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 28 FEBRUARY 2015, NOTICE OF ANNUAL GENERAL MEETING AND FINAL DIVIDEND DECLARATION.

FINANCIAL INDICATORS

	2015	2014	% change
Revenue (Rm)	958	939	2
Gross Profit (Rm)	112	101	11
Operating profit (Rm)	40	35	14
Profit before tax (Rm)	33	29	14
Attributable earnings (Rm)	26	20	30
Headline earnings (Rm)	27	21	29
Earnings before interest, tax, depreciation and amortization (Rm)	47	42	11
Earnings per share (cents)	10,88	8,37	30
Headline earnings per share (cents)	11,27	8,55	32
Dividends per share (cents)	4	3.5	14
NAV per share (cents)	57	50	14

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited 12 months to 28 February 2015 R’000	Restated audited 12 months to 28 February 2014 R’000
Revenue	958 016	938 980
Cost of sales	(846 114)	(837 891)
Gross profit	111 902	101 089
Other income	1 246	2 758
Operating expenses	(72 926)	(68 503)
Operating profit	40 222	35 344
Investment revenue	251	314
Finance costs	(7 026)	(6 684)
Profit before taxation	33 447	28 974
Taxation	(7 666)	(8 680)
Profit for the year	25 781	20 294
Profit attributable to:		
The owners of the parent	26 094	20 274
Non-controlling interest	(313)	20
Other comprehensive income:	-	
Items that will be reclassified to profit and loss:		
Exchange differences on translating foreign operations	(154)	(5)
Items that will not be reclassified to profit		

and loss:		
Gain on property revaluation	-	-
Taxation related to components of other comprehensive income	-	1 073
Total other comprehensive income	(154)	1 068
Total comprehensive income	25 627	21 378
Total comprehensive income attributable to:		
Owners of the parent	25 940	21 358
Non-controlling interest	(313)	20

EARNINGS AND HEADLINE EARNINGS PER SHARE

	Audited 12 months to 28 February 2015 R’000	Restated audited 12 months to 28 February 2014 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	(22 982)	(17 800)
	237 018	242 200
Headline earnings for the group have been computed as follows:		
Profit attributable to ordinary shareholders – continuing operations	25 781	20 294
Profit attributable to ordinary shareholders – discontinued operations		-
Profit attributable to ordinary shareholders	25 781	20 310
– Profit/(loss) on sale of property, plant and equipment	941	407
Headline earnings for the group	26 722	20 717
Basic and fully diluted:		
Earnings per share from continuing operations	10,88	8,37
Earnings per share from discontinued operations	-	-
Earnings per share (cents)	10,88	8,37
Headline earnings per share (cents)	11,27	8,55

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 28 February 2015 R'000	Restated audited As at 28 February 2014 R'000	Restated audited As at 28 February 2013 R'000
Assets			
Non-current assets			
Property, plant and equipment	78 146	78 008	79 003
Goodwill	35 638	35 638	35 638
Intangible assets	8 414	6 516	5 103
Deferred taxation	12 228	12 047	6 460
	134 426	132 209	126 604
Current assets			
Inventories	86 454	82 713	66 423
Trade and other receivables	132 356	118 982	93 156
Derivative financial assets	1 137	556	-
Current taxation receivable	303	2 059	2 145
Cash and cash equivalents	27 899	49 090	33 580
	248 149	253 400	195 304
Total assets	382 575	385 609	321 508
Equity and Liabilities			
Equity			
Share capital	44 442	44 442	44 442
Treasury shares	(14 766)	(13 439)	(8 951)
Reserves	21 503	21 657	20 589
Retained income	81 492	65 061	47 169
Non controlling interest	(1 508)	(1 195)	(899)
	131 163	116 526	102 350
Liabilities			
Non-current liabilities			
Other financial liabilities	14 022	15 621	20 283
Deferred taxation	13 592	15 792	10 896
	27 614	35 413	31 179
Current Liabilities			
Preference shares	-	3 999	3 768
Other financial liabilities	58 095	57 239	64 839
Current tax payable	4 677	767	255
Trade and other payables	160 873	173 236	119 094
Bank overdraft	153	2 429	23
	223 798	233 670	187 979
Total liabilities	251 412	269 083	219 158
Total equity and liabilities	382 575	385 609	321 508

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited 12 months to 28 February 2015 R'000	Restated audited 12 months to 28 February 2014 R'000
Cash flows from operating activities		
Cash generated from operations	17 288	52 567
Interest income	251	311
Finance costs	(7 167)	(6 684)
Tax paid	(4 381)	(8 424)
Net cash generated from operating activities	5 991	37 770
Cash flows from investing activities		
Purchase of property, plant and equipment	(4 682)	(8 199)
Sale of property, plant and equipment	217	2 755
Intangible assets under development	(1 757)	(1 413)
Net cash from/(utilised in) investing activities	(6 222)	(6 857)
Cash flows from financing activities		
Repayment of other financial liabilities	(4 042)	(12 262)
Repurchase of treasury shares	(1 327)	(4 488)
Dividends paid	(9 663)	(2 448)
Settlement of preference share liability	(3 999)	-
Net cash from financing activities	(19 031)	(19 198)
Total cash movement for the year	(19 262)	11 715
Exchange gains / (losses) on cash	346	1 395
Cash at the beginning of the year	46 662	33 552
Total cash at end of the year	27 746	46 662

