



BRIKOR LIMITED

THE SPIRIT OF BRICK MAKING



2017 INTEGRATED
annual report

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BRIKOR LIMITED

Incorporated in the Republic of South Africa

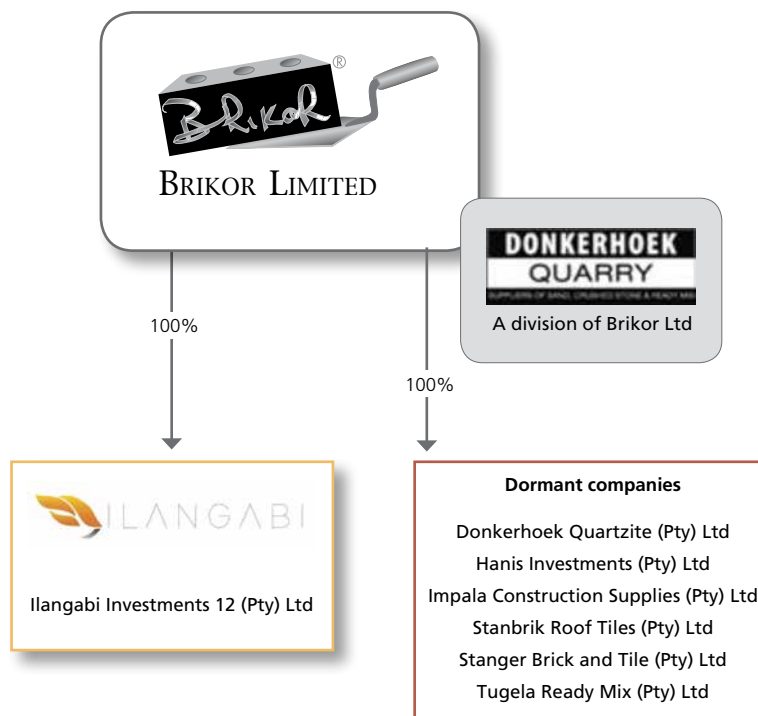
Registration number: 1998/013247/06

JSE code: BIK

ISIN: ZAE000101945

("Brikor" or "the group" or "the company")

GROUP PROFILE



Brikor, which listed on the Alt^x in August 2007, is a manufacturer and supplier of building and construction materials across a broad spectrum of applications from low-cost housing, residential to commercial, industrial, civil engineering and infrastructural projects. Brikor has three segments namely bricks, aggregates and coal (through its subsidiary, Ilangabi Investments 12 (Pty) Ltd (Ilangabi)).

Brikor has various manufacturing and beneficiation plants in Gauteng. The two clay brick manufacturing plants, located in Nigel, have production capacities in excess of 155 million bricks per annum. These plants mainly produce semi-face clay bricks for the construction industry.

The Donkerhoek plant (Pretoria) produces aggregates of a wide variety of sizes and technical specifications with products including stone, gravel and sand for large- and small-scale civil engineering and infrastructure projects. Donkerhoek has a production capacity of between 450 and 600 thousand tonnes of aggregates per annum.

The group, through Ilangabi (Nigel), has a mining capacity of approximately 800 000 tonnes of clay and 700 000 tonnes of coal per annum.

The group's impact on the community is further enhanced through the employment of 748 staff members as at 28 February 2017.

OUR BUSINESS MODEL

Value creation in Brikor's business model remains vested in its ability to maintain consistent quality through experience and its vertically upward diversification investment which ensures sustainability (volume and input costs) of raw material supply and firing products (coal used in burning of kilns). The location of the clay and coal reserves in close proximity to the clay brick manufacturing plants further enhances the group's positioning.

Donkerhoek is located east of Pretoria, approximately 10km from the urban fringe. The advantage of being strategically located on the natural growth path of Pretoria, renders the Donkerhoek plant the opportunity to deliver aggregates to sites at a more competitive price.

INTRODUCTION TO THIS REPORT

This integrated annual report strives to convey the essence of who the Brikor group and its directors are as well as what they believe in. It strives to indicate the group's commitment to sustainability, accuracy, transparency and integrity. Substance, rather than form, is applied in the structure and content of this report to invigorate existing stakeholders and invite potential future stakeholder interest in the group. This is accomplished through sharing the history of the group and providing a proud view into the vision of where the group wishes to find itself in the short-, medium- and long-term.

The 2017 integrated annual report has been compiled in accordance with the principles and requirements of King Code III on corporate governance, the Companies Act, 71 of 2008, the JSE Listings Requirements and all other relevant legislative and non-legislative principles and guidelines.

As King IV is only applicable on financial periods commencing after 1 April 2017, disclosure in the F2018 integrated annual report will incorporate the principles, requirements, approach and methodologies adopted in King IV.

SCOPE OF THIS REPORT

The report covers the integrated financial and non-financial performance of the Brikor group, which includes Brikor Limited and its subsidiaries for the period 1 March 2016 to 28 February 2017. Sustainability reporting coincides with Brikor's integrated annual report, and forms part of the integrated annual report. The group only operates within the boundaries of South Africa, with its head office located in Nigel.

All current information represented against comparative information from the prior year, has been compiled using materially the same methodologies, assumptions and accounting principles, where applicable. There have been no major restatements.

Where applicable, information relating to significant risks is indicated by means of a risk icon .

APPROACH TO SUSTAINABILITY

The group maintains that true sustainability requires integration into each aspect of its day-to-day business activities, and not only when it appears to matter, to deliver long-term sustainable value to all stakeholders. The dynamic nature of sustainability and sustainability reporting demands a willingness to adopt advancements in conceptual understanding, which led to the adoption of the six capitals, which form the identifiable core attributes that require ongoing commitment for the group to become truly sustainable.

THE CAPITALS OF VALUE CREATION

The integrated reporting framework recommends reporting on the capital resources that are utilised in the creation of value. These forms are classified as the six forms of capital being financial, manufactured, intellectual, human, social and relationship and natural. These capitals form the basis against which all concepts, ideas and challenges are measured to ensure the best possible value proposition for all stakeholders is realised.

MATERIAL ISSUES

The extent of disclosure and content of this report is driven through the application of materiality determined by the Brikor board of directors. This materiality is not only based on a quantitative value, but also the qualitative nature of a material issue and how it impacts on the achievement of the strategic targets and sustainable profitability of the group. Price-sensitive information is excluded.

ASSURANCE

The content of this integrated annual report has been reviewed by the directors and management, but has not been externally assured.

The consolidated financial statements have been audited by KPMG Inc. who expressed an unmodified audit opinion, including reportable irregularities, dealt with in the consolidated financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

The B-BBEE rating and the competent person's report were verified by accredited external independent service providers and the board is satisfied with the processes for measuring all other non-financial information.

Introduction to this report continued

FEEDBACK REQUEST

The board welcomes feedback on Brikor's 2017 integrated annual report from stakeholders. Please contact André Hanekom on andre@brikor.net with any questions or queries on this report.

FORWARD-LOOKING STATEMENTS

Certain statements in this report are forward-looking statements which Brikor believes are reasonable and take into account information available up to the date of this report. Results could, however, differ materially from those set out in the forward-looking statements as a result of, amongst other factors, changes in economic and market conditions, changes in the regulatory environment and fluctuations in commodity prices. As a result, these forward-looking statements are not guarantees of future performance and are based on numerous assumptions regarding Brikor's present and future business models, strategy and the environment in which it operates.

All subsequent oral or written forward-looking statements attributable to the group or any member thereof or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statements above and below. Brikor expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein or to reflect any change in their expectations with regard thereto or any change in events, conditions or circumstances on which any such forward-looking statement is based. The forward-looking statements have neither been reviewed nor audited by the group's external auditors, KPMG Inc.

BOARD APPROVAL

The board acknowledges its responsibility to ensure the integrity of the integrated annual report. The board has collectively assessed the content and confirm that the report addresses all material issues and fairly represents the integrated performance of the group.

The audit and risk committee, which has oversight responsibility for integrated reporting, recommended the report for approval by the board. The board approved the 2017 integrated annual report on 30 November 2017 for release to shareholders on 8 December 2017.



Ina McDonald
Non-executive chairman



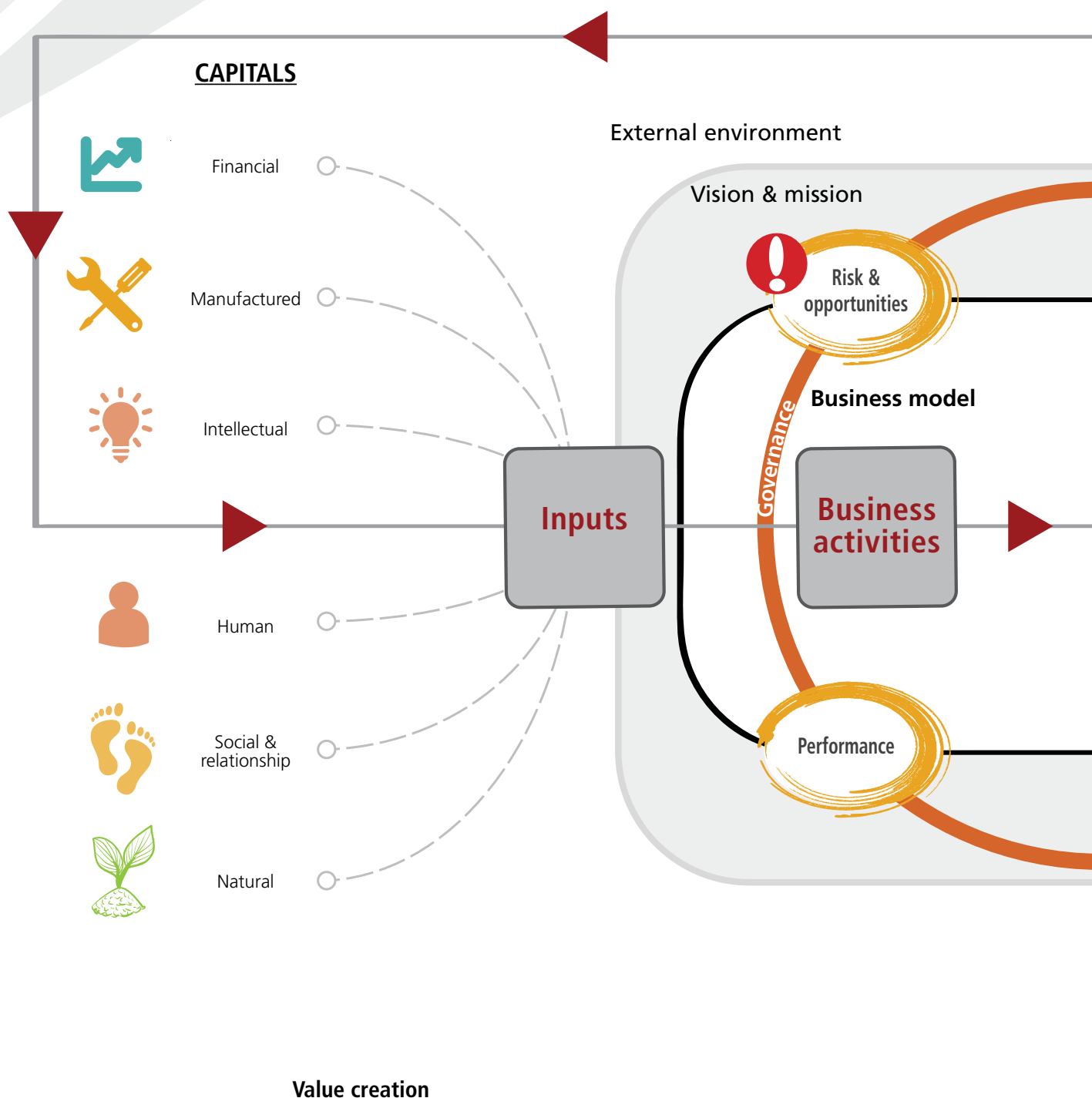
Garnett Parkin
Chief executive officer

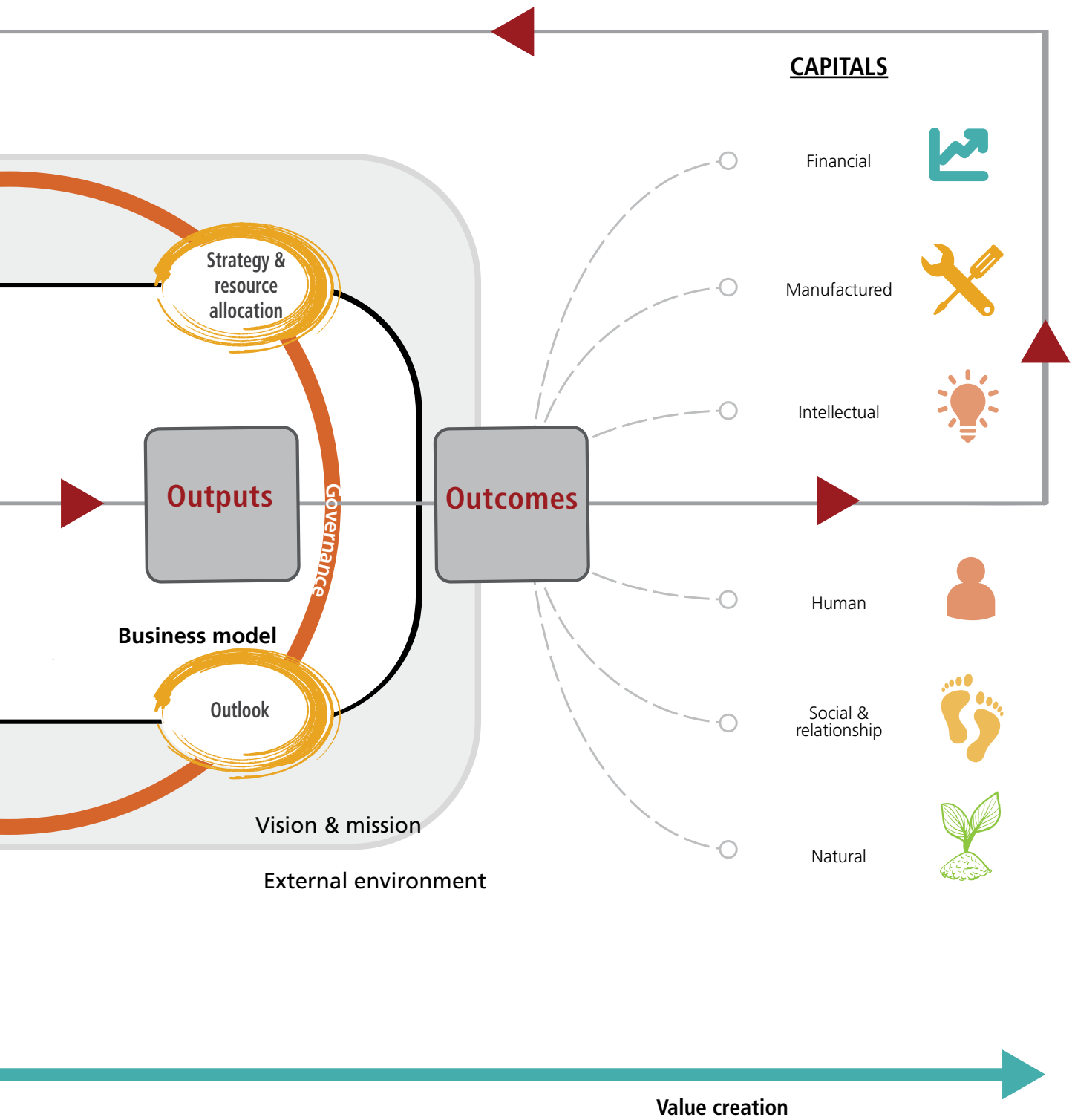


André Hanekom
Chief financial officer

INTEGRATED REPORTING MODEL

Brikor believes that the value of its business is a reflection of the quality of the capital underpinning it, which yields a model that is sustainable in the long-term. The group invests in its capitals to ensure its future, leadership and accountability and to generate value for its stakeholders.

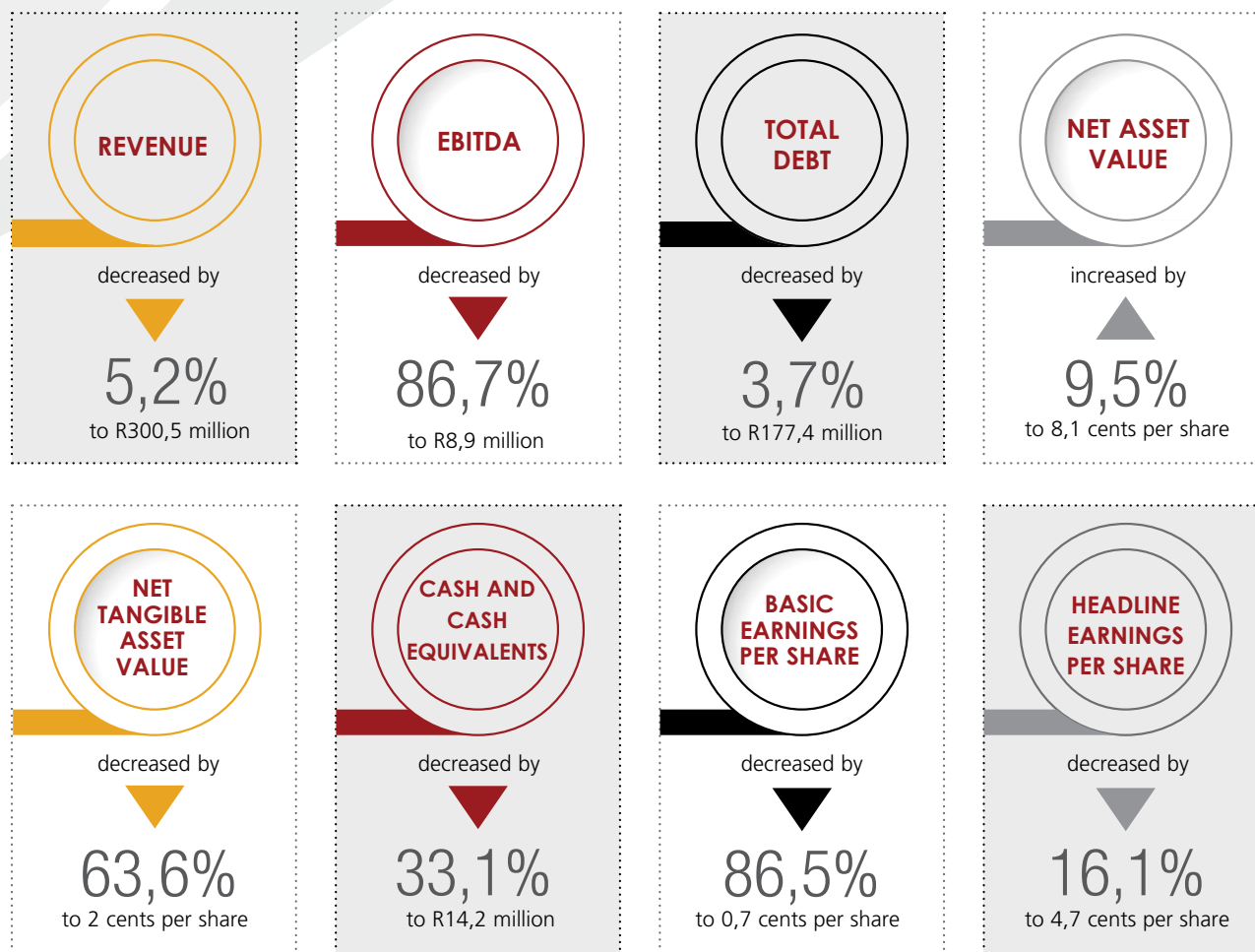




The icon pertaining to the specific capital has been applied throughout the content of this integrated annual report as an indicator of where the specific capital is discussed.

KEY FEATURES

FINANCIAL HIGHLIGHTS

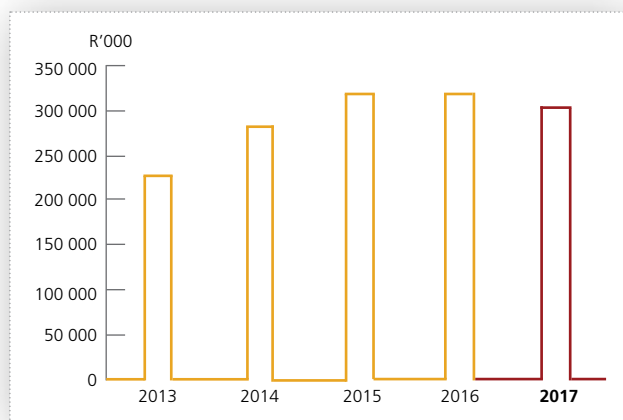


	2017 R'000	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
Revenue	300 486	317 002	318 229	283 936	223 755	134 807
EBITDA	8 884	66 670	44 905	16 606	37 372	19 691
Operating (loss)/profit before interest and taxation	(6 690)	48 583	25 332	(4 866)	62 635	22 082
Attributable earnings	4 219	32 847	9 476	(23 160)	27 395	(32 752)
Headline earnings	29 215	34 965	16 857	11 986	2 601	(21 132)
Cash and cash equivalents	14 225	21 247	94 491	21 045	9 868	2 418
Total assets	228 474	231 062	310 102	247 878	270 004	235 720
Total debt	(177 401)	(184 208)	(296 095)	(243 347)	(242 313)	(235 424)
Net assets	51 073	46 854	14 007	4 531	27 691	296
Intangible assets	(10 198)	(12 320)	(13 656)	(14 413)	(15 169)	(8 350)
Deferred tax asset	(28 082)	(209)	–	–	–	–
Net tangible assets	12 793	34 325	351	(9 882)	12 522	(8 054)
Cents per share						
Basic earnings per share	0,7	5,2	1,5	(3,7)	4,3	(5,2)
Headline earnings per share	4,7	5,6	2,7	1,9	0,4	(3,4)
Net asset value per share	8,1	7,4	2,2	0,7	4,4	0,0
Net tangible asset value per share	2	5,5	0,1	(1,6)	2,0	(1,3)

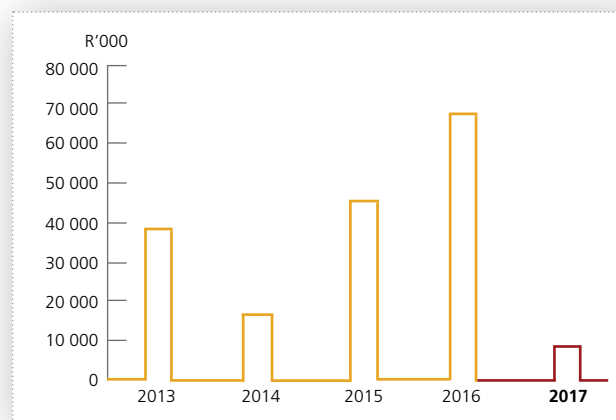
The performance indicators must be considered in conjunction with the commentary in the chief financial officer's report on pages 16 to 19, as the 2017 financial year is, amongst other non-recurring considerations, the final year where a number of cost items (catch-up operating expenditure) have been incurred in order to catch-up on reporting, which fell behind when the company was still under provisional liquidation.

Key features continued

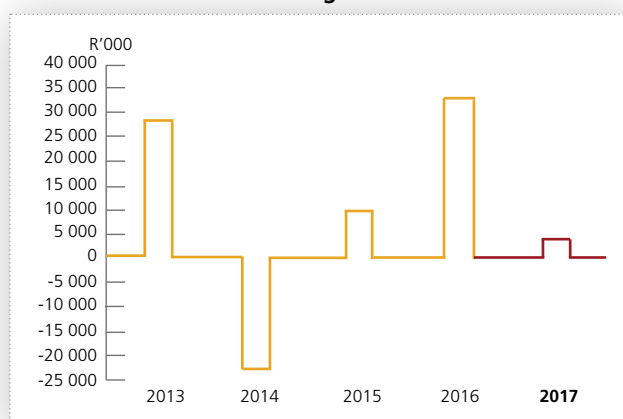
Revenue



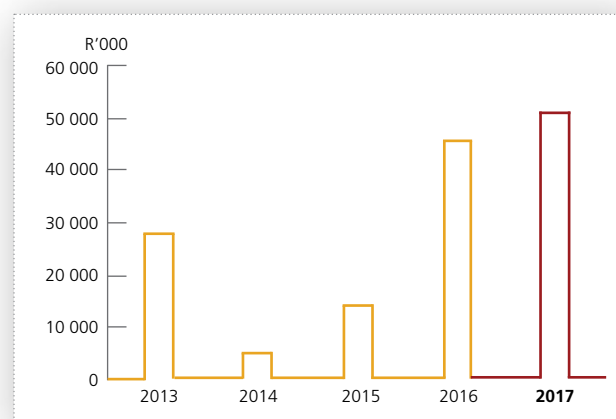
EBITDA



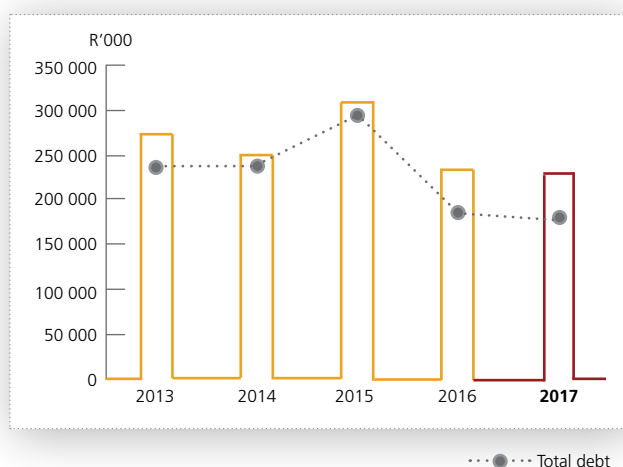
Attributable earnings



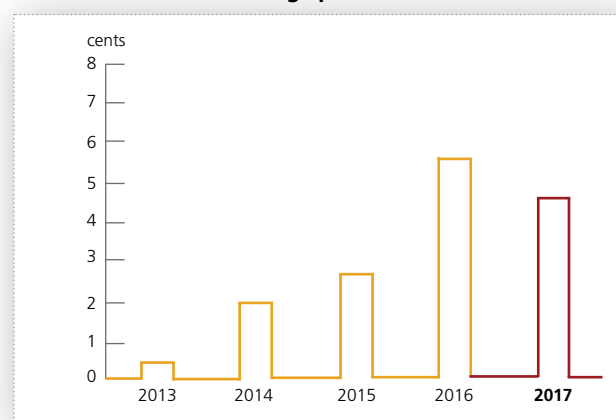
Net assets



Total assets/total debt



Headline earnings per share



The performance indicators must be considered in conjunction with the commentary in the chief financial officer's report on pages 16 to 19, as the 2017 financial year is, amongst other non-recurring considerations, the final year where a number of cost items (catch-up operating expenditure) have been incurred in order to catch-up on reporting, which fell behind when the company was still under provisional liquidation.

CHAIRMAN'S REPORT

“Brikor management maintains as its key focus areas the optimisation of its business model, the strengthening of the group's broad-based black economic empowerment credentials, and the upliftment of the suspension of Brikor's listing on the Alt^x of the Johannesburg Stock Exchange.”

BRIKOR AND THE SOUTH AFRICAN ECONOMY

The South African economy officially moved into a recession during the first quarter of calendar 2017, coinciding with Brikor's year-end of 28 February 2017. The first quarter contraction was led by weak manufacturing and trade, with manufacturing falling by 3,7% and trade falling by 5,9%, suggesting that high unemployment and stagnant wages were dragging down South-Africa's consumer sector. Although South Africa exited the recession in the second quarter of calendar 2017, after gross domestic product grew by 2,5%, expectations of a constricted economy remain.

The building confidence index reached its highest level in more than a year of 43 points in the first quarter of calendar 2017 (which is still 7 points below equilibrium). Moreover, all of the sub-subsectors measured registered a decline in confidence. This has only happened in five other instances since the index was first compiled in 1997. Underpinning the fall in confidence was a deterioration in building activity as well as a sharp drop in overall profitability, with continued low sales, coupled with rising input costs. The fall in construction activity is consistent with an environment of constrained public-sector capital expenditure.

In the first week of April 2017, both Standard & Poor's Global Ratings and Fitch Ratings downgraded South Africa to sub-investment grade. In June 2017, Moody's Investors Service downgraded South Africa to Baa3, one notch above sub-investment grade.

South Africa is also experiencing the lowest business confidence levels seen in the last eight years.

The South African Reserve Bank revised its economic growth outlook for the country downwards, from 1% to 0,5% for calendar 2017.

Against the background of political instability, high unemployment, a slowing economy and with limited prospects of any significant improvement in domestic economic conditions to stimulate consumer disposable income, the trading environment is likely to remain constrained for the foreseeable future.

Brikor management maintains as its key focus areas:

- ▶ business model optimisation through:
 - maximising financial returns;
 - cost-saving initiatives;
 - effective working capital management;
 - increasing yields; and
 - rendering superior customer service;



Ina McDonald

Chairman's report continued

- ▶ strengthening the group's broad-based black economic empowerment credentials; and
- ▶ the upliftment of the suspension of Brikor's listing on the AltX of the Johannesburg Stock Exchange.



STAKEHOLDER ENGAGEMENT

Stakeholder engagement is undertaken with a far broader aim than merely communication to various stakeholder groups. Rather, Brikor considers its various stakeholders as key partners in its endeavours and has adopted a stakeholder-inclusive approach in determining material challenges and opportunities within the group. Collaboration and regular interaction with all stakeholder groups are essential to Brikor's long-term resilience and to the effectiveness of its integrated sustainability approach.

Stakeholder relationships are actively managed by the executive directors and senior members of management and the nature of engagements during the year under review is outlined on pages 28 to 34.

After the reporting date the board of directors was presented with a formal stakeholder engagement policy for consideration, which outlines Brikor's approach to communicating and working with stakeholders.



BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

B-BBEE is a means to create economic growth in South Africa, and is vital to advance corporate strategy. It is a strategy to ensure all South Africans are able to meaningfully participate in the mainstream economy. The need for meaningful workplace transformation, as espoused by the B-BBEE Act, is a requirement to demonstrate effective transformation at all levels in the business.

Brikor is a generic enterprise and has been verified as a Level Six B-BBEE contributor in terms of the Department of Trade and Industry's Codes of Good Practice, gazetted on 9 February 2007 (the Old Codes). Brikor is currently in the process of renewing its rating certificate in terms of the Department of Trade and Industry's Codes of Good Practice, gazetted on 11 October 2015 (the New Codes), effective 11 October 2016.

Various initiatives have been implemented to ensure that the group improves its B-BBEE contribution level and, to formalise the processes, the board is in the process of reviewing a B-BBEE policy for the group.

CORPORATE GOVERNANCE

Brikor fully supports the King Report on Governance for South Africa 2009 and the King Code of Governance for South Africa 2009 (King III). The board will review the application of King IV during the year ahead and will report thereon in the F2018 integrated annual report.

The board and individual directors are committed to the principles of transparency, integrity and accountability and accept their duty and responsibility to ensure that the principles set out in the Code of Corporate Practices and Conduct, as defined in the King III Report, are observed.

The board is satisfied that the group complies with all material provisions of King III, as has been reported in the corporate governance register which is available on Brikor's website at www.brikor.co.za.

The board of directors, at the approval date of the integrated annual report, being 30 November 2017, comprised seven directors of whom five are non-executive with three being independent. The aim is to have the composition of the board reflect the country's demographics, with the current board comprising 43% black directors. Subsequent to the reporting date, the board has been presented with a gender equality policy, for application across the group, which the board will review for adoption. 29% of the directors on the board are female.

Chairman's report continued

CHANGES TO THE BOARD OF DIRECTORS

As reported in the F2016 integrated annual report, under subsequent events, Hanleu Botha resigned as financial director with effect from 30 June 2016 and André Hanekom was appointed as financial director with effect from 18 July 2016.

Mrs Limpho Hani resigned as independent non-executive director of Brikor with effect from 23 January 2017. The board thanks Mrs Hani for her contribution to Brikor and wishes her well in her future endeavours.

Mamsy Mokate has been appointed as an independent non-executive director with effect from 12 April 2017. Mamsy holds a Post-Graduate Diploma in Business Management. She is currently the acting chief financial officer at the Passenger Rail Agency of South Africa and has served on numerous audit committees. We look forward to her valuable contribution to the group.

Following CIS Company Secretaries (Pty) Ltd's resignation with effect from 31 March 2017, Fusion Corporate Secretarial Services (Pty) Ltd (Fusion) was appointed as company secretary of Brikor effective 1 April 2017. The board looks forward to a long and mutually beneficial relationship with Fusion.

APPRECIATION

I extend my deepest gratitude to the board of Brikor for their unwavering support and guidance. On behalf of the board of directors, I thank the executives, management and staff of Brikor for their loyalty and commitment that give the group a firm foundation on which to build.

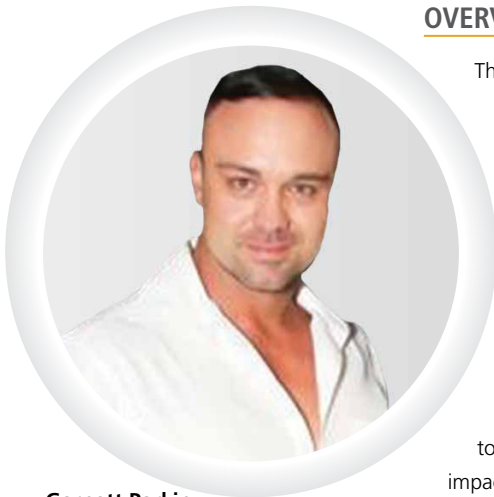


Ina McDonald

Non-executive chairman

CHIEF EXECUTIVE OFFICER'S REPORT

“We take pride in our culture, loyal workforce and stakeholder relationships, which remain key in our strive to be the best at what we do, working in unity – moving forward as one, creating a better future for all, continuous improvement in all aspects of our business, rather than delayed perfection.”



Garnett Parkin

OVERVIEW

The results for the year under review reflect the final chapter in a number of consecutive years of realignment, consolidation, refinement and establishment of a sustainable foundation on which to grow the future business of the Brikor group.

The group's overall financial indicators evidenced the continued endeavours by management to cement a sustainable operating platform for the group by reducing debt and ongoing settlement of liabilities pertaining to past compliance matters, which management is diligently and consistently working on to resolve.

