

INSIMBI INDUSTRIAL HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration No: 2002/029821/06)
(Income tax reference no: 9078/488/15/3)
Share code: ISB ISIN code: ZAE000116828
("Insimbi" or "the group" or "the company")

**ABRIDGED RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2020 AND
NOTICE OF ANNUAL GENERAL MEETING.**

FINANCIAL INDICATORS

	2020	2019	% Change
Revenue (R'000)	4 812 068	4 545 214	6
Net Profit (R'000)	29 366	45 834	(36)
Operating profit (R'000)	93 733	101 071	(7)
Cash generated from operations (R'000)	145 944	45 198	223
Earnings per share (cents)	8.08	11.93	(32)
Headline earnings per share (cents)	10.13	13.52	(25)

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	12 months to 29 February 2020 R'000	12 months to 28 February 2019 R'000
Revenue	4 812 068	4 545 214
Cost of sales	(4 397 947)	(4 164 615)
Gross profit	414 121	380 599
Other operating income	15 333	3 392
Other operating gains/(losses)	5 323	(7 468)
Other operating expenses	(341 044)	(275 452)
Operating profit	93 733	101 071
Investment revenue	577	733
Finance costs	(49 692)	(32 838)
Income from equity-accounted investments	3 157	2 047
Profit before taxation	47 775	71 013
Taxation	(18 409)	(25 179)
Profit for the year	29 366	45 834
Total comprehensive income for the year	29 366	45 834
Profit attributable to:		
The owners of the parent	32 789	46 647
Non-controlling interest	(3 423)	(813)
Total comprehensive income attributable to:		
Owners of the parent	32 789	46 647
Non-controlling interest	(3 423)	(813)

EARNINGS AND HEADLINE EARNINGS PER SHARE

	12 months to 29 February 2020 R'000	12 months to 28 February 2019 R'000
Basic earnings per share is determined by dividing profit or loss attributable to the ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.		
Reconciliation of profit or loss for the year to basic earnings:		
Profit for the year	29 366	45 834
Loss for the year attributable to non-controlling interest	3 423	813
Profit for the year attributable to equity holders	32 789	46 647
Reconciliation of weighted average number of shares:		
Weighted number of shares in issue at the end of the year ('000)	431 370	415 311
Less: Weighted number of treasury shares held in a subsidiary at the end of the period ('000)	(25 517)	(24 388)
Weighted average number of shares ('000)	405 853	390 923
Headline earnings are determined by adjusting basic earnings by excluding separately identifiable remeasurement items. Headline earnings are presented after tax and non-controlling interest.		
Reconciliation between earnings and headline earnings:		
Basic earnings, adjusted for:	32 789	46 647
- (Profit) or loss on sale/scrapping of assets	(62)	96
- Gain on bargain purchase	–	(2 810)
- Impairment of goodwill	5 730	8 938
- Impairment of Intangible assets	2 661	–
Headline earnings	41 118	52 871
Earnings per share (cents)	8,08	11,93
Headline earnings per share (cents)	10,13	13,52
Diluted earnings per share (cents)	7,79	11,49
Diluted headline earnings per (cents)	9,77	13,03

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	12 months to 29 February 2020 R'000	12 months to 28 February 2019 (Restated) R'000	12 months to 28 February 2018 (Restated) R'000
Assets			
Non-current assets			
Property, plant and equipment	458 628	362 842	270 514
Goodwill	170 484	165 048	107 591
Intangible assets	10 582	13 220	11 525
Investments in joint ventures	1 169	863	577
Lease receivable	3 490	3 603	–
Deferred taxation	7 299	4 240	3 388
	651 652	549 816	393 595
Current assets			
Inventories	197 068	168 006	147 944
Lease receivable	113	113	–
Trade and other receivables	489 508	410 014	293 643
Derivatives	1 909	–	–
Current taxation receivable	4 381	5 326	5 312
Cash and cash equivalents	92 994	33 579	32 408
	785 973	617 038	479 307
Total assets	1 437 625	1 166 854	872 902
Equity and Liabilities			
Equity			
Share capital	208 850	197 871	177 305
Reserves	49 726	48 417	47 108
Retained income	210 317	199 638	174 454
Non-controlling interest	–	(1 268)	(565)
	468 893	444 658	398 302