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Treasury shares R'000
Balance at 1 March 2013 as previously reported	-	44 442	(4 951)
Effect of restatement	-	-	(4 000)
Restated balance at 1 March 2013	–	44 442	(8 951)
Changes in equity			
Profit for the year	-	-	-
Total comprehensive income for the year	–	–	-
Purchase of own/treasury shares	–	–	(4 488)
Dividends	–	–	-
Total changes	–	–	(4 488)
Balance at 1 March 2014	–	44 442	(13 439)
Changes in equity	-	-	-
Profit for the year			
Total comprehensive income for the year	-	-	-
Purchase of own/treasury shares	-	-	(1 327)
Dividends	-	-	-
Total changes	-	-	(1 327)
Balance at 28 February 2015	-	44 442	(14 766)

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont)

	Foreign currency translation reserves R'000	Revaluation reserve R'000	Retained income R'000
Balance at 1 March 2013 as previously reported			
Effect of restatement			
Restated balance at 1 March 2013	159	20 430	46 169
Changes in equity			
Profit for the year	-	-	20 290
Total comprehensive income for the year	(5)	1 073	-
Purchase of own/treasury shares	-	-	-
Dividends	–	-	(2 448)
Total changes	(5)	1 073	17 842
Balance at 1 March 2014	154	21 503	64 011
Changes in equity			
Profit for the year	-	-	26 094
Total comprehensive income for the year	(154)	-	-
Purchase of own/treasury shares	-	-	-
Dividends	-	-	(9 663)
Total changes	(154)	-	16 431
Balance at 28 February 2015	-	21 503	81 492

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont)

	Non controlling Interest R'000	Total Equity R'000
Balance at 1 March 2013 as previously reported	(228)	106 021
Effect of restatement	(671)	(3 671)
Restated balance at 1 March 2013	(899)	102 350
Changes in equity		
Profit for the year	(296)	20 044
Total comprehensive income for the year	-	1 068
Purchase of own/treasury shares	-	(4 488)
Dividends	-	(2 448)
Total changes	(296)	14 176
Balance at 1 March 2014	(1 195)	116 526
Changes in equity		
Profit for the year	(313)	25 781
Total comprehensive income for the year	-	(154)
Purchase of own/treasury shares	-	(1 327)
Dividends	-	(9 663)
Total changes	(313)	14 637
Balance at 28 February 2015	(1 508)	131 163

SEGMENT REPORT

2015	Foundry R'000	Steel R'000	Refractory R'000	Total R'000
Revenue				
Sale of goods	729 128	134 952	90 204	954 284
Commission	77	-	3 655	3 731
	729 205	134 952	93 859	958 016
Cost of sales	(644 132)	(115 677)	(86 305)	(846 114)
Gross profit	85 072	19 275	7 554	111 902
Other income	1 246	-	-	1 246
Profit before operating and administration expenses	86 318	19 275	7 554	113 148
Operating and administration expenses				
Communication	(1 085)	(56)	(65)	(1 207)
Employment costs	(40 244)	(2 166)	(3 497)	(45 908)
Motor vehicle expenses	(1 117)	(251)	(238)	(1 607)
Other expenses	(11 492)	(6 132)	(259)	(17 883)
Occupancy	(6 321)	-	-	(6 321)
Operating profit before finance income	26 059	10 670	3 495	40 222
2014				
Revenue				
Sale of goods	583 289	257 765	94 129	935 123
Commission	69	-	3 788	3 857
	583 298	257 765	97 917	938 980
Cost of sales	(511 473)	(237 671)	(88 747)	(837 891)
Gross profit	71 825	20 094	9 170	101 089
Other income	2 758	-	-	2 758
Profit before operating and administration expenses	74 593	20 084	9 170	103 847
Operating and administration expenses				
Communication	(1 096)	(65)	(31)	(1 192)
Employment costs	(36 694)	(2 250)	(3 974)	(42 918)
Motor vehicle expenses	(1 290)	(294)	(216)	(1 800)
Other expenses	(15 373)	(2 493)	(209)	(18 075)
Occupancy	(4 496)	(3)	-	(4 499)
Operating profit before finance income	15 634	14 989	4 740	35 363

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 28 February 2015.

1. Basis of Preparation and Accounting Policies
   The results for the year ended 28 February 2015 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 28 February 2015 are consistent with those applied in the consolidated financial statements for the year ended 28 February 2014. 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 28 February 2015. 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 (Commercial and 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

Insimbi is reporting a solid performance for the year under review and again the year can be divided into two halves with the first half having to deal with the NUMSA strike and the second half exposed to much better trading conditions, I am very pleased to announce a much improved set of results compared to the previous financial year.

