2019

INTEGRATED ANNUAL REPORT

INSIMBI

INDUSTRIAL HOLDINGS LIMITED

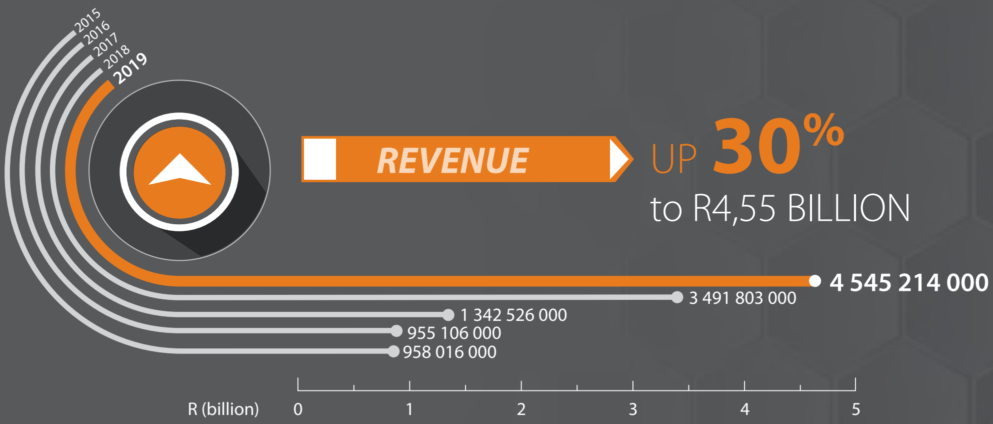
TABLE OF CONTENTS

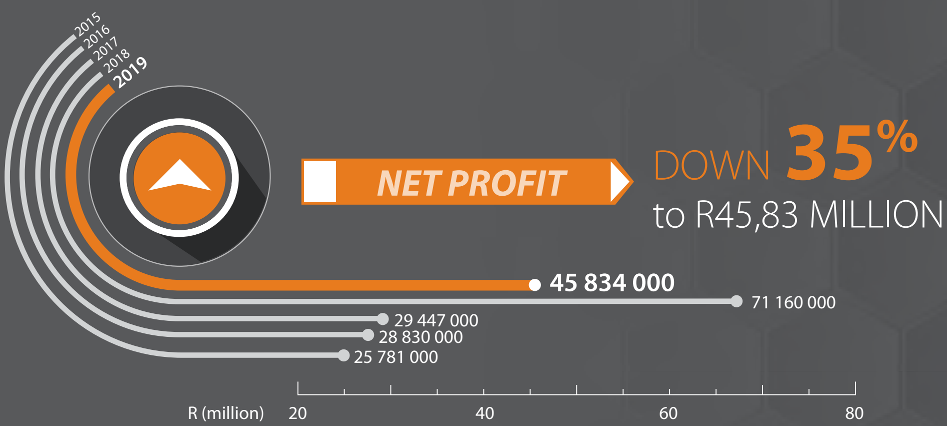
1 ABOUT INSIMBI

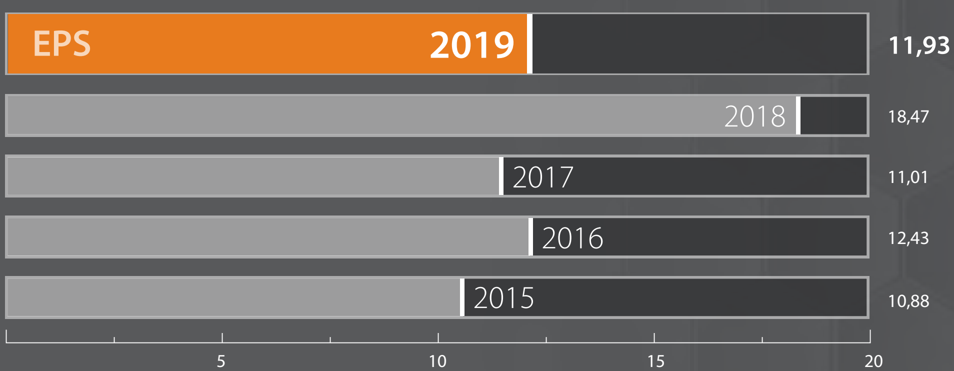
2 FINANCIAL STATEMENTS

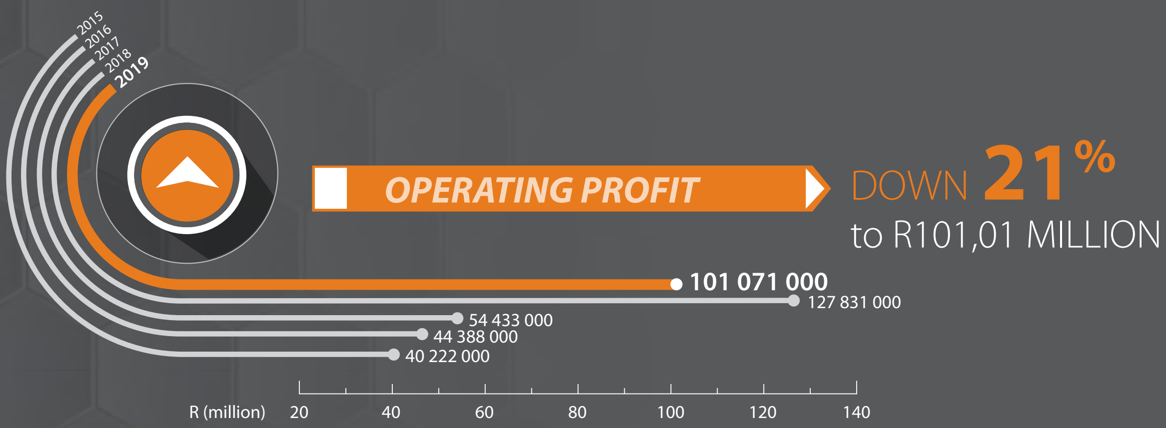
3 SHAREHOLDERS INFORMATION

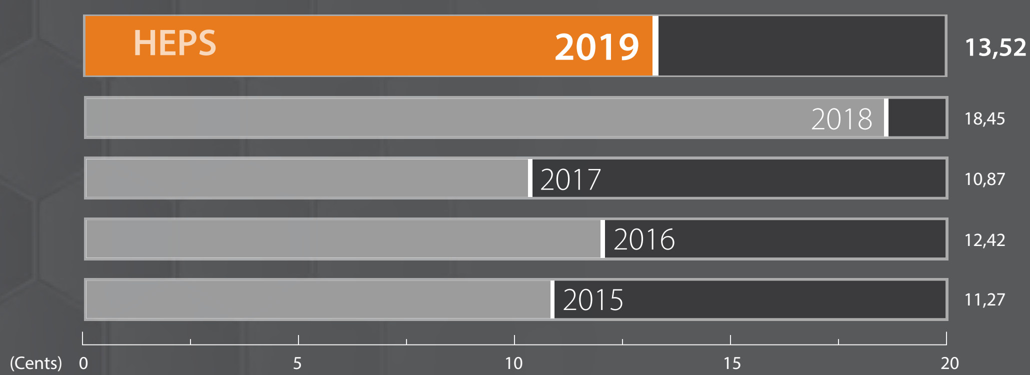
FINANCIAL INDICATORS: 5-YEAR HISTORY








2015
2016
2017
2018
2019
OPERATING PROFIT
DOWN 21%
to R101,01 MILLION
101 071 000
127 831 000
54 433 000
44 388 000
40 222 000
R (million)
20
40
60
80
100
120
140


HEPS
2019
13,52
2018
18,45
2017
10,87
2016
12,42
2015
11,27
(Cents)
0
5
10
15
20

±1 500
DIFFERENT PRODUCT LINES

±950
NUMBER OF CUSTOMERS

OVER 30
COUNTRIES SOLD TO

4
NUMBER OF SEGMENTS

±290 000
TONNES OF PRODUCT MOVED

10
NUMBER OF LOCATIONS WE OPERATE FROM

6
NUMBER OF CHARITIES WE SUPPORT

646
FULL TIME EMPLOYEES

THE INSIMBI VISION...

To be a diversified, industrial company with a regional and global footprint; to continue with its plans to become a recognised B-BBEE company with a committed and satisfied work force.

OUR MISSION...

To be the foremost ferrous, non-ferrous, refractory and plastic products supplier in Africa; to be a major exporter; to be recognised as a market leader in the supply of quality products, good service and technical support; to grow the company's market share through strategic acquisitions in addition to organic growth; to substantially control or influence the production of the majority of the company's raw materials; to ensure that a safe and healthy work environment is achieved at all times; to protect the natural environment within and surrounding the company's premises; to strengthen and grow Insimbi's business through a structured approach to diversification of products and markets and at the same time to remain focused on core activities; to be a significantly transformed, empowered, and recognised B-BBEE company.

HISTORICAL MILESTONES

1970
Metallurg Inc. (USA) establishes Metallurg SA in Johannesburg

1992
The operation moved to its current premises in Wadeville, Germiston

2003
The management of Metallurg SA enter into a leveraged buy-out agreement with the backing of RMB Corvest

2005
Executive management rebranded the company as Insimbi Alloy Supplies

2006
The management of what was Insimbi Alloy Supplies concluded a management buy-out exiting RMB Corvest

2008
Insimbi Refractory and Alloy Supplies listed on the AltX board of the Johannesburg Stock Exchange

2008
Acquired Insimbi Aluminium Alloys (ex-Future Alloys)

- **2008** – Acquired Global Materials in Cape Town including warehousing and office space
- **2010** – Acquired Metlite Alloys in Cape Town
- **2012** – Migrated to the Non-ferrous Industrial Metals sector on the main board of the JSE
- **2015** – Acquired Insimbi Plastics (Previously Polydrum)
- **2016** – Acquired Amalgamated Metals Recycling
- **2016** – Implemented employee ownership scheme
- **2018** – Acquired Minerals2Metals Proprietary Limited
- **2018** – Acquired Group Wreck International Non- ferrous Proprietary Limited

FERROUS

This segment supplies the steel, stainless steel and foundry industries with raw material requirements. The segment includes the supply of various recycled ferrous metals through Amalgamated Metals Recycling and Group Wreck.

PLASTICS

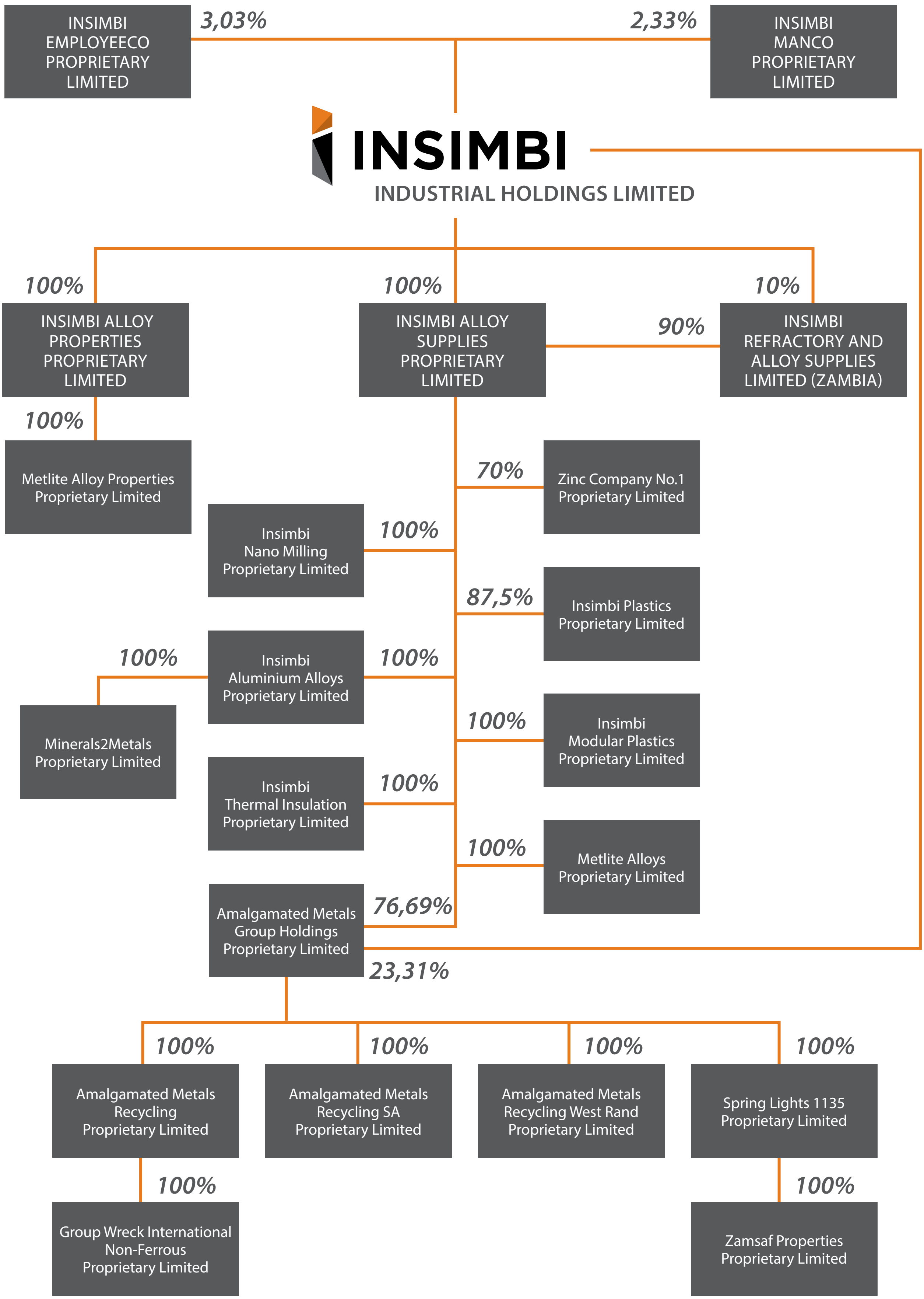
Plastics manufactures containers for various industries including the chemical, agricultural and food industries, amongst others.