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONTINUED

	12 months to 29 February 2020 R'000	12 months to 28 February 2019 (Restated) R'000	12 months to 28 February 2018 (Restated) R'000
Liabilities			
Non-current liabilities			
Loans from shareholders	–	–	2 275
Financial liabilities at amortised cost	367 385	254 178	166 202
Lease liabilities	15 239	21 154	–
Deferred taxation	38 022	36 199	28 966
Contingent consideration	870	5 747	–
	421 516	317 278	197 443
Current Liabilities			
Loans from shareholders	–	1 682	–
Trade and other payables	214 829	247 751	192 055
Financial liabilities at amortised cost*	329 535	152 021	82 405
Derivatives	–	945	2 697
Lease liabilities	1 227	2 519	–
Current tax payable	1 625	–	–
Bank overdraft*	–	–	–
	547 216	404 918	277 157
Total liabilities	968 732	722 196	474 600
Total equity and liabilities	1 437 625	1 166 854	872 902

* Restated

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

	12 months to 29 February 2020 R'000	12 months to 28 February 2019 (Restated) R'000
Cash flow from operating activities		
Cash generated from operations	145 944	45 198
Interest income	196	733
Tax paid	(12 019)	(27 860)
Net cash from operating activities	134 121	18 071
Cash flow from investing activities		
Purchase of property, plant and equipment	(24 335)	(9 555)
Sale of property, plant and equipment	2 407	130
Expenditure on intangible assets under development	(495)	(2 166)
Business combinations (net of cash acquired)	(55 226)	(66 662)
Dividend from investment in joint venture	2 851	1 760
Net cash from investing activities	(74 798)	(76 493)
Cash flow from financing activities		
Purchase of treasury shares	(1 713)	(665)
Proceeds from financial liabilities*	194 233	208 632
Repayment of financial liabilities*	(129 399)	(94 051)
Repayment of shareholder's loan	2 389	(593)
Dividends paid	(16 110)	(20 044)
Finance costs	(47 004)	(32 838)
Principal elements of lease payments	(2 302)	(848)
Net cash from financing activities*	93	59 593
Total cash movement for the year*	59 415	1 171
Cash at the beginning of the year*	33 579	32 408
Total cash at end of the year*	92 994	33 579

* Restated

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital and premium R'000	Treasury Shares R'000	Total share capital R'000
Balance at 28 February 2018	196 704	(19 399)	177 305
Profit for the year	–	–	–
Total other comprehensive income for the year	–	–	–
Shares issued	21 231	–	21 231
Purchase of own/ treasury shares	–	(665)	(665)
Dividends	–	–	–
Total changes	21 231	(665)	20 566
Balance at 28 February 2019	217 935	(20 064)	197 871
Profit for the year	–	–	–
Transactions with non-controlling interests	–	–	–
Shares issued	12 692	–	12 692
Purchase of own/ treasury shares	–	(1 713)	(1 713)
Dividends	–	–	–
Total changes	12 692	(1 713)	10 979
Balance at 29 February 2020	230 627	(21 777)	208 850

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

	Revaluation reserve R'000	Share based payment reserve R'000	Retained Income R'000
Balance at 28 February 2018	44 819	2 289	174 454
Profit for the year	–	1 309	45 338
Transactions with non-controlling interests	–	–	(110)
Shares issued	–	–	–
Purchase of own/ treasury shares	–	–	–
Dividends	–	–	(20 044)
Total changes	–	1 309	25 184
Balance at 28 February 2019	44 819	3 598	199 638
Profit for the year	–	1 309	31 480
Transactions with non-controlling interests	–	–	(4 691)
Shares issued	–	–	–
Purchase of own/ treasury shares	–	–	–
Dividends	–	–	(16 110)
Total changes	–	1 309	10 679
Balance at 29 February 2020	44 819	4 907	210 317

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

	Non- controlling Interest R'000	Total Equity R'000
Balance at 28 February 2018	(565)	398 302
Profit for the year	(813)	45 834
Transactions with non-controlling interests	110	–
Shares issued	–	21 231
Purchase of own/ treasury shares	–	(665)
Dividends		(20 044)
Total changes	(703)	46 356
Balance at 28 February 2019	(1 268)	444 658
Profit for the year	(3 423)	29 366
Transactions with non-controlling interests	4 691	–
Shares issued	–	12 692
Purchase of own/ treasury shares	–	(1 713)
Dividends	–	(16 110)
Total changes	1 268	24 235
Balance at 29 February 2020	–	468 893

