ISB – INSIMBI – Unaudited Results For The six months ended 31 August 2008 and dividend declaration

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")

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2008 AND DIVIDEND DECLARATION

Revenue increased by 16.64%
Gross Profit increased by 122.83%
Operating Profit increased by 177.01%
Profit before Taxation increased by 273.09%
EPS based on proforma 260 million shares increased by 904.00%
HEPS increased by 910.07%
Maiden Dividend of 4c per share

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 31 AUGUST 2008

	Unaudited 6 months to 31 August 2008 R'000	**Reviewed 6 months to 31 August 2007 R'000**	**Audited 12 months to 29 February 2008 R'000**
Revenue	584 110	500 792	897 428
Cost of sales	(498 964)	(462 581)	(813 996)
Gross profit	85 146	38 211	83 432
Other operating income	595	785	4 395
Administration expenses	(21 882)	(14 324)	(21 424)
Other operating expenses	(5 002)	(3 425)	(12 936)
Operating profit	58 857	21 247	53 467
Interest received	-	-	190
Finance costs	(3 962)	(7 002)	(15 670)
Profit before share of associated company's profit	54 895	14 245	37 987
Share of associated company's profit	(175)	638	1 449
Minority share of subsidiary	807		
Profit on disposal of associate company	-	-	5 469
Profit before taxation	55 527	14 883	44 905
Taxation	(16 379)	(10 972)	(18 346)
Profit for the year	39 148	3 911	26 559
Attributable to:			
Equity holders of the parent	39 148	3 911	26 559
Minority interest	-	-	-

Headline earnings for the group have been computed as follows:	**Unaudited 6 months to 31 August 2008 R'000**	**Reviewed 6 months to 31 August 2007 R'000**	**Audited 12 months to 29 February 2008 R'000**
Profit attributable to ordinary shareholders	39 148	3 911	26 559
Adjusted for profit on sale of property, plant and equipment	(21)	(47)	(142)
Profit on Disposal of Textile Division			
Profit on Disposal of Investment in AMETSA	(-)		(4 019)
Headline earnings	39 127	3 864	22 398
Number of shares on listing (000's)	260 000	5 364*	260 000
Pro forma basic and fully diluted:			
Earnings per share (cents)	15,06	72 912,00	10,22
Headline earnings per share (cents)	15,05	72 035.79	8,61

5 364 total ordinary shares of 1 cents each

CONSOLIDATED BALANCE SHEET

	Unaudited As at 31 August 2008 R'000	Reviewed As at 31 August 2007 R'000	Audited As at 29 February 2008 R'000
Assets			
Non-Current Assets			
Property, plant and equipment	18 862	10 445	10 897
		4 076	
Goodwill	41 438	29 938	29 938
Deferred tax	717	832	717
	61 017	**45 291**	**41 552**
Current Assets			
Inventories	95 026	71 985	74 613
Trade and other receivables	188 178	113 637	105 227
Cash and cash equivalents	26 767	32 935	7 469
Other financial assets	1 990	-	2 781
Amount owing by group company	13 970	31	138
	325 931	**218 588**	**190 228**
Total Assets	**386 948**	**263 879**	**231 780**
Equity and Liabilities			
Equity			
Issued capital	45 956	-	-
Retained income	43 214	(18 582)	4 066
	89 170	**(18 582)**	**4 066**
Non-Current Liabilities			
Long-term loans - others	56 036	98 257	69 310
Nedbank loan	18 000	18 000	15 200
	74 036	**116 257**	**84 510**
Current Liabilities			
Trade and other payables	202 465	144 380	105 795
Cash and Cash Equivalents	-	3 876	575
Provisions	-	2 541	-
Current portion of long - term loan	3 777	11 232	26 322
Taxation	17 500	4 175	10 512
	223 742	**166 204**	**143 204**
Total Equity and Liabilities	**386 948**	**263 879**	**231 780**

CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 6 months to 30 August 2008 R'000	Reviewed 6 months to 30 August 2007 R'000	Audited 12 months to 29 February 2008 R'000
Cash flow from operating activities			
Cash generated from operations	51 772	7 104	10 165
Net interest paid	(5 540)	(7 002)	(15 480)
Taxation paid	(9 391)	(10 781)	(11 703)
Dividends paid	(-)	(-)	(87 904)
Net cash from operating activities	**36 841**	**(10 679)**	**(104 922)**
Cash flow from investing activities			
Purchase of property, plant and equipment	(17 557)	(2 447)	(3 960)
Proceeds from disposal of property, plant and equipment	678	538	752
Dividends Paid	-	(87 904)	-
Proceeds from the disposal of the investment in associate	-	-	10 356
Movements in group company loans	(13 025)	-	(138)
Increase in Share Capital	45 956	-	-
Net cash from investing activities	**16 052**	**(89 813)**	**7 010**
Cash flows from financing activities			
Current portion of long term loan	(-)	(-)	7 002
Long-term loans – shareholders	(-)	(2 863)	(2 863)
Long-term loans – Nedbank and other	(33 020)	94 699	62 952
Net cash financing activities	**(33 020)**	**(91 836)**	**67 091**
Net increase/decrease) in cash and cash equivalents	19 873	(8 656)	(30 821)
Cash and cash equivalents at the beginning of the year	6 894	37 715	37 715
Total cash at the end of the year	**26 767**	**29 059**	**6 894**

