



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")

Unaudited results for six months ended 30 June 2009

Highlights

Completion of Sea Harvest transaction

Dividends received exceed R50m

Commentary

The unaudited results for the six months to 30 June 2009 show an attributable profit of R12.8 million (5.4 cents per share) compared to the attributable loss of R99.2 million (42.1 cents per share) for the same period to 30 June 2008 and the R110 million attributable loss reported for the year ended 31 December 2008.

The increase in earnings is largely attributable to:

- net fair value gains of R15.2 million in 2009, versus fair value losses of R74.1 million in 2008 following an increase in the fair value of Brimstone's rights to Old Mutual plc shares and a reduced downward revaluation of the group's rights to Nedbank Group Limited shares;
- dividend income of R35.1 million received from Life Healthcare Group ("LHG") during the six months under review (2008: Rnil);
- losses recorded by House of Monatic are significantly down from the R33.4 million losses reported in June 2008, which is attributable to the discontinuance of the Fifth Element group (placed into liquidation in January 2009) and the continued efforts being made to improve efficiencies and profitability within Brimstone's clothing sector interests;
- net exceptional items of R6 million arising from the acquisition of control of the Sea Harvest group on 28 May 2009.

In the past six months, the group has also announced two significant transactions consolidating Brimstone's interests in both the food (Sea Harvest) and financial services (Lion of Africa) sectors.

The Sea Harvest transaction has been concluded and the Sea Harvest group results have been consolidated into the group from 1 June 2009.

Brimstone's acquisition of a 56.94% controlling share in the Sea Harvest group has significantly increased Brimstone's interests in the fishing industry sector and makes Sea Harvest the group's second largest anchor investment after LHG.

Results for the period

The 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 2008 which comply with the Companies Act of South Africa and International Financial Reporting Standards.

Issue of shares

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

	Ordinary	"N" ordinary
13 May 2009	1 273 596	1 726 405

Brimstone portfolio

Healthcare

Life Healthcare Group

LHG has continued to grow its business to meet demand for its services, recording good growth in patient days. The group has a number of major projects, including the new Beacon Bay hospital in East London, which are due for completion during 2009. Revenue from continuing businesses also showed good growth and cash generated from operations has shown resilience.

Brimstone received cash payments from LHG of R74.4 million in loan account repayments (R39.3 million) and dividends (R35.1 million) in the six months under review. LHG has now repaid its shareholder loans in full.

The fair value of Brimstone's investment in LHG remains unchanged from that at 31 December 2008, partly to reflect prevailing investment market conditions and share ratings. LHG is now carried at a valuation based on historic rather than forward earnings.

The Scientific Group

The Scientific Group, a supplier of bio-technology, imaging, hospital equipment and diagnostics to the healthcare market, enjoyed good trading performance and contributed positively to Brimstone's equity accounted earnings.

Industrial

Sea Harvest

The Sea Harvest transaction was concluded following approvals from the Competition Tribunal in March of this year and the unanimous consent of Brimstone shareholders at the General Meeting held on 28 May 2009. Based on the price at which control was acquired this makes Sea Harvest the second largest investment in the Brimstone portfolio. The transaction was hailed as the largest empowerment deal in the South African fishing industry to date. As part of the transaction, Sea Harvest was required to raise borrowings and the effect of such increased borrowings on Brimstone's earnings and headline earnings is 0.9 cents per share for the period under review.

The Sea Harvest Group's profitability continues to improve, with good catching conditions, resource availability (including optimal sizes) and resilient markets.

Brimstone is confident that Sea Harvest will continue to deliver results in line with the business case of the acquisition.

Oceana

Oceana has shown good profits in the first half of the year with revenues from canned fish improving and operating profits in horse mackerel up considerably with good catches overall contributing favourably to revenues. Cold storage earnings were lower as a result of generally reduced customer demand.

Over the period under review, Brimstone recorded equity accounted earnings in excess of R15 million in respect of its 11.6 million Oceana shares.

House of Monatic

Brimstone's investments in the clothing and apparel sector remain under pressure. Whilst manufacturing operations continue to be negatively impacted by adverse market conditions, losses within House of Monatic ("HOM") have been noticeably reduced with the closure of Monatic Atlantis – which for some time has incurred losses; the liquidation of the Fifth Element group and focused rationalisation of costs in the core business.

Of the R8.1 million loss recorded by the HOM group during the period under review, R3.1 million was incurred at Monatic Atlantis (whose operations have since been discontinued and the assets are being sold) and a loss of R2.4 million was incurred at Monatic Sportswear division.

Rex Trueform and African & Overseas Enterprises

In spite of poor retail trading, clothing manufacturer and retail company Rex Trueform grew bottom line profits through strong performances from its Queenspark retail outlets in the first part of the year. The upmarket clothing chain now has 48 stores in South Africa, one in Namibia and one in Botswana.

