INSIMBI REFRACTORY AND ALLOY SUPPLIES LIMITED
(Incorporated in the Republic of South Africa)
(Registration No: 2002/029821/06)
(Income tax reference no: 9078/488/15/3)
Share code: ISB ISIN code: ZAE000116828
("Insimbi" or "the group" or "the company")

ABRIDGED AUDITED RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2012, NOTICE OF ANNUAL GENERAL MEETING AND NOTICE OF FINAL DIVIDEND DECLARATION

FINANCIAL HIGHLIGHTS

	2012	2011	% change
Revenue (Rm)	845	732	15
Operating profit (Rm)	29	25	19
Profit before tax (Rm)	22	17	32
Attributable earnings (Rm)	16	12	30
Headline earnings (Rm)	15	10	52
Earnings per share (cents)	6,07	4,63	31
Headline earnings per share (cents)	6,00	3,90	54
Cash flow from operations (Rm)	41	26	58

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited 12 months to 29 February 2012 R'000	Audited 12 months to 28 February 2011 R'000
Revenue	844 717	732 158
Cost of sales	(751 256)	(642 665)
Gross profit	93 461	89 493
Other income	305	6 219
Operating expenses	(37 533)	(38 946)
Administration expenses	(27 033)	(32 185)
Operating profit	29 200	24 581
Investment revenue	575	1 185
Finance costs	(7 314)	(8 771)
Profit before taxation	22 461	16 995
Taxation	(6 827)	(5 000)
Profit for the year	15 634	11 995
Other comprehensive income:		
Exchange differences on translating foreign operations	5	20
Total comprehensive income	15 639	12 015
Total comprehensive income attributable to:		
Owners of the parent	15 639	12 015

EARNINGS AND HEADLINE EARNINGS PER SHARE

	Audited 12 months to 29 February 2012 R'000	Audited 12 months to 28 February 2011 R'000

Basic attributable earnings per share are calculated by dividing the net profit attributable to the shareholders by the number of shares in issue during the year.		
Number of shares in issue at the end of the year	260 000	260 000
Less: Weighted average number of treasury shares held in a subsidiary at the end of the year	(2 484)	(342)
	257 516	259 658
Headline earnings for the group have been computed as follows:		
Profit attributable to ordinary shareholders	15 634	12 013
– Profit/(loss) on sale of property, plant and equipment	(199)	(91)
– Impairment for goodwill	-	4 000
– Negative goodwill (gain from bargain purchase)	-	(5 791)
Headline earnings for the group	15 435	10 131
Basic and fully diluted:		
Earnings per share (cents)	6,07	4,63
Headline earnings per share (cents)	6,00	3,90

No diluted earnings per share is reflected as there is no dilutive impact on the number of shares in issue.

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited As at 29 February 2012 R’000	Audited As at 28 February 2011 R’000
Assets		
Non-current assets		
Property, plant and equipment	34 672	33 699
Intangible assets	39 606	38 438
Deferred tax	3 914	3 828
	78 192	75 965
Current assets		
Inventories	72 753	62 982
Other financial assets		495
Current tax receivable	2 291	389
Trade and other receivables	120 864	112 497
Cash and cash equivalents	36 506	37 760
	232 414	214 123
Total assets	310 606	290 088
Equity and Liabilities		
Equity		
Share capital	44 442	44 442
Reserves	159	154
Retained income	45 826	35 392
Treasury shares	(2 564)	(239)
	87 863	79 749
Liabilities		
Non-current liabilities		

Other financial liabilities	35 608	35 172
	35 608	35 172
Current Liabilities		
Other financial liabilities	46 204	58 965
Derivative financial instrument	1 551	-
Current tax payable	2 635	1 850
Trade and other payables	136 745	114 352
	187 135	175 167
Total liabilities	222 743	210 339
Total equity and liabilities	310 606	290 088

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited 12 months to 29 February 2012 R’000	Audited 12 months to 28 February 2011 R’000
Cash flows from operating activities		
Cash generated from (used in) operations	41 217	26 122
Interest income	575	1 185
Finance costs	(7 314)	(8 771)
Tax paid	(8 030)	(11 488)
Net cash generated from operating activities	26 448	7 048
Cash flows from investing activities		
Purchase of property, plant and equipment	(5 828)	(4 352)
Sale of property, plant and equipment	383	486
Intangible assets under development	(1 168)	
Acquisition of business		(9 775)
Settlement of financial assets	495	
Net cash from (utilised) from investing activities	(6 118)	(13 641)
Cash flows from financing activities		
Repayment of other financial liabilities	(5 556)	19 742
Repurchase of treasury shares	(2 325)	
Dividends paid	(5 200)	(5 200)
Net cash from financing activities	(13 081)	14 542
Total cash movement for the year	7 249	7 949
Cash at the beginning of the year	29 234	21 285
Total cash at end of the year	36 483	29 234

