



ISIN Number: ZAE000015277 Share Code: BRT, ISIN Number: ZAE000015285 Share Code: BFN  
Company Registration Number: 1995/010442/06 (Incorporated in the Republic of South Africa) ("Brimstone" or "the Company")

# BRIMSTONE

## INVESTMENT CORPORATION LIMITED

PROFITABLE. EMPOWERING. MAKING A DIFFERENCE.

## HIGHLIGHTS:

- PARTICIPATED IN THREE OF THE YEAR'S MOST PROMINENT BEE DEALS
- RECORD HEADLINE EARNINGS UP 338% TO 91.1 CENTS PER SHARE
- INCREASED DIVIDEND TO 12 CENTS PER SHARE

# REVIEWED RESULTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2005

## GROUP INCOME STATEMENTS

R'000	Reviewed year ended 31 December 2005	Restated Reviewed year ended 31 December 2004
Revenue	188 752	187 626
Cost of sales	(135 804)	(141 425)
Gross profit	52 948	46 201
Selling and administration expenses	(48 000)	(44 324)
Negative goodwill released to income	990	382
Fair value gain on options	143 558	—
Exceptional items	6 476	11 073
Profit from operations	155 972	13 332
Income from investments	7 928	10 033
Finance costs	(33 149)	(17 306)
Share of profits of associates	38 622	19 501
Net profit before taxation	169 373	25 560
Taxation	(15 398)	(497)
Net attributable profit	153 975	25 063
Attributable to:		
Equity holders of the parent	153 556	25 063
Minority interest	419	—
	153 975	25 063
Earnings per share (cents)		
Headline	91.1	20.8
Basic	91.7	21.1
Diluted earnings per share (cents)		
Headline	87.7	20.5
Basic	88.3	20.8
Weighted average number of shares on which earnings per share is based ('000's)	168 002	118 799
Weighted average number of shares on which diluted earnings per share is based ('000's)	174 461	120 385
<b>Headline earnings calculation</b>		
Net attributable profit	153 975	25 063
Negative goodwill released to income	(990)	(382)
<b>Headline earnings</b>	<b>152 985</b>	<b>24 681</b>

## GROUP CASH FLOW STATEMENTS

R'000	Reviewed year ended 31 December 2005	Restated Reviewed year ended 31 December 2004
<b>Operating activities</b>		
Net attributable profit	153 975	25 063
Adjustments for:		
Share of profits of associates	(43 719)	(25 756)
Income from investments	(8 533)	(10 399)
Increase in fair value of investments	(150 034)	(11 073)
Finance costs	33 149	17 306
Taxation	15 398	497
Depreciation of property, plant, equipment and vehicles	2 932	3 127
Negative goodwill released to income	(990)	(382)
Share-based payment expense	2 043	132
Loss/(profit) on disposal of property, plant, equipment and vehicles	161	(11)
Operating cash flows before movements in working capital	4 382	(1 496)
Decrease in inventories	2 489	4 027
Decrease/(increase) in receivables	858	(14 105)
Increase/(decrease) in payables	1 436	(3 034)
Cash generated from/(used in) operations	9 165	(14 608)
Income taxes paid	(670)	(1 488)
Interest paid	(33 149)	(17 341)
Net cash used in operating activities	(24 654)	(33 437)
<b>Investing activities</b>		
Interest received	7 928	10 033
Dividends received from associates	5 098	6 256
Dividends received from other equity investments	605	366
Loan repayments and recoveries from associate and investments	1 391	12 260
Proceeds on disposal of property, plant, equipment and vehicles	111	184
Purchase of property, plant, equipment and vehicles	(3 116)	(2 503)
Loan advances	(7 001)	—
Acquisition of associates and investments	(256 789)	(29 496)
Net cash used in investing activities	(251 773)	(2 900)
<b>Financing activities</b>		
Dividends paid	(11 854)	(9 493)
Repayments of borrowings	(2 091)	(1 838)
Loans raised	159 635	15 515
Shares repurchased	(13 091)	(63)
Proceeds on issue of shares	156 080	—
Increase in bank overdraft	702	2 622
Net cash from financing activities	289 381	6 743
Net increase/(decrease) in cash and cash equivalents	12 954	(29 594)
Cash and cash equivalents at beginning of year	23 679	53 273
Cash and cash equivalents at end of year	36 633	23 679

## SEGMENTAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2005

R'000	Profit from Headline			
	Revenue	Operations	Earnings	Assets Liabilities
Financial services	750	147 775	136 036	231 998
Industrial	185 826	17 483	8 655	326 023
Healthcare	1 593	1 581	17 659	260 771
Investments in transition	355	4 300	4 373	19 499
Corporate	228	(15 167)	(13 738)	42 941
Total (reviewed)	188 752	155 972	152 985	881 232

## GROUP BALANCE SHEETS

R'000	Reviewed 31 December 2005	Restated Reviewed 31 December 2004
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>757 548</b>	<b>310 912</b>
Property, plant, equipment and vehicles	23 781	23 869
Investments in associate companies	545 172	266 412
Investments	188 595	20 631
<b>Current assets</b>	<b>123 684</b>	<b>106 259</b>
Loan	7 001	—
Inventory	28 858	31 347
Trade receivables	35 831	34 049
Other receivables	14 544	17 184
Cash and cash equivalents	36 633	23 679
Taxation	817	—
<b>TOTAL ASSETS</b>	<b>881 232</b>	<b>417 171</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>	<b>495 526</b>	<b>206 661</b>
Share capital	38	37
Capital reserves	262 346	113 987
Revaluation reserves	3 977	2 265
Retained earnings	228 746	90 372
Minority interest	419	—
<b>Non-current liabilities</b>	<b>331 339</b>	<b>158 109</b>
Long-term interest bearing borrowings	312 127	154 514
Deferred taxation	19 158	3 595
<b>Current liabilities</b>	<b>54 367</b>	<b>52 401</b>
Short-term interest bearing borrowings	25 181	25 304
Bank overdraft	8 151	7 449
Trade payables	8 760	10 895
Other payables	12 275	8 704
Taxation	—	49
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>881 232</b>	<b>417 171</b>
<b>NAV per share (cents)</b>	<b>216.4</b>	<b>174.1</b>
<b>Shares in issue at end of year ('000)</b>	<b>228 813</b>	<b>118 718</b>

## IMPACT OF CHANGES IN ACCOUNTING POLICIES

### Reconciliation of previous SA GAAP to IFRS and SAICA Circular 7/2005

R'000	31 December 2004	1 January 2004
Equity as previously reported	173 816	167 530
Adjustments on adoption of IFRS and SAICA circular 32 845	23 491	—
Equity as reported under IFRS and SAICA circular 206 661	191 021	191 021
Equity adjustments:		
Gain on revaluation of property	3 236	3 236
Deferred taxation thereon	(971)	(971)
Recognition of negative goodwill in associate	17 266	17 266
Reassessment of useful life of fixed assets	4 157	3 404
Deferred taxation thereon	(1 247)	(1 021)
Impact on investment in associates	1 707	2 019
Operating lease adjustment	(930)	(631)
Deferred taxation thereon	262	189
Goodwill amortisation reversed	9 365	—
	32 845	23 491
Assets and liabilities adjustments		
Property, plant, equipment and vehicles	7 393	6 640
Investments in associates	28 338	19 285
Deferred taxation	(1 956)	(1 803)
Other payables	(930)	(631)
	32 845	23 491

