



BRIKOR LIMITED

**REVIEWED CONDENSED
CONSOLIDATED
FINANCIAL RESULTS**
for the six months ended
31 August 2011



The interim results, as approved at a meeting of the Board of Directors held on 22 November 2011, are disclosed below:

Condensed consolidated statement of **COMPREHENSIVE INCOME**

	Reviewed 6 months ended 31 August 2011 R'000	Reviewed 6 months ended 31 August 2010 R'000	Audited year ended 28 February 2011 R'000
Revenue	84 662	104 641	201 281
Cost of sales	(70 466)	(84 525)	(181 289)
Gross profit	14 196	20 116	19 992
Other income	2 972	1 344	2 022
Depreciation and amortisation	(694)	(2 347)	(4 510)
Operating expenses	(17 319)	(21 337)	(43 723)
Operating loss before impairment	(845)	(2 224)	(26 219)
Impairment of continuing operation	(14 000)	-	(159 405)
Operating loss before interest and taxation	(14 845)	(2 224)	(185 624)
Interest received	8	212	312
Finance costs	(13 530)	(13 299)	(27 554)
Loss before taxation	(28 367)	(15 311)	(212 866)
Taxation	-	2 516	23 262
Total loss attributable to equity holders of the Company	(28 367)	(12 795)	(189 604)
Profit/(loss) from discontinued operations held for sale	2 185	2 321	(29 350)
Total comprehensive loss attributable to equity holders of the Company	(26 182)	(10 474)	(218 954)
Earnings per share			
Basic loss per share (cents)	(4,2)	(1,7)	(34,9)
Fully diluted loss per share (cents)	(4,1)	(1,6)	(34,0)
Headline loss per share (cents)	(1,9)	(1,7)	(6,6)
Earnings per share – continuing operations			
Basic loss per share (cents)	(4,5)	(2,0)	(30,2)
Fully diluted headline loss per share (cents)	(1,9)	(1,7)	(6,5)
Headline loss per share (cents)	(2,3)	(2,1)	(7,4)
Reconciliation of headline earnings			
Loss attributable to ordinary shareholders	(26 182)	(10 474)	(218 954)
Adjusted for impairments	14 509	-	177 012
Adjusted for profit on disposal of non-current assets	(398)	(372)	284
Headline loss attributable to ordinary shareholders	(12 071)	(10 846)	(41 658)
Reconciliation of headline earnings from continuing operations			
Loss attributable to ordinary shareholders	(28 367)	(12 795)	(189 604)
Adjusted for impairments	14 000	-	142 658
Adjusted for (loss)/profit on disposal of non-current assets	(548)	(372)	284
Headline loss attributable to ordinary shareholders	(14 915)	(13 167)	(46 662)
Weighted average shares outstanding during the period ('000)	629 342	624 657	627 274
Treasury shares issues to the Brikor Share Incentive Trust ('000)	15 900	15 900	15 900
Fully diluted weighted average shares in issue ('000)	645 242	640 557	643 174

Condensed consolidated **STATEMENT OF CHANGES IN EQUITY**

	Reviewed 6 months ended 31 August 2011 R'000	Reviewed 6 months ended 31 August 2010 R'000	Audited year ended 28 February 2011 R'000
Balance at the beginning of the period	33 048	251 502	251 502
Changes in share capital	-	-	500
Total comprehensive loss	(26 182)	(10 474)	(218 954)
Balance at the end of the period	6 866	241 028	33 048

Condensed consolidated statement of **FINANCIAL POSITION**

	Reviewed 31 August 2011 R'000	Reviewed 31 August 2010 R'000	Audited 28 February 2011 R'000
ASSETS			
Non-current assets	150 941	425 351	218 837
Property, plant and equipment	140 892	401 176	208 672
Intangible assets	6 639	10 528	6 639
Goodwill	–	10 825	–
Other financial assets	3 410	2 822	3 526
Current assets	114 716	109 323	86 044
Inventories	33 397	69 833	50 554
Trade and other receivables	16 574	30 926	28 978
Cash and cash equivalents	6 695	7 114	6 512
Non-current assets held for sale	58 050	1 450	–
Total assets	265 657	534 674	304 881
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company	6 866	241 028	33 048
Share capital	63	62	63
Share premium	228 180	227 680	228 180
(Accumulated loss)/retained earnings	(221 377)	13 286	(195 195)
Non-current liabilities	49 553	76 459	50 456
Borrowings – interest-bearing	39 364	37 143	40 328
Deferred taxation	–	29 676	–
Provisions	10 189	9 640	10 128
Current liabilities	209 238	217 187	221 377
Borrowings – interest-bearing	135 192	130 143	136 123
Taxation	12 899	14 552	15 063
Trade and other payables	24 267	47 500	43 522
Bank overdraft	26 230	24 992	26 669
Non-current liabilities held for sale	10 650	–	–
Total equity and liabilities	265 657	534 674	304 881

