

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 2018
AND NOTICE OF ANNUAL GENERAL MEETING**

FINANCIAL INDICATORS

	2018	2017	% change
Revenue (Rm)	3 491 803	1 342 526	160
Net Profit (Rm)	71 160	29 447	142
Cash generated from operations (Rm)	164 377	88 928	85
Operating profit (Rm)	127 831	54 433	135
Earnings per share (cents)	18,47	11,01	68
Headline earnings per share (cents)	18,45	10,87	70

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		(Restated)
	Audited	Audited
	12 months	12 months
	to	to
	28 February	28 February
	2018	2017
	R'000	R'000
Revenue	3 491 803	1 342 526
Cost of sales	(3 146 379)	(1 156 693)
Gross profit	345 424	185 833
Other operating income	1 195	841
Other operating gains/(losses)	(1 989)	508
Other operating expenses	(216 799)	(132 749)
Operating profit	127 831	54 433
Investment revenue	402	266
Income from equity accounted investments	2 532	543
Finance costs	(30 836)	(16 355)
Profit before taxation	99 929	38 887
Taxation	(28 769)	(9 440)
Profit for the year	71 160	29 447
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Gains on property revaluations (net of taxation)	23 316	-
Total comprehensive income for the year	94 476	29 447
Profit attributable to:		
The owners of the parent	71 467	29 571
Non-controlling interest	(307)	(124)
Total comprehensive income attributable to:		
Owners of the parent	94 783	29 571
Non-controlling interest	(307)	(124)

EARNINGS AND HEADLINE EARNINGS PER SHARE

	Audited 12 months to 28 February 2018 R'000	Audited 12 months to 28 February 2017 R'000
Basic attributable earnings per share is calculated by dividing the net profit attributable to the ordinary equity holders of the parent by the weighted number of ordinary shares outstanding during the year.		
Reconciliation of profit or loss for the year to basic earnings:		
Profit for the year	71 160	29 447
Loss for the year attributable to non-controlling interest	307	124
Profit for the year attributable to equity holders of the parent	71 467	29 571
Reconciliation of weighted average number of shares:		
Number of shares in issue at the end of the year	410 000	291 644
Less: Weighted number of treasury shares held in a subsidiary	(23 112)	(22 962)
	386 888	268 682
Headline earnings for the group have been computed as follows:		
Profit attributable to equity holders	71 467	29 571
– Profit on sale of property, plant and equipment	(99)	(365)
Headline earnings	71 368	29 206
Earnings per share (cents)	18,47	11,01
Headline earnings per share (cents)	18,45	10,87
Diluted earnings per share (cents)	17,73	10,37
Diluted headline earnings per share (cents)	17,71	10,24

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited 12 months to 28 February 2018 R'000	(Restated) Audited 12 months to 28 February 2017 R'000
Assets		
Non-current assets		
Property, plant and equipment	270 514	239 095
Goodwill	107 591	107 591
Intangible assets	11 525	11 836
Investments in joint ventures	577	670
Deferred taxation	3 388	7 609
	393 595	366 801
Current assets		
Inventories	147 944	152 546
Trade and other receivables	293 643	275 792
Current taxation receivable	5 312	3 166
Cash and cash resources	32 408	29 848
	479 307	461 352
Total assets	872 903	828 153
Equity and Liabilities		
<i>Equity</i>		
Share capital	196 704	196 704
Treasury shares	(19 399)	(18 215)
Reserves	47 108	22 483
Retained earnings	174 454	116 579
Non-controlling interest	(565)	(258)
	398 302	317 293
Liabilities		
Non-current liabilities		
Loans from shareholders	2 275	2 491
Other financial liabilities – at amortised cost	166 202	210 811
Deferred taxation	28 966	26 083
	197 443	239 385

Current Liabilities		
Other financial liabilities – at fair value through profit and loss	2 697	2 823
Other financial liabilities – at amortised cost	72 295	74 214
Trade and other payables	192 055	162 111
Bank overdraft	10 110	32 327
	277 157	271 475
Total liabilities	474 600	510 860
Total equity and liabilities	872 902	822 153