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share* capital R’000	Share premium R’000	Treasury shares R’000
Balance at 1 March 2010	–	44 442	(239)
Changes in equity			
Total comprehensive income for the year	–	–	-
Dividends	–	–	-
Total changes	–	–	–
Balance at 1 March 2011	–	44 442	(239)
Changes in equity			
Total comprehensive income for the year	–	–	-

Purchase of own/treasury shares			(2 325)
Dividends	–	–	-
Total changes	–	–	(2 325)
Balance at 29 February 2012	–	44 442	(2 564)

	Foreign currency translation reserves R’000	Retained income R’000	Total equity R’000
Balance at 1 March 2010	134	28 597	72 934
Changes in equity			–
Total comprehensive income for the year	20	11 995	12 015
Dividends	–	(5 200)	(5 200)
Total changes	20	6 795	6 815
Balance at 1 March 2011	154	35 392	79 749
Changes in equity			
Total comprehensive income for the year	5	15 634	15 639
Purchase of own/treasury shares			(2 325)
Dividends	–	(5 200)	(5 200)
Total changes	5	10 434	8 114
Balance at 29 February 2012	159	45 826	87 863

SEGMENT REPORT

2012	Foundry R’000	Steel R’000	Refractory R’000	Total R’000
Revenue				
Sale of goods	540 872	215 738	85 094	841 704
Commission	293	–	2 720	3 013
	541 165	215 738	87 814	844 717
Cost of sales	(481 692)	(193 302)	(76 262)	(751 256)
Gross profit	59 473	22 436	11 552	93 461
Other income	305	–	–	305
Profit before operating and administration expenses	59 778	22 436	11 552	93 766
Opererating and administration expenses				
Communication	(1 124)	(75)	(100)	(1 299)
Consulting and professional fees	(2 063)	(8)	(59)	(2 130)
Depreciation and amortisation	(4 077)	–	(126)	(4 203)
Employment costs	(27 789)	(2 032)	(4 478)	(34 299)
Motor vehicle expenses	(1 122)	(254)	(251)	(1 627)
Other expenses	(16 379)	(263)	(389)	(17 031)
Occupancy	(3 718)	–	(259)	(3 977)
	(56 272)	(2 632)	(5 662)	(64 566)
Operating profit before finance income	3 506	19 804	5 890	29 200
2011				
Revenue				
Sales	411 430	219 012	98 112	728 554

Commission	273	15	3 316	3 604
	411 703	219 027	101 428	732 158
Cost of sales	(354 789)	(204 758)	(83 118)	(642 665)
Gross profit	56 914	14 269	18 310	89 493
Other income	-	–	302	302
Gain on bargain purchase	5 791			5 791
Profit on disposal of assets	126			126
Profit before operating and administration expenses	62 831	14 269	18 612	95 712
Operating and administration expenses				
Communication	(824)	(150)	(263)	(1 237)
Consulting and professional fees	(1 937)	(422)	(714)	(3 073)
Impairment	(4 000)			(4 000)
Depreciation and amortisation	(4 043)	(457)	(702)	(5 202)
Employment costs	(24 047)	(4 166)	(9 487)	(37 700)
Motor vehicle expenses	(1 004)	(172)	(486)	(1 662)
Other expenses	(10 697)	(780)	(1 684)	(13 161)
Occupancy	(4 062)	(450)	(584)	(5 096)
	(50 614)	(6 597)	(13 920)	(71 131)
Operating profit before finance income	12 217	7 672	4 692	24 581

There is no disclosure of segment assets and liabilities as it is not possible to specifically allocate tangible assets and liabilities to specific segments.

Management has determined the operating segments based on the reports reviewed and this is supported by management reporting disciplines, which include monthly variance reporting. Insimbi’s performance is monitored continuously and issues arising are addressed at monthly management meetings that have board representation present.

Management considers the business from both a geographical and product management perspective. Management assesses the performance of the operating segments based on measures such as gross and operating profit.

COMMENTARY

The directors of Insimbi are pleased to announce the audited results for the year ended 29 February 2012.