Condensed consolidated **STATEMENT OF CASH FLOWS**

	Reviewed 6 months ended 31 August 2011 R'000	Reviewed 6 months ended 31 August 2010 R'000	Audited year ended 28 February 2011 R'000
Cash flows from operating activities	(5 696)	3 630	(2 822)
Cash flows from investing activities	6 362	(2 903)	(7 895)
Cash flows from financing activities	(44)	(2 032)	7 133
Net increase/(decrease) in cash	622	(1 305)	(3 584)
Balance at the beginning of the period	(20 157)	(16 573)	(16 573)
Balance at the end of the period	(19 535)	(17 878)	(20 157)
Cash and cash equivalents	6 695	7 114	6 512
Bank overdraft	(26 230)	(24 992)	(26 669)
	(19 535)	(17 878)	(20 157)

SEGMENTAL REPORTING

	Brikor Main R'000	Brikor Donkerhoek R'000	Total R'000
Reviewed six months ended 31 Aug 2011			
COMPREHENSIVE INCOME			
Revenue from external customers	74 270	10 392	84 662
Cost of sales	(62 237)	(8 229)	(70 466)
Gross profit	12 033	2 163	14 196
Other income	2 878	94	2 972
Depreciation and amortisation	(624)	(70)	(694)
Operating expenses	(15 067)	(2 252)	(17 319)
Operating loss before impairments	(780)	(65)	(845)
Impairments	(14 000)	-	(14 000)
Operating loss before interest and taxation	(14 780)	(65)	(14 845)
Interest received			8
Finance costs			(13 530)
Loss before taxation			(28 367)
TOTAL ASSETS			
Continuing operations	173 498	34 109	207 607
Discontinued operations	58 050	-	58 050
Total assets	231 548	34 109	265 657
Reviewed six months ended 31 August 2010			
COMPREHENSIVE INCOME			
Revenue from external customers	92 511	12 130	104 641
Cost of sales	(76 211)	(8 314)	(84 525)
Gross profit	16 300	3 816	20 116
Other income	1 087	257	1 344
Depreciation and amortisation	(2 284)	(63)	(2 347)
Operating expenses	(19 887)	(1 450)	(21 337)
Operating (loss)/profit	(4 784)	2 560	(2 224)
Interest received			212
Finance costs			(13 299)
Loss before taxation			(15 311)
TOTAL ASSETS			
Continuing operations	496 387	36 837	533 224
Discontinued operations	1 450	-	1 450
Total assets	497 837	36 837	534 674
Audited year ended 28 February 2011			
COMPREHENSIVE INCOME			
Revenue from external customers	175 686	25 595	201 281
Cost of sales	(163 114)	(18 175)	(181 289)
Gross profit	12 572	7 420	19 992
Other income	1 528	494	2 022
Depreciation and amortisation	(4 387)	(123)	(4 510)
Operating expenses	(37 744)	(5 979)	(43 723)
Operating (loss)/profit before impairments	(28 031)	1 812	(26 219)
Impairments	(159 405)	-	(159 405)
Operating (loss)/profit before interest and taxation	(187 436)	1 812	(185 624)
Interest received			312
Finance costs			(27 554)
Loss before taxation			(212 866)
TOTAL ASSETS			
Continuing operations	268 779	36 102	304 881
Discontinued operations	-	-	-
Total assets	268 779	36 102	304 881

OVERVIEW

The directors of Brikor present the reviewed condensed consolidated financial results for the six months ended 31 August 2011 ("the interim period").

Brikor is a manufacturer and supplier of building and construction materials to the industry, across a broad spectrum of the market from low-cost housing, residential to commercial and industrial projects and has clay and coal mining operations. The continuing difficult general economic conditions throughout the economy affected the building and construction sectors. Notwithstanding relatively low mortgage rates, financial institutions maintained their rigid credit approach to mortgage bonds, which continued to subdue Brikor's markets throughout the period. The residential market was sustained by ongoing small orders from the additions and alterations sector, accounting for the majority of construction activity on which Brikor focussed.

These market conditions continued to impact the results of the Group during the interim period, exacerbated by delays and the lack of new projects in the residential and construction markets, most notably, the awarding of tenders by the metropolitan municipalities. Local governments' spending continued to delay new projects.

Margins remained under pressure in a competitive environment, as evidenced in the Group's results. The priority remained the management of cash flows through ardent cost-cutting and working capital management measures. Corrective measures adopted to reduce costs and right-size the Group included the use of external consultants to assist in restructuring the Group together with aggressive cost cuts and the closing of unprofitable operations. The disposal of the Stanger aggregates operation, which is still pending shareholder approval, and the disposal of the Olifantsfontein operation, which is awaiting purchaser funding approval, are both in line with the restructuring objective of the Group and will assist in reducing debt and the applicable interest thereon.