SEGMENT REPORT

	Non-ferrous	Ferrous	Refractory	Plastics	Total
2020	R'000	R'000	R'000	R'000	R'000
Revenue					
Sale of goods – Local	2 593 894	959 987	147 558	39 575	3 741 014
Sale of goods – Exports	982 035	60 479	–	–	1 042 514
Rendering of services – transport and insurance	25 319	3 131	72	–	28 522
Rendering of services – sample analysis	18	–	–	–	18
	3 601 266	1 023 597	147 630	39 575	4 812 068
Cost of sales	3 301 345	939 668	129 308	27 626	4 397 947
Gross profit	299 921	83 929	18 322	11 949	414 121
Other income	18 351	1 316	–	989	20 656
Profit before operating and administration expenses	318 272	85 245	18 322	12 938	434 777
<i>Operating and administration expenses and operating losses</i>					
Communication	2 983	341	47	144	3 515
Employment costs	136 491	26 726	2 441	7 258	172 916
Motor vehicle expenses	31 254	7 726	192	799	39 971
Occupancy	29 777	6 929	1	6 443	43 150
Other expenses	64 676	12 430	464	3 922	81 492
	265 181	54 152	3 145	18 566	341 044
Operating profit	53 091	31 093	15 177	(5 628)	93 733

SEGMENT REPORT CONTINUED

	Non-Ferrous	Ferrous	Refractory	Plastics	Total
2019	R'000	R'000	R'000	R'000	R'000
Revenue					
Sale of goods – Local	3 122 163	539 297	115 526	51 248	3 828 234
Sale of goods – Exports	675 824	141	8 039	–	684 004
Rendering of services – transport and insurance	32 023	672	256	25	32 976
	3 830 010	540 110	123 821	51 273	4 545 214
Cost of sales	3 532 677	490 062	106 631	35 245	4 164 615
Gross profit	297 333	50 048	17 190	16 028	380 599
Other income	3 096	291	–	5	3 392
Profit before operating and administration expenses	300 429	50 339	17 190	16 033	383 991
Operating and administration expenses and operating losses					
Communication	2 658	93	44	288	3 083
Employment costs	121 293	8 191	2 314	10 162	141 960
Motor vehicle expenses	25 282	2 984	197	825	29 288
Occupancy	22 309	1 314	–	6 364	29 987
Other expenses	57 546	2 817	742	17 496	78 601
	229 088	15 399	3 297	35 136	282 919
Operating profit	71 341	34 940	13 893	(19 103)	101 071

There is no disclosure of segment assets and liabilities as it is not possible to specifically allocate tangible assets and liabilities to specific segments.

Management considered a combination of factors, including geographical, product types and managerial structure, to determine the operating and reporting segments. Management has determined the operating segments based on the reports reviewed and this is supported by management reporting disciplines, which include monthly variance reporting. The management Executive Committee assesses the performance of the operating segments based on sales and gross profit margin.

The main industries serviced by the Insimbi Group are the non-ferrous, ferrous, plastics and refractory industries. The segments have been aggregated as such, as they operate in the same economic environment, the products are similar and are governed by the same principles in terms of pricing and management structures.

COMMENTARY

The directors have pleasure in presenting their report on the activities of the company and the group for the year ended 29 February 2020.

1. Basis of Preparation and Accounting Policies

The results for the year ended 29 February 2020 have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act, No. 71 of 2008, and the JSE Listings Requirements. The principle accounting policies applied by the group in the abridged consolidated financial results for the year ended 29 February 2020 are consistent with those applied in the consolidated financial statements for the year ended 29 February 2020. These abridged financial statements do not include all the information for full annual financial statements and have not been audited, but are based on the audited results. The abridged results should be read in conjunction with the consolidated financial statements for the year ended 29 February 2020. The full annual financial results have been audited by PricewaterhouseCoopers Inc. and their unqualified audit report and the audited financial statements are available for inspection at the company's registered office or on our website, www.insimbi-iras.co.za. These abridged financial statements have been prepared on a going concern basis, under supervision of the Chief Executive Officer, Mr. F Botha CA(SA) and the Chief Financial Officer, Mr. AJ de Wet CA(SA).

2. Review of activities

Insimbi provides the steel, aluminium, cement, foundry, plastics, paper and pulp industries with resource-based commodities like ferrous and non-ferrous alloys, as well as refractory materials, by integrating the supply, logistics and technical support functions.

The group acquired Treppo Group Proprietary Limited ("Treppo Group") on the 28th of November 2019. The Treppo Group is principally involved in the metal recycling industry.

