

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

- Increase in NPAT of 22%
- HEPS 4.2 cents per share
- NTAV 102 cents per share
- Dividend paid on 15 August 2016; 2 cents per share

UNAUDITED CONSOLIDATED FINANCIAL RESULTS  
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2016

Summarised statement of profit and loss

	Unaudited 6 months ended 30 September 2016	Unaudited 6 months ended 30 September 2015 Restated	Audited 12 months ended 31 March 2016
	R'000	R'000	R'000
Revenue	1 316 371	1 441 794	2 668 006
Gross profit	184 956	204 253	395 741
Other costs	(120 569)	(134 725)	(226 530)
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	64 387	69 528	169 211
Restructuring adjustments	-	(2 259)	-
Depreciation and Amortisation	(11 683)	(11 581)	(22 885)
Profit before interest and taxation	52 704	55 688	146 326
Income from equity accounted Investments	-	-	(36)
(Loss) on disposal of assets	(33)	(108)	(1 428)
Interest received	5 991	5 884	34 350
Interest paid	(18 321)	(28 357)	(51 476)
Impairment of iron ore	-	-	(39 952)
Profit before taxation	40 341	33 107	87 784
Taxation	(9 958)	(5 770)	(31 572)
Profit for the period from continuing operations	30 383	27 337	56 212
Loss from discontinued operations (*)	(1 443)	(7 224)	(22 927)
Profit for the period	28 940	20 113	33 285
Profit attributable to ordinary shareholders	28 940	20 113	33 285
Earnings per share (cents)- continued operations	4.4	3.9	8.0
Earnings per share (cents - discontinued operations)	(0.2)	(1.0)	(3.3)
Total earnings per share (cents)	4.2	2.9	4.7
Reconciliation of headline earnings:			
Earnings attributable to ordinary shareholders	28 940	20 113	33 285
(Profit)/Loss on disposal of	33	(108)	1 428

property, plant and equipment			
Tax impact of adjustments	(9)	30	(400)
Realisation of foreign currency translation reserve on discontinued operations	-	4 313	2 781
Headline earnings attributable to ordinary shareholders (basic and diluted)	28 964	24 348	37 094
Weighted average shares in issue on which earnings are based (000)	696 871	701 810	700 336
Headline earnings per share (cents) (basic and diluted)	4.2	3.5	5.3

(\*) This represents the result of the discontinuation of the Ghanaian operation during the 2014 year.

Summarised statement of other comprehensive income

	Unaudited 30 September 2016 R'000	Unaudited 30 September 2015 R'000	Audited 31 March 2016 R'000
Profit for the period	28 940	20 113	33 285
Other comprehensive income			
Foreign currency translation reserve	(23 079)	49 673	72 254
Cash flow hedge	(3 205)	(5 867)	(12 342)
Total comprehensive income	2 656	63 919	93 197

Summarised consolidated statement of financial position

	Unaudited 30 September 2016 R'000	Unaudited 30 September 2015 Restated R'000	Audited 31 March 2016 R'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	321 352	358 052	331 644
Goodwill	14 706	14 706	14 706
Intangible assets	7 050	11 661	10 452
Investments in joint ventures	12 362	12 257	13 165
Loans to group companies	223 932	155 429	182 165
Deferred taxation	16 077	10 190	17 172
Other financial assets	-	6 344	5 795
	595 479	568 639	575 099
<b>Current Assets</b>			
Inventories	438 056	404 425	377 998
Trade and other receivables	542 026	646 031	528 618
Current tax receivable	8 726	7 797	6 658
Other financial assets	4 250	14 439	827
Loans to group companies	163	144	14 290
Cash and cash equivalents	32 804	66 210	53 131
	1 026 025	1 139 046	981 522
Non-current assets held for sale	28 698	-	28 698
Total assets	1 650 202	1 707 685	1 585 319
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Total shareholders' equity	733 021	712 505	743 062
Non-controlling interest	(143)	(143)	(143)
	732 878	712 362	742 919
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			

Other financial liabilities	32 336	62 568	38 630
Deferred taxation	20 090	12 272	21 641
Other liabilities	119 207	77 085	85 821
	171 633	151 925	146 092
Current Liabilities			
Trade and other payables	454 200	516 132	428 467
Current tax payable	2 426	2 431	3 472
Other financial liabilities	38 211	32 635	43 967
Bank overdraft	245 895	292 200	214 502
	740 732	843 398	690 408
Liabilities of disposal group	4 959	-	5 900
Total Liabilities	917 324	995 323	842 400
Total equity and liabilities	1 650 202	1 707 685	1 585 319
Number of shares in issue (000)	696 871	701 810	700 336
Net asset value per share (cents)	105.2	101.5	106.1
Net tangible asset value per share (cents)	102.1	97.8	102.5

Summarised consolidated statement of changes in equity

	Unaudited 30 September 2016 R'000	Unaudited 30 September 2015 R'000	Audited 31 March 2016 R'000
Equity holders' interest			
Balance at beginning of period	743 062	674 820	665 549
Profit for the period	28 940	20 113	33 285
Foreign currency translation reserve	(23 079)	49 673	72 254
Cash flow hedge	(3 205)	(5 867)	(12 342)
Share based payment provision	1 309	422	418
Dividends paid	(14 006)	(14 090)	(14 090)
Purchase of treasury shares	-	-	(2 012)
Revaluation reserve	-	(12 566)	-
Balance at end of period	733 021	712 505	743 062
Non-controlling interest			
Balance at beginning of period	(143)	(143)	(143)
Profit for the period	-	-	-
Balance at end of period	(143)	(143)	(143)
Total equity	732 878	712 362	742 919