Subsequently, the scaled down operations are focussed on the clay brick production operations in Nigel and the aggregates business at Donkerhoek. At the end of the reporting period Brikor was granted a mining license, which is in the process of being registered and which will allow for the opening of its mining operations at Vlakfontein, giving it access to additional clay and coal deposits.

FINANCIAL RESULTS

The Company's revenue decreased by 19,1% to R84,7 million (2010: R104,6 million), mainly as a result of discontinued operations. Gross profit decreased by 29,4% to R14,2 million (2010: R20,1 million).

Gross margins at 16,8% (2010: 19,2%) decreased as a result of the exclusion of discontinued operations, off-set by a changed sales mix and the general lower growth in demand. Competitive pressure remained throughout the period, inhibiting the Group's ability to fully pass input increases on to customers.

Operating expenses decreased by 18,8% to R17,3 million (2010: R21,3 million) as a result of cost-saving initiatives due to the implementation of the restructuring plan and tighter management controls in respect of debtors. These measures led to the Group's operating loss decreasing by 62,0% to R0,8 million (2010: loss R2,2 million). A R14,0 million (2010: Nil) impairment of the Olifantsfontein operation has been provided, resulting in the attributable loss of R26,2 million (2010: loss R10,5 million). The slightly higher finance costs resulted in a loss per share of 4,2 cents (2010: loss per share of 1,7 cents) for the period and a fully diluted headline loss per share of 1,9 cents (2010: fully diluted headline loss per share of 1,7 cents).

Property, plant and equipment reduced to R140,9 million (2010: R401,2 million) as a result of impairments amounting to R14,0 million (2010: Nil), the disposal of operations amounting to R58,1 million, the sale of redundant plant and equipment amounting to R9,7 million (2010: R1,5 million), as well as an impairment of R175,7 million at year-end in respect of certain plants where the expectation of the future economic viability of these plants deteriorated to such an extent that those assets had to be impaired to their recoverable amounts. Brikor is currently in breach of the financing covenants of its FirstRand Bank facilities. The current carrying value of the loan is R132,1 million (2010: R118,1 million). As a result of the breach of covenants, the portion of the loan relating to continuing operations is reflected under current liabilities. The Group's financiers are fully informed of the Group's ongoing strategies to resolve the breach and have been consulted on all potential disposals, cost-saving initiatives and future business opportunities.

In this light, Brikor has entered into the sale of the Stanger operations in August 2011 (currently awaiting shareholder approval) and has entered into an agreement in October 2011 for the disposal of the Olifantsfontein operation, previously mothballed, in an effort to remedy the breach.

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. As a result of this transaction, the results of the Stanger division have been treated as discontinued held for sale as at 31 August 2011. The condensed results of the Stanger operation are as follows:

Discontinued operations

	Reviewed 6 months ended 31 August 2011 R'000	Reviewed 6 months ended 31 August 2010 R'000	Audited year ended 28 February 2011 R'000
Revenue	33 761	43 027	72 356
Cost of sales	(27 802)	(38 774)	(63 955)
Depreciation	-	(1 539)	(3 380)
Cost of sales	(27 802)	(37 235)	(60 575)
Gross profit/(loss)	5 959	4 253	8 401
Impairments	(509)	-	(37 163)
Depreciation	-	(707)	(1 005)
Expenses	(3 284)	(3 241)	(10 343)
Profit/(loss)	2 166	305	(40 110)
Interest received	132	47	97
Finance costs	(5 611)	(5 603)	(12 248)
<i>Add back:</i> Interest on intergroup loan	5 499	5 450	10 670
Profit/(loss) before tax	2 186	199	(41 591)
Taxation on ordinary discontinued operation	-	1 462	11 235
Profit/(loss) from discontinued operations	2 186	1 662	(30 355)
Basic profit/(loss) per share (cents)	0,3	0,3	(4,8)
Fully diluted profit/(loss) per share (cents)	0,3	0,3	(4,7)
Headline profit per share (cents)	0,4	0,3	1,1
Cash flow from/(used in) discontinued operations			
Operating activities	2 166		
Investing activities	-		
Financing activities	-		
Net cash flows	2 166		
Effect of disposal on the financial position of the Group			
Property, plant and equipment	43 291		
Other financial assets	821		
Inventories	6 162		
Trade and other receivables	7 776		
Borrowings – interest-bearing	(1 850)		
Provisions	(821)		
Trade and other payables	(7 979)		
Net assets and liabilities	47 400		
Consideration receivable	50 000		
Other financial assets	(821)		
Net cash inflow	49 179		