NON-FERROUS

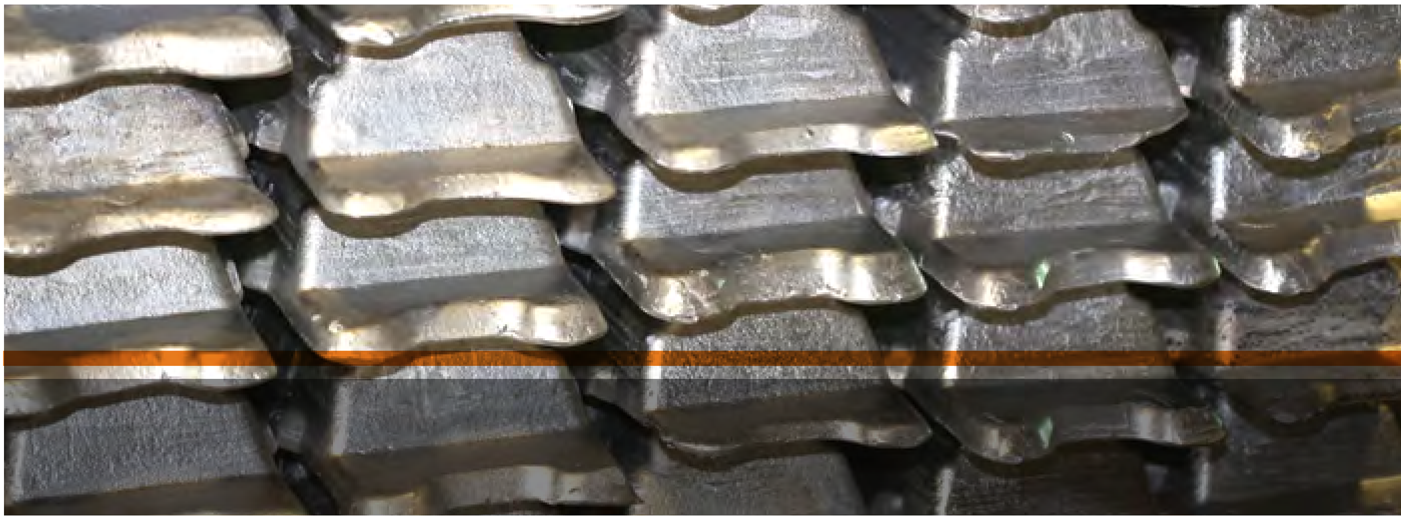
Non-ferrous consists of the divisions in the group that also service the steel, stainless steel, foundry and non-ferrous industry including the automotive and heavy aluminium industry and the powder coating industry, but with a specific focus on non-ferrous metals including copper, stainless steel and aluminium and a mojor focus on the export market.

REFRACTORY

This segment consists of the divisions that service the steel, platinum, paper and pulp, and cement industry's refractory requirements as well as the supply of industrial heat resistant textiles.


INSIMBI EMPLOYEECO PROPRIETARY LIMITED
3,03%
2,33%
INSIMBI MANCO PROPRIETARY LIMITED
INSIMBI
INDUSTRIAL HOLDINGS LIMITED
100%
INSIMBI ALLOY PROPERTIES PROPRIETARY LIMITED
100%
INSIMBI ALLOY SUPPLIES PROPRIETARY LIMITED
10%
90%
INSIMBI REFRACTORY AND ALLOY SUPPLIES LIMITED (ZAMBIA)
100%
Metlite Alloy Properties Proprietary Limited
70%
Zinc Company No.1 Proprietary Limited
Insimbi Nano Milling Proprietary Limited
100%
87,5%
Insimbi Plastics Proprietary Limited
100%
Insimbi Aluminium Alloys Proprietary Limited
100%
Minerals2Metals Proprietary Limited
100%
Insimbi Modular Plastics Proprietary Limited
Insimbi Thermal Insulation Proprietary Limited
100%
100%
Metlite Alloys Proprietary Limited
Amalgamated Metals Group Holdings Proprietary Limited
76,69%
23,31%
100%
Amalgamated Metals Recycling Proprietary Limited
100%
Amalgamated Metals Recycling SA Proprietary Limited
100%
Amalgamated Metals Recycling West Rand Proprietary Limited
100%
Spring Lights 1135 Proprietary Limited
100%
Group Wreck International Non-Ferrous Proprietary Limited
100%
Zamsaf Properties Proprietary Limited

INVESTMENT CASE



Consider the following when assessing an investment in Insimbi:

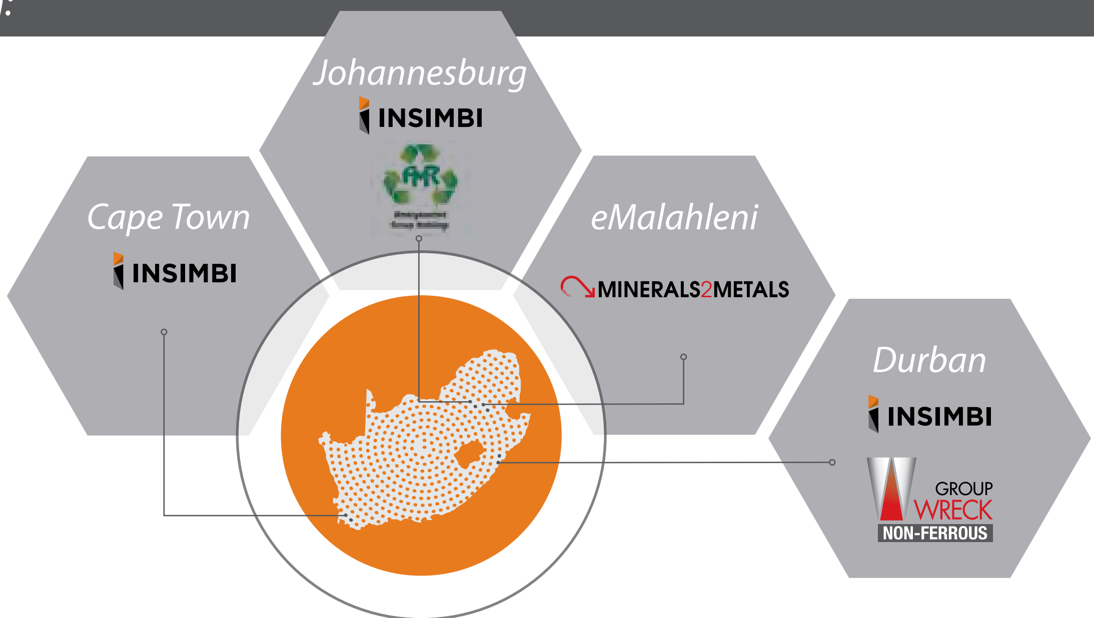
- Consistent revenue growth
- Consistent profitability
- Consistently cash flow positive
- Consistent dividend stream since listing
- Strong, experienced and effective management team
- Diversified industrial group
- Geographic spread
- Acquisitive growth

Back to index

- Angola
- Argentina
- Australia
- Bahrain
- Botswana
- Brazil
- China
- Democratic Republic of the Congo
- Germany
- Ghana
- Hong Kong
- India
- Israel
- Kenya
- Malawi
- Malaysia
- Mozambique
- Namibia
- Nigeria
- Republic of the Congo
- Rwanda
- Singapore
- Spain
- Swaziland
- Sweden
- Switzerland
- Taiwan
- Tanzania
- UAE
- Uganda
- USA
- Zambia
- Zimbabwe

Export market:

Operating from:



Despite tough trading conditions, group revenue increased by 30%

***"Profit** in business comes from repeat customers, customers that boast about your project or service, and that bring friends with them."*

– W. Edwards Deming

Once again, despite the difficult trading conditions we end the year with some solid results and some work to do in the future. That is the nature of business. While we have experienced a 30% increase in turnover in the business, we have also experienced a decline in profit. Whilst we have experienced this decline in profit, the group remains profitable. We are still able to boast that we have been profitable and cashflow positive since we listed in 2008.

The business units have performed well under the circumstances, other than the plastics business. This business is receiving the required attention from management and strategies have been implemented to ensure an appropriate recovery.

The foundation business of alloy supplies to the steel, foundry and refractory industry has increased by 20% during the year.

Amalgamated Metals Recyclers (AMR) continues to deliver pleasing results and has shown revenue growth of 30%. The acquisition model has worked for the group and was emulated in the past year with the acquisition of Group Wreck International Non-Ferrous ("Group Wreck"). This was a smaller transaction compared to AMR but the metrics and accretive value were positive and allowed us to complete the transaction. The acquisition of Group Wreck will allow the group to further diversify geographically into KwazuluNatal. These acquisitions have allowed Insimbi to maximise the value chain, with the collection, sorting and packaging of both ferrous and non-ferrous metals, and thereafter supplying same to Insimbi group companies as raw material for the production of product to our wide variety of customers. As I alluded to in the quote at the top, this is the modus operandi of the Insimbi Group. We are able to keep doing the same thing successfully with our clients, our suppliers, our group companies and, most importantly, with our staff. The management team are continuously reviewing opportunities to further enhance the Insimbi value proposition and I expect to see more transactions concluded in the next financial year.

South Africa's economy has been on the mend since last year's recessionary climate. Available indicators have been downbeat; lower inflation has done little to bolster retail sales, while dwindling business confidence and feeble manufacturing output point to another phase of foregone capital spending. More recently, Moody's upheld its investment-grade credit rating.

Real GDP growth in 2020 is expected to reach 1,5%, improving moderately to 2,1% in 2021. Gradual improvements in business and consumer confidence, and more effective public infrastructure spending, will be partially offset by slower global growth. While there has been progress on economic reforms, more effective implementation is needed. Government's efforts to stabilise state-owned enterprises – including the reconfiguration of Eskom – and infrastructure reforms are expected to support faster growth and investment in the years ahead.

The recent general elections coupled with the various commissions of enquiry in the Public and Private sectors gives me confidence that the economy has a good chance of recovery and our potential as a country to attract Foreign Direct Investment, should improve significantly.

We continue to value the contribution made by the people in the organisation and to this end have deployed a multitude of training and development initiatives. These include the registration of Insimbi as a SAICA-accredited training office and we currently have two team members on this programme. We have also appointed a transformation manager for the group. This was an internal appointment and we are already experiencing the value that this initiative has contributed. To add to this we expect our transformation scores to improve.

Insimbi was not immune to industrial action during the year. This was appropriately managed across the different businesses and while there was an effect, it was contained. In certain instances, plant level agreements were signed and the business and labour relationship restored.

I expect the business to continue on its positive trajectory. Management will ensure the continuous diversification of product, geography and revenue all while ensuring that Insimbi is able to maximise and enhance the value chain. Opportunities to achieve this are constantly being reviewed and I look forward to a better 2020.

I would like to take this opportunity to thank the Insimbi team for their contribution, and welcome the new members from Group Wreck to the Insimbi Group and hope that their contribution and engagement is a mutually beneficial one. Finally, to the board and executive management, thank you for the impact that you have made to the evolution and growth of Insimbi.

Robert Dickerson
Chairman
29 May 2019

CHIEF EXECUTIVE OFFICER'S REPORT

"Despite these headwinds, we increased revenues significantly (albeit on a lower margin for reasons mentioned), produced decent earnings, headline earnings and cash flows and successfully concluded two synergistic and value accretive acquisitions."

A translation of the word "Insimbi" has a variety of metal related inferences, including "forged" or "forging". Insimbi is a word that is commonly used in various African languages and dialects throughout the African continent.

Forging is described as a manufacturing process involving the heating and shaping of metal via compressive forces and hammer blows, which creates various products, from heavy gear systems used in underground mines to fine jewellery and objects of beauty. An item that is forged is, in turn, strong and resilient, yet flexible enough that it does not break, even when placed under extreme pressure.

If one is seen to make progress under difficult circumstances, one is said to be "forging" ahead, and relationships are often said to be "forged", implying strong bonds.

Insimbi is, therefore, an extremely apt corporate identity for our group, and I am proud of my 17-year association with what has developed into the Insimbi Group of companies. The group has grown consistently over the last 20-odd years and, in particular, the last decade subsequent to our initial public offering ("IPO") in 2008. Since our listing, we have forged ourselves into a diversified industrial group generating over R5 billion in annual revenue and employing over 640 employees, from what was a small, foreign-owned ferro-alloy and refractory specialist generating less than R250 million revenue per annum and approximately 30 employees. Insimbi now encompasses a diverse group with trading, manufacturing and beneficiation operations throughout South Africa, with representation in over 90 countries across the globe.

As Insimbi, we have remained strong yet malleable, resolute but entrepreneurial, flexible but determined, and we have very definitely forged our way through one of the toughest economic decades in recent history.

Along the way, we have forged strong alliances, partnerships, and a formidable reputation for honesty, integrity and innovative vision.

During the financial year under review, we continued our cautious but calculated "growth by acquisition" strategy and successfully acquired Minerals2Metals Proprietary Limited, an aluminium powder and ultra low-carbon ferrochrome producing operation in Witbank, in May 2018. This operation has direct synergies with our existing secondary aluminium smelting operations, as well as our ferro-alloy trading operation. Unfortunately, the rollout of this acquisition took longer than expected and it is expected to be value-accretive only in the new financial year ending February 2020.

We also finalised the acquisition of Group Wreck in November 2018. This operation is a smaller KwaZulu-Natal based replica of the Amalgamated Group we acquired at the end of 2016, and has proven to be a game-changer for our group. The acquisition has enabled us to further improve internal synergies within the group and has strengthened our geographic footprint in South Africa. The real impact of this acquisition will, however, only be felt in the 2020 financial year.

With these acquisitions, we have continued our strategy of diversification, creating a large diversified industrial group whose core focus is on the sourcing and beneficiation of non-ferrous and ferrous metals, alloys and refractories, and a small interest in the conversion of plastic polymers into containers. This is clearly evident in our segmental report.

