



BRIMSTONE
INVESTMENT CORPORATION LIMITED

Profitability. Empowerment. Positive Social Impact.

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" or the "Group")

UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

Salient features

- Revenue R3.3 billion (2022: R2.9 billion)
- Operating profit R237.5 million (2022: R279.3 million)
- Profit for the period R188.1 million (2022: R118.1 million)
- Earnings per share 35.6 cents (2022: 10.3 cents)
- Headline earnings per share 34.2 cents (2022: 10.1 cents)

Commentary

The Group's operating subsidiaries experienced a challenging first six months of the 2023 financial year. Revenue growth of 17% was not enough to completely mitigate significant above inflationary increases in fuel costs, the cost of raw materials and freight costs. Sustained load shedding exacerbated the situation. As a result, Group operating profit decreased by 15% to R237.5 million.

Finance costs also increased significantly by R91.4 million, due to higher debt levels and higher interest rates compared to the prior period. The Group nevertheless increased profit for the period by 59% to R188.1 million, mainly due to:

- an increase of R107.7 million in other gains or losses, due to a R93.3 million gain on purchased loans; and
- an increase of R89.4 million in the share of profits of associates and joint ventures.

Underlying investments



Brimstone portfolio

Subsidiaries

Sea Harvest (53.4%)¹

Brimstone held 159.6 million shares in Sea Harvest with a market value of R1.6 billion at period end (31 December 2022: R1.9 billion). Sea Harvest's share price closed at R10.10 per share, down from R12.00 per share at 31 December 2022.

Sea Harvest proved its resilience and defensive nature in the six months to 30 June 2023 by delivering earnings before interest and tax of R352.1 million, up by 23% (2022: R286.9 million), and headline earnings per share of 77 cents, up by 19% (2022: 65 cents).

The group increased revenue by 18% to R3.2 billion (2022: R2.7 billion), driven by strong demand and higher selling prices in all markets and channels. This allowed Sea Harvest to partially off-set the significant cost inflation (including the double digit increase in the fuel price and milk price), and supply constraints including continued load shedding (which cost the group R22 million) experienced during the period.

Sea Harvest increased its shareholding in the Aquaculture segment from 54% to 82%, resulting in a R93.3 million gain on the loans purchased from minorities. Net finance costs, which include investment income and interest expense, increased to R104 million (2022: R52 million) as a result of higher average borrowing levels and interest rates being 47% higher than the prior period.

Obsidian Health (Obsidian) (70%)¹

Obsidian is a leading supplier of innovative healthcare solutions to both the private and public healthcare sectors within Sub-Saharan Africa. Obsidian contributed R2.8 million (2022: R7.1 million) to Group profit during the period under review.

Revenue in the Cardiovascular and Orthopaedic divisions decreased, following the loss of two agencies due to the acquisition by large multinational companies.

Profitability was negatively impacted due to a decline in margins driven by large global manufacturer price increases combined with the depreciation of the Rand and increased freight costs.

Associates and joint ventures

Oceana (25.1%)¹

Brimstone held 32.7 million shares in Oceana with a market value of R2.3 billion at period end (31 December 2022: R2.1 billion). Oceana's share price closed at R70.50 per share, up from R63.29 per share at 31 December 2022. Brimstone recognised R94.9 million as its share of profits of the associate (2022: R38.4 million) based on Oceana's reported earnings for the six months to 31 March 2023. Brimstone received cash dividends of R42.6 million (2022: R98.9 million) from Oceana during the period under review. The prior period dividend included an amount of R80.9 million which was the delayed final dividend received in respect of Oceana's 2021 financial year.

Aon Re Africa (18%)

Aon Re Africa is a leading reinsurance broker licensed and operating in South Africa and the rest of Africa. Brimstone recorded R30.2 million (2022: R21.2 million) in equity accounted earnings.²

South African Enterprise Development (SAED) (25%)

SAED is an investment vehicle providing equity growth capital to high potential small and medium sized enterprises. Its interests include stakes in High Duty Castings (Pty) Ltd (45%), Tombake Holdings (Pty) Ltd (32.6%), Decision Inc. (Pty) Ltd (48.4%), ASG Holdings (Pty) Ltd (33.5%), Specialised Food Investment Holdings (Pty) Ltd (46.4%), and Seapro SA (Pty) Ltd (22.5%). SAED contributed R10.0 million in equity accounted earnings (2022: R0.8 million) to Brimstone during the period under review. Brimstone accrued a dividend of R0.8 million (2022: R0.8 million) from SAED during the period under review.

¹ Treasury shares have been included in the calculation of the percentage interest held.

² Amounts stated in respect of associates held through partially owned subsidiaries are before attribution to non-controlling interests.

Associates and joint ventures (continued)

Vuna Fishing Company (Vuna) (49.8%)

Vuna is a fully integrated fishing business based in Mossel Bay, fishing for Cape hake, sole, monkfish and kingklip and the processing and packing thereof in order to provide value-added chilled and frozen food products to foodservice customers throughout South Africa and abroad. Vuna contributed R0.3 million in equity accounted earnings (2022: R3.9 million losses) during the period under review.

