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" or “the group”)

UNAUDITED CONSOLIDATED CONDENSED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2011

Key Financial Indicators

- Revenue increased by 10% to R 454 million compared to the previous period.
- Operating costs are down by 13 %.
- Profit before taxation is 34% higher when compared to the results for the same reporting period in the previous year, after adjusting for non recurring items.
- Gross profit decreased by 6% to R 48 million.
- EPS down by 9.3% when compared to the adjusted results for the same reporting period in the previous year.
- HEPS up by 20,2%.
- Operations generated R30 million cash in the 6 months to 31 August 2011 compared to R24 million in the previous comparative period, reflecting continued prudent cash management.
- Tangible NAV up by 10% on comparative period and 24% on February 2011.
- Dividend declaration number five of 2c per share.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months to 31 August 2011 R'000	Unaudited Restated 6 months to 31 August 2010 R'000	Audited Year ended 28 February 2011 R'000
Revenue	453 592	412 043	732 453
Cost of sales	(405 610)	(360 954)	(642 665)
Gross profit	47 982	51 089	89 788
Negative goodwill	-	5 791	5 791
Operating costs	(30 492)	(35 094)	(71 000)
Operating profit	17 490	21 786	24 579
Finance income	257	479	1 186
Finance costs	(3 467)	(5 818)	(8 771)
Profit before taxation	14 280	16 447	16 994
Taxation	(3 554)	(4 539)	(5 001)
Profit for the period/year	10 726	11 908	11 993
Currency translation differences	9	72	20
Total comprehensive income	10 735	11 980	12 013
Attributable to equity holders	10 735	11 980	12 013
Basic and fully diluted Earnings Per Share (cents)	4.18	4.61	4.63

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As at 31 August 2011 R'000	Unaudited Restated As at 31 August 2010 R'000	Audited As at 28 February 2011 R'000
Assets			
Non-Current Assets			
Property, plant and equipment	34 713	38 604	33 700
Intangible assets	38 438	38 438	38 438
Deferred tax	3 997	3 195	3 827
	77 148	80 237	75 965
Current Assets			
Inventories	77 349	67 598	62 982
Trade and other receivables	106 792	109 580	113 379
Cash and cash equivalents	21 112	36 540	37 763
	205 253	213 718	214 124
Total assets	282 401	293 955	290 089
Equity			
Capital and Reserves	88 990	84 844	79 749
Liabilities			
Current and Non-current	193 411	209 111	210 340
Total Equity and Liabilities	282 401	293 955	290 089

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited As at 31 August 2011 R'000	Unaudited Restated As at 31 August 2010 R'000	Audited As at 28 February 2011 R'000
Share capital*	-	-	-
Share premium - Issue of shares	44 442	44 442	44 442
Treasury shares			
Purchase of shares by subsidiary	(1 732)	(238)	(238)
Foreign Currency Translation Reserve	163	62	154
Retained earnings at beginning of year	35 391	28 598	28 598
Net profit for the period/year	10 726	11 980	11 993
Dividends paid	-	-	(5 200)
Retained earnings at end of period/year	46 117	40 578	35 391
Total Equity	88 990	84 844	79 749

*Share capital equals 260 000 000 shares at 0.000025 cents each = R65

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months to 31 August 2011 R'000	Unaudited Restated 6 months to 31 August 2010 R'000	Audited Year ended 28 February 2011 R'000
Cash flows from operating activities			
Cash generated from operations	36 096	33 166	26 122
Finance income	257	478	1 186
Finance costs	(3 467)	(4 482)	(8 771)
Taxation paid	(2 885)	(5 125)	(11 488)
Net cash generated from operating activities	30 001	24 037	7 049
Cash flows from investing activities			
Property, plant and equipment	(973)	(5 000)	(3 864)
Acquisition of businesses	-	(9 775)	(9 775)
Purchase of treasury shares	(1 504)	-	
Net cash utilised in investing activities	(2 477)	(14 775)	(13 639)
Cash flows from financing activities			
Increase/(Decrease) in borrowings	(40 987)	5 994	19 742
Dividends paid	-	-	(5 200)
Net cash generated from/(utilised in) financing activities	(40 987)	5 994	14 542
Total cash movement for the period/year	(13 463)	15 256	7 952
Cash at the beginning of the period/year	29 237	21 285	21 285
Total cash at the end of the period/year	15 774	36 541	29 237