1. Basis of Preparation and Accounting Policies

The results for the year ended 29 February 2012 have been prepared in accordance with International Financial Reporting Standards (“IFRS”), specifically IAS 34 Interim Financial Reporting and AC 500 Statements, and comply with the requirements of the Companies Act 71 of 2008 and the Listings Requirements of the JSE Limited. The principle accounting policies applied by the group in the abridged consolidated financial results for the year ended 29 February 2012 are consistent with those applied in the consolidated financial statements for the year ended 28 February 2011. These financial statements do not include all the information for full annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended 29 February 2012.The results have been audited by PricewaterhouseCoopers Inc. Their unqualified audit report and the audited financial statements are available for inspection at the company's registered office. These abridged financial statements have been prepared under the supervision of Fred Botha(CA)SA (Financial Director).

2. Review of activities
Insimbi continues to operate out of our offices in Johannesburg, Durban, Atlantis and Kitwe and we are actively represented in the Democratic Republic of the Congo and Zimbabwe via our agents there. In addition, we continue to service most sub-Saharan and central African countries, as well as certain north, west and east African countries. We are also active in South America, Eastern Europe, certain Middle East countries and the UAE, Japan and Korea as well as India.

3. Financial Review
The Group achieved improved results for the financial year ending 29th February 2012 and there were definite signs of an improvement in our specific target markets with revenues almost back to 2008 levels. The slightly weaker rand definitely had a positive impact on our client base and we saw increases in the production at many of our foundry segment customers in particular. Alloy and resource prices were relatively stable throughout the period under review and this enabled us to manage our business more efficiently. This also had a positive impact on the month to month consistency of our group's performance compared to the volatility of the prior years.

Group revenue grew 15% to R845 million and earnings and headline earnings increased by 30% to reach R15,6 million and 52% respectively.

The group produced a gross profit of R93,5 million compared to R89.5 million in the previous year, an increase of 4,4%. Gross margins were slightly down at 11,1% compared to 12,2% in the previous year but this was mainly due to the increase in sales of lower margin products which boosted our revenues. We did, however, experience improved margins in the second half of the year as a result of the rand which started to weaken and an increased focus on this area. Gross margins were 10,6% at 31 August 2011 compared to the full year gross margin of 11,1%.

Group consolidated operating expenses were well controlled throughout the period under review and were R64,6 million compared to R71,1 million in the previous year and reduction in overall operating costs of 9,2%.

Group Operating profit for the period was R29,2 million compared to R24,6 million in the previous financial year, an increase of 18,8% and Insimbi achieved earnings and headline earnings per share of 6,07 cents per share and 6,00 cents per share compared to 4,63 and 3,9 cents per share for the previous financial year, increases of 31% and 54% respectively.

Working capital and cash-flow management remained a key focus area for the group's management and R40,2 million was generated from operations compared to R26,1 million in the previous year, an increase of R14,1 million of 58%. Lower borrowings were reflected in decreased finance costs of R7,3 million compared to R8,8 million in the prior period, a reduction of R1,5 million in interest (17%).

4. Market and Prospects
The group generated strong cash-flow throughout the period under review mainly due to tight working capital management, improved revenues and profitability.

The Foundry Segment has experienced improved trading conditions mainly, partly due to the stimulus to local manufacturing as a result of the weaker rand which enabled local product to compete with imported finished product, mainly from China.

The Steel Segment did initially show signs of improvement in the first quarter but the NUMSA strike and production challenges at some steel plants had a negative impact on this segment.

The Refractory Segment continues to experience challenging trading conditions but in our experience, this segment’s trading cycle tends to lag behind the other 2 segments by about 6 to 9 months and so we are confident that there will be improvement in this segment in the current financial year. Unfortunately the planned infrastructure spend did not materialise in the year under review and this effected the construction industry tremendously and had a negative impact on cement demand that in turn limited cement kiln repairs.

Generally this inability of government to effectively spend budgets allocated to infrastructure projects on said projects, impacted negatively on certain product ranges and off-take volumes but we are optimistic that systems have been put in place by the relevant authorities in the current financial year to ensure that the R845 billion budgeted for infrastructure uplift over the next 3 years, is in fact spent on the planned projects.

Economic conditions in South Africa have improved and although the GDP growth rate is lower than expected, we remain optimistic on the recent momentum of business. This despite the ongoing unfolding events in Europe which do not appear to have had a significant impact on us to date.