Group revenue increased by a small margin of 2% – or from R939 million to R958 million. The small increase in sales value can be attributed to the negative impact of the NUMSA strike. But a surprisingly good performance during the short month of December had a positive impact on overall performance.

The group produced a gross profit of R112 million compared to the R101,1 million in the previous financial year – an increase of 10,7%. Gross margins were slightly better at 11,7%, compared to the 10,8% of the previous year. As stated before, a weaker Rand assisted the company to improve margins and profits slightly, but there was also an increase in business in certain segments, together with an expansion in the total basket of products. A continued focus on margins was also a big driver towards better performance.

Group consolidated net operating expenses increased by 6,5% but are still very well controlled throughout the financial year, and totaled R72,9 million, compared to R68,5 million in the previous year and I am very pleased given the increases experienced in fuel and electricity costs during the year. Staffing costs were well controlled and increased costs were in line with CPIX.

As always, our ability to manage our working capital and cash flow remained a key focus point for the group, and proved to be invaluable in trading, particularly with the devaluation of the Rand in relation to product imports. Cash and cash resources decreased by R18,9 million mainly due to the timing of the financial year end which fell on a Saturday and which resulted in some debtors taking advantage of this and paying their accounts only on the Monday 2 March, which resulted in an increase in debtors of R13,4 million. Stock also increased by R3,7 million and creditors decreased by R12,5 million compared to an increase of R54 million in the previous financial year.

4. Market and Prospects

The continued low infrastructure spend, together with the inability by ESKOM to stabilise the electricity supply, will have a negative impact not only on international investment but also on local production facilities. Already we are seeing production plants being closed and relying on imports. The economic conditions in South Africa will remain under pressure as long as there is reluctance from the public and private sectors to work together for a better South Africa if Government can’t supply the essentials to operate production facilities.

The current business environment will remain challenging and I believe that the 2015/2016 financial year will continue to have its challenges but also opportunities and Insimbi is prepared and equipped to embrace these in order to have another prosperous financial year. We will continue to service the South African market to the best of our ability, but at the same time focus on emerging markets. The global economy in a number of countries around the world is undermined by a high level of unpredictability. Chinese economy growth for 2015 is expected to slow down and together with the financial problems in the Eurozone may have a negative impact on commodity demand and pricing.

The recent announcement by DTI that they will be placing tariffs on imported cement is very good news for the Cement industry and hopefully this will boost local production, we can only hope that similar initiatives are made to combat cheap steel imports which are adversely effecting our local steel producers.

Cash flow and working capital will be under pressure due to higher imports but I believe that our management skills in controlling all of these will assist us in stocking the correct quality and quantity of products but at the same time continuously look for alternative or additional products that strategically expand our product range As for acquisitive growth opportunities, we continue to look for and carefully evaluate strategic targets that will benefit the group.

5. Special resolutions

The following special resolutions were passed during the year under review:

- At the annual general meeting held on 22 August 2014, it was resolved that the directors be authorised to re-purchase up to 10% of the company shares subject to certain conditions.
- At the general meeting held on 13 March 2015, it was resolved that the company be authorised as a specific approval, to repurchase 5,000,000 Insimbi shares which formed part of the TP Hentiq acquisition.

6. Post balance sheet events

In negotiations before year-end an offer to purchase Portion 1 of Erf 360, Wadeville in extent 2800m2 (two thousand eight hundred square meters) and remaining extent of Erf 360, Wadeville in extent 2800m2 (two thousand eight hundred square meters) for a consideration of R14 million excluding VAT was submitted and accepted. The transfer is expected to be completed within the first three months of the new financial year.

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:

CF Botha
F Botha
EP Liechti
GS Mahlati
LY Mashologu
DJ O’Connor
PJ Schutte

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 18 589 748 shares at year end, which is disclosed as a reduction of equity in the statement of changes in equity.

9. Dividends

Interim dividend number 10 of 1.5 cents per share was declared on 13 November 2014, payable on 15 December 2014 to shareholders registered on 12 December 2014. The total payout was R3 622 482 (2014: R2 447 746).

A Final gross dividend of 2.5 cents per share has been declared on 27 May 2015. There are 260 000 000 ordinary shares in issue at announcement date, of which 23 724 748 are held in treasury and the total dividend amount payable is R5 906 881 (2014 Final Dividend: R6 052 752).

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%. The net amount payable to shareholders who are not exempt from DT is 2.125 cents per share, while it is 2.5 cents per share to those shareholders who are exempt from DT. The income tax reference number of the company is 9078488153.

The salient dates applicable to the interim dividend are as follows:

Last day to trade cum dividend	Thursday, 11 June 2015
First day to trade ex dividend	Friday, 12 June 2015
Record date	Friday, 19 June 2015
Payment date	Monday, 22 June 2015

No share certificates will be dematerialised or rematerialised between Friday, 12 June 2015 and Friday, 19 June 2015, 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 Thursday 25 June 2015 at 12:00, 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 Holtzhausen

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

Sponsor:
Bridge Capital Advisors (Proprietary) Limited
Transfer Secretaries:
Computershare Investor Services (Proprietary) Limited

27 May 2015