The 2019 financial year proved to be more difficult than expected. The hope of a significant improvement in the economy post the changing of the guard that saw President Ramaphosa take the helm of the ANC and the country suffered a setback in the first financial quarter when our economy slumped into a technical recession for two, and realistically three, financial quarters. To compound this, we were faced with the USA's standoff with China, which resulted in intense pressure, particularly on our margins in the non-ferrous segment, but also across our full range of operations. Additionally, we experienced labour issues at a national level, which, due to the violence that ensued, resulted in a shutdown of our plastics operation for almost two months. We also experienced almost three weeks of unprotected strikes at our non-ferrous operation in Devland, which resulted in the closure of this operation for almost three weeks. I estimate the impact on our group revenue and operating profit of these two separate situations at approximately R230 million and R17 million respectively. Lastly, despite the perceived success of the 2019 elections and the cautious optimism that is gradually gathering momentum, it is not going to miraculously solve our socio-economic challenges and Mr Ramaphosa and his new cabinet, once announced, have their work cut out for them to ensure that sustainable and improved economic growth occurs as soon as possible to ensure that our country returns to the prosperity which will in turn, encourage the local and foreign investment we so desperately need.

To say it was a tough year would be an understatement. However, despite these headwinds, we increased revenues significantly (albeit on a lower margin for reasons mentioned above), produced decent earnings, headline earnings and cash flows, and successfully concluded two synergistic and value-accretive acquisitions.

SEGMENTAL OVERVIEW:

Ferrous

This segment supplies mainly the steel, stainless steel and foundry industries with raw material requirements. There was noticeable growth in this segment as can be seen from the segmental report, as we made significant progress in our effort to supply ferrous scrap to the steel industry. This product is traditionally a high-volume and revenue product, however, the margins are low, which is evident in the reduced overall margin on this segment.

Non-ferrous

The non-ferrous segment also services the steel, stainless steel, foundry and non-ferrous industry, including the automotive and heavy aluminium industry and the powder coating industry, but with a specific focus on non-ferrous metals including copper, stainless steel and aluminium. This segment was the worst affected by the USA's trade war with China; margins came under severe pressure as a result when compared with the previous financial year. I am optimistic that this impasse with China will be resolved soon and we are already experiencing improved London Metal Exchange (LME) pricing on copper and aluminium in particular.

Refractory

This segment services the steel foundry and non-ferrous industries, but in addition it supplies the paper and pulp, platinum, and cement industries' refractory requirements and industrial heat-resistant textiles. This segment showed impressive growth in revenue and profitability, mainly driven by efforts to increase our market share in our target industries. We remain the supplier of choice to most of the rotary kiln sector and we have cemented our relationships with our customers because of our exceptional service levels and quality product.

Plastics

Plastics manufactures mainly plastic containers for the plastic packaging industry. Customers are from the chemical, agricultural and food industries, among others. It was an extremely challenging year for this operation, partly due to the protracted and violent nationwide strike which resulted in almost two months of lost production, but we also experienced load-shedding which didn't help matters. More concerning, however, is that we lost a number of customers as a result of quality issues, which were addressed eventually, but too late to avoid a negative impact on our reputation in this sector. We are currently in the process of evaluating and identifying how to restructure this operation in the best interests of the Insimbi Group. As a result of the continued challenges experienced in this operation, we have impaired the full R8,9 million goodwill recognised on acquisition.

CHIEF EXECUTIVE OFFICER'S REPORT continued

In conclusion, I would like to thank all our stakeholders, including our shareholders, our customers, our suppliers and our 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 in a very difficult financial year. I am extremely optimistic about what lies ahead for us in the 2020 financial year, not just from an Insimbi perspective, but as a South African. As Insimbi, we have set a very strong platform over the last three years from which to prosper and grow. As a South African, I can think of no better place to be, despite the massive challenges we face, and we remain committed to playing our part as a corporate citizen of this country. This includes our commitment to good corporate and fiscal governance, but equally importantly, transformation, and we will continue to strive to reach a minimum level 4 contributor status for Broad-based Black Economic Empowerment requirements at each entity.

Frederick Botha
Chief Executive Officer
Johannesburg
29 May 2019

Back to index

"The profit for the year of **R45,8 million** ranks second only to that achieved in the prior year since the group started operations."

***"Organic** growth of 23,8% was achieved albeit at lower gross margins. The foundation business lifted revenues by 19,2% from the prior year by carefully managing the supply chain of sourcing and providing customers with commodities.*

OVERVIEW

When measured against the economic and political volatility which persisted across most of our markets, the group delivered a satisfactory financial performance in an economy which failed to record any meaningful growth. The profit for the year of R45,8 million ranks second only to that achieved in the prior year since the Group started operations.

Organic growth of 23,8% was achieved albeit at lower gross margins. The foundation business increased revenue by 19,2% compared to the prior year by carefully managing the supply chain of sourcing and providing customers with commodities. The recycling business of AMR grew 29,5% by expanding the supply of ferrous metals to the steel industry. Acquisitive growth through Group Wreck contributed 6,3% to the group since incorporation into the Insimbi Group from 16 November 2018. Minerals2Metals, which was acquired in May 2018, took longer than anticipated to rehabilitate and contributed minimally during the year under review.

REVENUE

Group Revenue increased by 30,1% from R3,5 billion to R4,5 billion. Gross profit, however, only increased by 10,1% to R380,6 million from R345,4 million as a result of subdued margins in the metal recycling and aluminium smelter businesses. The international trade stand-off between the United States and China had a negative effect on metals pricing on the London Metals Exchange and, together with the push into ferrous metals, saw margins down by 1,9% at AMR. Aluminium margins were down by 0,5% for the much the same reason.

OPERATING PROFIT AND COSTS

Operating profit of R101,1 million was achieved compared to R127,8 million in the previous year. Operating expenses increased by 27,1%, of which 7,9% is attributable to the incorporation of Group Wreck. The above inflationary increase is due to amongst others the following:

- A number of acquisition targets were pursued, incurring due diligence costs.

Back to index

- We changed bankers and raised acquisition funding with once-off facility fees.
- The petrol price increases had a major impact on road transportation costs.
- Increased electricity and water tariffs.
- Improving our computer networks to avert cyber-attacks.
- Staff costs increased by 13,4% excluding Group Wreck. Besides annual increases, appointments of skilled and appropriate staff were necessitated by the growth in the business.

FINANCE COSTS

Finance costs increased from R30,8 million to R32,8 million mainly as a result of debt funding raised for the acquisition of Group Wreck. Group Wreck is servicing the loan from income generated in the business. The group minimises interest paid externally by redistributing funds through a centralised treasury.

PROPERTY, PLANT AND EQUIPMENT

R114,3 million (2018: R20,4 million) was added to property, plant and equipment, of which R72,0 million is attributable to our two new business combinations.

GOODWILL

Group Wreck was acquired at goodwill of R66,4 million. The vendors have warranted aggregate profit before taxation of R75 million for the first three years. Additional amounts are payable should this be exceeded and if this is not met, a proportion of the purchase price will be recouped.

Insimbi Plastics had a difficult trading year which was exacerbated by the extended strike in the plastics industry. The full R8,9 million goodwill attributed to Insimbi Plastics has been impaired during the current year.

INVENTORIES AND TRADE RECEIVABLES

Inventories and trade receivables have increased in line with the higher revenue. Trade receivables remains well managed and an impairment of only 1,1% (2018: 1,3%) was provided for.

SHARE CAPITAL

18,46 million shares were issued to the vendors of Group Wreck in part consideration of the purchase price. The shares are held in trust until profit warranties have been met.

CASH FLOW AND GEARING

Cash generated from operations decreased from R164,4 million in 2018 to R45,2 million due to an increase in working capital and the lower profit before taxation. A number of trade receivables were only collected after year-end. The net bank overdraft at year-end was R50,2 million compared to R22,3 million cash in the bank for the comparative period.

The debt to equity ratio at year-end was 84% (2018: 55%). Borrowings were increased to finance the Group Wreck and Minerals2Metals acquisitions.

OUTLOOK

We look forward to political and economic stability with the successful conclusion of the elections and once Brexit have been concluded and the US-China trade matters have been resolved. Against this uncertain background, budgets for the ensuing year have been prepared, our new acquisitions are being consolidated and should contribute to another successful year.

André de Wet
Chief Financial Officer
Johannesburg
29 May 2019

FREDERICK BOTHA (55)

Chief Executive Officer: Insimbi Group

Member of the Executive Committee, permanent invitee on the Remuneration and Nominations Committee and member of the Investment Committee

BCom (UCT), BCompt (Hons) (UNISA), Chartered Accountant (South Africa)

Fred completed his articles with Coopers & Lybrand (now PricewaterhouseCoopers). Fred's experience includes both financial and operational positions in South Africa, Malawi and Zambia. He joined Insimbi in 2002 as Commercial Director and was appointed Financial Director in April 2014. Fred was subsequently appointed the Chief Executive Officer of the group on 1 June 2017 and has assumed executive responsibility for the group. He is also integrally involved in vetting of investment opportunities, due diligences and making proposals to the board regarding acquisitions which meet the company's investment strategy criteria.

CHRISTIAAN COOMBS (45)

Chief Executive Officer: Amalgamated Metals Recycling group

Member of the Executive Committee

Over the past 20 years, Chris has gained experience in the scrap metal trading industry with a focus on international commodity trading. He is a co-founder of the Amalgamated Metals Recycling group ("AMR"), which was established in 2002. He also serves on the board of the industry body, Metal Recyclers Association of South Africa.

He will focus on growing the AMR business as part of the expanding Insimbi Group.

Chris was appointed to the board of Insimbi on 16 January 2017.

ANDRÉ DE WET (65)

Chief Financial Officer

Member of the Executive Committee, Member of the Investment and Social, Ethics and Transformation Committee s

BCom (UWC), CTA (UWC), Chartered Accountant (South Africa)

André completed his articles with Ernst & Young including a two-year secondment to the Liverpool, United Kingdom office. He has operated in senior finance executive positions in both the public and private sectors. He served as Chief Financial Officer at the University of the Western Cape and the University of the Witwatersrand. He also has experience in the property development, construction and project management industry.

André was appointed to this position on 16 October 2017.

ROBERT IAN DICKERSON (66)

Chairman of the board, Independent Non-executive Director

Chairman of the Nominations and the Investment Committees, Member of the Audit and Risk Committee

BCom (UNISA)

Robert is a seasoned businessman with experience of over 40 years. He is the founder of Dickerson Investments Proprietary Limited and is the former Chief Executive Officer and Group Chairman of the Fidelity Services Group. He has previously held senior financial, sales and marketing, and CEO positions at the Chubb group of companies. He is currently a non-executive director of the Fidelity Security Group as well as a non-executive director of a number of other non-listed companies, including New Seasons Investment Holdings. Robert joined the Insimbi board on 16 January 2017 and was appointed as Chairman of the board in December 2017.

INGIPHILE PAMELA MOGOTLANE (51)

Non-executive Director

Chairperson of the Social, Ethics and Transformation Committee, Member of the Audit and Risk Committee

BCom (University of Johannesburg)

Pamela has experience in the financial industry of over 15 years.

She began her career as a junior accountant at Fabcos Investment Holdings before moving on to a leading travel agency as Finance Manager. Pamela is the Finance Director for New Seasons Investment Holdings, a black-owned investment company, and serves on the boards and committees of numerous companies within the New Seasons portfolio of investments. She joined the board of Insimbi on 9 June 2016.

NELSON MWALE (58)

Non-executive Director

Chairman of Remuneration Committee, Member of the Nominations and Investment committees

HDip (Mech Eng) (Technikon Witwatersrand), Diploma in Management (Henley), Management Advancement Programme (Wits Business School), MBA (Brunel, UK)

Nelson's experience of more than 30 years spans over manufacturing and, more recently, general management positions. He was a project engineer at Barlows Earthmoving Equipment Company, a technical engineer at Dorbyl Structures and a packaging manager (and general project manager) at South African Breweries.

Nelson is the former operations director and a shareholder of Namitech, the secure technology and solutions provider to key market focus areas. Nelson has vast experience in the West and East African markets and was instrumental in setting up the Namitech West Africa operation in Nigeria. He is currently the Chief Operating Officer of New Seasons Investment Holdings and serves on the boards and committees of numerous companies within the New Seasons investment portfolio. He was appointed to the board of Insimbi on 9 June 2016.

CLEOPATRA SALAPHI NTSHINGILA (55)

Independent Non-executive Director

Chairperson of the Audit and Risk Committee, member of the Social and Ethics and Remuneration and Nominations committees

BA (Law) LLB (University of Swaziland), H Dip Tax (Wits)

Cleopatra studied Intermodal Logistics, brokering and chartering, as well as port and terminal operations at the Global Maritime school in New York and has completed a number of leadership development courses, including Advanced Strategic Management (IMD, Switzerland), Advanced Project Finance (Institute of Euromoney, London) and Advanced Leadership Development Programme (GIBS).

Cleopatra formerly held the position of the General Manager to the Office of the Chief Executive of Transnet Freight Rail. She has served on several legal committees, as well as acting as General Counsel on the Executive Board of the Union of African Railways and as the African Region representative that advised the Executive Board of the International Association of Railways in Paris. Her experience includes positions as non-executive director and/or chairperson of various listed and unlisted companies and board committees. She was appointed to the board of Insimbi on 7 July 2015.

BRIAN CHRISTOPHER FETTING (58)

Chief Executive Officer: Insimbi Plastics

Member of the Executive Committee

Brian has spent 24 years working in the plastics blow-moulding industry, and has experience in both production and managerial capacity within the plastic blow-moulding industry.

He was previously Managing Director of Forma Packaging, and joined Insimbi Plastics in 2016 when Insimbi acquired Insimbi Plastics.

