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 2017 AND NOTICE OF ANNUAL GENERAL MEETING.

FINANCIAL INDICATORS

	2017	2016	% change
Revenue (Rm)	**1 343**	955	41
Gross Profit (Rm)	**186**	125	49
Operating profit (Rm)	**54**	44	23
Profit before tax (Rm)	**39**	36	8
Attributable earnings (Rm)	**29**	29	0
Headline earnings (Rm)	**30**	29	3
Earnings before interest, tax, depreciation and amortisation (Rm)	**66**	53	24
Earnings per share (cents)	**11,01**	12,43	(11)
Headline earnings per share (cents)	**10,87**	12,42	(12)
Dividends per share (cents)	**1,5**	4,5	(67)
NAV per share (cents)	**76**	63	21

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited 12 months to 28 February 2017 R'000	Audited 12 months to 29 February 2016 R'000
Revenue	**1 342 526**	955 106
Cost of sales	**(1 156 693)**	(830 137)
Gross profit	**185 833**	124 969
Other income	**1 349**	2 638
Operating expenses	**(132 749)**	(83 219)
Operating profit	**54 433**	44 388
Investment revenue	**266**	78
Income from equity accounted investments	**543**	–
Finance costs	**(16 355)**	(8 372)
Profit before taxation	**38 887**	36 094
Taxation	**(9 440)**	(7 264)
Profit for the year	**29 447**	28 830
Profit attributable to:		
The owners of the parent	**29 571**	29 391
Non-controlling interest	**(124)**	(561)
Total comprehensive income	**29 447**	28 830
Total comprehensive income attributable to:		
Owners of the parent	**29 571**	29 391
Non-controlling interest	**(124)**	(561)

EARNINGS AND HEADLINE EARNINGS PER SHARE

	Audited 12 months to 28 February 2017 R'000	Audited 12 months to 29 February 2016 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	**291 644**	260 000
Less: Weighted average number of treasury shares held in a subsidiary at the end of the year	**(22 962)**	(23 611)
	268 682	236 389
Headline earnings for the group have been computed as follows:		
Profit attributable to equity holders	**29 571**	29 391
– Profit on sale of property, plant and equipment	**(366)**	(30)
Headline earnings for the group	**29 206**	29 361
Earnings per share (cents)	**11,01**	12,43
Headline earnings per share (cents)	**10,87**	12,42
Diluted earnings per share (cents)	**10,37**	–
Diluted headline earnings per (cents)	**10,24**	–

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited 12 months to 28 February 2017 R'000	Audited 12 months to 29 February 2016 R'000
Assets		
Non-current assets		
Property, plant and equipment	**239 095**	116 658
Goodwill	**101 591**	44 560
Intangible assets	**11 836**	10 613
Investments in joint ventures	**670**	–
Deferred taxation	**7 609**	8 749
	360 801	180 580
Current assets		
Inventories	**152 546**	87 927
Trade and other receivables	**275 792**	148 071
Derivative financial assets	**–**	484
Current taxation receivable	**3 166**	–
Cash and cash equivalents	**29 848**	10 270
	461 352	246 752
Total assets	**822 153**	427 332
Equity and Liabilities		
Equity		
Share capital	**190 704**	44 442
Treasury shares	**(18 215)**	(14 159)
Reserves	**22 483**	21 503
Retained income	**116 579**	100 251
Non-controlling interest	**(258)**	(2 248)
	311 293	149 789
Liabilities		
Non-current liabilities		
Loans from shareholders	**2 491**	3 364
Other financial liabilities – at amortised cost	**210 811**	47 887
Deferred taxation	**26 083**	13 607
	239 385	64 858
Current Liabilities		
Other financial liabilities – at fair value through profit and loss	**2 823**	–
Other financial liabilities – at amortised cost	**74 214**	59 822
Current tax payable	**–**	83
Trade and other payables	**162 111**	152 730
Bank overdraft	**32 327**	50
	271 475	212 685
Total liabilities	**510 860**	277 543
Total equity and liabilities	**822 153**	427 332