Insimbi continues to operate from premises in Johannesburg, Durban and Cape Town, including the AMR group active from sites in Devland, Booyens and Roodepoort on the West Rand and Group Wreck in Phoenix and Queensburgh in KwaZulu-Natal. The recently acquired Treppo Group operates in Johannesburg and KwaZulu-Natal. Insimbi has exported goods and materials across the world, including South America (Argentina and Brazil), Australia, Middle East (Bahrain, Israel and UAE), China and Asia (Hong Kong, India, Malaysia, Singapore and Taiwan), elsewhere in Africa (Angola, Botswana, Democratic Republic of Congo, Ghana, Kenya, Malawi, Mozambique, Namibia, Nigeria, Republic of the Congo, Rwanda, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe), Europe (Germany, Spain, Sweden and Switzerland) and the USA.

3. Financial Review

The steel and foundries industries in which we operate continued to struggle in the difficult local and global economies. The international trade standoff between the United States and China continued throughout the year with significant negative impact on trading. The prices on the London Metal Exchange and the rand exchange rate fluctuations resulted in market uncertainty. The results for the year include a full year of trading for Group Wreck versus only three months in the comparative period. The acquisition of the Treppo Group of companies was concluded and their results are included from 1 December 2019.

Group revenue increased by 5,9% from R4,5 billion to R4,8 billion. This increase is attributable to accounting for a full year of Group Wreck and three months of the Treppo Group which also compensated for reductions at the rest of the group. Gross profit however increased by 8,8% to R414 million from R380 million as a result of improved margins.

Operating profit of R94 million was achieved, compared to R101 million in the previous year. Operating expenses increased by 24%, of which 16% is attributable to the incorporation of Group Wreck for a full year and 6% to the Treppo Group. Effective cost control was exercised in the rest of the group, with an increase of only 2% over the

prior year.

Finance costs increased from R33 million to R50 million, mainly as a result of debt funding raised for the acquisition of and overdraft facilities for the Treppo Group. The group minimises interest paid externally by redistributing funds through a centralised treasury.

The Treppo Group was acquired at goodwill of R11,2 million. The vendors have warranted aggregate profit before taxation of R90 million for the first three years. An additional amount will be paid should this be exceeded and if this is not met, a proportion of the purchase price will be recouped.

Accounts receivable at year end amounted to R490 million, of which the Treppo Group comprises R182 million. The pre-acquisition group accounted for R308 million, compared to R392 million at 2019 year end. This improvement was due to a concerted effort to bring all customers to the agreed credit terms and a more focused collection strategy. Trade receivables remain well managed and an impairment of only 1,3% (2019: 1,1%) was provided for. Inventories at year end amounted to R197 million (2019: R168 million) after a provision of R1 million (2019: R2 million). The Treppo Group made up R21 million of this total.

Cash generated from operations increased from R45,2 million in 2019 to R146 million largely due to better working capital control. The net bank overdraft at year end was R167 million compared to R88 million for the comparative period. This increase is mainly for facilities provided to the new acquisition.

The debt to equity ratio at year end was 129% (2019: 84%). Borrowings were increased to partially finance the Treppo Group acquisition, the properties for Group Wreck, and overdraft facilities for the Treppo Group. Due to the fact that these acquisitions took place in the last quarter of the financial year, the amount of repayments have been low, which increases the ratio.

4. Market and Prospects

The onset of the Covid-19 pandemic and subsequent global and national lockdowns have put businesses in turmoil. We were permitted to operate our recycling plants at 50% capacity in May 2020, while the rest of our operations were limited to 20%. We are still assessing the impact on our supply chains and customers, but are guardedly optimistic for the future.

We remain cautiously optimistic about the rest of the year ahead despite the massive challenges facing all of us due to Covid-19 and the unavoidable worsening of the economic landscape around us. There is no doubt that the hard lockdown which resulted in almost 7 weeks of lost revenue in the first half of the 2021 financial year will have a significant impact on our group's budgeted performance and it remains to be seen how we perform in the current financial year compared to the prior 2020 year now reported on.

Any forward looking statements contained in this announcement have not been reviewed nor reported on by the company's external auditors.

5. Special resolutions

At the annual general meeting held on 4 July 2019, the following special resolutions were passed during the year under review.

It was resolved that:

- The non-executive directors' fees be increased by 5%.
- The directors be authorised to re-purchase up to 3% of the company shares subject to certain conditions.
- The directors are authorised to provide direct or indirect financial assistance to a related or inter-related company or corporation, or to a member of a related or inter-related corporation, subject to subsections (3) and (4) of the Act and the Listings Requirements.

