INSIMBI

REFRACTORY AND ALLOY SUPPLIES LIMITED
Registration number:2002/029821/06

Head Office:
Crocker Road, Wadeville Ext 4,
PO Box 14676
Wadeville 1422, South Africa
Phone +27 (11) 902 6930
Fax +27 (11) 902 5749

KZN Office:
Teakwood Road, Jacobs, Durban
PO Box 13256
Jacobs 4026, South Africa
Phone +27 (31) 461 4383
Fax +27 (31) 461 2864

www.insimbi-alloys.co.za

ISB - Insimbi - Reviewed consolidated condensed financial results for the twelve months ended 28 February 2011

INSIMBI REFRACTORY AND ALLOY SUPPLIES LTD

(Incorporated in the Republic of South Africa)
(Registration No: 2002/029821/06)
Share code: ISB & ISIN code: ZAE000116828
("Insimbi" or "the company")

REVIEWED RESULTS FOR THE TWELVE MONTHS ENDED 28 FEBRUARY 2011

- Revenue of R 732 million
- Gross profit of R 90 million
- EPS up by 12.1%
- HEPS down by 5.6 %
- Metlite acquisition
- Cash generative with improved cash management

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 28 FEBRUARY 2011

	Reviewed 12 months to 28-Feb-11 R'000	**Audited 12 months to 28-Feb-10 R'000**
Revenue	732 453	611 631
Cost of sales	(642 665)	(534 854)
Gross profit	**89 788**	**76 777**
Operating profit	24 579	26 797
Finance Income	1 186	1 087
Finance costs	(8 771)	(10 142)
Profit before taxation	16 994	17 742
Taxation	(5 001)	(7 100)
Profit for the year	11 993	10 642
Other comprehensive income:		
Currency translation differences	20	56
Total comprehensive income for the year	**12 013**	**10 698**
Attributable to equity holders	**12 013**	**10 698**
Basic and fully diluted **Earnings Per Share (cents)**	**4.63**	**4.12**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 28 FEBRUARY 2011

	Reviewed as at 28-Feb-11 R'000	Audited as at 28-Feb-10 R'000
Assets		
Non-Current Assets		
Property, plant and equipment	33 700	23 277
Intangible assets	38 438	39 938
Deferred tax	3 827	4 180
	75 965	**67 395**
Current Assets		
Inventories	62 982	54 883
Trade and other receivables	113 379	102 306
Cash and cash equivalents	37 763	27 177
	214 124	184 366
Total assets	**290 089**	**251 761**
Equity		
Capital and Reserves	79 749	72 936
Liabilities		
Total Liabilities	210 340	178 825
Total Equity and Liabilities	**290 089**	**251 761**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 28 FEBRUARY 2011

	Reviewed as at 28-Feb-11 R'000	Audited as at 28-Feb-10 R'000
Share capital*	-	-
Share premium - Issue of shares	**44 442**	**44 442**
Treasury shares		
Purchase of shares by subsidiary	**(238)**	**(238)**
Foreign Currency Translation Reserve	**154**	**134**
Retained earnings at beginning of year	28 598	36 156
Net profit for the year	11 993	10 642
Dividends paid	(5 200)	(18 200)
Retained earnings at end of year	**35 391**	**28 598**
Total Equity	**79 749**	**72 936**

*Share capital equals 260 000 000 shares at 0.000025 cents each = R65

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 28 FEBRUARY 2011	Reviewed 12 months to 28-Feb-11 R'000	Audited 12 months to 28-Feb-10 R'000
Cash flows from operating activities		
Cash generated from operations	26 295	24 907
Finance income	1 186	1 087
Finance costs	(8 771)	(10 142)
Taxation paid	(11 488)	(12 898)
Net cash generated from operating activities	**7 222**	**2 954**
Cash flow from investing activities		
Net cash utilised for property, plant and equipment	(4 037)	(7 820)
Purchase of business	(9 775)	–
Purchase of treasury shares	–	(230)
Net cash utilized in investing activities	**(13 812)**	**(8 050)**
Cash flows from financing activities		
Net increase in borrowings	19 742	10 733
Dividends paid	(5 200)	(18 200)
Net cash generated from/(utilized in) financing activities	**14 542**	**(7 467)**
Net increase/(decrease) in cash in cash and cash equivalents	7 952	(12 563)
Cash and cash equivalents at the beginning of the year	21 285	33 848
Total cash at the end of the year	**29 237**	**21 285**

CONDENSED SEGMENTAL REPORT FOR THE YEAR ENDED 28 FEBRUARY 2011	Reviewed 12 months to 28-Feb-11 R'000	Audited 12 months to 28-Feb-10 R'000
Revenue by segment		
Foundry	411 703	291 292
Steel	219 027	204 444
Refractory	101 723	115 895
	732 453	**611 631**
Gross profit by segment		
Foundry	56 914	40 510
Steel	14 269	19 281
Refractory	18 605	16 986
	89 788	**76 777**

The group's reportable segments have changed as a result of changes in reporting structures and accordingly the segment reporting now reflects these changes.

