



# BRIMSTONE

## INVESTMENT CORPORATION LIMITED

PROFITABLE. EMPOWERING. MAKING A DIFFERENCE.

# REVIEWED RESULTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2006

### GROUP INCOME STATEMENTS

R'000	Reviewed year ended 31 December 2006	Audited year ended 31 December 2005
Revenue	377 953	188 752
Cost of sales	(268 632)	(135 804)
Gross profit	109 321	52 948
Selling and administration expenses	(79 190)	(48 000)
Negative goodwill released to income	—	990
Fair value gains	1 408 997	143 558
Exceptional items	10 721	6 476
Profit from operations	1 449 849	155 972
Income from investments	9 558	7 928
Finance costs	(190 318)	(33 149)
Share of profits of associates	28 172	38 622
Net profit before taxation	1 297 261	169 373
Taxation	(195 745)	(15 399)
Net attributable profit	1 101 516	153 975
Attributable to:		
Equity holders of the parent	1 099 427	153 556
Minority interest	2 089	419
	1 101 516	153 975
Earnings per share (cents)		
Headline	474.2	90.9
Basic	474.1	91.4
Diluted earnings per share (cents)		
Headline	458.5	87.5
Basic	458.4	88.0
Weighted average number of shares on which earnings per share is based (000's)	231 875	168 002
Weighted average number of shares on which diluted earnings per share is based (000's)	239 815	174 461
Headline earnings calculation		
Net attributable profit	1 099 427	153 556
Loss on disposal of property, plant, equipment and vehicles	96	161
Negative goodwill released to income	—	(990)
Headline earnings	1 099 523	152 727

### GROUP BALANCE SHEETS

R'000	Reviewed 31 December 2006	Audited 31 December 2005
<b>ASSETS</b>		
Non-current assets	2 568 137	757 548
Property, plant, equipment and vehicles	38 418	23 781
Goodwill	11 049	—
Investments in associate companies	512 416	545 172
Investments	2 006 254	188 595
Current assets	198 306	123 684
Loan	—	7 001
Inventory	81 354	28 858
Trade receivables	68 481	35 831
Other receivables	31 200	14 544
Cash and cash equivalents	17 069	36 633
Taxation	202	817
<b>TOTAL ASSETS</b>	<b>2 766 443</b>	<b>881 232</b>
<b>EQUITY AND LIABILITIES</b>		
Capital and reserves	1 570 691	495 526
Share capital	40	38
Capital reserves	271 325	262 346
Revaluation reserves	3 977	3 977
Retained earnings	1 297 049	228 746
Minority interest	(1 700)	419
Non-current liabilities	1 008 652	331 339
Long-term interest bearing borrowings	797 198	312 181
Deferred taxation	211 454	19 158
Current liabilities	187 100	54 367
Short-term interest bearing borrowings	33 321	25 181
Bank overdraft	45 709	8 151
Trade payables	66 410	8 760
Other payables	39 986	12 275
Taxation	1 674	—
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 766 443</b>	<b>881 232</b>
NAV per share (cents)	674.5	216.4
Shares in issue at end of year (000's)	233 104	228 813