The significant drop in total comprehensive income from R32,8 million to R4,2 million, a decrease of 87,2%, was mainly attributable to the impact of impairments (principally of the Donkerhoek segment, where an impairment of R23,9 million was recognised) and deferred tax recognition of the calculated tax losses, exacerbated by a number of cost items incurred in order to catch up on reporting, which fell behind during the period in which the company was under provisional liquidation. Further details are disclosed in the chief financial officer's report.

The competitive operating environment continued to drive selling prices downward, which placed pressure on revenue. The combination of limited capacity in the production of bricks, brought about by the limited power supply available to the brick plants, and adverse weather conditions, particularly during the November 2016 to January 2017 period, led to operational challenges with the concomitant financial implications. Significant rainfall hampered the group's ability to mine and screen aggregates, coal and clay for the production of bricks and resultant sales. It also slowed down the group's ability to build stockpiles, which in turn caused difficulty and inconsistency in the production processes. This is not a frequent occurrence and management has subsequently implemented measures to ensure production continues to run smoothly in the face of future unforeseen weather conditions. The segment most affected was the coal segment, showing a decline in revenue of 20,8%, with the bricks segment declining marginally.

The overall gross profit percentage decreased to 23,1% from 27,4%, largely as a result of adjustments to rehabilitation provisions and the increased buy-in of low-margin stock bricks to supplement the shortfall in supply.

The unfavourable weather conditions altered the production basket to the less profitable range of bricks available-for-sale, thereby also driving the gross profit percentage of the bricks segment and that of the overall group downward.

Adjustments pertaining to the royalty tax provision and the recognition of a mining asset in the coal segment slightly mitigated the decrease in overall gross profit percentage. These factors are not expected to repeat themselves in subsequent years.

Chief executive officer's report

continued

Earnings per share and headline earnings per share

With Brikor's listing on the Alt^x of the Johannesburg Stock Exchange still being suspended, pending application by the board of directors for upliftment of the suspension, the number of shares in issue in the earnings per share calculations remains static at 629 342 031 ordinary shares.

Earnings per share decreased by 86,5% to 0,7 cents per share (2016: 5,2 cents per share).

Headline earnings per share decreased by 16,1% to 4,7 cents per share (2016: 5,6 cents per share). Headline earnings per share adjustments related mainly to an adjustment of R25,3 million in respect of the impairment of assets and a profit on disposal of property, plant and equipment of R0,3 million.

REVIEW OF OPERATIONS

Bricks

The bricks segment comprises the two clay brick manufacturing plants, located in Nigel, which mainly produce plaster and semi face clay bricks for the building and construction industry.

Revenue in the brick segment decreased marginally during the year under review, mainly due to weather conditions that caused difficulty in the production cycle and the product mix that was sold. Price increases in fuel and electricity were not passed onto customers during the first quarter.

Coal

The coal segment represents Brikor's wholly-owned subsidiary, Ilangabi Investments 12 (Pty) Ltd, which owns coal and clay reserves. The location of the clay and coal reserves, in close proximity to Brikor's clay brick manufacturing plants, gives Brikor the advantage of being self-sufficient in the supply of raw materials. The clay overlaying the coal deposit is stripped and stockpiled for future use in the clay brick manufacturing process, whereas the coal mined is used to ignite the kilns in which the clay bricks are fired.

Revenue in the coal segment declined significantly during the year under review, mainly attributable to heavy rainfall in the latter part of the financial year, which slowed down mining activities and limited stockpiling capacity. Remedial procedures have been implemented by management to mitigate the impact of adverse weather conditions.

Aggregates

The aggregates segment constitutes the Donkerhoek business, a producer of aggregates of a wide variety of sizes and technical specifications with products including stone, gravel and sand for large- and small-scale civil engineering as well as infrastructure projects.

During the year under review, the aggregates segment has been incurring significant losses and, based on the losses, an impairment trigger was identified with an impairment of R23,9 million consequently recognised.

Subsequent to the year-end, Brikor entered into an agreement to dispose of the Donkerhoek business. Please refer to page 70 for further disclosure.

BUSINESS OBJECTIVES

Brikor's strategy remains vested in:

- ▶ being self-sufficient in its access to raw materials;
- ▶ encouraging flexibility and innovation to accommodate changes in market demand;
- ▶ increasing production capacity to meet the needs of our customers;
- ▶ offering a diverse product range of quality building materials;
- ▶ managing a sound financial system to benefit all stakeholders;

Chief executive officer's report

continued

- ▶ expanding the group's market share through aggressive marketing efforts;
- ▶ ensuring customer satisfaction by cultivating excellent customer relations; and
- ▶ maintaining dynamic leadership with an innovative and supportive culture towards employees.



IDENTIFYING AND MANAGING RISKS

Risk management and the ongoing improvement of corresponding control structures remain key to management's focus in building a successful and sustainable business.

Executive management plays an active role in the risk management process and is responsible for the implementation, ongoing maintenance of and compliance with the risk process as it applies to each business in the group.

Key risks identified within the group include:

- ▶ more complex and onerous broad-based black empowerment compliance and implementation requirements;
- ▶ low staff morale, go slow and potential labour action;
- ▶ information technology shortcomings;
- ▶ compliance related to royalties tax and income tax regulations;
- ▶ the volatility of the price of fuel; and
- ▶ the protracted recovery of conditions in the residential building sector.

Mitigating strategies are disclosed in the risk management section of the integrated annual report on pages 35 to 38.

SUSTAINABILITY

Brikor's sustainability agenda is supported by a commitment to incorporate social, environmental, economic and ethical factors into the group's strategic decision-making. It extends to evaluating how these factors affect the business – including all of its stakeholders – and what risks and opportunities these factors present. The group adopts measures to mitigate risks and takes advantage of opportunities.

The changing expectations regarding the role of business in society – reflected in corporate citizenship, transformation, sustainable development and regulatory imperatives – add to the complexity and cost of running a business. The group approaches sustainability pro-actively by creatively searching for new solutions to sustainability issues, which can also be used as a source of competitive advantage, underpinned by a compliance base, while remaining cognisant of business imperatives.



People

As an employer of 748 staff members, Brikor is aware of its responsibility to its people, their families and their communities. Brikor believes in empowering people, building relationships and improving lives. The group's human and intellectual capital is its people's competencies, experience and business knowledge. Human development in the workplace gives employees access to training and development thereby optimising employee competence and engagement. The group ensures a safe and healthy environment at its different operations, incorporating physical and mental well-being. The commitment to the progress of the communities where Brikor operates is based not only on the economic impact, but also on an early evaluation of its social impact.



Profit

The period under review has been very challenging and results disappointing, with headline earnings per share down 16,1% to 4,7 cents per share, mainly due to the effects of adverse weather conditions and lack of power supply as outlined above. Management is taking firm action against the disappointing performance, through dedicated areas of focus.

Chief executive officer's report

continued



Planet

Brikor collates and analyses carbon footprint data (Scope 1 and Scope 2), as well as data on other specific aspects of environmental indicators, including materials, effluents and waste, water and transport – annually. The data is included in the sustainability report, together with management's approach. Management continually strives to minimise the group's environmental impact to ensure our planet for future generations.

SUBSEQUENT EVENTS

Disposal of the Rayton property

As announced on SENS on 24 July 2017, Brikor has entered into a sale agreement with Corobrik (Pty) Ltd (Corobrik) for the sale of the Rayton property (Portion 31 of Farm Witfontein 510, Registration Division JR, Province of Gauteng), which property has been identified as a non-core asset, and the cession and transfer of the mining right (GP30/5/1/2/2 (237) MRC) to Corobrik. No mining activities have taken place at the Rayton property since 2006. The purchase consideration payable by Corobrik to Brikor shall be an amount of R2,2 million, exclusive of VAT, payable on the transfer of the Rayton property. Brikor will utilise the proceeds from the sale for general working capital purposes. As at 28 February 2017, the value of the net assets subject to the transaction was R3,5 million and the loss attributable to the net assets was R1,3 million.

The transaction, which has been classified as a category 2 transaction by the JSE, is subject to certain conditions precedent and shareholders will be advised once these have been met.

Disposal of the Schist property

Brikor has received several offers in terms of the Nigel Schist property, situated at Portion 58 of the Farm Vrisgewaag 5101R Schist, of which the latest offer of R0,2 million is inclusive of the transfer of the environmental obligation. The company is in the process of finalising the terms of the agreement with the potential buyer. The agreement is subject to approval of the closure from the Department of Mineral Resources.

Disposal of the Donkerhoek business

As announced on SENS on 12 September 2017, Brikor has accepted an offer on 8 September 2017 and entered into a sale agreement on 27 October 2017 with Vibro Bricks and Paving (Pty) Ltd (Vibro) for the sale of the Donkerhoek business, a non-core asset identified by management, as a going concern for a purchase consideration of R50 248 371, exclusive of VAT. R10 million will be payable on the date of transfer of the immovable properties and the balance on the fulfilment or waiver of the conditions precedent.

The transaction proceeds will be used for repayment of debt and funding working capital. As at 28 February 2017, the value of the net assets subject to the transaction was R47,1 million and the loss attributable to the net assets was R25,1 million.

The final sale agreement, which embodies the terms of the sale, was signed on 27 October 2017, thereby actioning the next progressive steps towards finalisation of the deal, including the finalisation of the conditions precedent. No circumstances or expectations pertaining to the sale transaction have changed since acceptance of the original offer and Brikor management is confident the transaction will be concluded successfully. It is in the interest of both sale parties and Donkerhoek stakeholders to ensure the transaction is completed as soon as feasibly possible. Further details of the impact of the transaction on the results of Brikor will be disclosed in the circular to shareholders to be published in accordance with the Category 1 classification requirements under which the transaction has been classified by the JSE.

DIVIDEND

No dividend has been declared or paid during the year under review.

Chief executive officer's report

continued

GOING CONCERN

The 2017 consolidated 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.

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, with the last major debts outstanding being those amounts owing to related parties and the South African Revenue Services.

The South African economic environment remains challenging, with the growth outlook for the country having been revised downwards for calendar 2017, from 1% to 0,5%, by the South African Reserve Bank.

Brikor entered the 2018 financial year having been mostly liberated from the legacy of the impact of the provisional liquidation and, other than operational and industry challenges, the Brikor board acknowledges the need to reformulate the dynamic group strategy to maximise deliverables to the benefit of all stakeholders. A priority during the year ahead will be the strengthening of Brikor's broad-based black economic empowerment status, with the aim of reaching a Level 4 B-BBEE contributor status.

Any forward-looking statements have neither been reviewed nor reported on by the group's auditors, KPMG Inc.

APPRECIATION

I wish to express my gratitude to the directors of Brikor who, under the leadership of our chairman, Ina McDonald, are supportive and give clear direction to the executive.

As always, I extend my appreciation to our shareholders, advisors, customers and business associates for their contributions. Our loyal workforce maintained high levels of performance and for that, I thank you. Your mettle forms the basis from which the group will grow into a profitable and sustainable future.



Garnett Parkin
Chief executive officer

CHIEF FINANCIAL OFFICER'S REPORT

“The group remained committed to applying basic fundamentals in production, combined with strong cash management and tight expenditure control processes.”



André Hanekom

INTRODUCTION

The group is pleased to present the results for the year ended 28 February 2017, which reflect the final chapter in a number of consecutive years of realignment, consolidation and establishment of a sustainable foundation on which to grow the future business of the Brikor group. The group remained committed to applying basic fundamentals in production, combined with strong cash management and tight expenditure control processes.



SUMMARY OF FINANCIAL PERFORMANCE

The review of the group's financial performance for the year ended 28 February 2017 focused on the key items which management considers material to the group's performance. The impact of expenditure relating to reporting, which fell behind when the company was still in provisional liquidation (catch-up operating expenditure), impairments and deferred tax recognition of the tax assessed loss in the company, was significant and must be specifically considered.

The productivity and financial effects of the operational challenges, faced due to foul weather, particularly from November 2016 to January 2017, also played a role in revenues generated and its comparability with the prior years.

The review should be read in conjunction with the consolidated annual financial statements which follow on pages 61 to 130 of this integrated annual report.

Revenue, gross profit and other income

Revenue decreased to R300,5 million (2016: R317,0 million) with the gross profit percentage decreasing to 23,1% (2016: 27,4%).

The competitive operating environment continued to drive selling prices downward, which placed pressure on revenue, however, the major driving factor for the reduction in revenue for 2017 was a combination of limited capacity in the production of bricks, brought about by the limited power supply available to the brick plants, and the foul weather experienced during the months of November 2016 to January 2017 of the financial year, detailed below in the segments section.

The overall gross profit percentage declined largely as a result of adjustments to rehabilitation provisions and the increased buy-in of low margin stock bricks to supplement the shortfall in supply experienced during the foul weather periods mentioned above. Further to this, the foul weather conditions altered the production basket to the less profitable range of bricks available-for-sale, thereby also driving the gross profit percentage of the bricks segment and the overall group downward. This decline in overall gross profit was offset by a smaller improvement of the overall gross profit percentage resulting from adjustments in the coal segment pertaining to the royalties' tax provision and the recognition of a mining asset. These factors are not expected to repeat themselves in subsequent years.

Chief financial officer's report

continued

Operating expenditure

Operating expenses increased by 87,4% to R81,9 million (2016: R43,7 million) as a result of, *inter alia*, impairments made to the fixed assets of the Donkerhoek operation amounting to R23,9 million.

Catch-up operating expenditure, which had to be caught up in the 2017 financial year, amounted to R3,6 million. Operating expenditure (or income also affecting the operating expenditure line), relating to once-off expenses (once-off operating expenditure), amounted to R6,9 million. When taking the impairments, catch-up operating expenditure and once-off operating expenditure into account, an inflationary-related increase in operating expenditure is evident, when compared to the 2016 financial year.

Segments

The impact of the foul weather (significant rainfall), as mentioned earlier, can most evidently be seen in the gross profit percentage decline in the bricks segment and the revenue decline in the coal segment, in that the operational challenges led to the production of lower value bricks and inhibited mining operations, as the quarries were flooded and/or inaccessible. The weather hampered the group's ability to mine and screen aggregates, coal and clay for sales and the production of bricks. It also hampered the group's ability to build stockpiles, which in turn caused difficulty in the production processes and inconsistency in product quality and colour. This is not a frequent occurrence and management has planned and executed procedures to ensure the group continues smooth production, despite unforeseen future weather conditions.

In terms of revenue, the segment most affected was the coal segment, showing a decline of 20,8%, with bricks showing a decline of 0,6%.

In terms of gross profit, the segment most affected was the bricks segment, showing a decline of R18,9 million, with coal showing an increase of R3,8 million, as the decline in revenue was mitigated by the overdue price increases introduced together with adjustments in the coal segment pertaining to the royalties' tax provision and the recognition of a mining asset.

The operating expenditure for the aggregates segment clearly depicts the impairment made to the fixed assets of the Donkerhoek operation, which amounted to R23,9 million. The impairment was required to bring the net asset value of the operation in line with its recoverable amount. When adding the impairment back, it remains evident that the aggregates segment is only marginally profitable, especially since the 2017 financial year has no representation of the more profitable contract volumes which were still reflecting, albeit only for a few months, in the 2016 financial results.

When considering the catch-up operating expenditure of R3,6 million and once-off operating expenditure of R6,9 million, the bricks segment, which carried the majority of these costs, maintained a reduced expenditure base, evidencing that the impact on profit before interest and tax was derived purely from the reduced gross profit.

Management deemed it appropriate to recognise the deferred tax asset for the assessed loss pertaining to the company. This was based on sound, supported and reasonable justifications derived from calculations indicating the period over which the assessed loss will be utilised.

Interest earned during the period under review amounted to R1,7 million (2016: R3,1 million). The reduction in interest earned resulted from the reduction in funds invested, as these funds were used in continuing to settle the debts of the company during the 2017 financial period in order to become compliant with regards to previously unpaid liabilities.

Interest paid during the period increased to R13,8 million (2016: R13,5 million) as result of the ongoing accrual of interest worth R1,6 million on historical debt, which will also not be repeated in future periods.



SUMMARY OF FINANCIAL POSITION

Net asset value improved by R4,2 million to R51,0 million for the financial year under review. Net current assets improved to R8,5 million from R8,0 million in the previous year, which relates to a strengthening of the net current asset position by R0,5 million. The current ratio remained on 1,1, consistent with management's focus to improve the sustainability and financial position of the group.

Debt repayments and cash flow analysis

Although net cash flows for the year represented a deterioration of R7,0 million, it must be read in conjunction with the fact that the group settled R17,2 million in taxes and invested R22 million in capital expenditure. When considering that the operating profit before interest, taxation and impairments amounts to R18,6 million (2016: R48,6 million) and the cash generated from operations for the period under review amounts to R41,4 million (2016: R48,0 million), the resultant cash conversion ratio is 222,6% (2016: 95,9%).

Chief financial officer's report

continued

Working capital cycle

From the table below, it can be seen that inventory days went from 66,5 days to 71,0 days, with a decrease in rand value of R1,1 million, indicating no investment in inventories. This is consistent with the group's ability to sell its finished products almost immediately. Trade debtors' days decreased from 36,1 days to 29,3 days as a result of significant debtor management being consistently applied in conjunction with strict credit approval processes.

The decrease in trade creditor days to 28,6 days from 35,3 days is a result of the inverse relationship between the increase in cost of sales and the decrease in trade creditors. From a cash flow perspective, this is not positive, however, management believes the risk profile of the group does not warrant establishing creditor accounts to the full extent as yet.

R'000	As at 28 February 2017	As at 29 February 2016	As at 28 February 2015	As at 28 February 2014
Inventory balance	44 432	45 499	38 305	42 761
Trade receivables and creditors paid in advance balance	20 254	27 941	34 790	41 515
Trade payables and receipts in advance balance	(18 018)	(18 230)	(26 322)	(22 979)
R'000	For the year ended 28 February 2017	For the year ended 29 February 2016	For the year ended 28 February 2015	For the year ended 28 February 2014
Sales for the year	300 486	317 002	318 229	283 936
Cost of sales	(231 210)	(230 126)	(241 695)	(212 375)
Inventory days	71,0	66,5	61,2	
Debtors' days	29,3	36,1	43,8	
Creditors' days	(28,6)	(35,3)	(37,2)	
Net working capital cycle	71,7	67,3	67,8	

Segments

The bricks segment showed a decline in net assets of R12,9 million to R17,6 million, mainly as a result of the consistent increase of the royalties' tax provision.

The coal segment showed a decline in the net liability of R0,8 million to R4,0 million, mainly as result of the repayment of finance leases.

The aggregates segment suffered impairments as a cash-generating unit to the extent of R23,9 million, thus heavily impacting on the decrease of the net segmental assets to R47,0 million from R62,7 million.

Capital expenditure

For the year under review capital expenditure amounted to R22 million, the values being invested as follows:

- ▶ Plant and equipment of R18,7 million, made up as follows:
 - Coal segment
 - R3,6 million on fixed plant; R3,4 million on mobile plant; R3,7 million on the latest box cut; and R0,1 million on the environmental impact study;
 - Aggregates segment
 - R1,4 million on fixed plant; and R5,9 million on mobile plant;
 - Bricks segment
 - R0,2 million on fixed plant; and R0,4 million on mobile plant.

Chief financial officer's report

continued

- ▶ Furniture and fittings of R1,2 million, made up as follows:
 - Bricks segment
 - R0,5 million on a new accounting package; R0,3 million on new furniture for the boardroom; and R0,2 million on computers and laptops;
 - Coal segment
 - R0,1 million on computers and laptops; and R0,1 million on a new computer server.
- ▶ Buildings of R1,1 million, made up as follows:
 - Bricks segment
 - R0,7 million on upgrading the electrical infrastructure and a new substation; and R0,2 million on extending the boardroom;
 - Coal segment
 - R0,2 million on upgrading of the electrical infrastructure.
- ▶ Motor vehicles of R0,9 million made up as follows:
 - Bricks segment
 - R0,7 million on three motor vehicles;
 - Aggregates segment
 - R0,1 million on a truck;
 - Coal segment
 - R0,1 million on three truck canopies.

Consolidated property, plant and equipment decreased to R89,8 million (2016: R109,2 million) as a result of:

- ▶ the additions to buildings of R1,1 million (2016: Rnil);
- ▶ the additions of plant and equipment of R18,7 million (2016: R16,7 million);
- ▶ the additions of furniture and fittings of R1,2 million (2016: Rnil);
- ▶ the additions of motor vehicles of R0,9 million (2016: R1,7 million);
- ▶ the disposal of plant of R1,5 million (2016: R5,6 million);
- ▶ the disposal of motor vehicles of R0,7 million (2016: R0,9 million);
- ▶ impairments of mineral reserves by R24,4 million (2016: Rnil);
- ▶ depreciation of R14,4 million (2016: R16,8 million);
- ▶ transfer of assets to assets held-for-sale of R3,6 million (2016: Rnil); and
- ▶ increase in decommissioning assets of R3,1 million (2016: decrease R0,4 million).

APPRECIATION

Brikor is striving to re-establish sustainable shareholder value within the group and wishes to specifically thank the finance staff across the group for their dedication and commitment to achieving ever-dynamic best-practice reporting standards with an admirably motivated and positive attitude.



André Hanekom CA(SA)
Chief financial officer

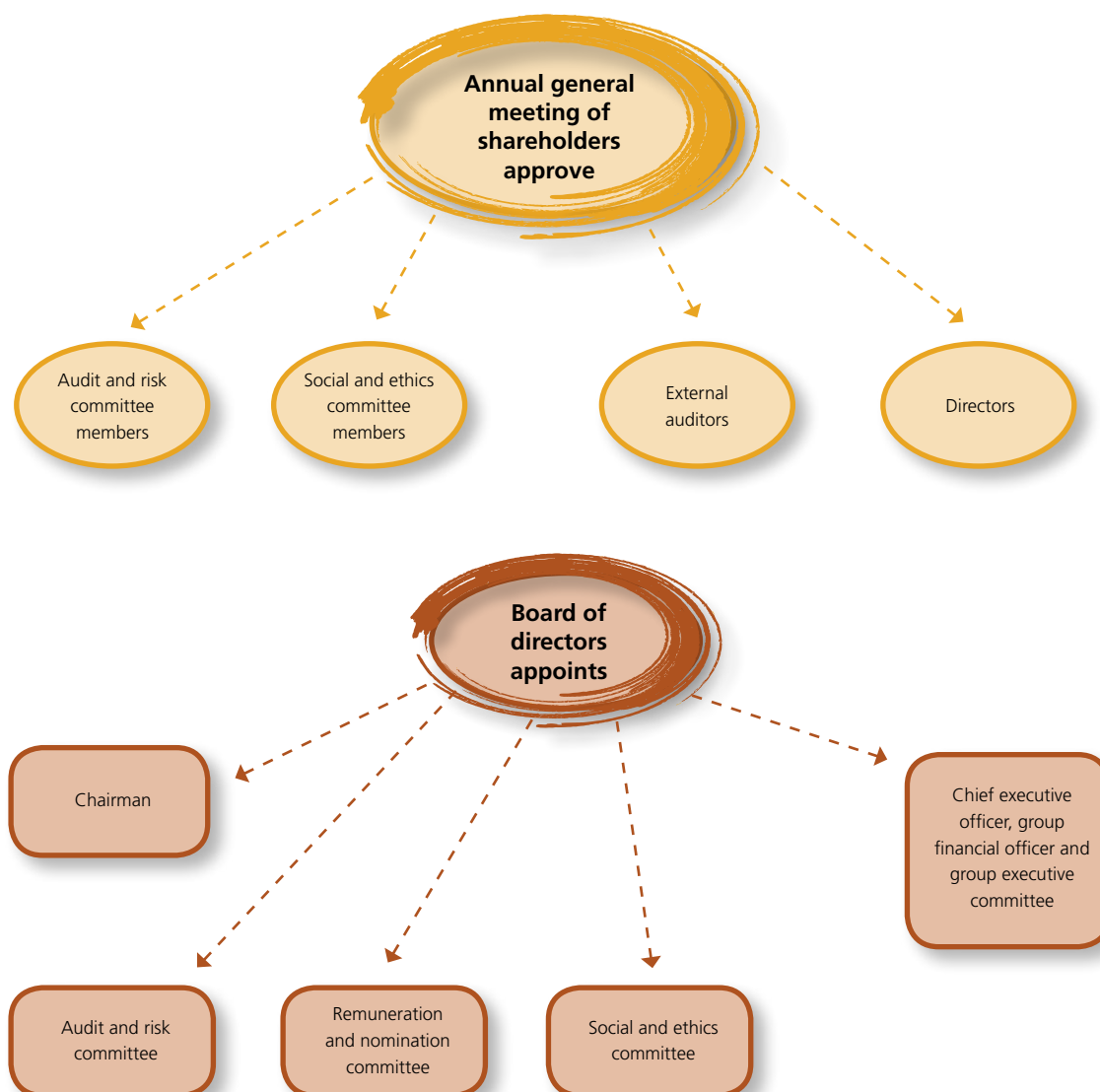
CORPORATE GOVERNANCE

The directors endorse and accept full responsibility for the application of the principles necessary to ensure that effective corporate governance is practised consistently throughout the group. The group is committed to the principles of openness, integrity and accountability to all stakeholders and the board of directors accepts their duty to ensure that the principles as set out in the King Report on Corporate Governance for South Africa – 2009 (King III) are implemented on an “apply or explain” basis.

A register addressing an assessment of the 75 principles as set out in the King Code is available on the group’s website www.brikor.co.za.

A summary of the principles contained in Chapter 2 of the King Code is outlined below:

GOVERNANCE STRUCTURE AND FRAMEWORK



CORPORATE GOVERNANCE continued



BOARD OF DIRECTORS

Ina McDonald (61)

Non-executive chairman

BProc

Date appointed: 11 November 2015



Ina is an attorney by trade. She joined the Department of Justice in 1979, and started her own firm in 1990. Ina is also involved in non-profit organisations, was the chairman of Child Welfare in Springs and is the founding member and chairman of Operation Snowdrop. She is the executrix in the estate of the late Garnett van Niekerk Parkin, the previous chief executive officer of Brikor.

Garnett Parkin (35)

Chief executive officer

Leadership Development and Junior Management Certificate (University of Stellenbosch)

Date appointed: 20 February 2007



Garnett matriculated in 2001 with the Cambridge University syllabus and simultaneously obtained an Entrepreneurship Certificate from Potchefstroom University with Financial Management and Business Management as main subjects. Thereafter, he went to the International Hotel School where he completed Tourism and Front Office Management (accredited by the American Hotel & Lodging Association). In 2003, he started his working career at Brikor, enrolled at Unisa and completed Business Management, Public Administration, English Communications and Economics. In 2005, he contributed to the successful establishment of Brikor's procurement department. In 2006, after completing the Leadership Development and Junior Management Certificate at the University of Stellenbosch's Business School, he was appointed administration manager.

Garnett successfully managed the debtors and creditors portfolios throughout Brikor and attended to cash flow and capital expenditure management, as well as procurement across all the divisional businesses. On 17 January 2015, Garnett, who was the alternate director to the late Garnett van Niekerk Parkin, was appointed as acting chief executive officer and as chief executive officer on 11 November 2015.

André Hanekom (40)

Chief financial officer

CA(SA)

Date appointed: 18 July 2016



André qualified as a CA(SA) in 2001, after having completed his articles at BDO Spencer Steward Inc. He has fifteen years' experience in auditing, taxation and financial disciplines as well as having been the chief financial officer at a main board JSE-listed company, Rolfes Holdings Limited.

CORPORATE GOVERNANCE continued



Mamsy Mokate (57) *^

Independent non-executive director

BCom (Acc); Post-graduate Diploma in Business Management; AGASA

Date appointed: 12 April 2017

Mamsy Mokate has been in the finance profession for thirty years, having spent her career in the banking industry, an accounting firm and state-owned entities. She is a registered Associated General Accountant. She has previously served on audit committees of municipalities as well as held trustee positions of a medical aid and currently of various family trusts.



Peter Moyanga (53) **^

Lead independent non-executive director

Date appointed: 2 November 2015

Peter has a vast knowledge of the services industry, in which he has been involved since the late 1980s. He was one of the first employees of McDonald's when the corporation arrived in South Africa in 1995. He regularly shares his expertise on franchising and small enterprise development with entrepreneurs through various forums and he has a working relationship with the Small Enterprise Development Agency. Peter is a director in a number of institutions including Notshi Investments (Pty) Ltd, in which he is also a shareholder. He is a non-executive director of Vukile (Pty) Ltd, a past chairman of Medishield Medical Aid Scheme and a national director of Reach for a Dream Foundation.



Collen Madolo (40) *^ +

Independent non-executive director

PrEng

Date appointed: 1 November 2012

Collen, a professional engineer, has worked as an engineer for Anglo Coal and Eskom, was an executive committee member of Metrix (Pty) Ltd, and is currently the managing director of Amibex (Pty) Ltd and a director of Ilangabi Investments 12 (Pty) Ltd.



AP van der Merwe (72) *

Non-executive director

NDip: Com; NDip: Business Management; NDip: O & W; HDip: Management Practice

Date appointed: 11 November 2015

AP started his banking career with Trust Bank in 1970. After filling various positions in Nedfin Bank, he rose to the level of divisional manager of the Business Banking Division of Nedcor in 1994. AP took early retirement in 2004, and has since done consulting work for various companies.

* Audit and risk committee

^ Remuneration and nomination committee

+ Social and ethics committee

CORPORATE GOVERNANCE continued

BOARD OF DIRECTORS

The board of directors sets the group's overall policy and provides guidance and input in areas relating to strategic direction, planning, acquisitions, performance measurement, resource allocation, key appointments, standards of conduct and communication with stakeholders.

The board's independence from the team responsible for the daily management of the group is maintained by:

- ▶ functioning board committees comprising mainly independent non-executive directors;
- ▶ the non-executive directors not holding fixed term contracts;
- ▶ all directors, with prior permission of the board, being entitled to seek independent professional advice regarding the affairs of the group at the group's expense;
- ▶ all directors having access to the advice and services of the company secretary; and
- ▶ the appointment or dismissal of the company secretary being decided by the board as a whole and not by individual directors.

CIS Company Secretaries (Pty) Ltd resigned as the company secretary of Brikor effective 31 March 2017. With effect from 1 April 2017, Fusion Corporate Secretarial Services (Pty) Ltd was appointed as Brikor's company secretary. The previous company secretary had and the current company secretary has an arm's length relationship with the board, in compliance with King III.

BOARD COMPOSITION

As at the approval date of the integrated annual report, being 30 November 2017, the board comprised seven directors of whom five were non-executive, three of whom being independent.

As the chairman of the board is not independent, Peter Moyanga serves as lead independent director. On 30 May 2016, Hanleu Botha resigned as financial director, effective 30 June 2016. On 18 July 2016, André Hanekom was appointed to the board as executive director and chief financial officer of Brikor. Mrs Limpho Hani resigned as independent non-executive director on 23 January 2017. With effect from 12 April 2017, Mamsy Mokate was appointed as independent non-executive director.

The directors are diverse in their academic qualifications, industry knowledge and experience.



Gender equality

The board is in the process of reviewing a proposed gender equality policy for adoption in the 2018 year. The policy addresses the following matters:

- ▶ promoting equitable gender representation at board level and outlining the approach to be adopted;
- ▶ recognising and embracing the benefits of having a diverse board which will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other distinctions between directors;
- ▶ that all board appointments will be made on merit, in the context of the skills, experience, independence and knowledge, which the board as a whole requires to be effective;
- ▶ to discuss and agree annually all measurable objectives for achieving diversity on the board and recommend them to the board for adoption;
- ▶ to report annually, in the corporate governance section of the integrated annual report, on the process applied in relation to board appointments. The report will include a summary of this policy, the measurable objectives set for implementing the policy and progress made towards achieving those objectives; and
- ▶ the annual review of the policy, which will include an assessment of the effectiveness of the policy, any revisions that may be required and recommendations of any such revisions to the board.

CORPORATE GOVERNANCE continued

MEETING ATTENDANCE

The board meets at least four times a year. Additional meetings can be convened to consider specific business issues which may arise between scheduled meetings. The number of board meetings attended by each of the directors of the company during the period 1 March 2016 to 28 February 2017 were as follows:

Board members	25 May 2016	2 June 2016	30 Aug 2016	27 Oct 2016	21 Nov 2016
Ina McDonald	✓	✓	✓	✓	✓
Garnett Parkin	✓	✓	✓	✓	✓
Hanleu Botha*	✓	n/a	n/a	n/a	n/a
Peter Moyanga	✓	✓	✓	✓	✓
Mrs Limpho Hani **	✓	✓	✓	✓	✓
Collen Madolo	✓	✓	✓	✓	✓
AP van der Merwe	✓	✓	✓	✓	✓
André Hanekom ***	n/a	n/a	✓	✓	✓
Mamsy Mokate ****	n/a	n/a	n/a	n/a	n/a

* Hanleu Botha resigned on 30 June 2016

** Mrs Limpho Hani resigned on 23 January 2017

*** André Hanekom appointed on 18 July 2016

**** Mamsy Mokate appointed on 12 April 2017

In terms of the JSE Listings Requirements, a representative of the company's designated adviser attends all board meetings.

BOARD CHARTER

The board charter has been reviewed, updated and was adopted by the board of directors of Brikor on 25 May 2016.

The purpose of the charter is to regulate the parameters within which the board operates and to ensure the application of the principles of good corporate governance in all dealings by, in respect of and on behalf of, the group. Furthermore, to set out the roles and responsibilities of the board and individual directors, including the composition and relevant procedures of the board as well as the various legislation and regulations affecting their conduct.

The charter adopted by the reconstituted board of directors specifically stipulates the following:

Role and responsibilities

Clearly defined areas of responsibility are outlined in the charter, with:

- ▶ the chairman providing leadership at board level and being responsible for ensuring that the integrity and effectiveness of the board and its committees are maintained;
- ▶ the chief executive officer providing executive leadership and being accountable to the board for the implementation of the strategies, objectives and decisions of the board within the framework of the delegation of authority, values and policies of Brikor group;
- ▶ the financial director contributing to the attainment of the group's business objectives by providing strategic and financial guidance to ensure that Brikor's financial commitments are met, as well as developing all necessary policies and procedures to ensure the sound financial management and control of the group's business; and
- ▶ the non-executive directors exhibiting the degree of skill and care as may be reasonably expected from a person of his/her skill and experience.

