



BRIMSTONE

INVESTMENT CORPORATION LIMITED

Profitable. Empowering. Making a difference.

Reviewed results for
the 12 months ended
31 December 2007

Group Income Statements

R'000	Reviewed year ended 31 December 2007	Audited year ended 31 December 2006
Revenue	623 723	377 953
Cost of sales	(454 327)	(268 632)
Gross profit	169 396	109 321
Selling and administration expenses	(144 834)	(79 190)
Fair value gains	1 100 897	1 408 997
Exceptional items	102 796	10 721
Profit from operations	1 228 255	1 449 849
Income from investments	19 173	9 558
Finance costs	(176 804)	(190 318)
Share of profits of associates	7 314	28 172
Net profit before taxation	1 077 938	1 297 261
Taxation	232 627	195 745
Net attributable profit	845 311	1 101 516
Attributable to:		
Equity holders of the parent	842 050	1 099 427
Minority interest	3 261	2 089
	845 311	1 101 516
Earnings per share (cents)		
Basic	359.8	474.1
Diluted earnings per share (cents)		
Basic	349.2	458.4

Group Balance Sheets

R'000	Reviewed year ended 31 December 2007	Audited year ended 31 December 2006
ASSETS		
Non-current assets	3 632 945	2 568 137
Property, plant, equipment and vehicles	64 499	38 418
Goodwill	—	11 049
Intangible asset	26 742	—
Investments in associate companies	456 202	512 416
Investments	3 085 502	2 006 254
Current assets	316 621	198 306
Inventories	126 183	81 354
Trade receivables	58 669	68 481
Other receivables	55 805	31 200
Taxation	436	202
Cash and cash equivalents	75 528	17 069
TOTAL ASSETS	3 949 566	2 766 443
EQUITY AND LIABILITIES		
Capital and reserves	2 376 896	1 570 691
Share capital	41	40
Capital reserves	267 418	271 325
Revaluation reserves	4 027	3 977
Retained earnings	2 101 978	1 297 049
Minority interest	3 432	(1 700)
Non-current liabilities	1 182 388	1 008 652
Long-term interest bearing borrowings	766 239	797 198
Deferred taxation	416 149	211 454
Current liabilities	390 282	187 100
Short-term interest bearing borrowings	60 204	33 321
Preference shares for redemption	137 000	—
Bank overdrafts	18 233	45 709
Trade payables	105 775	66 410
Other payables	45 220	39 986
Taxation	23 850	1 674
TOTAL EQUITY AND LIABILITIES	3 949 566	2 766 443
NAV per share (cents)	1 012.9	674.5
Shares in issue at end of year (000's)	234 315	233 104

Group Cash Flow Statements

R'000	Reviewed year ended 31 December 2007	Audited year ended 31 December 2006
Operating activities		
Net attributable profit	845 311	1 101 516
Adjustments for:		
Share of profits of associates	(33 900)	(43 903)
Income from investments	(21 143)	(10 359)
Increase in fair value of investments	(1 100 897)	(1 415 444)
Impairment of investment in associate	1 388	—
Impairment of goodwill	11 049	—
Minority interest written off	1 871	—
Finance costs	176 804	190 318
Taxation	232 627	195 745
Depreciation of property, plant, equipment and vehicles	5 410	2 652
Share-based payment expense	2 281	2 208
Profit on disposal of investments	(117 104)	(4 274)
Loss on disposal of property, plant, equipment and vehicles	27	96
Operating cash flows before movements in working capital	3 724	18 555
Increase in inventories	(35 954)	(31 861)
Decrease/(increase) in receivables	1 831	(30 401)
(Decrease)/increase in payables	(1 496)	38 176
Cash used in operations	(31 895)	(5 531)
Income taxes paid	(6 502)	(3 724)
Finance costs	(76 863)	(40 624)
Net cash used in operating activities	(115 260)	(49 879)
Investing activities		
Interest received	19 173	9 558
Dividends received from associates	26 586	15 731
Dividends received from other equity investments	1 970	801
Loan repayments and recoveries from associates and investments	73 921	4 086
Proceeds on disposal of investments	205 978	43 738
Proceeds on disposal of property, plant, equipment and vehicles	285	235
Replacement of property, plant, equipment and vehicles	(31 265)	(2 597)
Acquisition of subsidiaries		
– shares acquired and loans advanced	(6 442)	(20 878)
Loan repayments	—	7 001
Acquisition of associates and investments	(78 956)	(384 838)
Net cash from/(used in) investing activities	211 250	(327 163)
Financing activities		
Dividends paid	(37 633)	(27 867)
Repayments of borrowings	(36 498)	(23 059)
Loans raised	69 481	364 989
Shares repurchased	(8 749)	(543)
Proceeds on issue of shares	3 074	4 058
(Decrease)/increase in bank overdrafts	(27 670)	37 550
Net cash (used in)/from financing activities	(37 995)	355 128
Net increase/(decrease) in cash and cash equivalents	57 995	(21 914)
Cash and cash equivalents at beginning of year	17 069	36 633
Cash and cash equivalents acquired on acquisition of subsidiaries	464	2 350
Cash and cash equivalents at end of year	75 528	17 069

