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")

UNREVIEWED CONSOLIDATED RESTATED CONDENSED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2014 AND INTERIM DIVIDEND DECLARATION

Key Financial Indicators

- Revenue decreased by 3.9% to R 459 million due to the month long NUMSA strike in July 2014.
- Operating costs decreased by 1.2 % compared to the previous year, well below CPIX.
- Gross profit decreased by 4.5% to R 49.8 million, due to reduced revenues.
- Finance cost increased by 40 % due to a year-on-year swing in foreign exchange gains and losses of R 2.7 million.
- Profit before taxation is 24.6% lower when compared to the results for the same reporting period in the previous year.
- EPS is down by 24.6% when compared to the results for the same reporting period in the previous year.
- HEPS down by 25.2% compared to last financial year.
- Operating activities utilised R16.2 million during the period due to the working capital cycle which included highs stocks and debtors and reduced creditors
- NAV up by 8.5 % on comparative period and tangible NAV up by 8.1% on comparative period and up 0.9% on February 2014.
- The group has declared a gross interim dividend of 1.5 cents per share for the period ending 31 August 2014.
- Trading and operational outlook for the remainder of the financial year is positive

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Unreviewed as at 31 August 2014	Restated unreviewed as at 31 August 2013	Restated audited as at 28 February 2014
Assets			
Non-current assets			
Property, plant and equipment	77 147	79 179	78 008
Intangible assets	43 223	40 786	42 154
Deferred taxation	12 047	6 541	12 047
	132 417	126 506	132 209
Current assets			
Inventories	88 055	81 573	82 713
Trade and other receivables	125 122	136 395	118 982
Other financial assets	599	-	556
Taxation receivable	-	-	2 059
Cash and cash equivalents	18 468	45 352	49 090
	232 244	263 320	253 400
Total assets	364 661	389 826	385 609
Equity and liabilities			
Equity			
Share capital	44 442	44 442	44 442
Reserves	21 657	20 589	21 657
Retained income	66 133	58 406	65 061
Non-controlling interest	(208)	(1 195)	(1 030)
Treasury shares	(14 295)	(11 627)	(13 439)
	116 742	110 780	116 526
Liabilities			
Non-current liabilities			
Other financial liabilities	19 041	19 996	15 621
Deferred taxation	16 554	10 969	15 792
	35 595	30 965	31 413
Current liabilities			
Other financial liabilities	52 977	58 126	57 239
Derivative financial instruments	-	585	-
Bank overdraft	-	-	2 429
Current tax payable	288	-	767
Redeemable preference shares	3 999	3 749	3 999
Trade payables and accruals	155 060	185 621	173 236
	212 324	248 081	237 670
Total liabilities	247 919	279 046	269 083
Total equity and liabilities	364 661	389 826	385 609

1. During 2009 the directors entered into a deal so that Insimbi Refractory and Alloys Supplies Limited would gain BEE credentials (refer SENS dated 5 February 2009). This was completed by TP Hentiq 6040 (Pty) Ltd acquiring shares in IRAS from the shareholders (who are also directors) F Botha, PJ Schutte, EP Liechti and CF Botha and DJ O'Connor.

   TP Hentiq is a shell company that was established solely for the purposes of setting up this transaction. IRAS should have consolidated TP Hentiq in 2009 under SIC 12 and IFRS 10. The result of this is that the preference share liability to Nedbank would have been recognized in the consolidated financial statements of IRAS as a financial liability under IAS 32.

   The financial statements for the periods ended 30 August 2013, 28 February 2014, as well as 30 August 2014 have been restated to correctly reflect the financial impact of this transaction.

