BRIKOR LIMITED

BRIKOR LIMITED
Incorporated in the Republic of South Africa
Registration number: 1998/013247/06
JSE code: BIK
ISIN: ZAE000101945
("Brikor" or "the Group" or "the Company")

ABRIDGED AUDITED CONSOLIDATED FINANCIAL RESULTS

for the year ended 28 February 2021

THE SPIRIT OF BRICKMAKING

PREPARED BY:

The abridged audited consolidated financial results ("abridged financial results" or "results") for the year ended 28 February 2021 was prepared by Ms Joaret Botha CA(SA), Financial Director.

FINANCIAL HIGHLIGHTS

Revenue

DECREASED BY

11,9% to R257,9 million

Earnings per share

INCREASED BY

850,0% to 1,9 cents

Headline earnings per share

INCREASED BY

2 000,0% to 2,1 cents

Total equity

INCREASED BY

17,5% to R80,5 million

Cash and cash equivalents

INCREASED BY

285,2% to R15,3 million

Net asset value per share

INCREASED BY

17,4% to 12,8 cents per share

Tangible net asset value per share

INCREASED BY

33,9% to 7,9 cents per share

Current asset ratio

DECREASED BY

2,2% to 1,31:1

Acid test ratio

INCREASED BY

28,8% to 0,8:1

The abridged financial results are extracted from audited information but is not itself audited. The directors take full responsibility for the preparation of the abridged financial results and the correct extraction of the financial information included herein from the underlying annual financial statements.

The financial statements were audited by Nexia SAB&T, and the unmodified audit report thereon is available for inspection at the Company's registered office.

COMMENTARY

OVERVIEW

Brikor is a diverse manufacturer and supplier of building and construction materials used across a broad spectrum of application from low-cost housing to residential, commercial, industrial, civil engineering and infrastructure projects. The Group operates through two segments, namely Bricks and Coal (the latter being through its wholly-owned subsidiary, Ilangabi Investments 12 (Pty) Ltd).

The directors of Brikor are pleased to present the abridged audited consolidated financial results for the year ended 28 February 2021, which reflect positive operating profits before interest and taxation and cash generated from operations despite the impact of the COVID-19 pandemic and a distressed economic trading environment.

The initial lockdown period required that the Bricks segment be closed until the end of April 2020, whilst the Group's coal mining operation, Ilangabi Investments 12 (Pty) Ltd, was allowed to continue to operate at 50% of its capacity during the lockdown period, as the supply of coal was considered an essential service to the electricity supply-chain.

As from 1 May 2020, the country moved into alert level 4 and the Bricks segment was able to operate at 50% of production capacity. Management took the decision to follow a phased-in approach with regards to the start-up of production. No production occurred for May 2020 and a phased-in approach commenced during June 2020, returning to full production towards the third week in July 2020. This was also in line with the country moving to alert level 3 from 1 June 2020, which allowed the Bricks segment to operate at 100% production. Sales volumes in the Bricks segment increased to pre-lockdown levels during August 2020. The Group's Coal segment was permitted to operate at 100% capacity from 1 May 2020 with a limited impact on sales and production as from May 2020.

The Coal segment, however, experienced the affect of the initial lockdown period during the last two quarters of the reporting period, with increased supply in the local coal markets adding pressure on sales prices and demand.

Unusual heavy rainfall during the last quarter of the reporting period added additional pressure on sales volumes for the Bricks and Coal segments during January 2021 and February 2021.

Despite various challenges as well as uncertain economic activities, gross profit increased to R65,0 million for the year ended 28 February 2021 (2020: R62,5 million), with profit after taxation increasing to R12,0 million (2020: 1,5 million). The Group generated positive cash flows from operations as a result of phasing in production, savings in variable costs during levels 4 and 5 of the lockdown period as well as strict cost-saving initiatives.

DIRECTORS' RESPONSIBILITY

The directors take full responsibility for the preparation of the abridged audited consolidated financial results and confirm that the financial information has been correctly extracted from the underlying financial statements.

FINANCIAL OVERVIEW

Revenue decreased to R257,9 million (2020: R292,7 million) as a direct result of the Bricks segment being closed until the end of April 2020, whilst the Group's coal mining operation, Ilangabi Investments 12 (Pty) Ltd, was allowed to continue to operate at 50% capacity during the initial lockdown period. The last quarter of the reporting period experienced unusual high levels of rainfall, which also had a direct impact on sales volumes during January 2021 and February 2021. The gross profit percentage increased to 25,2% for the year ended 28 February 2021 (2020: 21,4%), mainly as a result of cost savings and improved efficiencies in both the Coal and Bricks segments.