The board retains full and effective control over the group. The board meets at least quarterly with additional meetings called, if necessary or desirable. The board is also responsible for monitoring the activities of the executive management.

The board gives strategic direction to the group, appoints the chief executive officer and ensures that succession is planned.

The non-executive directors take responsibility for ensuring that the chair encourages proper deliberation of all matters requiring the board's attention. The board ensures that there is an appropriate balance of power and authority on the board so that no one director has unfettered power of decision-making or any block of individuals can dominate the board's decision-making process.

CORPORATE GOVERNANCE continued

The board provides effective leadership based on an ethical foundation and ensures that the group is seen to be a responsible corporate citizen. The board ensures that the group's ethics are managed effectively and that all deliberations are based on the four values underpinning good governance – responsibility, accountability, fairness and transparency.

At board meetings business matters, which have an impact on the wellbeing of the group and its stakeholders, are initiated, evaluated and monitored. These include setting group strategy, determining policy and instituting control measures.

The board appreciates that strategy, risk, performance and sustainability are inseparable and gives effect to this by contributing to and approving the strategy; identifying key performance and risk areas; ensuring that the strategy result in sustainable outcomes; and, considering sustainability as a business opportunity that guides strategy formulation.

The board remains ultimately responsible for acquisitions and disposals, approves capital expenditure which exceeds R500 000 and appraises proposals from the executive and other board committees.

The board ensures that the group complies with all relevant laws, regulations and codes of business practice and that it communicates with its shareholders and relevant internal and external stakeholders openly, promptly and with substance prevailing over form.

The board and its committees are supplied with full and timely information which enables them to discharge their responsibilities and have unrestricted access to all group information, records, documents and property. Non-executive directors have access to management and may even meet separately with them, without the attendance of executive directors.

CONFLICTS OF INTEREST

Directors are required to inform the board timeously of conflicts or potential conflicts of interest they may have in relation to particular items of business. Directors are obliged to excuse themselves from discussions or decisions on matters in which they have a conflicting interest. Directors are required to disclose their shareholding in the company and all other directorships quarterly or as changes occur. Declarations of interest are tabled at each board meeting.

ANNUAL BOARD EVALUATION

An annual questionnaire-based evaluation was conducted, which included assessments of board performance, board committee performance, performance of the chairman, performance of the chief executive officers and performance of individual directors.

The chairman of the board discussed the results of these reviews with the board, the chairmen of the board committees and with each individual director. The chairman received feedback on her performance from the remuneration and nomination committee.

The responses from the evaluation process indicate that the board is well balanced, the size of the board is adequate for the group and the board has the relevant knowledge relating to the group's business. The directors believe board meetings are well organised, efficiently run and all relevant aspects of the company's business are dealt with thoroughly by the board and its various committees, which have all discharged their responsibilities adequately.

APPOINTMENT OF DIRECTORS

The need to establish a separate functional nomination committee in accordance with King III is not a JSE requirement for AltX companies and has not been deemed by the board to be required, as all the duties and responsibilities normally undertaken by a nomination committee were performed by the board of directors.

However, on 6 July 2017 the board resolved to combine the functions of a nomination committee with the functions of the remuneration committee and the joint committee is now known as the remuneration and nomination committee.

In general, directors have been and are nominated based on their calibre, credibility, knowledge, experience and time and attention they can devote to the role. Before nomination, appropriate background checks are performed on proposed new directors. New appointments to the board are submitted to the board for approval prior to appointment. All appointments are formal and transparent and a matter for the board as a whole. New directors are provided with all the necessary background information to familiarise them with issues affecting the group.

CORPORATE GOVERNANCE continued

Directors, both executive and non-executive, are appointed for their skill and experience. The appointment of new directors requires the unanimous approval of the board. The board established an orientation programme to familiarise incoming directors with the group's operations, senior management and its business environment and to induct them in their fiduciary duties and responsibilities, including supplying them with a corporate governance manual. The board also provides input regarding senior management appointments. The company secretary assists with the director induction and continuing professional development training programmes. The induction and ongoing training programmes of the board incorporate risk governance as well as an overview of and any changes to laws, rules, codes and standards applicable to Brikor to enable directors to sufficiently familiarise themselves with the general content thereof to discharge their duties.

The board has the authority to remove any director without shareholder approval.

The non-executive directors are fully independent of management and free to make their own decisions and independent judgements. The non-executive directors enjoy no benefits from the group for their services as directors, other than their fees.

At each annual general meeting, one-third of the non-executive directors, or if their number is not a multiple of three then the number nearest thereto, shall retire from office. The appointment of the directors is subject by rotation, to retirement and re-election by shareholders, in accordance with Brikor's memorandum of incorporation.

A brief CV of each director is included on pages 21 and 22.

BOARD COMMITTEES

Specific responsibilities have been formally delegated to board committees with defined terms of reference, lifespan and function, clearly agreed upon reporting procedures and a written scope of authority. There is transparency and full disclosure from the board committees to the board, except where mandated otherwise by the board. Board committees are free to take independent external professional advice, as and when necessary, and are subject to regular evaluation by the board to ascertain their performance and effectiveness.

Brikor has the following board committees:

- ▶ Audit and risk committee;
- ▶ Remuneration and nomination committee; and
- ▶ Social and ethics committee.

Audit and risk committee

The audit and risk committee is constituted as a statutory committee of the company in respect of its statutory duties in terms of section 94(7) of the Companies Act, as amended, and is a committee of the board in respect of all other duties assigned to it by the board as contemplated in King III.

The audit and risk committee has an independent role with accountability to both the board and shareholders and meets with the chief financial officer and other members of senior management (if, and when required), as well as the external auditors, to discuss issues of accounting, auditing, internal controls, financial reporting and corporate governance. The external auditors have unrestricted access to the audit and risk committee and its chairman with a view to ensuring that their independence is not impaired.

The audit and risk committee acts mainly as an advisory committee in respect of non-statutory duties assigned to it by the board, and not as an executive committee. As such, it shall not perform any management functions or assume any management responsibilities and shall have an objective independent role as overseer and a maker of recommendations to the board for its approval.

The audit and risk committee charter, clearly outlining defined terms of reference, has been reviewed, updated and was adopted by the board of directors of Brikor on 25 May 2016. The audit and risk committee charter is reviewed annually to ensure that it remains relevant and is available for inspection at the registered office of the company.

The audit and risk committee report for the year under review appears on pages 63 to 66.

CORPORATE GOVERNANCE continued

Remuneration and nomination committee

The board previously reported its intentions to combine the functions of the remuneration committee with those of a nomination committee. The board resolved on 6 July 2017 to combine the functions and the committee is now known as the remuneration and nomination committee. The board is required to perform an evaluation of the effectiveness of the remuneration and nomination committee on an annual basis.

The remuneration and nomination committee charter is reviewed annually to ensure that it remains relevant and is available for inspection at the registered office of the company and on Brikor's website.

The remuneration and nomination committee report follows on pages 39 to 42.

Social and ethics committee

The social and ethics committee is constituted as a statutory committee of the board of directors of Brikor in terms of the Companies Act, 71 of 2008, as amended. These terms are also subject to the company's memorandum of incorporation and any other applicable law or regulatory provision.

The social and ethics committee charter has been reviewed, updated and was adopted by the board of directors of Brikor on 25 May 2016. The charter is reviewed annually to ensure that it remains relevant and is available for inspection at the registered office of the company and is also published on Brikor's website.

The social and ethics committee report appears on pages 43 to 47 and will be open for discussion at the annual general meeting to be held on Friday, 12 January 2018.

INSIDER TRADING

Taking into consideration the content of the Financial Markets Act, no 19 of 2012, the group has a formal policy, established by the board and implemented by the company secretary, prohibiting dealing in securities by directors, officers and other selected employees from the end of the respective period to the date of the announcement of the financial results, or in any other period considered price sensitive.

COMPANY SECRETARY

The appointment and removal of the company secretary is a matter for the board. The board appointed a new company secretary, Fusion Corporate Secretarial Services (Pty) Ltd in April 2017, after being satisfied that the company secretary has the requisite competence, qualifications and experience to carry out the required responsibilities.

The company secretary ensures that board procedures and all regulations and governance codes are observed, and also provides guidance to the directors on governance, compliance and their fiduciary responsibilities.

Directors have unrestricted access to the advice and services of the company secretary.

The company secretary co-ordinates the induction programme for newly appointed directors, as well as the annual board and committee evaluation process.

The company secretary furthermore attends all board meetings and provides advice and updates to the board, by reporting on new and amended legislation and regulations which are relevant to the group's businesses.

In terms of the JSE Listings Requirements, the board is required to consider and satisfy itself on an annual basis on the competence, qualifications and experience of the company secretary. As the new company secretary was only recently appointed, the board did not conduct a formal evaluation of the company secretary during the year. A formal evaluation will be conducted once the company secretary has been in office for a year.

Having said that, and with the limited experience with the company secretary, the board is satisfied that the company secretary is the gatekeeper of good governance, that an arm's length relationship exists between the company secretary and the board, and that the directors are able to look to the company secretary for guidance on their responsibilities and duties.



STAKEHOLDER ENGAGEMENT

Stakeholder engagement is an integral part of developing an understanding of Brikor's stakeholders' needs, interests and expectations and assists the group with strategic, sustainable decision-making.

Brikor has identified ten stakeholder groups outlined in the following diagram:



Brikor is committed to the following principles to achieve sound stakeholder engagement:

Communicative: Brikor values transparent, honest and continuous communication with all stakeholders and ensures that disclosure of information is clear, accurate, timely and relevant.

Collaborative: Brikor aims to establish deep relationships with its stakeholders with aligned values and collaborate with selected partners and interested stakeholders in building a more sustainable business and society.

Consultative: Stakeholder views are considered in decision-making and various channels are provided to encourage feedback from stakeholders.

Commitment: Brikor is committed towards creating a sustainable future and leveraging effective stakeholder engagement to assist in the achievement thereof. Brikor strives to understand stakeholders' limitations and capabilities and act with care and diligence in delivering on commitments made to them which are based on agreed actions.

Responsive: In its endeavours for continuous improvement, Brikor proactively responds to changing business conditions and stakeholder needs, interests, expectations and perceptions.

Congruence: Regardless of the stakeholder communication channel, Brikor says what it means and means what it says – one version of the truth. At all times Brikor acts in a manner that upholds the group's values, thereby ensuring a good reputation with its stakeholders.

STAKEHOLDER ENGAGEMENT continued

Stakeholder engagements during the year under review are detailed below:

	What matters to them?	How do we engage with them?	How Brikor measures
SHAREHOLDERS AND THE INVESTMENT COMMUNITY	▶ An in-depth understanding of Brikor's strategy, potential and financial performance; ▶ Timeously obtaining material information to ensure that Brikor is correctly valued; and ▶ An assessment of Brikor as an investment opportunity.	▶ Formal engagements through SENS, results presentations, investor updates, workshops and specific meetings in accordance with the JSE Listings Requirements and as required by Brikor and its investors. ▶ Brikor's integrated annual report, which includes the sustainability report and annual financial statements, are published annually. These reports seek to provide shareholders (and other stakeholders) with an in-depth understanding of group strategy, sustainability, value drivers, governance, reward systems as well as actual performance on various aspects, including financial performance. ▶ Brikor's executive committee, supported by the board, ensures that investor presentations provide the information required by analysts and the financial press and that key sentiments are addressed. This also applies to all statutory and supporting documentation presented at the half-year and year-end. ▶ Shareholders are given the opportunity to put questions to the board at the annual general meeting and all other shareholder meetings and presentations.	▶ Feedback on presentations and interactions with analysts and the investment community (which will be applicable once Brikor's suspension on the Alt^x of the Johannesburg Stock Exchange has been uplifted). ▶ Feedback from shareholders (and other stakeholders) on the integrated report, which includes the sustainability report and annual financial statements, which feedback is typically submitted to the chief executive officer and chief financial officer. ▶ Voting on resolutions at the annual general meeting. ▶ Brikor's share price.

STAKEHOLDER ENGAGEMENT continued

	What matters to them?	How do we engage with them?	How Brikor measures
BANKS, FUNDERS AND INSURANCE COMPANIES	▶ To be kept abreast of developments in the group's financial sphere.	▶ Meetings with funders regarding group and ad hoc funding requirements, as the need arises. ▶ Interactions with the group's bankers regarding day-to-day requirements. ▶ Daily monitoring of bank balances and variance analyses. ▶ Compliance with FICA requirements. ▶ On-boarding and implementation of banking systems, as and when required. ▶ Annual interactions, or more often as required, to update insurance policies, which include short-term insurance, professional indemnity and directors' liability insurance cover.	▶ Access to liquidity. ▶ Interest rates. ▶ Bank charges. ▶ Insurance premiums.
REGULATORS	▶ Open, honest and transparent relationships. ▶ Compliance with legal and regulatory requirements to minimise the risks associated with non-compliance. ▶ Engagement on issues of mutual concern, as well as assessing potential policy and regulatory impacts.	▶ Interactions with the Johannesburg Stock Exchange regarding corporate actions in the listed environment. ▶ Ongoing engagement with South African Revenue Service regarding tax-related matters. ▶ Submissions to the Department of Mineral Resources regarding the competent person's report, mining licences and mining rights. ▶ Submissions of Employment Equity and Skills Development Plans to the Department of Labour and relevant SETAs. ▶ Engagement with industry bodies regarding industry-specific matters.	▶ Monitoring of interactions with regulators, the outcomes of which are reported to the audit and risk committee, to determine perceived risks and opportunities.

STAKEHOLDER ENGAGEMENT continued

	What matters to them?	How do we engage with them?	How Brikor measures
CUSTOMERS	▶ Gaining access to Brikor's product and service offerings. ▶ Obtaining solutions that will achieve the desired outcomes for customers' respective projects. ▶ Receiving a value product offering with comprehensive after-sales service. ▶ Alignment of the group's products and service offering to Brikor's customers' needs. ▶ Meeting customers' service level expectations.	▶ Regular customer site visits by all levels of management, with sales representatives visiting customers on a continuous basis. ▶ Providing information around supply disruptions/impact of strikes and other elements that could impact on deliverables. ▶ Supplying product brochures and price lists regularly. ▶ Evaluating the whistle-blowing hotline for customer issues.	▶ Product availability. ▶ Customer returns. ▶ Customer complaints. ▶ Payment levels. ▶ An analysis of credit notes. ▶ Audit feedback. ▶ Revenue. ▶ Gross profit. ▶ Market share.
SUPPLIERS	▶ Providing products or services Brikor requires. ▶ Negotiating pricing and contracts. ▶ Ensuring reciprocity. ▶ Promoting new product and service offerings. ▶ Communicating challenges experienced with delivery of products or services. ▶ Commercial arrangements and favourable terms of business.	▶ One-on-one meetings by management and sales representatives on a quarterly and/or ad hoc basis. ▶ Facilitating a two-way communication on product information and training. ▶ Evaluating the whistle-blowing hotline for supplier issues.	▶ Commercial arrangements and terms of business. ▶ Product failures and quality measures. ▶ Analysis of non-conformance reports which contain outcomes of the meetings. ▶ Product sales.

STAKEHOLDER ENGAGEMENT continued

	What matters to them?	How do we engage with them?	How Brikor measures
EMPLOYEES	▶ A fulfilling work environment with challenging work and development opportunities. ▶ An understanding and responsiveness to the needs and concerns of the group's employees. ▶ Strategic direction and relevant information regarding group activities.	▶ A formal induction programme is conducted by the human resources department on the appointment of new employees. ▶ Performance management measurement on an annual basis (in the process of being implemented). ▶ Strategic/executive communication to ensure interaction between employees and the Brikor executive committee. ▶ Monthly staff meetings conducted by management. ▶ Training to ensure upskilling of employees. ▶ Conducting of surveys, on at least an annual basis, on, for example, employee satisfaction and well-being. ▶ The implementation of a recognition/reward mechanism. ▶ Evaluating the whistle-blowing hotline for employee issues. ▶ Information on notice boards and staff memoranda.	▶ Feedback received from employees and line management. ▶ Training outcomes. ▶ The number and nature of calls to the whistle-blowing hotline.

STAKEHOLDER ENGAGEMENT continued

	What matters to them?	How do we engage with them?	How Brikor measures
TRADE UNIONS	▶ Consensus on any decisions or projects that may result in changes in working conditions or in Brikor's operational requirements. ▶ Engagement on collective employment issues and communication regarding potential changes affecting labour. ▶ Mutually favourable wage negotiations.	▶ Elected union representatives liaise with management on matters affecting union members. The human resources department is responsible for managing the relationship with the employee unions and relevant industrial labour organisations. Meetings are held with the bargaining councils, as required. ▶ Ongoing consultations or meetings, as required by unions, or as a result of business changes or projects. ▶ Both formal and informal interactions to ensure improved communication and cooperation in the pursuit of areas of common interest and improved levels of engagement. ▶ Strategic level as well as operational and tactical level communications to improve both management's and the union's commitment to common values and objectives.	▶ Labour action. ▶ Labour attitude. ▶ The outcomes of wage negotiations.
COMMUNITIES	▶ Securing funding and partnerships on common social and environmental issues. ▶ The provision of viable and sustainable solutions in response to both local and national priorities. ▶ Collaboration in a way that furthers social and environmental agendas for the greater good of both the community and Brikor. ▶ Brikor obtaining input from communities and representative non-governmental organisations regarding key focus areas.	▶ A consistent approach to community development. ▶ Communicating the economic impact that Brikor's operations and activities have on the communities where it operates. ▶ Engagement is ongoing as partnerships dictate or stakeholder needs require.	▶ Informal feedback to Brikor's businesses in the respective communities.

STAKEHOLDER ENGAGEMENT continued

	What matters to them?	How do we engage with them?	How Brikor measures
MEDIA	▶ To be able to educate and inform the respective media's audiences of developments in the building and infrastructure sectors, adding Brikor's voice to public debate. ▶ To be informed about the Brikor group's contribution to the South African economy and the group's product and service offerings.	▶ Marketing activities, aligned to Brikor's marketing plan, to ensuring that the plan is executed within an approved marketing budget and that the timing of media activities is included in the marketing plan. ▶ Interviews and press briefings to members of the media. These take the form of one-on-one time with Brikor executives and key spokespeople across the group, and regular update sessions to discuss pertinent issues relevant to the group's business activities. ▶ Proactive press releases. ▶ Targeted interventions through specialist agencies. ▶ Unsolicited press releases may be submitted to the media. ▶ Promotion of brands and products through the media.	▶ The quality and quantity of press coverage.
GOVERNMENT	▶ Brikor as an active participant in driving the economic, social and environmental upliftment of the country.	▶ Both local and provincial government interactions on projects, either directly or indirectly, as a result of Brikor's participation in infrastructure development; ▶ Maintaining relationships with government departments at good levels. This applies across the three spheres of government, with particular reference to the developmental activities of local government and respect and support for the democratic process at this level. ▶ Formal meetings and tender processes are primary methods of engagement with government. ▶ Meetings are held with government, as required.	▶ The outcome of engagement on, for example, energy consumption and the management of power outages/load shedding. ▶ Compliance statuses. ▶ Regular inspections with no material findings.

! RISK MANAGEMENT

The board has a comprehensive system of control to ensure that risks are mitigated and the group's objectives are attained. This control environment supports the risk averse attitude of the group and covers ethical values, management's philosophy and the competence of employees.

The board, in collaboration with executive management and on recommendation of the audit and risk committee, identifies the key risk areas and key performance indicators for the group. These are regularly updated and particular attention is given to information technology and systems, as the board acknowledges their ultimate responsibility for the governance of information technology.

The board defines levels of materiality, reserving specific spheres of control to itself and delegating other matters with the necessary written authority to management. These matters are monitored and evaluated on a regular basis.

The general formula to calculate residual risk is:

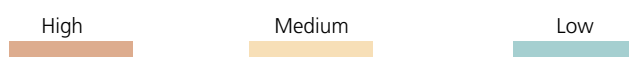
$$\text{* RESIDUAL RISK} = \text{INHERENT RISK} - \text{IMPACT OF RISK CONTROLS}$$

The residual risk is the risk or danger of an action or an event, a method or a (technical) process that, although being abreast with science, still conceives these dangers, even if all theoretically possible safety measures would be applied (scientifically conceivable measures); in other words, the amount of risk left over after natural or inherent risks have been reduced by risk controls.

The board of directors of Brikor has reviewed the risk profile of the group. The material matters, which are relevant and significant to Brikor, have been disclosed in the table below.

Risk rating 2017 (2016)	Stakeholder	Risk and/or opportunity	Description	Strategic response	Residual risk rating	Impact on business plan
1 (2)	GOVERNMENT AND PUBLIC	B-BBEE status not yet aligned with new proposed mining charter or minimum requirements to qualify for customer procurement targets. This could place mining rights at risk if the charter becomes effective and already causes delays in the awarding of tenders.	Impacts on the aggregates segment from a contract volume perspective, however, it impacts groupwide when pertaining to mining licenses in totality.	Major drive to obtain a Level 4 B-BBEE rating for the group as well as for Brikor and Ilangabi, individually. All aspects of scoring are focused on, including management, ownership, enterprise development, supplier development, skills development and social responsibility.		

Risk trend:



* https://en.wikipedia.org/wiki/Residual_risk

RISK MANAGEMENT continued

Risk rating 2017 (2016)	Stakeholder	Risk and/or opportunity	Description	Strategic response	Residual risk rating	Impact on business plan
2 (3)	EMPLOYEES AND TRADE UNIONS	Strike action, go slow and low staff morale.	Loss of reputation. The financial impact attributable to ceased production and, under severe conditions, the possibility of loss of life.	Frequent interaction with the trade unions as well as monthly meetings with shop stewards and the introduction of effective workplace forums. Management is highly aware of its rights and obligations from an industrial relations and human resources perspective, however, also sensitive from a moral perspective. Proactive monitoring on all sources of communication is key to amicable resolution of disputes. The remuneration policy depicts fair market-related remuneration which is commensurate of efforts expended.		
3 (New)	ALL STAKEHOLDERS	Accounting software outdated, unstable and at risk of failing.	Data loss or transactional failure can lead to any number of business losses from debts not being accounted for or recoverable, sales not being recorded or loss of historical data.	Management has embarked on a drive to roll out SAGE Pastel in all the branches and subsidiaries, using the offline available branch accounting modules. Since the end of this reporting period, Brikor has gone live, followed by Ilangabi. The risk relating to data protection and accounting accuracy has been mitigated.		

Risk trend:



RISK MANAGEMENT continued

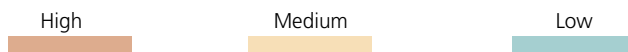
Risk rating 2017 (2016)	Stakeholder	Risk and/or opportunity	Description	Strategic response	Residual risk rating	Impact on business plan
4 (8)	SARS (REGULATORS)	Taxation compliance on royalties tax regulation and income tax law.	Outstanding annual income tax returns and royalties tax returns incurred non-compliance penalties and interest.	Brikor has reduced the tax liability, including penalties and interest. Royalties taxes have been paid for the current year, however, the returns and payment remain outstanding since the 2012 year. VDP (Voluntary Disclosure Programme) submissions have been submitted to SARS in this regard and management hopes for a favourable outcome.		
5 (4)	ALL STAKEHOLDERS	The volatility of the price of fuel.	Increases in the fuel price lead to higher manufacturing and transportation costs, with the resultant impact on profit margins, as the full increase cannot be absorbed by the end-users of the product.	Diesel consumption of all mobile plant monitored closely. Implementation of procedures to minimise the use of mobile plant, through determining the shortest route between plant areas. During the year the group invested in efficiency monitoring devices, which track usage and fuel consumption as well as vehicle activity.		

Risk trend:


RISK MANAGEMENT continued

Risk rating 2017 (2016)	Stakeholder	Risk and/or opportunity	Description	Strategic response	Residual risk rating	Impact on business plan
6 (1)	ALL STAKEHOLDERS	The protracted recovery of conditions in the residential building sector.	Lower demand impacts negatively on the revenue of the bricks segment, however, the plants are operating at full capacity.	Product range diversification to enter new market sectors. Utilisation of waste products from the subsidiary in the brick manufacturing process in order to reduce the cost of raw materials.		
				The disposal of non-core assets to retain the group's focus on its core business operations.		

Risk trend:



RISK MANAGEMENT THROUGH THE AUDIT AND RISK COMMITTEE

The board of directors acknowledges their responsibility for establishing appropriate risk and control policies. Executive management is responsible for monitoring, reviewing and communicating these controls and policies throughout the organisation.

Corrective actions are taken to address control deficiencies and other opportunities for improving the systems, as they are identified.

In addition, the audit and risk committee is committed to improving the overall risk identification and monitoring function of the board and report on progress annually.

The audit and risk committee has an independent role, operating as an overseer and a maker of recommendations to the board for its consideration and final approval.

The audit and risk committee does not assume the functions of management, which remain the responsibility of the executive directors, prescribed officers and other members of senior management.

The role of the audit and risk committee is to assist the board in ensuring that the group has implemented an effective policy and plan for risk management that enhance the group's ability to achieve its strategic objectives and that the disclosure regarding risk is comprehensive, timely and relevant.

REMUNERATION AND NOMINATION COMMITTEE REPORT

The remuneration and nomination committee (the committee) takes pleasure in submitting this report, describing how the committee's duties assigned to it by the board in respect of the financial year ended 28 February 2017, were discharged.

COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS

The committee comprises three skilled and experienced members, appointed by the board. The chairman of the committee is an independent non-executive director. Invitees to the meeting include, but is not limited to, the chief executive officer, the chief financial officer, and other members of the board.

In terms of the committee's mandate, at least two meetings should be held annually. The committee members and attendance at meetings are set out below:

Committee member	Number of meetings held	Number of meetings attended
Collen Madolo (chairman F2017)	1	1
Mrs Limpho Hani (resigned January 2017)	1	1
Peter Moyanga	1	1
Mamsy Mokate (chairman – appointed 12 April 2017)	n/a	n/a

Subsequent to the year-end, Mamsy Mokate was appointed as chairman of the committee, with Collen Madolo remaining a member of the committee.

ROLE AND RESPONSIBILITIES

The board previously reported its intentions to combine the functions of the remuneration committee with those of a nomination committee. The board resolved on 6 July 2017 to combine the functions and the committee is now known as the remuneration and nomination committee.

The committee's role and responsibilities are governed by a formal charter, as approved by the board. The charter is subject to an annual review by the board. A copy of the charter can be obtained on the company's website and is also available for inspection at Brikor's registered address.

The charter specifically defines the role of the committee as one of assisting the board in ensuring that:

- ▶ the company remunerates executive directors, non-executive directors and employees fairly, objectively and responsibly in accordance with principles of good governance and best practises as contained in King III;
- ▶ remuneration levels and the remuneration policies match individual contribution to group performance, within the framework of market forces, while protecting shareholders' interests and the group's financial health;
- ▶ the disclosure of the remuneration is accurate and transparent and provides sufficient forward-looking information to enable shareholders to assess the remuneration policy;
- ▶ directors are appointed through a formal process which includes specifically participation in recruiting and approving the appointment of non-executive directors and the CEO;
- ▶ the appointment of executive directors is approved;
- ▶ succession plans are in place for the CEO and executive directors of the company;
- ▶ the board has the appropriate composition for it to execute its duties effectively;
- ▶ the formal induction and ongoing training and development of directors takes place; and
- ▶ an annual evaluation of the performance of the board, the board committees, the chairman, the chief executive officer, the chief financial officer, the company secretary and each of the individual directors is conducted.

The charter stipulates that the committee's responsibilities are to perform all the functions necessary to fulfil its role which includes:

- ▶ overseeing the establishment, administration and implementation of the board's remuneration strategy and policies in relation to non-executive directors, executive directors and employees and ensuring these are aligned with the human resource strategy of the group and compliant with all statutory and best practice requirements regarding labour and industrial relations management;

REMUNERATION AND NOMINATION COMMITTEE REPORT

continued

- ▶ scrutinising all employee benefit arrangements including pensions, benefits in kind and other financial arrangements to ensure these are justified, correctly valued and suitably disclosed;
- ▶ reviewing the provisions of executive employment contracts with a particular focus on severance payments granting a mandate to the chief executive officer for the approval of salary increases for non-bargaining employees and negotiations with trade unions;
- ▶ recommending the remuneration of non-executive directors to the board;
- ▶ ensuring the adequacy of retirement and health care funding for executives;
- ▶ annually assessing bonuses and other forms of incentives for the executive team against annually reviewed individual and corporate performance targets and assessing the outcomes of the implementation of all remuneration policies as to whether these policies promote the achievement of strategic objectives, encourage individual performance and meet the requirements of the collective bargain;
- ▶ reviewing the remuneration disclosure to ensure that it is accurate and transparent and provides sufficient forward-looking information to enable shareholders to assess the remuneration policy and for passing a special resolution in terms of section 66(9) of the Companies Act;
- ▶ requiring the chairman of the committee to attend the annual general meeting and be in a position to answer questions concerning the appointment of executive and non-executive directors and maintain contact as required with the company's principal shareholders;
- ▶ reviewing the report on the company's remuneration policy for inclusion in the integrated annual report and submission to shareholders for an advisory, non-binding vote; and
- ▶ initiating an annual, formal evaluation process of the board, board committees and individual directors, including the chief executive officer, chief financial officer and chairman of the board.

The committee is authorised by the board to:

- ▶ investigate any activity within the scope of its charter;
- ▶ in the fulfilment of its duties, call upon the chairmen of the other board committees, any of the executive directors, prescribed officers or company secretary to provide it with information, subject to following a board-approved process;
- ▶ have reasonable access to the company's records, facilities and any other resources necessary to discharge its duties and responsibilities;
- ▶ form, and delegate authority to, sub-committees and may delegate authority to one or more designated members of the committee;
- ▶ obtain independent outside professional advice to assist with the execution of its duties, at the company's cost, subject to following a board-approved process; and
- ▶ make recommendations to the board that it deems appropriate on any area within the ambit of its charter where action or improvement is required including new director appointments or outcomes of reviewing board structure and composition.

REMUNERATION PHILOSOPHY AND POLICY

The committee continually assesses Brikor's remuneration strategy, practices and policies to ensure they remain aligned with and continue to support the strategic objectives of the group.

The group's remuneration philosophy is to attract and retain high-calibre individuals and to incentivise them to develop and implement its business strategy to create optimal long-term shareholder value. The policy is based on the following principles:

- ▶ Remuneration practices are aligned with the group's strategy;
- ▶ Total rewards are set at competitive levels in the relevant market;
- ▶ Incentive-based rewards are earned by achieving demanding performance conditions consistent with shareholder interests over the short-, medium- and long- term;
- ▶ Performance measures and targets for incentive plans are structured to operate effectively throughout the business cycle; and
- ▶ The application of long-term incentives is prudent and does not expose shareholders to unreasonable financial risk.

REMUNERATION AND NOMINATION COMMITTEE REPORT

continued

Elements of remuneration

Remuneration is benchmarked annually against peer companies, while taking into consideration the performance of the company and individuals in determining the quantum and design.

Key elements of the total remuneration package paid to executive directors in F2017 are summarised below:

- ▶ Total cost to company, inclusive of basic remuneration and benefits in relation to retirement and medical aid;
- ▶ Short-term incentives in the form of a short-term performance bonus plan; and
- ▶ Long-term Incentives determined by the creation of sustainable shareholder value and behaviour consistent with this goal.

Long-term incentive

Retention of skills is a primary long-term objective of the group. Share-based incentive schemes, aligning the interests of the group, its businesses and employees, are intended to promote this goal, by attracting and retaining highly skilled professional personnel. Share incentive awards are made by the group only where business and individual performance targets have been attained.

No share-based incentives were paid to executive directors during F2017 due to the financial position of the company.

The board is ultimately responsible for approving remuneration of the executive directors. Recommendations from the CEO, based on a process of annual appraisals of executive directors, together with the extent of executive responsibility and workplace location, are presented to the board for consideration. In accordance with the charter, the committee reviews the remuneration structures of the executive directors compared to market trends, performance and alignment with the group remuneration strategy and provides further recommendation to the board in this regard.

Service contracts of executive directors

To reflect their responsibilities appropriately, all executive directors have employment contracts with Brikor, aligned with the conditions of employment which are governed by legislation.

The contracts are indefinite and ceases with resignation or termination. The notice period for termination of employment is three calendar months' written notice for both the chief executive officer and the chief financial officer. The chief executive officer and chief financial officer are subject to a restraint of trade period of three years from their date of termination.

Executive directors may only hold external directorships with the prior approval of the board.

These contracts are regularly reviewed to ensure they remain aligned with best governance and legislative requirements.

Letter of appointment for non-executive directors

Non-executive directors' appointments are made in terms of the company's memorandum of incorporation and are confirmed initially at the first annual general meeting of shareholders following their appointment, and then at three-year intervals.

The board can appoint directors between annual general meetings, but such appointees may not serve beyond the date of the next annual general meeting without shareholders confirming such appointment.

Non-executive directors do not participate in the group's annual bonus plan, or any of its long-term incentive plans, and do not have contracts of employment with the group, but are appointed by way of a formal letter of appointment.

Non-executive directors are remunerated for their contribution to the board and board committees. The annual fees payable to non-executive directors are based on a fee for membership, chairmanship and, where applicable, for assignment to sub-committees. A separate fee is paid for attendance per meeting. Individual board members may take on specific ad hoc tasks outside the normal duties assigned by the board. In such cases, the board determines a fixed fee for the work. Fees payable are exclusive of value added tax.

Non-executive directors' fees are reviewed by the committee annually and submitted to shareholders for annual approval. Please refer to special resolution number 2 in the notice of annual general meeting, detailing non-executive directors' fees.

Other employees

In the absence of collective agreements with trade unions or where employee remuneration is governed by regulatory requirements, remuneration is based on individual and company performance, market trends and levels of responsibility applicable to the relevant employee. An annual performance review process, driven by reporting line management involvement, ensures fair, market-related and equitable remuneration in line with the expected outcomes of the remuneration policy.

REMUNERATION AND NOMINATION COMMITTEE REPORT

continued

NON-BINDING ADVISORY VOTE

Shareholders are requested to cast a non-binding advisory vote on the remuneration philosophy of the company at the annual general meeting scheduled for Friday, 12 January 2018. See ordinary resolution number 9 of the notice of annual general meeting on page 137.