CONDENSED SEGMENTAL REPORT
FOR THE YEAR ENDED 28 FEBRUARY 2011

	Unaudited 6 months to 31 August 2011 R'000	Unaudited Restated 6 months to 31 August 2010 R'000	Audited Year ended 28 February 2011 R'000
Revenue by segment			
Foundry	288 364	229 047	411 703
Steel	123 802	133 875	219 027
Refractory	41 426	49 121	101 723
	453 592	412 043	732 453
Gross profit by segment			
Foundry	30 714	30 205	56 914
Steel	11 282	11 589	14 269
Refractory	5 986	9 295	18 605
	47 982	51 089	89 788

OTHER GROUP SALIENT FEATURES

	Unaudited 6 months to 31 August 2011 R'000	Unaudited Restated 6 months to 31 August 2010 R'000	Audited Year ended 28 February 2011 R'000
Headline earnings per share: Basic attributable earnings per share are calculated by dividing the net profit attributable to shareholders by the number of shares in issue during the year.			
Number of weighted shares in issue at the end of the period/year	260 000	260 000	260 000
Less: treasury shares held in a subsidiary at the end of the year	(3 332)	(342)	(342)
	256 668	259 658	259 658
Profit attributable to ordinary shareholders	10 735	11 980	12 013
Adjusted for (profit)/loss on sale of property, plant and equipment	(48)		(91)
Adjusted for impairment of goodwill	-	2 800	4 000
Adjusted for negative goodwill (Gain from bargain purchase)	-	(5 791)	(5 791)
Headline earnings for the group	10 687	8 989	10 131
Basic and fully diluted headline earnings per share (cents)	4,16	3,46	3,90
Dividends per share	-	-	2,00
Net asset value per share (cents)	34,67	32,68	30,71
Tangible net asset value per share (cents)	19,69	17,87	15,91
Depreciation	2 444	2 466	5 203
Capital expenditure	1 034	5 198	4 350
Commitments: Operating Leases	7 442	6 529	8 646

Overview

The interim period ended 31 August 2011 has shown strong revenue growth although gross margins have been negatively impacted by the strength of the rand during this period. Markets continue to be volatile although much improved on the previous 2 years. It is pleasing to note that the monthly performance of the group during the 6 months ending 31 August 2011, has been stable and consistently improved each month during the period, with the exception of July 2011 which was lower as a result of the NUMSA strike action.

The recent weakening of the rand against the USD and Euro is a welcome development as this makes our exports and our customers’ exports more competitive as well as offering some protection against cheap competing imports. This bodes well for the rest of the financial year notwithstanding the turmoil in Europe and the USA and we remain positive with regards to the medium and longer term growth prospects in our primary markets in South Africa and sub-Saharan Africa.

Insimbi generated strong cash-flows during the period under review and the board has approved a 2 cent per share interim dividend distribution after conservatively assessing all the factors relevant to this decision, including the macro-economic and business outlook.

Financial Performance

Group revenue for the period was R454 million, 10 % up on the R412 million achieved in the comparative period ending 31 August 2010 and 49% up on the R305 million achieved in the comparative period ending 31 August 2009. This is significant as it is clear evidence that the market is showing sustainable improvement since the beginning of the global economic crisis.

This improved performance can be attributed to improved market conditions and demand. It is also important to note that this increased revenue has been achieved notwithstanding the negative impact of the NUMSA strike in July 2011 and the low demand from Mittal as a result of their publicised operational problems. We anticipate that Mittal will resume normal operations during November 2011, which is positive for Insimbi.

Gross profit was R48 million, 6% down on the R51 million achieved for the period ending 31 August 2010 (but 26% up on the period ending 31 August 2009). The main reason behind the drop in gross profit is attributable to the strength of the rand during the period under review which has translated into a gross margin of 10.6% when compared to 12.4% in 2010 and 12.5% in 2009. We are hopeful that with the recent weakening of the rand, margins will improve.

Group operating profit (after adjusting for the non recurring negative goodwill in the previous comparative period of R5.8 million on the acquisition of Metlite group), is 9% up on the previous period ending 31 August 2010.

Group operating costs have been well controlled during the period under review and at R30.4 million are 13% lower than the corresponding period last year.

Group finance costs are 40% lower and group profit before taxation (after adjusting for the non recurring negative goodwill in the previous comparative period of R5.8 million on the acquisition of Metlite group), is 34% higher than the corresponding period ended 31 August 2010.

Insimbi achieved group EPS and HEPS of 4.18 and 4.16 cents per share respectively compared to 4.61 and 3.46 cents per share in the previous comparative period (2009: 2.61 and 2.62 cents per share respectively). This equates to a 9.3% decrease in EPS and a 20.2% increase in HEPS respectively.