The Group realised an operating profit before interest and taxation of R21,0 million for the year ended 28 February 2021 (2020: R8,5 million) and profit after tax of R12,0 million (2020: R1,5 million). The increase in profit for the reporting period was mainly due to strict cost savings as well as a section 43 closure certificate received in respect of one of the Group's rehabilitation sites. As a direct result of the closure certificate, the gross closure cost of R8,0 million relating to the environmental rehabilitation provision, has resulted in a credit to the statement of profit or loss.

Cash and cash equivalents (net of bank overdraft) increased to R15,3 million as at 28 February 2021 (2020: R4,0 million). The increase was mainly attributable to the Group having had sufficient stock available at the time when the Group was able to return to operations on 1 May 2020. The decision to phase in production also resulted in savings on variable costs, specifically during levels 5 and 4 of the lockdown period.

Commentary
continued

Revenue

Revenue in the Bricks segment decreased by 10,1% to R144,9 million (2020: R161,2 million) as a direct result of the impact of the COVID-19 pandemic, which resulted in no sales in the Bricks segment during April 2020 and limited sales during May 2020. Sales volumes in the Bricks segment returned to pre-lockdown levels during August 2020, with sales volumes for January 2021 and February 2021 decreasing slightly as a result of heavy rainfall experienced during the last quarter of the reporting period. Revenue in the Coal segment decreased by 14,0% to R113,0 million (2020: R131,5 million). The Coal segment was allowed to continue to operate at 50% capacity during the initial lockdown period and returned to 100% capacity as from May 2020. The Coal segment, however, experienced the aftermath of the initial lockdown period during the last quarter of the reporting period, with increased supply in the local markets adding pressure on sales prices and demand, which directly impacted on sales volumes and prices.

Gross profit

Gross profit increased by 3,9% to R65,0 million (2020: R62,5 million) with the gross profit percentage increasing to 25,2% (2020: 21,4%). Gross profit increased mainly as a result of improved production efficiencies in the Coal and Bricks segments as well as variable cost savings during levels 4 and 5 of the lockdown period.

Operating profit before interest and taxation

Operating profit before interest and taxation increased by 147,8% to R21,0 million (2020: R8,5 million). On 1 May 2020, when the Group was able to return to operations, the Bricks segment had sufficient stock available to enable it to phase in production, whilst still being able to meet revenue targets without incurring additional variable costs. During the last quarter of the reporting period, the Group obtained a closure certificate for one of its rehabilitation sites, which resulted in a decrease in the environmental rehabilitation liability and a credit of R8,0 million to the statement of profit or loss.

Administrative and other expenditure decreased significantly as a result of savings in salaries and wages, staff training and legal fees in comparison to the prior year. During the previous reporting period, the Group provided for R3,8 million in respect of legal fees relating to pending court cases and the Group was, therefore, able to utilise the provision during the 2021 financial year.

Earnings per share and headline earnings per share

Earnings per share increased by more than 100% to 1,9 cents per share (2020: 0,2 cents per share), mainly due to the increase in profit for the reporting period as noted above. Headline earnings per share also increased by more than 100% to 2,1 cents per share (2020: 0,1 cents per share), mainly due to the variable costs savings, the decrease in the rehabilitation provision during the last quarter of the reporting period as well as savings in administrative and other expenditure.

Net asset and tangible asset values

The Group continued to generate profits and invest in property, plant and equipment. This has resulted in an increase in net asset value per share of 17,4% to 12,8 cents per share (2020: 10,9 cents per share), and net tangible asset value per share of 33,9% to 7,9 cents per share (2020: 5,9 cents per share).

Capital expenditure

Major capital investments made by the Group during the reporting period comprised R1,2 million for the replacement of the factory roof at the Bricks segment as well as the building of an eating area for the employees. Additions to plant and equipment during the reporting period amounted to R8,1 million, which included a right-of-use asset to the value of R4,3 million.

During January 2021, the Group entered into a lease agreement for the lease of certain production equipment for its Bricks segment. This resulted in the capitalisation of a right-of-use asset, in terms of *IFRS 16: Leases*, to the value of R4,3 million.

Commentary
continued

GOING CONCERN

The 2021 financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that adequate cash is generated by operations and the necessary funds be available to finance future operations and that the realisation of the sale of assets, settlement of liabilities, contingent obligations and commitments occur in the ordinary course of business. The directors have prepared their budgets and cash flow forecast for the year ahead based on reasonable and supportable assumptions. The cash flow forecast and current management results indicate that the Group will operate as a going concern for the foreseeable future – refer to note 8.