## GROUP STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2005

R'000	Share capital	Capital reserves	Revaluation reserves	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total
Balance at 1 January 2004 as previously reported (audited)	37	109 284	—	58 209	167 530	—	167 530
Effects of changes in accounting policies	—	—	3 236	—	3 236	—	3 236
Gain on revaluation of property	—	—	(971)	—	(971)	—	(971)
Deferred taxation thereon	—	—	—	(55)	—	—	(55)
Recognition of share-based payments	—	55	—	—	55	—	55
Recognition of negative goodwill in associate	—	—	17 266	—	17 266	—	17 266
Reassessment of useful life of fixed assets	—	—	3 404	—	3 404	—	3 404
Deferred taxation thereon	—	—	(1 021)	—	(1 021)	—	(1 021)
Impact on investment in associates	—	—	2 019	—	2 019	—	2 019
Operating lease adjustment	—	—	(631)	—	(631)	—	(631)
Deferred taxation thereon	—	—	189	—	189	—	189
As restated (reviewed)	37	109 339	2 265	79 380	191 021	—	191 021
Attributable profit for the year ended 31 December 2004	—	—	—	25 063	25 063	—	25 063
Recognition of share-based payments	—	132	—	—	132	—	132
Dividend paid	—	—	—	(9 493)	(9 493)	—	(9 493)
Increase in treasury shares held by share trust	—	—	(62)	—	(62)	—	(62)
Transfer current year share of non-distributable reserve of associate	—	—	4 578	—	4 578	—	4 578
Restated balance at 31 December 2004 (reviewed)	37	113 987	2 265	90 372	206 661	—	206 661
Attributable profit for the year ended 31 December 2005	—	—	—	153 556	153 556	419	153 975
Deferred tax arising on revaluation of land and buildings	—	—	32	—	32	—	32
Recognition of share-based payments	—	2 043	—	—	2 043	—	2 043
Gain on investment	—	—	1 680	—	1 680	—	1 680
Dividend paid	—	—	—	(11 854)	(11 854)	—	(11 854)
Issue of share capital	1	142 988	—	—	142 989	—	142 989
Transfer current year share of non-distributable reserve of associate	—	—	3 328	—	3 328	—	3 328
Balance at 31 December 2005 (reviewed)	38	262 346	3 977	228 746	495 107	419	495 526

## COMMENTARY

Brimstone celebrated its 10th year of doing business with the conclusion of three major transactions and the delivery of record earnings. The Company raised R110 million from its shareholders to fund the acquisition of an 18.156% interest in hospital group Life Healthcare. The other two transactions were the acquisition of rights to 19.4 million Old Mutual plc shares (.71%) at R14.95 per share, and 2.6 million Nedbank Limited shares (.91%) at R74.75 per share.

All three transactions contributed strongly to earnings with Life Healthcare contributing R15.2 million after allowing for finance costs, and Old Mutual and Nedbank (treated as options) contributing R56.2 million and R66.6 million after tax to headline earnings respectively. As a result Brimstone delivered record Group headline earnings of R153 million (2004: R24.7 million), translating to headline earnings of 91.1 cents (2004: 20.8 cents) per share, with net asset value surging to 216.4 cents per share, from 174.1 cents per share in 2004.

Reflecting positive shareholder and market sentiment, the market capitalisation of Brimstone Ordinary and "N" Ordinary shares on the JSE Limited was valued at approximately R1 billion at year end 2005, from R220 million at the end of 2004.

## RESULTS FOR THE YEAR

### Auditors' review opinion

The results have been reviewed by Deloitte & Touche whose unqualified review report is available for inspection at the company's registered office.

### Adoption of new and revised International Financial Reporting Standards (IFRS)

The Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the accounting period beginning on 1 January 2005. The adoption of these new and revised standards and interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

- Share-based payments (IFRS 2)
- Goodwill (IFRS 3)
- Presentation of borrowings (IAS 1)
- Property, plant, equipment and vehicles (IAS 16)
- Accounting for associate's Zimbabwe subsidiary (IAS 27)
- Available-for-sale investments (IAS 39)

This report complies with the requirements of IAS 34.

On 2 August 2005 SAICA issued circular 7/2005 clarifying the interpretation of AC 105: Leases for South African Companies. The Group has now conformed with this interpretation of the accounting for operating leases and now accounts for the operating expense on a straight-line basis over the period of the lease. Operating lease expenses were previously accounted for on a contract basis.

The financial statements of the prior period have been restated to reflect these changes. It is important to note that the adoption of IFRS represents an accounting change only and does not affect Brimstone's underlying operations or cash flow.

## UNDERLYING INVESTMENTS

### INDUSTRIAL

#### House of Monatic

The results of House of Monatic were encouraging in view of the detrimental effect of rand strength and the continued onslaught of cheaper imports. A focus on local markets and a stronger retail offering have had a positive effect on results. We are pleased with the support of local retailers in regard to filling our order books, particularly in view of the recent lease agreement with Rex Trueform's Salt River factory. We are confident that this operation will yield profits on the strength of quality production. Diversification into new and younger brands through Fifth Element acquired after year end will enhance this.