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited 12 months to 28 February 2017 R'000	Audited 12 months to 29 February 2016 R'000
Cash flows from operating activities		
Cash generated from operations	**88 928**	25 545
Interest income	**266**	78
Finance costs	**(16 355)**	(8 863)
Tax paid	**(11 244)**	(11 027)
Net cash generated from operating activities	**61 595**	5 733
Cash flows from investing activities		
Purchase of property, plant and equipment	**(10 373)**	(31 443)
Sale of property, plant and equipment	**1 430**	214
Intangible assets under development	**(922)**	(1 708)
Business combination	**(230 546)**	(8 289)
Net cash from/(utilised in) investing activities	**(240 411)**	(41 226)
Cash flows from financing activities		
Sale / (repurchase) of treasury shares	**(4 056)**	607
Proceeds from share issue	**96 262**	–
Proceeds from other financial liabilities	**95 613**	108 436
Repayment of other financial liabilities	**(6 672)**	(85 337)
Repayment of shareholders loans	**(1 169)**	3 364
Proceeds from shareholders loans	**296**	–
Dividends paid	**(10 149)**	(10 632)
Net cash from financing activities	**170 125**	16 438
Total cash movement for the year	**(8 691)**	(19 055)
Exchange gains / (losses) on cash	**(4 008)**	1 529
Cash at the beginning of the year	**10 220**	27 746
Total cash at end of the year	**(2 479)**	10 220

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Share premium R'000	Treasury shares R'000
Balance at 1 March 2015	–	44 442	(14 766)
Changes in equity	–	–	–
Profit for the year	–	–	–
Total comprehensive income for the year	–	–	–
Transactions with non-controlling interests	–	–	–
Purchase of own/treasury shares	–	–	607
Dividends	–	–	–
Total changes	–	–	607
Balance at 29 February 2016	–	44 442	(14 159)
Changes in equity	**–**	**–**	**–**
Profit for the year	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**–**
Transactions with non-controlling interests	**–**	**–**	**–**
Shares issued	**–**	**146 262**	**–**
Purchase of own/treasury shares	**–**	**–**	**(4 056)**
Dividends	**–**	**–**	**–**
Total changes	**–**	**146 262**	**(4 056)**
Balance at 28 February 2017	**–**	**190 704**	**(18 215)**

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont)

	Share based payment reserve R'000	Revaluation reserve R'000	Retained income R'000
Balance at 1 March 2015	–	21 503	81 492
Changes in equity	–	–	–
Profit for the year	–	–	–
Total other comprehensive income for the year	–	–	29 391
Transactions with non-controlling interests	–	–	–
Purchase of own/treasury shares	–	–	–
Dividends	–	–	(10 632)
Total changes	–	–	18 759
Balance at 29 February 2016	–	21 503	100 251
Changes in equity	**–**	**–**	**–**
Profit for the year	**980**	**–**	**28 591**
Total comprehensive income for the year	**–**	**–**	**–**
Transactions with non-controlling interests	**–**	**–**	**–**
Shares issued	**–**	**–**	**–**
Purchase of own/treasury shares	**–**	**–**	**(2 114)**
Dividends	**–**	**–**	**(10 149)**
Total changes	**980**	**–**	**16 328**
Balance at 28 February 2017	**980**	**21 503**	**116 579**

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont)

	Non-controlling Interest R'000	Total Equity R'000
Balance at 1 March 2015	(1 508)	131 163
Changes in equity	–	–
Profit for the year	–	–
Total other comprehensive income for the year	(561)	28 830
Transactions with non-controlling interests	(179)	(179)
Purchase of own/treasury shares	–	607
Dividends	–	(10 632)
Total changes	(740)	18 626
Balance at 29 February 2016	(2 248)	149 789
Changes in equity	**–**	**–**
Profit for the year	**(124)**	**29 447**
Total comprehensive income for the year	**–**	**–**
Transactions with non-controlling interests	**2 144**	**–**
Shares issued	**–**	**146 262**
Purchase of own/treasury shares	**–**	**(4 056)**
Dividends	**–**	**(10 149)**
Total changes	**1 990**	**161 504**
Balance at 28 February 2017	**(258)**	**311 293**

