

BSI Steel Limited  
(Incorporated in the Republic of South Africa)  
(Registration number 2001/023164/06)  
(JSE code: BSS ISIN: ZAE000125134)  
("BSI" or "the Company" or "the Group")

Salient features

- Revenue down 9% on constant tonnage
- HEPS 3.5 cents per share
- NTAV 100 cents per share
- Dividend paid on 6 July 2015; 2 cents per share
- Significant improvement in working capital

UNAUDITED CONSOLIDATED FINANCIAL RESULTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2015

Summarised statement of profit and loss

	Unaudited 6 months ended 30 September 2015 R'000	Restated Unaudited 6 months ended 30 September 2014 R'000	Audited 12 months ended 31 March 2015 R'000
Revenue	1 505 173	1 655 366	3 248 046
Gross profit	207 780	261 262	475 453
Other costs	(145 745)	(176 236)	(307 064)
Earnings before interest, taxation, Depreciation and amortisation ("EBITDA")	62 035	85 026	168 389
Restructuring adjustments	(2 259)	(21 152)	(35 761)
Depreciation and Amortisation	(11 581)	(18 146)	(28 820)
Profit before interest and taxation	48 195	45 728	103 808
Income from equity accounted Investments	-	(1 640)	(2 669)
(Loss) on disposal of assets	(108)	(83)	(4 521)
Interest received	5 884	3 669	8 175
Interest paid	(28 824)	(32 859)	(59 964)
Profit before taxation	25 147	14 815	44 829
Taxation	(5 089)	(3 410)	(23 341)
Profit for the period from continuing operations	20 058	11 405	21 488
Profit/(Loss) from discontinued operations (*)	55	(9 836)	(19 238)
Profit for the period	20 113	1 569	2 250
Profit attributable to ordinary shareholders	20 113	1 839	2 250
Profit attributable to minority shareholders	-	(270)	-
	20 113	1 569	2 250
Earnings per share (cents)- continued operations	2.9	1.7	3.1
Earnings per share (cents - discontinued operations)	-	(1.4)	(2.8)

Total earnings per share (cents)	2.9	0.3	0.3
Reconciliation of headline earnings:			
Earnings attributable to ordinary shareholders	20 113	1 839	2 250
(Profit)/Loss on disposal of property, plant and equipment	(108)	83	4 521
Impairment of property, plant and equipment	-	2 863	-
Tax impact of adjustments	30	(1 159)	(1 266)
Realisation of foreign currency translation reserve on discontinued operations	4 313	-	9 090
Headline earnings attributable to ordinary shareholders (basic and diluted)	24 348	3 626	14 595
Weighted average shares in issue on which earnings are based (000)	701 810	701 810	701 810
Headline earnings per share (cents) (basic and diluted)	3.5	0.5	2.1

(\*) This represents the result of the discontinuation of the Ghanaian operation during the prior year. The Mozambican operation was also discontinued but the figures are immaterial to the group.

#### Summarised statement of other comprehensive income

	Unaudited 30 September 2015 R'000	Unaudited 30 September 2014 R'000	Audited 31 March 2015 R'000
Profit for the period	20 113	1 569	2 250
Other comprehensive income			
Foreign currency translation reserve	49 673	18 994	51 699
Cash flow hedge	(5 867)	-	6 308
Property revaluation	-	-	9 271
Total comprehensive income	63 919	20 563	69 528

#### Summarised consolidated statement of financial position

	Unaudited 30 September 2015 R'000	Restated Unaudited 30 September 2014 R'000	Restated Audited 31 March 2015 R'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	377 385	376 437	378 879
Goodwill	14 706	14 706	14 706
Intangible assets	11 661	14 193	12 866
Investments in joint ventures	12 257	17	10 831
Deferred taxation	10 190	12 559	8 799
Other financial assets	6 344	-	6 986
	432 543	417 912	433 067
<b>Current Assets</b>			
Inventories	404 425	423 686	483 356
Trade and other receivables	646 031	789 185	755 840
Current tax receivable	7 797	13 976	6 936
Other financial assets	14 439	670	7 757