OTHER GROUP SALIENT FEATURES

Headline earnings for the group have been computed as follows:	Reviewed 12 months to 28-Feb-11 R'000	Audited 12 months to 28-Feb-10 R'000
Profit attributable to ordinary shareholders	12 013	10 698
Adjusted for (profit)/loss on sale of property, plant and equipment	(91)	22
Adjusted for negative goodwill (Gain from bargain purchase)	(5 791)	-
Adjusted for impairment of goodwill	4 000	-
Headline earnings for the group	**10 131**	**10 720**
Basic attributable earnings per share are calculated by dividing the net profit attributable to shareholders by the number of shares in issue during the year		
Number of weighted shares in issue at the end of the year	260 000	260 000
Less: treasury shares held in a subsidiary at the end of the year	(342)	(342)
	259 658	**259 658**
Basic and fully diluted headline earnings per share (cents)	3,90	4,13
Dividends per share	2,00	7,00
Net asset value per share (cents)	30,71	28,09
Tangible net asset value per share (cents)	15,91	12,71
Depreciation	5 203	3 907
Impairment of goodwill	4 000	-
Capital expenditure	4 524	8 060
Commitments		
Capital – Authorised and contracted	10 800	1 000
Operating Leases	5 091	5 609

Overview

The year ended February 2011 proved to be a very volatile and sometimes challenging period for the Insimbi group. This was especially true for the second half of the financial year from 1st September 2010 to 28 February 2011, where we experienced one of our worst November to January periods that current management can recall. Much of the optimism that was experienced in the first half of the year to 31 August 2010 was replaced with more conservative and realistic expectations as a result of conditions prevailing during this period. These included a strong currency, increased competition from relatively cheaper imports and general uncertainty within much of our economy. Despite this challenging environment, Insimbi remained profitable and cash-flow positive throughout the year under review and while the full year's results were disappointing based on what we experienced in the first six months, we are satisfied that we have yet again proven the resilience of our unique and diverse business in difficult circumstances.

Financial Performance

Group revenue for the period was R732.4 million compared to R611.6 million for the corresponding period last year, a 19.8% increase in revenues. This improved performance was achieved on the back of recovering markets and commodity prices although the increasingly prevalent imported products from the East, have certainly impacted on our margins. The group's focus remains on providing a superior service offering to our diverse client base as well as increasing our product range in all of our target markets i.e. steel, foundry and refractory based industries.

Demand for our products has generally increased although the Refractory segment is still lagging in recovery. The Foundry segment was faced with widespread closures of individual foundries during the period under review and this was mainly as a result of the strong rand and the impact of cheap imports of Asian origin. The Steel segment fared much better than in the previous year but it was still a very volatile sector subject to month to month unpredictability. A consolidated gross margin of R89.8 million for the period was achieved compared to R76.8 million during the same period last year. This is a 16.9% increase in gross margin and despite the impact of the strong rand, margins have remained resilient at 12.3% when compared to 12.6 % for the same period last year. This is very pleasing when one considers the comparative strength of the rand during the period under review when compared to the same period last year and can be attributed to increased focus on margins and the inclusion of some higher margin products into our product "basket".

Most cost increases have been acceptable, around CPIX. Legal fees increased as a result of a reckless trading action that we have instituted. This is against the directors of a company in liquidation which debt of R1.0 million, was written off in Insimbi's results in the year ending 2009. Over and above these, the large increase in expenditure when compared with the previous period can be attributed mainly to the overheads relating to the acquisition of Metlite Alloys (Pty) Ltd.

Group operating profit for the period was R24.6 million compared to R26.7 million for the corresponding period, a 8.2 % decrease.

Insimbi achieved earnings and headline earnings per share of 4.62 cents and 3.90 cents per share respectively compared to 4.12 cents and 4.13 cents per share in the previous comparative period. This is a 12.1% increase in earnings per share on the previous year. Headline earnings per share dropped by 5.6%.

Working capital management and cash-flow has continued to be a key focus area for Insimbi and we have responded to changing market conditions effectively. This has ensured strong cash-flows throughout the period with R26.3 million cash generated from operations. An interim dividend of 2 cents per share was declared and paid in October 2010. Finance costs have reduced from R10.1 million in the prior year to R8.8 million this year.

Cash at 28 February 2011 was R29.2 million compared to R21.3 million as at 28 February 2010, an improvement in the cash position of R7.9 million. This is after funding the acquisition of Metlite Alloys and the payment of a R2.7 million deposit relating to the purchase of a warehouse in Durban.

Long term debt was reduced by R5.6 million to R36.6 million at 28 February 2011.

