



BRIMSTONE

INVESTMENT CORPORATION LIMITED

PROFITABLE. EMPOWERING. MAKING A DIFFERENCE.

GROUP INCOME STATEMENTS

	Unaudited 6 months ended 30 June 2007	Unaudited 6 months ended 30 June 2006	Audited 12 months ended 31 Dec 2006
R'000			
Revenue	265 363	96 048	377 953
Cost of sales	(203 635)	(64 938)	(268 632)
Gross profit	61 728	31 110	109 321
Selling and administration expenses	(63 434)	(28 698)	(79 190)
Fair value gains	363 878	122 000	1 408 997
Exceptional items	(181)	5 457	10 721
Profit from operations	361 991	129 869	1 449 849
Income from investments	10 931	4 358	9 558
Finance costs	(63 267)	(16 897)	(190 318)
Share of (losses)/profits of associates	(3 406)	29 915	28 172
Net profit before taxation	306 249	147 245	1 297 261
Taxation	(71 207)	(22 124)	(195 745)
Net attributable profit	235 042	125 121	1 101 516
Attributable to:			
Equity holders of the parent	237 068	124 909	1 099 427
Minority interest	(2 026)	212	2 089
	235 042	125 121	1 101 516
Earnings per share (cents)			
Basic	101.1	54.1	474.1
Diluted earnings per share (cents)			
Basic	97.4	51.4	458.4

SEGMENTAL INFORMATION

R'000	Operating Revenue	Headline Profit	Earnings	Assets	Liabilities
Financial services	7 702	6 767	(7 850)	446 333	20 556
Industrial	257 367	505	(11 858)	748 512	557 978
Healthcare	278 364 471	268 507	2 019 807	714 758	714 758
Enterprise development	—	—	(233)	7 782	—
Non-core investments	16	(14)	(1 003)	3 552	1 090
Corporate	—	(9 738)	(10 495)	13 484	173 784
Total	265 363	361 991	237 068	3 239 470	1 468 166

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
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	—	2 208
Dividend paid	—	—	—	(27 867)	(27 867)	—	(27 867)
Issue of share capital	2	4 056	—	4 058	4 058	—	4 058
Increase in treasury shares held by share trust	—	(542)	—	(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 six months ended 30 June 2007	—	—	—	237 068	237 068	(2 026)	235 042
Recognition of share-based payments	—	1 104	—	—	1 104	—	1 104
Dividend paid	—	—	—	(37 632)	(37 632)	—	(37 632)
Issue of share capital	1	3 073	—	—	3 074	—	3 074
Increase in treasury shares held by share trust	—	(975)	—	(975)	(975)	—	(975)
Transfer current year share of non-distributable reserve of associate	—	3 693	—	(3 693)	—	—	—
Balance at 30 June 2007 – Unaudited	41	278 220	3 977	1 492 792	1 775 030	(3 726)	1 771 304
1 January 2006 to 30 June 2006							
Balance at 1 January 2006 – Audited	38	262 346	3 977	228 746	495 107	419	495 526
Attributable profit for the six months ended 30 June 2006	—	—	—	124 909	124 909	212	125 121
Minority shareholder share of accumulated deficit at acquisition of subsidiary	—	—	—	—	—	(3 342)	(3 342)
Recognition of share-based payments	—	1 104	—	—	1 104	—	1 104
Dividend paid	—	—	—	(27 928)	(27 928)	—	(27 928)
Issue of share capital	1	3 565	—	—	3 566	—	3 566
Increase in treasury shares held by share trust	—	(174)	—	(174)	(174)	—	(174)
Transfer current year share of non-distributable reserve of associate	—	3 972	—	(3 972)	—	—	—
Balance at 30 June 2006 – Unaudited	39	270 813	3 977	321 755	596 584	(2 711)	593 873

COMMENTARY

The results for the six months to 30 June 2007 are encouraging with headline earnings increasing to 101.1 cents (30 June 2006: 54.1 cents) per share. Net asset value per share increased from 674.5 cents at 31 December 2006 to 754 cents at 30 June 2007. Intrinsic net asset value per share increased from 763 cents at 31 December 2006 to 849 cents at 30 June 2007.

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 2006.

ISSUE OF SHARES

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

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

INVESTMENTS

HEALTHCARE

Life Healthcare

A significant increase in the underlying value of Life Healthcare contributed substantially to headline earnings for the period under review. Life Healthcare is one of South Africa's largest private hospital groups and Brimstone is confident that future earnings will continue to grow.

The directors re-evaluated the classification of the investment in Life Healthcare as at 31 December 2006 to being accounted for at fair value through profit or loss in terms of IAS 39 whereas previously (including 30 June 2006) the investment was accounted for as an associate using the equity method. Consequently the following line items for 30 June 2007 and 30 June 2006 are not directly comparable:

Income Statements	– Fair value gains
	– Share of (losses)/profits of associates
Balance Sheets	– Investments in associate companies
	– Investments

