BRIMSTONE

INVESTMENT CORPORATION LIMITED

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

Profitable. Empowering. Making a difference.

Salient features

R153 million cash received from Life Healthcare

Dividend 24c per share

NAV R2.2 billion (R9.27 per share)

R67 million mark-to-market losses

Fifth Element Group losses fully provided for

Reviewed results for the year ended 31 December 2008

Commentary

In challenging trading conditions the Group continues to derive good returns and has started to see healthy cash inflows from its underlying investments. Equity accounted earnings have grown strongly from R7.3 million to R42.5 million and dividends received have increased from R28.6 million to R32.8 million, whilst fees received from underlying investments amounted to R22.6 million (2007: R8.0 million). Shareholder loans repaid to Brimstone by the Life Healthcare Group ("LHG") during the year amounted to R153.3 million.

Group liquidity has improved, with Net Current Assets of R120.5 million as at 31 December 2008, compared to Net Current Liabilities of R73.7 million at December 2007.

However, results for the year to 31 December 2008 reflect a decline in Net Asset Value ("NAV") of 7.7% from R2 373.5 million (R10.13 per share) to R2 191.2 million (R9.27 per share). Intrinsic NAV as at 31 December 2008, calculated on a line-by-line basis, was R2 255.6 million (2007: R2 496.8 million), translating to R9.55 per share (2007: R10.66) As an investment vehicle, the Group considers its balance sheet and NAV to be very important measures of its performance.

The Group reported an attributable loss of R110 million (2007: R842.1 million profit), equating to a loss per share of 46.6 cents (2007: 359.8 cents – earnings per share).

The decline in NAV and earnings fluctuation relative to 2007 are attributable to the following:

- Operational losses by Brimstone's clothing subsidiaries as reported in June 2008 were exacerbated by further operational and exceptional losses in the second half of the year. At year end, a Group loss of R54 million (22.9 cents per share) was recorded. R54.4 million (23 cents per share) of this amount relates to the Fifth Element Group. Following evidence of gross irregularities (as communicated to shareholders on 30 January 2009), the Company is vigorously pursuing every available course of action to seek financial redress. Nevertheless, the directors have seen it fit and prudent to make full provision in these results for the maximum possible loss.
- Fair value losses of R67.0 million compared to gains of R1,100.9 million in 2007 arose from the valuation of the rights to 2.6 million Nedbank Group Limited and 19.4 million Old Mutual plc shares, accounted for as options, deteriorating by R233.1 million due to a sharp drop in the share prices of these entities.
  LHG's contribution to fair value gains of R161.2 million in 2008 is not comparable to the R1 073.5 million recorded in 2007 as:
  – There was a non-recurring increase in the carrying value of LHG in 2007 following the change from using historic Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") in 2006 to using forward EBITDA to value the investment in LHG;
  – There was an increase in the value allocated to minorities in LHG;
  – 2007 EBITDA included R120 million from LHG's UK joint-venture, Partnership Health Group ("PHG"), which was disposed of during 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.

Results for the year

These 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 2007 which comply with the Companies Act of South Africa and International Financial Reporting Standards.

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
25 March 2008	1 273 600	1 831 201

Brimstone portfolio

Healthcare

Life Healthcare Group

One of South Africa's largest private hospital groups, The Life Healthcare Group comprises a wide geographic spread of acute care facilities across the country. The acute care business is complemented by related healthcare services businesses, facilitating an integrated healthcare delivery system. LHG's focus on operating efficiencies, product innovation and commitment to nurse training is expected to boost performance and profitability accordingly.

LHG's performance has exceeded the investment case with continuing operations recording 13% revenue growth and delivering an operating EBITDA margin of 18% (R1.6 billion) for 2008. Good cash generation together with the proceeds from the disposal of PHG has enabled distributions to shareholders, including R153 million to Brimstone. LHG has a healthy balance sheet and is well positioned to grow through the expected increased demand for health care services in the years ahead and will benefit from the counter cyclical nature of the business. Legislative and regulatory reviews are not expected to have material negative consequences for the businesses of LHG.