SHAUN GREEN (39)

Chief Executive Officer: Insimbi Aluminium Alloys, Metlite Alloys and Minerals2Metals

Member of the Executive Committee

BTech Engineering: Metallurgy (University of Johannesburg), Management Advancement Programme and Masters of Business Administration (Wits Graduate School of Business)

Since completing his Metallurgy qualification, Shaun has spent 15 years working in the foundry and steel industries in both a technical and managerial capacity.

He has completed the Management Advancement Programme offered by Wits Graduate School of Business and has completed the MBA. He joined Insimbi Group in 2011.

EDUARD PHILIP LIECHTI (57)

Chief Executive Officer: Insimbi Alloy Supplies

Member of the Executive Committee

National Diploma in Metallurgical Engineering (Wits Technikon)

Prior to joining Insimbi in 1988, Eddie worked as a trainee metallurgist at Haggie Rand Germiston. Over the past 28 years he has gained extensive knowledge of Insimbi's product range and has worked in and sold products to the foundry, non-ferrous, refractory and steel industries.

ANGELO SOLIMENE (60)

Chief Executive Officer: Group Wreck International Non-Ferrous Proprietary Limited

Member of the Executive Committee

Angelo possess extensive scrap metal trading industry experience and business acumen exceeding 39 years. He was appointed the Non-ferrous Trading Manager with Sims Metal Management in New Zealand and was responsible for 10 branches. He was with Sims for six years. He is a co-founder of the Group Wreck International Non-Ferrous Proprietary Limited ("Group Wreck") a leading scrap metal trading entity, which was established in April 2009 and he pioneered it for 10 years as its CEO. Group Wreck was sold to the Insimbi Group in 2018. Angelo will focus on integrating and expanding Group Wreck as part of the ever growing Insimbi Group.

COMPANY SECRETARY

THAPELO NEVILLE KGARI (50)

Company Secretary

BA (Law) (Vista - UJ), LLB (Randse Afrikaanse Universiteit RAU - UJ)

Thapelo was appointed as the Company Secretary of Insimbi Group on 1 April 2018.

He is an admitted attorney, previously appointed in the role of a company secretary by the Land Bank, Industrial Development Corporation, Legal Aid South Africa and MTN, and has more than 12 years' experience in that role.

CORPORATE GOVERNANCE

INTRODUCTION

The board of directors acknowledges that their fundamental responsibly is to lead and direct the organisation in an ethical and effective manner. The board promotes and supports ethical standards of corporate governance and to that effect endorses the principles of the King IV Report on Corporate Governance, 2016 ("King IV"). The board of directors is the focal point and custodian of corporate governance within the company and acknowledges their responsibility for ensuring that the principles of good governance are observed and entrenched across the group and implemented in the group's operations. The primary role of the board is to ensure that the Insimbi Group creates value for all our stakeholders. The directors, individually and collectively, acknowledge their responsibilities in terms of the JSE Listings Requirements ("Listings Requirements"). The board acknowledges its accountability for Insimbi's strategy, financial results, corporate governance, human resource development and also oversight of the company and stakeholder relationships.

Principles and policies of good governance are continuously assessed against King IV and Corporate Governance and best business practice. Amendments are made as and when appropriate to instil improvement.

The board and management have adopted King IV and applied it's principles and where not fully compliant, has developed a strategic plan to ensure that the principles of King IV are upheld. Insimbi will update its analysis of compliance with King IV during the 2020 financial year and will continue doing so each subsequent financial year. The assessment of the application of King IV was performed and to that effect the Insimbi King IV application register is available on the company's website at www.insimbi-group.co.za.

CORPORATE GOVERNANCE

The company's internal controls, policies and procedures assessed during the year under review enshrine the principles of King IV. Focus was placed on areas in which the application of the King IV principles may be improved, such as governance of ethics, responsible corporate citizenship, risk management, integrated reporting structure and processes and compliance. The board acknowledges that the application of King IV principles may impact on the operations of the group's business, thus changes to instil improvements on its corporate governance structures and framework will be made where required.

ETHICAL CODES AND VALUES

Insimbi conducts its business in a manner that upholds high ethical standards, Corporate Governance and integrity. Instilling ethics and upholding an ethical culture, is key to the board, thus Insimbi's commitment to ethical practices is paramount and permeates all aspects of the business. The group has a set of values which it observes in carrying out its business and has a behavioural code of conduct which requires staff to display integrity, fairness, mutual respect and openness at all times.

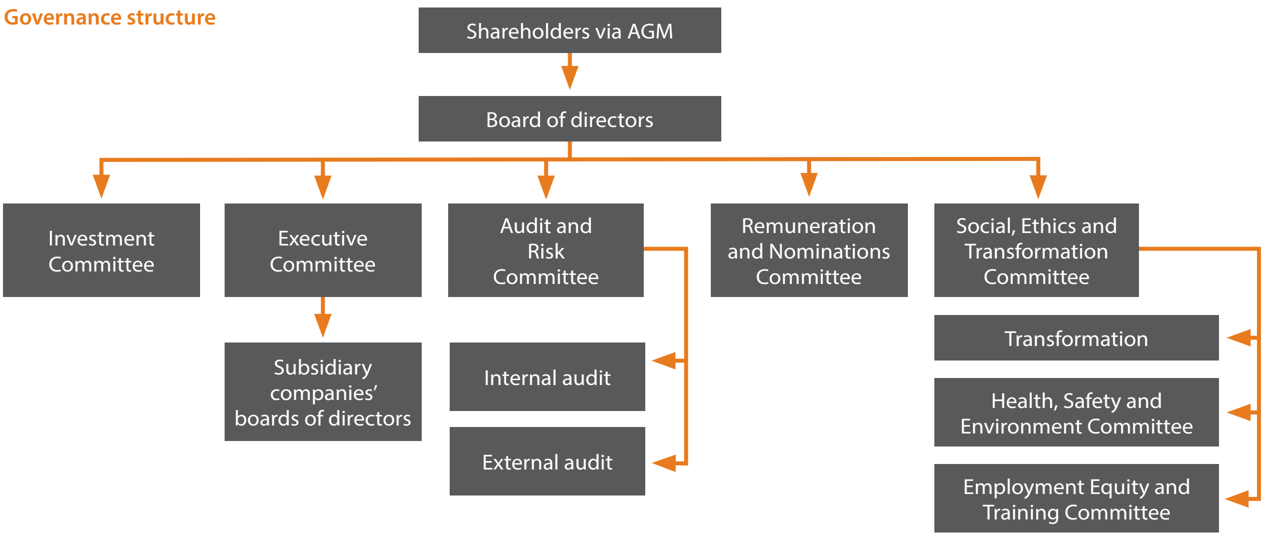
A report from the Social, Ethics and Transformation Committee appears on page 32 of this report. The committee is responsible for reviewing and updating the group's documented policies and practices to enhance and promote ethical conduct, good corporate citizenship and our commitment to transformation.

GOVERNANCE STRUCTURE

Insimbi maintains a unitary board structure with both executives and non-executive directors serving on one board which oversees the management and control structures assigned to conduct business throughout the organisation. The board set and drive the strategic direction of the company. The board retains full and effective control over the group, and monitors the implementation of plans and strategies by management. While the board remains accountable and responsible for the performance and the affairs of the company and the need to provide ethical and effective leadership, the board discharges some of its responsibilities directly and delegates certain other responsibilities to its various committees to assist it in properly discharging its duties and ensuring independent oversight. The board also delegates authority for the operational management of the group's business to the Group Chief Executive Officer for further delegation by him in respect of matters that are necessary for the effective day-to-day running and management of the business.

To ensure that the strategic direction of the company translates into execution the board holds the Group Chief Executive Officer and the Executive Committee responsible for the effective control of the group's operational

Governance structure



activities, acting as a decision-making body and facilitating communication and coordination between the various business units, companies and the board. The executive team and management are accountable for delivery, and the track of progress on a quarterly basis.

BOARD OF DIRECTORS

Board composition

As part of the process to ensure appropriate balance of skills, diversity and independence, the appointment of an additional independent non-executive director is being pursued.

The board currently comprises four non-executive directors, two of whom are regarded as independent in terms of King IV's requirements, and three executive directors. Details of the directors with brief *curricula vitae* can be found on page 19.

Diversity

Diversity enables the board to benefit from a wider range of knowledge, skills, expertise, experience and, in line with King IV principles, the directors are drawn from a variety of sectors. To construct a quality board, diversity is acknowledged as an essential ingredient in board composition and its effective functioning. It provides the board with the ability to address complex issues and the changing dynamics the organisation faces and allows multiple views on the possible outcomes. The board therefore remains committed to appointing members with different skills from diverse backgrounds and groups, ensuring that they add value to the future direction and growth of the company, which will also include greater female representation to instil gender equity. The board will continuously maintain an appropriate balance of knowledge, skills, experience and expertise in years to come.

At the time of reporting, the board comprises seven members: two black females, two black males and three white males. The transformation and gender diversity aspects of board appointments would continue to be monitored through the Social, Ethics and Transformation Committee, which will make recommendations to the board regarding changes as and when required to encourage continuous improvements.

Chair of the board

The Chairman ensures that the board is effective in its task of setting and implementing the company direction and strategy. The Chair provides leadership to the board and ensure that the board focuses on its key tasks.

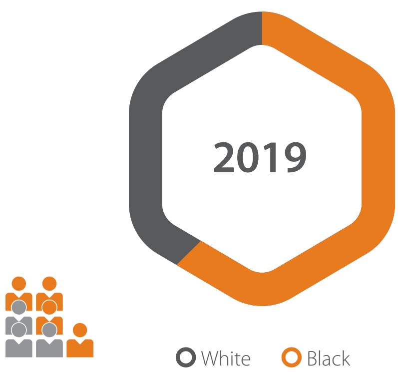
In line with best practice, the roles of Chair and CEO are separated and delineated, each with clearly defined responsibilities. Mr Dickerson has been the Chairman since December 2017. Mr Dickerson is an independent non-executive director.

Independence and performance

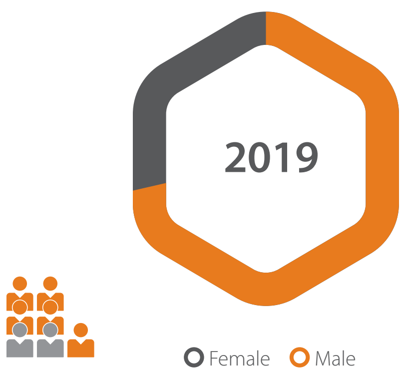
The board should comprise the appropriate balance of diversity and independence to ensure that its governance role and responsibilities are discharged objectively and effectively. To that effect, the board reviews the independence of directors on an ongoing basis and remains satisfied that they all demonstrate sound, independent judgement and mind. The categorisation of the independent directors as independent is done applying the King IV independence indicators and recommended practices as related to non-executive directors that have held long tenure as board members. The board is satisfied that, other than as disclosed, there are no relationships or circumstances likely to affect their independence or judgement. The board maintains its independence in discharging its governance role and responsibilities.

Assessments of the performance of the board collectively and the directors individually are conducted on an ongoing basis; the Chairman has addressed the board members on expectations, and a formal internal assessment was conducted during the 2019 financial year. The board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence in line with King IV.

Board transformation



Board gender diversity



Appointments to the board

The board is responsible for the appointment of new directors, and through the Remuneration and Nominations Committee is able to implement this responsibility effectively ensuring the appointment of suitable members. The Remuneration and Nominations Committee evaluates potential candidates and submits nominations to the board. The Nominations Committee assists the board in reviewing succession planning annually and includes the identification, mentorship and development of future candidates.

Newly appointed directors go through a formal induction process to familiarise them to the business of the company. The board members are encouraged to update their knowledge through continuous director development initiatives and to acquire skills by attendance of courses and discussions on relevant matters. Where the board requires expert advice and guidance on specific issues, specialists or professional persons with the required expertise are requested to present to the board and provide clarity.

In accordance with the Companies Act 71 of 2008 ("Companies Act"), the memorandum of incorporation and the recommendations of King IV (Report on Corporate Governance), one-third of the non-executive directors retire annually by rotation, and any director appointed during the year is subject to re-election at the first annual general meeting held after their initial appointment.

The executive directors and prescribed officers have standard employment contracts requiring no more than three months' notice on termination.

Board responsibilities

The board is responsible for the oversight of the company's performance and affairs, which includes protecting and enhancing the company's wealth and resources and creation of value for stakeholders, timely and transparent reporting, and acting at all times in the best interest of the company, bearing in mind its responsibilities to its stakeholders. In fulfilling this responsibility, the board sets strategic direction and priorities and oversees the strategy, acquisition and investment policy, risk management, financing and corporate governance policies of the company.

To uphold good governance and avoid conflict of interests, the board considers the extent, if any, of the director's interest in the business in terms of direct or indirect shareholding and/or any interests in contracts with the company. Where practicable to do so, the board assesses the materiality of the director's interest, but considers holdings of less than 5% as immaterial.

The board has established a number of statutory and other committees to assist in fulfilling its duties and responsibilities more effectively, which are identified in the governance framework on page 24 of this report.

To ensure that the company's core purpose, its risks and opportunities, strategy and business model, performance and sustainable development are inseparable elements of the value creation process, the board seeks to identify the group's key risk areas and key performance indicators and updates and reviews them regularly. Full and timely information is supplied to the board and committee members and they have unrestricted access to all company information, records, documents and property. Furthermore, the board ensures that the reports issued by the company enable the stakeholders to make informed assessment of the company's performance, and its short, medium and long-term prospects.

The board oversight role is ensured through quarterly board and committee meetings held in line with the terms of reference and annual plans. An annual board strategy review session would be held in 2019. Where strategic issues arise, additional meetings are held.