REMUNERATION ACTIVITIES AND DECISIONS TAKEN THROUGH THE YEAR

Executive remuneration	
Annual salary review for executive directors	An overall increase of 6% was awarded to executives following a benchmarking and affordability test. Executive remuneration is reported on page 122.
Non-executive remuneration	
Review of fees payable to non-executive directors	The non-executive directors' fees were reviewed and it was agreed that no increase for the ensuing year be presented to shareholders.
Salaries	
Annual salary adjustments for all employees who are not bargaining-unit employees	An overall increase of 6% was awarded to general employees following a benchmarking and affordability test.
Wages	
Approval of the mandate for the 2017 wage negotiations for trade union employees.	Wage negotiations commenced in early May 2017. Agreement was reached on the mandated percentage on which to commence negotiations together with the maximum acceptable percentage. These negotiations were only finalised in October 2017 and averaged to a single digit percentage, which was within the mandate of the committee and the main board.
Appointment	
Appointment to the board	Mamsy Mokate was appointed as an independent non-executive director on 12 April 2017, after the committee was satisfied that her skills and experience will enhance the board. The reconstitution of the board committees will be considered and changes will be reported on in Brikor's next integrated annual report.
Evaluation	
Board and committee evaluation	The board conducted a board and committee evaluation. The performance was overall acceptable and there is nothing material to be reported to shareholders.

CONCLUSION

The remuneration and nomination committee report was approved by the board on 30 November 2017.

For and on behalf of the remuneration and nomination committee



Mamsy Mokate

Chairman of the remuneration and nomination committee

SOCIAL AND ETHICS COMMITTEE REPORT

The social and ethics committee (the committee) submits this report, which was prepared in accordance with the requirements of the Companies Act, no 71 of 2008, as amended, describing how it discharged its statutory duties, and additional duties assigned to it by the board, in respect of the financial year ended 28 February 2017.

Amongst others, the committee assists the board in monitoring Brikor's performance as a good and responsible corporate citizen.

The committee acts as a committee for the Brikor group of companies.

COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS

The committee comprises four skilled and experienced members appointed by the board. The chairman of the committee is an independent non-executive director. Invitees to the meeting include, but is not limited to, the chief executive officer, the chief financial officer and other members of the board.

In terms of the committee's mandate, at least two meetings should be held annually. The committee members and attendance at meetings are set out below:

Committee member	Number of meetings held	Number of meetings attended
Mrs Limpho Hani (independent chairman – resigned 23 January 2017)	1	1
Peter Moyanga (independent non-executive director)	1	1

Ronel Coetzee (human resources manager), Jaco Louw (mine manager) and Collen Madolo (independent non-executive director) were appointed as members to this committee, subsequent to the year-end. Collen Madolo was appointed as chairman of the committee after the year-end.

ROLE AND RESPONSIBILITIES

The committee's role and responsibilities are governed by a formal charter as approved by the board. The charter is subject to annual review by the board. A copy of the charter can be obtained on the company's website and is available for inspection at the company's registered office.

Role of the committee

The committee acts in accordance with the authority delegated to it by the board and assists the directors in monitoring the group's activities and compliance in terms of legislation, regulation and codes of best practice relating to ethics, stakeholder engagement (including employees, customers, communities and the environment) as well as the effectiveness and activities around developing and implementing strategic empowerment and transformation policies.

The social and ethics committee is a statutory committee in respect to the duties assigned to it by the board and not an executive committee. As such it does not perform any management functions or assume any management responsibilities. The committee acts in accordance with the delegated authority of the board as recorded in its charter. It has the power to investigate any activity within the scope of its charter and makes recommendations for approval by the board.

The committee also spearheads the development and review of the group's policies with regard to the commitment, governance and reporting of the group's sustainability performance.

Responsibilities of the committee

The social and ethics committee charter makes specific reference to the following statutory duties in terms of Regulation 43(5) of the Companies Act:

To monitor the group's activities, having regard to any relevant legislation (including the Companies Act), other legal requirements or prevailing codes of best practice (with particular reference to King III), with regard to matters relating to:

SOCIAL AND ETHICS COMMITTEE REPORT continued

- ▶ social and economic development, including the group's standing in terms of the goals and purposes of:
 - the 10 principles set out in the United Nations Global Compact Principles;
 - the OECD (Organisation for Economic Co-operation and Development) recommendation regarding corruption;
 - the Employment Equity Act; and
 - the Broad-Based Black Economic Empowerment Act;
- ▶ good corporate citizenship, including the group's:
 - promotion of equality, prevention of unfair discrimination, and reduction of corruption;
 - contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
 - record of sponsorship, donations and charitable giving;
- ▶ the environment, health and public safety, including the impact of the group's activities and of its products or services;
- ▶ consumer relationships, including the group's advertising, public relations and compliance with consumer protection laws; and
- ▶ labour and employment, including:
 - the group's standing in terms of the International Labour Organisation Protocol on decent work and working conditions; and
 - the group's employment relationships, and its contribution toward the educational development of its employment;
- ▶ to bring matters within its mandate to the attention of the board as the occasion requires; and
- ▶ to report, through one of its members, to the shareholders at the company's annual general meeting on the matters within its mandate.

Further duties assigned to the committee by the board, in accordance with its charter, are to:

- ▶ assist the group to discharge its business sustainability obligations through monitoring the group's achievements against the committee's work plan; and
- ▶ develop and review the group's policies and social and ethics committee work plan with regards to its commitment towards the governance and reporting of the group's sustainability performance and initiatives. These policies are to be recommended to the board for approval.

The committee is satisfied that it has fulfilled all its duties during the year under review, as further detailed below.

SOCIAL AND ETHICS COMMITTEE REPORT continued

PERFORMANCE AGAINST UN GLOBAL COMPACT PRINCIPLES AND OECD ANTI-CORRUPTION

Socio and Economic Development

 Human rights	▶ Subsequent to the year-end, a human rights policy was drafted and has been recommended to the board for approval. ▶ During October 2017, a human rights survey was conducted with all employees, the findings of which will be published in the F2018 integrated annual report.
 Environment	There were no deviations from the environmental, sustainability or rehabilitation policy.
 Anti-corruption	▶ Monitored infringements of the group's corruption and business integrity policy to ensure robust controls remained in force. ▶ Reviewed the group's ethical policies and processes, and considered their effectiveness. ▶ The social and ethics committee received a whistle-blower compliant, which related to alleged preferential treatment of contractors. The board was provided with the process followed to determine the validity of the allegations contained in the compliant. The board was satisfied that a thorough investigation process was followed in this regard and with the findings and the remedial actions taken.
 Employee relations	Employment equity Brikor focuses on a culture of inclusion and confirms its commitment to employment equity. Brikor's HR development initiatives are designed to promote transformation. The committee reviewed the company's performance against the Employment Equity Act, no 55 of 1998, as amended. The status of black representation at the end of February 2017 at each level was: Senior management (which includes top management): 0,8% Middle management: 0,4% Junior management: 24,3% Overall black women representation: 12,2% Comparative percentages are meaningless due to the large contingent of outsourced labour in F2016. Wage negotiations During April 2017, BCAWU recruited some members from AMCU and, at the time of wage negotiations, neither BCAWU nor AMCU were representative. As per the Labour Relations Act, Brikor invited both unions to the wage negotiations, which invitations they refused. The group, therefore, entered into wage negotiations with non-union members, who were the majority at the time. Employment and labour practises Monitored the group's activities in terms of labour and employment. Training and development: ▶ Adult basic educational training; ▶ Supervisory management; ▶ Mobile operator licensing; and ▶ Health and safety training.

SOCIAL AND ETHICS COMMITTEE REPORT continued

Socio and Economic Development (continued)



Employee relations (continued)

Bursaries, internships and learnerships

Brikor sponsored eight learnerships, for disabled individuals, in the field of administration. Learnerships are structured with the motivation of either qualification for further learnerships or employment opportunities.



Broad-based black economic empowerment

The committee considered the strategy on B-BBEE in line with the Broad-Based Black Economic Empowerment Act, no 46 of 2013.



Health and safety

Bricks segment

Reportable accidents F2017: 1

One Brikor employee fell through a fibre cement roof, while busy with repairs at Plant 1's brick-drying section.

Actions:

- ▶ Reported the incident to the Compensation Commissioner.
- ▶ Reported the incident to the Provincial Director.
- ▶ The Incident Investigation Committee compiled a comprehensive investigation report, which was presented to the Department of Labour inspector on 17 March 2016.

Coal segment

Reportable accidents F2017: 1

An employee, working in the weighbridge office at the Vlaktefontein mine, fell while walking down the office stairs.

Actions:

- ▶ Reported the incident to the Compensation Commissioner.
- ▶ Reported the incident to the Department of Mineral Resources.

Environment, health and safety



Environmental considerations and performance

The group manages its responsibility and duty of care over the environment through its environmental policy, which was reviewed in February 2017, and its approach to sustainability, as detailed in the sustainability policy of the group. The sustainability policy of the group was reviewed during May 2017 and remains a dynamic document, which builds on the fundamentals of nurturing the natural capital of the group.

The group is committed to achieve the objectives through driving the following key principles:

- ▶ rehabilitation (policy on provision and methodology);
- ▶ sustainable production processes and carbon footprint management policy (In the process of being drafted); and
- ▶ external assurance through the annual review and report by a competent person.

Further actions engaged in within the group:

- ▶ leadership instils a mindset of environmental consideration;
- ▶ precautionary principle/proactive approach adopted to all actions;
- ▶ training and awareness;
- ▶ adequate communication (see stakeholder engagement report for further detail);
- ▶ materials management (minimal wastage);
- ▶ regular review of legislation and standards; and
- ▶ training in the event of environmental emergencies.

The rehabilitation policy was approved by the social and ethics committee on 23 May 2017.

SOCIAL AND ETHICS COMMITTEE REPORT continued

Environment, health and safety (continued)



Health and safety policy and performance

The objective of the group's health and safety policy is to create a working environment free from harm for all employees, contractors and any other person who may be affected by the group's business activities.

The responsibilities of the employer as well as the responsibilities of the employees are clearly communicated to employees by means of annual health and safety refresher training and forms part of the induction training for new employees.

The group ensures that all employees undergo annual medical examinations to ensure that all employees are fit for the duties they are expected to perform and to ensure good general health.

Stakeholder management



Business integrity

The process of engagement with stakeholders was formalised post-year-end with the drafting of a stakeholder engagement policy, which has been recommended to the board for approval.



Community development

The Kwanele Primary School development project has been selected, and approved by the Department of Mineral Resources, as the primary project for the period of 2016 to 2020. The school, established in 2012 and located in Katlehong in the Ekurhuleni Metropolitan Municipality, currently has 1 884 learners with 45 educators. The school was initially constructed as a temporary structure and was officially zoned as a permanent school site in 2016.

FOCUS AREAS FOR F2018

- ▶ Further development of the strategy and achievement of the targets around the broad-based black economic empowerment initiatives.
- ▶ Implementation and strategy alignment, together with adequate monitoring of compliance with the adopted sustainability approach.
- ▶ Continuous and more effective rehabilitation methodologies to lower the financial impact of liability and satisfy the duty of care responsibilities.

CONCLUSION

In terms of the Companies Act, the committee is required to report through one of its members to the company's shareholders on the matters within its mandate at the company's annual general meeting to be held on Friday, 12 January 2018.

In the notice of annual general meeting, shareholders are referred to this report by the committee. Specific questions to the committee may be sent to the company secretary prior to the meeting.

The report of the social and ethics committee was approved by the board on 30 November 2017.

Collen Madolo

Chairman of the social and ethics committee

SUSTAINABILITY REPORT

APPROACH TO SUSTAINABILITY

The group believes that true sustainability requires integration into each aspect of its day-to-day business activities and not only when it appears to matter. In order to deliver long-term sustainable value to all the stakeholders, the group prefers to illustrate its approach through the six capitals outlined in the Integrated Reporting Framework, as set out below:

Capital	Definition/understanding/concept
FINANCIAL	Plays an important role in our economy by reflecting the productive power of the other types of capital, and enabling them to be owned and traded. However, unlike the other types of capital, it has no intrinsic value; its value is purely representative of the value embodied in natural, human, social or manufactured capital.
MANUFACTURED	Material goods – tools, machines, buildings and other forms of infrastructure – which contribute to the production process but do not become embodied in output.
INTELLECTUAL	Intellectual capital constitutes in its most basic form experience and knowledge which management has garnered over time and includes, for example, concepts, processes, process efficiencies, trademarks and patents. Intellectual capital is a key element in an organisation's future earning potential, which naturally forms a cornerstone component of the corporate strategy and often determines the organisation's competitive advantage.
HUMAN	Health, knowledge, skills and motivation (all of which are required for productive work), as well as individual's emotional and spiritual capacities. Enhancing human capital (for instance through investment in education and training) is central to a flourishing economy.
SOCIAL & RELATIONSHIP	Structured, institutions, networks and relationships which enable individuals to maintain and develop their human capital in partnership with others and to be more productive and effective when working together rather than potentially uninformed in isolation. It includes families, communities, businesses, trade unions, voluntary organisations, legal/political systems and educational and health bodies.
NATURAL	Any stock or flow of energy and matter that yields valuable goods and services. It falls into several categories of which the group's focus category is: ● resources , some of which are renewable (timber, grain, fish and water), while others are not (fossil fuels); Natural capital is the basis not only of production but of life itself.

The board acknowledges that in addition to being responsible for corporate performance, it holds a responsibility for triple bottom line reporting.

That strong performance must never be attributed to any lack of applying good ethical standards. The group's corporate culture is one of absolute undeniable integrity, transparency, competency and efficiency in decision making and the fair and equitable treatment of its human and natural capital. From a moral point of view, the directors of the group are expected to apply sound and reasonable judgment which can only be achieved through nurturing the social capital element, mutual respect for cultural, social or other differences and to foster transparent communication which detracts from subjective viewpoints.

The directors understand that transparency not only relates to a principle of freely, and without prejudice or subjective interests, disclosing information to other stakeholders, but also to acknowledge the individual shortcomings which could jeopardise other stakeholders. This, once again, emphasises their commitment to integrity and the benefit of the greater good of all the stakeholders in the above six capitals of sustainability.

SUSTAINABILITY REPORT continued

SUSTAINABLE PRODUCTION PROCESSES AND CARBON FOOTPRINT

The group and its subsidiaries apply energy and resource-saving production processes and technology, which reduce the need to negatively impact on the environment as far as economically possible. The board is committed to consistently improve production and business processes in order to reduce costs but also, more importantly, to reduce its carbon footprint. The table below portrays consumption by operating segment year-on-year. Increases in electricity consumption is only portrayed in the rand value increase and relate to increased tariffs from the energy regulator, rather than increased Kilowatt hours consumed.

	Rand				Litres			
	Bricks	Aggre-gates	Coal	Total	Bricks	Aggre-gates	Coal	Total
2017								
Electricity – consumed	6 607 062	1 586 476	910 636	9 104 174	n/a	n/a	n/a	
Diesel – consumed	5 850 467	4 042 714	15 340 825	35 234 005	585 815	356 186	1 474 011	2 416 012
Diesel – on-sold	1 121 767	2 299 923	39 520	3 461 210	108 124	216 155	3 990	328 269
2016								
Electricity – consumed	5 983 552	1 258 409	758 871	8 000 833	n/a	n/a	n/a	n/a
Diesel – consumed	6 025 342	3 054 057	15 159 728	24 239 127	588 125	290 089	1 473 965	2 352 179
Diesel – on-sold	58 879	2 125 261	12 032	2 196 172	5 747	201 867	1 170	208 784
2015								
Electricity – consumed	4 702 727	1 222 232	698 233	6 623 192	n/a	n/a	n/a	n/a
Diesel – consumed	6 920 249	3 808 110	20 325 270	31 053 629	586 561	314 720	1 732 317	2 633 598
Diesel – on-sold	8 016	4 910 224	6 412 781	11 331 021	679	405 804	546 559	953 042

VALUE ADDED STATEMENT

Value added is the measure of wealth created by the group in its operations by ‘adding value’ to the cost of raw materials, products and services purchased. The statement below summarises the total wealth created and shows how it was shared by employees and other stakeholders that contributed to its creation.

Also set out below is the amount retained and reinvested in the group for the replacement of assets and the further development of operations.

SUSTAINABILITY REPORT continued

	2017 R'000	2016 R'000
Revenue	300 486	317 002
<i>Less: Cost of goods and services</i>	(231 210)	(230 126)
Value added from trading operations	69 276	86 876
<i>Add: Interest received on investments</i>	1 670	3 083
Total value added	70 946	89 959
Utilised as follows:		
Employees		
Salaries and benefits	93 707	82 344
Providers of capital		
Interest on borrowings and shareholders' loans	4 363	4 674
Government – company tax	3 515	5 768
Current	3 515	5 768
	101 585	92 786
Retained for reinvestment		
Depreciation and amortisation	15 574	18 087
Income utilised in the business	(46 213)	(20 914)
	(30 639)	(2 827)
Total utilisation of value added	70 946	89 959

Further to this and in the furtherance of the economy and national development, the table below indicates exchanges between the group and government, including amounts collected on their behalf:

	2017 R'000	2016 R'000
Employee taxes	11 117	7 612
Company taxes	3 515	5 768
Value added tax	17 890	19 155
Royalties tax	(2 684)	5 750

SUSTAINABILITY REPORT continued

REHABILITATION

The group is committed to performing ongoing rehabilitation as sections of the mining areas are fully mined to ensure a consistent rehabilitation process and flow of funds committed to the rehabilitation. This ensures that funding and cash flow are always available for the rehabilitation responsibility accepted by the group, whilst economic benefits still flow from the region. The group is fully provided for in terms of rehabilitation costs.

The table below indicates the surface area extent of each of the owned properties of the group and non-owned properties for which only surface rights are payable, by category of usage together with its respective rehabilitation provision.

F2017

Land distribution and rehabilitation provision	Owned facilities							Total owned facilities	Not owned, surface rights paid only Farm Vlakfontein 281IR (Ilangabi mine)
	Ptn 7, Farm Draaikraal No.166 (Plant 1)	Ptn 35, Erf 127 Vorsters-kroon Ext.3	Ptn 58 (portion of Ptn 27), Farm Vris-gewaag no.501	Ptn 31, Farm Witfontein no.510	Ptn 27, Varkens-fontein, no.169	Ptn 70, Farm Varkens-fontein no.169 (Plant 3)	Ptn 87 (a portion of Ptn 24), Farm Donkerhoek no.365JR AND Ptn 114, 115 and 116 (a portion of Ptn 5), Farm Donkerhoek no.365JR		
	m ²	m ²	m ²	m ²	m ²	m ²	m ²	m ²	m ²
Administrative offices	650	120				425	189	1 384	
Manufacturing	4 364					6 508		10 872	
Yard		313						313	
Warehouses/Workshop	200	360				650	1 056	2 266	
Mining/Quarry inactive					150 000			150 000	
Mining/Quarry active							307 517	307 517	37 656
Undeveloped land	2 355 678	1 007	385 439	214 145	1 049 050	827 982	569 858	5 403 159	37 656
Total square meterage	2 360 892	1 800	385 439	214 145	1 199 050	835 565	878 620	5 875 511	75 312
Mining potential			77 088	150 000				227 088	
Rehabilitation provision allocated (Rand)	3 667 745	–	251 454	1 162 078	3 057 847	7 412 699	3 686 725	19 238 548	27 680 370

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is dealt with in detail on pages 28 to 34.



BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE) AND EMPLOYMENT EQUITY

As at the end of the reporting period, the group had a certification level of 4, however, the certificate has subsequently expired and the new evaluation is in process. The group expects a level 6 certificate under the new evaluation and has set a target to get back to a level 4 by the end of the 2018 financial period.

- The black empowerment status of the group and individual companies
 - Ownership

Since a majority portion of the shares are held within the Parkin family, the Parkin family can facilitate a B-BBEE transaction fairly quickly and effortlessly. Due to the current suspension of the Brikor Ltd shares, a number of the other shareholders are eager to dispose some of their shares. Management has not yet concluded a strategy in this regard and is, at date of publication of this report still in the process of formulating the strategy.

SUSTAINABILITY REPORT continued

– Management level

The employment policy of the group enforces fair non-discriminatory appointments which resolve to appoint the right person with the right skills and experience to best perform the task employed for. With this in mind and cognisant of the employment equity requirements enforced by the EEA, management vigorously and consistently works towards improving the management level representation across all the races representative of the local demographic.

– Enterprise development/Supplier development/Skills development

Management has collated and engaged with suppliers in regards the impact that their businesses have on the group and assisted in educating supplier understanding of the aspects. Monthly tracking of expenditure in each of the relevant categories, to achieve annual targets, is maintained and reforecast if so required.

Actual spend for the reporting period is not available, however, will be disclosed in the next report.

TRAINING AND EMPLOYEE SKILLS DEVELOPMENT

Through training programmes, employees moved from junior management to middle management positions. Learning and skills development interventions focused on enhancing management and leadership competencies, and developing scarce and critical skills. Money was invested in bursaries, learnerships, skills programmes and internships.

SOCIO-ECONOMIC DEVELOPMENT

The Kwanele Primary School development project has been selected, and approved by the Department of Mineral Resources, as the primary project for the period of 2016 to 2020. The school, established in 2012 and located in Katlehong in the Ekurhuleni Metropolitan Municipality, currently has 1 884 learners with 45 educators. The school was initially constructed as a temporary structure and was officially zoned as a permanent school site in 2016.

SUPPLIER AND ENTERPRISE DEVELOPMENT

The group is on a constant drive to source more compliant service providers and replace non-compliant service providers. The group assisted historically disadvantaged South African women by creating business, and thus employment, opportunities on the business premises. This included tuck shops, which required management training, equipment and stock, which was supplied by the group. The tuck shops are not required to pay rent and electricity is supplied at no charge. Future plans include assisting schools in historically disadvantaged areas.

EMPLOYEE HEALTH AND SAFETY

The group assigns high priority to employee health and safety through the application of best practice based safety, health and the environment (SHE) policies, which continue to be reviewed and updated where required. Health and safety consultants are regularly appointed to evaluate and report on areas deemed to be high-risk areas by the board and also to evaluate and report on risk areas not identified by the board, which need to be added and prioritised into the SHE policies. Monthly meetings of the safety, health, environment and quality committee takes place and incident and review outcome reports are reviewed at monthly management and executive committee meetings.

Two injuries on duty were reported during the year under review.

HUMAN RIGHTS AND NON-DISCRIMINATION

The group and its board strive to eliminate any forms of discrimination through leading by example. Experience and psychology prove that discrimination tends to be driven by one of three elements being hatred, fear derived from the unknown or the threat of being inferior.

The board supports a multicultural and multiracial work environment which respects people for who they are, where they come from and also the insights that each employee is able to offer to the group. No opinion or point of departure is discriminated against or dismissed without due consideration being granted. The human resources department is under strict mandate from the board to actively and diligently search across all levels of employment for suitable candidates as vacancies arise without any preconceived or mandated agendas other than to find the right person for the vacancy, taking into regard the employment equity targets for the group.

No incidents of discrimination were reported.

SUSTAINABILITY REPORT continued

UNDERAGED OR COMPULSORY LABOUR

The group does not condone or tolerate any underaged or compulsory labour practices within the group. The board will summarily reject and refuse further business endeavours with any supplier or business partner if it were to be discovered that such labour practices are employed within their respective businesses.

The group strictly supports labour practices which are aligned with all relevant legislation and best practices including the Labour Relations Act, the Employment Equity Act, the Skills Development Act and the Basic Conditions of Employment Act.

BRIBERY AND CORRUPTION

Experience and integrity guide the board to confidently acknowledge that, despite lucrative and/or tangible benefits, there is never a requirement or justification to accept a dealing or transaction where bribery or corruption is evident. Successful business is not only derived from the successful outcome of large decisions, but also from the ongoing successful small decisions which are made. The small decisions result in a snow ball effect, the one good decision impacting positively on the next. Similarly, the inverse is true. An ongoing succession of poor decisions made, result in ongoing, often untruthful, results which snow ball into and impact worse on successive decisions. This principle carries forward into each aspect of the business and is particularly pertinent to decisions surrounding corrupt dealings.

The board of directors asserts, once again, their stance against partaking in any dealings of a corrupt nature or where undue payments are implied or required and further emphasises their commitment to absolute transparency.

PRODUCT RESPONSIBILITY

Customer satisfaction through reliability of supply and dependable quality levels drives the sales strategy of the group. Product responsibility in the group pertains largely to the bricks segment in that the clay bricks are manufactured to the required standards for bearing weight. Compressive strength and water absorption levels are sampled regularly for each kiln as the bricks are baked and the values are widely understood in the industry. Years of experience in the manufacturing process, from the product mix, to the temperatures at which the bricks are baked in the various areas of the kilns, determines the quality, colour and weight bearing properties of the bricks. Defective bricks, which do not comply to the required standards, are not sold and are used as covers to pack the outside of the kilns for baking future stocks.

TRANSPORT

Based on the manufacturing locations of the group and the fact that transport is a material and inherent component thereof, the group currently outsources all its transport to transport sub-contractors and therefore relies on the sub-contractors to accept responsibility for ensuring that their businesses are run in a sustainable manner. The group requires, through their service level agreements, that certain minimum standards pertaining to, amongst other things, sustainable procedures to the sub-contractors with particular emphasis on safety standards.

COMPLIANCE

There were no material, monetary or other, penalties brought against the group or any of its subsidiaries for non-compliance with environmental laws and regulations during the year under review.

COMPETENT PERSON'S REPORT

Stakeholders are referred to the summary of the Competent Person's Report which follows on page 54. The full Competent Person's Report is available on the company website at www.brikor.net. The board of directors confirms that the group has legal entitlement to the minerals being reported upon and, where applicable, is liable for surface right payments in the instances where the mineral rights belong to external parties. The directors also confirm that there are no legal proceedings or other material conditions that may impact on the group's ability to continue mining activities.



COMPETENT PERSON'S REPORT

Minxcon (Pty) Ltd ("Minxcon") was commissioned by Brikor Limited to complete a compliant Independent Competent Person's Report ("CPR" or the "report") with a full mineral asset valuation on the Brikor clay, aggregate and coal projects (collectively the "projects") as follows, located in the Gauteng Province, South Africa:

- ▶ Vlakfontein – stone, clay, coal;
- ▶ Grootfontein – clay, coal, silica sand;
- ▶ Plant 1 – clay;
- ▶ Rock Dump – stone aggregate;
- ▶ Rayton – clay; and
- ▶ Donkerhoek – quartzite.

The report was commissioned in order to comply with regulations of the Johannesburg Stock Exchange ("JSE"). The report has been compiled in compliance with the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (2016 Edition), and in terms of the specifications embodied in the Standards of the South African Code for the Reporting of Mineral Asset Valuation (2016 Edition), ("SAMVAL Code"). All requirements of the JSE Section 12.9 Listings Requirements, the SAMREC Code and SAMVAL Code have been complied with. The report has an effective date of 1 May 2017.

PROPERTY DESCRIPTION

Nigel projects

The Nigel Projects (Vlakfontein, Grootfontein, Plant 1 and Rock Dump) are situated in the East Rand of the greater Johannesburg region near the towns of Nigel and Springs.

The surrounding areas are dominated by farm lands, particularly dedicated to grazing and agriculture. The Marievale Bird Sanctuary lies in close proximity to these projects. No major environmental issues are highlighted in the Environmental Management Programme ("EMP") and are mainly confined to disruption of topography. No major adverse impacts on nearby wetlands or water bodies are known. The overall sulphur content across the coal seams weights low enough to not pose an environmental threat, based on known information. Minxcon did not note any reference to long-term water management plans in the Environmental Impact Assessment ("EIA") or EMP documents, nor received such plans from Brikor.

The current coal wash plant position at Plant 3 is not sanctioned by a valid water use licence, and thus will be moved to Vlakfontein. An application has been submitted for water use at Vlakfontein. Upon closure, the mine area will need to be monitored and rehabilitated. A closure cost of some R5,1 million has been calculated for these Nigel project areas. The amount provided for in terms of financial provisions for the Nigel Projects is R16 846 905.

Rayton

Rayton is located some 40km east of Pretoria, 6,5km east of the town of Rayton and 11km southeast of Cullinan in a rural area on Ptn 31 of the farm Witfontein 510 JR. Brikor holds a valid converted mining right for Rayton, 237 MRC, which encompasses 21 ha. No mining activities have taken place since 2006 at Rayton. The property is enclosed by a fence and a local family is employed by Brikor to live on the site and act as deterrent for intruders.

Disruption of landscape and topography is the only highlighted environmental issue. A closure cost of R3,2 million has been calculated by the competent person as an estimated rehabilitation of the area. The amount provided for in terms of financial provisions is R3 178 997.

Donkerhoek

Donkerhoek is a quartzite quarry situated some 20km west of Rayton and 20km east of Pretoria on Ptn 87, 114, 115 and 166 of the farm Donkerhoek 365 JR. Brikor holds a converted mining right for Donkerhoek, 232 MRC encompassing some 88ha, through its wholly owned subsidiary Donkerhoek Quartzite (Pty) Ltd. The quarry is situated along an exposed quartzitic ridge of the Magaliesberg Range. It lies immediately adjacent to the N4 national highway as well as densely populated residential and commercial suburbs. The project is an active mining operation with the excavated quarry and mining operations clearly noticeable from the surrounding area. Aggregate product is processed on-site.

COMPETENT PERSON'S REPORT continued

Disruption of landscape and topography is the only highlighted environmental issue. A closure cost of R3,3 million has been calculated by the competent person as an estimated rehabilitation of the area. The amount provided for in terms of financial provisions is R4 501 629.

OWNERSHIP

Brikor is the direct and sole shareholder in the Plant 1, Grootfontein and Rayton Projects, as well as holding 100% of the Donkerhoek project through its wholly-owned subsidiary, Donkerhoek Quartzite (Pty) Ltd. The company holds 100% interest in the Vlakfontein and Rock Dump projects through its wholly-owned subsidiary, Ilangabi Investments 12 (Pty) Ltd.

As at February 2016, the Broad-Based Black Economic Empowerment (B-BBEE) equity stake in Brikor was 13, 10%. Minxcon is satisfied at the security of the mineral rights and legal tenure held over the Brikor projects.

STATUS OF EXPLORATION

Data regarding exploration work for the Brikor projects was limited. From the information that was provided, Minxcon has ascertained that exploration has been limited to drilling, sampling and analysis. Where applicable, clay samples were submitted for assaying, for brick making qualities as well as for coal samples, which were analysed for moisture, volatiles, ash, fixed carbon, gross calorific value ("CV") and total sulphur. At Donkerhoek, daily sampling is conducted by the Donkerhoek internal laboratory and yearly test work is conducted on all material by an external laboratory. Additional exploration drilling at the Vlakfontein property has been conducted and is included in the update of the Coal and Mineral Resources of the Project. At Vlakfontein, a total of 15 drillholes were executed in 2006 and 2011, of which three fell outside of the mining right area. Eleven RC holes and one diamond drillhole were drilled at Grootfontein in 2013 and 2014. A total of 27 drillholes were drilled at Plant 1 in the early 1980s, of which three fall outside the project, but these records are no longer available. In 2006, an additional two drillholes were drilled at Plant 1, of which one was drilled outside the project area. During 2016, nine diamond drillholes were drilled at Vlakfontein, while at Plant 1 two diamond holes were drilled. However, all samples were sampled to the inhouse laboratory and this is reflected in the updated Coal Resources for Vlakfontein. The Rock Dump was bulk sampled in 2008 and samples were analysed by an independent laboratory for aggregate-making properties. A total of three drillholes were drilled at Rayton. A total of 39 drillholes were drilled at Donkerhoek, mainly in 1978 by the previous owners, Iscor, but only 15 of these historical drillholes have geological data that could be utilised for geological modeling. Diamond drilling of two holes to the north east of the quarry took place in 2016 by Donkerhoek Quartzite (Pty) Ltd.

According to Brikor personnel, for the current financial year the company has committed a total of R250 000 to exploration expenditure for the purposes of additional drilling within the Vlakfontein property in order to assist with future mining activity and in order to upgrade the current coal and clay mineral resources.

DEVELOPMENT AND OPERATIONS

Mining

The mining operations at Brikor consist of two operations producing three types of materials. The Vlakfontein project area produces clay and coal used in the fabrication of bricks. The Donkerhoek project area produces aggregates.

Processing

The processing operations at Brikor consist of a coal wash plant, two brick plants and an aggregate crushing and screening plant.

Two brick-making plants typically produced 10,9 million bricks per month between March 2016 and February 2017. The plants produce maxi, plaster and semi-face bricks.

The aggregate crushing and screening plant treated 1 550 tonnes per day of run of mine material on average between March 2016 and February 2017 and produces customer-specified aggregate products.

COMPETENT PERSON'S REPORT continued

MINERAL RESOURCES EXTRACTION

The extraction values, excluding overburden, in the table below did not form part of the Competent Person's Report and are included for purposes of the JSE Listings Requirements section 12.

The quantities extracted per resource are as follows:

	Year ended 28 February 2017 Tonnes	Year ended 29 February 2016 Tonnes
Production		
Aggregates	368 465	369 181
Clay	515 129	515 165
Coal	472 969	479 806
	1 356 563	1 363 852

MINERAL RESOURCE

Coal

The coal resource is stated with a thickness cut-off of 0,5m and a calorific value cut-off of 15MJ/Kg and is stated per mine area and broken down per seam. It is stated as Mineable In Situ Coal Resources ("MTIS") as the mining will be open cast and no additional mining width parameters will be applied.