CORPORATE ACTIVITY DURING THE REPORTING PERIOD

COVID-19 pandemic and lockdown

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak a pandemic. Many governments are taking increasingly stringent steps to help contain the spread of the virus, including self-isolation/quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. There has also been a significant increase in economic uncertainty, evidenced by more volatile asset prices, currency exchange rates and a significant decrease in long-term interest rates.

The South African economy was affected by the news of the first confirmed cases of the virus in the country early in March 2020 and this led to the President of the Republic of South Africa declaring a national disaster on 15 March 2020. The President made a further announcement on 23 March 2020 that the country will effectively be placed in a lockdown from midnight on 26 March 2020 until 16 April 2020, with only essential services permitted to operate during this time. On 9 April 2020, the President announced the extension of the lockdown period by an additional 14 days and a risk-adjusted strategy was announced with various different risk alert levels (alert levels 5 to 1), which the country would follow in the gradual relaxation of lockdown restrictions and return of economic activity.

The Group acted swiftly in ensuring that all the necessary protocols were put in place, as directed by government.

Lifting of suspension and re-listing on the AltX of the Johannesburg Stock Exchange (JSE)

During the reporting period, the Company met all the outstanding JSE Listings Requirements. The most important of these being the finalisation and submission of the statutory annual financial statements for the financial year ended 28 February 2019 of the subsidiary, Ilangabi Investments 12 (Pty) Ltd, and Brikor Company to the JSE. On 29 June 2020, Ms Joaret Botha CA(SA) was appointed as Financial Director. On 23 July 2020, the suspension of Brikor's listing was uplifted and trading in the Company's shares re-commenced on that date.

LITIGATION

Further particulars relating to litigation in which the Group is involved are disclosed in note 5.

DIVIDEND

No dividend has been declared or paid during the reporting period.

CORPORATE GOVERNANCE

The directors endorse and accept full responsibility for the application of the principles necessary to ensure that effective corporate governance is practiced consistently throughout the Group. Brikor is committed to the principles of openness, integrity and accountability to all stakeholders and the Board of Directors accepts its duty to ensure that the principles and practices (as applicable to Brikor), set out in the King Report of Corporate Governance for South Africa – 2016 (King IV™), are implemented on an apply and explain basis.

Commentary
continued

CHANGES TO THE BOARD OF DIRECTORS

On 29 June 2020, Ms Joaret Botha was appointed as Financial Director.

On 17 July 2020, Ms Mamsy Mokate was appointed as Lead Independent Director.

At the Annual General Meeting held on 6 November 2020, the appointments of Mr Dries Ferreira as an independent non-executive director and Mr Norman Hornby and Ms Tanya Hendry as non-executive directors were not ratified by shareholders. These directors, therefore, retired with immediate effect on that date.

On 14 December 2020, Mr Kinney Moremoholo * was appointed as an independent non-executive director.

During the reporting period, the Board of Directors comprised six directors of whom four were independent non-executive directors, with two being executive directors.

- Audit and Risk Committee
  - Mr Steve Naudé (Chairperson)
  - Ms Mamsy Mokate
  - Mr Kinney Moremoholo *
- Remuneration Committee
  - Ms Mamsy Mokate (Chairperson)
  - Mr Steve Naudé
  - Mr Allan Pellow
- Nomination Committee
  - Mr Allan Pellow (Chairperson)
  - Ms Mamsy Mokate (Lead Independent Director)
  - Mr Kinney Moremoholo *
  - Mr Steve Naudé
- Social and Ethics Committee
  - Mr Steve Naudé (Chairperson)
  - Ms Ronel Coetzee
  - Mr Kinney Moremoholo *

* *On 28 May 2021, it was with great sadness that the Board advised shareholders of the untimely passing of Mr Kinney Moremoholo on 27 May 2021. The Board and management bid Kinney farewell and extend their condolences to his family. We thank him for his valuable contribution to the Board.*

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Details pertaining to the impact of COVID-19 and the acquisition of a 40% shareholding in Zingaro Holdings (Pty) Ltd are disclosed in note 7.

PROSPECTS AND OPPORTUNITIES

The Board of Directors remains positive about the potential which can be unlocked from the Group, given the consistent improvement of the statement of financial position.

The Board of Directors will continue strengthening Brikor's broad-based black economic empowerment status as well as exploring opportunities to expand production capacity and the sustainability of the Group's mineable reserves.

A priority during the year ahead will be to create value, improve efficiencies and unlock synergies between the various entities within the Group.

Any forward-looking statements have neither been reviewed nor reported on by the Group's auditors, Nexia SAB&T.

