensure that the relevant non-compliances are adequately addressed. Full provision has been made in the unaudited interim financial statements for any related amounts due.

	6 months ended 31 August 2016 Unaudited	6 months ended 31 August 2015 Unaudited	12 months ended 29 February 2016 Audited
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**3 SALIENT FEATURES**

<b>Number of shares in issue (excluding treasury shares)(’000)</b>	629 342	629 342	629 342
<b>Net asset value</b>	57 102	41 757	46 854
Adjusted with:			
- Intangible assets	11 651	12 989	12 320
<b>Net tangible asset value</b>	<b>45 451</b>	<b>28 768</b>	<b>34 534</b>
Net asset value per share (cents)	9.1	6.6	7.4
Net tangible asset value per share (cents)	7.2	4.6	5.5
<b>Reconciliation of EBITDA</b>			
Operating profit before interest and taxation ("EBIT")	16 470	32 647	48 583
Adjusted with:			
- Depreciation and amortisation	7 775	8 607	18 087
<b>Earnings before interest, taxation, depreciation, amortisation and impairment adjustments ("EBITDA")</b>	<b>24 245</b>	<b>41 254</b>	<b>66 670</b>

#### 4 SUBSEQUENT EVENTS

Management is not aware of any material events, other than as outlined below, which occurred subsequent to the six month period ended 31 August 2016 and which need adjustment or disclosure.

Subsequent to the end of the interim period the group has received offers for the sale of two of its properties, namely the Rayton property situated at Portion 31 of Witfontein NO.510 - JR District Bronkhorstspuit and the Nigel Schist property situated at Portion 58 of the Farm Vrisfewaag 510IR.

No intention existed at 31 August 2016 to dispose of these properties and at the date of the publication of this unaudited consolidated interim financial statements no formal heads of agreement have been drafted or agreed to by any parties. The group has indicated its interest in the offers and is in the process of negotiating the terms to be agreed upon. Both properties will be disposed of inclusive of the rehabilitation provisions pertaining to each property respectively.

#### 5 GOING CONCERN

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 indicates that the group will operate as a going concern for the foreseeable future.

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#### DATE OF PUBLICATION OF THIS REPORT

30 January 2017

#### G Parkin

Chief Executive Officer

Nigel

1 February 2017

#### A Hanekom

Chief Financial Officer

Nigel

1 February 2017

#### CORPORATE INFORMATION

**Directors:** PM McDonald (Chairman)\*; PS Moyanga (Lead independent director)^; G Parkin (CEO); A Hanekom (FD); CB Madolo^; AP van der Merwe\*

\* Non-executive ^ Independent non-executive

**Registered address:** 1 Marievale Road, Vorsterskroon, Nigel 1490

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

**Telephone:** (011) 739 9000

**Facsimile:** (011) 739 9021

**Company secretary:** CIS Company Secretaries (Pty) Ltd

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

**Auditors:** KPMG Inc.

**Designated Adviser:** Exchange Sponsors (2008) (Pty) Ltd

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