Loans to group companies	155 573	86 827	132 717
Cash and cash equivalents	66 210	106 926	55 822
	1 294 475	1 421 270	1 442 428
Total assets	1 727 018	1 839 182	1 875 495
EQUITY AND LIABILITIES			
Equity			
Total shareholders' equity	725 071	641 346	674 820
Non-controlling interest	(143)	(413)	(143)
	724 928	640 933	674 677
Liabilities			
Non-Current Liabilities			
Other financial liabilities	139 653	150 607	137 593
Deferred taxation	19 039	11 817	16 463
	158 692	162 424	154 056
Current Liabilities			
Trade and other payables	499 683	598 745	563 107
Current tax payable	2 431	2 375	10 120
Other financial liabilities	32 635	40 613	41 989
Bank overdraft	308 649	394 092	431 546
	843 398	1 035 825	1 046 762
Total Liabilities	1 002 090	1 198 249	1 200 818
Total equity and liabilities	1 727 018	1 839 182	1 875 495
Number of shares in issue (000)	701 810	701 810	701 810
Net asset value per share (cents)	103.3	91.3	96.1
Net tangible asset value per share (cents)	99.5	87.2	92.2

Summarised consolidated statement of changes in equity

	Unaudited 30 September 2015 R'000	Unaudited 30 September 2014 R'000	Audited 31 March 2015 R'000
Equity holders' interest			
Balance at beginning of period	674 820	620 044	620 044
Profit for the period	20 113	1 839	2 250
Foreign currency translation reserve	49 673	18 994	51 699
Cash flow hedge	(5 867)	-	6 308
Share based payment provision	422	469	(662)
Dividends paid	(14 090)	-	(14 090)
Revaluation reserve	-	-	9 271
Balance at end of period	725 071	641 346	674 820
Non-controlling interest			
Balance at beginning of period	(143)	(143)	(143)
Profit for the period	-	(270)	-
Balance at end of period	(143)	(413)	(143)
Total equity	724 928	640 933	674 677

Summarised consolidated statement of cash flows

	Unaudited 30 September 2015 R'000	Unaudited 30 September 2014 R'000	Audited 31 March 2015 R'000
Operating activity cash	245 661	86 697	46 471

flows			
Cash flows from operations	285 845	127 816	109 638
Interest and taxation	(40 184)	(41 119)	(63 167)
Investing activity cash flows	(161 971)	618	(11 880)
Financing activity cash flows	43 268	9 657	(25 922)
Total cash movement for the period	126 958	96 972	8 669
Cash at beginning of period	(375 724)	(387 306)	(387 306)
Effect of exchange rate movement on cash balances	6 327	3 168	2 913
Total cash at end of period	(242 439)	(287 166)	(375 724)

#### Summarised consolidated segment report

	Unaudited 30 September 2015 R'000	Unaudited 30 September 2014 R'000	Audited 31 March 2015 R'000
Net revenue			
Stockists	195 990	466 925	749 190
Bulk Sales	724 142	519 038	1 285 846
Exporting	569 576	640 296	1 191 327
Other	15 465	29 107	21 683
	1 505 173	1 655 366	3 248 046
Profit before interest and taxation			
Stockists	(595)	9 831	13 629
Bulk Sales	15 348	17 941	44 774
Exporting	29 546	34 299	39 734
Other	3 788	(16 426)	1 150
	48 087	45 645	99 287
Assets			
Stockists	102 216	298 026	138 419
Bulk Sales	415 862	247 211	502 287
Exporting	726 397	696 852	663 143
Other	506 468	615 881	591 304
Eliminations	(23 925)	(18 788)	(19 658)
	1 727 018	1 839 182	1 875 495

#### OVERVIEW

The interim financial results are presented for the six months ended 30 September 2015.

The Group Operates in the steel and associated industries with strategically located operations in South Africa, the Democratic Republic of Congo, Mauritius, and Zambia. BSI markets through three distinct channels, being Stockists, Bulk Sales and Exporting.

The six months under review reflects the Group's strategy of focusing on reducing operating costs and improved working capital management.

#### FINANCIAL RESULTS

Tough trading conditions experienced during the past 6 months are evident in the decrease in gross profit margin of 2% relative to the comparative prior period. Exchange losses due to local currency devaluations in Zambia and Mozambique of R17.7 million contributed to the decrease in gross profit margin.

The 9% decline in revenue is largely due to a significant decrease in steel prices. 159,785 Tons were sold during the reporting period in comparison to 162,721 in the prior period despite the fact that discontinued operations accounted for 10,360 tons in the prior period, alongside a contracted market. We are therefore excited to report a gain in market share.

The decrease in operating expenses of 17% in relation to the prior period is a direct result of the extensive restructuring exercise undergone during 2015, in anticipation of the downturn in the market. The recent closure of our Mozambican operation due to the rapid devaluation of the Meticais alongside the closure of our Klerksdorp operation are expected to bring about an approximate saving of a further R2million per month in costs. Most of the Mozambican customers are to be serviced directly from South Africa in future.

Losses due to the realisation of foreign currency translation reserves relating to Mozambique and Ghana amounted to R4.3 million during the period under review and were noted in calculating headline earnings. The ZAR to the USD weakened to R13.81.