STATEMENT OF CHANGES IN EQUITY

	Unaudited 6 months to 30 August 2008 R'000	Reviewed 6 months to 30 August 2007 R'000	Audited 12 months to 29 February 2008 R'000
Share capital (Ordinary)	**45 956**	**-**	**-**
Retained earnings			
At beginning of year	4 066	65 411	65 411
Net profit for the year	39 148	3 911	26 559
Dividends paid	(-)	(87 904)	(87 904)
At end of year	**43 214**	**(18 582)**	**4 066**

Condensed segmental report

Set out below is the revenue and gross margin by division.

	Unaudited 6 months to 31 August 2008 R'000	Reviewed 6 months to 31 August 2007 R'000	Audited 12 months to 29 February 2008 R'000
Revenue by division			
Foundry	146 712	118 023	226 586
Non Ferrous	84 163	112 198	167 122
Refractory	12 319	9 592	22 237
Speciality	36 434	145 772	171 146
Steel	201 433	58 318	198 452
Rotary Kiln	54 051	22 158	43 388
Textiles	3 644	2 871	6 238
KZN	31 574	31 860	62 259
Aluminium	13 780	-	-
	584 110	500 792	897 428
Gross margin by division			
Foundry	25 446	10 093	24 085
Non Ferrous	9 067	5 606	11 391
Refractory	1 285	1 215	2 697
Speciality	8 520	10 758	14 714
Steel	24 862	3 534	14 196
Rotary Kiln	7 692	3 000	5 999
Textiles	(55)	506	2 040
KZN	7 333	3 499	8 310
Aluminium	996	-	-
	85 146	38 211	83 432

Income tax charge

Interim period income tax charge is accrued based on the estimated average annual effective income tax rate of 28 per cent (6 months ended 31 August 2007: 29 per cent)

Earnings and Headline Earnings Per Share

If Insimbi had been listed during the prior periods above, the , the earnings and headline earnings would be calculated as follows:

Number of shares on listing (000's)	260 000	260 000	260 000
Pro forma basic and fully diluted: Earnings per share (cents)	15,06	1,50	10,22
Headline earnings per share (cents)	15,05	1,49	8,61

Commentary

Overview
During the 6 months since listing to 31 August 2008, Insimbi has shown solid performance in all areas of the business. Growth was achieved despite difficult economic conditions locally and globally and has been mainly attributed to:

- continued focus and growth of the infrastructure sector
- focus on increasing the company's margins across the board
- a currency which continues to trade above the R7.00 : US$1.00 mark
- continued efforts to introduce new and innovative product lines
- sustainably higher prices for ferrous and non ferrous alloys globally due to higher demand mainly in India and China

Financial Performance
Revenue increased on the comparative interim period by 16.64% to R584.1 million. This exceptional performance was achieved despite the unfortunate production problems experienced by two of our major suppliers of pig iron and Ferro Manganese due to explosions at their production facilities earlier this year. These plants are expected to come back on line by the end of the calendar year.

Gross margins have almost doubled when compared to the comparative 2007 interim period. A consolidated margin of 14.58% was achieved vs 7.63% for the same period last year. This is an increase in gross profit of R46.9 million (122.8%) to R85.1 million for the first half of the financial year. The increase in gross margins occurred predominantly in the steel and foundry divisions. The steel division reported a gross margin of 12.34% compared to 6.06% in the prior year. This was as a result of very good margins achieved on some strategic stocks which were purchased prior to major price hikes in 2008 and the introduction of new higher margin product lines. The foundry division reported an increase in gross margin of R 15.4m, an increase of 152% over that of the prior year and was the largest contributor to the group gross margin during the period. This was also as a result of higher margins on stocks across the board achieved due to sales of these stocks at higher margins. The Refractory division was the only division that showed a marginal decline in the gross margin compared to that of the prior year. This was due to weaker Rand against the Euro and increased competition from local producers

The Steel and Speciality division were split into 2 separate divisions in June 2007 and so the comparatives do not accurately reflect the respective changes in these divisions. The combined results show an increase in gross profit of R19.1 million with the combined margin increasing from 7.01% in 2007 to 14.03 % in 2008.

Consolidated operating and administration costs have shown a large increase of R9.1 million compared to the corresponding 2007 interim period. A large portion of this increase is attributable to the costs associated with the newly acquired aluminum plant. Occupancy, depreciation and staff costs attributable to this plant accounted for approximately R3.5 million of the increase. Other notable amounts include a conservative increase in the provision for doubtful debts of R1.3 million and R 1.2m relating to professional fees incurred as a result of the listing.