Segmental information

R'000	Revenue	Operating Profit	Headline Earnings	Assets	Liabilities
Financial services	13 681	33 593	23 038	489 375	22 683
Industrial	609 669	141 901	(10 284)	698 245	561 052
Healthcare	370 1072 789	764 862	2 644 661	908 125	908 125
Enterprise development	3	(1 452)	531	4 781	71
Corporate	—	(18 576)	(25 757)	112 504	80 739
Total	623 723	1 228 255	752 390	3 949 566	1 572 670

Group Statements of Changes in Equity for the year ended 31 December 2007

R'000	Share capital	Capital reserves	Revaluation reserves	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total
Balance at 1 January 2006 – audited	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
Dividend paid	—	—	—	(27 867)	(27 867)	—	(27 867)
Issue of share capital	2	4 056	—	—	—	—	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 – audited	40	271 325	3 977	1 297 049	1 572 391	(1 700)	1 570 691
Attributable profit for the year ended 31 December 2007	—	—	—	842 050	842 050	3 261	845 311
Gain on available-for-sale investment	—	—	50	—	50	—	50
Total recognised income and expense for the year	—	—	50	842 050	842 100	3 261	845 361
Recognition of share-based payments	—	2 281	—	—	2 281	—	2 281
Dividend paid	—	—	—	(37 633)	(37 633)	—	(37 633)
Issue of share capital	1	3 073	—	—	3 074	—	3 074
Treasury shares acquired	—	(3 512)	—	—	(3 512)	—	(3 512)
Increase in treasury shares held by share trust	—	(5 237)	—	—	(5 237)	—	(5 237)
Transfer to capital redemption reserve fund	—	138	—	(138)	—	—	—
Transfer current year share of non-distributable reserve of associate	—	(650)	—	650	—	—	—
Minority interest written off	—	—	—	—	—	1 871	1 871
Balance at 31 December 2007 – reviewed	41	267 418	4 027	2 101 978	2 373 464	3 432	2 376 896

House of Monatic Group brands



Commentary

Results for the financial year to 31 December 2007 saw Net Asset Value per share rise 50.2%, from 674.5 cents to 1 012.9 cents, reflecting the continued growth of the group's diversified portfolio of underlying investments. Brimstone ended 2007 with total assets of R4 billion, up from R2.7 billion a year ago.

While headline earnings per share were lower than the previous year, this was as a result of the re-evaluation of the classification of the investment in Life Healthcare (LHC) to be accounted for at fair value through profit and loss. This change had a significant impact on the results to 31 December 2006 as the 22% stake in LHC was accounted for on a fair value basis over a 21 month period from date of acquisition, compared to the current 12 month reporting period.

The LHC business, which has become Brimstone's anchor investment, continues to show strong organic growth, contributing to operating profit and cash flows. There were also strong performances from a number of the group's other investments, which combined with the proceeds from the sale of the stake in Lenco, enabled Brimstone to declare a dividend of 32 cents per share, 100% higher than the previous year.

During the year, Brimstone repurchased 517 042 "N" ordinary shares for R3.5 million via its subsidiary Seven Investments (Pty) Ltd and 739 508 "N" ordinary shares for R5.2 million via the share trust.

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 consolidated financial results comply with IAS 34: Interim Financial Reporting. The accounting policies and methods of computation used in the preparation of this report are consistent with those used in the annual financial statements for the year ended 31 December 2006 which comply with the Companies Act of South Africa and International Financial Reporting Standards except for the adoption of IFRS 7 – Financial Instruments: Disclosure and the adoption of the amendment of IAS 23: Borrowing Costs. The adoption of these standards did not impact the condensed consolidated financial results.

Issue of shares

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

	Ordinary	"N" ordinary
23 March 2007	1 056 396	1 411 057

Brimstone portfolio

Healthcare

Life Healthcare
The Life Healthcare Group is one of the largest private hospital operations outside the United States. Its principal business is acute hospital care and comprises one of the widest geographic spreads of acute care hospitals and day surgical centres in South Africa.

The Life Healthcare business has delivered steady growth since acquisition in March 2005. The hospital business has increased paid patient days at an average

annual rate of 6%. This growth is attributable to an ageing population, new technology and the disease profile in South Africa which has required an increase in capacity both at existing facilities and through new hospitals. The ongoing capital expenditure program has included new hospitals – Life Fourways in Sandton which opened in July 2006 and a relocation in East London to the new Life Beacon Bay – scheduled to open in August 2008; extensions to existing hospitals; the introduction of new technologies and upgrading of facilities. A joint venture operation in the United Kingdom has secured four contracts, which are now fully operational, to provide services to the national health authorities. HLC continues to nurture positive relationships with its supporting doctors, medical funders and suppliers in order to sustain the quality of its services while containing costs to the consumer. The hospital business was awarded ISO9001:2000 accreditation in July 2007, the first hospital group in South Africa to achieve such a rating. The business is well positioned to sustain continued growth.