SEGMENT REPORT

2017	Non-ferrous (Previously "Foundry") R'000	Ferrous (Previously "Steel") R'000	Refractory R'000	Plastics R'000	Total R'000
Revenue					
Sale of goods	**1 002 402**	**174 818**	**109 694**	**50 808**	**1 337 722**
Commission	**36**	**–**	**4 768**	**–**	**4 804**
	1 002 438	**174 818**	**114 462**	**50 808**	**1 342 526**
Cost of sales	**867 900**	**153 903**	**100 454**	**34 436**	**1 156 693**
Gross profit	**134 852**	**20 915**	**14 008**	**16 372**	**185 833**
Other income	**3 055**	**–**	**–**	**–**	**3 055**
Profit before operating and administration expenses	**137 592**	**20 915**	**14 008**	**16 372**	**188 888**
Operating and administration expenses					
Communication	**1 244**	**94**	**50**	**147**	**1 534**
Employment costs	**49 925**	**3 623**	**2 744**	**8 144**	**64 437**
Motor vehicle expenses	**4 422**	**579**	**187**	**765**	**5 952**
Other expenses	**41 666**	**1 054**	**206**	**2 816**	**45 742**
Occupancy	**12 105**	**143**	**19**	**4 523**	**16 790**
	109 362	**5 493**	**3 206**	**16 395**	**134 455**
Operating profit before finance income	**28 231**	**15 422**	**10 802**	**(23)**	**54 433**

2016	Non-ferrous (Previously "Foundry") R'000	Ferrous (Previously "Steel") R'000	Refractory R'000	Plastics R'000	Total R'000
Revenue					
Sale of goods	692 358	127 167	111 899	19 570	950 993
Commission	36	–	4 076	–	4 112
	692 394	127 167	115 975	19 570	955 105
Cost of sales	600 017	114 250	103 343	12 527	830 136
Gross profit	92 377	12 917	12 632	7 043	124 969
Other income	2 638	–	–	–	2 638
Profit before operating and administration expenses	95 015	12 917	12 632	7 043	127 607
Operating and administration expenses					
Communication	1 191	71	84	112	1 458
Employment costs	40 414	2 637	3 765	3 496	50 312
Motor vehicle expenses	1 332	236	203	212	1 983
Other expenses	16 277	1 405	1 149	1 809	20 640
Occupancy	4 569	1 505	1 342	1 428	8 826
	63 783	5 854	6 525	7 057	83 219
Operating profit before finance income	31 232	7 063	6 107	(14)	44 388

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 2017.

1. Basis of Preparation and Accounting Policies

The results for the year ended 28 February 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), 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 2017 are consistent with those applied in the consolidated financial statements for the year ended 29 February 2016. 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 2017. 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 or on our website, www.insimbi-iras.co.za. These abridged financial statements have been prepared under the supervision of Fred Botha (CA) SA (Commercial and Financial Director).

2. Review of activities

Insimbi Refractory and Alloy Supplies Limited provides the steel, aluminium, cement and foundry industries with resource-based commodities such as ferrous and non-ferrous alloys, as well as refractory materials and has recently started manufacturing plastic containers.

Late last year we acquired the Amalgamated Metal Recycling Group (AMR), licensed scrap metal dealers providing a competitive service locally whilst also exporting a significant quantity of materials. It collects, sorts, processes and trades in all forms of ferrous metals (iron and steel) and non-ferrous metals (aluminum, copper, zinc, stainless steel, lead, nickel, brass, tin, bronze, etc). The AMR business model is such that it is able to provide its customers with highly competitive pricing while adhering to the myriad of legislative requirements applicable to second-hand goods, including inspections conducted by South African Police Services, City Power, Eskom, Health and Emergency Department services. In excess of 65% of revenue is generated by exports, and products are typically priced against LSE spot prices.