Operational Review

Insimbi has remained cash generative throughout the volatile period under review due to the Group's diverse product offering, continued profitability, prudent acquisition strategy and attention to working capital.

The steel segment has shown strong signs of recovery although there is still some uncertainty in these markets. However we remain confident that the recovery will be sustainable.

The refractory segment has experienced difficult trading conditions and although this was anticipated and budgeted, the severity of these conditions, was not anticipated, especially in the second half of the financial year. National infrastructure spend continues to disappoint but we remain optimistic that this will accelerate in the current financial year. Commodity prices have recovered since the lows of 2009 and many seem to have settled at sustainable and manageable levels. The strength of the Rand continues to be a concern and it has had a severe impact on our customer's base, most noticeably within the Foundry segment.

The Insimbi Group remains committed to BBEEE and have maintained its rating as a Level 7 contributor. We continue to strive for a higher rating but are largely dependent on our large suppliers themselves, being officially rated which will enable us to improve our rating, unfortunately many of these suppliers are not able to provide us with rating certificates and this negatively impacts on our procurement scorecard.

Business combinations

With effect from 13 July 2010, the group acquired 100% of the issued share capital of Metlite Alloys (Pty) Ltd and Metlite Alloys Properties (Pty) Ltd. The business was acquired for a total purchase consideration of R11.0m. The fair value of assets and liabilities acquired amounted to R16.8m and a gain of R5.8m recognized from the bargain purchase (negative goodwill).
The acquired businesses contributed revenues of R54.4 million and net profit before tax of R3.8 million to the group for the period from acquisition to 28 February 2011. It's assets and liabilities were R27.1m and R8.1m respectively as at 28 February 2011. If the acquisition had occurred on 01 March 2010, group revenue would have been R23.4 million more and profit before tax would have been R226.9k more.

Accounting policies

The condensed consolidated financial statements for the year ended 28 February 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS), the AC 500 series of accounting standards, JSE listing Requirements and the Companies Act of South Africa. The accounting policies are consistent with those applied in the annual financial statements for the previous year.

Contingencies

The company does not have any material contingencies.

Post balance sheet event

No material fact or circumstance existed post balance sheet date that affects the results being reported.

Reviewed results

PricewaterhouseCoopers Inc, the Group's independent auditors, have reviewed these condensed consolidated financial statements for the year ended 28 February 2011 that comprise the condensed consolidated statement of financial position as at 28 February 2011 and the condensed consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended and have expressed an unqualified opinion on these reviewed condensed consolidated financial statements. The review report is available at the Company's registered office.

Prospects

Market conditions remain volatile and difficult to predict. The strong Rand is hampering our ability to achieve organic growth and any weakening of the currency against the USD and Euro, has a positive impact on our revenues and margins. The impact of the tragic tsunami in Japan in March 2011 has resulted in a shortage of certain components to the South African Original Equipment Manufacturers (OEM) industry and this has had a knock on effect on the demand for certain of our alloys, especially aluminum. We expect this to reverse within this year as Japan rehabilitates itself and we are well positioned with our aluminium plants in Cape Town and Johannesburg, to capitalize on this when it happens.

We are seeing evidence of growth in most of our target industries and even growth in our export opportunities, notwithstanding the challenge of the currency strength. We are a still a little "reserved" in our expectations after the humbling experiences of the previous two or three years. We are optimistic that the year ending February 2012 will be a better one for the local and regional economies and therefore, a better year for us as well.

As a group, we will continue to evaluate strategic acquisitions, such as Metlite, in various industries which will bring synergies and added value to the group.
However, our focus remains on:

- our core business segments and the addition of new products to compliment our existing product lines
- cost cutting and control
- working capital discipline and
- the motivation and upliftment of our employees

Company Secretary

R de Villiers resigned on 22 April 2010.
K Holtzhausen was appointed in this position effective 07 June 2010.

Changes to the Board

F Abdul Gany resigned on 24 December 2010, effective 01 January 2011.
J Vieira-Pereira was appointed as Financial Director on 03 May 2011.

DJ O Connor was appointed to the Audit Committee on 17 May 2011.

Dividends

The board does not recommend paying a final dividend to shareholders as it feels it is prudent to preserve available cash in light of the market volatility and opportunities that may be presented.

Appreciation

We would like to take this opportunity to thank all our employees for all their efforts during the past financial year.

DJ O Connor
Chairman

P Schutte
Chief Executive Officer

30 May 2011

Registered office: Stand 359 Crocker Road, Wadeville, Germiston, 1422

Company Secretary: Kristell Holtzhausen

Directors:
CF Botha, F Botha, EP Liechti, GS Mahlati*, LY Mashologu*, DJ O Connor*, PJ Schutte, LG Tessendorf, J Vieira-Pereira. (* indicates non executive)

Designated Advisor: PricewaterhouseCoopers Corporate Finance (Proprietary) Limited

Transfer Secretaries: Computershare Investor Services (Proprietary) Limited