



BRIMSTONE

INVESTMENT CORPORATION LIMITED

PROFITABLE. EMPOWERING. MAKING A DIFFERENCE.

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006 AND CAUTIONARY ANNOUNCEMENT

GROUP INCOME STATEMENTS

R'000	Unaudited 6 months ended 30 June 2006	Unaudited 6 months ended 30 June 2005	Audited 12 months ended 31 Dec 2005
Revenue	96 048	86 300	188 752
Cost of sales	(64 938)	(63 785)	(135 804)
Gross profit	31 110	22 515	52 948
Selling and administration expenses	(28 698)	(22 038)	(48 000)
Negative goodwill released to income	—	989	990
Fair value gain on options	122 000	—	143 558
Exceptional items	5 457	2 612	6 476
Profit from operations	129 869	4 078	155 972
Income from investments	4 358	3 773	7 928
Finance costs	(16 897)	(14 727)	(33 149)
Share of profit of associates	29 915	23 246	38 622
Net profit before taxation	147 245	16 370	169 373
Taxation	(22 124)	83	(15 398)
Net attributable profit	125 121	16 453	153 975
Attributable to:			
Equity holders of the parent	124 909	16 349	153 556
Minority interest	212	104	419
	125 121	16 453	153 975
Earnings per share (cents)			
Headline	54.1	12.4	90.8
Basic	54.1	13.2	91.4
Diluted earnings per share (cents)			
Headline	51.4	12.5	87.4
Basic	51.4	13.3	88.0
Weighted average number of shares on which earnings per share is based ('000)	230 992	124 093	168 002
Weighted average number of shares on which diluted earnings per share is based ('000)	243 166	123 170	174 461
Headline earnings calculation			
Net attributable profit	124 909	16 349	153 556
Negative goodwill released to income	—	(989)	(990)
Headline earnings	124 909	15 360	152 566

GROUP BALANCE SHEETS

R'000	Unaudited 30 June 2006	Unaudited 30 June 2005	Audited 31 Dec 2005
ASSETS			
Non-current assets	931 825	551 427	757 548
Property, plant, equipment and vehicles	26 486	18 526	23 781
Goodwill	10 148	—	—
Investments in associate companies	577 064	508 273	545 172
Investments	318 127	24 628	188 595
Current assets	128 221	90 947	123 684
Loan	8 037	—	7 001
Inventory	59 179	30 360	28 858
Trade receivables	47 110	29 523	35 831
Other receivables	9 194	10 471	14 544
Taxation	—	707	817
Cash and cash equivalents	4 701	19 886	36 633
TOTAL ASSETS	1 060 046	642 374	881 232
EQUITY AND LIABILITIES			
Capital and reserves	593 873	289 176	495 526
Share capital	39	38	38
Capital reserves	270 813	215 109	262 346
Revaluation reserves	3 977	3 977	3 977
Retained earnings	321 755	69 948	228 746
Minority interest	(2 711)	104	419
Non-current liabilities	356 083	308 346	331 339
Long-term interest bearing borrowings	318 604	305 768	312 181
Deferred taxation	37 479	2 578	19 158
Current liabilities	110 090	44 852	54 367
Short-term interest bearing borrowings	40 573	20 535	25 181
Bank overdraft	10 681	1 316	8 151
Trade payables	40 604	6 783	8 760
Other payables	16 756	16 218	12 275
Taxation	1 476	—	—
TOTAL EQUITY AND LIABILITIES	1 060 046	642 374	881 232
NAV per share (cents)	256.6	139.6	216.4
Shares in issue at end of period ('000)	232 534	207 081	228 813