Vlakfontein Inferred Mineable In Situ Coal Resources (MTIS) as at 28 April 2017

Seam name	Coal Resource Category	Volume	RD	Tonnes	Geo loss	Tonnes less Geo loss	Average seam width	IM	ASH	VM	FC	TS	CV
		Mm ³	t/m ³	Mt	%	Mt	m	%	%	%	%	%	Mj/kg
Seam 1	Inferred	0,214	1,66	0,355	15	0,301	1,97	4,56	33,16	25,35	36,93	3,14	19,02
Seam 2	Inferred	6,409	1,59	10,175	15	8,649	11,84	5,35	34,22	20,76	39,67	0,65	17,73
Seam 3	Inferred	0,070	1,71	0,120	15	0,102	1,54	4,62	39,45	18,11	37,82	0,32	15,37

Grootfontein Inferred Mineable In Situ Coal Resources (MTIS) as at 28 April 2017

Seam name	Coal Resource Category	Volume	RD	Tonnes	Geo loss	Tonnes less Geo loss	Average seam width	IM	ASH	VM	FC	TS	CV
		Mm ³	t/m ³	Mt	%	Mt	m	%	%	%	%	%	Mj/kg
Seam 1	Inferred	0,282	1,65	0,466	15	0,396	1,8	4,69	32,08	25,90	37,33	3,16	19,41
Seam 2	Inferred	2,741	1,63	4,475	15	3,804	9,7	5,08	32,88	21,25	40,78	0,56	17,91
Seam 3	Inferred	0,146	1,80	0,262	15	0,222	2,0	3,20	41,98	16,19	38,63	0,31	16,03

COMPETENT PERSON'S REPORT continued

Clay

The clay mineral resources for the Nigel properties and the Donkerhoek operations use the same 0,5m cut-off as the coal resource, yet only volumetric figures are stated.

Brikor Projects Clay Mineral Resources @ 0,5m cut-off as at 28 April 2017

Clay horizon	Indicated resources			Inferred resources			Approximate overburden width
	Volume	Approximate area coverage	Approximate width	Volume	Approximate area coverage	Approximate width	
	Mm ³	Mm ²	m	Mm ³	Mm ²	m	m
Viakfontein							
Forest Blend	3,915	0,504	7,76	0,111	0,015	7,61	3,2
Chocolate	1,541	0,312	4,95	0,013	0,003	4,94	7,6
Total	5,456	0,859	6,35	0,124	0,020	6,28	–
Grootfontein							
Forest Blend	8,735	1,144	7,64	4,288	0,657	6,52	7,8
Chocolate	0,959	0,190	5,06	5,482	1,370	4,00	11,3
Total	9,694	1,528	6,35	9,770	1,856	5,26	–
Plant 1							
Forest Blend	1,614	0,467	3,45	3,747	1,136	3,30	12,3
Chocolate	0,821	0,234	3,51	2,323	0,686	3,38	15,7
Total	2,435	0,700	3,48	6,070	1,816	3,34	–
Total							
Forest Blend	14,263	1,982	7,20	8,146	1,369	5,95	9,7
Chocolate	3,321	0,707	4,70	7,818	1,975	3,96	11,8
Total	17,585	2,957	5,95	15,964	3,223	4,95	–

Rayton Clay Mineral Resources at @ 0,5m cut-off as at 28 April 2017

Clay horizon	Indicated resources			Inferred resources			Approximate overburden width
	Volume	Approximate area coverage	Approximate width	Volume	Approximate area coverage	Approximate width	
	Mm ³	Mm ²	m	Mm ³	Mm ²	m	m
Useable							
Clay	0,448	0,109	4,1	0,199	0,058	3,4	2,6
Total	0,448	0,109	4,1	0,199	0,058	3,4	–

COMPETENT PERSON'S REPORT continued

Aggregates

The aggregate mineral resources for the Marievale No 5 Rock Dump are stated in volumetric figures only.

Marievale No 5 Rock Dump Mineral Resources as at 28 April 2017

Commodity	Indicated resources			Inferred resources		
	Volume	Approximate area coverage	Approximate dump height	Volume	Approximate area coverage	Approximate dump height
	Mm ³	m ²	m	Mm ³	m ²	m
Aggregate	0,134	0,024	5,6	–	–	–
Total	0,134	0,024	5,6	–	–	–

The aggregate mineral resources for the Donkerhoek Quartzite Quarry are stated in volumetric figures only as there are no reliable density figures.

Donkerhoek Aggregate Mineral Resources as at 28 April 2017

Rock type	Indicated resources	Inferred resources
	Volume	Volume
	Mm ³	Mm ³
Quartzite	19,160	–
Silverton Shale Zone	–	5,994
Total	19,160	5,994

MINERAL RESERVES

No mineral reserves or coal reserves were declared due to the absence of an adequate level of confidence LoM plan for both the Vlakfontein and Donkerhoek operations.

VALUATION

Clay, aggregates and sand

The income approach and market approach are the more commonly used valuation approaches for development and production properties. Failing the presentation of a mine plan and reserve, it was the Competent Valuator's opinion that the market approach is the only remaining methodology to ascertain the total value of the operation.

However, serious problems occur when the market approach is used in valuation of active pits and quarries of the operations that mine clay, sand and aggregates, as timely transactions are rare. Sold properties and the subject properties to be valued differ in many ways.

An alternative market approach that is frequently used is the In Situ Resource (or "Yardstick") method. The value derived is usually an average market-based figure obtained from an analysis of recent transactions in the applicable currency per ounce or per ton. As discussed above, applicable information on recent transactions could not be sourced for clay, aggregate and sand transactions. Minxcon could, however, source the information for a number of other commodities to form an opinion of what the mineral resources of the clay, aggregate and sand in the ground could be worth.

At an average yardstick fraction of 0,30% of the contained commodity value, the best estimate value of R30,14 million was calculated for the clay, aggregate and sand.

COMPETENT PERSON'S REPORT continued

Coal

The valuator performed an independent valuation on Brikor's coal resources. The market comparable approach was applied on the total coal resources as the primary and only methodology in determining the value of the asset. The combined project, including all the areas, has an estimated value of R54,53million, calculated by the inferred resource category of 11 143 000 tonnes at an average value of R4,05/coal tonne.

COMPETENT PERSON'S CONCLUSIONS

The following conclusions are made by the Competent Person for the Brikor projects: –

Mineral resources

Additional steps and procedures have been put in place by the Brikor geological personnel since 2016 to improve the resource database. In order to further improve Coal Resources categories, implementation of further procedures is required. The Coal Resource is categorized as an Inferred Resource due to the fact that the new samples from the 2016 drilling program were not sent to an accredited laboratory, no SG testwork was conducted on the individual samples and the core recovery was below 95%.

Standard operating procedures and protocols were previously not well documented in the Mineral Resources Department of Brikor. This has been addressed but still requires more detail. There has been an improvement in the storage of hard copy material in the storeroom. However, there is still no electronic database for the drilling data. There is very little geological data, such as pit geological mapping, being collected from the current operations to aid in the reconciliation and verification of the project specific geological models.

Two additional drill holes on Plant 1 have improved the resources but the information could not be utilized to confirm all the historical Corobrik drilling as there was poor correlation.

The confidence in the depth of the weathered horizon is fairly low at Grootfontein and Plant 1 because of the drilling density. This would have an impact on the coal to clay (Chocolate or other weathered clays) "conversion" which would have a direct impact on the Clay Mineral Resources.

Subsequent to 2016 bulk density test work was completed at the Donkerhoek quarry from the two drill holes; test work should also be implemented for the Clay and Coal Resources.

SPECIFIC CLAUSES INCLUDED

Risk assessments

A risk assessment to consider and quantify risks within the Brikor projects was conducted by Minxcon based on a simplified approach. The result is not designed to be a definitive assessment of the risks, but is rather a tool to articulate and evaluate those risks as identified by persons present at the risk assessment session.

Risk assessment methodology

All items were reviewed and assessed using the risk severity criteria shown below: –

- ▶ Green – Low risk (score 1 – 5);
- ▶ Yellow – Medium risk (score 6 – 12);
- ▶ Orange – Significant risk (score 13 – 20); and
- ▶ Red – High risk (score greater than 21).

Once a high risk is identified, the project team is required to take remedial action to either resolve or mitigate the risk. The identification and recording of corrective and remedial measures was beyond the scope of this particular risk assessment exercise. The risk matrix table is available on the website, www.brikor.co.za.

COMPETENT PERSON'S REPORT continued

DETAILS OF COMPETENT PERSON

Lead competent person

The lead competent person authorising publication of the information contained in the competent persons report is Mr U Engelmann [BSc (Zoo. & Bot.), BSc Hons (Geol.), Pr. Sci.Nat., MGSSA (No.966310)]. Mr Engelmann is a director of Minxcon (Pty) Ltd which is situated at Suite 5, Coldstream Office Park, Little Falls, Roodepoort, South Africa.

Mr U Engelmann has more than 18 years' experience in the mining and exploration industry, which includes 8 years as an Ore Resource Manager at the Randfontein Estates Projects on the West Rand. He has completed a number of assessments and technical reports pertaining to various commodities, including coal, using approaches described by the SAMREC Code.

Lead competent person's statement

The board has written confirmation (contained in the Competent Person's Report) from the Lead Competent Person that the information disclosed in the Competent Person's Report is compliant with the SAMREC Code and, where applicable, Section 12 (Including table 1) of the JSE Listings Requirements and that it may be published in the form and context in which appears.



CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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The consolidated financial statements have been audited in compliance with Section 30 of the Companies Act of South Africa.

AUDITORS

KPMG Inc.
Registered Auditors

PREPARER

The consolidated financial statements for the year ended 28 February 2017 was prepared by Laura Craig CA(SA), group financial manager, under the supervision of André Hanekom CA(SA), chief financial officer.

PUBLISHED

8 December 2017

STATEMENT OF RESPONSIBILITY AND APPROVAL BY THE DIRECTORS

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of Brikor Limited, comprising the consolidated statement of financial position at 28 February 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the group to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements set out on pages 63 to 130 were approved by the board of directors on 30 November 2017 and are signed by:



Ina McDonald
Non-executive chairman
Authorised director



Garnett Parkin
Chief executive officer
Authorised director



André Hanekom
Chief financial officer
Authorised director

CERTIFICATION BY COMPANY SECRETARY

In my capacity as company secretary as at 28 February 2017, I hereby certify that for the year ended 28 February 2017, the company has filed all such returns and notices as required by the Companies Act, no 71 of 2008, and that all such returns and notices appear to be true, correct and up to date. CIS Company Secretaries (Pty) Ltd have resigned as company secretaries with effect from 1 April 2017. From 1 April 2017, the role of company secretary has been taken over by Fusion Corporate Secretarial Services (Pty) Ltd.



Gillian Mary Prestwich

For and on behalf of CIS Company Secretaries (Pty) Ltd
Company Secretary

31 March 2017
Nigel

AUDIT AND RISK COMMITTEE REPORT

for the year ended 28 February 2017

The audit and risk committee (the committee) has pleasure in submitting this report, describing how it discharged its duties assigned in terms of the Companies Act, and additional duties assigned to it by the board of directors, in respect of the financial year ended 28 February 2017.

COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS

The committee is constituted as a statutory committee of the company in respect of its statutory duties as stipulated in section 94(7) of the Companies Act, and is a committee of the board in respect of all other duties assigned to it by the board, as contemplated in King III.

At the date of publication of the integrated annual report, the committee comprised four skilled and experienced non-executive members, of whom three are independent, appointed by the board. Although AP van der Merwe is not independent, the board believes that his skills, experience and knowledge of Brikor outweigh any other considerations. The committee meets at least twice a year. In terms of the JSE Listings Requirements, a representative of the company's designated adviser attends all audit and risk committee meetings. The chief financial officer, executive directors and other members of management attend the committee meetings by invitation.

Committee member	Number of meetings held	Number of meetings attended
Peter Moyanga (chairman, lead independent director)	4	4
Collen Madolo (independent non-executive director)	4	4
Mrs Limpho Hani (resigned 23 January 2017)	4	3
AP van der Merwe (non-executive)	4	4
Mamsy Mokate (appointed as independent non-executive director post-year-end on 12 April 2017)	n/a	n/a

ROLE AND RESPONSIBILITIES

The committee's role and responsibilities are governed by a formal charter as approved by the board. The charter is subject to an annual review by the board. A copy of the charter can be obtained on the company's website.

The charter specifically stipulates that the duties of the committee, in general, include:

- ▶ assisting the directors to discharge their duties relating to the safeguarding of assets, the operation of adequate financial systems and controls and the reviewing of financial information and preparation of annual financial statements which shall be provided to shareholders and other stakeholders;
- ▶ annually considering the performance of the financial director;
- ▶ addressing appropriately any complaints (internal or external) relating either to the accounting practices and internal audit of the group or to the content or auditing of its financial statements, or to any related matter;
- ▶ overseeing the development and annual review of a policy and plan for risk management to recommend for approval to the board and analysing risk areas of the group's operations, taking cognisance of legal, operational and financial factors;
- ▶ making recommendations to the board concerning the levels of risk tolerance and appetite, and monitoring that risks are managed within the levels of tolerance and appetite as approved by the board;
- ▶ assessing IT risks and controls, business continuity and data recovery relating to IT and information security and privacy;
- ▶ reviewing, evaluating and reporting on:
 - the effective functioning of the internal control system and the process of risk management;
 - the reliability and accuracy of the financial information provided by management as well as that provided for dissemination to other users of financial information;
 - the group's compliance with legal and regulatory provisions, its memorandum of incorporation, code of ethics and by-laws;
 - disclosures pertaining to the sustainability activities of the group;
 - disclosures pertaining to risk management that are included in the integrated annual report in terms of it being timely, comprehensive and relevant; and

AUDIT AND RISK COMMITTEE REPORT continued

for the year ended 28 February 2017

- ▶ the chairman of the audit and risk committee must attend the board meeting at which the annual financial statements are approved.

With specific reference to the external auditors, the committee's responsibilities include:

- ▶ assessing the independence and objectivity of the external auditors, appointing them and whether the group should continue to use the services of the current external auditors;
- ▶ assessing the relevance, impact and resolution of accounting or auditing issues identified by external auditors together with management, external auditors and internal auditors.
- ▶ assessing the scope and results of the external audit and determining the fees to be paid to the external auditors;
- ▶ ensuring the external auditors have unrestricted access to the chairman of the audit and risk committee;
- ▶ appraising the nature and extent of non-audit services in an effort to balance the maintenance of objectivity and value for money. Non-audit services rendered during the financial year under review are disclosed in the table below;
- ▶ pre-approving any proposed contract with the external auditors for the provision of non-audit services to the group in terms of set policies and procedures; and
- ▶ ensuring that the appointment of the auditor complies with the Companies Act, no 71 of 2008, and any other legislation relating to the appointment of auditors.

In addition to the above duties, the committee reviews:

- ▶ integrated annual reports;
- ▶ interim reports;
- ▶ provisional financial results;
- ▶ the appropriateness of accounting policies adopted by the group;
- ▶ any information which is price sensitive; and
- ▶ its charter annually.

AUDIT AND RISK ACTIVITIES AND DECISIONS TAKEN THROUGH THE YEAR

Audit	
External audit scope and budget	▶ Approved the external audit engagement letter, the audit plan and the budgeted audit fees payable to the external auditors. ▶ Non-audit services required related to tax advisory services provided for the submission of the royalties tax voluntary disclosure programmes and the implementation of adequate and suitable royalties tax calculation tools and principal methodologies. The estimated fee for these services rendered amounts to R800 000.
Approval of annual and interim financial statements	▶ Considered the accounting treatments and the appropriateness of the accounting policies or any changes thereto, if applicable. It is confirmed that there was no change in the accounting policies. ▶ Reviewed a documented assessment by management of the going concern premise of the company and the group before recommending to the board that the company and the group will be going concerns in the foreseeable future. ▶ Met separately with management, external auditors and was satisfied that there was no material control weaknesses. ▶ Reviewed the representation letter relating to the consolidated financial statements. ▶ Reportable irregularities had been identified and reported by the independent auditors under the Auditing Profession Act. Further disclosure appears in the directors' report on page 69. ▶ Examined the interim and annual financial information made public, prior to their approval by the board.

AUDIT AND RISK COMMITTEE REPORT continued

for the year ended 28 February 2017

Audit (continued)	
JSE Proactive Monitoring Panel	▶ Considered the 2016 JSE Report on Proactive Monitoring and has taken the appropriate action to apply the findings.
Auditor independence and rotation	▶ Considered the external auditors independence and concluded that the independence remained. ▶ There was no need for audit partner rotation for the period under review, however, in terms of section 92 of the Companies Act, the audit partner rotates after serving as designated auditor for a consecutive five-year period. Okkie Potgieter, the designated auditor, completed his five-year tenure during the period under review. The committee is thankful for the valuable guidance and quality service rendered by Okkie Potgieter. ▶ As is best practice, the committee has embarked on a tender process for the external audit function to the group. It is highly probable that the process of evaluating all the approved audit firm proposals will not be completed before the next audit engagement is required. In the event that this is the case, the committee recommends the re-appointment of KPMG Inc. as auditors, with Riegert Stoltz as the audit partner, for the ensuing year to shareholders for approval at the annual general meeting to be held on Friday, 12 January 2018. The external auditors have unrestricted access to the committee and its chairman with a view to ensuring that their independence is not impaired.
Finance function and internal controls	▶ Obtained assurances from the independent auditors that adequate accounting records were being maintained.
Finance director and finance function	▶ Considered the appropriateness of the experience and expertise of the financial director and concluded that these were appropriate. ▶ Considered, and has satisfied itself of, the appropriateness of the expertise and adequacy of resources of the company's finance function and the experience of the senior members of management responsible for the finance function.
Internal audit	▶ Continuously reviewed the requirement and the necessity to appoint internal auditors measured against affordability for the company in its current form. It is confirmed that no internal auditor was appointed, but that the board as a whole remains responsible for the assessment of the appropriateness of internal controls. There was nothing material to report.
Risk	
Policies on risk management	Reviewed the policies on risk management, including information technology risks, and found a number of areas that required improvement. A formal risk management framework is being developed. Progress in this regard will be provided in the committee's F2018 reporting.
Legal risk	▶ The committee was satisfied that there has been no material non-compliance with laws and regulations, other than what has been reported in note 32 of the consolidated financial statements. ▶ The committee is also satisfied that it has complied with all its legal, regulatory and other responsibilities during the year under review.
Financial risk	Refer to note 31 on pages 123 to 128 in the financial statements for full disclosure on financial risks.
Compliance with legal and regulatory responsibilities	▶ Reviewed compliance with legal and regulatory responsibilities. ▶ In process of aligning certain policies and procedures with King IV.

AUDIT AND RISK COMMITTEE REPORT continued

for the year ended 28 February 2017

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

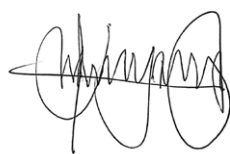
Following the review by the committee of the consolidated annual financial statements of Brikor for the year ended 28 February 2017, the committee is of the view that, in all material aspects, it complies with the relevant provisions of the Companies Act and International Financial Reporting Standards and fairly presents the financial position at that date and the results of its operations and cash flows for the year.

In conjunction with the social and ethics committee, the committee has also satisfied itself as to the integrity of the remainder of the integrated annual report.

Having achieved its objectives for the financial year, the committee recommended the consolidated financial statements and integrated annual report for the year ended 28 February 2017 for approval to the board on 30 November 2017.

CONCLUSION

The audit and risk committee report was approved by the board on 30 November 2017.



Peter Moyanga

Chairman of the audit and risk committee

DIRECTORS' REPORT

for the year ended 28 February 2017

The directors have pleasure in presenting their report on the activities of the group, which forms part of the consolidated annual financial statements for the year ended 28 February 2017. The consolidated financial statements presented on pages 77 to 130 set out fully the financial position, results of operations and cash flows of the group for the financial year ended 28 February 2017.

The integrated annual report for the year ended 28 February 2017 was approved by the board of directors of Brikor on 30 November 2017.

NATURE OF BUSINESS

Brikor, which listed on the AltX in August 2007, is a manufacturer of building and construction materials and supplies across a broad spectrum of the market from low-cost housing, residential to commercial, industrial, civil engineering and infrastructure projects and has a bricks segment, an aggregates segment, which operates as a division of Brikor, and a coal segment through its wholly-owned subsidiary, Ilangabi Investments 12 (Pty) Ltd.

AUTHORISED AND ISSUED STATED CAPITAL

There were no changes to the authorised and issued ordinary no par value shares during the year under review.

Brikor holds 15 900 000 ordinary no par value shares of its own issued shares. The shares are held as treasury shares by the Brikor Share Incentive Scheme Trust.

At the last annual general meeting held on 28 July 2017, the directors were authorised under general authority to:

- ▶ allot and issue ordinary shares in the capital of the company for cash as and when suitable situations arise and only if certain conditions are met; and
- ▶ be in control of the authorised and unissued share capital of the company and may allot and issue or otherwise dispose of all or part of any of such shares at such time or times, to such person or persons, company or companies and upon such terms and conditions as they may determine at their discretion. The approval is subject to the conditions of the JSE Listings Requirements, the memorandum of incorporation of the company and the Companies Act and remains in place until the next annual general meeting.

The directors were authorised under special resolution to:

- ▶ acquire from time-to-time, any of the issued ordinary shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine as contemplated in section 48 of the Companies Act. The approval is subject to the conditions of the JSE Listings Requirements, the memorandum of incorporation of the company and the Companies Act; and
- ▶ provide financial assistance to any company or corporation which is related or inter-related to the company, subject to compliance with the requirements of the company's constitutional documents and the Companies Act.

During the financial year under review, the company/directors did not utilise this general authority. No other special resolutions were passed by the company's shareholders, which would affect the understanding of the group.

DIVIDENDS

No dividends were declared or paid during the year under review (2016: Rnil).

DIRECTORS' REPORT continued

for the year ended 28 February 2017

DIRECTORS AND COMPANY SECRETARY

The directors of the company are shown below.

Name	Designation	Date of appointment	Date of resignation
Ina McDonald	Non-executive chairman	11 November 2015	
Garnett Parkin	Chief executive officer	20 February 2007	
André Hanekom	Financial director	18 July 2016	
Mrs Limpho Hani	Independent non-executive director	2 November 2015	23 January 2017
Collen Madolo	Independent non-executive director	1 November 2012	
Mamsy Mokate	Independent non-executive director	12 April 2017	
Peter Moyanga	Lead independent non-executive director	2 November 2015	
AP van der Merwe	Non-executive director	11 November 2015	
Hanleu Botha	Financial director	1 May 2005	30 May 2016, effective 30 June 2016

In terms of the company's memorandum of incorporation, AP van der Merwe and Ina McDonald retired by rotation and were reappointed at the annual general meeting held on 28 July 2017. Peter Moyanga and Collen Madolo are set to retire by rotation at the annual general meeting to be held on Friday, 12 January 2018. Resolutions to ratify the appointment of Mamsy Mokate and re-appointments of Peter Moyanga and Collen Madolo as directors of the board together with resolutions to ratify the appointment of Mamsy Mokate and re-appointments of Collen Madolo, Peter Moyanga and AP van der Merwe as members of the audit and risk committee will be presented to shareholders at the annual general meeting to be held on Friday, 12 January 2018. The non-executive chairman, Ina McDonald, resigns at the annual general meeting and has not offered herself for re-election as a director of the company.

The company secretary remained to be CIS Company Secretaries (Pty) Ltd ("CIS") as at 28 February 2017, however, CIS resigned effective 31 March 2017. With effect from 1 April 2017, Fusion Corporate Secretarial Services (Pty) Ltd accepted their appointment as company secretary.

DIRECTORS, ASSOCIATES AND PRESCRIBED OFFICERS' INTEREST IN THE ORDINARY SHARE CAPITAL OF THE COMPANY

Details of the directors, associates and prescribed officers' shareholding are disclosed in note 35 on page 130.

No shares were purchased subsequent to the year-end. Directors have an aggregate beneficial and non-beneficial interest of 63,52% (2016: 64,33%) in the ordinary share capital of the company.

The staff of the designated adviser of Brikor held 2 200 000 shares (0,34%) (2016: 2 200 000 shares (0,34%) directly and indirectly in the ordinary share capital of the company at year-end.

There has been no material change in the directors' interest in the issued share capital between 28 February 2017 and the date of this report.

DIRECTORS' EMOLUMENTS

Details of the directors' emoluments are set out on page 122.

DIRECTORS' INTEREST IN CONTRACTS

The directors have certified that they had no material interest in any transaction of any significance to the company or any of its subsidiaries during the period under review, other than as disclosed in note 28 – related parties.

DIRECTORS' REPORT continued

for the year ended 28 February 2017

CONFLICT OF INTERESTS

No conflicts of interest have been identified.

SHAREHOLDING ANALYSIS

Details of the company's shareholding are set out on page 131.

SUBSIDIARIES

Details of the holding company's interest in subsidiaries are set out in note 34 on page 129.

BORROWING POWERS

In terms of the memorandum of incorporation of the company, the directors may exercise all the powers of the company to borrow without limit, as they consider appropriate.

REPORTABLE IRREGULARITIES

On 5 July 2017, the auditors reported reportable irregularities to the Independent Regulatory Board for Auditors in respect of non-compliance with the Income Tax Act, no 58 of 1962, the Mineral and Petroleum Resources Royalties Act, no 29 of 2008 and the Companies Act, no 71 of 2008.

The three main points reported were:

1. Non-compliance with the Income Tax Act, no 58 of 1962, in that:
 - Annual income tax returns had not all been submitted; and
 - All provisional tax payments had not been made.
2. Non-compliance with the Mineral and Petroleum Resources Act, no 28 of 2002, in that:
 - Royalties tax returns had not all been submitted; and
 - Royalties tax payments had not all been made.
3. Non-compliance with the Companies Act, no 71 of 2008, in that:
 - Statutory individual company annual financial statements had not been audited, signed and approved within six months of the respective financial year-ends.

During the provisional liquidation, all expenditure relating to the finalisation of financial statements, including audit services and compilation services, were placed on hold. The non-compliances were directly related to the restraint placed on funding to produce financial statements, which in turn directly prevented the completion of annual income tax returns and royalty tax returns.

Management is consistently managing the process of resolving the above, particularly since the provisional liquidation of Brikor has been lifted, to ensure that the relevant non-compliances are adequately addressed. Full provision has been made in the consolidated financial statements for the period under review for any related amounts due. A component of the liability for outstanding income taxes, together with related penalties and interest, have already been settled, indicating the proactive approach taken by management. Progress has been made in completing the individual statutory returns for Brikor and its wholly-owned subsidiary, Ilangabi Investments 12 (Pty) Ltd.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Listing on the Alt^x of the Johannesburg Stock Exchange

The suspension of the company's listing on the JSE will only be lifted by the JSE once the company has met all the outstanding JSE Listings Requirements. The most important of these being the finalisation and publication of these annual financial statements for the financial year ended 28 February 2017.

DIRECTORS' REPORT continued

for the year ended 28 February 2017

Disposal of the Rayton property

As announced on SENS on 24 July 2017, Brikor has entered into a sale agreement with Corobrik (Pty) Ltd (Corobrik) for the sale of the Rayton property (Portion 31 of Farm Witfontein 510, Registration Division JR, Province of Gauteng), which property has been identified as a non-core asset, and the cession and transfer of the mining right (GP30/5/1/2/2 (237) MRC) to Corobrik. No mining activities have taken place at the Rayton property since 2006. The purchase consideration payable by Corobrik to Brikor shall be an amount of R2,2 million, exclusive of VAT, payable on the transfer of the Rayton property. Brikor will utilise the proceeds from the sale for general working capital purposes. As at 28 February 2017, the value of the net assets subject to the transaction was R3,5 million and the loss attributable to the net assets was R1,3 million.

The transaction, which has been classified as a category 2 transaction by the JSE, is subject to certain conditions precedent and shareholders will be advised once these have been met.

Disposal of the Schist property

Brikor has received several offers in terms of the Nigel Schist property, situated at Portion 58 of the Farm Vrisgewaag 5101R Schist, of which the latest offer of R0,2 million is inclusive of the transfer of the environmental obligation. The company is in the process of finalising the terms of the agreement with the potential buyer. The agreement is subject to the approval for closure from the Department of Mineral Resources.

Disposal of the Donkerhoek business

As per the JSE announcement released on SENS on 12 September 2017, the management of Brikor accepted an offer on 8 September 2017 for the sale of the Donkerhoek operation, which also represents the aggregates segment. The final sale agreement, which embodies the terms of the sale, was signed on 27 October 2017, thereby actioning the next progressive steps towards finalisation of the deal, including the finalisation of the conditions precedent. No circumstances or expectations pertaining to the sale transaction have changed since acceptance of the original offer and Brikor management is confident the transaction will be concluded successfully. It is in the interest of both sale parties and Donkerhoek stakeholders to ensure the transaction is completed as soon as feasibly possible. Further details of the impact of the transaction on the results of Brikor will be disclosed in the circular to shareholders to be published in accordance with the Category 1 classification requirements under which the transaction has been classified by the JSE.

Other

The board is not aware of any material events, other than as outlined above, which occurred subsequent to the year ended 28 February 2017 and which needed adjustment or disclosure. The board reviewed the recommendation from the audit and risk committee in terms of the content of the six reports from the JSE Pro-active Monitoring Panel, the last of which was released on 13 February 2017, and confirmed that there were no instances of contravention in relation to this integrated annual report.

STATEMENT ON GOING CONCERN

The 2017 consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that adequate cash will be generated in the ordinary course of business to settle creditors, 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.

AUDITORS

The auditors, KPMG Inc., have indicated their willingness to continue in office for the 2018 financial year. The audit and risk committee has satisfied itself of the independence of the auditors and the designated audit partner.

A resolution to reappoint KPMG Inc. as auditors will be proposed at the next annual general meeting scheduled to take place on Friday, 12 January 2018.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Brikor Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Brikor Limited (the group) set out on pages 77 to 130, which comprise the consolidated statement of financial position at 28 February 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Brikor Limited at 28 February 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing our audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Part A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT continued

VALUATION OF THE PROVISION FOR ENVIRONMENTAL REHABILITATION

Refer to note 1.2 (Environmental rehabilitation provision), 1.12 and 13 of the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
The group undertakes certain mining activities, in addition to its manufacturing activities, that gives rise to the need to provide for the future rehabilitation of environmental damage caused from the mining operations. The group's provision for environmental rehabilitation has been made in respect of numerous sites over which the group's mining operations are spread. There is a risk that not all sites are identified for inclusion in the provision and that the sites identified are not provided for sufficiently. The key judgements and assumptions made by management in estimating the future rehabilitation cost, with the assistance of independent environmental and quantity survey experts, were based on the group's environmental management plans. These plans were developed in accordance with regulatory requirements, the life-of-mine plans and the planned method of rehabilitation. Discount rates, inflation rates and discount periods related to the expected life-of-mine plans were key assumptions used to determine the provision for environmental rehabilitation. A small change in the assumptions used to calculate the provision for environmental rehabilitation could lead to a significant change in the carrying value of the provision at year end. Due to the inherent uncertainty in estimating future environmental rehabilitation costs, the valuation of the provision for environmental rehabilitation was considered a key audit matter.	With the support of our own environmental specialists, we performed a detailed assessment of the valuation of the provision for environmental rehabilitation. As part of our audit: ▶ We assessed the professional competence, objectivity and independence of management's independent experts; ▶ We assessed whether the group's environmental rehabilitation provision was consistent with the group's environmental management plans and the applicable laws and regulations; ▶ We evaluated the completeness of the sites included in the provision for environmental rehabilitation by ensuring that the calculation included provisions in respect of each of the group's mining rights, including dormant sites; ▶ We agreed the disturbed areas, that requires rehabilitation, per mining site to the reports from the quantity surveyor; ▶ We ensured that the rehabilitation provision in respect of dormant sites was adjusted for inflation; ▶ We challenged the assumptions made by management in their calculation of the environmental rehabilitation provision by comparing key inputs and assumptions to external data sources and our own expectations based on our knowledge and experience of the industry; and ▶ We evaluated whether the accounting treatment applied in determining the provision for environmental rehabilitation, the recognition of movements for the year and the related disclosures were in accordance with the applicable financial reporting framework.

INDEPENDENT AUDITOR'S REPORT continued

IMPAIRMENT OF MINERAL RESERVES AND MINING RIGHTS RELATING TO THE DONKERHOEK DIVISION

Refer to note 1.2 (Impairment of non-financial assets), 1.6, 3 and 4 of the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
Significant losses by the Donkerhoek division (the division) for the year ended 28 February 2017 necessitated an impairment assessment to be performed by management to determine the recoverable amount of the cash-generating unit. Impairment losses of R 23 million and R 0.9 million were allocated to the carrying values of the mineral reserves and mining rights respectively. The recoverable amount of the division was calculated as the higher of the division's value in use and its fair value less costs of disposal. While the fair value less costs of disposal of the division was based on offers received for the division from market participants, key judgments, assumptions and estimates were made by management in determining the value in use of the division using a discounted cash flow model. These included estimates and assumptions about expected production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation cost and future capital expenditure as well as the applicable discount rates. Due to the inherent uncertainty in determining the recoverable amount of the division and the resultant impairments, the impairment of mineral reserves and mining rights relating to the Donkerhoek division was considered a key audit matter.	With the support of our own valuation specialists we performed a detailed assessment of the impairments recognised for the division. As part of our audit: ▶ For the value in use calculation, we critically evaluated the estimated future cash flows by: – benchmarking the estimated future cash flows against current operations, and – challenging management on the appropriateness of the assumptions used in the discounted cash flow model by comparing the assumptions used by management to externally derived data as well as our own assessments based on our industry knowledge and experience; ▶ For the fair value less costs of disposal calculation, we compared the fair value used by management to offers to purchase the division received after year end from parties external to the group; and ▶ We assessed the adequacy of the group's disclosures of significant accounting judgements and estimates used to determine the value in use of the division and the resultant impairment losses in accordance with the applicable financial reporting framework.