#### Lenco

The seasonal nature of its operations allowed plastics company Versapak to shrug off the negative impact of a price war early in 2005. We are enthusiastic about opportunities afforded by the recent rigid plastics supply contract with soft drink giant Amalgamated Beverage Industries (ABI) for which Lenco has invested

R60 million into the Xac-Pet Wadeville plant in Gauteng, establishing the most technologically advanced PET facility in the southern hemisphere. Billions of soft drink pre-forms are to be produced for ABI over the next few years.

### Sea Harvest

The results of Sea Harvest continued to be impacted by higher catch costs, as a result of increased fuel prices, and poor catch rates. The high incidence of small fish in the catch and the requirement to fish in deeper waters, persisted throughout the year, putting further pressure on margins. The total allowable catch (TAC) of hake was reduced by 8 000 tonnes for 2006. Of concern is the further reduction as a result of the long-term rights allocation process which, taken together with the reduction in the TAC, resulted in a 20% decline in Sea Harvest's quota for 2006. This is likely to have a severe effect on operations and Sea Harvest is appealing the decision. To counter these various challenges Sea Harvest implemented several cost saving and revenue enhancing initiatives during the year, the most important being the conversion of vessels to burn lower cost fuel blends and the creation of attractive export markets for fish products produced from small fish. These initiatives are expected to make a positive contribution to the performance of the business in the year ahead.

## HEALTH CARE

### Life Healthcare

Equity accounted earnings from Brimstone's effective 18.156% interest in Life Healthcare represented a significant part of overall earnings for the year, attributed to improved operational efficiencies and a focus on quality. For the first time in the business' history, revenues exceeded R5 billion. We believe there are extensive opportunities to expand Life Healthcare's business interests going forward.

### Scientific Group

During the year Scientific Group formalized its merger with the Criticare division of Adcock Ingram. Brimstone continues to hold 26% of the enlarged company. Scientific contributed meaningfully to earnings during the year and we are confident that the alignment with an industry leader will translate into ongoing improved profitability.

## FINANCIAL SERVICES

### Aon South Africa

Aon South Africa, in which Brimstone holds an effective 18% interest, benefited from general buoyant trading conditions during the year, reporting an improvement in gross revenue of 16%, excluding acquisitions of QED Actuaries & Consultants and Shield Financial Services. Key new brokerage accounts include Eskom, Alcatel, Barloworld and MTN. We are confident of enhanced earnings going forward.

### Lion of Africa Insurance Company

During the year Brimstone acquired an additional effective 9% of Lion of Africa Insurance Company, thereby increasing its stake to 39% and bringing black equity in the company to 65%. As the leading black owned insurance company in South Africa, Lion represents an important growth investment for Brimstone and results for the year have reaffirmed this commitment, as gross written premiums improved strongly from R567m to R665m. Following expansion into regional core markets, we are confident the Lion is positioned for significant growth.

### Old Mutual

Brimstone and Wiphold led two consortia, respectively the Brimstone and Wiphold consortia, as the Black Business Partners (BBPs) in the Old Mutual Group's R7.2 billion BEE transaction. The deal was celebrated as a landmark due to its size, reach and broad-based structure. Brimstone is fulfilling the terms of its contractual performance obligations, and we are confident that the international expansion of Old Mutual holds the promise of a significant increase in the value of the option in coming years.

### Nedbank

In a transaction linked with the Old Mutual BEE transaction, the BBPs acquired an effective 1.82% of Nedbank Limited. The Brimstone consortium participated in 50% of the BBP transaction in this regard, acquiring the rights to an effective 0.91% of Nedbank Limited.

## DIRECTORS' VALUATION OF UNDERLYING INVESTMENTS

The directors have undertaken a fair market value assessment of the Group's underlying investments. Based on this exercise, they are of the opinion that the intrinsic net asset value of the Group was 505 cents per share at 31 December 2005.

## PROSPECTS

Our strategy remains to pursue opportunities that offer growth and sustainable returns, across any sector of the economy. The year was once again notable in terms of the number of deals concluded. That Brimstone was invited to be part of transactions of this size and quality reflects the company's excellent credibility as a partner-of-choice with well established industry leaders.

In