Life Hospitals

LHG owns and operates 7,400 beds at 59 hospitals countrywide. Demand for private health services, measured by patient days, grew by 5% to 1.69 million in 2008. This comprised organic growth at existing facilities, new services introduced and new facilities and technology. LHG continues to selectively expand and upgrade its facilities, as well as opening new facilities where licences have been procured. Life Fourways is now fully on-stream and Brimstone is encouraged by the prospects presented by the other major developments at Vincent Pallotti (Cape Town), St Georges (Port Elizabeth) and, in 2009, Beacon Bay (East London).

Life Esidimeni

In October 2007 LHG acquired the 45% interest in Life Esidimeni held by Real Africa Holdings. Life Esidimeni is the oldest and largest public private partnership in the country, operating 5,200 beds at 14 facilities and providing over 1.7 million patient days a year for long stay mental health, frail care and chronic TB patients. It also operates 400 beds at 2 acute care community hospitals, providing 95,000 in-patient days and 100,000 out-patient visits annually.

Life Occupational Health

Life Occupational Health is the country's leading provider of contracted, on-site occupational and primary healthcare services to employer groups in commerce, industry, mining and prisons. The group manages 260 clinics and takes care of over 150,000 employees.

Partnership Health Group, United Kingdom

PHG was a joint venture providing contract services to the UK's National Health Services (NHS). The interest in this business was disposed of in July 2008, following a strategic review after a change in NHS policy. The disposal brought in additional cash at an IRR of 47%.

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. Brimstone continues to evaluate its long-term strategic options relating to this investment.

Industrial

Sea Harvest

Despite a cut in the Hake Total Allowable Catch and increase in the average fuel price, Sea Harvest increased operating profit whilst maintaining margins. This was achieved through conscious migration up the value chain and improved export volumes and prices, boosted by exchange rate gains from the deteriorating Rand. Sea Harvest also grew its share of the local retail market in the period under review.

The key strategic initiatives of Sea Harvest management remain to:

- Contribute to the sustainable management of the fish resource;
- Maximise the profitability of every kilogram of fish caught; and
- Optimise fish catch at best cost.

Brimstone is increasing its shareholding in Sea Harvest to an effective 55%. Implementation of the transaction – which is subject to Competition Commission approval – is expected to be completed in the first half of 2009. Sea Harvest will then become a subsidiary of Brimstone. In 2008, Sea Harvest contributed R10.2 million to dividends received and R11.6 million to Brimstone's share of income from associates.

Oceana

Oceana's performance was well ahead of last year, following improved results in most its business units. Horse mackerel activities produced exceptional results benefiting from good catch rates, stable markets and favourable Rand/Dollar exchange rates. Sales of Lucky Star canned fish rose due to imports of product to supplement lower supplies from local producers. Fishmeal volumes increased and prices were good. Lobster export markets were good until the latter part of the year and profit benefited from the effect of a weaker Rand exchange rate.

House of Monatic

The decision to place the Fifth Element Group under provisional liquidation, following evidence of gross irregularities, was a direct action taken to protect the interests of all stakeholders.

From a manufacturing perspective, the pressure exerted on retailers by prevailing market conditions has impacted negatively on margins. Initiatives being taken to improve operating efficiencies within the 100 year-old business, together with the effective management of viable employment levels are showing improvements in competitiveness.

Rex Trueform / African & Overseas Enterprises

The mark-to-market revaluation of the ordinary and N ordinary shares in Rex Trueform Limited and African & Overseas Limited increased by R9.9 million with R2 million (2007: R1.3 million) being received in dividends from the two companies. This reflected the relatively good performance of Queenspark in a year in which most retailers were, and continue to be, under pressure.

Financial services

Aon South Africa

Aon South Africa's growth continued during 2008 with Aon now being the largest insurance broker and risk manager on the African continent. During the year, Aon South Africa made one acquisition in the employee benefit arena and two acquisitions in the short-term business division. Aon has experienced particularly good growth in its nine branches across South Africa.

Aon Re Africa

Following the purchase of the Benfield Group worldwide by Aon Re Global, in South Africa Aon Re will be merging with Benfield SA to become the largest and most innovative reinsurance broker in Southern Africa. The Brimsure Consortium currently has a 30% stake in Aon Re Africa. Aon Re Africa reported excellent results in 2008 with margins exceeding international benchmarks.