INDEPENDENT AUDITOR'S REPORT continued

RECOVERABILITY OF THE DEFERRED TAX ASSET

Refer to note 1.2 (Taxation), 1.9 and 14 of the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
The group had an unrecognised deferred tax asset relating to calculated tax losses originating from loss-making operations which were disposed of during prior financial years. The group recognised a deferred tax asset of R 26.6 million at 28 February 2017, as it had become probable, subsequent to the group restructuring, that the group would be able to utilise the deferred tax asset over the next five years. Assessing the recoverability of the deferred tax asset required the group to make significant estimates related to the quantum and timing of future taxable income. Estimates of future taxable income were based on the forecast of profits from operations, the reversal of temporary differences and the application of existing tax laws. To the extent that future taxable income may differ significantly from estimates, the ability of the group to realise the deferred tax asset recorded at the reporting date could be impacted. The recoverability of the deferred tax asset was considered a key audit matter due to the inherent uncertainty involved in estimating future taxable income, which determines the extent to which the deferred tax asset is recognised.	With the support of our own tax specialists, we performed a detailed assessment of the calculated tax loss as well as the recoverability of the resultant deferred tax asset. As part of our audit: ▶ Given the restructuring of the group over the prior financial years, we: – obtained an understanding of whether the tax losses originated in divisions of companies that remain within the group (and can still be utilised by the group) or in subsidiaries that were disposed of in the restructuring process and are no longer available to the group, and – we recalculated the previously unrecognised tax losses at 28 February 2017, based on the current understanding of the losses available to be utilised by the group; ▶ We assessed the reasonability of future taxable profits and the utilisation of the deferred tax asset over the next five years by: – obtaining the approved budgets for the next financial year and critically assessing the assumptions used in the determination of the estimated future taxable income in relation to our knowledge of the group and the industries in which it operates, and – evaluating the factors that the directors had applied in extending this budget for the next five years in relation to our industry knowledge and external market data, where available; and ▶ We assessed the adequacy of the group's disclosures of significant accounting judgments and estimates in recognising the deferred tax asset in accordance with the applicable financial reporting framework.

Other Information

The directors are responsible for the other information. The other information comprises the Certification by company secretary, the Audit and risk committee report and the Directors' report as required by the Companies Act of South Africa, and the rest of the information contained in the Integrated annual report. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT continued

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT continued

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Brikor Limited for six years.

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified reportable irregularities in terms of the Auditing Profession Act. We have reported such matters to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularities have been described in note 32 to the consolidated financial statements.

KPMG Inc.

Registered Auditor



*Per OC Potgieter
Chartered Accountant (SA)
Registered Auditor
Director*

30 November 2017

Suite 301
Medforum Building,
Heunis Street
Secunda
2302

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 28 February 2017

	Note	2017 R'000	2016 R'000
ASSETS			
Non-current assets		144 363	134 445
Property, plant and equipment	3	89 757	109 202
Intangible assets	4	10 198	12 320
Other financial assets	5	16 326	12 714
Deferred tax asset	14	28 082	209
Current assets		80 540	96 617
Inventories	6	44 432	45 499
Trade and other receivables	7	21 883	29 871
Cash and cash equivalents	8	14 225	21 247
Non-current assets held-for-sale	9	3 571	–
Total assets		228 474	231 062
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the company		51 073	46 854
Stated capital	10	228 242	228 242
Accumulated loss		(177 169)	(181 388)
Non-current liabilities		103 454	95 616
Borrowings	11	2 624	5 582
Shareholders' loans	12	45 228	43 115
Provisions	13	54 281	46 919
Deferred tax liability	14	1 321	–
Current liabilities		72 041	88 592
Borrowings	11	7 280	9 984
Trade and other payables	15	57 679	58 661
Taxation	24	7 082	19 947
Non-current liabilities held-for-sale	9	1 906	–
Total equity and liabilities		228 474	231 062

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 28 February 2017

	Note	2017 R'000	2016 R'000
Revenue	16	300 486	317 002
Cost of sales		(231 210)	(230 126)
Gross profit		69 276	86 876
Other income		5 965	5 376
Administrative expenses		(42 228)	(32 570)
Distribution expenses		(5 070)	(4 374)
Other expenses		(34 633)	(6 725)
Expenses		(9 348)	(6 725)
Impairments	3;4	(25 285)	–
Operating (loss)/profit before interest and taxation	17	(6 690)	48 583
Finance income	18	1 670	3 083
Finance costs	19	(13 798)	(13 505)
(Loss)/profit before taxation		(18 818)	38 161
Taxation	20	23 037	(5 314)
Profit after taxation		4 219	32 847
Total comprehensive income attributable to owners of the company		4 219	32 847

	2017 cents	2016 cents
EARNINGS PER SHARE	21	
Basic	0,7	5,2
Diluted	0,7	5,2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2017

	Stated capital R'000	Treasury shares R'000	Accumulated loss R'000	Total equity R'000
Balance at 28 February 2015	244 142	(15 900)	(214 235)	14 007
Total comprehensive income for the year	–	–	32 847	32 847
Balance at 29 February 2016	244 142	(15 900)	(181 388)	46 854
Total comprehensive income for the year	–	–	4 219	4 219
Balance at 28 February 2017	244 142	(15 900)	(177 169)	51 073
Note	10	10		

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 28 February 2017

	Note	2017 R'000	2016 R'000
Cash flows from operating activities		22 229	37 086
Cash generated from operations	23	41 393	48 010
Finance income	18	1 620	3 083
Finance costs	19	(3 593)	(8 623)
Tax paid	24	(17 191)	(5 384)
Cash flows to investing activities		(22 349)	(15 989)
Additions to property, plant and equipment	3	(21 956)	(18 450)
Proceeds on disposal of property, plant and equipment		2 506	4 340
Increase in investments in other financial assets	5	(2 899)	(1 879)
Cash flows from financing activities	11;12	(6 902)	(94 341)
Borrowings raised		6 305	18 600
Borrowings repaid		(13 207)	(112 941)
Net decrease in cash and cash equivalents		(7 022)	(73 244)
Cash and cash equivalents at beginning of year		21 247	94 491
Cash and cash equivalents at end of year	8	14 225	21 247

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 28 February 2017

1. ACCOUNTING POLICIES

1.1 PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

These financial statements contain consolidated financial statements of Brikor Limited (the group) for the year ended 28 February 2017. The consolidated financial statements present the financial results of the company and its subsidiaries (together referred to as the group or individually as group entities).

Basis of preparation

Brikor Limited is a company domiciled in South Africa. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

These consolidated financial statements are presented in South African rand which is the company's functional currency. Financial information has been rounded to the nearest Rand thousands, except when otherwise indicated.

The consolidated financial statements have been prepared on the historical cost basis unless otherwise noted.

The group has consistently applied the accounting policies set out below to all periods presented in these financial statements.

The consolidated financial statements of Brikor Limited were approved by the board of directors on 30 November 2017.

New standards, amendments to standards and interpretations adopted

The group adopted all the new standards, amendments to standards and interpretations, which are applicable to the group, with date of initial application of 1 March 2016. The adoption of these standards did not have a significant impact on these financial statements.

1.2 USE OF ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and judgements and form assumptions that affect the reported amounts of the assets and liabilities, the reported revenue and costs during the period presented therein, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management makes estimates and assumptions concerning the future and the resulting accounting estimates will not always equal the actual results. The estimates, assumptions and judgements that have the most significant effect on the amounts recognised in the financial results or the financial position reported in future periods are discussed below:

Measurement of fair value

A number of the group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The directors regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the directors assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the group's audit and risk committee.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

1. ACCOUNTING POLICIES continued

1.2 USE OF ESTIMATES AND JUDGEMENTS continued

When measuring the fair value of an asset or a liability, the group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following note:

- Note 3 – property, plant and equipment.

Allowance for impairment losses

Receivables balances older than three months are regularly assessed by management for impairment if there is objective evidence of impairment.

The group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Allowance for damaged and obsolete stock

Judgement is used to write down inventory to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write-down is included in the operating profit.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

1. ACCOUNTING POLICIES continued

1.2 USE OF ESTIMATES AND JUDGEMENTS continued

Impairment of non-financial assets

In accordance with the group's accounting policy, each asset or cash-generating unit is evaluated every reporting period to determine whether there are any indications of impairment or reversal of previously recognised impairment losses. If any such indication exists, a formal estimate of the recoverable amount is performed. Where the carrying amount exceeds the recoverable amount an impairment loss is recognised. A reversal of previously recognised impairment loss is limited to the lesser of the amount that would not cause the increased carrying amount to exceed (a) its recoverable amount; or (b) the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset or cash-generating unit.

The recoverable amount of an asset or cash-generating group of assets is measured at the higher of fair value less costs of disposal and value in use. The determination of value in use requires management to make estimates and assumptions about expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves, operating costs, closure and rehabilitation costs and future capital expenditure, as well as the applicable discount rate. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying amounts of the assets may be further impaired or the impairment charge reduced with the impact recorded in the income statement.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely dependent on cash flows of other assets and liabilities.

If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Expected future cash flows used to determine the value-in-use of assets are inherently uncertain and could materially change over time.

Taxation

Judgement is required in determining deferred tax assets. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets required the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Environmental rehabilitation provision

The key judgements and assumptions made by management in estimating the future rehabilitation cost, with the assistance of independent experts, are based on the group's environmental management plans that are developed in accordance with regulatory requirements, the life-of-mine plans and the method of rehabilitation. These judgements and assumptions may result in future actual expenditure differing from the amounts currently provided.

The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. The effect of subsequent changes to assumptions in estimating an obligation for which the provision was recognised as part of the cost of the asset is adjusted against the asset. Any subsequent changes to an obligation which did not relate to the initial construction of a related asset are charged to profit or loss.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

1. ACCOUNTING POLICIES continued

1.3 BASIS OF CONSOLIDATION

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Business combinations

The group accounts for business combinations using the acquisition method when control is transferred to the group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

1.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Costs include expenditure that is directly attributable to the acquisition of the asset.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or, replace part of it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the group.

The initial estimate of the costs of dismantling and removing an asset and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the group is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

The costs of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Day-to-day servicing expenses incurred on property, plant and equipment is expensed directly in profit or loss for the period. Major maintenance that meets the recognition criteria is capitalised.

Depreciation commences when an asset is available-for-use. Depreciation is charged so as to write off the depreciable amount of items to their residual values, over their estimated useful lives, using a method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the group.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

1. ACCOUNTING POLICIES continued

1.4 PROPERTY, PLANT AND EQUIPMENT continued

Where an item comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment and are depreciated over their respective estimated useful lives.

The following methods and estimated useful lives were applied during the year, except for land which is non-depreciable:

Item	Method	Useful life
Buildings	Straight-line	30 years
Mineral reserves	Units of production	3 to 17 years *
Plant and equipment	Straight-line	8 to 30 years
Furniture and fixtures	Straight-line	3 to 10 years
Motor vehicles	Straight-line	5 to 8 years

* Based on current production levels.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the group will obtain ownership by the end of the lease term.

Methods of depreciation, useful lives and residual values are reviewed annually. If the expectations differ from the previous estimates, the changes are accounted for as a change in accounting estimates.

Derecognition occurs when an item of property, plant and equipment is disposed of, or when it is no longer expected to generate any further economic benefits.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item.

When a decision is made by the directors that an item of property, plant and equipment will be disposed of, and the requirements of IFRS 5, Non-current Assets Held-for-Sale and Discontinued Operations, are met, then those specific assets will be presented separately on the face of the statement of financial position. The assets will be measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets shall cease.

1.5 INTANGIBLE ASSETS

Intangible assets with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Research costs are recognised as an expense when they are incurred. Research represents activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

1. ACCOUNTING POLICIES continued

1.5 INTANGIBLE ASSETS continued

Development costs are capitalised when they meet the following criteria:

- It is technically feasible to complete the asset so that it will be available for use or sale;
- There is an intention to complete and use or sell it;
- There is an ability to use or sell it;
- It will generate probable future economic benefits;
- There are available technical, financial and other resources to complete the development and to use or sell the asset; and
- The expenditure attributable to the asset during its development can be measured reliably.

The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Finite useful life intangible assets are amortised on a straight-line basis over their useful life. They are only tested for impairment when an indication of impairment exists.

The following useful lives were applied during the year:

Item	Method	Useful life
Mining rights	Units of production	3 to 17 years *

* Based on current production levels.

The amortisation period and the amortisation method for intangible assets are reviewed annually. If the expectations differ from the previous estimate, the changes are accounted for as a change in accounting estimates.

The group derecognises intangible assets on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The gain or loss is recognised in profit or loss when the intangible asset is derecognised.

1.6 IMPAIRMENT OF NON-FINANCIAL ASSETS

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. This assessment is performed for all non-financial assets, other than inventories and deferred tax assets. If any such indication exists, the group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

1. ACCOUNTING POLICIES continued

1.6 IMPAIRMENT OF NON-FINANCIAL ASSETS continued

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment of assets is recognised immediately in profit or loss.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit, *pro rata* on the basis of the carrying amount of each asset in the unit.

The group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset, other than goodwill attributable to a reversal of an impairment loss, does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets, other than goodwill, is recognised immediately in profit or loss. An impairment loss in respect of goodwill is not reversed.

The group's corporate assets do not generate separate cash inflows and are utilised by more than one cash-generating unit. Corporate assets are allocated to cash-generating units on a reasonable and consistent basis and tested for impairment as part of the testing of the cash-generating unit to which the corporate asset is allocated.

1.7 STATED CAPITAL AND EQUITY

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of stated capital

When stated capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

Shares in the group held by the Brikor Share Incentive Scheme Trust are classified as treasury shares. The consideration paid, which includes directly attributable costs, net of tax effects, for these shares is deducted from equity. The number of shares held is deducted from the number of issued shares and the weighted average number of shares in the determination of earnings per share. Dividends received on treasury shares are eliminated on consolidation. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in the equity and the resulting surplus or deficit in the transaction is presented within stated capital.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

1. ACCOUNTING POLICIES continued

1.7 STATED CAPITAL AND EQUITY continued

Dividends

Ordinary dividends are recognised as a liability in the period in which they are declared.

1.8 FINANCIAL INSTRUMENTS

Classification

Non-derivative financial instruments

The group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables.
- Held-to-maturity financial assets.
- Financial liabilities measured at amortised cost.
- Cash and cash equivalents.

Classification depends on the purpose for which the financial instruments was obtained/incurred and takes place at initial recognition. Classification is reassessed on an annual basis, except for derivatives and financial assets designated as fair value through profit or loss. This latter category shall not be classified out of the fair value through profit or loss category.

Initial recognition

The group classifies the financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

The group initially recognises loans and receivables on the date that they are originated. All other financial assets and financial liabilities are recognised on the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised initially at fair value. In the case of financial assets or liabilities not classified as at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

An asset that is subsequently measured at fair value or amortised cost is recognised initially at its fair value on the trade date. Assets subsequently measured at fair value are measured at settlement date.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognised for assets carried at cost or amortised cost, other than impairment losses.

Subsequent measurement

Loans and receivables

The following financial instruments are classified as loans and receivables and are carried at amortised cost, using the effective interest method less any impairment:

- Trade and other receivables; and
- Directors, managers and employee loans.

Held-to-maturity financial assets

Other financial assets are classified as held-to-maturity financial assets. Held-to-maturity financial assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost, using the effective interest method, less any impairment losses.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

1. ACCOUNTING POLICIES continued

1.8 FINANCIAL INSTRUMENTS continued

Financial liabilities measured at amortised cost

The following financial instruments are classified as financial liabilities and are measured at amortised cost, using the effective interest method:

- Borrowings;
- Shareholders' loans; and
- Trade and other payables.

Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash.

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the group in the management of its short-term commitments.

Subsequent to initial recognition cash and cash equivalents are measured at amortised cost, using the effective interest method.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- Where financial assets and financial liabilities are carried at amortised cost, a gain or loss is recognised in profit or loss through the amortisation process and when the financial asset or financial liability is derecognised or impaired.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been negatively impacted.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- Significant financial difficulty of the issuer or obligator;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulty; or
- The lender, for economic or legal reasons, relating to the borrower's financial difficulty, granting the borrower a concession that the lender would not otherwise consider.

The group considers evidence of the impairment for receivable and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics. In assessing collective impairment, the group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgements as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested historical trends. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

1. ACCOUNTING POLICIES continued

1.8 FINANCIAL INSTRUMENTS continued

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to the cash flows from the asset, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

The group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group has a legal right to offset the amount and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.9 TAXATION

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities, using the tax rates that have been enacted, or substantively enacted, by the end of the reporting period.

Deferred tax assets and liabilities

Deferred taxation is provided for all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from

- the initial recognition of goodwill; or
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; or
- the initial recognition of an asset or liability in a transaction which:
 - is not a business combination; and
 - – at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period, the measurement of deferred tax reflects the tax consequences that would follow the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

1. ACCOUNTING POLICIES continued

1.9 TAXATION continued

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Tax expenses

Current and deferred taxes are recognised as income or an expense and are included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, in other comprehensive income or directly in equity; or
- a business combination.

Dividend withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012. The group withholds dividend tax on behalf of its shareholders at a rate of 20% on dividends declared. Amounts withheld are not recognised as part of the group's tax charge but rather as part of the dividend paid recognised directly in equity. Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholding tax recognised as part of tax expense unless it is otherwise reimbursable, in which case it is recognised as an asset.

1.10 INVENTORIES

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The amount of the reversal is limited to the amount of the original write-down so that the new carrying amount is the lower of cost and net realisable value.

1.11 LEASES AS LESSEE

Finance leases – lessee

Assets held under lease, which result in the group receiving substantially all the risks and rewards of ownership of the asset (finance leases), are capitalised at the lower of the fair value of the property, plant and equipment or the estimated present value of the minimum lease payments.

The corresponding finance lease obligation is included within interest-bearing liabilities. The interest component is charged to financial expenses over the lease term to reflect a constant rate of interest on the remaining balance of the obligation.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

1. ACCOUNTING POLICIES continued

1.11 LEASES AS LESSEE continued

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.12 PROVISIONS

Provisions are recognised when:

- the group has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as a finance cost, when material.

Provisions for environmental rehabilitation obligations arise when land is disturbed by excavation activities and are measured at the present value of the directors' best estimate of future economic outflows.

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 27.

1.13 REVENUE

Revenue comprise the sale of clay products, coal, ancillary products and services and aggregates. Revenue is recognised when all of the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods provided in the normal course of business, net of trade discounts and volume rebates, and value-added tax.

1.14 FINANCE COSTS

The group capitalises finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The group recognises other finance costs as an expense in the period in which they were incurred.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

1. ACCOUNTING POLICIES continued

1.15 EMPLOYEE BENEFITS

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts.

Payments to defined contribution retirement benefit plans are recognised in profit or loss in the periods during which services are rendered by employees.

Payments made to industry-managed (or State plans) retirement benefit schemes are dealt with as defined contribution plans where the group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Short-term employee benefits

The costs of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absence, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance and the obligation can be estimated reliably.

1.16 SEGMENTAL REPORTING

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses that relate to transactions with any of the group's other components. The basis is representative of the internal structure for management purposes. All operating segments' operating results are reviewed regularly by the chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The CODM has been identified as the group's chief executive officer.

The segments are:

- coal, which includes mining and sales of coal;
- bricks, which includes manufacturing and sales of bricks; and
- aggregates, which includes the quarrying and sales of aggregates.

Segmental results include revenue and expenses directly related to an operating segment but exclude net finance charges and taxation which cannot be allocated to any specific segment. Segmental trading profit is defined as operating profit, excluding items of a capital nature, and is the basis on which management's performance is assessed.

Segment operating assets and liabilities include property, plant and equipment, investments, inventories, trade and other receivables, trade and other payables and insurance funds and post-retirement obligations, but exclude cash, general borrowings, current taxation, deferred taxation, non-current assets held-for-sale, non-current liabilities held-for-sale and shareholders' loans.

Intangible assets are allocated to the cash-generating unit in the segment to which they relate.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

1. ACCOUNTING POLICIES continued

1.17 FINANCE INCOME

The group's finance income includes interest received on cash and cash equivalents, loans and receivables and other financial assets.

Interest received is recognised, in profit or loss, using the effective interest method.

1.18 ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

Assets held-for-sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Immediately before classification as held-for-sale, the assets, or components of a disposal group, are re-measured in accordance with the group's other accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property, which continue to be measured in accordance with the group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

2. NEW STANDARDS AND INTERPRETATIONS

At the date of authorisation of the consolidated financial statements of Brikor Limited for the year ended 28 February 2017, the following standards and interpretations were in issue but not yet effective:

Standard/interpretation		Date issued by IASB	Effective date – periods beginning on or after
IAS 7	Disclosure amendments	January 2014	1 January 2017
IAS 12 amendment	Recognition of deferred tax assets for unrealised losses	May 2014	1 January 2017
IFRS 15	Revenue from contracts with customers	May 2014	1 January 2018
IFRS 9	Financial instruments	July 2014	1 January 2018
IFRS 16	Leases	January 2016	1 January 2019

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the group).

Management is of the opinion that the impact of the application of the remaining standards and interpretations will be as follows:

Disclosure Initiative (Amendments to IAS 7)

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities. It is not expected that these amendments would have a significant impact on the group other than providing additional reconciliations of liabilities arising from financing activities.

Recognition of deferred tax assets for unrealised losses (Amendments to IAS 12)

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

Deferred tax assets relating to previously unrecognised calculated tax losses have been fully recognised.

The impact of this amended accounting standard has not been quantified at the date of this report due to significant judgement and estimates required to estimate the potential future taxable profits.

IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

A preliminary assessment indicated that IFRS 15 will most likely not have a significant impact on the group as described below:

The group has no contract based arrangements and recognises revenue upon the transfer of risks and rewards.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

2. NEW STANDARDS AND INTERPRETATIONS continued

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments* Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

This standard will include changes in the measurement bases of the group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

A preliminary assessment indicated that IFRS 9 will not have a significant impact on the group due to the short-term nature of financial assets measured at amortised cost.

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The group has begun assessing the potential impact on the financial statements resulting from the application of IFRS 16. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the group's borrowing rate at 1 January 2019, the composition of the group's lease portfolio at that date, the group's latest assessment of whether it will exercise any lease renewal options and to the extent to which the group chooses to use practical expedients and recognition exemptions. The total impact of this new accounting standard can therefore not be quantified with certainty at this stage.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

	Cost R'000	Accumulated depreciation and impairment losses R'000	Carrying value R'000
3. PROPERTY, PLANT AND EQUIPMENT			
2017			
Land	6 513	–	6 513
Mineral reserves	31 113	(29 198)	1 915
Buildings	20 173	(6 133)	14 040
Plant and equipment	106 239	(42 569)	63 670
Furniture and fixtures	2 430	(1 192)	1 238
Motor vehicles	7 279	(4 898)	2 381
	173 747	(83 990)	89 757
2016			
Land	7 721	–	7 721
Mineral reserves	35 268	(5 277)	29 991
Buildings	19 071	(4 670)	14 401
Plant and equipment	107 102	(52 856)	54 246
Furniture and fixtures	1 203	(1 070)	133
Motor vehicles	7 622	(4 912)	2 710
	177 987	(68 785)	109 202

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

3. PROPERTY, PLANT AND EQUIPMENT continued

Reconciliation of property, plant and equipment

	Land R'000	Mineral reserves R'000	Buildings R'000	Plant and equip- ment R'000	Fur- niture and fixtures R'000	Motor vehicles R'000	Total R'000
2017							
Carrying value 1 March 2016	7 721	29 991	14 401	54 246	133	2 710	109 202
Additions	–	–	1 102	18 727	1 227	900	21 956
Disposals	–	–	–	(1 498)	–	(717)	(2 215)
Impairments	–	(24 356)	–	–	–	–	(24 356)
Depreciation	–	(1 438)	(1 463)	(10 846)	(122)	(512)	(14 381)
Transfer to non-current assets held-for-sale	(1 208)	(2 282)	–	(81)	–	–	(3 571)
Increase in decommissioning asset	–	–	–	3 122	–	–	3 122
Carrying value 28 February 2017	6 513	1 915	14 040	63 670	1 238	2 381	89 757
2016							
Carrying value 1 March 2015	7 721	30 560	15 303	58 161	183	2 465	114 393
Additions	–	–	36	16 700	33	1 681	18 450
Disposals	–	–	–	(5 602)	(1)	(855)	(6 458)
Transfers	–	–	248	(248)	–	–	–
Depreciation	–	(569)	(1 186)	(14 333)	(82)	(581)	(16 751)
Decrease in decommissioning asset	–	–	–	(432)	–	–	(432)
Carrying value 29 February 2016	7 721	29 991	14 401	54 246	133	2 710	109 202

	2017 R'000	2016 R'000
Carrying values of encumbered assets:		
Plant and equipment	10 184	15 825
	10 184	15 825
Encumbrances		
Subject to instalment sale agreements, finance leases and loans (refer note 11)	10 184	15 825
	10 184	15 825

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

3. PROPERTY, PLANT AND EQUIPMENT continued

Included in plant and equipment are assets constructed by the group itself. Expenditure incurred by the group during the year on such assets is included in plant and equipment additions to the value of R3,3 million (2016: R0,2 million).

Leased plant and equipment

The group leases production equipment under a number of finance leases. The leased equipment secures the lease obligations (refer note 11). At 28 February 2017, the carrying amount of leased equipment was R5,2 million (2016: R8,9 million).

Plant and equipment subject to instalment sale agreements

The group has production equipment under a number of instalment sale agreements. The equipment secures the instalment sale obligations (refer note 11). At 28 February 2017, the carrying amount of equipment subject to instalment sale agreements was R5,0 million (2016: R6,9 million).

Impairments

Donkerhoek division

Donkerhoek is a division of Brikor Limited (company) and produces aggregates of a wide variety of sizes and technical specifications with products including stone, gravel and sand for large and small-scale civil engineering and infrastructure projects. As per management's assessment, the Donkerhoek division is a separate cash-generating unit. A cash-generating unit is the smallest group of assets that generates cash inflows and that is largely independent of the cash inflows from other assets or groups of assets.

The Donkerhoek division has been incurring significant losses in the current financial period and, based on the losses, an impairment trigger was identified. The recoverable amount of the Donkerhoek division was calculated and an impairment of R23,9 million was recognised.

The impairment was calculated by comparing the carrying value of the cash-generating unit to the recoverable amount. The recoverable amount of a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. The recoverable amount of the Donkerhoek division was determined based on the fair value less cost of disposal, as the fair value less cost of disposal is higher than the calculated value in use of the division.

The fair value less cost of disposal of the division was based on offers received from market participants. The fair value of the Donkerhoek division has been classified as a level 2 fair value. The market comparison technique was used for the fair value of the Donkerhoek division.

The impairment losses were allocated to reduce the carrying value of the mineral reserves and mining rights by R23,0 million and R0,9 million, respectively.

Impairment loss before classification to the non-current assets held-for-sale

Rayton property

An impairment loss of R1,3 million for the write-down of the property to the lower of its carrying value and fair value less cost to sell has been recognised. The impairment loss has been applied to reduce the carrying value of the property and is included in other expenses.

Measurement of fair values

When measuring the fair value of an asset or a liability, the group uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value hierarchy

The non-recurring net fair values of the Rayton and Schist properties of R2,2 million and R0,2 million, respectively, have been classified as a level 2 fair value.

The market comparison technique was used for determining the fair value of these properties. The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated cost to sell.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

3. PROPERTY, PLANT AND EQUIPMENT continued

Detail of land and buildings

A register containing the information of land and buildings is available for inspection at the registered office of the company.

Borrowing costs

No borrowing costs have been capitalised for the year under review.

	Cost R'000	Accumulated amortisation and impairments R'000	Carrying value R'000
4. INTANGIBLE ASSETS			
2017			
Mining rights	16 628	(6 430)	10 198
	16 628	(6 430)	10 198
2016			
Mining rights	16 628	(4 308)	12 320
	16 628	(4 308)	12 320

	Mining rights R'000	Total R'000
Reconciliation of intangible assets		
2017		
Carrying value 1 March 2016	12 320	12 320
Amortisation	(1 193)	(1 193)
Impairments	(929)	(929)
Carrying value 28 February 2017	10 198	10 198
2016		
Carrying value 1 March 2015	13 656	13 656
Amortisation	(1 336)	(1 336)
Carrying value 29 February 2016	12 320	12 320

Impairments

See note 3 for a detailed explanation of impairments on the Donkerhoek division.

Borrowing costs

No borrowing costs have been capitalised for the year under review.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

	2017 R'000	2016 R'000
5. OTHER FINANCIAL ASSETS		
Restricted investments		
Term deposits	16 186	12 583
Opening balance	12 583	12 159
Investments made	2 899	2 432
Net gains/(losses) (realised and unrealised)	704	(1 448)
Cashed out	–	(560)
The term deposits are held within environmental trust funds, which are consolidated by the group. The proceeds from these funds are intended to fund environmental rehabilitation obligations and they are not available for general purposes of the group. Refer to note 13.		
Nedbank Limited	140	131
An investment is held with Nedbank Limited as security for a guarantee, in favour of the Department of Mineral Resources, which is in lieu of environmental rehabilitation obligations and is not available for general purposes of the group. Refer to note 13.		
Non-current assets	16 326	12 714
There is no material difference between the fair value of the restricted investments and their carrying value.		
6. INVENTORIES		
Raw materials, components	2 068	3 776
Work in progress	20 983	19 021
Finished goods	19 011	19 704
Consumables	2 370	2 998
	44 432	45 499

All inventory movements are classified under cost of sales.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

	2017 R'000	2016 R'000
7. TRADE AND OTHER RECEIVABLES		
Financial assets		
Trade receivables	19 616	27 362
Less: Allowance for impairment	(94)	–
Trade receivables – net	19 522	27 362
Deposits	1 697	1 213
Other receivables	26	684
Staff loans	–	33
	21 245	29 292
Non-financial assets		
Creditors paid in advance	638	579
	638	579
	21 883	29 871
There is no material difference between the fair value of trade receivables and their carrying value.		
8. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	46	42
Bank balances*	14 179	21 205
	14 225	21 247

* R4,9 million (2016: R3,4 million) is secured in lieu of guarantees for environmental restoration (refer to note 27) and is therefore restricted cash.

There is no material difference between the fair value of cash and cash equivalents and their carrying value.

There are no undrawn facilities available for future operating activities and commitments.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

9. NON-CURRENT ASSETS AND LIABILITIES HELD-FOR-SALE

On 20 September 2016 and 17 November 2016, Brikor ("the company") committed to sell two of its properties, namely the Rayton property situated at Portion 31 of Witfontein No 510 – JR District Bronkhorstspuit "Rayton" and the Nigel Schist property situated at Portion 58 of the Farm Vrisgewaag 510IR "Schist", respectively.

Rayton property

The offer received for Rayton, amounting to R2,2 million, which is inclusive of the transfer of the Mining Right No GP30/5/1/2/2(237)MRC and the related environmental restoration obligation, has been accepted and signed by the company on 17 April 2017. The company is currently waiting for funds to flow.

Conditions precedent to the sale:

- The sale is subject to written consent in terms of section (11)1 of the Mineral and Petroleum Resources Development Act No 28 of 2002 ("the act") being granted by the minister in respect of the proposed cession and transfer of the mining right to the purchaser.
- The purchaser shall be responsible for making the application, as required in terms of Section 11 of the Act, with the assistance of the company in terms of documentation required and general co-operation.
- Should the Section 11 transfer not be granted within 18 (eighteen) months from date of signature (11 April 2017), either party may be entitled, in writing, to cancel the agreement, unless the application is imminent, in which case extension may be applied for by either party for a period of up to 60 (sixty) days or longer as agreed upon.
- Costs incurred in terms of this agreement shall be borne by the purchaser.

Schist property

The company has received several offers in terms of Schist, of which the latest offer of R0,2 million is inclusive of the transfer of the environmental obligation. The company is in the process of finalising the terms of agreement with the potential buyer.

Condition precedent to the sale:

- The agreement is subject to approval for closure from the Department of Mineral Resources.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

9. NON-CURRENT ASSETS AND LIABILITIES HELD-FOR-SALE continued

Cumulative income or (expenses) included in profit/(loss) and other comprehensive income

	Rayton property R'000	Schist property R'000	Total R'000
2017			
Change in estimate for environmental rehabilitation provision	(83)	(547)	(630)
Depreciation of decommissioning asset	(9)	–	(9)
Net finance cost	(114)	–	(114)
Loss from non-current assets and liabilities held-for-sale	(206)	(547)	(753)

Assets and liabilities held-for-sale

At 28 February 2017, the non-current assets held-for-sale were stated at fair value less cost to sell and comprised the following:

	Rayton property R'000	Schist property R'000	Total R'000
2017			
Non-current assets held-for-sale			
Property, plant and equipment	3 558	13	3 571
	3 558	13	3 571
Non-current liabilities held-for-sale			
Environmental rehabilitation provision	1 359	547	1 906
	1 359	547	1 906

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

	2017 '000	2016 '000
10. STATED CAPITAL		
Authorised		
1 000 000 000 (2016: 1 000 000 000) ordinary shares of no par value		
Reconciliation of number of shares authorised		
Reported at 1 March	1 000 000	1 000 000
	1 000 000	1 000 000
Issued		
Reconciliation of number of no par value shares issued		
Reported at 1 March	645 242	645 242
Less: Brikor Share Incentive Scheme Trust – treasury shares	(15 900)	(15 900)
	629 342	629 342
All shares are fully paid.		
All shares rank equally with regards to the group's residual assets.		
	2017 R'000	2016 R'000
Stated capital		
645 242 031 (2016: 645 242 031) ordinary shares of no par value	244 142	244 142
Less: 15 900 000 (2016: 15 900 000) treasury shares held by the Brikor Share Incentive Scheme Trust	(15 900)	(15 900)
	228 242	228 242
Holders of the shares are entitled to dividends as declared from time to time, and are entitled to one vote per share at general meetings of the company.		

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

	2017 R'000	2016 R'000
11. BORROWINGS		
Finance lease agreements	5 582	8 908
The finance lease liabilities are secured by agreements over mobile plant and equipment with a carrying value of R5,2 million (2016: R8,9 million) (refer note 3). Interest is charged at a rate of 6,82% (2016: 6,82%) per annum and are repayable in monthly instalments of R0,3 million (2016: R0,4 million) until December 2018.		
Instalment sale agreements	4 322	6 658
The instalment sale agreements are secured by agreements over mobile plant and equipment with a carrying value of R5,0 million (2016: R6,9 million) (refer note 3). Interest is charged at a rate of 8,5% (2016: 8,5%) per annum linked to prime. On 30 June 2017, the parties entered into an addendum to the sale agreement whereby it was agreed that the balance is payable in monthly instalments of R0,3 million as from 1 February 2018.		
	9 904	15 566
<i>Presented as:</i>		
Non-current liabilities		
At amortised cost	2 624	5 582
Current liabilities		
At amortised cost	7 280	9 984
	9 904	15 566

In terms of the memorandum of incorporation of the company, the borrowing powers of the directors shall be unlimited.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

11. BORROWINGS continued

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Future minimum lease payments		Interest		Carrying value of minimum lease payments	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Less than one year	7 959	10 691	679	707	7 280	9 984
Between one and five years	2 706	5 954	82	372	2 624	5 582
	10 665	16 645	761	1 079	9 904	15 566

Repayments within one year will be funded by utilising cash balances and by future cash flows.