### GROUP CASH FLOW STATEMENTS

for the year ended 31 December 2006

R'000	Reviewed year ended 31 December 2006	Audited year ended 31 December 2005
<b>Operating activities</b>		
Profit for the year	1 101 516	153 975
Adjustments for:		
Share of profits of associate	(43 903)	(43 719)
Income from investments	(10 359)	(8 533)
Increase in fair value of investments	(1 415 444)	(150 034)
Finance costs	190 318	33 149
Taxation	195 745	15 398
Depreciation of property, plant, equipment and vehicles	2 652	2 932
Negative goodwill released to income	—	(990)
Share-based payment expense	2 208	2 043
Profit on disposal of investments	(4 274)	—
Loss on disposal of property, plant, equipment and vehicles	96	161
Operating cash flows before movements in working capital	18 555	4 382
(Increase)/decrease in inventory	(31 861)	2 489
(Increase)/decrease in receivables	(30 401)	858
Increase in payables	38 176	1 436
Cash (used in)/generated from operations	(5 531)	9 165
Income taxes paid	(3 725)	(670)
Interest paid	(190 318)	(33 149)
Net cash used in operating activities	(199 574)	(24 654)
<b>Investing activities</b>		
Interest received	9 558	7 928
Dividends received from associates	15 731	5 098
Dividends received from other equity investments	801	605
Loan repayments and recoveries from associate and investments	4 086	1 391
Proceeds on disposal of investments	43 738	—
Proceeds on disposal of property, plant, equipment and vehicles	235	111
Purchase of property, plant, equipment and vehicles	(2 596)	(3 116)
Acquisition of subsidiaries	—	—
- shares acquired and loans advanced	(20 878)	—
Loan repaid/advanced	7 001	(7 001)
Acquisition of investments in associates	(384 838)	(256 789)
Net cash used in investing activities	(327 162)	(251 773)
<b>Financing activities</b>		
Dividends paid	(27 867)	(11 854)
Repayments of borrowings	(2 734)	(2 091)
Loan advances	494 358	159 635
Shares repurchased	(543)	(13 091)
Proceeds on issue of shares	4 058	156 080
Increase in bank overdrafts	37 550	702
Net cash from financing activities	504 822	289 381
Net (decrease)/increase in cash and cash equivalents	(21 914)	12 954
Cash and cash equivalents at beginning of year	36 633	23 679
Cash and cash equivalents acquired on acquisition of subsidiaries	2 350	—
Cash and cash equivalents at end of year	17 069	36 633

## HIGHLIGHTS:

– HEADLINE EARNINGS EXCEED R1 BILLION  
– DIVIDEND OF 16 CENTS

### ACQUISITION OF SUBSIDIARIES

On 31 May 2006 the Group acquired 51% of the issued share capital of Fifth Element Marketing (Pty) Ltd and O'Neill South Africa (Pty) Ltd. Both companies are involved in the design and marketing of leisurewear. This transaction has been accounted for by the purchase method of accounting. Brimstone's share of profits from these operations from date of acquisition to 31 December 2006 amounted to R389 107.

On 31 October 2006 the Group acquired 100% of the issued share capital of WCP Garment Manufacturing (Pty) Ltd. The company manufactures casualwear at its factory in Atlantis. The transaction has been accounted for on the purchase method of accounting. Brimstone's share of losses from date of acquisition to 31 December 2006 amounted to R1 260 291.

R'000	Acquisition value
<b>Total assets</b>	57 175
Non current assets	15 023
Current assets	42 152
<b>Total liabilities</b>	55 920
Non current liabilities	2 721
Current liabilities	53 199
<b>Net assets</b>	1 255
<b>Brimstone's share</b>	5 464
<b>Goodwill</b>	11 049
<b>Total consideration (satisfied by cash)</b>	16 513
<b>Net cash outflow arising on acquisition</b>	
Cash consideration	16 513
Cash and cash equivalents acquired	2 350
	14 163

The initial accounting for the subsidiaries acquired has not been finalised. This is the result of uncertainties surrounding the valuation of inventory and payables. These uncertainties are expected to be resolved by 30 June 2007.

There were no material fair value adjustments to assets and liabilities acquired.