Milpark Education (Milpark) (12.8%)

Milpark is a leading provider of higher education and training qualifications. Milpark contributed R11.6 million in equity accounted earnings (2022: R5.5 million) during the period under review. Brimstone received a dividend of R13.8 million (2022: R15.1 million) from Milpark during the period under review.²

Investments

Equites (1.8%)

Equites' share price closed at R11.54 per share down from R16.84 per share at 31 December 2022. The investment was revalued downwards by R74.0 million to R161.1 million at period end. Brimstone received a dividend of R12.3 million (2022: R11.8 million) from Equites during the period under review.

FPG Property Fund (10.2%)

FPG Property Fund is a Cape-based black-owned and managed unlisted property fund specialising in the retail convenience market. It owns 57 investment properties in South Africa and the United Kingdom, including 26 retail convenience shopping centres in South Africa, and 11 in the United Kingdom. The property portfolio is independently valued in excess of R7.8 billion on a gross basis (refer note 6). The investment was revalued upwards by R19.5 million to R331.9 million at period end.

MTN Zakhele Futhi (1.5%)

MTN Zakhele Futhi's share price closed at R19.25 per share, down from R19.40 per share at 31 December 2022. The investment was revalued downwards by R0.3 million to R35.0 million at period end. The MTN Zakhele Futhi scheme matures on 25 November 2024.

Phuthuma Nathi (2.8%)

Phuthuma Nathi's share price closed at R133.99 per share up from R133.11 per share at 31 December 2022. The investment was revalued upwards by R1.7 million to R254.0 million at period end.

STADIO (5.1%)

STADIO Holdings is a listed holding company invested in private higher (tertiary) education through three higher education institutions, STADIO, Milpark and AFDA, which collectively offer about 100 accredited programmes, from Higher Certificates to Doctorates. STADIO Holdings' institutions enrol approximately 42 000 students via contact, distance and hybrid learning. STADIO's share price closed at R4.90 per share, down from R4.91 per share at 31 December 2022. The investment was revalued downwards by R0.4 million to R213.5 million at period end. Brimstone received a dividend of R3.9 million (2022: R2.0 million) from STADIO during the period under review. The Group is subject to a lock-in provision until 5 December 2024 in respect of this investment.

² Amounts stated in respect of associates held through partially owned subsidiaries are before attribution to non-controlling interests.

Intrinsic net asset value (INAV)

INAV at 30 June 2023 calculated on a line-by-line basis, totalled R3.07 billion, or R12.36 per share (31 December 2022: R3.29 billion or R13.25 per share), representing a decrease of 6.7% from 2022. As at 30 June 2023, Brimstone Ordinary shares were trading at a discount of 55.9% to INAV (31 December 2022: 60.3%) and “N” Ordinary shares traded at a discount of 59.6% to INAV (31 December 2022: 57.5%). The analysis of INAV is available on the Company’s website at www.brimstone.co.za.

The INAV information presented in this report has been prepared on a basis consistent with that used in the Integrated Report for the year ended 31 December 2022.

Declaration of cash dividend

In line with the prior period, no interim dividend has been declared.

F Robertson
EXECUTIVE CHAIRMAN

MA Brey
CHIEF EXECUTIVE OFFICER

4 September 2023

Directorate and administration

REGISTERED OFFICE: Boundary Terraces, 1 Mariendahl Lane, Newlands, 7700, Cape Town

TRANSFER SECRETARIES: Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

SPONSOR: Nedbank Corporate and Investment Banking, a division of Nedbank Limited, 135 Rivonia Road, Sandton, 2196

DIRECTORATE: F Robertson (Executive Chairman)*, MA Brey (Chief Executive Officer)*, GG Fortuin (Financial Director)*, MI Khan (Chief Operating Officer)*, T Moodley*, PL Campher (Lead Independent), M Hewu, N Khan, M Ndlovu, LA Parker, FD Roman, L Wort *Executive

COMPANY SECRETARY: T Moodley

WEBSITE: www.brimstone.co.za

E-MAIL: info@brimstone.co.za

Condensed consolidated statement of profit or loss

for the six months ended 30 June 2023

R'000	NOTES	UNAUDITED SIX MONTHS ENDED 30 JUNE 2023	UNAUDITED SIX MONTHS ENDED 30 JUNE 2022	AUDITED YEAR ENDED 31 DECEMBER 2022
Revenue	3	3 342 887	2 857 910	6 212 852
Sales and fee income		3 326 723	2 844 052	6 137 165
Dividends received		16 164	13 858	75 687
Net operating expenses		(3 105 372)	(2 578 561)	(5 703 287)
Operating profit		237 515	279 349	509 565
Fair value (losses)/gains		(40 324)	(18 956)	34 324
Other investment gains/(losses) ¹		89 429	(18 290)	(38 253)
Share of profits of associates and joint ventures		150 218	60 842	228 351
Profit before net finance costs		436 838	302 945	733 987
Interest income		14 160	8 910	18 737
Finance costs	4	(222 952)	(131 575)	(306 295)
Profit before taxation		228 046	180 280	446 429
Taxation		(39 951)	(62 154)	(121 920)
Profit for the period		188 095	118 126	324 509
Profit attributable to:				
Equity holders of the parent		88 177	25 466	189 934
Non-controlling interests		99 918	92 660	134 575
		188 095	118 126	324 509
Earnings per share (cents)				
Basic		35.6	10.3	76.6
Diluted		35.3	10.2	75.7

¹ Includes R93.3 million relating to a gain on purchased loans. Refer to note 9.2.