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited 12 months to 28 February 2018 R'000	Audited 12 months to 28 February 2017 R'000
Cash flows from operating activities		
Cash generated from operations	164 377	88 928
Interest income	402	266
Finance costs	(30 836)	(16 355)
Tax paid	(32 064)	(11 244)
Net cash from operating activities	101 879	61 595
Cash flows from investing activities		
Purchase of property, plant and equipment	(1 613)	(10 373)
Sale of property, plant and equipment	559	1 430
Purchase of intangible assets	–	(922)
Business combination	–	(230 546)
Dividends from investment in joint venture	2 636	–
Net cash from/(utilised in) investing activities	1 582	(240 411)
Cash flows from financing activities		
Repurchase of treasury shares	(1 184)	(4 056)
Proceeds from share issue	–	96 262
Proceeds from other financial liabilities	4 500	95 613
Repayment of other financial liabilities	(69 772)	(6 672)
Repayment of shareholders loans	(216)	(1 169)
Proceeds from shareholders loans	–	296
Dividends paid	(12 283)	(10 149)
Net cash from financing activities	(78 955)	170 125
Total cash movement for the year	24 506	(8 691)
Effect of exchange rate movement on cash balances	271	(4 008)
Cash at the beginning of the year	(2 479)	10 220
Total cash at end of the year	22 298	(2 479)

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		(Restated)	
	Share capital	Share premium	Treasury shares
	R'000	R'000	R'000
Balance at 1 March 2016	–	44 442	(14 159)
Changes in equity			
Profit for the year	–	–	–
Other comprehensive income for the year	–	–	–
Transactions with non-controlling interests	–	–	–
Shares issued	–	152 262	–
Purchase of own/treasury shares	–	–	(4 056)
Dividends	–	–	–
Total changes	–	152 262	(4 056)
Balance at 28 February 2017	–	196 704	(18 215)
Changes in equity			
Profit for the year	–	–	–
Total comprehensive income for the year	–	–	–
Purchase of own/treasury shares	–	–	(1 184)
Dividends	–	–	–
Total changes	–	–	(1 184)
Balance at 28 February 2018	–	196 704	(19 399)

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont)

	Revaluation reserve R'000	Share based payment reserve R'000	Retained Income R'000
Balance at 1 March 2016	21 503	–	100 251
Changes in equity			
Profit for the year	–	980	28 591
Total other comprehensive income for the year	–	–	–
Transactions with non-controlling interests	–	–	(2 114)
Purchase of own/treasury shares	–	–	–
Dividends	–	–	(10 149)
Total changes	–	980	16 328
Balance at 28 February 2017	21 503	980	116 579
Changes in equity			
Profit for the year	–	1 309	70 158
Total comprehensive income for the year	23 316	–	–
Purchase of own/treasury shares	–	–	–
Dividends	–	–	(12 283)
Total changes	23 316	1 309	57 875
Balance at 28 February 2018	44 819	2 289	174 454

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont)

	Non- controlling Interest R'000	Total Equity R'000
Balance at 1 March 2016	(2 284)	149 789
Changes in equity		
Profit for the year	(124)	29 447
Total other comprehensive income for the year	—	—
Transactions with non-controlling interests	2 144	—
Shares issued	—	152 262
Purchase of own/treasury shares	—	(4 056)
Dividends	—	(10 149)
Total changes	1 990	167 504
Balance at 28 February 2017	(258)	317 293
Changes in equity		
Profit for the year	(307)	71 160
Total comprehensive income for the year	—	23 316
Purchase of own/treasury shares	—	(1 184)
Dividends	—	(12 283)
Total changes	(307)	81 009
Balance at 28 February 2018	(565)	398 202