GROUP CASH FLOW STATEMENTS

R'000	Unaudited 6 months ended 30 June 2006	Unaudited 6 months ended 30 June 2005	Audited 12 months ended 31 Dec 2005
Operating activities			
Profit for the period	125 121	16 453	153 975
Adjustments for:			
Share of profit of associates	(32 645)	(25 100)	(43 719)
Income from investments	(4 682)	(4 190)	(8 533)
Increase in fair value of available-for-sale investments	(127 457)	(2 612)	(150 034)
Finance costs	16 897	14 727	33 149
Taxation	22 124	(83)	15 398
Depreciation of property, plant, equipment and vehicles	872	1 402	2 932
Negative goodwill released to income	—	(989)	(990)
Share-based payment expense	1 104	982	2 043
Loss on disposal of property, plant, equipment and vehicles	—	—	161
Operating cash flows before movements in working capital	1 334	590	4 382
(Increase)/decrease in inventories	(10 283)	987	2 489
Decrease in receivables	11 907	11 239	858
Increase in payables	1 324	4 332	1 436
Cash generated from operations	4 282	17 148	9 165
Income taxes paid	(2 109)	(673)	(670)
Interest paid	(16 897)	(14 727)	(33 149)
Net cash (used in)/from operating activities	(14 724)	1 748	(24 654)
Investing activities			
Interest received	4 358	3 773	7 928
Dividends received from associates	2 730	1 854	5 098
Dividends received from other equity investments	324	417	605
Loan repayments and recoveries from associate and investments	919	1 165	1 391
Proceeds on disposal of property, plant, equipment and vehicles	—	69	111
Acquisition of subsidiaries - shares acquired and loans advanced	(11 034)	—	—
Acquisition of property, plant, equipment and vehicles	(1 203)	(286)	(3 116)
Loan advances	(1 036)	—	(7 001)
Acquisition of associates and investments	(1 418)	(237 468)	(256 789)
Net cash used in investing activities	(6 360)	(230 476)	(251 773)
Financing activities			
Dividends paid	(27 928)	(11 869)	(11 854)
Repayments of borrowings	(2 274)	(9 904)	(2 091)
Loan advances	11 113	156 389	159 635
Shares repurchased	(174)	—	(13 091)
Proceeds on issue of shares	3 566	96 452	156 080
Increase/(decrease) in bank overdrafts	2 530	(6 133)	702
Net cash (used in)/from financing activities	(13 167)	224 935	289 381
Net (decrease)/increase in cash and cash equivalents	(34 251)	(3 793)	12 954
Cash and cash equivalents at beginning of period	36 633	23 679	23 679
Cash acquired on acquisition of subsidiaries	2 319	—	—
Cash and cash equivalents at end of period	4 701	19 886	36 633

HIGHLIGHTS:

- ▲ ASSETS EXCEED R1 BILLION
- ▲ NAV UP 18.6% TO 256.6 CENTS
- ▲ HEADLINE EARNINGS UP 336%

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 for a cash consideration of R5.5m and R1.1m respectively. 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 30 June 2006 amounted to R.2m.

R'000	Acquisition value		
	Fifth Element	O'Neill	
Total assets	39 801	6 320	46 121
Non current assets	5 624	303	5 927
Current assets	34 177	6 017	40 194
Total liabilities	46 895	6 047	52 942
Non current liabilities	10 719	—	10 719
Current liabilities	36 176	6 047	42 223
Net (liabilities)/assets	(7 094)	273	(6 821)
Brimstone share (51%)	(3 618)	139	(3 479)
Goodwill	9 168	980	10 148
Total consideration (satisfied by cash)	5 550	1 119	6 669
Net cash outflow arising on acquisition			
Cash consideration	5 550	1 119	6 669
Cash and cash equivalents acquired	2 132	187	2 319
	3 418	932	4 350

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

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

R'000	Revenue	Profit	Headline Earnings
Revenue	176 804		
Headline earnings	126 487		

SEGMENTAL INFORMATION

R'000	Operating		Headline		
	Revenue	Profit	Earnings	Assets	Liabilities
Financial services	4 943	128 374	113 277	358 875	10 313
Industrial	90 537	6 152	(4 543)	379 379	248 618
Healthcare	185	170	24 411	291 208	135 796
Investments in transition	372	4 352	4 327	19 922	56
Corporate	11	(9 179)	(12 563)	10 662	71 390
Total	96 048	129 869	124 909	1 060 046	466 173

COMMENTARY

The results for the six months to 30 June 2006 have been positive and resulted in significant increases over the comparative period for 2005, with headline earnings increasing to 54.1 cents (30 June 2005: 12.4 cents) per share. Net asset value per share increased to 256.6 cents from 216.4 cents at 31 December 2005.

Intrinsic net asset value per share (refer to comment below) has also increased from 505 cents at 31 December 2005 to 585.8 cents.

RESULTS FOR THE PERIOD

This report has been prepared in compliance with International Financial Reporting Standards and complies with IAS 34 Interim Financial Reporting. The accounting policies used in the preparation of the interim report are consistent with those used in the annual financial statements for the year ended 31 December 2005.

ISSUE OF SHARES

On 17 March 2006 the company issued 1,490,804 ordinary shares and 2,229,745 "N" ordinary shares to non executive and executive directors in terms of the share option scheme.