The investment in Rex Trueform "N" Ordinary shares was revalued downwards in the six months to 30 June 2009, due to a decline in the share price.

Financial services

Old Mutual plc

Brimstone's rights to 19.4 million Old Mutual plc shares are accounted for as options. Since reaching R7.60 at 31 December 2008, the share has recovered to R10.13 at 30 June 2009, resulting in a R21 million upward revaluation.

Nedbank Group

The mark-to-market value of Brimstone's rights to 2.6 million Nedbank shares, accounted for as options remain depressed given the overall performance of the share markets.

Lion of Africa Insurance Company

Subject to Competition Commission and regulatory approvals, Brimstone will be acquiring an additional 21% shareholding in Lion of Africa Insurance Company ("Lion") – increasing its original shareholding from an effective 39% of Lion to a controlling 60%. At the same time, joint shareholder, Commlife Holdings is increasing its shareholding in Lion from 26% to 40%.

Apart from now reflecting a 100% black-ownership, Lion is the largest insurer to local authorities, the third largest specialist underwriter in the engineering sector and one of the top ten underwriting firms in South Africa. The company has a unique opportunity to assume its own independence and move confidently into its next phase of growth.

From a financial perspective, Lion has had a much improved start to the year in relation to the prior financial year and paid out a dividend of R27.5 million during the six months to 30 June 2009 of which Brimstone received R10.7 million.

Aon Re Africa

Aon Re Africa, the continental re-insurance brokerage, continues to perform exceptionally well. Recently, Aon Re Africa's operations merged with those of Benfield South Africa, following the global merger of their respective parent companies. This development bodes well for future prospects.

Aon South Africa

Aon South Africa is now the largest risk manager and insurance broker in Africa, recording good profits year on year.

Condensed Group Statements of Comprehensive Income

R'000	Unaudited 6 months ended 30 June 2009	Unaudited 6 months ended 30 June 2008	Audited 12 months ended 31 December 2008
Continuing operations			
Revenue	213 337	114 526	260 566
Sales and fee income	162 853	105 787	227 774
Dividends received	50 484	8 739	32 792
Cost of sales	(124 766)	(78 733)	(168 854)
Gross profit	88 571	35 793	91 712
Selling and administration expenses	(52 574)	(32 518)	(62 905)
Fair value gains/(losses)	15 163	(74 089)	(66 965)
Exceptional items	6 002	–	(52 711)
Profit/(loss) from operations	57 162	(70 814)	(90 869)
Income from investments	5 232	2 607	9 836
Finance costs	(48 117)	(52 598)	(98 765)
Share of profits of associates	23 701	41 250	42 546
Net profit/(loss) before taxation	37 978	(79 555)	(137 252)
Taxation	(13 471)	11 110	12 123
Profit for the period from continuing operations	24 507	(68 445)	(125 129)
Discontinued operations			
(Loss)/profit from discontinued operations	–	(27 516)	18 682
Profit/(loss) for the period	24 507	(95 961)	(106 447)
Total comprehensive income for the period	24 507	(95 961)	(106 447)
Profit/(loss) and total comprehensive income for the period attributable to:			
Equity holders of the parent	12 810	(99 224)	(110 043)
Non-controlling interests	11 697	3 263	3 596
	24 507	(95 961)	(106 447)
Earnings/(loss) per share (cents)			
From continuing and discontinued operations			
Basic	5.4	(42.1)	(46.6)
Diluted	5.4	(41.3)	(45.8)
From continuing operations			
Basic	5.4	(30.4)	(54.5)
Diluted	5.4	(29.9)	(53.6)

Condensed Group Statements of Changes in Equity

R'000	Share capital	Capital reserves	Revaluation reserves	Retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total
Balance at 1 January 2008 – 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 – Audited	42	268 345	4 027	1 918 747	2 191 161	7 028	2 198 189
Attributable profit for the six months ended 30 June 2009	–	–	–	12 810	12 810	11 697	24 507
Recognition of share-based payments	–	1 254	–	–	1 254	–	1 254
Dividend paid	–	–	–	(57 388)	(57 388)	–	(57 388)
Issue of share capital	1	3 091	–	–	3 092	–	3 092
Increase in treasury shares held by share trust	–	(232)	–	–	(232)	–	(232)
Non-controlling interest arising on acquisition of subsidiary	–	–	–	–	–	365	365
Transfer current year share of non-distributable reserve of associate	–	1 192	–	(1 192)	–	–	–
Share of non-distributable reserves of associate transferred directly from equity	–	(2 582)	–	–	(2 582)	–	(2 582)
Balance at 30 June 2009 – Unaudited	43	271 068	4 027	1 872 977	2 148 115	19 090	2 167 205
1 January 2008 to 30 June 2008							
Balance at 1 January 2008 – Audited	41	267 418	4 027	2 101 978	2 373 464	3 432	2 376 896
Attributable loss for the six months ended 30 June 2008	–	–	–	(99 224)	(99 224)	3 263	(95 961)
Recognition of share-based payments	–	1 254	–	–	1 254	–	1 254
Dividend paid	–	–	–	(75 774)	(75 774)	–	(75 774)
Issue of share capital	1	3 356	–	–	3 357	–	3 357
Treasury shares acquired	–	(2 748)	–	–	(2 748)	–	(2 748)
Increase in treasury shares held by share trust	–	(535)	–	–	(535)	–	(535)
Transfer current year share of non-distributable reserve of associate	–	(4 786)	–	4 786	–	–	–
Balance at 30 June 2008 – Unaudited	42	263 959	4 027	1 931 766	2 199 794	6 695	2 206 489

