REVIEWED CONDENSED INTERIM RESULTS
for the six months ended
31 August 2008

BRIKOR LIMITED

"all your bricks
under one roof"

CONDENSED GROUP INCOME STATEMENTS

for the six months ended 31 August 2008

	Reviewed 6 months ended 31 August 2008 R'000	Reviewed 6 months ended 31 August 2007 R'000	Audited 12 months ended 29 February 2008 R'000
Revenue	**190 269**	176 107	311 908
Cost of sales	**(133 925)**	(99 153)	(174 070)
Cost of sales depreciation	**(10 209)**	(7 228)	(13 719)
Gross profit	**46 135**	69 726	124 119
Other income	**396**	6 321	7 197
Administration expenses	**(26 487)**	(17 727)	(38 630)
Profit before interest and taxation	**20 044**	58 320	92 686
Investment revenue	**3 273**	782	13 005
Loss on disposal of non-current assets	**–**	(62)	–
Finance costs	**(4 764)**	(174)	(6 780)
Profit before taxation	**18 553**	58 866	98 911
Taxation	**(6 107)**	(15 253)	(25 869)
Profit attributable to ordinary shareholders	**12 446**	43 613	73 042
Reconciliation of headline earnings			
Profit attributable to ordinary shareholders	**12 446**	43 613	73 042
Adjusted for:			
Loss on disposal of property, plant and equipment	**–**	44	–
Grant received	**–**	(6 303)	(6 303)
Headline earnings attributable to ordinary shareholders	**12 446**	37 354	66 739
Weighted average shares in issue on which earnings are based	**621 194 853**	502 136 986	560 227 730
Fully diluted weighted average shares in issue	**637 094 853**	503 226 026	569 244 990
Earnings per share (cents)	**2,0**	8,7	13,0
Headline earnings per share (cents)	**2,0**	7,4	11,9
Fully diluted earnings per share (cents)	**2,0**	8,7	12,8
Fully diluted headline earnings per share (cents)	**2,0**	7,4	11,7
Dividend per share (cents)	**1,5**	–	–

CONDENSED GROUP CASH FLOW STATEMENTS

for the six months ended 31 August 2008

	Reviewed 6 months ended 31 August 2008 R'000	Reviewed 6 months ended 31 August 2007 R'000	Audited 12 months ended 29 February 2008 R'000
Cash flows from operating activities	**3 270**	14 613	25 921
Cash flow from investing activities	**(209 182)**	(33 022)	(74 000)
Cash flow from financing activities	**128 638**	226 790	140 894
Net increase in cash and cash equivalents	**(77 274)**	208 381	92 815
Cash and cash equivalents at beginning of the period	**95 699**	2 922	2 884
Cash and cash equivalents at end of year	**18 425**	211 303	95 699

CONDENSED GROUP BALANCE SHEETS

as at 31 August 2008

	Reviewed 31 August 2008 R'000	Reviewed 31 August 2007 R'000	Audited 29 February 2008 R'000
ASSETS			
Non-current assets	**532 536**	293 691	327 275
Property, plant and equipment	**398 003**	266 691	299 832
Goodwill	**115 297**	27 000	27 237
Intangible assets	**18 911**	–	–
Other financial assets	**325**	–	206
Current assets	**171 469**	285 378	198 692
Inventories	**87 169**	37 258	65 225
Loans receivable	**–**	5 764	–
Trade and other receivables	**60 897**	31 053	37 768
Cash and cash equivalents	**23 403**	211 303	95 699
Total assets	**704 005**	579 069	525 967
EQUITY AND LIABILITIES			
Equity	**414 924**	397 590	412 035
Issued capital	**62**	64	62
Share premium	**225 980**	240 962	225 980
Retained earnings	**188 882**	156 564	185 993
Non-current liabilities	**191 821**	56 282	57 442
Environmental obligation	**7 893**	5 782	5 802
Medium-term loans and instalment sale creditors	**129 041**	13 650	14 198
Deferred taxation	**54 887**	36 850	37 442
Current liabilities	**97 260**	125 197	56 490
Trade and other payables	**41 781**	24 792	27 400
Current portion of non-current liabilities	**31 918**	10 019	8 977
Taxation	**18 583**	10 163	16 110
Other financial liabilities	**–**	–	4 003
Loans from shareholder	**–**	80 223	–
Bank overdraft	**4 978**	–	–
Total equity and liabilities	**704 005**	579 069	525 967
Capital commitments	**11 020**	–	–
Number of shares in issue at period-end (excluding treasury shares)	**621 194 853**	636 000 000	621 194 853
Net asset value per share (cents)	**66,8**	62,5	66,3
Net tangible asset value per share (cents)	**45,2**	58,3	61,9