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2023

R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2023	UNAUDITED SIX MONTHS ENDED 30 JUNE 2022	AUDITED YEAR ENDED 31 DECEMBER 2022
Profit for the period	188 095	118 126	324 509
Other comprehensive (loss)/income, net of tax	(64 839)	26 877	303 835
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges			
(Loss)/profit arising during the period	(113 098)	22 706	(43 603)
Recycled to operating expenses	(5 936)	12 188	131
Cost of hedging reserve			
Profit arising during the period	5 577	39 307	26 573
Recycled to operating expenses	(6 333)	(4 863)	(492)
Foreign currency translation			
Profit/(loss) arising during the period	95 864	(20 467)	15 192
Share of other comprehensive (loss)/income of associates			
Current period movement	(41 749)	(22 922)	303 053
Items that will not be reclassified subsequently to profit or loss			
Movement in investment at fair value through other comprehensive income	—	—	965
Measurement of defined benefit plans	—	—	2 129
Share of other comprehensive income/(loss) of associates	836	928	(113)
Total comprehensive income for the period	123 256	145 003	628 344
Total comprehensive income attributable to:			
Equity holders of the parent	32 567	30 947	494 719
Non-controlling interests	90 689	114 056	133 625
	123 256	145 003	628 344

Condensed consolidated statement of financial position

as at 30 June 2023

R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2023	RESTATED ¹ UNAUDITED SIX MONTHS ENDED 30 JUNE 2022	RESTATED ¹ AUDITED YEAR ENDED 31 DECEMBER 2022
Assets			
Non-current assets	9 374 249	8 584 622	9 098 327
Property, plant, equipment and vehicles	2 542 106	2 366 035	2 408 651
Investment property	3 700	3 700	3 700
Right-of-use assets	224 673	181 186	204 928
Biological assets	76 097	83 264	87 287
Goodwill	1 038 937	1 010 184	1 017 694
Intangible assets	1 524 790	1 394 220	1 426 207
Investments in associate companies and joint ventures	2 708 533	2 271 763	2 661 300
Investments	1 061 370	1 047 239	1 113 957
Loans and receivables	13 225	15 471	14 624
Loans to supplier partners	94 554	94 384	92 670
Deferred taxation	50 999	53 099	35 584
Other financial assets	35 265	64 077	31 725
Current assets	2 652 761	2 664 993	2 557 261
Inventories	1 120 508	1 094 747	1 077 515
Biological assets	103 966	72 966	77 909
Trade and other receivables	1 146 652	968 074	952 604
Loans and receivables	12 909	8 280	8 836
Other financial assets	4 104	117 986	48 928
Taxation	22 889	11 027	16 336
Cash and cash equivalents	241 733	391 913	375 133
Total assets	12 027 010	11 249 615	11 655 588

¹ The restatement relates to the finalisation of the MG Kallis business combination. Refer to note 9.1.

Condensed consolidated statement of financial position (continued)

as at 30 June 2023

R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2023	RESTATED ¹ UNAUDITED SIX MONTHS ENDED 30 JUNE 2022	RESTATED ¹ AUDITED YEAR ENDED 31 DECEMBER 2022
Equity and liabilities			
Capital and reserves	4 762 040	4 356 096	4 803 207
Share capital	39	39	39
Capital reserves	520 326	245 672	572 786
Revaluation reserves	20 001	19 275	19 989
Cash flow hedging reserve	(21 847)	90 230	47 457
Cost of hedging reserve	(31 197)	(25 567)	(30 731)
Foreign currency translation reserve	96 861	20 557	41 417
Changes in ownership	500 010	519 384	508 419
Retained earnings	2 167 807	1 999 660	2 164 128
Attributable to equity holders of the parent	3 252 000	2 869 250	3 323 504
Non-controlling interests	1 510 040	1 486 846	1 479 703
Non-current liabilities	5 510 225	5 616 159	5 367 695
Long-term interest bearing borrowings	4 262 479	4 522 895	4 217 686
Employee related liabilities	22 146	23 372	22 170
Lease liabilities	231 043	187 018	210 964
Deferred grant income	32 013	30 270	34 342
Other financial liabilities	78 158	—	7 257
Deferred taxation	884 386	852 604	875 276
Current liabilities	1 754 745	1 277 360	1 484 686
Short-term interest bearing borrowings	514 900	121 654	372 660
Short-term provisions	26 090	1 338	10 704
Bank overdrafts	41 184	76 823	24 715
Trade payables	662 492	625 519	618 884
Other payables	299 030	298 135	318 375
Contingent consideration	—	10 294	—
Deferred grant income	3 070	2 631	2 776
Lease liabilities	34 012	29 377	31 051
Other financial liabilities	173 316	99 934	105 009
Taxation	651	11 655	512
Total equity and liabilities	12 027 010	11 249 615	11 655 588
NAV per share (cents)	1 310	1 157	1 340
Shares in issue at end of period (000's)	248 221	248 091	248 091

¹ The restatement relates to the finalisation of the MG Kailis business combination. Refer to note 9.1.