INVESTMENTS

HEALTHCARE

Life Healthcare

Brimstone holds an effective 18.156% in Life Healthcare, which it acquired during the first half of 2005. As one of the largest private hospital operations outside of the USA, the group operates 62 acute care facilities with a comprehensive geographic spread in seven SA provinces and into Botswana. The company was a substantial contributor to equity accounted earnings for the period under review and Brimstone expects this important investment to continue to yield significant returns.

Scientific Group

During the prior financial year the Scientific Group successfully merged with the Criticare division of Adcock Ingram, which now holds a 74% stake in Scientific. Brimstone continues to hold 26% of the company and has benefited from a larger market presence with enhanced earnings for the period. We continue to be excited by prospects for this investment.

INDUSTRIAL

House of Monatic

House of Monatic, Brimstone's only wholly-owned subsidiary, has benefited from the increasing support of local retailers following the well documented troubles in the apparel market led by the surge in imports. The company has defended its market position through a refocus on the local market, an enhanced retail offering and importantly, the addition of younger brands to the mix including trademarks such as RipTear and Barbie through its stake in marketing house Fifth Element and O'Neill SA, transactions that were finalised and brought to book from 1 June 2006.

Lenco

Tight market conditions and the seasonal nature of the packaging industry, particularly within the beverage sector, resulted in a small loss for the packaging company. Earnings are expected to accrue during the latter half of the year.

Sea Harvest

Brimstone has a 21.52% shareholding in fishing company Sea Harvest Corporation Limited, one of the largest employers on the West Coast and a major player in the deep sea fishing sector. Results for this company continued to be adversely impacted by continued poor fishing stock levels,

difficult international trading conditions and industrial action. In line with the cyclical nature of the sector, and evidence of improved fishing conditions, the directors are confident that Sea Harvest will be a substantial contributor to earnings in future.

FINANCIAL

Aon South Africa

Aon South Africa, in which Brimstone holds an effective 18%, continued to benefit from the generally buoyant trading conditions of the period, reporting an overall improvement in gross revenues. Earnings were negatively impacted however, by the costs of bedding down acquisitions including those of QED Actuaries & Consultants and Shield Financial Services. Aon has secured a number of new brokerage accounts and we are confident of improved results for the remainder of the year.

Lion of Africa Insurance Company

Lion of Africa Insurance Company, in which Brimstone holds a 39% stake, continued to benefit from buoyant conditions in the short term insurance industry, and has become a major contributor to equity accounted earnings for Brimstone. It has taken Lion a relatively short six years to move into the top 10 short term insurers in South Africa, from a start-up position, and its ranking as the largest Black owned and managed insurer in the domestic market augurs well for the future.

Nedbank

Brimstone's rights to Nedbank Group Limited shares, accounted for as options, contributed significantly to earnings for the period, in line with the overall performance of the share markets and Nedbank's continuing recovery.

Old Mutual

Brimstone's rights to Old Mutual plc shares, also accounted for as options, contributed meaningfully to earnings in line with the overall performance of the share markets over the period and Old Mutual's successful acquisition of Skandia which has given it a diversified geographical spread of businesses.

CAUTIONARY ANNOUNCEMENT

Shareholders are advised that Brimstone is currently in negotiations which, if successfully concluded, may have a material effect on the price of the company's securities. Accordingly shareholders are advised to exercise caution when dealing in the company's securities until a further announcement is made.

INTRINSIC NET ASSET VALUE

In the annual financial statements at 31 December 2005, the directors included a report on Intrinsic Net Asset Value based on a line-by-line valuation of the underlying investments. A similar exercise was performed at 30 June 2006 which indicated an Intrinsic Net Asset Value of 585.8 cents (31 December 2005: 505 cents) per share.

PROSPECTS

The recent history of Brimstone has been marked by substantial acquisition and asset building, essentially redefining the nature and underlying value of our company and its prospects. The market has reacted positively, re-rating our share price in recognition of the company's underlying intrinsic worth.

We are confident that the solid nature of our investments will continue to yield positive returns, and the company is committed to pursuing opportunities that will be drivers of wealth creation for all our stakeholders.

On behalf of the board

Prof GJ Gerwel
Non-Executive Chairman

MA Brey
Chief Executive Officer

22 August 2006

GROUP STATEMENTS OF CHANGES IN EQUITY

R'000	Share capital	Capital reserves	Revaluation reserves	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total
Group							
Balance at 1 January 2005 as previously reported	37	113 987	2 265	69 157	185 446	—	185 446
Effects of changes in accounting policies and SAICA circular	—	—	—	21 215	21 215	—	21 215
Balance at 1 January 2005 as restated	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	