Working capital management and cash-flow has remained a key focus area for Insimbi and we have responded to changing market conditions effectively. This has ensured strong cash-flows throughout the period with R30.0 million cash generated from operations.

Restated results for the prior period

As per the Chief Executive Officer’s Review in our 2011 Annual Report, page 7, the results for the comparative period have been adjusted due to the finalisation of the valuation of the tangible assets of Metlite.

At the time of the acquisition, the Board estimated the fair value of the tangible assets to be around R12,884 million subject to completion of the valuation required in terms of IFRS 3 (Revised).

The required valuations were performed in February 2011 and resulted in two values being obtained as follows:
- Fair Value of R5,836 million and
- Replacement Value of R13,555 million

In terms of IFRS 3 para 18 and IAS 16 para 33,
the required valuation resulted in the Fair Value Assessment of R5,836 million.

As a result, this reduction had a direct impact on the after tax attributable earnings of R5,075 million for the comparative period.

Operational Review

Insimbi has remained strongly cash generative throughout the period under review due to the Group’s diverse product offering, continued profitability and attention to working capital management.

The foundry segment has shown pleasing signs of recovery and growth compared to the very difficult comparative period that this segment experienced in the previous year. The foundry industry is often referred to as the “barometer” of the South African economy and the fact that is has shown such positive growth in the face of a strong rand, is cause for optimism.

The steel segment was showing strong signs of recovery but the effect of Mittal’s operational problems, definitely detracted from this during the 6 months under review. However, we remain confident that Mittal will successfully overcome their challenges later this quarter and that this segment will continue to show sustainable recovery.

The refractory segment continues to experience difficult trading conditions but this segment does traditionally lag behind the steel and foundry segment “cycle” and we remain optimistic of a recovery. Our major concern here is that despite large 2011/2012 Budget allocations by the Minister of Finance to the various infrastructure upgrade initiatives of government, that these budgets do not in fact get spent, as has happened in the previous years. However, we are confident that the various ministries responsible for this infrastructure upliftment, are committed to spending their budget allocations effectively.

The Insimbi Group remains committed to BBEEE and have maintained its rating as a Level 7 contributor. We continue to strive for a higher rating but are largely dependent on our large suppliers themselves, being officially rated which will enable us to improve our rating, unfortunately many of these suppliers are not able to provide us with rating certificates and this negatively impacts on our procurement scorecard.

Prospects

Despite the current uncertainty in Europe and the USA, Insimbi has experienced definite signs of what we believe to be, sustainable improvements in our traditional target markets, most of which are considered to be “emerging”. It is unclear at this stage what effects the unfolding events in Europe and USA will have on the local, regional and other emerging market economies but we remain confident that Insimbi is well prepared to deal with them. We have a diverse range of product offerings that have proven to be resilient throughout the global crisis. The fact that Insimbi has remained profitable throughout this crisis period, is proof of this.

We are also optimistic and confident that the consistent and improved revenues experienced during the first 6 months of our financial year, are sustainable. Our experience during the comparative period last year, was of massive volatility with monthly revenues varying greatly from one month to the next.

This consistency combined with the recent weakening of the rand against major currencies, is positive for Insimbi.

We continue to prudently evaluate strategic acquisitions and we remain focused on expanding our “basket” of products to strengthen our position as a market leader in the ferro-alloy and refractory market

Accounting policies

The condensed consolidated financial statements for the interim period ended 31 August 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34, the AC 500 series of accounting standards, JSE listing Requirements and the Companies Act of South Africa. The accounting policies are consistent with those applied in the annual financial statements for the previous year.

Contingencies
The company does not have any material contingencies.

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

Dividends

Notice is hereby given that Insimbi has declared and interim dividend (dividend declaration 5) for the six months ended 31 August 2011 of 2 cents per share.

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

Last day to trade cum dividend	Friday, 21 October 2011
First day to trade ex dividend	Monday, 24 October 2011
Record date	Friday, 28 October 2011
Payment date	Monday, 31 October 2011

No share certificates will be dematerialised or rematerialised between Monday, 24 October 2011 and Friday, 28 October 2011, both days inclusive.

DJ O Connor
Chairman

P Schutte
Chief Executive Officer

06 October 2011

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

Company Secretary: Kristell Holtzhausen

Directors:
CF Botha, F Botha, EP Liechti, GS Mahlati*, LY Mashologu*, DJ O Connor*,
PJ Schutte, LG Tessendorf, J Vieira-Pereira. (* indicates non executive)

Designated Advisor: Bridge Capital Advisors (Proprietary) Limited

Transfer Secretaries: Computershare Investor Services (Proprietary) Limited