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2023

	SHARE CAPITAL	CAPITAL RESERVES	REVALUATION RESERVES	CASH FLOW HEDGING RESERVE	COST OF HEDGING RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	CHANGES IN OWNERSHIP	RETAINED EARNINGS	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL
Balance 1 January 2022 – audited	39	256 511	19 271	70 323	(45 182)	32 211	540 679	2 050 592	2 924 444	1 466 072	4 390 516
Attributable profit for the year	–	–	–	–	–	–	–	189 934	189 934	134 575	324 509
Other comprehensive income/(loss)	–	304 214	557	(23 419)	14 787	8 646	–	–	304 785	(950)	303 835
Total comprehensive income/(loss)	–	304 214	557	(23 419)	14 787	8 646	–	189 934	494 719	133 625	628 344
Recognition of share-based payments	–	38 873	–	–	–	–	–	–	38 873	2 904	41 777
Dividend paid	–	–	–	–	–	–	–	(76 398)	(76 398)	(100 588)	(176 986)
Share of other net asset changes of associate	–	4 094	–	–	–	–	–	–	4 094	–	4 094
Shares issued by subsidiaries	–	–	–	–	–	–	–	–	–	9 976	9 976
Shares repurchased by subsidiaries	–	(25 670)	161	553	(336)	560	(32 260)	–	(56 992)	(32 286)	(89 278)
Shares repurchased	–	(5 236)	–	–	–	–	–	–	(5 236)	–	(5 236)
Balance 31 December 2022 – audited	39	572 786	19 989	47 457	(30 731)	41 417	508 419	2 164 128	3 323 504	1 479 703	4 803 207
Balance 1 January 2023 – audited	39	572 786	19 989	47 457	(30 731)	41 417	508 419	2 164 128	3 323 504	1 479 703	4 803 207
Attributable profit for the period	–	–	–	–	–	–	–	88 177	88 177	99 918	188 095
Other comprehensive (loss)/income	–	(41 248)	–	(69 313)	(437)	55 388	–	–	(55 610)	(9 229)	(64 839)
Total comprehensive (loss)/income	–	(41 248)	–	(69 313)	(437)	55 388	–	88 177	32 567	90 689	123 256
Recognition of share-based payments	–	22 993	–	–	–	–	–	–	22 993	(558)	22 435
Arising on further investment in subsidiary	–	–	–	–	–	–	(6 361)	–	(6 361)	5 130	(1 231)
Dividend paid	–	–	–	–	–	–	–	(84 498)	(84 498)	(57 164)	(141 662)
Share of other net asset changes of associate	–	(7 825)	–	–	–	–	–	–	(7 825)	–	(7 825)
Shares repurchased by subsidiaries	–	(17 899)	12	9	(29)	56	(2 048)	–	(19 899)	(7 760)	(27 659)
Shares repurchased	–	(8 481)	–	–	–	–	–	–	(8 481)	–	(8 481)
Balance 30 June 2023 – unaudited	39	520 326	20 001	(21 847)	(31 197)	96 861	500 010	2 167 807	3 252 000	1 510 040	4 762 040

Condensed consolidated statement of changes in equity (continued)

for the six months ended 30 June 2023

R'000	SHARE CAPITAL	CAPITAL RESERVES	REVALUATION RESERVES	CASH FLOW HEDGING RESERVE	COST OF HEDGING RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	CHANGES IN OWNERSHIP	RETAINED EARNINGS	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL
Balance 1 January 2022 - audited	39	256 511	19 271	70 323	(45 182)	32 211	540 679	2 050 592	2 924 444	1 466 072	4 390 516
Attributable profit for the period	—	—	—	—	—	—	—	25 466	25 466	92 660	118 126
Other comprehensive (loss)/income	—	(22 365)	—	19 886	19 615	(11 655)	—	—	5 481	21 396	26 877
Total comprehensive (loss)/income	—	(22 365)	—	19 886	19 615	(11 655)	—	25 466	30 947	114 056	145 003
Recognition of share-based payments	—	15 512	—	—	—	—	—	—	15 512	5 548	21 060
Dividend paid	—	—	—	—	—	—	—	(76 398)	(76 398)	(92 116)	(168 514)
Transfer to share-based payment liability subsequent to modification	—	(3 282)	—	—	—	—	—	—	(3 282)	—	(3 282)
Share of other net asset changes of associate	—	4 539	—	—	—	—	—	—	4 539	—	4 539
Shares issued by subsidiaries	—	(7)	4	21	—	1	(21 295)	—	(21 276)	(6 714)	(27 990)
Shares repurchased	—	(5 236)	—	—	—	—	—	—	(5 236)	—	(5 236)
Balance 30 June 2022 - unaudited	39	245 672	19 275	90 230	(25 567)	20 557	519 384	1 999 660	2 869 250	1 486 846	4 356 096