Condensed Group Statements of Financial Position

R'000	Unaudited 30 June 2009	Unaudited 30 June 2008	Audited 31 December 2008
ASSETS			
Non-current assets	3 741 282	3 557 491	3 443 199
Property, plant, equipment and vehicles	338 573	63 565	58 604
Intangible assets	210 827	26 742	–
Investments in associate companies	328 529	500 452	502 845
Investments	2 856 726	2 966 732	2 875 685
Deferred taxation	6 627	–	6 065
Current assets	606 883	335 093	331 356
Inventories	181 926	159 454	123 647
Trade receivables	227 095	100 269	85 613
Other receivables	39 985	20 015	68 698
Taxation	130	208	21
Cash and cash equivalents	151 163	55 147	53 377
	600 299	335 093	331 356
Non-current asset classified as held for sale	6 584	–	–
TOTAL ASSETS	4 348 165	3 892 584	3 774 555
EQUITY AND LIABILITIES			
Capital and reserves	2 167 205	2 206 489	2 198 189
Share capital	43	42	42
Capital reserves	271 068	263 959	268 345
Revaluation reserves	4 027	4 027	4 027
Retained earnings	1 872 977	1 931 766	1 918 747
Attributable to equity holders of the parent	2 148 115	2 199 794	2 191 161
Non-controlling interests	19 090	6 695	7 028
Non-current liabilities	1 914 976	1 261 020	1 365 506
Long-term interest bearing borrowings	1 380 288	867 471	967 477
Long-term provisions	19 495	–	–
Deferred taxation	515 193	393 549	398 029
Current liabilities	265 984	425 075	210 860
Short-term interest bearing borrowings	38 911	66 776	86 389
Preference shares for redemption	–	137 000	–
Bank overdrafts	18 298	35 941	30 717
Trade payables	97 924	143 975	51 984
Other payables	102 794	36 435	37 829
Taxation	8 057	4 948	3 941
TOTAL EQUITY AND LIABILITIES	4 348 165	3 892 584	3 774 555
NAV per share (cents)	897.6	928.9	927.3
Shares in issue at end of period			
net of treasury shares (000's)	239 308	236 820	236 302

Condensed Group Cash Flow Statements

R'000	Unaudited 6 months ended 30 June 2009	Unaudited 6 months ended 30 June 2008	Audited 12 months ended 31 December 2008
Operating activities			
Net attributable profit/(loss)	24 507	(95 961)	(106 447)
Adjustments for non-cash items	(48 691)	79 435	142 321
Operating cash flows before movements in working capital	(24 184)	(16 526)	35 874
Increase/(decrease) in inventories	5 573	(33 271)	2 536
Decrease/(increase) in receivables	69 917	(5 810)	(39 837)
(Decrease)/increase in payables	(11 033)	29 415	(61 182)
Cash generated from/(utilised in) operations	40 273	(26 192)	(62 609)
Taxation paid	(7 370)	(29 652)	(32 009)
Finance costs	(31 249)	(21 772)	(80 178)
Net cash from/(used in) operating activities	1 654	(77 616)	(174 796)
Investing activities			
Interest received	5 232	2 607	9 836
Dividends received from associates	15 357	8 316	29 985
Dividends received from other equity investments	35 127	423	2 807
Loan repayments and recoveries from associates and investments	43 180	49 220	154 166
Proceeds on disposal of investment in associate	169 292	–	–
Replacement of property, plant, equipment and vehicles	(14 209)	(2 719)	(6 114)
Acquisition of businesses	(498 424)	–	–
Disposal of businesses	(482)	–	–
Acquisition of associates and investments	(148)	(7 538)	(14 314)
Net cash (used in)/from investing activities	(245 075)	50 309	176 366
Financing activities			
Dividends paid	(57 388)	(75 774)	(75 774)
Repayments of borrowings	(569 349)	(13 877)	(150 994)
Loans raised	971 881	78 795	192 837
Shares repurchased	(232)	(3 288)	(5 631)
Proceeds on issue of shares	3 092	3 357	3 357
(Decrease)/increase in bank overdrafts	(6 803)	17 708	12 484
Net cash from/(used in) financing activities	341 207	6 926	(23 721)
Net increase/(decrease) in cash and cash equivalents			