For and on behalf of the Board of Directors

Allan Pellow	**Garnett Parkin**	**Joaret Botha**
Independent Non-Executive Chairperson	*Chief Executive Officer*	*Financial Director*

Nigel
31 May 2021

Abridged Audited Consolidated STATEMENT OF FINANCIAL POSITION

at 28 February

	Note	Group 2021 R'000	Group 2020 R'000
ASSETS			
Non-current assets		121 656	117 750
Property, plant and equipment		67 060	65 260
Intangible assets		3 284	3 633
Restricted financial assets		23 846	21 166
Deferred tax asset		27 466	27 691
Current assets		76 156	84 536
Inventories		29 170	44 920
Trade and other receivables		29 702	31 112
Cash and cash equivalents		15 287	4 804
Taxation		1 997	3 700
Assets held-for-sale		4 461	4 377
Total assets		202 273	206 663
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company		80 510	68 536
Stated capital		228 242	228 242
Accumulated loss		(147 732)	(159 706)
Total liabilities		121 763	138 127
Non-current liabilities		66 228	76 499
Lease liability	3	2 171	–
Shareholders' loans		6 271	10 657
Provisions for environmental restoration	4	51 767	62 380
Deferred tax liability		6 019	3 462
Current liabilities		53 274	59 451
Short-term portion of lease liability	3	2 084	–
Shareholders' loans		4 386	5 421
Trade and other payables		40 602	47 235
Taxation		6 202	5 960
Bank overdraft		–	835
Liabilities directly associated with the assets held-for-sale		2 261	2 177
Total equity and liabilities		202 273	206 663

Abridged Audited Consolidated STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 28 February

	Note	Group 2021 R'000	Group 2020 R'000
Revenue		257 914	292 682
Cost of sales		(192 934)	(230 151)
Gross profit		64 980	62 531
Other income		7 472	6 624
Administrative expenses		(36 000)	(40 203)
Distribution expenses		(6 687)	(7 033)
Other expenses		(8 791)	(13 456)
– Expenses		(8 875)	(13 624)
– Impairment reversals		84	168
Operating profit before interest and taxation		20 974	8 463
Finance income		889	860
Finance costs		(5 601)	(5 549)
Profit before taxation		16 262	3 774
Taxation		(4 288)	(2 236)
Profit for the year		11 974	1 538
Other comprehensive income for the year net of taxation		–	–
Total comprehensive income for the year attributable to owners of the Company		11 974	1 538

EARNINGS PER SHARE	2	2021 cents	2020 cents
Basic earnings per share		1,9	0,2
Diluted earnings per share		1,9	0,2

Abridged Audited Consolidated STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February

	Stated capital R'000	Treasury shares R'000	Accumulated loss R'000	Total equity R'000
Group				
Balance at 28 February 2019	244 142	(15 900)	(161 244)	66 998
Total comprehensive income for the year	–	–	1 538	1 538
Balance at 29 February 2020	244 142	(15 900)	(159 706)	68 536
Total comprehensive income for the year	–	–	11 974	11 974
Balance at 28 February 2021	244 142	(15 900)	(147 732)	80 510

Abridged Audited Consolidated STATEMENT OF CASH FLOWS

for the year ended 28 February

		Group	
	Note	2021 R'000	2020 R'000
Cash flows from operating activities		22 482	5 703
Cash generated from operations		22 833	12 150
Finance income		672	461
Finance costs		(1 365)	(1 422)
Net tax received/(paid)		342	(5 486)
Cash flows (to)/ from investing activities		(5 697)	(2 650)
Additions to property, plant and equipment		(5 519)	(3 183)
Proceeds on disposal of plant and equipment		16	503
Proceeds on disposal of assets held for sale		–	30
Additions to intangible assets		(194)	–
Cash flows to financing activities		(5 467)	(6 390)
Lease repayments		(56)	–
Shareholders' loans and borrowings repaid		(5 411)	(6 390)
Net increase/(decrease) in cash and cash equivalents		11 318	(3 337)
Cash and cash equivalents at beginning of year		3 969	7 306
Cash and cash equivalents at end of year		15 287	3 969

SEGMENT REPORTING

for the year ended 28 February

SEGMENT REVENUES AND RESULTS

The following is an analysis of the Group's revenue and results from operations by reportable segments.