3. Financial Review

The year under review may prove to be a watershed year for the Insimbi group of companies. Changes in market capitalisation, size and complexity means that the group looks very different at the end of the reporting period when compared to the beginning of the period. Investment by our B-BBEE partner, New Seasons Investment Holdings Proprietary Limited, has been completed, two Employee Share Option Schemes (EmployeeCo and ManCo) have been established and implemented and the acquisition of the Amalgamated Metals Recycling group of companies (AMR) has been concluded. The improved results of the Insimbi group was not only the result of the AMR transaction, but also stemmed from growth in the relatively new plastics segment and some improvement in the aluminium business. This resulted in an overall increase of 41% in revenue to R1,3 billion (2016: R955 million), 49% in gross profit to R186 million (2016: R125 million) and 24% in EBITDA to R68 million (2016: R53 million). Net profit remained flat at R29 million (2016: R29 million) and operating profit up 23% to R54 million (2016: R44 million).

Overall, there has been a marginal decrease in profitability compared to the prior period as a result of extraordinary expenses associated with the AMR acquisition and foreign exchange volatility, and the write off of R10 million bad debt during the period. EPS was down 11% to 11,01 cents per share (2016: 12,43 cents) and HEPS was down 12% to 10,87 cents per share (2016: 12,42 cents).

The acquisition by Insimbi of AMR group for R284 million, of which R234 million was paid in cash and the balance by the issue of new shares subject to profit warranties and an NAV underpin, brings many benefits, including diversification of revenue and customers; maximisation of smelter capacity; a Rand hedge; and allows for succession planning. The acquisition is value accretive from a revenue, gross profit, EPS and HEPS perspective. It will also allow us to access markets that are parallel to its existing markets including the scrap metal recycling market. AMR's results have been consolidated into the Insimbi group results for the last two and half months of the financial year, but it is anticipated that the full impact of the transaction on the Insimbi group will only become evident in the current financial year ending 28 February 2018.

In the process of acquiring AMR, Insimbi embarked on its first capital raising exercise since listing in March 2008 and successfully raised R100 million from new and existing shareholders. The offer was not only fully subscribed but saw support from institutional investors. Insimbi's market capitalisation has more than doubled as a result of this acquisition.

Strong operating cash flow, which was up to R89 million (2016: 26 million), was pleasing and evidence of our ongoing ability to adapt and survive, notwithstanding difficult economic and market conditions. During the year, a major customer was liquidated and we have provided in full for the R10 million owing.

4. Market and Prospects

Instability in South African politics, as well as volatile international markets are likely to result in a challenging environment in the future. The anticipated downgrade of South Africa's sovereign debt has been realized, with further downgrades anticipated. This has had a serious knock-on effect with the inevitable downgrade of all banks and state owned entities.

2017 is likely to continue to be a challenging year on all fronts, with little evidence of a pick-up in the construction or steel markets, although there seems to be some positive sentiment in the cement industry. Although the effect of a restructuring of the cement industry, which is anticipated over the next few months, on our business is not clear, the business is prepared and well diversified to manage the impact.

5. Special resolutions

The company passed a number of special resolutions during the year under review. This included resolutions authorising specific repurchases of shares to enable the establishment of the EmployeeCo and ManCo share ownership arrangements, the repurchase of shares and issue of an additional 150 000 000 shares to enable the AMR transaction. Standard resolutions authorising the fees to be paid to non-executive directors and authorising the board to provide financial assistance to directors and related and inter-related companies were also passed

6. Post balance sheet events

Subsequent to the year end, the announcement of my retirement on 30 November 2017 and the appointment of Fred Botha (currently Group Financial and Commercial Director) as CEO with effect from 1 June 2017 was announced. Fred and I have worked together for many years, particularly since the 2008 IPO, and the transition is expected to be seamless. Fred's appointment will enable me to focus on ensuring that there are suitable, skilled and technical staff to continue building on existing customer relationships. I have offered my services in a consulting capacity even after my retirement, and do not expect to be severing all ties with the group.