Condensed consolidated statement of cash flows

for the six months ended 30 June 2023

R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2023	RESTATE ¹ UNAUDITED SIX MONTHS ENDED 30 JUNE 2022	RESTATE ¹ AUDITED YEAR ENDED 31 DECEMBER 2022
Operating activities			
Profit for the period	188 095	118 126	324 509
Adjustments for non-cash and other items	221 536	228 062	328 788
Operating cash flows before movements in working capital	409 631	346 188	653 297
Decrease/(increase) in inventories	17 890	(12 078)	49 377
Increase in trade and other receivables	(186 610)	(120 229)	(107 542)
Increase/(decrease) in trade and other payables	14 335	(21 377)	(15 426)
Cash generated from operations	255 246	192 504	579 706
Interest received	25 535	8 910	19 209
Proceeds from receipt of a government grant	—	—	6 813
Dividends received from associates and joint ventures	57 149	127 407	224 848
Dividends received from other equity investments	16 164	13 858	75 687
Income taxes paid	(30 697)	(43 908)	(63 307)
Finance costs	(183 139)	(168 834)	(329 426)
Net cash generated by operating activities	140 258	129 937	513 530
Investing activities			
Loans and receivables advanced	(2 902)	(2 025)	6 747
Proceeds on disposal of property, plant, equipment and vehicles	66 870	11 486	9 074
Insurance proceeds	4 448	5 876	25 099
Acquisition of property, plant, equipment and vehicles	(304 091)	(122 555)	(266 030)
Acquisition of biological assets	(40 037)	(30 088)	(71 250)
Acquisition of subsidiaries	—	(768 430)	(768 430)
Acquisition of intangible assets	—	(2 754)	(2 861)
Supplier partner loans repaid	2 739	—	2 789
Acquisition of investments and investments in associates	—	(21 610)	(52 362)
Net cash used in investing activities	(272 973)	(930 100)	(1 117 224)
Financing activities			
Dividends paid by Company and subsidiaries	(141 662)	(168 514)	(176 986)
Repayment of borrowings and lease liabilities	(102 911)	(728 856)	(1 101 452)
Loans raised	259 072	1 345 224	1 613 384
Shares repurchased	(8 481)	(5 236)	(5 236)
Repurchase of shares by subsidiaries	(27 659)	(27 990)	(88 686)
Shares issued by subsidiaries	—	—	9 976
Repayment of other financial liabilities	—	(3 122)	(2 076)
Further investment in subsidiary	—	—	(592)
Settlement of contingent consideration	—	(110 000)	(110 000)
Increase/(decrease) in bank overdrafts	16 469	23 795	(28 313)
Net cash (used in)/generated by financing activities	(5 172)	325 301	110 019
Net decrease in cash and cash equivalents	(137 887)	(474 862)	(493 675)
Cash and cash equivalents at beginning of period	375 133	862 931	862 931
Foreign exchange differences	4 487	3 844	5 877
Cash and cash equivalents at end of period	241 733	391 913	375 133
Bank balances and cash	241 733	391 913	375 133

¹ The restatement relates to the finalisation of the MG Kallis business combination. Refer to note 9.1.

Headline earnings per share

for the six months ended 30 June 2023

	UNAUDITED SIX MONTHS ENDED 30 JUNE 2023	UNAUDITED SIX MONTHS ENDED 30 JUNE 2022	AUDITED YEAR ENDED 31 DECEMBER 2022
Headline earnings per share (cents)			
Basic	34.2	10.1	69.0
Diluted	33.9	10.0	68.2
Headline earnings calculation (R'000)			
Profit attributable to equity holders of the parent	88 177	25 466	189 934
Impairment/(reversal of impairment) of property, plant equipment and vehicles	1 945	—	(3 489)
Impairment of investment	—	5 000	5 000
Insurance proceeds	(2 493)	(3 115)	(14 513)
Loss/(profit) on disposal of property, plant, equipment and vehicles	13	(5 425)	(4 713)
Adjustments relating to results of associates	(3 275)	2 054	(6 113)
Total tax effects of adjustments	328	1 123	4 820
Headline earnings	84 695	25 103	170 926
Weighted average number of shares on which basic earnings and basic headline earnings per share is based (000's)	247 868	247 701	247 898
Weighted average number of shares on which diluted earnings and diluted headline earnings per share is based (000's)	249 718	249 965	250 770

Further information

1. Basis of preparation

The consolidated interim financial statements for the period ended 30 June 2023 are prepared in accordance with the requirements of the JSE Limited Listings Requirements for interim results and the requirements of the Companies Act of South Africa, applicable to financial statements. The Listings Requirements require interim results to be prepared in accordance with and containing the information required by IAS 34 *Interim Financial Reporting* and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council.

The consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated annual financial statements as at 31 December 2022.

The information has not been audited or reviewed by the Group's auditors Ernst & Young Inc. The directors take full responsibility for the preparation of this report. The consolidated interim financial statements were prepared under the supervision of the Financial Director, Geoffrey George Fortuin CA(SA).

2. Accounting policies

The accounting policies and methods of computation applied in the preparation of these consolidated interim financial statements are consistent with those applied in the financial statements for the year ended 31 December 2022.