Pro forma unaudited results of the Brimstone Group if the companies acquired had been consolidated from 1 January 2006:

R'000	
Revenue	448 984
Headline earnings	1 093 986

### GROUP STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

R'000	Share capital	Capital reserves	Revaluation reserves	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total
Balance at 1 January 2005	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
Gain on available-for-sale asset	—	—	1 680	—	1 680	—	1 680
Total recognised income and expense for the year	—	—	1 712	153 556	155 268	419	155 687
Recognition of share-based payments	—	2 043	—	—	2 043	—	2 043
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)	—	—	—
Balance at 31 December 2005	38	262 346	3 977	228 746	495 107	419	495 526
Attributable profit for the year ended 31 December 2006	—	—	—	1 099 427	1 099 427	2 089	1 101 516
Minority shareholder share of accumulated deficit at acquisition of subsidiary	—	—	—	—	—	(4 208)	(4 208)
Recognition of share-based payments	—	2 208	—	—	2 208	—	2 208
Dividend paid	—	—	—	(27 867)	(27 867)	—	(27 867)
Issue of share capital	2	4 056	—	—	4 058	—	4 058
Increase in treasury shares held by share trust	—	(542)	—	—	(542)	—	(542)
Transfer current year share of non-distributable reserve of associate	—	3 257	—	(3 257)	—	—	—
Balance at 31 December 2006	40	271 325	3 977	1 297 049	1 572 391	(1 700)	1 570 691

### COMMENTARY

Results for the financial year to 31 December 2006 were the result of healthy performances across the group's portfolio of underlying investments. Revenues increased to R378 million (2005: R188.8 million), and net attributable profit to R1.1 billion (2005: R154 million).

The group's JSE market capitalisation increased to R1.65 billion at year end, from R963 million at the end of 2005. The company is becoming a prominent feature in portfolios of financial institutions and private investors. Group assets increased to R2.8 billion.

### RESULTS FOR THE YEAR

#### Auditors' review opinion

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

These condensed results comply with IAS 34 Interim Financial Reporting. The accounting policies used in the preparation of this report are consistent with those used in the annual financial statements for the year ended 31 December 2005 which comply with International Financial Reporting Standards.

#### Issue of shares

The following shares were issued to non executive and executive directors during the year in terms of the share option scheme.

	Ordinary	"N" ordinary
17 March 2006	1 490 804	2 229 745
19 October 2006	217 204	503 344
	1 708 008	2 733 089

### BRIMSTONE PORTFOLIO

#### HEALTHCARE

##### Life Healthcare

In a series of transactions, Brimstone increased its effective holding in Life Healthcare to 21.9%, from 18.156% during the year. The acquisition reflects the group's confidence in

the prospects for what is one of South Africa's biggest group of hospitals. Over the coming year, the group will be embarking on an upgrade to its local facilities throughout its national grid of 62 acute hospitals and four NHS contracted treatment centres in the United Kingdom through the Partnership Health Group.

Following this further acquisition the directors have re-evaluated the classification of the investment in the Life Healthcare Group, which is now being accounted for at fair value through profit or loss in terms of IAS 39, whereas previously the investment was accounted for as an associate utilising the equity method. The directors are of the opinion that this basis of accounting for this investment more fairly reflects the inherent value of the underlying investment. During the year under review this has added R905 million to headline earnings whilst finance charges have increased by R132 million due to accounting for profit carry costs due to funders.

#### Scientific Group

Synergies resulting from last year's merger of the Scientific Group with the Criticare division of Adcock Ingram have translated into enhanced earnings and the company contributed meaningfully to equity accounted earnings for the year. The company's status as a major supplier of established brand name consumables and equipment into the healthcare sector, positions it well in this growing, niche sector of the market.

#### INDUSTRIAL

##### House of Monatic

During the year House of Monatic focused on integrating new marketing and branding opportunities with other assets in Brimstone's stable of clothing interests, while concluding the acquisition of a 51% stake in Fifth Element Marketing and O'Neill SA. Subsequent to the year end, the long term rights to the Canterbury South Africa active wear label throughout Africa and the Indian Ocean islands were acquired from Canterbury International. Order books remain healthy and we are confident that Monatic will continue to yield profits.