Insimbi has been targeting markets that are considered to be emerging and the Group will still focus on these markets. We have a diverse range of products on offering and with the re-opening of the secondary aluminium smelter in Johannesburg (which was mothballed in 2010); the establishment of a subsidiary company, Insimbi Nano Milling, which will be focusing on the micronisation of a completely new range of products for new target markets; and the addition of certain products to our basket, we are confident that the group will continue to achieve satisfactory organic growth in years to come.

As for acquisitive growth opportunities, we continue to look for and carefully evaluate strategic targets and while we have not achieved the number of acquisitions we had hoped for, post listing, the few that we have achieved, have added value to the group’s results and we remain committed to this acquisition strategy.

5. Special resolutions
At the Annual General Meeting held on 26 August 2011, it was resolved that the directors be authorised to re-purchase up to 10% of the company shares subject to certain conditions.

6. Post balance sheet events
It is worth mentioning the following:
a) that the secondary aluminum smelter in Johannesburg which was mothballed in 2010, is in the process of being recommissioned and is expected to be in production imminently. The business has been restructured to emulate our Metlite operations in Cape Town and whose business model has proven to be very successful.
b) Insimbi board has approved the excerising of it’s option to purchase the Teakwood property which it currently rents for R155k per month in Jacobs, Mobeni, KZN, for an amount of R13,5 million. This property was secured in 2010 via the lease and option to purchase agreements and a deposit of R2,7 million was paid into the lessor/sellers attorney escrow account. Application for a mortage bond of R13,5 million to Nedbank was made and approval has been granted. The effective date of the acquisition will be 1 August 2012.

7. Directors
The directors of the company, all of whom are South African citizens, during the year and as at the date of this report are as follows:

J Viera-Perreira (resigned 29 February 2012)
CF Botha
F Botha
EP Liechti
GS Mahlati
LY Masholoqu
DJ O’Connor
PJ Schutte
LG Tessendorf (alternate to CF Botha)

8. Authorised and issued share capital
The authorised share capital is 12 billion shares. Currently there are 260 million shares in issue. Shares repurchased by a subsidiary and held in treasury amounted to 4 855 724 shares at year end, which is disclosed as a reduction of equity in the statement of changes in equity.

9. Dividends
Interim dividend Number 5 of 2 cents per share was declared on 4 October 2011, payable to shareholders registered on 31 October 2011. The total payout was R5 200 000,00 (2011: R5 200 000,00).

A final gross dividend of 1 cent per share has been declared on 31 May 2012. There are 254 811 266 ordinary shares in issue net of treasury shares at announcement date; the total dividend amount payable is R2 548 112.66 (2011: Rnil).

This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves. The South African dividend tax (DT) rate is 15% and no credits in terms of secondary tax on companies have been utilised. The net amount payable to shareholders who are not exempt from DT is 0,85 cents per share, while it is 1,0 cents per share to those shareholders who are exempt from DT.
The salient dates are as follows:

Declaration date	Thursday, 31 May 2012
Last date to trade to participate	Friday, 22 June 2012
Trading commences ex div	Monday, 25 June 2012

Record date	Friday, 29 June 2012
Payment date	Monday, 2 July 2012

Share certificates may not be dematerialised or rematerialised between Monday, 25 June 2012 and Friday, 29 June 2012, both days inclusive.

10. Litigation
There are no legal or arbitration proceedings, including any proceedings that are pending or threatened, or which Insimbi or any of its subsidiaries is aware and that may have or have had, in the 12-month period preceding the date of issue of this annual report, a material effect on the financial position of Insimbi or any of its subsidiaries.

11. Notice of Annual General Meeting
Notice is hereby given that the annual general meeting of Insimbi Refractory and Alloy Supplies Limited will be held at 359 Crocker Road, Wadeville Ext 4, Germiston on Friday 24 August 2012 at 10:00, to transact the business as stated in the notice of annual general meeting included in the Annual Report which has been posted to shareholders today.

By order of the Board

Pieter Jacobus Schutte
Chief Executive Officer

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

Company Secretary:
K Holtshauzen

Directors:
F Botha (Financial Director)
CF Botha
EP Liechti
PJ Schutte (Chief Executive Officer)
LG Tessendorf
DJ O Connor* (Chairman)
GS Mahlati*
L Mashologu*
(* non-executive)

Sponsor:
Bridge Capital Advisors (Proprietary) Limited

Transfer Secretaries:
Computershare Investor Services (Proprietary) Limited

31 May 2012