CONDENSED GROUP STATEMENTS OF CHANGES IN EQUITY

for the six months ended 31 August 2008

	Reviewed 6 months ended 31 August 2008 R'000	Reviewed 6 months ended 31 August 2007 R'000	Audited 12 months ended 29 February 2008 R'000
Balance at beginning of period	**412 035**	216 015	112 951
Issue of share capital	**–**	15	241 942
Share premium	**–**	137 947	(15 900)
Net profit for the period	**12 446**	43 613	73 042
Dividend declared	**(9 557)**	–	–
Balance at the end of the period	**414 924**	397 590	412 035

SEGMENTAL REPORTING

for the six months ended 31 August 2008

	Reviewed 6 months ended 31 August 2008 R'000	Audited 12 months ended 29 February 2008 R'000
Revenue	**190 269**	311 908
Clay products	**64 154**	168 139
Concrete products	**65 130**	58 232
Aggregates and ready-mix	**18 447**	–
Ancillary products and services	**42 538**	85 537
Gross profit before depreciation	**56 344**	137 842
Clay products	**24 845**	66 919
Concrete products	**19 397**	19 251
Aggregates and ready-mix	**9 690**	–
Ancillary products and services	**2 412**	51 672

COMMENTARY

OVERVIEW

The directors of Brikor present the reviewed interim financial results for the six months ended 31 August 2008 ("the interim period"), which results were below expectations having regard to the following:

Brikor is a manufacturer and supplier of building and construction materials to the building industry, servicing all segments of the market from low cost housing projects, residential, commercial and construction. The diversification strategy to expand its concrete division and the acquisition of two quarries has minimised the inherent risks of a traditional brick-making business and has ensured a spread of product offerings.

From a market reporting overview, the knock-on effect of the world crisis on emerging markets was not anticipated in the forecast period with the high interest rates, more stringent requirements for credit, a dramatic increase in the fuel price and the economic uncertainty that caused a severe drop in building activity, which resulted in an unexpected and unprecedented overstocked situation.

- The effect of the market turmoil on brickmaking companies has been "sudden and dramatic" with some manufacturers willing to liquidate stocks at below cost in order to raise cash flow, as quoted by one of the brick manufacturers. This position is the worst in 15 years and not unique to the performance of Brikor's brickmaking operations.
- The brick industry in general and, in particular, the clay brick manufacturers are faced with serious challenges as surplus stocks force them to sell stock below cost. In addition, there are reports of lay-offs and extended annual shutdowns next month. Smaller brickmaking factories have already closed until further notice in an endeavour to limit production input cost.

On the upside, although the shrinking residential building market negatively affected the company's sales, the newly acquired companies detailed below, have strengthened the traditional business of brick manufacturing. At an early stage, Brikor identified the challenges and implemented a turnaround strategy and focused on elements to "right-size" its businesses for the current climate, including:

- re-aligning the lower production volumes with reduced operational cost structures.
- focusing on the commercial building sector and construction segment in terms of its diversification strategy, which provided a cushion for the company.
- the recent major acquisitions, Zululand Quarries Group ("Zululand Quarries") and Donkerhoek Quartzite (Pty) Limited ("Donkerhoek"), have started to contribute to the critical mass required for the group to remain sustainable and profitable going forward. The performance of both quarries has been satisfactory to date and their growth prospects indicate that the investments complement the group activities and diversification strategy. The acquisitions of Zululand Quarries and Donkerhoek were completed during the period and were incorporated into the results with effect from 1 April 2008 and 1 August 2008, respectively.

The rationale for the acquisitions is as follows:

- the acquisition of Zululand Quarries is in line with Brikor's growth strategy as well as its geographical expansion plan to have a national footprint and will be Brikor's first entry into the coastal regions;
- the products offered by Donkerhoek will increase Brikor's participation in infrastructual projects. The Donkerhoek quarry is strategically located in Pretoria East;
- the product ranges offered by Zululand Quarries and Donkerhoek fall within the diversification strategy and also strengthen the current Brikor product offering such as roof tiles, pavers and clay bricks and pipes; and
- the location of Zululand Quarries offers Brikor a strategic entrance and opportunity to offer clay bricks to the KwaZulu-Natal market.