3. Revenue

The Group's revenue comprises the following:

Revenue from industrial and other operations

Revenue from sale of goods recognised at a point in time

R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2023	UNAUDITED SIX MONTHS ENDED 30 JUNE 2022	AUDITED YEAR ENDED 31 DECEMBER 2022
Food products ¹	3 202 639	2 705 863	5 875 295
Clothing products	213	17 096	24 554
Healthcare products	122 093	119 268	235 293
Other	1 778	1 825	2 023
Total revenue recognised at a point in time	3 326 723	2 844 052	6 137 165
Dividends received	16 164	13 858	75 687
Total revenue	3 342 887	2 857 910	6 212 852

¹ For the disaggregation of revenue, refer to the consolidated interim financial statements of Sea Harvest Group Limited for the period ended 30 June 2023.

4. Finance costs

Interest on borrowings	101 085	51 342	123 711
Preference dividends	107 665	71 241	160 513
Interest expense on lease liabilities	9 920	7 171	15 381
Other	4 282	1 821	6 690
Total finance costs	222 952	131 575	306 295

Further information (continued)

5. Segmental information

Information reported to the Group's operating decision makers for the purpose of resource allocation and assessment of segment performance is specifically focused on the individual entity in which Brimstone has invested. The Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Brimstone, who makes strategic decisions. The Group's reportable segments under IFRS 8 *Operating Segments*, are food and investments. Investments include subsidiaries House of Monatic (Pty) Ltd and Firefly Investments 306 (Pty) Ltd (Obsidian Health), as well as, investments at fair value through other comprehensive income ("FVTOCI") and investments at fair value through profit or loss ("FVTPL").

R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2023	UNAUDITED SIX MONTHS ENDED 30 JUNE 2022	AUDITED YEAR ENDED 31 DECEMBER 2022
Segment revenue	3 342 887	2 857 910	6 212 852
Food	3 202 639	2 705 863	5 880 295
Investments	140 248	152 047	332 557
Segment operating profit/(loss)	237 515	279 349	509 565
Food	252 031	290 579	513 483
Investments	(14 516)	(11 230)	(3 918)
A reconciliation of operating profit from segments to profit for the period is provided below:			
Operating profit	237 515	279 349	509 565
Fair value (losses)/gains	(40 324)	(18 956)	34 324
Other investment gains/(losses)	89 429	(18 290)	(38 253)
Share of profits of associates and joint ventures	150 218	60 842	228 351
Interest income	14 160	8 910	18 737
Finance costs	(222 952)	(131 575)	(306 295)
Taxation	(39 951)	(62 154)	(121 920)
Profit for the period	188 095	118 126	324 509
R'000	UNAUDITED SIX MONTHS ENDED 30 JUNE 2023	RESTATED ¹ UNAUDITED SIX MONTHS ENDED 30 JUNE 2022	RESTATED ¹ AUDITED YEAR ENDED 31 DECEMBER 2022
Segment assets and liabilities			
Segment assets			
Food	8 091 612	7 698 558	7 629 525
Investments	3 935 398	3 551 057	4 026 063
Total segment assets	12 027 010	11 249 615	11 655 588
Segment liabilities			
Food	4 811 119	4 508 969	4 401 616
Investments	2 453 851	2 384 550	2 450 765
Total segment liabilities	7 264 970	6 893 519	6 852 381

¹ The restatement relates to the finalisation of the MG Kailis business combination. Refer to note 9.1.

Further information (continued)

6. Fair value measurements

This note provides information about how the Group determines fair values of various financial assets, non-financial assets and financial liabilities.

Fair value of the Group's financial assets, non-financial assets and financial liabilities that are measured on a fair value basis on a recurring basis

Some of the Group's financial assets, non-financial assets and financial liabilities are measured at fair value at the end of each reporting date. The following table gives information about how the fair values of these financial assets, non-financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used). The directors consider that the carrying amounts of financial assets, non-financial assets and financial liabilities not measured at fair value on a recurring basis (but fair value disclosures are required) recognised in the consolidated interim financial statements approximate their fair values.

R'000	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
30 June 2023 – unaudited				
Financial assets at FVTPL				
Derivative financial assets	—	39 369 ¹	—	39 369
Listed shares	663 531	—	—	663 531
Unlisted shares	—	—	366 619 ²	366 619
Non-financial assets at fair value				
Biological assets	—	—	180 063 ³	180 063
Financial assets at FVTOCI				
Unlisted shares	—	—	31 220 ⁴	31 220
Total	663 531	39 369	577 902	1 280 802
Financial liabilities at FVTPL				
Derivative financial liabilities	—	151 540 ¹	—	151 540
Financial liability with contingent settlement provisions	—	—	99 934 ⁵	99 934
Total	—	151 540	99 934	251 474
30 June 2022 – unaudited				
Financial assets at FVTPL				
Derivative financial assets	—	182 063 ¹	—	182 063
Listed shares	733 229	—	—	733 229
Unlisted shares	—	—	284 021 ²	284 021
Non-financial assets at fair value				
Biological assets	—	—	156 230 ³	156 230
Financial assets at FVTOCI				
Unlisted shares	—	—	25 265 ⁴	25 265
Total	733 229	182 063	465 516	1 380 808
Financial liabilities at FVTPL				
Contingent consideration	—	—	10 294	10 294
Financial liability with contingent settlement provisions	—	—	99 934 ⁵	99 934
Total	—	—	110 228	110 228