	Restated interim results for the six months ended 31 August 2013 R'000	**Restated audited results for the year ended 28 February 2014 R'000**
Condensed consolidated statement of financial position		
Cash and cash resources		
• Previously reported	45 241	48 985
• Restated	45 352	49 090
Treasury shares		
• Previously reported	7 627	9 439
• Restated	11 627	13 439
Accumulated Profit /(Loss)		
• Previously reported	57 406	64 011
• Restated	58 406	65 061
Non-controlling interest		
• Previously reported	359	208
• Restated	1 030	1 195
Trade and other payables		
• Previously reported	185 588	173 193
• Restated	185 621	173 236
Redeemable preference shares		
• Previously reported	nil	nil
• Restated	3 749	3 999
Condensed consolidated statement of other comprehensive income		
Operating expenses		
• Previously reported	33 945	68 484
• Restated	33 964	68 503
Investment revenue		
• Previously reported	148	311
• Restated	150	314
Finance cost		
• Previously reported	3 394	
• Restated	3 397	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	**Unreviewed as at 31 August 2014**	**Restated unreviewed as at 31 August 2013**	**Restated audited as at 28 February 2014**
Revenue	458 981	477 556	938 980
Cost of sales	(409 214)	(425 462)	(837 891)
Gross profit	49 767	52 093	101 089
Other income	198	895	2 758
Operating expenses	(33 553)	(33 964)	(68 503)
Operating profit	16 412	19 024	35 344
Investment income	219	150	314
Finance costs	(4 739)	(3 397)	(6 684)
Profit before taxation	11 892	15 777	28 974
Taxation	(3 766)	(4 056)	(8 680)
Profit for the year	8 126	11 721	20 294
(Loss) Profit from discontinued operations	-	(634)	-
Profit for the year	8 126	11 087	20 294
Profit attributable to:			
Owners of the parent	8 120	11 218	20 274
Non-controlling interest	6	(131)	20
	8 126	11 087	20 294
Other comprehensive income for the year			
Items that will be reclassified to profit and loss:			
Exchange differences on translating foreign entities	-	-	(5)
Items that will not be reclassified to profit and loss:			
Gain on property revaluation	-	-	-
Taxation related to components of other comprehensive income that will not be reclassified	-	-	1 073
Other comprehensive income for the year net of taxation	-	-	1 068
Total comprehensive income for the year	8 126	11 087	21 362
Total comprehensive income attributable to:			
Owners of the parent	8 120	11 218	21 342
Non-controlling interest	6	(131)	20
	8 126	11 087	21 362
Basic and fully diluted earnings per share			
From continuing operations	3.42	4.80	8.38
From discontinuing operations	-	(0.26)	-
From profit for the year	3.42	4.54	8.38

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Share capital	Share premium	Treasury shares *(restated)*	Foreign currency translation reserves	Revaluation reserve	Distributable reserve *(restated)*	Non controlling interest *(restated)*	Total equity
Balance at 31 August 2013 (unreviewed)	-	44 442	(11 627)	159	20 430	58 406	(1 030)	110 780
Total comprehensive income	-	-	-	(5)	1 073	9 103	(165)	10 006
Share-based payments	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(2 448)	-	(2 448)
Net movement in treasury shares	-	-	(1 812)	-	-	-	-	(1 812)
Balance at 28 February 2014 (audited)	-	44 442	(13 439)	154	21 503	65 061	(1 195)	116 526
Total comprehensive income	-	-	-	-	-	8 126	-	8 126
Dividend paid	-	-	-	-	-	(7 054)	-	(7 054)
Net movement in treasury shares	-	-	(856)	-	-	-	-	(856)
Balance at 31 August 2014 (unreviewed)	-	44 442	(14 295)	154	21 503	66 133	(1 195)	116 742

* Share capital is equal to 246 700 013 shares at 0.000025 cents each = R62

CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Unreviewed as at 31 August 2014	Restated unreviewed as at 31 August 2013	Restated audited as at 28 February 2014
Cash flow from operating activities			
Cash generated from operations	(10 634)	30 192	49 871
Investment income	219	148	311
Finance costs	(3 544)	(3 394)	(6 684)
Tax paid	(2 166)	(8 424)	(8 424)
Net cash flow from operating activities	(16 145)	24 780	35 074
Cash flow from investing activities			
Purchase of property, plant and equipment	(2 208)	(3 909)	(8 199)
Proceeds on disposal of property, plant and equipment	-	625	2 755
Purchase of other intangible assets	(1 069)	(45)	(1 413)
Net cash utilised from investing activities	(3 277)	(3 329)	(6 857)
Cash flow from financing activities			
Repayment of other financial liabilities	(1 471)	(7 085)	(12 262)
Loans from directors	629	-	-
Dividends paid	(7 053)	-	(2 448)
Repurchase of treasury shares	(856)	(2 460)	(1 812)
Net cash outflow from financing activities	(8 751)	(9 545)	(16 522)
Net movement in cash for the period/year	(28 173)	11 906	11 695
Exchange gains/(losses) on cash	-	-	1 395
Cash and cash equivalents at the beginning of the period/year	46 641	33 446	33 551
Cash and cash equivalents at the end of the period/year	18 468	45 352	46 641