#### Lenco

While results for Lenco were negatively impacted by higher crude oil prices for the year, prospects are promising in light of continued demand for its rigid plastics products, particularly in bottling, and the strength of new opportunities for bottle closures, where Lenco are investing a further R60 million.

#### Sea Harvest

Sea Harvest's results improved towards the year end on the back of the weakening of the Rand and right sizing of the workforce. With long-term fishing quotas now in place, and cost savings, equipment and fleet renewal initiatives reflecting through to the bottom line, earnings are expected to be positive in the coming year. While fish resource levels continue to be of concern, we are confident in the management of Sea Harvest and believe they have charted the right direction for this company.

#### Oceana

In September 2006 Brimstone finalised the acquisition of a strategic 10% stake in fishing group Oceana Group Limited for a consideration of R176.4 million. Oceana, which holds interests in catching, processing, marketing and trading of a wide range of fish and fish products including canned pilchards under the Lucky Star label in SA and Glenyck in the UK, is also involved in cold storage. The acquisition is aligned with the group's strategy of strengthening its interests across all species in the fishing sector in Southern Africa. The investment is accounted for as an associate.

#### FINANCIAL SERVICES

##### Aon South Africa

Buoyant market conditions resulted in an improvement in profits. With a number of new brokerage accounts we are confident of enhanced earnings going forward.

##### Lion of Africa Insurance Company

Lion of Africa continued to consolidate its position within the corporate and commercial sectors during the year, while exiting its alternative risk transfer business. Positive results for the year are especially pleasing given the aggressive stance of the market, as well as adverse weather conditions, crime, a number of large fires and an escalation in motor claims. While these are challenges that will remain for the coming year, we are confident of continued positive growth.

##### Nedbank

Brimstone's rights to Nedbank Group Limited shares, accounted for as options, contributed significantly to earnings for the year. In its first year of delivering value to Nedbank, the Brimstone consortium generated performance fees in the process, part of which, in terms of the agreement, will be applied to acquiring additional Nedbank shares. We are confident that the foundation we have laid in the period under review positions Brimstone well for its future relationship with Nedbank.

#### Old Mutual

Rights to Old Mutual plc shares, accounted for as options, was again a significant contributor to earnings. Performance fees were generated during the year, part of which would be applied to debt funding in the investment structure and the remainder will be received in cash. With a better understanding of the Old Mutual businesses, the consortium is well placed to improve performance and bolster performance fees.

#### ENTREPRENEURIAL DEVELOPMENT

"Commercial success" underpins Brimstone's empowerment philosophy. In line with this, the company has formed an entrepreneurial investment fund, which will identify and develop new entrepreneurs. The fund concluded two small transactions during the year. In October 2006 a 20% stake was acquired in Hot Platinum, which provides complete casting solutions for platinum, gold and other metals primarily to the jewellery market. The other acquisition was a stake in Smart ATM, a fledgling provider of hardware and software for ATM, debit and credit card, airtime and other electronic transactions.

#### PROSPECTS

Brimstone will continue to build a quality, sustainable book of assets, evaluating opportunities for investment in profit generating businesses with exceptional growth potential. With current investments extending across healthcare, financial services and consumer linked enterprise, the group represents a well diversified investment option.

#### DIVIDEND

The board of Brimstone has declared a dividend (number 6) of 16 cents per share payable on Monday 2 April 2007. In compliance with the requirements of STRATE, the company has determined the following salient dates for the payment of the dividend. The last day to trade cum dividend is Friday 23 March 2007. The dividend is payable to all shareholders of Brimstone recorded in the books of the company at the close of business on Friday, 30 March 2007. Shares will commence trading ex dividend from Monday 26 March 2007. Shares may not be re-materialised or dematerialised from Monday, 26 March 2007 to Friday, 30 March 2007, both days inclusive.

On behalf of the board

Prof GJ Gerwel  
Non-Executive Chairman

MA Brey  
Chief Executive Officer

27 February 2007

### UNDERLYING INVESTMENTS