Improved stock and credit management resulted in decreased inventory levels, and are aimed to decrease even further going forward without compromising on sales, as well as a much improved debtors book. This resulted in lowered cash borrowings and improved finance costs followed.

The increase in Group company loan balances, Trade payables and Other financial liabilities relate to loans to and funding via TTG. These amounts were previously reflected on a net basis in terms of an offset agreement which we no longer believe will be enforced. The comparatives to the statement of financial position have been restated accordingly.

Likewise to the March 2015 results the prior period figures have been restated due to a reclassification of R23 million from operating expenses to cost of sales. This reclassification was made in order to comply with IAS1; as well as the reclassification of losses incurred due to discontinued operations in terms of IFRS5.

## PROSPECTS

Prior to March 2015 we elected to close all loss-making operations. At the time we elected to keep the Klerksdorp and Maputo outlets going, as we felt both had a reasonable prospect of delivering fair returns. Regrettably the crash of the South African mining sector and a significant depreciation in the Mozambique Meticais destroyed all prospects and we decided to close both businesses and suffered the inevitable costs associated with such closures.

The R17.7m foreign exchange losses incurred in Mozambique and Zambia were caused by selling on credit in the local currency and buying in USD or ZAR. By the time we collected the local currency from our debtor, the value collected was far lower in USD terms than it was on the date of sale, thereby resulting in a foreign exchange loss. It is illegal to sell on credit in USD in Mozambique, hence the decision to close operations, however, in Zambia and the DRC, it is acceptable; all credit sales throughout our African operations are now made in USD.

Had it not been for the foreign exchange losses, which have now been addressed we would have shown a fair return in an extraordinarily tough market. This gives us

confidence that the new leaner business platform is capable of delivering much improved profits going forward. We are also pleased that the closure of loss-making businesses has not resulted in a drop in our tonnage. As a result, our net operating cost per ton is significantly lower than F2015, which puts us in a very strong position.

We continue to focus on discipline and efficiency going forward. We are confident our business structure is sound and expect continued growth of our market share as less efficient players regress under pressure.

BSI has a 45% interest in a trade finance company, TTG, which is accounted for as an investment. As reported in our March 2015 results, TTG restructured during that year and incurred a loss for the year, which BSI accounted for by impairing its investment. TTG remains on track to report a profit for the year to March 2016 which should go a long way towards recouping its accumulated losses to date. A meaningful profit is anticipated in the 2017 financial year.

#### DIVIDEND DECLARATION

No dividends were declared.

#### SUBSEQUENT EVENTS

No material change has taken place in the affairs of the group between the end of the financial period and the date of this report.

#### DIRECTORATE

JS Govender and GDG Mackenzie resigned as executive directors on 17 July 2015 and 30 June 2015 respectively. Both have remained in the group as executives.

#### STATEMENT ON GOING CONCERN

The financial statements have been prepared on the going-concern basis since the directors have every reason to believe that the Company has adequate resources in place to continue in operation for the foreseeable future.

#### BASIS OF PREPARATION

The results have been prepared containing the information required by IAS 34 Interim Financial Reporting, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and are in accordance with the Group's accounting policies set out in the Integrated Annual Report for the year ended 31 March 2015, which comply with International Financial Reporting Standards, the Companies Act, 71 of 2008 of South Africa as amended and the JSE Limited Listings Requirements. The basis of preparation is consistent with that of the prior period.

The unaudited condensed consolidated financial statements were authorised for issue by the directors on 4 November 2015 for publication on 4 November 2014. The summarised consolidated financial statements for the six month period ended 30 September 2015 have been prepared by the Financial Director, Mrs E Vermaak.

Any reference to the future financial performance of the Group has not been reviewed or reported on by the Group's auditors.

By order of the Board  
4 November 2015

W L Battershill  
CHAIRMAN AND CEO

E Vermaak  
CFO

CORPORATE INFORMATION

Chairman and CEO: WL Battershill

Non-executive directors: B M Khoza (Alternate - N M Anderson), N G Payne, R G Lewis

Executive directors: C Parry, K Paxton, E Vermaak

Registered address: 46 Eden Park Drive, Murrayfield Park, Mkondeni,  
Pietermaritzburg 3201

Postal address: P O Box 101096, Scottsville, 3209

Company secretary: S J Hackett

Telephone: (033) 846 2208

Facsimile: (033) 846 2233

Transfer secretaries: Computershare Investor Services(Pty) Limited

Designated Adviser: Sasfin Capital (A division of Sasfin Bank Limited)