SEGMENT REPORT

	Non-ferrous	Ferrous	Refractory	Plastics	Total
	R'000	R'000	R'000	R'000	R'000
2018					
Revenue					
Sale of goods	2 878 575	431 902	104 600	72 533	3 487 610
Rendering of services	65	–	4 128	–	4 193
	2 878 640	431 902	108 728	72 533	3 491 803
Cost of sales	2 612 114	390 126	94 610	49 529	3 146 379
Gross profit	266 526	41 776	14 118	23 004	345 424
Other income	1 195	–	–	–	1 195
Profit before operating and administration expenses	267 721	41 776	14 118	23 004	346 619
<i>Operating and administration expenses</i>					
Communication	2 178	139	38	126	2 481
Employment costs	94 025	8 958	1 784	11 420	116 187
Motor vehicle expenses	16 848	4 415	147	965	22 375
Other expenses	45 963	1 834	474	5 217	53 488
Occupancy	15 870	2 464	–	5 923	24 527
	174 884	17 810	2 443	23 651	218 788
Operating profit before finance income	92 837	23 966	11 675	(647)	127 831
2017					
Revenue					
Sale of goods	1 002 402	174 818	109 694	50 808	1 337 722
Rendering of services	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	134 538	20 915	14 008	16 372	185 833
Other income	1 349	–	–	–	1 349
Profit before operating and administration expenses	135 887	20 915	14 008	16 372	187 182
<i>Operating and administration expenses</i>					
Communication	1 244	93	50	147	1 534
Employment costs	49 925	3 624	2 744	8 144	64 437
Motor vehicle expenses	4 422	578	187	765	5 952
Other expenses	39 960	1 054	206	2 816	44 036
Occupancy	12 105	143	19	4 523	16 790
	107 656	5 492	3 206	16 395	132 749
Operating profit before finance income	28 231	15 423	10 802	(23)	54 433

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 considered a combination of factors, including geographical, product types and managerial structure, to determine the operating and reporting 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. The management Executive Committee assesses the performance of the operating segments based on sales and gross profit margin.

The main industries serviced by the Insimbi group are the foundry, steel, plastics and refractory industries. The segments have been aggregated as such, as they operate in the same economic environment, the products are similar and are governed by the same principles in terms of pricing and management structures.

COMMENTARY

The directors have pleasure in presenting their report on the activities of the company and the group for the year ended 28 February 2018.

1. Basis of Preparation and Accounting Policies

The results for the year ended 28 February 2018 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 2018 are consistent with those applied in the consolidated financial statements for the year ended 28 February 2017. 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 2018. 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 on a going concern basis, under supervision of the Chief Executive Officer, Mr F Botha CA(SA) and the Chief Financial Officer, Mr AJ de Wet CA(SA).

2. Review of activities

Insimbi provides the steel, aluminium, cement, foundry, plastics, paper and pulp industries with resource-based commodities like ferrous and non-ferrous alloys, as well as refractory materials, by integrating the supply, logistics and technical support functions.

Insimbi continues to operate from premises in Johannesburg, Durban and Cape Town, including the Amalgamated Metals Recycling ("AMR") group active from sites in Devland, Booyens and Roodepoort on the West Rand. Insimbi has exported goods and materials across the world, including South America (Argentina and Brazil), Australia, Middle East (Bahrain, Israel and UAE), China and Asia (Hong Kong, India, Malaysia, Singapore and Taiwan), elsewhere in Africa (Angola, Botswana, DRC, Ghana, Kenya, Malawi, Mozambique, Namibia, Nigeria, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe), Europe (Germany, Spain, Sweden and Switzerland) and the USA.

3. Financial Review

Insimbi has had a respectable year, reaching revenue of R3,5 billion in the year under review with gross profit of R345 million, a margin of 9,9%. AMR delivered significantly more revenue than forecast, contributing 73% of the overall turnover of the group, 56% of the gross profit and 72% of the operating profit.

The "foundation" business of Insimbi, however, experienced a challenging year in the steel industry with local raw material supply having to be replaced by imports in a weak Rand/US Dollar exchange rate environment and requiring settlement in advance or on delivery. The local steel industry was also under pressure from cheaper import of finished product from the east and subdued spend on infrastructure and a sluggish economy.

The aluminium smelter business has seen a healthy 20,6% growth in turnover whilst the plastics turnover grew by 29,6%. The plastics business expanded into the Western Cape and KwaZulu-Natal; however, it incurred some once-off setup costs.

Revenue increased 160% from R1,3 billion to R3,5 billion. Despite lower margins from the recycling business gross profit increased from R185,8 million to R345,4 million. The margins were depressed in the fourth quarter by a sharp decrease in the prices of affected commodities combined with a sudden and dramatic strengthening of the ZAR against other major currencies and so despite a comparable trading period in the second half of the year, lower margins impacted on the second half of the year's profitability.

Operating profit rose 135% from R54,4 million to R127,8 million, which reflects the impact of lower margins in the metal recycling business relative to the revenue growth. Operating expenses grew by 63,5% from R132,7 million to R216,8 million as a result of the lower cost base of the recycling operation. Employee costs constitutes 51,2% (2017: 53,9%) of operating expenses and management is constantly reviewing this metric to ensure our ability to optimally deliver product to our clients.