Attendance at board and committee meetings:

	Board	Audit and Risk	Rem Com#	Social and Ethics	Invest-ment
CF Botha	2*	n/a	n/a	n/a	n/a
F Botha	3	3*	3*	3*	3
C Coombs	3	n/a	n/a	n/a	3
RI Dickerson	3	2	3	n/a	3
A de Wet	3	3*	n/a	3	3
EP Liechti	3*	n/a	n/a	2*	n/a
IP Mogotlane	3	3	n/a	3	n/a
N Mwale	2	n/a	3	n/a	3
CS Ntshingila	3	3	2	3	n/a
Total number of meetings	**3**	**3**	**3**	**3**	**3**

 # Remuneration and Nominations
** attended by invitation*

BOARD EVALUATION

The board is committed to the spirit of promoting good governance and to continuously evaluate its performance and effectiveness in executing its governance responsibility to support continued improvement.

During the financial year an internal assessment of the board effectiveness was conducted and was found that the board was effective and operating well and aligned with the requirements of King IV.

BOARD COMMITTEES

There were no changes to the number of committees or their responsibilities during the year; all committees comprised a majority of non-executive directors.

The board ensured that delegation within its own structure promotes independent judgment. To instil effective discharge of its duties the board has delegated its authority to various board committees; with the mandate espoused in the terms of reference the committees are responsible for various governance issues and report to the board on their activities on a quarterly basis.

The Audit and Risk Committee

Terms of reference and functions

The Audit and Risk Committee consists of three non-executive directors, all of whom comply with the requirements of section 94 of the Companies Act, and was established as a statutory committee with additional functions allocated to it by the board of directors. Its role is to assist the board in discharging its duties relating to the safeguarding of assets, reviewing the operating systems and control processes, and the preparation of accurate financial reporting and statements in compliance with all legal requirements and accounting standards. The ambit of this committee has been expanded to include financial risk management, IT governance, financial compliance, combined assurance and aspects of integrated reporting. The committee does not perform any management functions or assume any management responsibilities. The committee provides a forum for discussing business risk and control issues and developing relevant recommendations for consideration by the board.

The Audit and Risk Committee has carried out its responsibilities for the year in compliance with formal terms of reference as adopted, which functions include the following:

- Consider and nominate the external auditor for appointment as such.
- Consider and make recommendations in connection with the provision of non-audit services by the external auditor.
- Prior to the commencement of the audit, determine the auditor's terms of engagement, the nature and scope of the audit and the audit fee.
- Evaluate the independence and effectiveness of the auditors and consider the extent to which, if at all, the provision of any non-audit services impaired their independence.
- Oversee and report on the integrated reporting processes.
- Ensure effective internal financial controls are maintained.
- Review the integrity of financial risk control systems and policies.
- Determine the effectiveness of the combined assurance model, plan and outcome.
- Approve Internal Audit Plan and review reports.

Membership

The Audit and Risk Committee during the year under review was chaired by Ms Ntshingila, with Mr Dickerson and Ms Mogotlane as members.

Meetings

The committee held three meetings during the year under review on 22 May 2018, 25 September 2018 and 22 January 2019.

Auditors

The company's independent external auditors are PricewaterhouseCoopers. The company has a policy to regulate the use of non-audit services by the independent external auditors.

Internal controls

The Audit and Risk Committee acknowledges that King IV recommends that the board of directors should ensure that an effective risk-based internal audit function is in place. The internal auditor completed a financial and internal control combined assurance effectiveness assessment and provided a written report to the Audit and Risk Committee. The Audit and Risk Committee has satisfied itself that the company's internal controls are designed to provide reasonable assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of its assets. In carrying out its tasks, the Audit and Risk Committee has a wide range of powers to consult both internally and externally in order to acquire the necessary resources and information to complete its duties and make an assessment in this regard.

Risk management

Emphasis is placed on the board to govern risk in a manner that supports the company in setting and achieving its strategic goals. During the year under review the board delegated the task of overseeing the risk management processes to the Audit and Risk Committee.

The committee's responsibilities include providing oversight on all material non-financial issues influencing strategy and the long-term viability of the company, namely sustainability (including safety, health and environmental matters), as well as risk management and compliance methodologies, processes and performance. The Audit and Risk Committee remains accountable for financial risk and compliance.

Management is committed to maintaining and monitoring the best possible strategies to minimise the risks and to ensure the growth of the company in the interest of all stakeholders. The company is committed to creating safe and healthy working environments to minimise the risk of injury or disease to its employees, to prevent the loss of property and to conserve the environment. The Health, Safety and Environment Committee is responsible for ensuring that employees' working conditions are safe and healthy.

Insimbi has not taken any undue, unexpected or unusual risks in the pursuit of reward and there is no current, imminent or envisaged risk that may threaten the long-term sustainability of the company.

The Audit and Risk Committee's terms of reference provide that the Chief Financial Officer and other members of the executive management be invited to attend meetings of the Audit and Risk Committee, and provide for members of the Audit and Risk Committee to meet with the external auditors without members of the executive management being present. The terms of reference provide further that at least two meetings be held each year. The committee met three times during the year.

Expertise and experience of the Chief Financial Officer

In line with the JSE Listing Requirements the Audit and Risk committee assessed the expertise and experience of the Chief Financial Officer, the audit firm as well as the individual audit partner suitability during the financial year and confirmed their suitablility.

Information Technology governance ("IT")

The board has the duty to govern technology and information and to ensure that IT supports the company's strategic objectives. The board acknowledges that information and communication are essential components in the management of the group's businesses on a sustainable basis. Accordingly, an information policy, supported by the electronic communications policy, governs the use and safeguarding of information systems and networks throughout the company.

During the year under review, the Audit and Risk Committee was responsible for assisting the board to assess and evaluate the company's overall exposure to information technology risks. The IT framework was reviewed and the governance framework was approved by the board. The IT Policies, including the Group Cyber Security Policy, were approved by the board to regulate the IT infrastructure.

The risks regarding the security, back-up, conversion and update of the Information Technology systems are continually addressed. An external party has been contracted to assess vulnerabilities and risk exposures. Disaster recovery plans are regularly reviewed as disruptions to critical management information would have a detrimental effect on continuing operations.

The Audit and Risk Committee considers the results of these reviews on a regular basis and confirms the appropriateness and satisfactory nature of these processes, while ensuring that breakdowns involving material loss, if any, together with remedial actions, are reported to the board.

The Audit and Risk Committee report is set out on page 46.

The Remuneration and Nominations Committee

The combined Remuneration and Nominations Committee was responsible for assisting the board with identifying new members for appointment to the board to enhance the effectiveness of the board.

The board, through the committee, ensures that the company remunerates fairly and transparently. The committee also monitored the group's remuneration practices, ensuring that the company's remuneration structures are fair and transparent to encourage the achievement of strategic objectives and positive outcomes in short, medium and long term, and that policies and remuneration practices are in place as key instruments which help to attract and retain suitable individuals who are able to make a commitment and contribution towards the overall goals of the company and its long-term sustainability. The committee recommends compensation strategies, policies and practices and remuneration packages which support the group's strategic objectives and reward employees for their contribution to the operating and financial performance of the organisation with due regard to performance criteria. The Nominations Committee ensures effective executive and board succession planning.

Membership

The Remuneration and Nominations Committee consisted of three members who are non-executive directors, and the group Chief Executive Officer as permanent invitee. The committee met three times during the year under review.

The chairmanship of the committee in respect of the Nominations and Remuneration Committee responsibilities continued to be split. Mr Mwale is responsible for the Remuneration Committee, while Mr Dickerson assumes the responsibility for the Nominations Committee. Ms C Ntshingila is a member of the Remuneration and Nominations committee.

The report of the Remuneration and Nominations Committee, which contains a summary of the group's remuneration policy, is set out on page 35.

Meetings

The committee held three meetings during the year under review on 12 March 2018, 10 May 2018 and 22 November 2018.

Social, Ethics and Transformation Committee

The Social, Ethics and Transformation Committee ("SETC") is a statutory organ of the company and has an independent role with accountability directly to the board.

The committee monitors the company's activities considering compliance with relevant legislation, legal requirements and prevailing codes of best practice on social and economic development, good corporate citizenship, environment, health and public safety issues, consumer relationships, anti-bribery and corruption. The committee places focus on the stakeholder management and the CSI initiatives, including the principles of the United Nations Global Compact, broad-based black economic empowerment ("B-BBEE"), employment equity and the Organisation for Economic Co-operation and Development's ("OECD") recommendations on corruption, as well as good corporate citizenship which includes promotion of equality, prevention of unfair discrimination, corporate social responsibility, ethical behaviour and managing environmental impacts and skills development.

The committee provides a forum for discussing social and ethical matters and for developing relevant recommendations for consideration by the board.

The committee reports to the shareholders at Insimbi's annual general meeting on the matters within its mandate.

Membership

The members of the committee are Ms Mogotlane as the Chairperson, Ms Ntshingila and Mr de Wet as members. All other directors, the Human Resources Manager, Health and Safety Manager and an employee representative may attend by invitation. The committee met three times during the year. Additional members to this committee may be appointed if required.

Meetings

The committee held three meetings during the year under review on 8 May 2018, 12 September 2018 and 15 January 2019.

Investment Committee

The Investment Committee forms a critical part of the corporate governance of the Insimbi Group of Companies. Its role is to ensure that the strategic capital investments (using both debt and equity instruments) made by Insimbi Group of Companies which includes the company and all associated and subsidiaries companies represent good value for money for shareholders and that clear systems exist to take strategic financial decisions on the basis of the performance of these investments and their strategic value for the group. The Investment Committee reviews the strategic investment decisions and resource allocations made to achieve investment goals, the adequacy and implementation of investment assessment and review systems.

Membership

The members of the committee are Mr N Mwale as the Chairperson, Mr Dickerson, the Chief Executive Officer and the Chief Financial Officer.

Meetings

The committee held three meetings during the year under review on 13 March 2018, 17 July 2018 and 23 January 2019.

ACCOUNTING AND AUDITING

The board is responsible for ensuring that Insimbi Group of Companies maintains adequate records and reports accurately and reliably on the financial position of the group and the results of its business activities. The external auditors are responsible for independently auditing and reporting on the financial statements in accordance with International Financial Reporting Standards ("IFRS").

The annual financial statements were prepared by Ms N Winde CA(SA) and supervised by Mr A de Wet CA(SA), Chief Financial Officer, and audited by Pricewaterhouse-Coopers Inc. in terms of the Companies Act, IFRS and the Listings Requirements.

INSIDER TRADING AND PRICE-SENSITIVE INFORMATION

The group has a written policy on insider trading, adopted by the board, which requires that no trading in shares by directors or senior executive management may take place without clearance first having been obtained from the Chairperson or the Chief Executive Officer, as the case may be. The Company Secretary retains records of such dealings and approvals.

Furthermore, no employee who comes into possession of potentially price-sensitive information may deal, directly or indirectly, in Insimbi's shares during any closed period or prohibited period. As required by the Listings Requirements, Insimbi observes at least two closed periods in each financial year (from the half-year until publication of its half-year results, and from the year-end until publication of its full year results). Further prohibited periods may be declared as and when the situation arises.

DIRECTORS' DEALINGS

The company continued to enforce closed periods prohibiting trading in shares by directors, senior executives and employees in terms of the company's share dealing and insider-trading policies. The closed periods are effective from the end of the interim and annual reporting periods until the financial results are disclosed on SENS. All directors trading in shares require the prior approval of the Chairperson of the board.

CONFLICTS OF INTEREST

Guidelines are in place to assist directors in identifying situations that could present potential conflicts of interest and provide procedures to follow in the event of such conflicts arising. These guidelines comply with the procedures prescribed in the Companies Act. In addition, there is a standing agenda item for all boards and board committee meetings within Insimbi requiring directors to disclose any direct or indirect interests which could lead to a potential conflict.

The board and employees are given guidance on how conflicts of interests may arise and how they should be addressed in its Code of Business Conduct and Conflicts of Interest policy. All material and potential conflicts of interests between a director and the company are declared and recorded at every board and committee meeting. Where a material or potential conflict arises, the matter is addressed according to the provisions of the Companies Act and the Code of Business Conduct and Conflict of Interest policy. These matters are also reported to the shareholders at the annual general meeting. For the period under review, all directors declared that they had no interests regarding any of the agenda items at either board or committee meetings.

COMPANY SECRETARY

The Group Company Secretary is responsible for director training. The Group Company Secretary and Chief Executive Officer induct new directors, which includes briefings on their fiduciary and statutory responsibilities, as well as on the group's operations as required.

The Company Secretary is accountable to the board on all governance and statutory matters, ensuring the proceedings and affairs of the board are properly administered in accordance with all applicable laws, advising directors on their duties and responsibilities and in this respect all directors have access to the services of the Company Secretary. The appointment and removal of the Company Secretary is a matter for the board as a whole.

Mr TN Kgari has was appointed in this position on 1 April 2018. The Company Secretary fulfils no executive management function and is not a director. Mr Kgari holds a BA Law and LLB degree, and is an admitted attorney. He was previously employed in the role of company secretary by Alexkor, Land Bank, Industrial Development Corporation, Legal Aid South Africa and MTN, and has more than 12 years' experience in that role. Therefore, the board is satisfied with the qualifications, competence and independence of the Company Secretary, and that the Company Secretary maintains an arm's length with the executive team, the board and individual directors, as required by the Listings Requirements.

Further details of the Company Secretary appear in the directors' report on page 23.

GOVERNING STAKEHOLDER RELATIONSHIPS

Stakeholder engagement is actively managed at various levels within the group including at shareholder, board and executive management levels. Insimbi places stakeholder inclusivity as a fundamental tenet within business. Stakeholder relationship and engagement is regularly reviewed to ensure that concerns of our stakeholders are effectively addressed. The board strives to present a balanced and understandable assessment of the group's position, addressing material matters of significant interest and concern to stakeholders. The board is responsible for formalising strategies to enhance stakeholder relations with the company. Shareholders are encouraged to attend the annual general meeting, to be held on 4 July 2019 at 10:00 at Insimbi's offices in Wadeville. Details of the annual general meeting are included in the notice of the meeting on pages 114 to 119.