CONDENSED SEGMENT REPORT

R'000	Unreviewed as at 31 August 2014	Unreviewed as at 31 August 2013	Audited as at 28 February 2014
Revenue by segment			
Foundry	351 131	318 501	583 298
Steel	66 346	109 472	257 765
Refractory	41 504	49 583	97 917
	458 981	477 556	938 980
Gross profit by segment			
Foundry	35 907	34 741	71 825
Steel	9 424	10 976	20 094
Refractory	4 436	6 377	9 170
	49 767	52 093	101 089
Operating profit by segment			
Foundry	6 939	10 914	15 615
Steel	7 124	4 941	14 989
Refractory	2 349	2 349	3 168
	16 412	19 024	35 344

OTHER GROUP SALIENT FEATURES

R'000	Unreviewed as at 31 August 2014	Restated unreviewed as at 31 August 2013	Restated audited as at 28 February 2014
Basic earnings per share: Basic attributable earnings per share are calculated by dividing the net profit attributable to ordinary equity shareholders by the weighted average number of ordinary shares outstanding during the year. Where there is a discontinued operation earnings per share is determined for both continuing and discontinued operations			
Basic earnings (loss) per share			
From continuing operations (cents per share)	3.42	4.80	8.38
From discontinued operations (cents per share)	-	(0.26)	-
	3.42	4.54	8.38
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	(22 614)	(15 612)	(17 800)
	237 386	244 388	242 200
Profit attributable to owners of the parent	8 120	11 218	20 294
Adjusted for (profit)/loss on sale of property, plant and equipment	(16)	(60)	407
Impairment of goodwill			
Headline earnings for the group	8 104	11 158	20 701
Basic and fully diluted headline earnings per share (cents)	3.41	4.57	8.55
Dividends per share	2.94	0.00	1.01
Net asset value per share (cents)	49.18	45.33	48.11
Tangible net asset value per share (cents)	30.97	28.64	30.71
Depreciation	3 069	3 180	5 377
Capital expenditure	2 212	3 909	8 199

Financial Performance

Group revenue for the period was R458.9 million, 3.9% down on the R477.5 million achieved in the comparative period ending 31 August 2013. The sales performance is lower compared to the same reporting period in 2013 due to the industrial action by NUMSA, which interrupted operations in July 2014, and the continued downward pressure in certain market sectors, most notably the steel segments as a result of the global steel market downturn

The export market has seen exceptional growth and we have expanded our global and regional footprint significantly although the Ebola crisis in West Africa has led to subdued growth in that region. Gross profit from continuing operations was R49.8 million, 4.4% down on the R52.1 million achieved for the period ending 31 August 2013. Margins have maintained favourably to the previous financial period, however. The diversity within the group's product range and target markets has again proven to be invaluable in producing sustainable results in what has been a challenging first half and we continue to defend our markets aggressively against foreign and local competition. This includes implementing flexible pricing policies, introduction of innovative new products and continued high service levels.

Group operating profit is 14% below the previous comparative period ending 31 August 2013.

Group operating costs have been well controlled during the period under review and at R33.5 million are 1.2% lower than the corresponding period last.

Group finance costs are 40 % higher due to loss on foreign exchange contracts of R 1.2 million compared to a gain of R 1.5 million for the corresponding period last year. Group profit before taxation is 24.9% lower than the corresponding period ended 31 August 2013.

Insimbi achieved group EPS of 3.42 and HEPS of 3.41 cents per share respectively compared to 4.54 and 4.57 cents per share in the previous comparative period. This equates to a 24.6% decrease in EPS and a 25.2% decrease in HEPS respectively.

Working capital management and cash-flow have continued to be a key focus area for Insimbi and we have responded to changing market conditions effectively. However, there was an increase in debtors at the end of August due to improving market conditions late in the reporting period as well as a large build up of stock in anticipation of improved sales continuing into the second half of the year. This was a strategic decision taken by the executive, but it did lead to a R10.6 million cash outflow from operations which will reverse in the second half of the year. Cash on hand reduced to R 18.4 million from R45.2 million during the same period in 2013 as a result of this decision.

For the two months of trading subsequent to the reporting period, the group has generated revenue of R199.41million which is 19.70% greater than the revenue for the corresponding period in 2013 and gross profit of R24.45 which is 30.7% greater than the gross profit for the corresponding period in 2013.