Finance costs increased in line with expectations as a result of senior debt funding for the acquisition of AMR in 2016. The group optimises finance costs through an internal treasury function.

The land and buildings were revalued by an independent professional valuer at year-end, resulting in an upward adjustment of R31,7 million. Other fixed asset additions amounted to R20,4 million, which was mainly to the vehicle fleet.

4. Market and Prospects

Whilst we are looking forward to the positive impact on the local economy of the interventions by government in attracting foreign investment, we expect trading conditions to remain challenging in the coming year. We will continue to monitor operating expenses and ensure we are able to maximise efficiencies and scale where appropriate. The diversification which the group has implemented over recent years combined with hard work and cost optimisation should ensure another successful financial outcome for 2019.

5. Special resolutions

No special resolutions were passed in the year under review.

6. Post balance sheet events

There have been no material post balance sheet events.

7. Directors

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

- Mr PJ Schutte resigned on 31 May 2017 and Mr F Botha was appointed the Chief Executive Officer with effect from 1 June 2017;
- Mr CF Botha and EP Liechti resigned as directors on 31 May 2017;
- Mr B Craig resigned as chairperson on 8 December 2017 and as director on 15 December 2017;
- Mr RI Dickerson was appointed as chairperson on 8 December 2017; and
- Mr AJ de Wet was appointed on 16 October 2017.

8. Company secretary

Ms SK Saunders resigned with effect from 1 November 2017. Mr AJ de Wet performed the function as interim Company Secretary until Mr TN Kgari was subsequently appointed on 1 April 2018. The Company Secretary fulfils no executive management function and is not a director. Mr. Kgari holds a BA Law and LLB degree, and is an admitted attorney. He was previously employed in the role of company secretary by Land Bank, Industrial Development Corporation, Legal Aid South Africa and MTN and has more than 12 years' experience in that role.

9. Authorised and issued share capital

There were no ordinary shares issued in the period under review.

10. Dividends

An interim dividend number 15 of 3 cents per share (2017: 1,5 cents) or R12 283 079 (2017: R3 898 384) was declared on 21 September 2017 for the half year ended 31 August 2017. The board has elected to retain this conservative approach and has opted to declare a final dividend number 16 of 3 cents per share (2017: nil cents) or R12 265 896 (2017: R nil).

The board has confirmed by resolution that the solvency and liquidity test as contemplated by the Companies Act, No. 71 of 2008, as amended, has been duly considered, applied and satisfied. This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves. The South African dividend tax rate is 20,0%. The dividend payable to shareholders who are subject to dividend tax and shareholders who are exempt from dividend tax is 2,4 cents and 3,0 cents per share, respectively. The income tax number of the company is 9078488153.

The total dividend payable in the year under review was therefore 6 cents per share or R 24 548 975 (2017: 1,5 cents per share or R 3 898 384).

11. Dividend dates

Last day to trade <i>cum</i> dividend	Tuesday, 12 June 2018
Commence trading <i>ex</i> dividend	Wednesday, 13 June 2018
Record date	Friday, 15 June 2018
Payment date	Monday, 18 June 2018

Shares certificates may not be dematerialised or rematerialised between Wednesday, 13 June and Friday, 15 June 2018, both dates inclusive.

12. Notice of Annual General Meeting

Notice is hereby given that the eleventh annual general meeting of Insimbi will be held at Insimbi's offices at Stand 359 Crocker Road, Wadeville, Extension 4, Germiston on Tuesday, 3 July 2018 at 10:00, to transact the business as stated in the notice of annual general meeting included in the Integrated Annual Report which will be posted to shareholders and on the Company's website today.

Lastly I would like to extend my gratitude to all our stakeholders, including our shareholders, our customers, our suppliers and most importantly the Insimbi family without all of whom we would not have achieved everything that we needed to achieve. I would also like to thank my Exco and board members for their unwavering support since I have taken over as CEO and I hope we are able to build on our relationships going forward.

By order of the Board

Frederick Botha
Chief Executive Officer

Directors:

F Botha (Chief Executive Officer)
AJ de Wet (Chief Financial Officer)
C Coombs
RI Dickerson* (Chairperson)
IP Mogotlane*
N Mwale*
CS Ntshingila*
(*non-executive)

Company Secretary:

TN Kgari

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 2018