GROUP BALANCE SHEETS

R'000	Unaudited 30 June 2007	Unaudited 30 June 2006	Audited 31 Dec 2006
ASSETS			
Non-current assets	2 866 700	931 825	2 568 137
Property, plant, equipment and vehicles	42 035	26 486	38 418
Goodwill	17 862	10 148	11 049
Investments in associate companies	436 583	577 064	512 416
Investments	2 370 220	318 127	2 006 254
Current assets	372 770	128 221	198 306
Loan	—	8 037	—
Inventories	134 529	59 179	81 354
Trade receivables	112 198	47 110	68 481
Other receivables	19 928	9 194	31 200
Taxation	—	—	202
Cash and cash equivalents	17 710	4 701	17 069
Non-current asset classified as held for sale	88 405	—	—
TOTAL ASSETS	3 239 470	1 060 046	2 766 443
EQUITY AND LIABILITIES			
Capital and reserves	1 771 304	593 873	1 570 691
Share capital	41	39	40
Capital reserves	278 220	270 813	271 325
Revaluation reserves	3 977	3 977	3 977
Retained earnings	1 492 792	321 755	1 297 049
Minority interest	(3 726)	(2 711)	(1 700)
Non-current liabilities	1 092 787	356 083	1 008 652
Long-term interest bearing borrowings	814 843	318 604	797 198
Deferred taxation	277 944	37 479	211 454
Current liabilities	375 379	110 090	187 100
Short-term interest bearing borrowings	71 507	40 573	33 321
Bank overdraft	112 387	10 681	45 709
Trade payables	128 598	40 604	66 410
Other payables	61 673	16 756	39 986
Taxation	1 214	1 476	1 674
TOTAL EQUITY AND LIABILITIES	3 239 470	1 060 046	2 766 443
NAV per share (cents)	754.0	256.6	674.5
Shares in issue at end of period (000's)	235 420	232 534	233 104

GROUP CASH FLOW STATEMENTS

R'000	Unaudited 6 months ended 30 June 2007	Unaudited 6 months ended 30 June 2006	Audited 12 months ended 31 Dec 2006
Operating activities			
Profit for the period	235 042	125 121	1 101 516
Adjustments for:			
Share of profits of associates	(1 079)	(32 645)	(43 903)
Income from investments	(11 259)	(4 682)	(10 359)
Increase in fair value of investments	(363 697)	(127 457)	(1 415 444)
Finance costs	63 267	16 897	190 318
Taxation	71 207	22 124	195 745
Depreciation of property, plant, equipment and vehicles	2 863	872	2 652
Share-based payment expense	1 104	1 104	2 208
Profit on disposal of investments	—	—	(4 274)
Loss on disposal of property, plant, equipment and vehicles	—	—	96
Operating cash flows before movements in working capital	(2 552)	1 334	18 555
Increase in inventories	(32 276)	(10 283)	(31 861)
(Increase)/decrease in receivables	(4 457)	11 907	(30 401)
Increase in payables	34 061	1 324	38 176
Cash (utilised in)/generated from operations	(5 224)	4 282	(5 531)
Income taxes paid	(5 485)	(2 109)	(3 724)
Interest paid	(20 423)	(16 897)	(190 318)
Net cash used in operating activities	(31 132)	(14 724)	(199 573)
Investing activities			
Interest received	10 931	4 358	9 558
Dividends received from associates	4 485	2 730	15 731
Dividends received from other equity investments	328	324	801
Loan repayments and recoveries from associate and investments	427	919	4 086
Proceeds on disposal of investments	—	—	43 738
Proceeds on disposal of property, plant, equipment and vehicles	—	—	235
Purchase of property, plant, equipment and vehicles	(2 939)	(1 203)	(2 597)
Acquisition of subsidiaries – shares acquired and loans advanced	(3 557)	(11 034)	(20 878)
Loan (advanced)/repaid	—	(1 036)	7 001
Acquisition of investments in associates	(16 674)	(1 418)	(384 838)
Net cash used in investing activities	(6 999)	(6 360)	(327 163)
Financing activities			
Dividends paid	(37 632)	(27 928)	(27 867)
Repayments of borrowings	(11 088)	(2 274)	(2 734)
Loan advances	18 915	11 113	494 358
Shares repurchased	(975)	(174)	(543)
Proceeds on issue of shares	3 074	3 566	4 058
Increase in bank overdrafts	65 889	2 530	37 550
Net cash from financing activities	38 183	(13 167)	504 822
Net increase/(decrease) in cash and cash equivalents	52	(34 251)	(21 914)
Cash and cash equivalents at beginning of period	17 069	36 633	36 633
Cash and cash equivalents acquired on acquisition of subsidiaries	589	2 319	2 350
Cash and cash equivalents at end of period	17 710	4 701	17 069

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

HIGHLIGHTS

- ▶ HEADLINE EARNINGS PER SHARE UP 86.9%
- ▶ ASSETS EXCEED R3.2 BILLION
- ▶ INTRINSIC NET ASSET VALUE 849 CENTS PER SHARE

ACQUISITION OF SUBSIDIARY

On 1 March 2007 the Group acquired 100% of Canterbury International South Africa (Pty) Ltd through its 51% held subsidiary Fifth Element Marketing (Pty) Ltd for a consideration of R1.9m. The company manufactures and distributes sport and casualwear. The transaction has been accounted for on the purchase method of accounting. Brimstone's share of losses from date of acquisition to 30 June 2007 amounted to R0.3m.

R'000	Acquisition value
Total assets	53 016
Non-current assets	3 541
Current assets	49 475
Total liabilities	47 964
Non-current liabilities	160
Current liabilities	47 804
Net assets	5 052
Net assets acquired	5 052
Goodwill	6 813
Total consideration	11 865
Paid in cash	(1 625)
Balance of purchase price to be paid	10 240
Net cash outflow arising on acquisition	
Cash consideration paid	1 625
Cash and cash equivalents acquired	589
	1 036

The initial accounting for the subsidiary has not been finalised. This is the result of uncertainties surrounding the valuation of acquisition balances. These uncertainties are expected to be resolved by 31 December 2007. The Group paid a premium for the acquisition as it believes that Canterbury will create benefits from revenue growth and future market development to its existing clothing operations. There were no fair value adjustments to assets and liabilities acquired.

Pro forma results of the Brimstone Group if the company acquired had been consolidated from 1 January 2007:

R'000	
Revenue	277 122
Headline earnings	227 583

HOUSE OF MONATIC GROUP BRANDS



COMMENTARY

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