Further information (continued)

6. Fair value measurements (continued)

R'000	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
31 December 2022 – audited				
Financial assets at FVTPL				
Derivative financial assets	—	80 653 ¹	—	80 653
Listed shares	736 552	—	—	736 552
Unlisted shares	—	—	346 185 ²	346 185
Non-financial assets at fair value				
Biological assets	—	—	165 196 ³	165 196
Financial assets at FVTOCI				
Unlisted shares	—	—	31 220 ⁴	31 220
Total	736 552	80 653	542 601	1 359 806
Financial liabilities at FVTPL				
Derivative financial liabilities	—	12 332 ¹	—	12 332
Financial liability with contingent settlement provisions	—	—	99 934 ⁵	99 934
Total	—	12 332	99 934	112 266

The table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped in Levels 1 to 3 based on the degree to which fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels 1, 2 and 3 in the current or prior period.

There are no changes to unobservable inputs that might result in a significantly higher or lower fair value measurement within level 2 and level 3 financial assets and liabilities.

Notes

^{1.} The following methods and inputs are used in valuing level 2 financial assets and liabilities:

- The fair value of the financial asset representing the call option to acquire shares in Vuna Fishing Company Proprietary Limited ("Vuna") was independently determined by an expert using the Black-Scholes option pricing model. The inputs applied in the option pricing model were i) the value of Vuna which was calculated using an average of actual 2022 earnings and 2023 projected earnings multiplied by a price earnings multiple, ii) yield curve, and iii) volatility. A change in unobservable inputs would not have a material change in the fair value.
 - Financial assets and liabilities relate to hedging contracts entered into by the Group for the purpose of minimising the Group's exposure to foreign currency and fuel price volatility. The valuation is performed by an independent valuer, taking into account forward exchange contracts spot and forward rates, current fuel prices, and discount factors.
 - The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- ^{2.} Value is based on the effective interest held in the net assets of the underlying entity. In assessing the net assets of the underlying entity, substantially all of the assets are carried at fair value and all of the liabilities are carried at amortised cost. The assets are valued using capitalisation of net income method or open market values for existing use, on a three-year rolling basis, i.e. a third of the portfolio is independently valued annually. Therefore, application of Brimstone's percentage interest to the net asset value of the entity is the best indication of fair value of the investment. If the net assets of the underlying entity had been 10% higher/lower, profit for the period would increase/decrease by R26.0 million (2022: R22.3 million).
- ^{3.} Biological assets are measured at fair value less costs to sell. Biological assets include abalone and oysters cultivated at aquaculture farms, and are measured at their fair value less estimated point-of-sale costs. Fair value is determined based on the dollar denominated market prices of biological assets of similar age, breed and genetic merit. In order to measure and value biological assets, management uses growth formula and drip-and-purge-loss factors to determine the weight of animals at the reporting date. These formulas are based on empirical evidence and confirmed industry norms. A net fair value gain of R5.3 million (2022: R0.2 million) was recognised in profit or loss relating to the valuation of biological assets. A change in unobservable inputs would not result in a significant change in the fair value.
- ^{4.} Asset valuation method performed by an independent valuer and represents unlisted shares in a vessel-owning company. The underlying vessel is valued based on the age and condition of the vessel and current market value derived by sales comparison of these or similar types of vessels adjusted for differences in age, condition, degree of upgrade already carried out on the vessel, and size. A change in unobservable inputs would not result in a significant change in the fair value.
- ^{5.} The fair value of the financial liability with contingent settlement provisions is measured as the undiscounted amount that the Group could be required to repay immediately, and is represented by the net liabilities of Lion of Africa Insurance Company Limited at the date of its disposal which was 30 December 2021. There has been no significant change in the fair value of the financial liability at 30 June 2023.

Further information (continued)

7. Share capital (number)

	UNAUDITED SIX MONTHS ENDED 30 JUNE 2023	UNAUDITED SIX MONTHS ENDED 30 JUNE 2022	AUDITED YEAR ENDED 31 DECEMBER 2022
In issue (number)			
Ordinary shares	39 874 146	39 874 146	39 874 146
Held as treasury shares	(3 237 285)	(3 127 570)	(3 127 570)
	36 636 861	36 746 576	36 746 576
"N" Ordinary shares	224 975 962	224 975 962	224 975 962
Held as treasury shares	(13 391 679)	(13 631 238)	(13 631 238)
	211 584 283	211 344 724	211 344 724
Total net of treasury shares	248 221 144	248 091 300	248 091 300
Closing share price (cents)			
Ordinary shares	545	704	526
"N" Ordinary shares	500	600	563

During the period, Brimstone, through its treasury share vehicle, bought back 109 715 Ordinary shares and 1 276 804 "N" Ordinary shares for a total cash consideration of R0.7 million (average price of R6.12 per share) and R7.8 million (average price of R6.12 per share), respectively. These shares are now classified as treasury shares.