Lion of Africa Insurance

The Lion of Africa has had a disappointing second half of the year after they reported a modest improvement in their underwriting results for the half-year. Floods in Kwa-Zulu Natal and in the Western Cape combined with some of the largest market fire losses in the history of the industry, have contributed to the company's second successive year of underwriting losses at year-end. The generally poor investment environment in the year also meant that investment income was at a reduced level compared to previous years. Management have made significant progress in the implementation of their new IT platform and hope to further leverage the efficiencies of the new system in 2009. They expect a lower cost base and a commensurate improvement in profitability for the company in 2009.

Nedbank Group

The mark-to-market value of Brimstone's rights to 2.6 million Nedbank shares, accounted for as options, was significantly down at year end, in line with the overall performance of the share markets and banks in particular. The independently calculated option valuation was based on a closing share price for Nedbank of R95.50 (2007: R136) per share. The original strike price of the options at the date of the transaction was R74.75 per share. The performance contract between the underlying businesses of Nedbank and the Brimstone-Mtha Consortium, which Brimstone leads, continues to deliver for Nedbank, with Brimstone earning performance fees of R6.2 million for the 12 months to 30 November 2008.

Old Mutual plc

The mark-to-market value of Brimstone's rights to 19.4 million Old Mutual plc shares, accounted for as options, suffered a severe deterioration over the year as the Old Mutual plc share price dropped by 67% from R22.91 per share at 31 December 2007 to R7.60 per share at 31 December 2008. The original strike price of the options at the date of the transaction was R14.95 per share. The relationship with Old Mutual is healthy and the Brimstone-Mtha Consortium continues to contribute positively in terms of its performance contract with Old Mutual South Africa Limited. Brimstone earned performance fees of R8.4 million for the year.

Group Income Statements

R'000	Reviewed Year ended 31 December 2008	Audited Year ended 31 December 2007
Revenue	**555 164**	623 723
Cost of sales	**(403 328)**	(454 327)
Gross profit	**151 836**	169 396
Selling and administration expenses	**(173 796)**	(144 834)
Fair value (losses)/gains	**(66 965)**	1 100 897
Exceptional items	**47 185**	102 796
(Loss)/profit from operations	**(41 740)**	1 228 255
Income from investments	**9 836**	19 173
Finance costs	**(128 759)**	(176 804)
Share of profits of associates	**42 546**	7 314
Net (loss)/profit before taxation	**(118 117)**	1 077 938
Taxation	**(11 670)**	232 627
Net attributable (loss)/profit	**(106 447)**	845 311
Attributable to:		
Equity holders of the parent	**(110 043)**	842 050
Minority interest	**3 596**	3 261
	(106 447)	845 311
(Loss)/earnings per share (cents)		
Basic	**(46.6)**	359.8
Diluted (loss)/earnings per share (cents)		
Basic	**(45.8)**	349.2

Segmental information

R'000	Revenue	(Loss)/profit from Operations	Headline (loss)/ profit	Assets	Liabilities
Financial services	23 793	(214 300)	(171 149)	275 576	40 246
Industrial	530 998	46 925	46 197	746 597	370 332
Healthcare	370	160 766	100 475	2 656 185	946 030
Enterprise development	—	(2 212)	(20)	5 760	—
Corporate	3	(32 919)	(53 342)	90 437	219 758
Total – reviewed	555 164	(41 740)	(77 839)	3 774 555	1 576 366