	Bricks R'000	Coal R'000	Other * R'000	Total R'000
Segment profit reconciliation				
2021				
Total revenue	144 901	125 645	–	270 546
Intersegment revenue	–	(12 632)	–	(12 632)
Reportable segment revenue	144 901	113 013	–	257 914
– Clay products	124 642	3 136	–	127 778
– Coal	–	109 877	–	109 877
– Transportation services and ancillary products	20 259	–	–	20 259
Gross profit	27 404	37 576	–	64 980
Other income	1 881	5 591	–	7 472
Operating profit before interest and taxation	3 008	17 966	–	20 974
Segment assets and liabilities				
Segment assets	77 901	73 189	51 183	202 273
Segment liabilities	(60 045)	(35 867)	(25 851)	(121 763)
Other segment information				
Depreciation and amortisation included in cost of sales and operating expenditure	(3 109)	(4 634)	–	(7 743)
Additions to non-current assets	7 507	2 323	–	9 830

** Other segment relates to non-segment-specific assets and liabilities which include the assets and liabilities classified as held-for-sale.*

Segment reporting

continued

	Bricks R'000	Coal R'000	Other * R'000	Total R'000
Segment profit reconciliation				
2020				
Total revenue	161 214	152 612	–	313 826
Intersegment revenue	–	(21 144)	–	(21 144)
Reportable segment revenue	161 214	131 468	–	292 682
– Clay products	141 299	3 306	–	144 605
– Coal	–	124 215	–	124 215
– Transportation services and ancillary products	19 915	3 947	–	23 862
Gross profit	26 102	36 429	–	62 531
Other income	3 256	3 368	–	6 624
Operating profit/(loss) before interest and taxation	(2 194)	10 657	–	8 463
Segment assets and liabilities				
Segment assets	89 408	74 683	42 572	206 663
Segment liabilities	(58 294)	(50 607)	(29 226)	(138 127)
Other segment information				
Depreciation and amortisation included in cost of sales and operating expenditure	(3 173)	(5 268)	–	(8 441)
Additions to non-current assets	1 411	1 772	–	3 183

** Other segment relates to non-segment-specific assets and liabilities which include the assets and liabilities classified as held-for-sale.*

Factors used to identify segments are based on product and service line and divisional structuring, this is also how the Group reports financial results to management on a monthly basis.

Reportable segment revenue relates to external customers only. Revenue is derived solely from the South African customers, within the region in which the Group is situated. Therefore, no additional geographical areas have been identified.

The Bricks and Coal segments are the only regulatory environments in which the Group operates, i.e. manufacturing and mining.

Two customers contribute to more than 10% of the Group's revenue. These customers form part of the Bricks and Coal segments, respectively.

NOTES TO THE
Abridged Audited Consolidated FINANCIAL RESULTS

for the year ended 28 February 2021

1. STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND AUDIT REPORT

The abridged consolidated financial statements are prepared in accordance with the requirements of the JSE Listings Requirements for abridged reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for the adoption of new and revised standards and interpretations.

The abridged financial results are presented in South African rand and all financial information has been rounded to the nearest Rand thousands, except when otherwise indicated.

These abridged financial results were extracted from audited information but is not itself audited. The directors take full responsibility for the preparation of the abridged financial results and that the financial information has been correctly extracted from the underlying audited consolidated financial statements.

The annual financial statements were audited by Nexia SAB&T Inc. and an unmodified audit opinion has been issued on the audited consolidated financial statements for the financial year ended 28 February 2021. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of that report together with the accompanying audited consolidated financial statements, both of which are available for inspection at Brikor's registered office and on the company's website: http://brikor.co.za.

2. EARNINGS AND FULLY DILUTED EARNINGS PER ORDINARY SHARE

	Group	
	2021 cents	2020 cents
EARNINGS PER SHARE		
Basic earnings per share	1,9	0,2
Diluted earnings per share	1,9	0,2
Headline earnings per share	2,1	0,1
Diluted headline earnings per share	2,1	0,1

Notes to the Abridged Audited Consolidated Financial Results

continued

for the year ended 28 February 2021

2. EARNINGS AND FULLY DILUTED EARNINGS PER ORDINARY SHARE continued

The calculation of the basic profit or loss per share attributable to the ordinary equity holders is based on the following information:

Reconciliation between basic earnings and headline earnings as well as diluted earnings

	Group	
	2021 R'000	2020 R'000
2021		
Basic and diluted profit	11 974	1 538
Profit on disposal of property, plant and equipment *	–	(204)
Profit on disposal of assets held-for-sale *	–	(1 474)
Loss on scrapping of property, plant and equipment *	1 102	893
Impairment of assets *	(84)	(168)
Headline and diluted headline profit	12 992	585

** These reconciling items do not have related tax implications and therefore only the gross amounts are taken into account in the reconciliation.*

	Group	
Number of shares	2021 '000	2020 '000
Weighted average number of shares	629 342	629 342
Diluted weighted average number of shares	629 342	629 342

Notes to the Abridged Audited Consolidated Financial Results

continued

for the year ended 28 February 2021

3. LEASE LIABILITY

	Group 2021 R'000	Group 2020 R'000
Lease liability	4 255	–
The Group leases certain production equipment. The lease commenced on 15 January 2021 until 15 January 2023. During the current reporting period, lease payments amounted to R0,08 million per month. Lease payments are renegotiated every year to reflect market rentals. The lease liability was determined by discounting the lease payments using its incremental borrowing rate at 1 February 2021, being the prime interest rate plus 0,98%. The weighted average rate applied is 7,98% for the lease term. The Group has presented interest expense separately from the depreciation charge for the right-of-use asset.		
	4 255	–
Presented as:		
Non-current liabilities	2 171	–
Current liabilities	2 084	–
	4 255	–

Fair value of financial instruments

The carrying value of the unsecured borrowings approximates its fair value as a result of future cash flows being incorporated in the carrying value of the lease liability.