8. Material related party transactions

In terms of a supply agreement between joint venture group, Vuna and SeaVuna Fishing Company Proprietary Limited ("SeaVuna"), and Sea Harvest Group Limited's subsidiary, Sea Harvest Corporation Proprietary Limited ("Sea Harvest Corporation"), fish caught by Vuna and SeaVuna is marketed by Sea Harvest Corporation. Purchases from SeaVuna during the period amounted to R152.7 million compared to R134.3 million for the period ended 30 June 2022 and R283.9 million for the year ended 31 December 2022. Sales to SeaVuna during the period amounted to R7.6 million compared to R20.5 million for the period ended 30 June 2022 and R29.6 million for the year ended 31 December 2022.

Loans owing by Vuna and SeaVuna amounted to R70.0 million at 30 June 2023 compared to R68.4 million at 31 December 2022.

Further information (continued)

9. Business combinations

9.1 MG KAILIS

With effect from 23 May 2022, the Group, through its wholly-owned foreign subsidiaries, Sea Harvest Proprietary Limited and Sea Harvest Marine Proprietary Limited acquired selected net assets of the Western Australia-based fishing and related businesses of MG Kailis and its subsidiaries ("MG Kailis").

The initial accounting for the acquisition of MG Kailis has been finalised at the reporting date. The measurement period adjustments relate to the finalisation of the valuation of intangible assets and working capital adjustments. These adjustments also had an impact on the total consideration.

	PROVISIONAL FAIR VALUES REPORTED 30 JUNE 2022 R'000	MEASUREMENT PERIOD ADJUSTMENTS R'000	PROVISIONAL FAIR VALUES REPORTED 31 DECEMBER 2022 R'000	MEASUREMENT PERIOD ADJUSTMENTS R'000	FINAL PURCHASE PRICE ALLOCATION 30 JUNE 2023 R'000
Assets acquired and liabilities assumed					
Property, plant, equipment and vehicles	117 174	—	117 174	—	117 174
Right-of-use assets	7 162	—	7 162	—	7 162
Intangible assets	534 770	102 401	637 171	—	637 171
Inventories	75 624	—	75 624	—	75 624
Trade and other receivables	55 744	(688)	55 056	—	55 056
Deferred tax	(160 431)	(26 095)	(186 526)	—	(186 526)
Lease liabilities	(7 532)	—	(7 532)	—	(7 532)
Trade and other payables	(75 385)	(1 946)	(77 331)	—	(77 331)
Total identifiable assets and liabilities	547 126	73 672	620 798	—	620 798
Total consideration transferred					
Cash	761 305	8 309	769 614	(1 184)	768 430
Deferred payment	3 917	(3 917)	—	—	—
	765 222	4 392	769 614	(1 184)	768 430
Net cash flow on acquisition of subsidiary					
Consideration paid in cash	761 305	8 309	769 614	(1 184)	768 430
	761 305	8 309	769 614	(1 184)	768 430
Goodwill					
Consideration	765 222	4 392	769 614	(1 184)	768 430
Less: Fair value of identifiable assets acquired and liabilities assumed	(547 126)	(73 672)	(620 798)	—	(620 798)
	218 096	(69 280)	148 816	(1 184)	147 632

Property, plant, equipment and vehicles with a fair value of R117.2 million include fishing vessels with a carrying amount of R102.5 million, which approximates its fair value at acquisition date. The valuations for fishing vessels were performed by an independent valuer.

The intangible assets identified were fishing licences. The fair value was determined by an independent industry expert valuer with reference to the best estimate of a market participant's ability to generate economic benefits by using the asset in its highest and best use.

The fair value of trade and other receivables of R55.1 million includes trade receivables with a fair value of R47.3 million, which approximates the gross contractual amount.

Goodwill is attributable to the benefit of revenue growth, expected synergies and diversification into high-value species.

Further information (continued)

9. Business combinations (continued)

9.2 Acquisition of a further 28% equity interest in Viking Aquaculture Proprietary Limited (“Viking Aquaculture”)

On 8 March 2023, the Group, through its wholly-owned subsidiary, Sea Harvest Aquaculture Proprietary Limited, which owned 54% of the shares in Viking Aquaculture, entered into an agreement to acquire a further 28% of the shares in and loan claims with a face value of R303 million against Viking Aquaculture for a purchase consideration of R210 million from minority shareholders. The acquisition of the loan claims resulted in a gain of R93.3 million (“gain on purchased loans”) during the period.

The further acquisition fits within Sea Harvest’s investment criteria and increases the group’s ownership in Viking Aquaculture from 54% to 82%, allowing Sea Harvest to integrate Viking Aquaculture; extract operational synergies; and align operating structure, growth strategies and funding requirements with those of Sea Harvest.

The purchase consideration related to the 28% of the shares of R28 was settled in cash on the effective date of 15 March 2023. The purchase consideration of R210 million related to the loan claims will be settled in five equal instalments of R42 million, together with interest calculated at a rate equal to prime less 2% per annum, commencing on 1 January 2024 and ending on 1 January 2028.

10. Going concern

The Brimstone board has assessed the funding facilities available to the Group and the projected cash flow forecast and is satisfied that sufficient funding and cash is available for a period of at least twelve months from the reporting date.