Group Balance Sheets

R'000	Reviewed 31 December 2008	Audited 31 December 2007
ASSETS		
Non-current assets	**3 443 199**	3 632 945
Property, plant, equipment and vehicles	**58 604**	64 499
Intangible assets	—	26 742
Investments in associate companies	**502 845**	456 202
Investments	**2 875 685**	3 085 502
Deferred taxation	**6 065**	—
Current assets	**331 356**	316 621
Inventories	**123 647**	126 183
Trade receivables	**85 613**	58 669
Other receivables	**68 698**	55 805
Taxation	**21**	436
Cash and cash equivalents	**53 377**	75 528
TOTAL ASSETS	**3 774 555**	3 949 566
EQUITY AND LIABILITIES		
Capital and reserves	**2 198 189**	2 376 896
Share capital	**42**	41
Capital reserves	**268 345**	267 418
Revaluation reserves	**4 027**	4 027
Retained earnings	**1 918 747**	2 101 978
Attributable to equity holders of the parent	**2 191 161**	2 373 464
Minority interest	**7 028**	3 432
Non-current liabilities	**1 365 506**	1 182 388
Long-term interest bearing borrowings	**967 477**	766 239
Deferred taxation	**398 029**	416 149
Current liabilities	**210 860**	390 282
Short-term interest bearing borrowings	**86 389**	60 204
Preference shares for redemption	—	137 000
Bank overdrafts	**30 717**	18 233
Trade payables	**51 984**	105 775
Other payables	**37 829**	45 220
Taxation	**3 941**	23 850
TOTAL EQUITY AND LIABILITIES	**3 774 555**	3 949 566
NAV per share (cents)	**927.3**	1 012.9
Shares in issue at end of year (000's)	**236 302**	234 315

Group Cash Flow Statements

R'000	Reviewed Year ended 31 December 2008	Audited Year ended 31 December 2007
Operating activities		
Net attributable (loss)/profit	**(106 447)**	845 311
Adjustments for:		
Share of profits of associates	**(72 531)**	(33 900)
Income from investments	**(12 643)**	(21 143)
Decrease/(increase) in fair value of investments	**66 965**	(1 100 897)
Impairment of investment in associate	**2 212**	1 388
Impairment of goodwill	—	11 049
Impairment of intangible asset	**26 742**	—
Impairment of property, plant, equipment and vehicles	**5 448**	
Minority interest written off	—	1 871
Finance costs	**128 759**	176 804
Taxation	**(11 670)**	232 627
Depreciation of property, plant, equipment and vehicles	**6 068**	5 410
Share-based payment expense	**2 479**	2 281
Profit on disposal of investments	—	(117 104)
Loss on disposal of property, plant, equipment and vehicles	**492**	27
Operating cash flows before movements in working capital	**35 874**	3 724
Decrease/(increase) in inventories	**2 536**	(35 954)
(Increase)/decrease in trade and other receivables	**(39 837)**	1 831
Decrease in trade and other payables	**(61 182)**	(1 496)
Cash used in operations	**(62 609)**	(31 895)
Income taxes paid	**(32 009)**	(6 502)
Finance costs	**(80 178)**	(76 863)
Net cash utilised in operating activities	**(174 796)**	(115 260)
Investing activities		
Income from investments	**9 836**	19 173
Dividends received from associates	**29 985**	26 586
Dividends received from other equity investments	**2 807**	1 970
Loan repayments and recoveries from associate and investments	**154 166**	73 921
Proceeds on disposal of investments	—	205 978
Proceeds on disposal of property, plant, equipment and vehicles	—	285
Replacement of property, plant, equipment and vehicles	**(6 114)**	(31 265)
Acquisition of subsidiaries -shares acquired and loans advanced	—	(6 442)
Acquisition of associates and investments	**(14 314)**	(78 956)
Net cash from investing activities	**176 366**	211 250
Financing activities		
Dividends paid	**(75 774)**	(37 633)
Repayments of borrowings	**(150 994)**	(36 498)
Loans raised	**192 837**	69 481
Shares repurchased	**(5 631)**	(8 749)
Proceeds on issue of share capital	**3 357**	3 074
Increase/(decrease) in bank overdrafts	**12 484**	(27 670)
Net cash used in financing activities	**(23 721)**	(37 995)
Net (decrease)/increase in cash and cash equivalents	**(22 151)**	57 995
Cash and cash equivalents at beginning of year	**75 528**	17 069
Cash and cash equivalents acquired on acquisition of subsidiaries	—	464
Cash and cash equivalents at end of year		
Bank balances and cash	**53 377**	75 528