INTEGRATED REPORTING AND CONTINUOUS DISCLOSURE

The company has a policy of continuous disclosure in place for directors to ensure that timely and accurate information is provided to all stakeholders. Members of the board are required to disclose any conflicts of interest which they may have at board meetings and, as a matter of good practice, are required to make a general disclosure of potential conflicts on an annual basis.

The Company Secretary is responsible for liaising with the board to ensure that the company complies with its legal obligations. No requests for information were lodged with the company in terms of the Promotion of Access to Information Act, 2000, during the year under review.

The board acknowledges its responsibility to ensure the integrity of the integrated report and its responsibility statement authorising the release of the integrated report appears on page 45 of this report.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE REPORT

The Social, Ethics and Transformation Committee ("SETC") was established in accordance with the provisions of section 72(4) of the Companies Act 71 of 2008 ("Companies Act"), and operates under board-approved terms of reference which includes holding a minimum of two meetings per financial year and reporting to the board on its activities. The committee assists the board in monitoring the group's performance against transformation objectives and as a good and responsible corporate citizen conducting a sustainable business. This report is prepared in accordance with the requirements of the Companies Act and provides feedback on the key items that occupied the committee deliberations demonstrating how the SETC has discharged its statutory duties in terms of the Companies Act as well as any additional duties assigned to the committee by the board in respect of the year under review.

overseen by the committee. The existing code of conduct was reviewed and an ethics survey was recently conducted across the group to ensure that ethics remain entrenched within the Insimbi Group. The committee has in previous years, including the year under review, been monitoring the outcomes of employee views on ethics surveys. The company achieved a good ethics rating and showed significant improvement on ethical behaviour score and employees' commitment to company values. The company is committed to continuous improvement of ethical conduct, including reduced risk through environment-related risk management and transformation initiatives.

The committee monitors ethical issues and reputational risks, as well as regulatory and general developments. It also monitors transformation initiatives and its progress against the revised B-BBEE Codes of 2016.

COMPOSITION

The members of the committee are Ms Mogotlane (Chair), Ms Ntshingila and Mr de Wet.. All directors, the Human Resources Manager, Health and Safety Manager and an employee representative may attend by invitation in terms of the committee charter. To that end, Ms N Mohamed (Human Resources Manager), Mr EP Liechti (CEO IAS and Health, Safety and Environment Representative) and Ms L Lebethe (Employee Representative and Transformation Manager) are invited to attend the meetings.

FUNCTIONING

Ethics and code of conduct

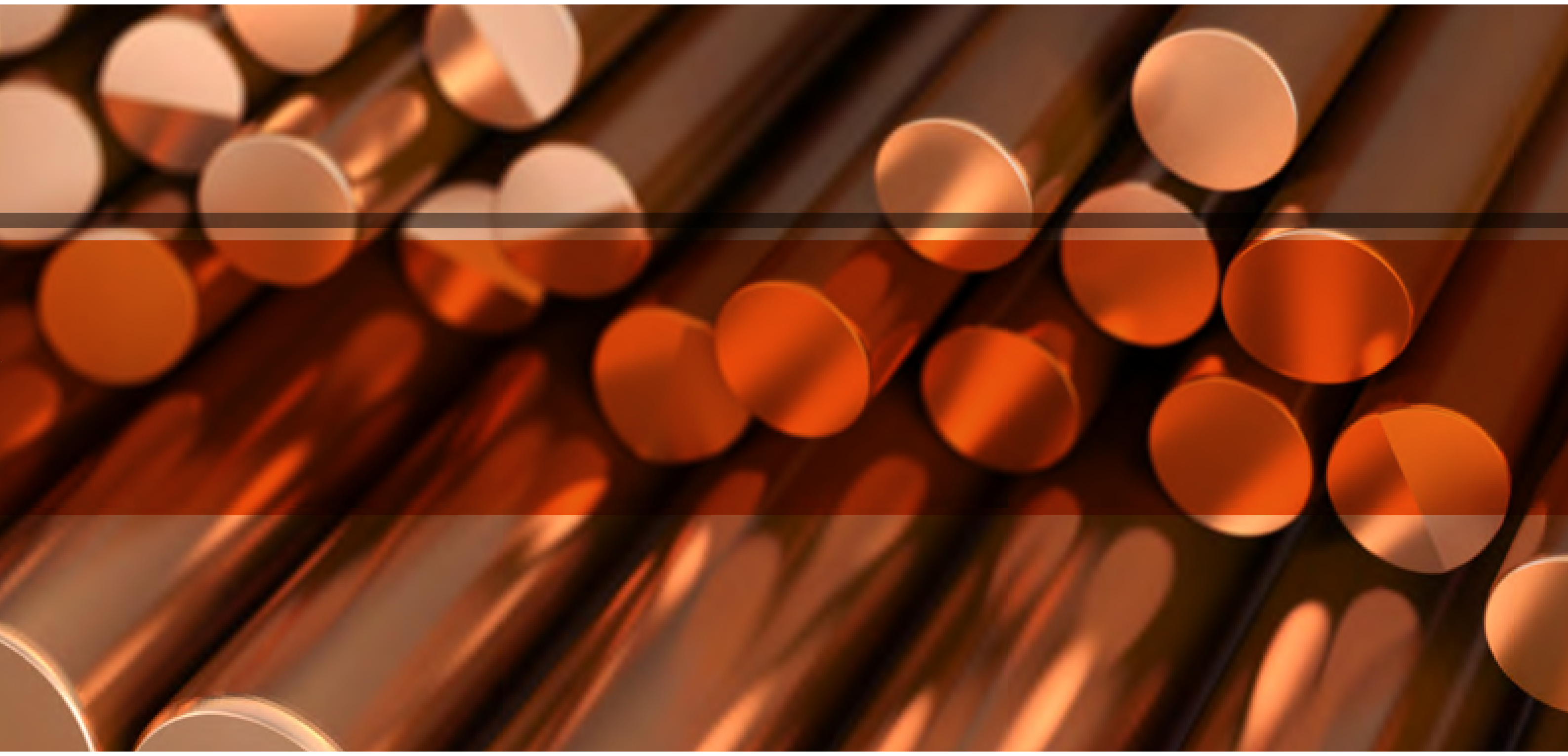
Compliance with ethical standards of behaviour, including industry practices, is expected of all staff and compliance is

Socio-economic development

The group demonstrates its commitment to making a contribution to socio-economic development by investing in appropriate programmes. The company expects to improve overall contributors level as the result of a significant investment and spend on skills development and preferential procurement. The company continues to provide enterprise development and substantially increased its spend on black-owned businesses.

Environment, health and safety

The Health, Safety and Environment Committee reports to the Social, Ethics and Transformation Committee. The committee considered the health and safety review, practices and the company's environmental footprint. The company upholds a safe working environment since it underpins its sustainability, with the company placing its people and their safety first. To continuously improve occupational health and safety across the group, effective health and safety management systems are maintained and implemented and safe behaviours are encouraged. Regular inspections are performed to assess safety conduct and to test the effective implementation of safety controls. There were no work-related fatalities and measures have been established to ensure a lower total injury frequency rate and the reduced lost time due to injuries. Risks have been identified and effective controls have been implemented. The committee took cognisance of the group's environmental impact and it strives towards an eco-friendly environment,



including energy and water usage, carbon emissions and the company's commitment to comply with all regulatory requirements encompassing reduced risk through environment-related risk management.

Environmental management is embedded in the group's operations to ensure sustainable business practices. The rising cost of energy has resulted in the efficient use thereof becoming a critical part of the group's cost management strategy. A number of surveys regarding energy usage and strategies to reduce usage have been undertaken during the year under review.

The group has since then made noteworthy endeavours to lower consumption and has invested in a 300kWh solar panel installation at its plastics operation, which has led to a 30% reduction in municipal power dependence.

The group regularly measures the emissions of all its aluminium operations in line with legislation, and will be adopting a strategy to further reduce emissions in order to maintain compliance with the reduced levels requirements when they become effective in 2020. The company will continue to encourage a culture of safe work place at all its operations in harmony with its unwavering commitment to the safety of its valuable human capital and the precious environment.

Empowerment, transformation and skills development

The group acknowledges human capital as vital to its sustainability. The company is committed to the promotion of employment equity and transformation in all of its operations and is currently undergoing another rating in terms of the revised Codes and is committed to improving where it is falling short. The committee will focus on the development, approval and implementation of appropriate strategies in this regard. The company has embarked on various transformation initiatives. To instil skill development and empower its employees, a learnership programme for over 27 employees was implemented and several mandatory and skills development training programmes were accomplished.

The group is committed to developing the skills, knowledge and capabilities of its employees to achieve sustainable business growth and to enable employees to realise their full potential. Five internal and external internships were supported. Learning and skills development interventions focused on enhancing management and leadership competencies, developing scarce and critical skills, and internal transformation.

For the year under review, the committee has reviewed the current initiatives and their effectiveness and made appropriate recommendations, and continues to monitor progress of the roadmap to address equity B-BBEE shortfalls, transformation on B-BBEE in general and the company and subsidiary B-BBEE ratings, as well as the impact of the revised and clarified Department of Trade and industry ("DTI") codes of good practice. The company continues to procure from empowered suppliers and has been instrumental in suppliers' development initiatives.

EMPLOYEE SHARE OWNERSHIP PROGRAMMES ("ESOP")

The successful implementation of the company employees empowering strategy through two ESOPs in 2016 has resulted in a greater black ownership status and is in line with the company's commitment to transformation. Since the inception of these ESOPs a value of R18 million has been created for the employees. A dividend was paid to the shareholder employees for the first time in the year under review. The company plans to expand the programme further to all its recent acquisitions.

LABOUR AND EMPLOYMENT

Employment Equity and Training Committee

The Employment Equity and Training Committee consists of employees representing all subsidiary companies and divisions within the group and is chaired by the Human Resources Manager. The committee met four times during the year under review.

The group aims to achieve the required levels of diversity across race and gender groups throughout the business. To that effect, the group will ensure that when the opportunities arise, due consideration is given to those individuals who are the right fit for the position and will enhance the diversity of the employee base. The Employment Equity and Training Committee reports to the Social, Ethics and Transformation Committee, the Chairperson of the Employment Equity and Training Committee provides feedback to the SETC.

Wellness

The wellness of its employees is vital to the company. Insimbi provides its lower-income earners with basic quality health care at its own expense.

OWNERSHIP

Our black shareholding reduced slightly in the current year as a result of shares issued in respect of the acquisition of Group Wreck. This has resulted in our black ownership decreasing from 25,2% to 24,0%.

STAKEHOLDER ENGAGEMENT

Insimbi strives to be a transparent corporate citizen. Insimbi's website contains a range of stakeholder-related information and presentations. Insimbi is considering strategies to develop and strengthen its shareholder engagement.

CORPORATE CITIZENSHIP

The company acknowledges its social commitment thorough community inclusion and uplifting and developing communities, and has been involved in various corporate social investment projects, including monitoring the spend on the projects, sponsorship and donations.

COMMITMENT

Transparent and credible reporting is upheld if indicators are identified, measured, monitored and recorded. Within Insimbi's sustainability performance, a major focus is to identify and monitor the performance of the group against the determined targets for sustainability performance and with this, meeting the legislative requirements. This commitment is maintained and will be maintained as such in the future.

APPROVAL

This Social, Ethics and Transformation Committee report has been approved by the board of directors of Insimbi.

IP Mogotlane
Chair: Social, Ethics and Transformation Committee
29 May 2019

Back to index

MEMBERSHIP

The committee consists of three non-executive directors, the majority of whom are independent. Accordingly, the committee is delineated into the Remuneration Committee and Nomination Committee. Mr Mwale is the Chairman of the Remuneration Committee and R Dickerson is the Chairman of the Nominations Committee.

The board is satisfied that the combined committee comprises suitably qualified board members and that the members act impartially and fairly in that role. The Chairs of the committee report to the board on the relative aspects of the committee's deliberations and decisions.

The Chief Executive Officer is invited to attend the committee meetings and assist the committee in its deliberations.

No individual participates in decisions regarding their own remuneration.

REMUNERATION PHILOSOPHY

The committee assists and advises the board on matters relating to remuneration. Insimbi believes in investing in its employees as they are essential to achieving its goal and strategy. The remuneration philosophy and policies support the group targets aimed at maximising shareholder value and adhering to the requirements of King IV. The group's remuneration philosophy is to attract, motivate and reward employees in a fair and responsible way to encourage a culture of high performance within the company through employees who are motivated and engaged, committed to executing business strategy, and vision, and conforming with the best practices in a sustainable manner, while having appropriate regard to shareholder interests. Total rewards are set at levels that are competitive in the context of the relevant areas of responsibility and the industry in which the group operates.

GOVERNANCE

The purpose of the committee is to provide an independent and objective governance body that will:

- ensure that the company upholds its entrenched remuneration policy;
- align performance with the strategic direction and specific value drivers of the business and the interest of stakeholders in a manner that does not encourage excessive risk-taking;
- ensure competitive reward to facilitate the recruitment, motivation and retention of high performing employees at all levels in support of corporate objectives and to safeguard stakeholder interests;
- monitor human resource strategies and policies of the group;
- make recommendations on the remuneration policies and practices for the non-executive directors, executive directors, senior management and the group in general;
- review and recommend to the board the relevant performance measures for executives; and
- make recommendations on the composition of the board and board committees.

POLICY

The remuneration policy is monitored by the Remuneration Committee. The remuneration of executive directors and senior management is determined on a total cost-to-company basis. Remuneration is reviewed annually to ensure that the executives and senior management who contribute to the success of the group continue to be remunerated at appropriate levels in line with the group's remuneration philosophy and annual performance.

The variable pay element provided by the incentive bonus scheme is intended to enhance total earning opportunities, should that be merited by corporate and individual performance as the company maintains a performance-based culture. The performance of executive directors and senior management is closely aligned with performance by the setting of key performance indicators ("KPIs") and measurement of performance against such KPIs. This is intended to align the interests of senior management with that of the shareholders in achieving group and subsidiary financial targets.