From an operational reporting overview, Brikor was severely affected by a strike.

- As a result of serious intimidation and assaults between two unions, bargaining for majority recognition and the cancellation of a three-year wage agreement (expiring at the end of March 2010), Brikor's production came to a complete standstill. Strike action during the negotiation process necessitated substantial spending on increased safety actions and precautions and a non-recurring expenditure of approximately R5,2 million on strike-related costs.
- Normal business operations were hampered throughout the strike period, resulting in a decrease in business activity as well as the loss of production. Fortunately, with higher than normal stock levels, the company was able, under extremely difficult circumstances, to service its major clients and project commitments. Brick sales decreased by 50% during the strike period. The strike was resolved in mid-October 2008 with a new wage agreement being reached. Brikor and the unions agreed on a process of healing and the platform for a long-term relationship with unions has been set. The workforce, with a more positive attitude, returned to work and brick sales and production have returned to pre-strike levels.
- The concrete manufacturing facility in Olifantsfontein yielded negative returns as a result of the late commissioning of two paver plants, which did not adequately contribute to the forecast and reporting period. These losses were caused by unforeseen mechanical problems in the commissioning phase and a lack of production by under-performing manufacturing equipment.

The directors remain positive that the investment in the two paver plants will result in enhanced earnings for the group. The two plants have now been fully commissioned and are producing in line with demand and are expected to break even before the end of the financial year.

In addition to lower volume demand, the continued increased input costs, such as energy, fuel and raw material, diluted the net earnings versus volume output during the interim period. The company was unable to pass these cost increases onto its customers as a result of price pressure and competition for volume. This effect of previous fuel price increases on the company has eased considerably since the period-end.

FINANCIAL RESULTS

The group's consolidated revenue increased by 8% to R190,3 million (2007: R176,1 million), mainly as a result of the inclusion of the Zululand Quarries acquisition from 1 April 2008. Gross profit decreased by 34% to R46,1 million (2007: R69,7 million) and gross profit margins decreased to 24% as a result of the continued increased input costs, such as energy, fuel and raw material. The reduction in the group gross profit, combined with higher operating expenses, increased depreciation charges for the larger asset base and finance costs, resulted in a reduction in headline earnings per share to 2,0 cents for the period (2007: 7,4 cents).

Other income for the year ended 29 February 2008 of R7,2 million includes non-recurring income of R6,3 million in terms of a grant received from the Department of Trade and Industry. The investment revenue for the 2008 year amounted to R13,0 million as a result of the funds received in respect of the private placement of R140 million in August 2007. These funds have been utilised subsequent to the 2008 year-end to pay for the Zululand Quarries acquisition, capital projects and to increase the group's inventory levels.

The increase in fixed assets, goodwill, intangible assets, inventories and trade and other receivables relate to the acquisitions of Zululand Quarries and Donkerhoek.

The segmental report reflects a substantial decrease in revenue for the clay brick division as a result of the factors described above. On the positive side, despite the decrease in clay brick activity, an increase in revenue was realised through concrete activity, largely attributable to the acquisition of Zululand Quarries.

PROSPECTS

Notwithstanding the current market conditions and while the operating results for the period were not to expectation, the directors believe that the diversification strategy will bear fruit in view of the Government's infrastructure improvement plans. The product lines offered by Brikor will create many opportunities for the group across market segments (ie from low-cost housing development to commercial and construction).

As the South African economy experiences a down cycle, there are still opportunities for growth in those market segments least affected and in some case not affected at all. The management of Brikor is motivated and eager to accelerate the shift of focus from the market's current centre of gravity to other segments with specific needs where differentiation can be achieved.

With Brikor's differentiated strategy and product offering, the company's research has identified three main segments for growth and the spreading of risk over time with its "Value Strategy of Diversification" and expansion to be the key for sustainability.

These identified market segments are:

1. Non-residential – Construction Industry.
2. Non-residential – Commercial buildings and offices.
3. Residential – Affordable and low cost housing.

The directors are confident that the post-strike turnaround strategy (to recover and curb costs) and the effect of the acquisition of Donkerhoek will, in the second half of the year and going forward, reflect a much improved financial performance. The new businesses acquired which create critical mass, will sustain and benefit all stakeholders.