Scientific Group

The Scientific Group continues to perform well and benefits from a wider market presence. Future prospects are promising and we are confident that this niche sector of the healthcare industry will continue to expand.

Industrial

House of Monatic

While trading conditions in the local textile industry have been difficult, Brimstone is moving forward with its strategy to strengthen the House of Monatic Group's marketing, design and manufacturing portfolio through the acquisition and development of premium brands.

House of Monatic acquired an effective 51% of Canterbury SA on 1 March 2007. Canterbury SA is the official kit supplier to the rugby Springboks, a high profile contract that is expected to impact positively on future earnings. The success of the Springboks in the 2007 Rugby World Cup provided a boost to sales of Springbok supporters merchandise.

Lenco

This investment was disposed of in July 2007 realising R203 million for Brimstone's entire interest in Lenco.

Oceana

Oceana's performance was well ahead of last year. Significantly higher volumes of pelagic fish and lobster were processed through Oceana's plants; horse mackerel landings in South Africa and Namibia were higher and international market prices for fishmeal and lobster improved substantially. Additional supplies of canned fish were sourced internationally as demand continued to exceed supply on the local market. Sales of french fries were at record levels due to strong demand from quick service restaurants. Average activity levels in the group's cold storage division were high but product dwell times were shorter due to faster turnaround of customer product.

Queenspark

In September 2007, Brimstone acquired shareholdings in African & Overseas Enterprises Limited and Rex Trueform Limited, which equates to 33% of the well established Queenspark clothing chain.

Sea Harvest

During 2007, Sea Harvest's operating profit increased significantly with a strong focus on maximising margin and containing costs. Good results were achieved because of a focus on the right products for the right markets. Locally, the company managed to recover its lost market share in the retail market. The company's focus will remain on ensuring that the maximum value is extracted from every kilogram of fish caught. The business is well structured to continue profitably despite quota cuts.

Financial services

Aon South Africa

A steady performance by Aon for the period produced satisfying results. Aon continues to follow a positive growth trend within a competitive market.

Aon Re Africa

As of 1 March 2007, Brimstone acquired an effective 18% of Aon Re Africa (Pty) Ltd. Aon Re Africa are established reinsurance brokers operating throughout sub-Saharan Africa. Brimstone is well satisfied with the results achieved to date and future prospects look promising.

Lion of Africa Insurance Company

Results for Lion of Africa have been disappointing and reflect the general trend of short term insurers with losses coming from the motor and property classes. The growing number of new cars and the ongoing challenge of deteriorating road infrastructure combine to make this class of business difficult for insurers. Management are confident that their corrective measures will bear fruit in the new financial period. Premium growth has been good and the company continues to build its brand as a new face in the SA short term sector.

Nedbank

Brimstone's rights to Nedbank Group Limited shares, accounted for as options, contributed positively to earnings for the year, which is a direct result of the increase in the underlying Nedbank share price. In its second 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.

Old Mutual

Brimstone's rights to Old Mutual plc shares, also accounted for as options, were marginally down, in line with the overall performance of the share markets and the reduction of Old Mutual's underlying share price. The Brimstone Consortium continues to contribute positively to Old Mutual.

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. In October 2006 a 20% stake was acquired in Hot Platinum which provides complete casting solutions for platinum, gold and other metals primary to the jewellery market. This venture continues to perform well in its second year of operation.

Earnings per share

R'000	Reviewed year ended 31 December 2007	Audited year ended 31 December 2006
Headline earnings per share (cents)	321.5	474.2
Diluted headline earnings per share (cents)	312.0	458.5
Headline earnings calculation		
Net profit attributable to equity holders of the parent	842 050	1 099 427
Loss on disposal of property, plant, equipment and vehicles	27	96
Realised gain on disposal of associate	(117 104)	—
Impairment of goodwill	11 049	—
Impairment of investment in associate	1 388	—
Adjustments relating to results of associate	(5 488)	—
Total tax effects of adjustments	20 468	—
Headline earnings	752 390	1 099 523
Weighted average number of shares on which earnings per share is based (000's)	234 005	231 875
Weighted average number of shares on which diluted earnings per share is based (000's)	241 157	239 815

Prospects

Since Brimstone's inception twelve years ago, the company has always sought to stay true to its goals of being profitable, empowering, and having a positive social impact on the businesses and the individuals with whom it is involved, including shareholders, employees, suppliers, customers and the greater community.

We are confident that Brimstone will continue to deliver on each of these undertakings in 2008 by adding value to our business partners and through strategic acquisitions, job creation and involvement in the upliftment of disadvantaged communities in South Africa.

Dividend

The board of Brimstone has declared a dividend of 32 cents per share payable on Monday 31 March 2008. 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 Wednesday 19 March 2008. The dividend is payable to all shareholders of Brimstone recorded in the books of the company at the close of the business on Friday 28 March 2008. Shares will commence trading ex dividend from Thursday 20 March 2008. Shares may not be rematerialised or dematerialised from Thursday 20 March 2008 to Friday 28 March 2008, both days inclusive.

On behalf of the board

Prof GJ Gerwel
Non-Executive Chairman

MA Brey
Chief Executive