12. SHAREHOLDERS' LOANS

Loan – G v N Parkin

Shareholder's loan – 1

Shareholder's loan – 2

Shareholder's loan – 3

	2017 R'000	2016 R'000
	32 450	29 803
	8 963	7 954
	2 224	2 726
	43 637	40 483
The first loan is unsecured and bears interest at 7,59% per annum for all the respective years. The loan arose to repay debt and facilitate cash flow requirements. The second loan relates to the exercise of the Ilangabi option agreement, it is unsecured and bears interest at 12% per annum. The third loan is unsecured and is interest-free. There are no fixed terms of repayment for the abovementioned three loans, but it was agreed that these loans will not be called upon for full settlement within the next five years.		
Loan – G Parkin	1 591	2 632
The loan is unsecured, has no fixed repayment terms and is interest-free. The loan will not be payable on demand within the next 12 months.		
	1 591	2 632
	45 228	43 115

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

	2017 R'000	2016 R'000
13. PROVISIONS		
Environmental rehabilitation	54 281	46 919
	54 281	46 919
Provision: Environmental rehabilitation		
Opening balance	46 919	41 597
Unwinding of interest	4 321	3 075
Rehabilitation performed	(577)	–
Change in estimate	5 524	2 247
Recognised in profit or loss	2 402	2 679
Recognised in property, plant and equipment	3 122	(432)
Transfer to non-current liabilities held-for-sale	(1 906)	–
	54 281	46 919

The provision for environmental rehabilitation obligations represents the net present value of current cost to remediate the land after all excavation activities have ceased.

The rehabilitation provision relates to the estimated costs of correcting any disturbance relating to mining activities and those incidental thereto. The level of provision is commensurate with work completed to date. The future cost of rehabilitation was estimated at R62,0 million (2016: R59,1 million). The future cost of the provision was calculated by escalating estimated costs at CPI of 6% (2016: 6%) per annum over the life of the operations ranging between 2 to 16 years (2016: 3 to 16 years). This future cost is discounted at the 15 years, 13 years, 9 years, 4 years and 3 years (2016: 16 years, 14 years, 5 years and 4 years) South African Government Bond Rate of 3,17%; 3,03%; 2,63%; 1,83% and 1,69%, respectively (2016: 3,70%; 3,56; 2,9% and 2,75%, respectively), to arrive at a carrying value of R56,2 million (2016: R46,9 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 R2,9 million (2016: R2,4 million). The total amount held in these trusts amounted to R16,3 million (2016: R12,7 million) at year-end. See note 5.

The Department of Minerals and Energy hold guarantees in their favour for the mining rehabilitation in the amount of R22,1 million (2016: R8,6 million). See note 27.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

	2017 R'000	2016 R'000
14. DEFERRED TAX ASSET/(LIABILITY)		
Deferred tax assets and liabilities are offset if they relate to income tax levied by the same taxation authority on either the same taxable entity or on different taxable entities within the same taxable group with the intent to settle current tax liabilities and assets on a net basis. It is not the intent of the group to settle on a net basis and, therefore, the deferred tax asset and liability are shown separately.		
Reconciliation of deferred tax asset		
At beginning of year	–	–
Current year originating temporary differences	8 673	–
Calculated tax losses recognised from the prior year	19 409	–
	28 082	–
Deferred tax asset		
<i>Comprising:</i>		
Property, plant and equipment	(3 423)	(10 953)
Provisions	5 770	4 648
Payments received in advance	491	467
Finance leases	–	3
Contributions to rehabilitation trust funds	(1 335)	(1 335)
Calculated tax losses recognised	26 579	7 170
	28 082	–

The deferred tax asset is attributable to the company.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

	2017 R'000	2016 R'000
14. DEFERRED TAX ASSET/(LIABILITY)		
The utilisation of a deferred tax asset that is recognised is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The directors have approved the company's short-term budget, confirming profitable operations in the short-term. This budget confirms the directors' reasonable expectation that the company's profits, over the next five years, should at least equal the amount of the recognised calculated tax losses in excess of the current existing taxable timing differences. Management based their assessment on the latest approved budgets as well as historical taxable profits that were generated by the company during the past four years. The calculated tax losses originated from loss-making operations which were disposed of in the 2012, 2013 and 2014 financial years. At the end of the 2013 financial year the calculated tax loss amounted to R169,9 million, resulting in an unrecognised deferred tax asset to the value of R35,7 million. The company has utilised R75,0 million (44,1%) of the calculated tax loss in the past four years from its continuing operations, which have all resulted in taxable profits. Due to the utilisation of the calculated tax loss from the past four years and the reasonable expectation of continuing future taxable profits, it has become more probable than not that the calculated tax loss of R94,9 million (resulting in a deferred tax asset of R26,6 million) will be utilised, therefore, management has raised the balance of the deferred tax asset in the current year.		
Reconciliation of deferred tax (liability)/asset		
At beginning of year	209	(245)
Originating and reversing temporary differences	(1 530)	454
	(1 321)	209
Deferred tax (liability)/asset		
<i>Comprising:</i>		
Property, plant and equipment	(7 548)	(5 689)
Provisions	9 168	8 122
Finance leases	103	9
Contributions to rehabilitation trust funds	(3 044)	(2 233)
	(1 321)	209

The deferred tax liability is attributable to the company's subsidiary, Ilangabi Investments 12 (Pty) Ltd.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

	2017 R'000	2016 R'000
15. TRADE AND OTHER PAYABLES		
Financial liabilities		
Trade payables	15 941	16 349
Other payables	37 549	34 304
	53 490	50 653
Non-financial liabilities		
Receipts in advance	2 077	1 881
Value Added Tax	264	4 737
Bonus and leave provisions	1 848	1 390
	4 189	8 008
	57 679	58 661
The carrying value of trade payables and other payables is considered to be in line with their fair value at the end of the reporting period. The average credit period on purchases is 48 days from the date of statement. The group has financial risk management policies in place.		
16. REVENUE		
Sale of goods		
Clay products	142 950	140 868
Coal	78 550	100 652
Ancillary products and services	46 035	46 205
Aggregates	32 951	29 277
	300 486	317 002

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

	2017 R'000	2016 R'000
17. OPERATING (LOSS)/PROFIT BEFORE INTEREST AND TAXATION		
Operating (loss)/profit before interest and taxation is stated after:		
<i>Income</i>		
Profit on disposal of property, plant and equipment	289	–
Profit on restricted investments	704	–
<i>Expenses</i>		
Operating lease charges		
Equipment	7 423	12 766
Depreciation – cost of sales	12 972	15 644
Depreciation – other	1 409	1 107
Amortisation	1 193	1 336
Loss on disposal of property, plant and equipment	–	669
Loss on scrapping of property, plant and equipment	–	1 449
Impairments relating to:	25 285	–
Reserves	24 356	–
Mining rights	929	–
Loss on restricted investments	–	1 448
Change in estimate of provision for environmental rehabilitation	2 402	2 679
Directors' emoluments (refer note 29)	6 081	4 370
Auditor's remuneration	2 850	1 218
Audit fees	2 702	592
Other services	148	626
Employee costs	87 626	77 974
18. FINANCE INCOME		
Interest received recognised in the statement of profit or loss		
Bank	1 489	1 053
Other loans and receivables	131	2 030
Cash flow items	1 620	3 083
South African Revenue Service – on normal tax	40	–
Other financial assets	10	–
Non-cash flow items	50	–
	1 670	3 083

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

	2017 R'000	2016 R'000
19. FINANCE COSTS		
Interest paid recognised in statement of profit or loss		
Trade and other payables	88	78
Borrowings	1 012	4 674
South African Revenue Service – on other taxes	2 493	3 871
Cash flow items	3 593	8 623
South African Revenue Service – on normal tax	811	1 807
South African Revenue Service – on other taxes	1 722	–
Unwinding of interest – environmental rehabilitation provision	4 321	3 075
Shareholders' loans	3 351	–
Non-cash flow items	10 205	4 882
	13 798	13 505
20. TAXATION		
MAJOR COMPONENTS OF THE TAX (INCOME)/EXPENSE		
Current taxation	3 515	5 768
Deferred taxation		
Current year originating and reversing temporary differences:	(26 552)	(454)
Property, plant and equipment	(5 671)	762
Provisions	(2 168)	(1 043)
Payments received in advance	(24)	(84)
Finance leases	(91)	(783)
Borrowings – on interest unwinding	–	(122)
Contributions to rehabilitation trust funds	811	680
Recognition of prior year calculated tax losses	(19 409)	136
	(23 037)	5 314

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

	2017 %	2016 %
20. TAXATION continued		
Reconciliation of the tax (income)/expense		
<i>Reconciliation between applicable tax rate and average effective tax rate:</i>		
Applicable tax rate	(28,0)	28,0
Non-deductible expenses:	20,6	7,1
Legal fees	2,9	0,7
South African Revenue Service interest and penalties	14,6	3,9
Amortisation of mining rights	1,8	1,0
Impairment of mining right	1,4	–
Other non-deductible expenses	0,9	0,4
Restricted term investments	(1,0)	1,1
Capital gains	(0,2)	–
Recognition of prior year calculated tax losses	(114,8)	(21,2)
	(122,4)	13,9

The applicable tax rate is equal to the South African statutory company tax rate at 28%.

21. EARNINGS AND DILUTED EARNINGS PER SHARE

	2017 cents	2016 cents
EARNINGS PER SHARE		
Basic	0,7	5,2
Diluted	0,7	5,2
Headline earnings	4,7	5,6
Diluted headline earnings	4,7	5,6

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

21. EARNINGS AND DILUTED EARNINGS PER SHARE continued

The calculation of the basic earnings 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

	Total R'000
2017	
Basic and diluted profit	4 219
Impairment of assets	25 285
Profit on disposal of property, plant and equipment	(289)
Headline and diluted headline profit	29 215
2016	
Basic and diluted profit	32 847
Loss on disposal of property, plant and equipment	669
Loss on scrapping of property, plant and equipment	1 449
Headline and diluted headline profit	34 965

	2017 '000	2016 '000
Weighted average number of shares	629 342	629 342
Diluted weighted average number of shares	629 342	629 342

	2017 R'000	2016 R'000
22. BRIKOR SHARE INCENTIVE SCHEME TRUST		
A share incentive scheme exists to provide employees of the group the opportunity to purchase shares in the capital of the company so as to give such employees the incentive to advance in the interest of the group for the ultimate benefit of all the stakeholders in the group.		
The maximum ordinary shares so held may not exceed 20% of the ordinary share capital of the company.		
Shares acquired by the Brikor Share Incentive Scheme Trust during the year	–	–
Unallocated scheme shares at beginning of year	15 044	15 008
Plus: Purchase offers cancelled	184	36
Unallocated scheme shares	15 228	15 044

No shares were purchased by directors under the Brikor Share Incentive Trust during the current financial year (2016: nil).

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

	2017 R'000	2016 R'000
23. CASH GENERATED FROM OPERATIONS		
(Loss)/profit before taxation	(18 818)	38 161
<i>Adjustments for:</i>		
Depreciation and amortisation	15 574	18 087
Impairments	25 285	–
Profit on disposal of property, plant and equipment	(289)	–
Loss on disposal of property, plant and equipment	–	669
Loss on scrapping of property, plant and equipment	–	1 449
(Loss)/profit on restricted investments	(704)	1 448
Net finance income and finance costs	12 128	10 422
Movement in environment rehabilitation provisions	1 825	2 679
Change in estimate	2 402	2 679
Rehabilitation performed	(577)	–
Changes in working capital		
Inventories	1 067	(7 194)
Trade and other receivables	7 989	7 103
Trade and other payables	(2 664)	(24 814)
Net cash inflow from operating activities	41 393	48 010
24. TAX PAID		
Balance at beginning of year	(19 947)	(17 756)
Current tax for year recognised in statement of comprehensive income	(3 515)	(5 768)
Net interest	(811)	(1 807)
Balance at end of year	7 082	19 947
	(17 191)	(5 384)

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

	Bricks R'000	Coal R'000	Aggre- gates R'000	Other * R'000	Total R'000
25. SEGMENTAL REPORTING					
Segment revenues and results					
The following is an analysis of the group's revenue and results from operations by reportable segments.					
Segmental profit reconciliation					
2017					
Total revenue	171 517	96 643	44 638	–	312 798
Intersegmental revenue	–	(12 312)	–	–	(12 312)
Reportable segment revenue	171 517	84 331	44 638	–	300 486
Gross profit	32 843	33 168	3 265	–	69 276
Other income	2 286	2 755	924	–	5 965
Impairments	(1 344)	–	(23 941)	–	(25 285)
Operating (loss)/profit before interest and taxation	4 223	14 174	(25 087)	–	(6 690)
Segment assets and liabilities					
Segment assets	60 341	67 644	54 611	45 878	228 474
Segment liabilities	(42 697)	(71 604)	(7 563)	(55 537)	(177 401)
Other segment information					
Depreciation and amortisation included in cost of sales and operating expenditure	(5 691)	(5 692)	(4 191)	–	(15 574)
Additions to non-current assets	3 295	11 214	7 447	–	21 956

* Other segment relates to non-segment-specific cash and liabilities.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

	Bricks R'000	Coal R'000	Aggre- gates R'000	Other * R'000	Total R'000
25. SEGMENTAL REPORTING					
continued					
2016					
Total revenue	172 612	114 283	37 935	–	324 830
Intersegmental revenue	–	(7 828)	–	–	(7 828)
Reportable segment revenue	172 612	106 455	37 935	–	317 002
Gross profit	51 801	29 351	5 724	–	86 876
Other income	3 388	922	1 066	–	5 376
Operating profit before interest and taxation	33 811	12 334	2 438	–	48 583
Segment assets and liabilities					
Segment assets	68 272	69 446	71 888	21 456	231 062
Segment liabilities	(37 720)	(74 265)	(9 161)	(63 062)	(184 208)
Other segment information					
Depreciation and amortisation included in cost of sales and operating expenditure	(8 546)	(6 963)	(2 578)	–	(18 087)
Additions to non-current assets	2 164	12 494	3 792	–	18 450

* Other segment relates to non-segment-specific cash and liabilities.

Factors used to identify segments are based on geographical location and divisional structuring. This is also how the group reports financial results to management on a monthly basis.

The accounting policies of the reportable segments are the same as the group's accounting policies described in note 1. Segment profit represents the profit earned by each segment without allocation of finance costs and income tax expense. This is the measure reported to the chief operating decision-maker for the purposes of assessment of segment performance.

Reportable segment revenue relates to external customers only. Revenue is derived solely from South African customers.

Other assets and liabilities

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than non-current assets held-for-sale, tax assets, deferred tax assets and cash and cash equivalents.
- all liabilities are allocated to reportable segments other than general borrowings, shareholders' loans, deferred taxation, taxation, bank overdraft and non-current liabilities held-for-sale.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

	2017 R'000	2016 R'000
26. CAPITAL COMMITMENTS		
Authorised capital expenditure		
Capital equipment	6 143	–
Operating leases – as lessee		
<i>Minimum lease payments due:</i>		
– within one year	234	28
– in second to fifth year inclusive	200	33
– later than five years	–	31
Operating lease payments represent rentals payable by the group for certain of its plant and equipment. Leases are negotiated for an average term of three to five years. No contingent rent is payable.		
27. GUARANTEES		
<i>Guarantees in favour of the following have been provided:</i>		
Department of Mineral Resources – Mining rehabilitation *	22 143	8 638
	22 143	8 638
* The group has R4,9 million (2016: R3,4 million) cash secured in lieu of these guarantees, which are held in a money market trader account by its financiers (refer to note 8). Refer to note 13 in terms of provisions raised in respect of environmental restoration.		

28. RELATED PARTIES

Identification of material related parties

Shareholders of Brikor Limited (company):

Elgar Share Trust	5% shareholder
Estate late G v N Parkin	55,32% shareholder
Investec Bank Limited	20,15% shareholder

Subsidiaries:

Ilangabi Investments 12 (Pty) Ltd is the only significant subsidiary of the group, is wholly owned and is incorporated and operates in South Africa only. Refer to note 34 for schedule of investments in other companies.

Directors:

Refer to note 29 for detail of the group's directors.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

28. RELATED PARTIES continued

Relationships	Related director/trustee
<i>Entities controlled/influenced by directors</i>	
Cyndara 113 (Pty) Ltd	PM McDonald and G Parkin
Scarlett Sun 33 (Pty) Ltd	PM McDonald and G Parkin
Galiya (Pty) Ltd	G Parkin
Nigel Brick and Clay (Pty) Ltd	PM McDonald and G Parkin
Kuvula Trade 40 (Pty) Ltd	G Parkin
Elgar Share Trust	PM McDonald and G Parkin

	Nature of goods and services purchased or sold	2017 R'000	2016 R'000
Related party balances			
Loan accounts – owing (to)/by related parties			
Estate late G v N Parkin			
Shareholder – loan 1 (refer to note 12)	Unsecured, interest 7,59% p.a, no fixed repayment terms	(32 450)	(29 803)
Shareholder – loan 2 (refer to note 12)	Unsecured, interest 12% p.a, no fixed repayment terms	(8 963)	(7 954)
Shareholder – loan 3 (refer to note 12)	Unsecured, interest-free, no fixed repayment terms	(2 224)	(2 726)
G Parkin			
Shareholder – loan (refer to note 12)	Unsecured, interest-free, no fixed repayment terms	(1 591)	(2 632)
Amounts included in trade receivables/(trade payables) regarding related parties			
Scarlett Sun 33 (Pty) Ltd	Machinery parts and consumables	(17)	(616)
Scarlett Sun 33 (Pty) Ltd	Diesel and maintenance	–	145
Scarlett Sun 33 (Pty) Ltd	Surface rights	(5 084)	(3 344)
Nigel Brick and Clay (Pty) Ltd	Bricks	11	1 482
Nigel Brick and Clay (Pty) Ltd	Bricks	(1 720)	(1 796)
Galiya (Pty) Ltd	Transport	49	–
Galiya (Pty) Ltd	Transport	(102)	–
Kuvula Trade 40 (Pty) Ltd	Transport	383	1 024
Kuvula Trade 40 (Pty) Ltd	Rental	17	39
Kuvula Trade 40 (Pty) Ltd	Transport	(1 641)	(1 820)
AP van der Merwe	Consultancy fees	(49)	(60)
Cyndara 113 (Pty) Ltd	Engineering	(97)	(97)
Amounts included in borrowings regarding related parties			
Scarlett Sun 33 (Pty) Ltd	Interest at 8,5%	(4 322)	(6 658)

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

28. RELATED PARTIES continued

	Nature of goods and services purchased or sold	2017 R'000	2016 R'000
Related party transactions			
Interest paid			
G v N Parkin (loan 1)		(2 342)	(2 184)
G v N Parkin (loan 2)		(1 009)	(895)
Legal fees			
PM McDonald Attorneys		(249)	(473)
Consulting fees			
AP van der Merwe		(588)	(170)
Equipment purchased			
Scarlett Sun 33 (Pty) Ltd		–	(7 441)
Equipment sold			
Scarlett Sun 33 (Pty) Ltd		–	100
Purchases from related parties			
Scarlett Sun 33 (Pty) Ltd	Machinery rental	–	(2 649)
Scarlett Sun 33 (Pty) Ltd	Surface rights	(3 282)	(4 860)
Scarlett Sun 33 (Pty) Ltd	Machinery parts	–	(2 972)
Scarlett Sun 33 (Pty) Ltd	Equipment purchased	(37)	(8 991)
Nigel Brick and Clay (Pty) Ltd	Bricks	(16 856)	(7 421)
Galiya (Pty) Ltd	Transport	(1 005)	–
Kuvula Trade 40 (Pty) Ltd	Transport	(15 470)	(16 003)
Sales to related parties			
Nigel Brick and Clay (Pty) Ltd	Bricks	9 605	2 270
Scarlett Sun 33 (Pty) Ltd	Bricks and aggregates	–	77
Scarlett Sun 33 (Pty) Ltd	Diesel and maintenance	61	134
Galiya (Pty) Ltd	Transport	423	–
Kuvula Trade 40 (Pty) Ltd	Rental	193	–
Kuvula Trade 40 (Pty) Ltd	Transport	2 671	30

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

	Basic ^{*1} R'000	Motor allowance ^{*1} R'000	Medical aid ^{*1} R'000	Provident fund ^{*2} R'000	Total R'000
29. DIRECTORS' EMOLUMENTS					
2017					
Executive directors					
G Parkin ^{*3}	1 513	–	7	75	1 595
H Botha ^{*3 *5}	1 123	–	2	21	1 146
AJ Hanekom ^{*3 *6}	664	52	–	33	749
Non-executive directors					
PM McDonald ^{*3}	269	–	–	–	269
P Moyanga ^{*3}	186	–	–	–	186
L Hani ^{*3 *7}	180	–	–	–	180
CB Madolo ^{*3}	166	–	–	–	166
AP van der Merwe ^{*3}	183	–	–	–	183
Subsidiary executive directors					
TP Nhlapo ^{*4}	558	–	–	25	583
R Gaorekwe ^{*4}	458	–	–	19	477
PM McDonald ^{*4}	547	–	–	–	547
	5 847	52	9	173	6 081
2016					
Executive directors					
G Parkin ^{*3}	1 306	90	6	56	1 458
H Botha ^{*3 *5}	1 334	–	6	61	1 401
Non-executive directors					
PM McDonald ^{*3}	54	–	–	–	54
P Moyanga ^{*3}	51	–	–	–	51
L Hani ^{*3}	51	–	–	–	51
CB Madolo ^{*3}	46	–	–	–	46
AP van der Merwe ^{*3}	51	–	–	–	51
Subsidiary executive directors					
TP Nhlapo ^{*4}	418	–	–	18	436
R Gaorekwe ^{*4}	350	–	–	16	366
PM McDonald ^{*4}	456	–	–	–	456
	4 117	90	12	151	4 370

^{*1} Short-term employee benefits.^{*2} Post-employment benefits.^{*3} Fees paid for services to Brikor Ltd.^{*4} Fees paid for services to Ilangabi Investments 12 (Pty) Ltd.^{*5} Resigned 30 May 2016, effective 30 June 2016.^{*6} Appointed 18 July 2016.^{*7} Resigned 23 January 2017.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

30. RETIREMENT FUND

Defined contribution plan

The policy of the group is to provide retirement benefits to its employees.

The group contributes to two provident funds:

- an umbrella fund, The Funds at Work Provident Fund. The fund is administered by Momentum; and
- a fund administered by Liberty;

both of which are governed by the Pension Fund Act of 1956.

The contributions paid by the group to fund obligations for the payment of retirement benefits are charged to profit or loss as and when incurred. The group contributed R6,3 million (2016: R2,1 million) for the year under review; 496 (2016: 280) employees are members of these provident funds.

The contributions to the fund have been classified under administration expenses in the financial statements.

31. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

This note presents the group's objectives, policies and processes for managing its financial risk and capital. Further quantitative disclosures are included throughout these financial statements.

In performing its operating, investing and financing activities, the group is exposed to the following financial risks from the use of financial instruments:

Credit risk: the possibility that a debtor will not repay all or a portion of a loan or will not repay in a timely manner and therefore will cause a loss to the group.

Liquidity risk: the risk that the group may not have, or may not be able to, raise cash funds when needed and, therefore, encounter difficulty in meeting obligations associated with financial liabilities.

Market risk: the risk that the value of a financial instrument will fluctuate in terms of fair value or future cash flows as a result of a fluctuation in market prices. Basically, the group is exposed to interest rate risk.

In order to effectively manage those risks, the board of directors has approved specific strategies for the management of financial risks, which are in line with corporate objectives. These guidelines set up the short- and long-term objectives and action to be taken in order to manage the financial risks that the group faces.

The major guidelines of this policy are the following:

- –Minimise interest rate, currency and price risks for all kinds of transactions.
- –All financial risk management activities are carried out and monitored at central level.
- –All financial risk management activities are carried out on a prudent and consistent basis and following the best market practices.

Risk management framework

The board of directors has the overall responsibility for the establishment and oversight of the group's risk management framework.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies and systems are reviewed regularly to reflect changes in market conditions and activities.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

	2017 R'000	2016 R'000
31. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS continued		
The following table summarises the carrying amount of financial assets and liabilities recorded at year-end by IAS 39 category:		
Financial assets		
Cash and cash equivalents	14 225	21 247
<i>Measured at amortised cost:</i>		
– Restricted investments	16 326	12 714
Loans and other receivables		
– Trade and other receivables	21 245	29 292
	51 796	63 253
Financial liabilities		
<i>Measured at amortised cost:</i>		
– Borrowings	55 132	58 681
– Trade and other payables	53 490	50 653
	108 622	109 334

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due.

In the ordinary course of business, the group receives cash from its operations and is required to fund working capital and capital expenditure requirements. The cash is managed to ensure that surplus funds are invested in a manner to achieve market-related returns and to provide sufficient liquidity at the minimum risk.

Specific actions have been taken by the group through the restructuring programme to ensure that sufficient liquidity is available to meet its liabilities when due. This is done through ongoing review of future commitments and cash flow forecasts.

The table below analyses the group's financial liabilities into relevant maturity groupings, based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

31. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

continued

	Carrying amount R'000	Contractual cash flows R'000	Less than one year R'000	Between one and five years R'000	More than five years R'000
As at 28 February 2017					
Secured borrowings	9 904	10 665	7 959	2 706	–
Unsecured borrowings	45 228	66 393	–	–	66 393
Trade and other payables	53 490	53 490	53 490	–	–
	108 622	130 548	61 449	2 706	66 393
As at 29 February 2016					
Secured borrowings	15 566	16 645	10 691	5 954	–
Unsecured borrowings	43 115	62 341	–	–	62 341
Trade and other payables	50 653	50 653	50 653	–	–
	109 334	129 639	61 344	5 954	62 341

Secured borrowings refer to finance lease agreements.

The carrying amount of the financial liabilities is considered to be in line with the fair value at the reporting date.

At present the group does expect to pay all liabilities at their contractual maturity. In order to meet such cash commitments the group expects the operating activity to generate sufficient cash inflows. In addition, the group holds financial assets for which there is a liquid market and that are readily available to meet liquidity needs.

At the reporting date there were undrawn borrowing facilities of Rnil available for operating activities.

The chief financial officer provides the board with a schedule showing the maturity of financial liabilities and unused borrowing facilities to assist the board in monitoring liquidity risk.

MARKET RISK

Interest rate risk

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, bank overdrafts, loans receivable, borrowings and payables. The interest applicable to these financial instruments is on a floating basis in line with those currently available in the market.

The group has not entered into any agreements to manage this risk.

Sensitivity analysis

An increase in interest rates by 100 basis points, with all other variables remaining constant, would increase loss before tax by R0,1 million (2016: Rnil million).

The analysis has been performed for floating interest rate financial liabilities and cash. The impact of a change in interest rates on floating interest rate financial liabilities has been assessed in terms of changing of their cash flows and, therefore, in terms of the impact on net expenses.

The group does not have any fair value sensitivity in respect of fixed rate instruments as at the reporting date.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

31. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

continued

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the group's trade receivables and cash and cash equivalents.

The group controls its exposure to credit risk by setting limits on its exposure to individual customers. As part of the process of setting customer credit limits, credit guarantee insurance is purchased, when deemed appropriate, and management evaluates credit risk relating to customers on an ongoing basis and utilisation of credit limits is regularly monitored. The group has adopted a policy of only dealing with creditworthy counterparties. There are no significant concentrations of credit risk. All the receivables that are past due at reporting date are impaired, as appropriate.

The allowance for these impairments represents an estimate of incurred losses in respect of trade debtors. The components of this allowance relates to individual significant exposures, and a collective loss component in respect of losses that have been incurred but not yet identified, based on historical trends and current economic conditions.

The group only deposits cash with major banks with high-quality credit standing and limits exposure to any one counterparty.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position.

	2017 R'000	2016 R'000
<i>Ageing of trade and other receivables</i>		
0 – 30 days	14 813	25 411
30 – 60 days	3 955	533
60 – 90 days	65	193
90 – 120 days	–	154
Over 120 days	689	1 071
Total	19 522	27 362

Trade receivables consist of a large number of customers. No credit rating has been obtained from the bank. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

Uninsured receivables over 120 days, not deemed recoverable, have been provided for, while certain other receivables over 120 days have been insured. Receivables not provided for are deemed recoverable.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

	2017 R'000	2016 R'000
31. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS continued		
Trade and other receivables impaired		
<i>Allowance for doubtful receivables</i>		
Balance as at 1 March	–	1 478
Allowance for the year	235	–
Amounts written off as uncollectible	(141)	(1 478)
Balance as at year-end	94	–

Fair values

Cash and short-term investments

The carrying amount approximates fair value because of the short maturity of those instruments.

Trade and other receivables/payables

The fair value of trade and other receivables/payables is estimated at its carrying value as these instruments are short-term in nature and thus the carrying amount approximates fair value.

Capital risk management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence to sustain the future development of the business. The board of directors monitors the return on capital, which the group defines as total capital and reserves, and the level of dividends to ordinary shareholders.

The group manages and makes adjustments to the capital structure, which consists of total capital and reserves and the level of dividends to ordinary shareholders as and when borrowings mature or when funding is required. This may take the form of raising equity, market or bank debt thereof. The group may also adjust the amount of dividends paid, sell assets to reduce debt or schedule projects to manage the capital structure.

The group did not meet the objectives, mainly due to adverse market conditions. Consequently, the board has implemented an integrated programme to enhance revenue, improve productivity, reduce costs and optimise working capital.

There were no changes to the group's approach to capital management during the year. Refer to note 10 for a quantitative summary of authorised and issued capital.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

31. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

continued

The group's adjusted net debt to equity ratios are as follows:

	2017 R'000	2016 R'000
Total liabilities	177 401	184 208
Less: Cash and cash equivalents	(14 225)	(21 247)
Adjusted net debt	163 176	162 961
Total equity	51 073	46 854
Adjusted net debt to equity ratio	3,2	3,5

32. OTHER LEGAL AND REGULATORY REQUIREMENTS

On 5 July 2017, the auditors reported reportable irregularities to the Independent Regulatory Board of Auditors in respect on non-compliance with the Income Tax Act, No 58 of 1962, Mineral and Petroleum Resources Royalties Act, No 29 of 2008 and the Companies Act of South Africa. The particulars of the reportable irregularities relate to the following instances, which resulted in penalties and interest being charged to the group:

- non-submission of annual tax returns and non-timeous payment of provisional tax on due dates, as required by the Income Tax Act, No 58 of 1962;
- non-registration for Royalty Tax and/or submission of returns and/or payment of Royalty Tax due to South African Revenue Service, as required by the Mineral and Petroleum Resources Royalties Act, No 29 of 2008; and
- non-compliance with Section 30 of the Companies Act in terms of preparing and approving of annual financial statements within six months after the end of its financial year.

The directors are aware of the above and are in the process of taking corrective steps, particularly since the provisional liquidation of Brikor has been lifted, to ensure that the relevant non-compliances are adequately addressed. Full provision has been made in the consolidated financial statements for any related amounts due.

33. SUBSEQUENT EVENTS AND GOING CONCERN

Management is not aware of any material events, other than as outlined below, which occurred subsequent to the year ended 28 February 2017 and which need adjustment or disclosure.

Disposal of the Rayton property

As announced on SENS on 24 July 2017, Brikor has entered into a sale agreement with Corobrik (Pty) Ltd (Corobrik) for the sale of the Rayton property (Portion 31 of Farm Witfontein 510, Registration Division JR, Province of Gauteng), which property has been identified as a non-core asset, and the cession and transfer of the mining right (GP30/5/1/2/2 (237) MRC) to Corobrik. No mining activities have taken place at the Rayton property since 2006. The purchaser consideration payable by Corobrik to Brikor shall be an amount of R2,2 million, exclusive of VAT, payable on the transfer of the Rayton property. Brikor will utilise the proceeds from the sale for general working capital purposes. As at 28 February 2017, the value of the net assets subject to the transaction was R3,5 million and the loss attributable to the net assets was R1,3 million.

The transaction, which has been classified as a category 2 transaction by the JSE, is subject to certain conditions precedent and shareholders will be advised once these have been met.

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

33. SUBSEQUENT EVENTS AND GOING CONCERN continued

Disposal of the Schist property

Brikor has received several offers in terms of the Nigel Schist property, situated at Portion 58 of the Farm Vrisgewaag 5101R Schist, of which the latest offer of R0,2 million is inclusive of the transfer of the environmental obligation. The company is in the process of finalising the terms of the agreement with the potential buyer. The agreement is subject to the approval for closure from the Department of Mineral Resources.

Disposal of the Donkerhoek business

As per the JSE announcement released on SENS on 12 September 2017, the management of Brikor accepted an offer on 8 September 2017 for the sale of the Donkerhoek operation, which also represents the aggregates segment. Further to the SENS announcement published on 19 October 2017, the JSE has ruled that the transaction is a category 1 transaction and shareholders' approval is required. Accordingly, a circular will be posted to shareholders in due course.

Going concern

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 indicated that the group will operate as a going concern for the foreseeable future.

34. SCHEDULE OF INVESTMENTS IN COMPANIES

	Share capital R	Effective holding		Investment		Amount owing by/(to) subsidiaries	
		2017 %	2016 %	2017 R	2016 R	2017 R	2016 R
Ilangabi Investments 12 (Pty) Ltd	100	100	100	6 639	6 639	(40 887)	(34 395)
Stanger Brick and Tile (Pty) Ltd *	10	100	100	–	–	(3 509)	(3 509)
Tugela Ready Mix (Pty) Ltd *	100	100	100	–	–	802	794
Stanbrik Roof Tiles (Pty) Ltd *	100	100	100	–	–	(128)	(128)
Impala Construction Supplies (Pty) Ltd *	100	100	100	–	–	219	187
Donkerhoek Quartzite (Pty) Ltd *	4 000	100	100	4	4	(4)	(4)
				6 643	6 643	(43 507)	(37 055)

* Dormant

Notes to the consolidated financial statements continued

for the year ended 28 February 2017

35. DIRECTORS' INTEREST IN SHARES

Name of director	Beneficial		Total
	Direct	Indirect	
2017			
<i>Executive</i>			
G Parkin	207 320	–	207 320
<i>Non-executive</i>			
PM McDonald as executrix of Estate Late G v N Parkin	356 948 768	52 689 201	409 637 969
	357 156 088	52 689 201	409 845 289
2016			
<i>Executive</i>			
G Parkin	207 320	–	207 320
H Botha and associates *	–	100 000	100 000
<i>Non-executive</i>			
PM McDonald as executrix of Estate Late G v N Parkin	362 098 768	52 689 201	414 787 969
	362 306 088	52 789 201	415 095 289

* Resigned on 30 May 2016, effective 30 June 2016.