The group short-term incentive, in the form of an annual cash bonus, is linked to achieving financial, strategic and operational objectives and the company and individual employees' performance against their objectives set by management.

FIXED REMUNERATION

Insimbi applies discretion in all remuneration reviews and there is no guaranteed or minimum across-the-board increase to all employees. Gross remuneration adjustments for the 2019 financial year represent an increase of 5% over that of the prior year. Specific attention is paid to those employees on lower remuneration scales with a view to improving and uplifting their personal circumstances.

The policy regarding levels of emoluments payable to executive directors was reviewed by the Remuneration Committee. In light of the growing complexity and nature of the business, a policy, in terms of which the variable remuneration and increases is linked to the performance of the group and the portion of the business for which an executive director or prescribed officer is responsible, was introduced and implemented during the period under review. Emoluments paid to executive directors and prescribed officers appear on pages 50 and 104 of the integrated annual report.

LONG-TERM INCENTIVE

Insimbi long-term incentive, in the form of share allocation, encourages ownership and loyalty, and supports our objective to retain valued employees and drives sustainable longer-term performance and creation of wealth.

NON-EXECUTIVE REMUNERATION

Insimbi non-executive directors' fees are paid on an annual retainer basis to account for the responsibilities borne by the directors throughout the year. The NEDs receive fees for their services on the board and board committees, dependent on their attendance at meetings. The annual fees payable to non-executive directors have been substantially reviewed to align them to the changes in the size and complexity of the business. The revised structure includes a retainer payable for appointment as a director, with a further retainer payable in respect of appointment to each committee and as a chairperson of any committee. An additional amount is payable for attendance at each meeting of the board and committee, thus effectively penalising a board member who consistently fails to attend meetings regularly.

The level of fees was benchmarked against companies listed on the JSE with similar market capitalisation.

All board members are fully engaged with the company and contribute time and effort, not only by their attendance at meetings, but by making themselves available to management for consultation and input between meetings. This restructured payment arrangement is deemed appropriate in light of these considerations.

The group non-executive directors do not receive any short-term incentives, nor do they participate in the ESOP, qualify for share options, or participate in any variable pay incentive schemes.

The board resolved at its meeting held on 24 January 2019 that non-executive directors' remuneration would be increased by 5% for 2019/20 financial year in line with inflation.

Information on the fees paid to each of the non-executive directors during the year under review, as well as the proposed fees for the forthcoming year, are included in the notice of annual general meeting on pages 114 to 119.

INTEREST IN DIRECTORS' CONTRACTS

In the performance of their functions as directors, our board members have confirmed that they have no material interest in any transaction of any significance with the company or any of its subsidiaries, except as otherwise disclosed in accordance with the conflict of interest policy that was approved and adopted by the board and the declaration of personal financial interest is tabled as a standing agenda issue at each board meeting.

SHAREHOLDERS' NON-BINDING ADVISORY VOTE

In line with the King IV Report on Corporate Governance and principles of best practice, the remuneration policy as contained herein will be put to a non-binding advisory vote by shareholders at the annual general meeting scheduled for 4 July 2019.

IMPLEMENTATION REPORT

The annual financial statements of the group contain:

- the remuneration paid to the executive directors and prescribed officers of the company and its subsidiaries, while in office;

- bonuses paid to the executive director and senior management of certain subsidiaries as authorised by the board and in accordance with the bonus policy;
- the remuneration paid to the non-executive directors of the company;
- the remuneration and bonuses paid during the reporting period were in line with the remuneration policy of the group.

At the annual general meeting held on 3 July 2018 the remuneration policy and the implementation report received support at 99,84% votes.

In the event that the remuneration policy and the implementation policy are voted against by 25% or more of the votes exercised, the company will, when issuing a SENS announcement on the voting results, invite the dissenting shareholders to engage with Insimbi regarding their dissatisfaction with either of the votes. The invitation will set the manner of engagement. The company will engage with the shareholders, setting time aside for the engagements and ensuring that the dissenting shareholders views are taken into consideration. The company will then analyse the concerns and issues raised with the aim, where possible, to amend elements of the remuneration policy to align to shareholder value creation and to develop a formal response to the shareholders.

PERFORMANCE AND RE-ELECTION

In terms of the memorandum of incorporation, one-third of the non-executive directors should retire by rotation. Mr N Mwale will retire by rotation at the annual general meeting scheduled for 4 July 2019 and will be eligible and has made himself available for re-election. The committee recommends his re-election to the board.

AUDIT AND RISK COMMITTEE

The committee is satisfied that the current members of the Audit and Risk Committee, individually and collectively, satisfy the requirements of section 94 of the Companies Act 71 of 2008 and King IV. The Nominations Committee recommends the appointment of Ms CS Ntshingila, Ms IP Mogotlane and Mr R Dickerson as members of the Audit and Risk Committee, to serve for a one-year term, until the 2020 annual general meeting.

APPROVAL

This Remuneration and Nominations report has been approved by the board of directors of Insimbi.

RI Dickerson
Chair:
Nominations Committee
29 May 2019

N Mwale
Chair:
Remuneration Committee
29 May 2019

Insimbi Industrial Holdings is pleased to present its first Sustainability Report, in which the company demonstrates its commitment to sustainable business practices, as well as its focus on environmental matters that affect our business, our stakeholders, our communities and the country as a whole.

Environmental sustainability is an issue that affects us all. With increasing evidence of climate change, and a growing global awareness of the waste generated by human beings, it is vital that business operates in a manner that safeguards and protects our natural capital, the environment. By the nature of our business, we consider ourselves not only to be custodians of our planet, but significant role-players in not merely reducing waste, but actively clearing it. This is primarily achieved through our recycling business, which makes up 82% of our operations by revenue.

We believe our "above ground mining" operations – the sourcing of recyclable waste materials, processing of these, and production of usable materials to provide to industry – are critical to helping South African manufacturing businesses achieve improved sustainability. These operations also form an important part of the clean ecosystem chain, by removing waste products from landfills and our water supply, and transforming them into usable materials.

Recycling is critical to both our business, and to the environmental wellbeing of our country. One of the sources of recyclable materials employed by Insimbi Group is collecting from waste pickers, also known as trolley-pushers – a common sight on South African city streets.

THE YEAR IN REVIEW

±13 000
TONNES OF RECYCLED ALUMINIUM PROVIDED TO INDUSTRY

±184 000
TONNES OF METAL AND PLASTICS RECYCLED

3
NEW BAGHOUSES INSTALLED TO REDUCE EMISSIONS

GEOGRAPHICAL FOOTPRINT INCREASED

Thanks to the waste pickers in most of South Africa's major metropolitan areas, up to 80% of recyclable post-consumer packaging and paper material that would otherwise have ended up in landfills is collected for recycling instead. This rate is comparable to the recycling rate of some countries in Europe, and it saves South African municipalities up to R750 million in landfill expenses per annum. This vital service also provides a valuable source of employment and significantly reduces the burden on the country's waste management infrastructure.

THE CLEAN ECOSYSTEM CHAIN

Old-fashioned business practices followed the "waste chain" method, where modern business must follow the "clean ecosystem chain" to be sustainable and reduce environmental damage.

PROJECTS AND ACQUISITIONS

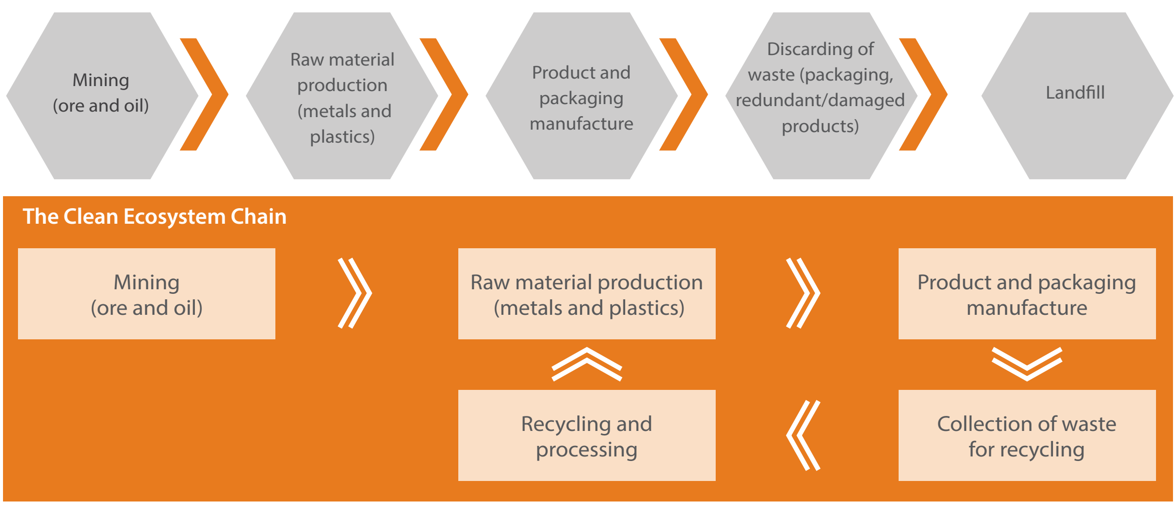
During the year under review, Insimbi Group embarked on a number of new acquisitions and projects that will ultimately help the group become a more sustainable business, and improve the company's contribution to the health of our natural environment.

Projects – New baghouses

Clean air is important from both an environmental and a business perspective. It is one of the primary focuses of the Paris Accord, and businesses globally are working to reduce their emissions.

At Insimbi Group, we are committed to eco-friendly business practices, and therefore we replaced three baghouses at our manufacturing operations during the year. These serve to dramatically reduce emissions and ensure that the business

The Waste Chain



remains compliant with the Atmospheric Emissions standards.

Baghouses are fabric filters used in a commercial environment to remove dust, particulate matter and gases that are produced or emitted during the recycling or manufacture process. This type of filtration system is particularly effective in our type of business, as recycling can produce multiple different airborne pollutants. These pollutants present a health and safety risk within the plant environment, and an environmental risk outside the plant; therefore, it is critical that these be removed from the air before they can cause damage.

Due to their nature, baghouses must be regularly maintained, and replaced when their effectiveness declines. It is with this in mind that we replaced three baghouses during the year, and that this replacement project will continue in the near future. We expect to have replaced the baghouses at all our operations by end 2020.

Acquisitions

During the year, Insimbi Group acquired two new businesses:

Minerals2Metals Proprietary Limited

This plant, situated in Emalahleni, produces aluminium powder, which is used to manufacture ultra low-carbon ferro-chrome at the same facility.

Group Wreck International Non-Ferrous Proprietary Limited

Through the acquisition of Group Wreck International, we have expanded our metals recycling footprint into KwaZulu-Natal.

Materials sourcing

As demonstrated in the diagrams on page 39, there is a significant divergence between the "waste chain" method of business and the "clean ecosystem chain" method. In the former chain, all materials – whether they are recyclable or not – end up in a landfill, thereby taking up valuable potential arable land, or in our oceans and rivers, causing damage to the water supply and marine and riverine life. In the latter chain, all recyclable materials are removed from the landfill-bound chain, processed into usable "raw" materials, and put back into manufacture.

The clean ecosystem chain also reduces our dependency on mining to provide the raw materials needed for metals and plastics manufacturing. There is a global concern about dwindling oil supplies and by reducing the need for oil as a raw material for plastics, this will ensure that reasonable reserves are maintained. Metals mining and ore processing also has a significant environmental impact, using high levels of energy and chemical processes to extract the metal from the ore. By recycling metals, we reduce these levels of energy use and other environmental damage, while still enjoying the benefits of quality metals for manufacture.

One of the primary goals of the company is increasing people's awareness of the need for recycling, and creating a market for recyclable materials. During the year, we engaged in various marketing projects to create awareness and drive the collection of recyclables.

OUR POLICIES

Insimbi Group is committed to sustainable practices. This includes caring for the environment, the prevention of pollution, and the management of waste. We demonstrate our responsibility by ensuring that all our operations are conducted with a minimum of negative environmental impact, and in compliance with all applicable requirements. To that effect, we established two policies that govern our approach to the environment and to waste management and we monitor the implementation of the policies relentlessly to ensure effectiveness and our commitment to an environmentally friendly business operation.

Our environmental policy

Our environmental policy outlines the framework that we follow to periodically set and review our objectives and targets in line with our commitment to continuous improvement of our environmental performance.

It is therefore our policy to:

- assess our activities, products and services with respect to their environmental aspects and impacts and incorporate all practicable procedures and controls to prevent environmental damage and pollution;
- promote environmental awareness among our employees and encourage them to work in an environmentally responsible manner;
- promote efficient use of materials and resources throughout our facilities, including water, electricity, raw materials and other resources, and reducing, reusing or recycling waste materials;
- avoid unnecessary use of hazardous materials and products, seek substitutions when feasible and take all reasonable steps to protect human health and the environment when such materials must be used, stored and disposed of;
- promote environmental awareness among our employees and encourage them to use resources sparingly;
- minimise control and, as far as possible, prevent the release of pollutants or other substances into the air, water or land; and
- promote water conservation in our facilities through rain-water harvesting, low-flow taps in wash basins, low-flow/energy-efficient shower heads and low-flush toilets, reuse of grey water, and repairing leaks immediately.

This policy is communicated to all employees through noticeboards, appropriate training, and awareness raising activities. The policy is also publicly available on request.

Our waste management policy

We minimise our waste production through the principles of Reduction, Re-use and Recycling throughout our operations, and ensuring that all operations and activities are fully compliant with all current waste management legislation.

The aims of our waste management policy are to:

- minimise waste production throughout the group; and
- operate within full compliance of environmental legislation.

The policy's objectives are to:

- identify areas of waste production;
- identify the most efficient methods of reducing waste production and maximising the re-use or recycling of waste material;
- manage the process to ensure compliance with best practice;
- through training and support, ensure that all staff are aware of their responsibilities under environmental law and how compliance can be achieved and maintained.

THE SIX CAPITALS

Capitals model

A brief outline of the capitals model (natural, human, social, manufactured, financial and intellectual capital) is included below. The sustainability of all aspects of the model has been considered.