Operational Review

The Foundry segment has experienced some mixed trading conditions in certain sectors but ended on R351 million revenue, 10.2% up on the previous period under review. The improvement in revenue can be attributed to improved exports and our secondary aluminium smelters performing much better due to operational changes. This segment is historically the first indicator of improved market conditions and we are confident the next six months will be a major improvement compare to the last six months.

The Steel segment had a very disappointing six months on revenue due to the NUMSA strike and the scheduled reline of no. 5 Blast furnace at Mittal Newcastle. Revenue ended on R66,3 million compare to R109, 4 million the previous period under review. Profitability has improved due to changes in our basket of products and product mix.

The refractory segment is also behind the previous period under review but experience has shown that this segment can be cyclical and we are confident that this segment will show improvement in the second half of the financial year ending 28 February 2015. The promised infrastructure spend has still not materialized and all cement producers are under pressure due to relatively low demand. The six months under review ended 16% lower than previous period on R41,5 million. All forecasts point towards an improved second half.

The secondary aluminium smelters have been streamlined and despite some operational challenges in the period under review, at the time of release of our interim report ending 31 August 2014, were both operating at optimum levels and profitability and together with capital investment on plant equipment we are very confident that these two units will generate the required revenue and profits that will contribute to the success of Insimbi.

Insimbi Nano Milling paint based products have been expanded to include over 40 colours in various qualities and applications Based on market research Insimbi is very upbeat on the future now that we have an experienced marketing team and the products to support.

PROSPECTS

Economic conditions in South Africa are still challenging due to the ongoing labour issues and more recently, the volatile scenario faced by Eskom.

Having said that we have noticed some upturn in trading conditions with certain segments and all indications are that the next six months will have opportunities and Insimbi is well placed and prepared to benefit from these.

The steel segment is going through a very challenging period with low demand and price competition from Far East on final steel products. We have all seen the press release with Mittal requesting import tariffs on certain Chinese origin steel.

The foundry segment, however, based on the first 2 months of the second half of the financial year, is looking positive and we remain optimistic about this segments performance in the second half. Some divisions within this segment are already showing increase demand and much improved trading conditions. Some foundries and other operations are having shorter closing periods over December which is a positive.

The refractory segment has also shown some improvements in the market and Insimbi has negotiated a R10 million contract with a key customer. The cement industry is under pressure with competition from imported cement but a number of projects are currently in place in which Insimbi will benefit in the short to medium term.

Insimbi is very upbeat about the new product range on our PVA paints and already seen an interest from contractors and traders. We are confident that the next six months will show a huge improvement compare to the previous reporting period

The secondary aluminium smelters are running optimally and our investment in new furnace technology will hopefully improve our recoveries, although this will only be commissioned early in the new calendar year. Scrap metal supply continues to be a challenge but we are confident that we will be able to procure good quality at market prices.

We remain cautiously optimistic about the outlook for the balance of this financial year as we are actively looking for new products or acquisitions that will ensure a satisfactory organic growth in years to come.

Accounting policies

The condensed consolidated financial statements for the interim period ended 31 August 2014 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, and prepared under the supervision of the Financial Director, Frederick Botha CA (SA). 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

An interim gross dividend of 1.5 cent per share has been declared on 21 November 2014 for the six month period ending 31 August 2014. There are 260 000 000 ordinary shares in issue at announcement date, of which 23 421 245 are held in treasury and the total dividend amount payable is R 3 548 681 (2013: R2 456 247).

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% and no credits in terms of secondary tax on companies have been utilised. The net amount payable to shareholders who are not exempt from DT is 1.275 cents per share, while it is 1.5 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	Friday, 5 December 2014
First day to trade ex dividend	Monday, 8 December 2014
Record date	Friday, 12 December 2014
Payment date	Monday, 15 December 2014

No share certificates will be dematerialised or rematerialised between Monday, 8 December 2014 and Friday, 12 December 2014, both days inclusive.

Shares repurchased by a subsidiary since the year end and held in treasury amounted to 1 437 000 (2013: 5 632 012), which brings the total number of treasury shares to 23 421 245 (2013: 14 375 343).

Approval:

DJ O Connor	P Schutte
Chairman	Chief Executive Officer
8 November 2013	

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

Company Secretary: Kristell Holtzhausen

Directors: CF Botha, F Botha (Financial Director), EP Liechti, GS Mahlati*, LY Mashologu*, DJ O Connor*, PJ Schutte (Chief Executive Officer)

*non-executive

Sponsor: Bridge Capital Advisors (Proprietary) Limited

Transfer Secretaries: Computershare Investor Services (Proprietary) Limited