Liquidity risk

Repayments within one year will be funded by utilising cash balances and by future cash flows. Borrowings classified under current liabilities are due to be settled within twelve months from the reporting date.

Notes to the Abridged Audited Consolidated Financial Results

continued

for the year ended 28 February 2021

4. PROVISIONS

	Group 2021 R'000	Group 2020 R'000
Environmental rehabilitation provision	51 767	62 380
Total	51 767	62 380
Provision: Environmental rehabilitation		
Opening balance	62 380	55 382
Unwinding of interest	3 803	3 640
Rehabilitation performed	(159)	–
Change in estimate	(6 257)	5 518
Recognised in profit or loss	(6 545)	4 554
Recognised in property, plant and equipment	288	964
Disposed	(8 000)	(2 160)
Closing balance	51 767	62 380

Group

The rehabilitation provision relates to the estimated costs of correcting any disturbance relating to mining and other activities and those incidental thereto. The level of provision is commensurate with work completed to date. The current gross closure cost of rehabilitation was estimated at R63,9 million (2020: R74.8 million). The future cost of the provision was calculated by escalating estimated costs at a risk-adjusted CPI of 6% (2020: 6%) per annum over the life of the operations ranging between 6 to 12 years (2020: 7 to 13 years). A risk-adjusted CPI of 6% was used which takes into account Group-specific risks, current inflation rates, expected future inflation rates as well as uncertainties in the current economic environment. This future cost is discounted at South African Government Bond Rate ranging between 7,31% and 9,78% (2020: 7,86% and 9,20%, respectively) to arrive at a carrying value of R51,8 million (2020: R62.4 million).

The Group has invested funds into various environmental trusts to be utilised by the Group as and when restoration activities are incurred. Investments made during the year into these funds amounted to Rnil million (2020: Rnil million). The total amount held in these trusts amounted to R23,8 million (2020: R21,2 million) at year-end.

The Department of Mineral Resources and Energy hold guarantees in their favour for the mining rehabilitation cost to the amount of R20,8 million (2020: R16,7 million). Furthermore, the Group holds decommissioning assets to the value of R16,2 million (2020: R17,7 million) as part of property, plant and equipment, which will also be utilised in extinguishing the rehabilitation liability.

Material changes in estimates

Portion 27, Varkensfontein no. 169

The Group has received a closure application (certificate no 1/2021) in terms of section 43 of the Mineral Resources and Petroleum Act, 2002 (Act 28 of 2002), on 17 February 2021. As a direct result of the closure certificate, the gross closure cost of R8 million of the environmental rehabilitation provision has been directly credited to the statement of profit or loss.

Remainder of the farm Vlakfontein 281 IR no. 219

The survey data as well as pit expansion data at the reporting date indicated that the volume of topsoil berm/stockpiles to be used for infilling decreased in comparison to the previous financial year as a result of continued rehabilitation and back filling, which are being performed throughout the financial year. This resulted in a reduction relating to the rehabilitation of mining areas and a credit of R6,5 million was allocated to the statement of profit or loss.

Notes to the Abridged Audited Consolidated Financial Results

continued

for the year ended 28 February 2021

5. CONTINGENCIES

Contingent liabilities

Group

Environmental rehabilitation

The Group's operations are located in Nigel and are in close proximity to the Blesbokspruit watercourse (the Blesbokspruit watercourse is classified as a RAMSAR site in terms of the RAMSAR convention on Wetlands of International importance). The precise particulars of the operations' proximity to the watercourse still need to be formally delineated by a wetland specialist.

However, considering the current location of the Group's operations and the potential movement of groundwater and drainage towards the Blesbokspruit watercourse, and allowing for the current rehabilitation approach that was consistently applied for Vlakfontein, Plant 1 and 3 as well as Portion 27, further analysis and monitoring would be required in assessing the potential future impact on water quality that might occur, after the closure.

The proximity assessment and results from the water monitoring are required to assess and confirm a justifiable approach (as required by the National Water Act) that does not pose a long-term water quality-related risk at eventual quarry closure. In addition, the nature and extent for the direction of surface run-off still need to be fully understood. The cost determination of water quality-related effects and water use requirements (in terms of the National Water Act) remains uncertain at this stage and is not currently reasonably quantifiable.