6. Post balance sheet events

Since December 2019, the spread of Covid-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for lengthy or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-

essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

When the president declared the national state of disaster, and the economic lockdown that followed late March 2020, the group temporarily closed all of its operations in light of social distancing efforts, quarantines and border closures related to the spread of Covid-19. This resulted in a significant loss of income for the seven weeks that followed the announcement. Staff that could work from home were encouraged to do so, while others were placed on paid leave. The closure did, however, result in some cost savings on variable costs, which mitigated the loss of income to a certain extent. The group has, however, experienced operating losses during this seven weeks period.

Most of the group's operations resumed once the country moved to level 4 of lockdown, with limited staff capacity at some of the operations.

The group has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 29 February 2020 have not been adjusted to reflect their impact.

Some of the group's financial liabilities at amortised cost are subject to covenant clauses, whereby the group is required to meet certain key financial ratios. When the covenant clause is breached, the lender is contractually entitled to request immediate repayment of the outstanding loan amount.

Management has been actively engaging with the lenders and have subsequently received a waiver for the breach of covenants at the end of the first quarter, and has renegotiated new covenants for the measurement periods where they expect to be in breach of the original covenants. Management believes that the risk of the new covenants being breached is low, and that the group will continue as a going concern for the foreseeable future.

7. Directors

There have been no changes to the board during the year under review:

- In accordance with the company's memorandum of incorporation Mr. R Dickerson retires by rotation at the forthcoming annual general meeting but, being eligible, offers himself for re-election.

8. Company secretary

Mrs. N Winde was appointed as Company Secretary of Insimbi with effect from 3 October 2019 until her appointment as Group Chief Finance Officer designate of Insimbi with effect from 1 August 2020. Ms M Madhlophe has been appointed as Insimbi's Company Secretary with effect 1 August 2020.

9. Authorised and issued share capital

The issued share capital is 440 000 000 shares. 11 538 462 shares were issued in part settlement of the Treppo Group acquisition.

10. Dividends

An interim dividend number 19 of 2,0 cents per share (2019: 2,0 cents) or R8 516 806 (2018: R8 172 607) was declared on 8 October 2019 for the half-year ended 31 August 2019. Given the uncertainty that prevails in the current local and global markets as a result of the covid19 pandemic, the board has elected not to declare a final dividend (2019: 2,0 cents).

11. Notice of Annual General Meeting

Notice is hereby given that the thirteenth annual general meeting of Insimbi Industrial Holdings Limited will be held entirely via a remote interactive electronic platform Zoom on 7th October 2020 at 10:00.

At the time of writing it is fair to say that we are performing better than expected, since the lifting of level 5 lockdown. It is also fair to say, that as a result of Covid-19, we have learned not only how to adapt to the "new normal" but also how to operate more efficiently and effectively. This will result in material reductions in operating costs across the group. We are simply doing more with less. It is also no secret that due to the acquisition strategy pursued since 2016 the group

balance sheet is currently rather heavily geared. As a result of the interest rate cuts since March 2020 of over 2.75%

(with more reductions expected) per annum, we will benefit significantly from a much reduced annual interest cost. We remain committed to playing our part as a corporate citizen of this country. This includes our commitment to good corporate and financial governance but equally so ongoing transformation, and we continue to strive to reach a minimum Level 4 rating at each operating entity.

I would like to thank and recognise all our stakeholders including our shareholders, customers, suppliers and employees without whom, we would not exist. I would also like to thank my executive committee and Board members for their continued support and guidance through the very difficult and unusual financial year ended 29 February 2020.

By order of the Board

Frederick Botha
Chief Executive Officer

Directors:	F Botha (Chief Executive Officer) CA (SA) AJ de Wet (Chief Financial Officer) CA (SA) C Coombs RI Dickerson* (Chairperson) IP Mogotlane* N Mwale* CS Ntshingila* (*non-executive)
Company Secretary:	M Madhlophe
Registered office:	Stand 359 Crocker Road, Wadeville, Germiston, 1422
Website:	www.insimbi-iras.co.za
Sponsor:	Bridge Capital Advisors Proprietary Limited
Transfer Secretaries:	Computershare Investor Services Proprietary Limited
Auditors:	PricewaterhouseCoopers Inc.

Johannesburg
21 August 2020