A review of the board of directors, which changed substantially during the year following the New Seasons investment and AMR transaction, led to my colleagues (Eddie Liechti and Colin Botha) and I stepping down as executive directors from the holding company board to allow for a better balance between executive and non-executive directors at that level. This change will have no impact on our executive roles or directorships of subsidiary companies within the group (other than my retirement in November). Fred Botha will continue to oversee the financial function until a more long term decision is made regarding the role of financial director.

7. Directors

There have been a number of changes to the board of directors during the year under review:

- CF Botha (will resign on 31 May 2017)
- F Botha (will assume the role of CEO on 1 June 2017)
- B Craig (appointed independent non-executive director on 1 August 2016 and chairperson on 16 January 2017)
- C Coombs (appointed executive director on 16 January 2017)
- RI Dickerson (appointed non-executive director on 16 January 2017)
- EP Liechti (will resign on 31 May 2017)
- GS Mahlati (resigned 31 March 2016)
- N Mwale (appointed non-executive director on 9 June 2016)
- IP Mogotlane (appointed non-executive director on 9 June 2016)
- LY Okeyo (resigned as chairperson on 8 December 2016 and as a director on 31 January 2017)
- PJ Schutte (will resign as CEO and director on 31 May 2017 and retire on 30 November 2017)
- CS Ntshingila (previously CS Shiceka)

8. Authorised and issued share capital

The number of shares in issue increased during the year under review with the issue of an additional 150 000 000 ordinary shares as part of the funding of the AMR transaction.

Number of shares authorised at 28 February 2017	12 000 000 000
Number of shares in issue at 29 February 2016	260 000 000
Number of shares in issue at 28 February 2017	410 000 000

The issued share capital includes 23 105 735 treasury shares at year end,
which is disclosed as a reduction of equity in the statement of changes in equity.

9. Dividends
An interim dividend number 14 of 1,5 cents per share was declared on 10 November 2016 in respect of the period ending 31 August 2016. The total amount paid was R 3 898 612 (2016: R4 725 814).

The board has elected to adopt a conservative approach at year-end and, in light of the significant debt incurred to conclude the AMR transaction has not declared a dividend for the full year, but decided to conserve cash and focus on reducing gearing in the business to a more appropriate level.

The total dividend payable in the year under review was therefore 1,5 cents per share or R3 898 216 (2016: 4,5 cents per share or R10 655 104).

10. Litigation
Insimbi has provided in full for a potential R10 million loss following the liquidation of one of our customers. Fortunately, we have a diverse range of customers and the impact of this loss will be minimal. We will, in any event, consider what steps may be taken to recover a portion of the amount due.

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 Monday 26 June 2017 at 10:00, to transact the business as stated in the notice of annual general meeting included in the Integrated Annual Report which has been posted to shareholders today.

In closing, I would like to thank my colleagues on the board, the members of my management team and all the employees of Insimbi, for entrusting me with this position of leadership over the past years. While Insimbi has been my family, my customers and suppliers have become my friends. I know that you will all afford Fred Botha the same support as you have given me. As I start on the next leg of my journey, I hope the legacy instilled prevails.

By order of the Board

Pieter Jacobus Schutte
Chief Executive Officer

Directors:	CF Botha F Botha (Financial Director) B Craig* (Chairperson) C Coombs RI Dickerson* EP Liechti IP Mogotlane* N Mwale* CS Ntshingila (previously Shiceka)* PJ Schutte (Chief Executive Officer) (*non-executive)
Company Secretary:	SK Saunders
Registered office:	Stand 359 Crocker Road, Wadeville, Germiston, 1422
Website:	www.insimbi-iras.co.za
Sponsor:	Bridge Capital Advisors Proprietary Limited
Transfer Secretaries:	Computershare Investor Services Proprietary Limited
Auditors:	PricewaterhouseCoopers Inc.

29 May 2017