Zululand Quarries has performed well during the period under review, achieving an above-budget profit for the first five-month reporting period.

Major capital expenditure has been expended according to plan, with the exception of the tunnel kiln upgrade in Vereeniging and the building of a 70 cube per hour ready-mix batching plant at Donkerhoek, which are to be completed by year-end. The group now has sufficient spare capacity in all its businesses and will focus on exploiting these assets by maximising synergies and economies of scale.

ZULULAND QUARRIES AND DONKERHOEK ACQUISITIONS

Growth prospects – KwaZulu-Natal

In summary, the growth possibilities identified in the KwaZulu-Natal market relate to traditional residential as well as residential low-cost housing. This fast growing segment (specifically in low cost housing) of the market will fully utilise the complete Brikor product offering in precast concrete products and include:

1. Ready-mix concrete for foundations
2. Concrete blocks for top structures
3. Concrete roof tiles

The directors believe that the construction industry in this area is on high growth levels and the Stanger operation is well positioned to sustain such growth as well as capitalising the growth in the aggregates and ready-mix business.

Growth prospects – Inland

The growth possibilities identified in respect of the Inland Gauteng market relate to residential low cost housing as well as non-residential and construction. The Donkerhoek acquisition with its batch plant installation, will substantially contribute to the future growth of Brikor. These three segments will also fully utilise the complete Brikor product offering in precast concrete products and include:

1. Concrete roof tiles
2. Ready-mix concrete used in foundations
3. Aggregates used in construction and infrastructure development
4. Ready-mix concrete
5. Construction and infrastructure development.

BUSINESS COMBINATIONS

The Zululand Quarries and Donkerhoek acquisitions became effective on 1 March 2008 and 1 August 2008, respectively. These businesses contributed revenue of R51,1 million and R4,3 million, and after-tax profits of R8,7 million and R0,2 million, respectively for the period.

Due to the short time span between the date of acquisition of Zululand Quarries and Donkerhoek and the date of the half-year interim report, the business combinations were accounted for using provisional figures, as the company is currently performing an exercise to determine the fair values of plant and equipment acquired in the business combinations. In terms of IFRS 3, Brikor is permitted to update these provisional figures within 12 months of the effective date of the business combinations.

The excess of the purchase price over the tangible net asset value of Zululand Quarries of R57,9 million (gross of related deferred taxation of R5.6 million) includes the indicative value of the acquired market-related intangible assets of R4,2 million, acquired customer-related intangible assets of R8,7 million and acquired contracts of R6,9 million, and results in goodwill of R38,1 million, which is not amortised but is tested for impairment on an annual basis.

The excess of the effective purchase price over the tangible net asset value of Donkerhoek results in goodwill of R50 million, which is not amortised but is tested for impairment on an annual basis.

The final assessment of intangible assets and goodwill is in the process of being completed by independent valuation specialists and the required adjustment, if any, will be reflected in the year-end results.

BASIS OF PREPARATION

The reviewed interim results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the Companies Act (Act 61 of 1973), as amended, and International Accounting Standards (IAS 34 : Interim Financial Reporting), and the JSE Limited Listings Requirements. The accounting policies used to prepare these interim financial statements are consistent with those applied in the prior interim period and at previous year-end.

These consolidated interim financial statements incorporate the financial statements of the company and its subsidiaries. Results of subsidiaries are included from the effective date of acquisition or up to the effective date of disposal. All significant transactions and balances between group enterprises are eliminated on consolidation.

REVIEWED RESULTS

The auditors, RSM Betty & Dickson (Tshwane), have reviewed these results and their unmodified review opinion is available for inspection at the company's registered office.

POST-BALANCE SHEET EVENTS

There are no material events subsequent to the end of the interim period that have not been reflected in the interim financial statements or that require further disclosure.

STATEMENT ON GOING CONCERN

The financial statements have been prepared on the going concern basis since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

DIVIDEND POLICY

No dividend has been declared for the interim period.

BOARD OF DIRECTORS

Mr KE Mathebula resigned as an executive director of the company with effect from 25 September 2008.

By order of the Board

G v N Parkin
Chief Executive Officer

H Botha
Chief Financial Officer

Nigel
28 November 2008

CORPORATE INFORMATION

Non-executive directors: EG Dube; MM Patel

Executive directors: G v N Parkin (Chairman and CEO); H Botha (CFO); A Cronje (MD); G Parkin (Jnr)

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

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

GRAPHICULTURE