Summarised consolidated statement of cash flows

	Unaudited 30 September 2016 R'000	Unaudited 30 September 2015 Restated R'000	Audited 31 March 2016 R'000
Operating activity cash flows	(63 203)	216 110	252 456
Cash flows from operations	(36 356)	256 294	304 842
Interest and taxation	(26 847)	(40 184)	(52 386)
Investing activity cash flows	7 306	(161 971)	(65 180)
Financing activity cash flows	5 935	43 268	(23 242)

Total cash movement for the period	(49 962)	97 407	164 034
Cash at beginning of period	(161 371)	(329 724)	(329 724)
Effect of exchange rate movement on cash balances	(1 758)	6 327	4 319
Total cash at end of period	(213 091)	(225 990)	(161 371)

#### Summarised consolidated segment report

	Unaudited 30 September 2016 R'000	Unaudited 30 September 2015 Restated R'000	Audited 31 March 2016 R'000
Net revenue			
SA Trading	808 344	920 132	1 608 050
Exporting	472 350	506 197	1 020 373
Other	35 677	15 465	39 583
	1 316 371	1 441 794	2 668 006
Profit before interest and taxation			
SA Trading	38 018	14 753	44 110
Exporting	13 634	37 039	87 281
Other	1 019	3 788	13 507
	52 671	55 580	144 898
Assets			
SA Trading	491 858	518 078	425 411
Exporting	707 816	707 064	662 843
Other	467 501	506 468	518 308
Eliminations	(16 973)	(23 925)	(21 243)
	1 650 202	1 707 685	1 585 319

#### OVERVIEW

The interim financial results are presented for the six months ended 30 September 2016.

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 two distinct channels, being Bulk Sales and Exporting.

The six months under review reflects the Group's strategy of focusing on generating a reasonable return on capital employed.

#### FINANCIAL RESULTS

The 6 months under review were characterised by gross profit margins of 16.5% on average during the first 3 months, with a significant decrease in margin during the latter part of the period, resulting in an overall gross profit margin of 14.1%, very much in line with the comparative period. High stock levels at good pricing gave rise to higher gross profit margins during the first few months despite a very flat Southern African market. Due to steel price increases, revenue of R10,628 per ton is reported in comparison to R9,382 for the prior period.

Continuous focus on operating costs resulted in a further decrease of 10.5% in Other costs compared to the prior period. The exceptional drop in Interest paid during the period relates to a vastly more competitive interest rate enjoyed on the

USD Trade Finance facility held with the Tower Trade Group. This resulted in an increased profit before tax of 22% compared to the prior period.

The loss of R1.4 million from discontinued operations relates to an impairment of withholding taxes due from the Ghanaian government which have not materialised.

A stronger ZAR against the USD at R13.99 compared to R14.88 as at 31 March 2016 resulted in a Foreign Currency Translation Reserve write back of R23.1 million.

High stock levels resulted in an increase in borrowings of R50 million during the period, despite 180 day terms afforded by our import suppliers. The current stock holding should drop to well below the R360m mark by 30 November due to a very conservative buying strategy adopted during the past quarter which should result in reduced borrowings for the period ahead.

The Non-current assets held for sale represents the fixed property in Richards Bay which is actively being marketed at the moment.

During the past 6 months the Tower Trade Group has traded below budget but is breaking even, with incremental growth from month to month, and is cash flow positive at these levels. Initiatives are underway to improve this performance, but without increasing the risk appetite. Recovery of a long outstanding debt via court processes and/or insurance claims are progressing, but more slowly than anticipated.

Full details of the failed iron ore trade are detailed in the Chairman's report contained in our F2016 Integrated Report. The Company has received an offer for the iron ore and plant through the liquidator, which Sentinel Bridge and Greensill Capital have accepted. As a result, no further impairment to Trade receivables has been raised. The liquidator is currently working on closing the deal. Following closure of the liquidation, the Company will take legal action against the survey agent for losses incurred as a consequence of an inaccurate report they provided.

Likewise to the March 2016 results, restatements were made to the September 2015 results. The statement of financial position was amended as a result of the change in accounting policy on Land and buildings to the cost model, along with a reclassification of the trade facility previously contained in Bank overdraft to Trade and other payables. The statement of profit and loss was restated in relation to prior period results in order to reflect the discontinuation of the Mozambican operations, in terms of IFRS5.

## PROSPECTS

Management is mindful of the current economic malaise which has impacted the steel industry in particular. Despite not operating in a glamorous industry, management believes that the steel industry is of strategic importance for the whole of the South African economy. There is a concerted effort by government to address some of the challenges faced by primary steel makers and downstream manufacturers which will be positive for all. Other countries and markets have seen the resurgence of the steel industry as these measures have been adopted by their respective governments.

In line with the overall strategy of reducing costs, the Company has continued to drive the cost base down. There are several initiatives which will be triggered in the second half of the financial year which will have a material effect in further reducing costs. The Company is committed to being in the bottom quartile of cost per ton steel operations, which is in line with international norms and relevant to the market.

An aggressive approach to stock has been taken recently, and stockholdings are decreasing significantly, in line with this strategy, and will improve the cash flow of the group.

#### DIVIDEND DECLARATION

The policy of the company is to pay dividends once a year based on year end results.

#### 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

No changes during the period under review.

#### 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 in accordance with and 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. The results are in accordance with the Group's accounting policies set out in the Integrated Annual Report for the year ended 31 March 2016, 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 2 November 2016 for publication on 2 November 2016. The summarised consolidated financial statements for the six month period ended 30 September 2016 have been prepared by the Financial Manager, Mr JB McGrath.

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  
2 November 2016

C Parry  
CEO

E Vermaak  
CFO

#### CORPORATE INFORMATION

Chairman: 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

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Company secretary: S J Hackett

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Transfer secretaries: Computershare Investor Services(Pty) Limited

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