RELATED PARTIES
Ultimate controlling party

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

Related party transactions

	Transaction value for the six months ended		Balance outstanding	
	31 August 2011 R'000	31 August 2010 R'000	31 August 2011 R'000	31 August 2010 R'000
Sale of goods				
Cavaletto 45 (Pty) Limited	–	224	–	5
Cyndara 113 (Pty) Limited	531	258	329	4
Kuvula Trade 40 (Pty) Limited	1 047	420	318	35
Leomega (Pty) Limited	–	–	–	–
Vecto Trade 449 (Pty) Limited	–	2 362	218	218
Scarlet Sun 33 (Pty) Limited	1 276	688	–	–
E-Fuel (Pty) Limited	–	2	–	–
Purchase of goods				
Cavaletto 45 (Pty) Limited	–	855	–	40
Cyndara 113 (Pty) Limited	726	191	450	62
Kuvula Trade 40 (Pty) Limited	2 626	2 074	1 314	144
Leomega (Pty) Limited	45	13	10	2
Vecto Trade 449 (Pty) Limited	281	13 036	–	270
Scarlet Sun 33 (Pty) Limited	–	54	–	51
E-Fuel (Pty) Limited	–	–	17	3 714

All transactions with related parties are carried out at arm's length in the normal course of business.

PROSPECTS

The South African economic recovery remains stagnant and it is anticipated that the credit restrictions and slow trading conditions will continue for the foreseeable future.

However, the built-up backlog demand for housing continues. Energy and mining expansion are expected to create further demand from consequential housing activity. Government is also experiencing increased pressure to deliver on infrastructure and housing requirements.

The Group therefore continues to be well-positioned to benefit from a gradual improvement in market conditions.

BASIS OF PREPARATION

The reviewed condensed consolidated results for the six months ended 31 August 2011 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 interim financial statements do therefore not include all of the information required for full annual financial statements. The accounting policies used to prepare these interim 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 2011, except for the standard noted that became effective on 1 January 2011: IAS 24 (Related Party Disclosures). The interim financial statements have been prepared by the Chief Financial Officer, Mrs H Botha.

REVIEW REPORT AND EMPHASIS OF MATTER

The condensed Group financial statements of Brikor for the six months ended 31 August 2011 have been reviewed by the Company's auditor, KPMG Inc. In their review report dated 24 November 2011, which is available for inspection at the Company's registered office, KPMG Inc. state 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 conclusion on the condensed Group interim financial statements. The auditor's review report includes the following emphasis of matter:

"Without qualifying our conclusion, we draw attention to the going concern paragraph in the directors' commentary which indicates that the Group incurred a loss of R26,2 million for the interim period ended 31 August 2011. These conditions, along with other matters set out in the commentary, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern."

EVENTS AFTER THE REPORTING DATE

The sale of the Stanger operation for R50 million, concluded at the end of the reporting period, and an option to acquire 10% of the Group's shares, granted to the Group's restructuring officer, Matuson and Associates, are awaiting shareholder approval at a general meeting scheduled for 30 November 2011. On 11 August 2011 Brikor was granted a mining license which is in the process of being registered and which will allow for the opening of its mining operations at Vlakfontein, giving it access to additional clay and coal deposits. On 11 October 2011 the Olifantsfontein operation was sold for R19,0 million, subject to purchaser funding approval.

STATEMENT ON GOING CONCERN

The interim financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the 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 statement of comprehensive income indicates that the Group has incurred a loss of R28,4 million (2010: R12,8 million), before discontinued operations, for the six months ended 31 August 2011.

Based on the Group's:

- restructuring plans being successfully executed and implemented, which should result in future profitable operations;

- budgets and cash flow forecasts for the ensuing year, (which are based on the current expected economic and market conditions);
- 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 sale of certain assets as discussed earlier; and
- subject to the success of the above actions, the directors believe that the Group has 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 interim financial statements.

DIVIDENDS

No dividend has been declared for the period.

By order of the Board

G v N Parkin
Chief Executive Officer

H Botha
Chief Financial Officer

Nigel
25 November 2011

CORPORATE INFORMATION

BRIKOR LIMITED

(Incorporated in the Republic of South Africa)

Registration number: 1998/013247/06

JSE code: BIK • **ISIN:** ZAE000101945
("Brikor" or "the Company" or "the Group")

Non-executive directors: R van Rooyen (Chairman); MN Anderson; RJ Magole; J H 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

Company secretary: CIS Company Secretaries (Pty) Ltd

Telephone: (011) 739 9000

Facsimile: (011) 739 9021

Transfer secretaries: Computershare Investor Services (Pty) Limited

Auditors: KPMG Inc.

Designated Adviser: Exchange Sponsors

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