Additional information that is obtained from further studies and monitoring could result in future obligations that would require the Group to recognise additional cost provisions for environmental rehabilitation.

Pending court cases

Court case 1:

Ilangabi Investments 12 (Pty) Ltd is currently a party to a litigation process instituted against the company as a result of events dating back to 2015. The case has been ongoing for the past six years and management is of the opinion that it is not likely that the case would result in a material outflow of economic benefits. The case has been submitted to the High Court and the outcome as well as potential financial impact cannot be measured reliably at the date of these consolidated and separate financial statements.

Court case 2:

As announced on SENS on 27 February 2020, shareholders were advised, that the Company Secretary received a letter and various further e-mail correspondence for the request for a shareholders meeting. The request to call a shareholders meeting has for various reasons not been approved by the Independent Board of Brikor and, accordingly, the directors applied to the court in terms of section 61(5) of the Companies Act for an order to set aside the request for a shareholders meeting on the grounds that the request is frivolous and/or otherwise vexatious.

Court proceedings have commenced in the High Court of South Africa under Case Number 11622/2020 and court dates are being awaited subsequent to the receipt of an additional request for a shareholders meeting as noted below.

As announced on SENS on 15 and 19 February 2021, the Company Secretary received a letter for the request for another shareholders meeting. The request to call a shareholders meeting has for various reasons not been approved by the Independent Board of Brikor and, accordingly, the directors will in accordance with the provision of section 61(5) of the Companies Act, apply to court for an order to set aside the request for a shareholders meeting.

An accrual of R1,2 million has been made in respect of legal fees relating to the matter noted above. The case could, however, result in additional future obligations that would require the Group to raise additional cost in respect of legal fees. As a result of uncertainty relating to the timing and amount of potential legal fees that would need to be incurred as well as the resultant outcome of the court case, the exact amount cannot be measured reliably at the date of these consolidated and separate financial statements.

As at the reporting date, the litigation in respect of the request during February to call a shareholdes' meeting was still ongoing. Subsequently, as announced on SENS on 4 May 2021, shareholders were advised that the revised request to call a shareholders' meeting had been withdrawn.

Notes to the Abridged Audited Consolidated Financial Results

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for the year ended 28 February 2021

6. DIRECTORS' EMOLUMENTS

	2021 R'000	2020 R'000
EXECUTIVE		
Directors		
Short-term employee benefits	4 888	5 036
Post-employment benefits	206	242
Prescribed officers		
Short-term employee benefits	1 796	821
Post-employment benefits	14	34
NON-EXECUTIVE		
Directors		
Short-term employee benefits	1 704	2 306

Notes to the Abridged Audited Consolidated Financial Results

continued

for the year ended 28 February 2021

7. SUBSEQUENT EVENTS

Impact of COVID-19

COVID-19 existed globally at the reporting date and is in itself not a subsequent event, however, the continuous extension of the National State of Disaster are events that occurred after the reporting date. The impact of COVID-19 on accounting standards that require the use of forward-looking information was assessed based on information available as at 28 February 2021 and has not resulted in any other adjustments and/or disclosures as the impact was assessed to be not material. The impact of the National State of Disaster and the COVID-19 pandemic was also taken into account in the preparation of budgets and cash flow forecasts as per note 8 Going Concern.

Acquisition of a 40% shareholding in Zingaro Holdings (Pty) Ltd

As announced on SENS on 3 March 2021, Brikor has entered into a written agreement on 2 March 2021 to acquire 40% of the issued shares of Zingaro Holdings (Pty) Ltd ("Zingaro") from Elsie Johanna Mac Master, Leon Mac Master and Pieter Barend Buys ("the Sellers") with effect from 2 March 2021 ("Effective Date")("the Transaction").

Rationale for the Transaction

Zingaro primarily operates in South Africa and mainly services short to medium distance routes in Gauteng, North West, Mpumalanga and Limpopo, with a fleet of more than 100 specialised vehicles. Zingaro is well-positioned with a substantial market share. Zingaro also specialises in providing turnkey services for mine activities, such as loading, hauling, stockpile management and haul road maintenance by using a wide range of specialised trucks and earth-moving equipment. Its specialised vehicles include tipper, low-bed and flat-deck trucks as well as various plant and mining equipment. Numerous synergies exist between Brikor and Zingaro and the Board of directors of Brikor believes these potential synergies will result in additional income and profit opportunities for the combined group.