Operating profit increased by 177.01% over the 2007 interim period to R58.9 million and profit after tax increased by 901.0% to R39.1 million, an increase of R35.2 million on the same period last year. It is worth noting that this is an increase of R12.9 million over that achieved in the full financial year ended 29 February 2008.

Insimbi has achieved earnings and headline earnings per share of 15.06 cents and 15.05 cents per share respectively. This is an increase of 904% and 910.1% respectively on the 2007 interim earnings. As stated in our trading update on 16 July 2008, our interim earnings are 3.6% higher than our forecast of 14.54 cents per share as presented in our prelisting statement prior to our March IPO. We emphasise that the trading update was based on the pro forma's and not the actuals that are reflected in this report.

A re-stated forecast for the year ended 28 February 2009, will be published today.

Our working capital cycle has averaged a net 22 days during the 6 months to 31 August 2008 and is slightly higher than the targeted 20 days due to increased stocks and debtors. These have increased primarily due to the increased revenues experienced and the increased prices of our basic products. Cashflow remains strong, however, and Insimbi generated cash from operating activities of R36.8 million compared to a net outflow at 31 August 2007 of R10.7 million ie an improvement as a result of effective working capital management and profitability on interim period last year of R47.5 million.

Insimbi has repaid a total of R49.7 million of interest bearing debt since 31 August 2007 of which R29.5 million was paid out of listing proceeds and R20.2 million has been repaid out of operating cashflows.

AltX Listing and Capital Expenditure

Insimbi listed on the Alternatvie Exchange on 14 March 2008. R46.5 million was raised during a private placement. Of this, R 17.0 million was spent on acquiring a new aluminum plant and the balance went to company settle debts.

Board of directors

Mr Roy Makkink has resigned as director and company secretary of Insimbi Refractory and Alloy Supplies Ltd and will be taking up another post within the group effective 10 September 2008. On this date the company appointed Rene de Villiers as its company secretary.

Operational Review

As mentioned above, the business has prospered in a difficult market and global economy despite some setbacks experienced by 2 of our suppliers. The aluminium plant(Insimbi Aluminium Alloys (Pty) Ltd) has experienced some teething problems but we are confident that these have now been effectively addressed and we look forward to increased production during the second half of the financial year. The new industrial heat resistant textile company (Insimbi Thermal Insulation (Pty) Ltd), has performed better than expectations and we look forward to exciting growth in the second half of the financial year. This growth will primarily be driven from new contracts with new and existing customers and the focus by Eskom on upgrading it's facilities country-wide.

Insimbi Thermal Insulation is currently a level 4 contributor in terms of the revised BBEEE codes and this places the company in a favourable position to secure supply contracts into various upgrades currently being undertaken at Eskom.

The operational divisions with the exception of the Refractory division have all outperformed their gross profit from the same period last year. The refractory division continues to face challenges as a result of its main customers being located in Zimbabwe. Recent developments in the country are encouraging and Insimbi remains hopeful that Zimbabwe will return to prosperity in the short to medium term.

Post balance sheet event

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

Prospects

Prospects for Insimbi remain excellent and recently economists have predicted that the infrastructure "boom" will continue for at least 25 years with others predicting that the infrastructure sector will actually accelerate. Despite some softening of commodity prices generally, the prices of many ferrous and non ferrous alloys are still trading near their highs of earlier this year and the opinion of many of the large resource producers is that these prices are sustainable for the foreseeable future particularly with the growth in many of the emerging market countries eg China and India.

The aluminum plant is looking very positive despite some unexpected delays in the commissioning thereof. With its capacity increased to 1,300 tons of output per month, we are confident that this plant will perform beyond our initial expectations and forecasts.

Insimbi continues to evaluate strategic acquisitions in various associated industries which will bring synergies and added value to the group and we are confident that suitable target(s) will be identified in due course.

Basis of preparation of the unaudited results

The interim consolidated financial results consist of an income statement, balance sheet, statement of changes in equity, condensed cash flow and condensed segment report for the period ended 31 August 2008. The interim financial statements have been prepared in accordance with the Group's accounting policies what are consistent with the previous period. These comply with accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting***.**

Dividends

Notice is hereby given that Insimbi has declared an maiden interim dividend (dividend declaration 1) for the six months ended 31 August 2008 of 4 cents per share.

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

Last day to trade "CUM" dividend	17 October 2008
First day to trade "EX" dividend	20 October 2008
Record date	24 October 2008
Payment date	27 October 2008

No share certificates will be dematerialised or rematerialised between Monday, 20 October 2008 and Friday, 24 October 2008, both days inclusive.

DJ O Connor	P Schutte
Chairman	Chief Executive Officer

29 September 2008

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

Company Secretary: Rene de Villiers

Directors: F Botha, CF Botha, EP Liechti, PJ Schutte, LG Tessendorf, DJ O Connor*, L Mashologu*
(* non executive)

Designated Advisor: PricewaterhouseCoopers Corporate Finance (Proprietary) Limited

Transfer Secretaries: Computershare Investor Services (Proprietary) Limited