Group Statements of Changes in Equity for the year ended 31 December 2008

R'000	Share capital	Capital reserves	Revaluation reserves	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total
Balance at 1 January 2007 – 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 – audited	41	267 418	4 027	2 101 978	2 373 464	3 432	2 376 896
Attributable (loss)/profit for the year ended 31 December 2008	—	—	—	(110 043)	(110 043)	3 596	(106 447)
Recognition of share-based payments	—	2 479	—	—	2 479	—	2 479
Dividend paid	—	—	—	(75 774)	(75 774)	—	(75 774)
Issue of share capital	1	3 356	—	—	3 357	—	3 357
Treasury shares acquired	—	(4 731)	—	—	(4 731)		(4 731)
Increase in treasury shares held by share trust	—	(900)	—	—	(900)	—	(900)
Transfer to capital redemption reserve fund	—	2	—	(2)	—	—	—
Transfer current year share of non-distributable reserve of associate	—	(2 588)	—	2 588	—	—	—
Share of non-distributable reserves of associate transferred directly to equity	—	3 309	—	—	3 309	—	3 309
Balance at 31 December 2008 – reviewed	42	268 345	4 027	1 918 747	2 191 161	7 028	2 198 189

Headline earnings per share

R'000	Reviewed Year ended 31 December 2008	Audited Year ended 31 December 2007
Headline (loss)/earnings per share (cents)	**(33.0)**	321.5
Diluted headline (loss)/earnings per share (cents)	**(32.4)**	312.0
Headline earnings calculation		
Net (loss)/profit attributable to equity holders of the parent	**(110 043)**	842 050
Loss on disposal of property, plant, equipment and vehicles	**492**	27
Impairment of property, plant, equipment and vehicles	**5 448**	—
Realised gain on disposal of associate	—	(117 104)
Impairment of goodwill	—	11 049
Impairment of trademark	**26 742**	—
Impairment of investment in associate	**2 212**	1 388
Adjustments relating to results of associate	**(2 690)**	(5 488)
Total tax effects of adjustments	—	20 468
Headline (loss)/earnings	**(77 839)**	752 390
Weighted average number of shares on which earnings per share is based (000's)	**236 122**	234 005
Weighted average number of shares on which diluted earnings per share is based (000's)	**240 369**	241 157

Prospects

Brimstone's portfolio of investments in the financial services, healthcare and industrial sectors and its partnership approach to managing these investments are on a solid footing in spite of the uncertainty of current economic conditions.

Brimstone will continue to exercise prudence in its investment approach; consolidate existing interests and, where appropriate, make strategic disposals and/or acquisitions. By seeking out meaningful investment opportunities that will bring benefits to shareholders, of whom many are from the disadvantaged communities of our society, Brimstone remains fixed on a course that will generate cash and long-term shareholder wealth while actively contributing to accelerating positive social change.

Dividend

The board of Brimstone has declared a dividend of 24 cents per share payable on Monday, 25 May 2009. 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, 15 May 2009. The dividend is payable to all shareholders of Brimstone recorded in the books of the company at the close of business on Friday, 22 May 2009. Shares will commence trading ex dividend from Monday, 18 May 2009. Shares may not be rematerialised or dematerialised from Monday, 18 May 2009 to Friday, 22 May 2009, both days inclusive.

Board of Directors

Changes to the Board were effected as follows:

The Board welcomed the appointment of Ms Felicia Roman and Dr Olive Shisana as independent non-executive directors of the company in March 2008. They bring a wealth of experience and their appointment boosts the gender diversity of the Board.

Mr Lawrie Brozin was appointed as financial director of the company on 19 February 2009.

On behalf of the board

Prof GJ Gerwel
Non-Executive Chairman

MA Brey
Chief Executive Officer

23 February 2009

Directorate

Prof. GJ Gerwel (Chairman), F Robertson (Executive Deputy Chairman)*, MA Brey (Chief Executive Officer)*, LZ Brozin (Financial)*, PL Campher, M Hewu, N Khan, MK Ndebele, Y Pahad, LA Parker, TMF Phaswana, AA Roberts, FD Roman, Dr O Shisana

* *Executive*

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Underlying investments

OLD MUTUAL · Life · Sea Harvest · The Scientific Group · HOUSE OF MONATIC · Lion of Africa · AON · NEDBANK · OCEANA GROUP LIMITED

www.brimstone.co.za

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