Salient terms of the Transaction

Brikor acquired 40% of all the ordinary shares in Zingaro from the Sellers for a purchase consideration of R50 000 000, which purchase consideration shall be discharged:

- as to the amount of R28 950 000 thereof, by the allotment and issue by Brikor of 193 000 000 ordinary shares in Brikor to the Sellers at an issue price of 15 cents per Brikor share, credited as fully paid-up; and
- as to the balance, being an amount of R21 050 000 , by Brikor crediting the said amount of R21, 050,000 to the loan account of the Sellers in the books of account of Brikor which loan accounts ("the Subject Loan") shall:
  - bear interest at the prime rate less 1%, calculated and compounded quarterly in arrears with effect from the Effective Date until the date upon which the Subject Loan has been repaid in full to the Sellers; and
  - be paid in monthly instalments of R500 000 each (including capital and interest), it being agreed that the amount of the Subject Loan outstanding as at the fifth anniversary of the Effective Date shall be paid by Brikor to the Sellers within 10 business days after the fifth anniversary of the Effective Date. In addition, Brikor has the right to repay the outstanding Subject Loan from time to time in greater instalments and more frequently.

The Sellers have granted Brikor an irrevocable right and option from the Effective Date until 30 April 2023 to call the remaining 60% shareholding in Zingaro from the Sellers for a purchase consideration of R90 000 000 in the aggregate, which purchase consideration shall be discharged by the allotment and issue by Brikor of 600 000 000 ordinary shares in Brikor to the Sellers at an issue price of 15 cents per Brikor share, credited as fully paid-up.

The Transaction is unconditional in all respects.

Other

Other than as disclosed above and in these abridged consolidated financial results, management is not aware of any material events which occurred subsequent to the year ended 28 February 2021 and which need adjustment or disclosure.

Notes to the Abridged Audited Consolidated Financial Results

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for the year ended 28 February 2021

8. GOING CONCERN

The Group incurred a profit for the year ended 28 February 2021 of R12 million (2020: R1,5 million) and as of that date the Group is solvent as the total assets exceeded the total liabilities by R80,5 million (2020: R68.5 million). Furthermore, the Group is liquid as current assets exceeded current liabilities by R22,9 million (2020: R 25,1 million).

The directors considered the financial performance of the Group to date of this report and have also prepared and interrogated budgets and cash flow forecasts for the twelve months subsequent to the reporting date. The budgets and cash flow forecast allow for best estimates and assumptions, *inter alia*, the return of sales volumes and prices to levels achieved during the last six months of the 2021 financial year.

The directors have given due consideration to the potential impact of the COVID-19 pandemic on the Group's ability to continue as a going concern. The directors believe that the COVID-19 pandemic will not have a material impact on the business activities of the Group, due to the Group achieving results which are aligned to those achieved in pre-lockdown periods. Subsequent to year-end and up to date of the assessment, there has been no significant change in circumstances which suggests that the above reviews are no longer valid. Based on the above, no material uncertainties have been identified in relation to the ability of the Group to remain a going concern for at least the next twelve months. The directors thus believe that the Group is in a sound financial position and that it will continue to operate as a going concern for the foreseeable future.

As such, the abridged consolidated financial results have been prepared on the basis of accounting policies applicable to a going concern. This presumes that the realisation of assets and settlement of liabilities, contingent liabilities and commitments will occur in the ordinary course of business.

9. DIRECTORS' INTEREST IN SHARES

	Beneficial		
Name of director	Direct	Indirect	Total
As at 28 February 2021			
Executive			
G Parkin	107 513 550	17 563 067	125 076 617
	107 513 550	17 563 067	125 076 617
As at 29 February 2020			
Executive			
G Parkin	107 291 950	17 563 067	124 855 017
	107 291 950	17 563 067	124 855 017

The Company has not been advised of any changes in the above interest of the directors between the year-end and the date of this report. G Parkin does not have voting power over the indirect beneficial interest in shares. He is, however, entitled to profits on the sale of the 17 563 067 indirect holding. The shares held are not subject to security, guarantees or any collateral.

CORPORATE INFORMATION

BRIKOR LIMITED

Incorporated in the Republic of South Africa
Registration number: 1998/013247/06
JSE code: BIK
ISIN: ZAE000101945

Registered office

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Nigel 1490

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Telephone: 011 739 9000
Facsimile: 011 739 9021

Directors as at 31 May 2021

Allan Pellow (Chairperson)*
Mamsy Mokate (Lead Independent Director) *
Garnett Parkin (Chief Executive Officer)
Joaret Botha (Financial Director)
Steve Naudé *

** Independent non-executive*

Company Secretary

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Commercial banker

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Springs 1559

Transfer secretaries

Computershare Investor Services (Pty) Ltd
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Rosebank 2196

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These results and an overview of Brikor are available at www.brikor.co.za.