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.

ANALYSIS OF SHAREHOLDING

at 24 February 2017

	Number of shareholders	%	Number of shares	%
SHAREHOLDER SPREAD				
1 – 1 000 shares	132	22,60	60 227	0,01
1 001 – 10 000 shares	209	35,79	1 033 747	0,16
10 001 – 100 000 shares	152	26,03	7 508 293	1,16
100 001 – 1 000 000 shares	66	11,30	19 845 167	3,08
1 000 001 shares and over	25	4,28	616 794 597	95,59
	584	100,00	645 242 031	100,00
DISTRIBUTION OF SHAREHOLDERS				
Banks/brokers	9	1,54	130 494 587	20,22
Close corporations	13	2,23	2 022 526	0,31
Endowment funds	1	0,17	7 000	0,00
Individuals	507	86,82	86 185 256	13,36
Investment company	1	0,17	53 500	0,01
Other corporations	4	0,68	374 941	0,06
Private companies	13	2,23	6 020 260	0,93
Public company	1	0,17	1 200	0,00
Share trust	1	0,17	15 900 000	2,46
Nominees and trusts	34	5,82	404 285 411	62,66
	584	100,00	645 242 031	100,00
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	6	1,03	555 795 289	86,14
Directors and associates of the company holdings	2	0,34	357 156 088	55,35
Share trust	1	0,17	15 900 000	2,46
Strategic holdings	1	0,17	130 050 000	20,15
Related holdings	2	0,34	52 689 201	8,17
Public shareholders	578	98,97	89 446 742	13,86
	584	100,00	645 242 031	100,00

	Number of shares	%
Beneficial shareholders holding 5% or more		
Estate late G v N Parkin	356 948 768	55,32
Investec Bank Limited	130 050 000	20,15
Elgar Share Trust	32 424 177	5,03
	519 422 945	80,50

B-BBEE SHAREHOLDING

at 28 July 2017

BRIKOR LIMITED'S EFFECTIVE B-BBEE OWNERSHIP

The most recent B-BBEE shareholding, as at 28 July 2017, shows that Brikor has 578 shareholders and an issued share capital of 645 242 031 shares.

Shareholder classification

A detailed inspection of the Brikor Limited's share register was conducted to establish the shareholder composition.

	Number of shareholdings	%	Number of shares	%
Nominees and trusts	34	5,88	404 285 411	62,66
Banks/brokers	9	1,56	130 494 587	20,22
Retail investors	502	86,85	85 837 514	13,30
Private companies	13	2,25	6 020 260	0,93
Close corporations	13	2,25	2 022 526	0,31
Other corporations	4	0,69	673 533	0,10
Endowment funds	1	0,17	7 000	0,00
Public company	1	0,17	1 200	0,00
Share trust	1	0,17	15 900 000	2,46
	578	100,00	645 242 031	100,00

Detailed composition of B-BBEE shareholders in Brikor Limited (economic interest and voting rights)

	Number of B-BBEE shareholdings	% of B-BBEE shareholdings	Number of B-BBEE shares	% of B-BBEE shares	Effective female B-BBEE shares	% of female B-BBEE shares
Black females	26	4,50	16 843 037	2,61	16 843 037	2,61
Black males	127	21,97	17 765 073	2,75	–	–
Black nominees and trusts	6	1,04	13 209 413	2,05	–	–
Black private companies	4	0,69	18 800	0,00	–	–
Black endowment funds	1	0,17	7 000	0,00	–	–
Black banks/brokers	7	1,21	36 465 025	5,65	8 601 892	1,33
Black other corporations	1	0,17	920	0,00	–	–
	172	29,76	84 309 268	13,07	25 444 929	3,94

	Effective designated group's B-BBEE shareholding	Effective women B-BBEE shareholding	Effective B-BBEE shareholding
Final B-BBEE shareholding in Brikor Limited (economic interest and voting rights) (%)	–	3,94%	13,07%

B-BBEE shareholding continued

at 28 July 2017

DETAILS OF BLACK OWNERSHIP

	Number of shareholders	%	Number of shares	%
Retail investors				
Black females	26	4,50	16 843 037	2,65
Black males	127	21,97	17 765 073	2,75
White females	81	14,01	23 522 712	3,65
White males	268	46,37	27 706 692	4,29
	502	86,85	85 837 514	13,30
Private companies				
Black private companies	4	0,69	18 800	0,00
Private companies	9	1,56	6 001 460	0,93
	13	2,25	6 020 260	0,93
Nominees and trusts				
Black nominees and trust	5	0,84	13 207 413	2,05
White nominees and trust	30	5,05	391 074 078	60,61
	35	5,89	404 281 491	62,66
Endowment fund				
Nelson Mandela Children's Fund	1	0,17	7 000	0,00
	1	0,17	7 000	0,00

	Number of shareholders	Number of shares	%	Effective female BEE shareholding %	Effective BEE share- holding %
Bankers/brokers					
Investec Bank Limited	2	130 050 000	20,16	1,328	5,65
Absa Bank Limited	1	150 000	0,02	0,002	0,00
FirstRand Bank Limited	1	60 000	0,01	0,002	0,00
The Standard Bank of South Africa Limited	1	48 449	0,01	0,001	0,00
	5	130 308 449	20,20	1,332	5,65



SHAREHOLDERS' DIARY

Record date for the purpose of determining which shareholders are entitled to receive the notice of annual general meeting	Friday, 1 December 2017
Mailing of integrated annual report	Friday, 8 December 2017
Last day to trade for the purposes of being entitled to attend and vote at the annual general meeting	Tuesday, 2 January 2018
Record date on which members must be recorded as such in the register maintained by the transfer secretaries of the company for the purpose of being entitled to attend and vote at the annual general meeting	Friday, 5 January 2018
Proxy forms to be lodged with transfer secretaries or with the chairman of the annual general meeting before commencement of the meeting at 11:00 on	Friday, 12 January 2018
Annual general meeting at 11:00 on	Friday, 12 January 2018
Results of the annual general meeting published on SENS	Friday, 12 January 2018

NOTICE OF ANNUAL GENERAL MEETING

BRIKOR LIMITED

Incorporated in the Republic of South Africa

Registration number: 1998/013247/06

JSE share code: BIK

ISIN: ZAE000101945

("Brikor" or "the company" or "the group")

Notice is hereby given that the annual general meeting ("AGM") of the shareholders of Brikor will be held at Heidelberg Kloof Lodge, Heidelberg Kloof Estate, Stand 31, Heidelberg at 11:00 (SA time) on Friday, 12 January 2018, to deal with the business as set out below and to consider and, if deemed appropriate, pass the ordinary and special resolutions set out in this notice.

PURPOSE

The purpose of the AGM is to transact the business set out in the agenda below.

AGENDA

- ▶ Presentation of the audited financial statements of the company, including the reports of the directors and the audit and risk committee for the year ended 28 February 2017. The integrated annual report, of which this notice forms part, contains the annual financial statements, including the unmodified audit opinion, and the aforementioned reports.
- ▶ To consider and, if deemed fit, approve, with or without modification, the ordinary and special resolutions that follow.

Kindly note that in terms of section 63(1) of the Companies Act, no 71 of 2008, as amended ("the Companies Act"), meeting participants (including proxies) will be required to provide reasonably satisfactory identification before being entitled to participate in or vote at the AGM. Forms of identification that will be accepted include original and valid identity documents, driver's licenses and passports.

For any of the ordinary resolutions numbers 1 to 9 (inclusive) and 11 to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof. For ordinary resolution number 10 to be adopted, at least 75% of the voting rights exercised on such ordinary resolution must be exercised in favour thereof.

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements, which includes the external independent auditor's report, the audit and risk committee report and the directors' report for the year ended 28 February 2017, have been distributed as required and will be presented to shareholders at the AGM.

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

The report by the company's social and ethics committee included on pages 43 to 47 of the integrated annual report will serve as the social and ethics committee's report to the company's shareholders on the matters within its mandate at the AGM. Any specific questions to the social and ethics committee may be sent to the company secretary prior to the AGM.

1. RETIREMENT, RE-APPOINTMENT AND CONFIRMATION OF APPOINTED DIRECTORS

The non-executive chairman, Ina McDonald, resigns at the AGM and has not offered herself for re-election as a director of the company.

Collen Madolo and Peter Moyanga retire by rotation and, being eligible, offered themselves for re-election as directors of the company. Mamsy Mokate was appointed as independent non-executive director by the board on 12 April 2017. Ratification of this appointment by shareholders is required. Accordingly, shareholders are requested to consider and, if deemed fit, approve the ordinary resolutions number 1, 2 and 3 set out below.

1.1 Ordinary resolution number 1

"RESOLVED that the re-appointment of Collen Madolo as an independent non-executive director of the company be and is hereby approved."

Notice of annual general meeting continued

1.2 Ordinary resolution number 2

"RESOLVED that the re-appointment of Peter Moyanga as an independent non-executive director of the company be and is hereby approved".

1.3 Ordinary resolution number 3

"RESOLVED that Ms Mamsy Mokate's appointment as an independent non-executive director, in terms of the memorandum of incorporation of the company, be and is hereby confirmed."

Explanatory note

In accordance with the Company's memorandum of incorporation ("MOI"), one third of the non-executive directors are required to retire at each AGM and may offer themselves for re-election. In addition, the appointment of any person to the board of directors is subject to confirmation by the shareholders.

The reason for ordinary resolutions number 1 to 2 is that the MOI of the company, the Listings Requirements of the JSE Limited ("the Listings Requirements") ("JSE") and, to the extent applicable, the Companies Act, require that a component of the non-executive directors rotate at every AGM of the company and, being eligible, may offer themselves for re-election as directors.

The MOI of the company and the Listings Requirements also requires that any director appointed by the board of the company be confirmed by the shareholders at the AGM. A brief curriculum vitae of each of the directors up for re-election and confirmation to the board appears on page 22.

2. RE-APPOINTMENT OF AUDITORS

Ordinary resolution number 4

"RESOLVED that the reappointment of KPMG Inc., Registered Auditors, and Riegert Stoltz as designated audit partner, upon the recommendation of the audit and risk committee, as independent auditors of the company be and is hereby approved."

Explanatory note

The reason for ordinary resolution number 4 is that the company, being a public listed company, must have its financial results audited and such auditor must be appointed or re-appointed each year at the AGM of the company as required by the Companies Act.

3. APPOINTMENT OF AUDIT AND RISK COMMITTEE MEMBERS ("AUDIT AND RISK COMMITTEE")

Note: For avoidance of doubt, all references to the audit and risk committee of the company is a reference to the audit committee as contemplated in the Companies Act.

It is proposed that the independent non-executive directors as indicated below be appointed as members of the audit and risk committee.

3.1 Ordinary resolution number 5

"RESOLVED that Peter Moyanga, being eligible, be and is re-appointed as a member and chairman of the audit and risk committee of the company, as recommended by the board of directors of the company, until the next AGM of the company."

3.2 Ordinary resolution number 6

"RESOLVED that, subject to the passing of ordinary resolution number 3, Mamsy Mokate, being eligible, be and is appointed as a member of the audit and risk committee of the company, as recommended by the board of directors of the company, until the next AGM of the company."

Notice of annual general meeting continued

3.3 Ordinary resolution number 7

"RESOLVED that Collen Madolo, being eligible, be and is re-appointed as a member of the audit and risk committee of the company, as recommended by the board of directors of the company, until the next AGM of the company."

3.4 Ordinary resolution number 8

"RESOLVED that AP van der Merwe, being eligible, be and is re-appointed as a member of the audit and risk committee of the company, as recommended by the board of directors of the company, until the next AGM of the company."

Even though AP van der Merwe, the fourth member of the audit and risk committee, is not independent, the board believes that his skills, experience and knowledge of Brikor outweigh any other considerations. The board of directors of the company is satisfied that three of the proposed members of the audit and risk committee meet all relevant statutory requirements.

The reason for ordinary resolutions numbers 5 to 8 (inclusive) is that the company, being a public listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be appointed, or re-appointed, as the case may be, at each AGM of a company. A brief curriculum vitae of each of the directors up for election to the audit and risk committee appears on page 22.

4. NON-BINDING ENDORSEMENT OF BRIKOR'S REMUNERATION POLICY

Ordinary resolution number 9

"RESOLVED that shareholders endorse, by way of a non-binding advisory vote, the company's remuneration policy as set out on pages 40 and 41 of the integrated annual report."

The reason for ordinary resolution number 9 is that King III recommends that the remuneration policy of the company be endorsed through a non-binding advisory vote by shareholders.

5. GENERAL AUTHORITY TO ALLOT AND ISSUE ORDINARY SHARES FOR CASH

Ordinary resolution number 10

"RESOLVED that the directors of the company be and are hereby authorised, by way of a general authority, to allot and issue any of the company's unissued shares for cash as they in their discretion may deem fit, without restriction, subject to the provision of the company's MOI, the Companies Act and the Listings Requirements provided that:

- (a) the equity securities which are the subject of this general authority be of a class already in issue or, where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- (b) the equity securities must be issued to public shareholders, as defined in the Listings Requirements, and not to related parties;
- (c) the equity securities which are the subject of this general authority:
 - (1) may not, in aggregate, exceed 50% of the company's listed equity securities as at the date of the AGM, being the equivalent of 645 242 031 (six hundred and forty-five million two hundred and forty-two thousand and thirty-one) shares equity securities;
 - (2) any equity securities issued in terms of this general authority must be deducted from the initial number of equity securities available under this general authority; and
 - (3) in the event of a subdivision or consolidation of issued equity securities during the period of this general authority, the general authority must be adjusted accordingly to represent the same allocation ratio;

Notice of annual general meeting continued

- (d) the general authority shall be valid until Brikor's next AGM, or for 15 months from the date on which the general authority for such ordinary resolution was passed, whichever period is shorter subject to the Listings Requirements and any other restrictions set out in this authority;
- (e) the maximum discount at which equity securities may be issued is 10% of the weighted average traded price of such equity securities measured over the 30 business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the equity securities. The JSE should be consulted for a ruling if the applicant's securities have not traded in such 30-business-day period;
- (f) an announcement giving full details, including the impact on net asset value, net tangible asset value, earnings and headline earnings per share will be published at the time of any issue representing, on a cumulative basis within a financial year, 5% or more of the number of securities in issue prior to the general issue for cash; and
- (g) this authority includes any options/convertible securities that are convertible into an existing class of equity securities."

For listed entities wishing to issue shares for cash (other than issues by way of rights offers, in consideration for acquisitions and/or to share incentive schemes (which schemes have been duly approved by the JSE and by the shareholders of the company)), it is necessary for the board of the company to obtain prior authority of the shareholders in accordance with the Listings Requirements and the MOI of the company. Accordingly, the reason for ordinary resolution number 10 is to obtain a general authority from shareholders to issue shares for cash in compliance with the JSE Listings Requirements.

In terms of the Listings Requirements the approval of a 75% majority of the votes cast by shareholders present or represented by proxy at this AGM will be required for this authority to become effective.

6. AUTHORISED AND UNISSUED ORDINARY SHARES

Ordinary resolution number 11

"RESOLVED that the authorised and unissued ordinary share capital of the company be and is hereby placed under the control of the directors of the company which directors are, subject to the JSE Listings Requirements and the provisions of the Companies Act, authorised to allot and issue and otherwise dispose of all or part thereof at their discretion any of such shares at such time or times, to such person or persons, company or companies and upon such terms and conditions as they may determine, such authority to remain in force until the AGM of the company."

7. GENERAL AUTHORITY TO THE COMPANY TO REPURCHASE ITS OWN SHARES

Special resolution number 1

"RESOLVED, as a special resolution, that the company and the subsidiaries of the company be and are hereby authorised, as a general approval, to repurchase any of the shares issued by the company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the MOI of the company and the Listings Requirements, including, *inter alia*, that:

- i. the general repurchase of the shares may only be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- ii. this general authority shall only be valid until the next AGM of the company, provided that it shall not extend beyond fifteen months from the date of this resolution;
- iii. an announcement must be published as soon as the company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the acquisition, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- iv. the general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the company's issued share capital at the time the authority is granted;

Notice of annual general meeting continued

- v. a resolution has been passed by the board of directors approving the purchase, that the company has satisfied the solvency and liquidity test as defined in the Companies Act and that, since the solvency and liquidity test was applied, there have been no material changes to the financial position of the company and its subsidiaries ("the group");
- vi. the general repurchase is authorised by the company's MOI;
- vii. repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date that the transaction is effected. The JSE will be consulted for a ruling if the company's securities have not traded in such five-business day period;
- viii. the company may at any point in time only appoint one agent to effect any repurchase(s) on the company's behalf; and the company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements unless there is a repurchase programme in place, which programme has been submitted to the JSE in writing prior to the commencement of the prohibited period and executed by an independent third party, as contemplated in terms of paragraph 5.72(h) of the Listings Requirements."

The reason for and effect of special resolution number 1 is to grant the directors a general authority in terms of its MOI and the Listings Requirements for the acquisition by the company or by a subsidiary of the company of shares issued by the company on the basis reflected in special resolution number 1. The company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

In terms of section 48(2) (b)(i) of the Companies Act, subsidiaries may not hold more than 10%, in aggregate, of the number of the issued shares of a Company. For the avoidance of doubt, a *pro rata* repurchase by the company from all its shareholders will not require shareholder approval, save to the extent as may be required by the Companies Act.

Information relating to special resolution number 1

1. The directors of the company or its subsidiaries will only utilise the general authority to repurchase shares of the company as set out in special resolution number 1 to the extent that the directors, after considering the maximum number of shares to be purchased, are of the opinion that the position of the company and its subsidiaries ("group") would not be compromised as to the following:
 - ▶ the group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of this AGM and for a period of 12 months after the repurchase;
 - ▶ the consolidated assets of the group will at the time of the AGM and at the time of making such determination be in excess of the consolidated liabilities of the group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited financial statements of the group;
 - ▶ the ordinary capital and reserves of the group after the repurchase will remain adequate for the purpose of the business of the company for a period of 12 months after the AGM and after the date of the share repurchase; and
 - ▶ the working capital available to the group after the repurchase will be sufficient for the group's requirements for a period of 12 months after the date of the notice of the AGM.

General information in respect of major shareholders, material changes and the share capital of the company is contained in the integrated report of which this notice forms part, as well as the full set of financial statements, being available on Brikor's website or which may be requested and obtained in person, at no charge, at the registered office of Brikor during office hours.

2. The directors, whose names appear on pages 21 and 22 of the integrated report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice of AGM contains all information required by the Listings Requirements.
3. Special resolutions numbers 1, 2 and 3 are renewals of resolutions taken at the previous AGM held on 28 July 2017.

Notice of annual general meeting continued

8. APPROVAL OF NON-EXECUTIVE DIRECTORS' FEES

Special resolution number 2

"RESOLVED, as a special resolution:

- ▶ that the company be and is hereby authorised to pay remuneration to its non-executive directors for their services as directors, as contemplated in sections 66(8) and 66(9) of the Companies Act; and
- ▶ that the remuneration structure as set out below, be and is hereby approved:

	R
Chairman of the board – monthly retainer	21 000
Other non-executive directors – monthly retainer	10 500
Attendance fees per board and/or sub-committee meeting:	
Chairman of the board and/or sub-committee	7 900
Board and/or sub-committee members	5 250

The same remuneration structure will be followed where any non-executive board member is required by the board to attend any other sub-committee meeting where his or her inputs are needed.

Fees payable to non-executive directors are exclusive of value added tax.

In order for this special resolution number 2 to be adopted, the support of at least 75% (seventy-five percent) of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required. No increase in the non-executive directors' fees, in comparison to that of the previous year, is proposed.

Explanatory note

In terms of section 66(8) and section 66(9) of the Companies Act, a company may pay remuneration to directors for their services as directors, unless otherwise provided by the MOI and on the approval of shareholders by way of a special resolution. Executive directors are not specifically remunerated for their services as directors, but as employees of the company and, as such, the resolution as included in the notice requests only approval of the remuneration payable to non-executive directors for their services as directors of the company.

It has always been the company's practice and intention, since the upliftment of the provisional liquidation and aligned to King III, to remunerate its non-executive directors a fixed monthly retainer fee and a fee per meeting, subject to attendance of meetings.

It has been practice, since upliftment of the provision liquidation and the subsequent establishment of the sub-committees to the board, that the board requested the presence of all board members (by invitation) at all sub-committee meetings in an effort to provide the group with maximum exposure to the pool of experience and knowledge available through its board members. This was a prudent action, bearing in mind that the board was newly constituted with only two members being members of the previous board.

9. INTER-COMPANY FINANCIAL ASSISTANCE

Special resolution number 3

"RESOLVED in terms of Section 45(3)(a)(ii) of the Companies Act, as a general approval, that the board of the company be and is hereby authorised to approve that the company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in Section 45(1) of the Companies Act) that the board of the company may deem fit to any company or corporation that is related or inter-related ("related" or "inter-related") will herein have the meaning attributed to it in Section 2 of the Companies Act) to the company, on the terms and conditions and for amounts that the board of the company may determine, provided that the aforementioned approval shall be valid until the date of the next AGM of the company."

Notice of annual general meeting continued

The reason for and effect of special resolution number 3 is to grant the directors of the company the authority, until the next AGM, to provide direct or indirect financial assistance to any company or corporation which is related or inter-related to the company. This means that the company is authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

10. FINANCIAL ASSISTANCE – THIRD-PARTY INTER-COMPANY TRANSACTIONS

Special resolution number 4

“RESOLVED, in terms of Section 44(3)(a)(ii) of the Companies Act, as a general approval, that the board of the company be and is hereby authorised to approve that the company provides any direct or indirect financial assistance (“financial assistance” will herein have the meaning attributed to it in Sections 44(1) and 44(2) of the Companies Act) that the board of the company may deem fit to any company or corporation that is related or inter-related to the company (“related” or “inter-related” will herein have the meaning attributed to it in Section 2 of the Companies Act) and/or to any financier who provides funding by subscribing for preference shares or other securities in the company or any company or corporation that is related or inter-related to the company, on the terms and conditions and for amounts that the board of the company may determine for the purpose of, or in connection with the subscription of any option, or any shares or other securities, issued or to be issued by the company or a related or inter-related company or corporation, or for the purchase of any shares or securities of the company or a related or inter-related company or corporation, provided that the aforementioned approval shall be valid until the date of the next AGM of the company.”

The reason for and effect of special resolution number 4 is to grant the directors the authority, until the next AGM of the company, to provide financial assistance to any company or corporation which is related or inter-related to the company and/or to any financier for the purpose of or in connection with the subscription or purchase of options, shares or other securities in the company or any related or inter-related company or corporation. This means that the company is authorised, *inter alia*, to grant loans to its subsidiaries and to guarantee and furnish security for the debt of its subsidiaries where any such financial assistance is directly or indirectly related to a party subscribing for options, shares or securities in the company or its subsidiaries. A typical example of where the company may rely on this authority is where a subsidiary raised funds by way of issuing preference shares and the third-party funder requires the company to furnish security, by way of a guarantee or otherwise, for the obligations of its subsidiary to the third-party funder arising from the issue of the preference shares. The company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

In terms of and pursuant to the provisions of Sections 44 and 45 of the Companies Act, the directors of the company confirm that the board will satisfy itself, after considering all reasonably foreseeable financial circumstances of the company, that immediately after providing any financial assistance as contemplated in special resolution numbers 3 and 4 above:

- ▶ the assets of the company (fairly valued) will equal or exceed the liabilities of the company (fairly valued) (taking into consideration the reasonably foreseeable contingent assets and liabilities of the company);
- ▶ the company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months;
- ▶ the terms under which any financial assistance is proposed to be provided, will be fair and reasonable to the company; and
- ▶ all relevant conditions and restrictions (if any) relating to the granting of financial assistance by the company as contained in the company's memorandum of incorporation have been met.

11. OTHER BUSINESS

To transact such other business as may be required at an AGM.

Notice of annual general meeting continued

VOTING AND PROXIES

Quorum

A quorum for the purposes of considering the resolutions above shall consist of three shareholders of the company personally present or represented by a proxy (and if the shareholder is a body corporate, the representative of the body corporate) and entitled to vote at the AGM. In addition, a quorum shall comprise 25% of all voting rights entitled to be exercised by shareholders in respect of the resolutions above.

The date on which shareholders must be recorded as such in the register maintained by the transfer secretaries, Computershare Investor Services (Pty) Ltd (Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196), for the purposes of being entitled to attend, participate in and vote at the AGM is Friday, 5 January 2018.

Voting

1. The date on which shareholders must be recorded as such in the Share Register maintained by the transfer secretaries of the company ("the share register") for purposes of being entitled to receive this notice is Friday, 1 December 2017.
2. The date on which shareholders must be recorded in the share register for purposes of being entitled to attend and vote at this AGM is Friday, 5 January 2018, with the last day to trade being Tuesday, 2 January 2018.
3. Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the AGM and must accordingly bring a copy of their identity document, passport or driver's licence to the AGM. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretaries for guidance.
4. Shareholders entitled to attend and vote at the AGM may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a shareholder of the company. A form of proxy, which sets out the relevant instructions for its completion, is enclosed for use by a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the AGM. Completion of a form of proxy will not preclude such shareholders from attending and voting (in preference to that shareholder's proxy) at the AGM.
5. The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the company at the address given below before 11:00 on Friday, 12 January 2018, provided that any form of proxy not delivered to the transfer secretary by this time may be handed to the chairman of the AGM at any time prior to the commencement of the AGM.
6. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the AGM in person, will need to request their Central Securities Depository Participant ("CSDP") or broker to provide them with the necessary authority in terms of the custody agreement entered into between such shareholders and the CSDP or broker.
7. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the AGM and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.
8. Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.

Notice of annual general meeting continued

ELECTRONIC PARTICIPATION BY SHAREHOLDERS

Should any shareholder (or representative or proxy for a shareholder) wish to participate in the AGM electronically, that shareholder should apply in writing (including details on how the shareholder or representative (including proxy) can be contacted) to the transfer secretaries, at the address below, to be received by the transfer secretaries at least seven business days prior to the AGM (thus to be confirmed) for the transfer secretaries to arrange for the shareholder (or representative or proxy) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of Section 63(1) of the Companies Act and for the transfer secretaries to provide the shareholder (or representative or proxy) with details on how to access the AGM by means of electronic participation. The company reserves the right not to provide for electronic participation at the AGM if it determines that it is not practical to do so, or an insufficient number of shareholders (or their representatives or proxies) request to participate in this manner.

By order of the board



Fusion Corporate Secretarial Services (Pty) Ltd

Registration number 2000/011257/21

Company Secretary

Melinda Gous

30 November 2017

Registered office

Unit 2, Corporate Corner
Cnr Marco Polo and John Vorster Avenues
Highveld, Centurion
0157

PO Box 68528
Highveld
0169

Transfer secretaries

Computershare Investor Services (Pty) Limited
Registration number 2004/003647/07
Rosebank Towers
15 Biermann Avenue
Rosebank
2196

PO Box 61051
Marshalltown
2107

FORM OF PROXY



BRIKOR LIMITED

Registration number: 1998/013247/06 • Incorporated in the Republic of South Africa • JSE code: BIK • ISIN: ZAE000101945
("Brikor" or "the company" or "the group")

Only to be completed by certificated and dematerialised shareholders with "own name" registration.

If you are a dematerialised shareholder, other than with "own name" registration, do not use this form. Dematerialised shareholders other than those with "own name" registration who wish to attend the AGM, must inform their CSDP or broker of their intention to attend and request their CSDP or broker to issue them with the relevant Letter of Representation to attend the AGM in person and vote, or, if they do not wish to attend the meeting in person, but wish to be represented thereat, provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and their CSDP or broker in the manner and cut-off time stipulated therein.

An ordinary shareholder entitled to attend and vote at the AGM to be held at Heidelberg Kloof Lodge, Heidelberg Kloof Estate, Stand 31, Heidelberg at 11:00 on Friday, 12 January 2018, is entitled to appoint a proxy to attend, speak or vote thereat in his/her stead. A proxy need not be a shareholder of the company.

All forms of proxy must be lodged at the company or the company's transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 (PO Box 61051, Marshalltown 2107) before the time appointed for the meeting, excluding Saturdays, Sundays and public holidays or may be tendered at the meeting.

I/We (please print name in full)

of (address)

Telephone work:

Telephone home:

being an ordinary shareholder(s) of the company holding ordinary shares in the company do hereby appoint

1. _____ or failing him/her
2. _____ or failing him/her
3. _____ the chairman of the annual general meeting

or failing him/her the chairman of the AGM as my/our proxy to act for me/us at the AGM of the company to be held on Friday, 12 January 2018 and at any adjournment thereof, for the purpose of considering, and, if deemed fit, to vote for or against the resolution with or without modification and/or to abstain from voting thereon, in respect of ordinary shares in the issued capital of the company registered in my/our name(s) in accordance with the following instructions:

		Number of votes (one per share)		
		For	Against	Abstain
Ordinary resolution number 1:	Re-appointment of Collen Madolo as an independent non-executive director			
Ordinary resolution number 2:	Re-appointment of Peter Moyanga as an independent non-executive director			
Ordinary resolution number 3:	Appointment of Mamsy Mokate as an independent non-executive director			
Ordinary resolution number 4:	Re-appointment of auditors, KPMG Inc. represented by Riegiert Stoltz			
Ordinary resolution number 5:	Re-appointment of Peter Moyanga as member and chairman of the audit and risk committee			
Ordinary resolution number 6:	Appointment of Mamsy Mokate as member of the audit and risk committee			
Ordinary resolution number 7:	Re-appointment of Collen Madolo as member of the audit and risk committee			
Ordinary resolution number 8:	Re-appointment of AP van der Merwe as member of the audit and risk committee			
Ordinary resolution number 9:	To endorse the company's remuneration policy and its implementation			
Ordinary resolution number 10:	General authority to allot and issue ordinary shares for cash			
Ordinary resolution number 11:	The authorised and unissued ordinary share capital of the company be and is hereby placed under the control of the directors			
Special resolution number 1:	General authority to the company to repurchase its own shares			
Special resolution number 2:	Approval of non-executive directors' fees			
Special resolution number 3:	Section 45 authority to provide financial assistance to companies related to or inter-related to Brikor			
Special resolution number 4:	Section 44 authority to provide financial assistance to companies related to or inter-related to Brikor			

Insert an "X" in the appropriate block. If no indications are given, the proxy will vote as he/she deems fit. Each member entitled to attend and vote at the meeting may appoint one or more proxies (who need not be a member of the company) to attend, speak and vote in his/her stead.

Signed at

on

2017

Signature

Assisted by (where applicable)

Please read the notes on the reverse side hereof.

NOTES TO THE FORM OF PROXY

(which include, *inter alia*, a summary of the rights established by Section 58 of the Companies Act, as amended (Companies Act)).

1. A Brikor Limited shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairman of the AGM". The person whose name appears first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A Brikor Limited shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the chairman of the AGM, if he/she is the authorised proxy, to vote in favour of the resolutions at the meeting, or any other proxy to vote or to abstain from voting at the meeting as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.
3. When there are joint registered holders of any shares, any one of such persons may vote at the meeting in respect of such shares as if he/she was solely entitled thereto, but, if more than one of such joint holders be present or represented at any meeting, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member, in whose name any shares stand, shall be deemed joint holders thereof.
4. It is recommended that the proxy forms should be lodged with the transfer Secretaries of the company, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, to be received before 11:00 on Friday, 12 January 2018, provided that any form of proxy not delivered to the transfer secretary by this time may be handed to the chairman of the AGM prior to the commencement of the AGM, at any time before the appointed proxy exercises any shareholder rights at the AGM.

The form may also be emailed to proxy@computershare.co.za.
5. Any alteration or correction made to this form of proxy must be initialised by the signatory(ies).
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the AGM.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

In terms of section 58 of the Companies Act:

- ▶ a shareholder of a company may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder
- ▶ a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy
- ▶ irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder
- ▶ any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise
- ▶ if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company
- ▶ a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise
- ▶ if the instrument appointing a proxy or proxies has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's memorandum of incorporation to be delivered to a shareholder must be delivered by such company to:
 - the relevant shareholder; or
 - the proxy or proxies, if the relevant shareholder has: (i) directed such company to do so, in writing and (ii) paid any reasonable fee charged by such company for doing so.

CORPORATE INFORMATION

BRIKOR LIMITED

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

Registered office

1 Marievale Road
Vorsterskroon
Nigel 1490

(PO Box 884, Nigel 1490)
Telephone: 011 739 9000
Facsimile: 011 739 9021

Directors as at 30 November 2017

Ina McDonald (Chairman) [#]
Peter Moyanga (Lead independent director) ^{*}
Garnett Parkin (Chief executive officer)
André Hanekom (Chief financial officer)
Mamsy Mokate ^{*}
Collen Madolo ^{*}
AP van der Merwe [#]

[#] *Non-executive*

^{*} *Independent non-executive*

Company secretary

Fusion Corporate Secretarial Services (Pty) Ltd
Registration number 2007/008376/07
Corporate Corner Unit 2
Marco Polo Street
Highveld
Centurion 0169

(PO Box 68528, Highveld 0169)
Tel: (012) 749 6793
Fax: 086 616 6545

Designated adviser

Exchange Sponsors (2008) (Pty) Ltd
44a Boundary Road
Inanda
Sandton 2196

(PO Box 411216, Craighall 2024)

Auditors

KPMG Inc.
Secunda Medforum Building
Suite 301
Heunis Street
Secunda 2302

Commercial banker

Nedbank Limited
Shop 17, Selcourt Towers Centre
Cnr Wit, Ramona and Hewitt Roads
Selcourt
Springs 1559

Transfer secretaries

Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Avenue
Rosebank 2196

(PO Box 61051, Marshalltown 2107)

Attorneys

Fluxmans Inc
11 Biermann Avenue
Rosebank 2196

(Private Bag X41, Saxonwold 2196)



BRIKOR LIMITED