Natural capital

Natural capital includes the natural resources and processes needed by Insimbi to produce its products. This includes renewable (such as water) and non-renewable (fossil fuels, minerals and metals) resources and processes such as energy consumption, waste creation, emissions, etc. Without access to natural capital, Insimbi could not operate.

Our intrinsic business model is built around the preservation of the natural environment, and on reducing the country's dependence on newly mined raw materials. Our "aboveground mining" approach directly and indirectly benefits the natural environment, making this capital vitally important to our business.

Insimbi maintains and enhances natural capital by:

- focusing our business operations on the collection and processing of recyclable materials;
- eliminating waste by reusing or recycling wherever possible;
- reducing our dependence on fossil fuel;
- protecting biodiversity and eco-systems;
- wherever possible using renewable resources for well managed and restorative eco-systems; and
- managing resources and reserves efficiently.

Human capital

Human capital includes health, safety knowledge, skills, intellectual outputs, motivation and the capacity for relationships of individuals.

To maintain sustainable performance, the company acknowledges the important role played by employees. Organisations depend on individuals to function. A healthy, motivated and skilled workforce is imperative to continuously improving and ensuring sustainable company performance. Intellectual capital and knowledge management is also recognised as a key intangible creator of wealth. Abuse of human rights or labour rights, or compromising health and safety, has direct negative impact on our human capital, as well as reputational costs.

Training and development

Development of our people is important to our business' sustainability and succession planning. During the last two quarters of 2018, we embarked on a project to identify skills gaps within each company within the Insimbi Group. We conducted an assessment to identify which training would provide the highest levels of upliftment and job-relevant upskilling. Based on the results of the assessment, the following training interventions were implemented:

- Twenty-three warehouse staff embarked on a General Education Certificate Training: Transport Level 1. The qualification is registered with the Services Seta and was approved by Merseta, to which our group belongs, as it speaks directly to our logistics and operational activities. Classes take place onsite at our Wadeville premises, and learners receive mentorship from senior Insimbi staff.
- Three production plant staff members began their National Certificate Production Technology Level 2 learnerships.
- One senior staff member enrolled in a National Business Administration Level 3 learnership.

We also identified four unemployed disabled youth whose National Certificate in Business Administration Level 3 studies we funded during the year.

Over and above these learnerships, regular skills improvement and other mandatory training was given to various staff members throughout the year.

During the coming year, we will continue to provide skills training in all our branches and departments. We have the following initiatives in place for the 2019/20 financial year:

- Five staff members from our KZN Branch will be attending a Skills Programme in Freight Handling. This warehouse handles loading and offloading of imported and exported materials, and also provides warehousing and logistical functions for the group.
- Six middle management employees will be embarking on General Management Level 5 National Certificate learnerships.
- We have been accredited as a Training Office by the South African Institute of Chartered Accountants ("SAICA"). Two employees will be enrolling as Trainee Accountants towards completing their CA(SA) qualification.

BEE and transformation

To ensure our business remains sustainable for the long term, it is important to ensure that transformation and BEE compliance is handled effectively, and with an eye on upliftment and socio-economic improvement. To this end, during the year Insimbi Group appointed a Transformation and BEE Manager.

Our current employee breakdown by race and gender is as follows:

Occupational level	Group/Gender		Group/Gender		Group/Gender		Group/Gender		
	White		African		Indian		Coloured		Total
Level	Male	Female	Male	Female	Male	Female	Male	Female	
Top management	8	2	–	–	–	–	2	–	**12**
Senior management	9	3	3	–	1	1	1	–	**18**
Middle management	16	14	8	4	–	2	2	1	**47**
Junior management	8	17	44	12	6	3	1	3	**94**
Semi-skilled	36	15	179	3	2	3	10	–	**248**
Unskilled	3	3	192	26	1	1	1	–	**227**
Grand total	**80**	**54**	**426**	**45**	**10**	**10**	**17**	**4**	**646**

Employee Share Option Schemes ("ESOPs")

Management is committed to transformation, succession planning and employee retention. To this end, Insimbi Group established two ESOPs.

Social and relationship capital

Social capital is any value added to the activities and economic outputs of an organisation by human relationships, partnerships and cooperation. Organisations rely on social relationships and interactions to achieve their objectives. Externally, social structures help create a climate of consent or a licence to operate, in which trade and the wider functions of society are possible. Organisations also rely on wider socio-political structures to create a stable society in which to operate, e.g. government and public services, effective legal systems, trade unions and other organisations.

To enhance social capital, we:

- contribute to open, transparent and fair governance;
- source material ethically, treat suppliers, customers and citizens fairly;
- respect and comply with all governing legislation;
- invest in social infrastructure;
- provide communication; and
- minimise any negative social impacts of our operations and maximise the positive impacts.

Enterprise and supplier development

The Insimbi Group supported two companies through the Sage BEE123 Enterprise Development Solution, by purchasing Sage Online Tools Software Systems for day-to-day accounting, payroll, HR and Office Assistant solutions.

We further identified five small suppliers which we funded through the Supplier Development initiative. All identified enterprises required assistance with purchasing of machinery to sustain their businesses and create employment opportunities. Grants were provided to these beneficiaries, based on their individual identified needs.

Socioeconomic development

The Insimbi Group is committed to contributing to corporate social investments that uplift the communities in which we operate. We also assist staff via bursaries with funding their children's and dependants education.

The Social, Ethics and Transformation Committee worked tirelessly over the last years to contribute towards meaningful initiatives that will make an impact in the communities where our employees reside. Insimbi Group made donations to various organisations including Central Gauteng Mental Health, Girls & Boys Towns SA, St Francis Care Centre, Community Provision and Social Worker, Manger Care Centre, and the Pink Ladies.

Manufactured capital

Manufactured capital in the trading context relates to the trading process and how it is conducted and the commodities which are being sourced and delivered to local and international customers.

Manufactured capital is important to an organisation's sustainability because its efficient application allows an organisation to be flexible and innovative and increases the speed at which it delivers.

We enhance our manufactured capital by:

- employing our infrastructure, technologies and processes to use our resources most efficiently; and
- devising technology and management systems that reduce our waste emissions.

Financial capital

Financial capital makes it possible for the other types of capital to be owned and traded and is representative of how successful the company has been at achieving the sustainable development of its natural, human, social or manufactured capital.

Sustainable organisations need a clear understanding of how financial value is created, in particular the dependence on other forms of capital. We enhance our financial capital through:

- effective management of risk;
- corporate governance structures;
- assessing the wider economic impacts of our activities on society; and
- continuously reviewing our processes and procedures to identify areas for possible improvement.

Intellectual capital

Insimbi's intellectual property is protected through employment contracts and confidentiality agreements and/or licence agreements with external parties. These agreements establish ownership of and rights to trademarks, copyright, trade secrets, innovations and inventions resulting from any dealings with the company. Where the company has identified potential infringements, it will not hesitate to take steps (including instituting legal proceedings) to protect its interests.

Why the capitals matter to our sustainability

Commitment to the six capitals is more than a simple commitment to following guidelines and good business practice. It is a clearly defined path for us to follow towards creating a business that will be economically, environmentally and socially sustainable for the long term.

By making a clear, detailed understanding of not only how each of the capitals affects our business, but how they interact with one another, we gain a deeper insight into our own motivations, methodologies and values. In turn, this allows us to build our business on a foundation that is strong and lasting.

2 FINANCIAL STATEMENTS

3 SHAREHOLDERS INFORMATION

Back to index

DIRECTORS' RESPONSIBILITY AND APPROVAL

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year to 31 May 2020 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the group's annual financial statements. The annual financial statements have been examined by the group's external auditors and their report is presented on pages 52 to 57.

The annual financial statements set out on pages 58 to 112 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 A de Wet CA(SA). The annual financial statements have been audited in compliance with the Companies Act 71 of 2008, and were approved by the board on 29 May 2019 and signed on its behalf by:

F Botha
Chief Executive Officer
Johannesburg
29 May 2019

AJ de Wet
Chief Financial Officer
Johannesburg
29 May 2019

CERTIFICATE BY COMPANY SECRETARY

In terms of section 88 of the Companies Act, I certify and confirm that the company has filed all such returns and notices as are required of a public company in terms of the Companies Act to be lodged with the Companies and Intellectual Property Commission, for the year ended 28 February 2019, and that all such returns and notices are true, correct and up to date.

TN Kgari
Company Secretary
Johannesburg
29 May 2019

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee is pleased to present its report for the financial year ended 28 February 2019. The committee is an independent statutory committee established in terms of section 94 of the Companies Act 71 of 2008 (the Act) and appointed by the shareholders of the company. In addition to its statutory duties, the board delegated further duties to the committee. The committee reports cover these duties and responsibilities at statutory and board level. The committee adopted a formal charter which has been approved by the board and sets out the committee's functions and responsibilities.

The committee has discharged all its responsibilities and carried out all its functions as contained in its terms of reference and as required by the Act. In particular, the following:

- Monitored risk management and the compliance environment throughout the group to ensure that management maintains effective internal controls and that management demonstrates and stimulates the necessary respect for these disciplines and structures.
- Monitored the risk management framework and assessed the risks that impact on the group's ability to achieve its strategic objectives.
- Ensured that appropriate financial reporting procedures are in place.
- Reviewed the interim and annual financial statements and recommended them for adoption by the board, focusing on:
  - the going concern statement;
  - major judgement areas; and
  - compliance with accounting standards, stock exchange and statutory requirements.
- Received and reviewed the report from the external auditors, which included commentary on the effectiveness of the internal control environment, systems and processes and, where appropriate, made recommendations to the board.
- The internal audit function has been functional and staffed during the year under review. Internal Audit has developed an Internal Audit Coverage Plan which includes a rolling three-year plan. Some of the work included:
  - assisting with the development of policies and procedures in a number of the entities within the group which is still ongoing;
  - implementing a Risk-based internal audit methodology and utilising this methodology to conduct internal audits as per the plan;
  - developed the Combined Assurance Framework and Plan for implementation during the 2020 financial year with the objective of external audit switching to a controls-based audit and a reduction in external audit fees; and
  - developed the Enterprise Risk Management Framework and conducted Risk Assessments within group entities, and monitored the risk management processes within the group.
- The committee confirms that it has not identified any material lapses in internal financial and operational controls during the financial year and that there are no significant gaps in audit assurance.
- Reviewed the independence of the external auditors, PricewaterhouseCoopers, and recommended them for re-appointment as auditors for the 2020 financial year at the annual general meeting, with Mr JP van Staden as designated auditor.
- Monitored the compliance of the group with legal requirements, statutes, regulations and the group's approach to ethics.
- Monitored the adequacy and efficiency of information systems and effectiveness of information security;
- Determined the fees to be paid to the external auditors and the terms of their engagement and oversaw the external audit process.
- Determined the nature and extent, if any, of non-audit services which may be provided by the external auditors to avoid material conflicts of interest and pre-approved the contract terms for the provision of such non-audit services.
- Monitored compliance activities.
- Received and dealt appropriately with any complaints, from inside or outside the group, relating to the accounting practices and internal controls of the group, the content or auditing of its financial statements, the internal financial controls or any related matter.
- In accordance with King IV, ensured that the information technology governance forms part of the overall company governance structure, policies and procedures with IT integrated into the group's strategic and business processes and was well managed.
- Regularly reviewed processes and procedures to ensure the effectiveness of internal systems of control, including information and technology management, and accepted responsibility for the total process of risk management.
- The audit committee has considered the JSE letter of 20 February 2019 (JSE Proactive monitoring process), and those of previous periods, and has taken appropriate action to apply the findings.

It is noted that the committee is a combined Audit and Risk Committee. In its capacity as the Risk Committee, the committee identifies areas of risk within the group, and monitors steps taken to mitigate those risks and the outcome of such processes.

The committee members are all non-executive directors and satisfy the requirements of independence of the Act. Details of membership of the committee can be found on page 27 in the corporate governance report. The committee has proposed that the following non-executive directors be appointed as committee members by the shareholders at the annual general meeting to be held on 4 July 2019: Ms C Ntshingila (Chair), Mr RI Dickerson and Ms IP Mogotlane. At the annual general meeting, the inclusion of the Chairman of the board as a member of the Audit Committee will specifically be brought to the attention of shareholders.

The committee meets at the minimum twice every year, as required by its charter. Meetings are attended by the external auditors, the Chief Executive Officer, the Chief Financial Officer, other board members, members of management, internal auditors, and invitees as considered appropriate by the committee's chair. Details of the number of meetings held and attendance by committee members can be found on page 27.

The committee considered the appropriateness and expertise of the finance function in accordance with the JSE Listings Requirements and governance best practice. The committee confirms that the Chief Financial Officer, Mr A de Wet, has the appropriate expertise and experience.

The Audit Committee charter provides for confidential meetings between committee members and the external auditors without executive management being present. The external auditors have unrestricted access to the committee.

Following the review and evaluation of the integrated annual report 2019, the committee is satisfied that it complies in all material respects with its legal, regulatory and other responsibilities as per its terms of reference and with the requirements of the Act and International Financial Reporting Standards ("IFRSs"), and recommended it to the board for approval.

On behalf of the Audit and Risk Committee

CS Ntshingila
Chair: Audit and Risk Committee
29 May 2019

The directors have pleasure in presenting their report on the activities of the company and the group for the year ended 28 February 2019. The consolidated financial statements for the year ended 28 February 2019 were approved by the directors at a meeting held on 24 May 2019.

Insimbi Industrial Holdings Limited ("Insimbi") is a public company incorporated in South Africa and listed on the JSE. 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 function.

GENERAL REVIEW

Insimbi continues to operate from premises in Johannesburg, Durban and Cape Town, including the AMR group active from sites in Devland, Booysens and Roodepoort on the West Rand and Group Wreck in Phoenix and Queensburgh in 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.

The financial results of the group and the company for the year ended 28 February 2019 are set out herein with commentary in the Chairman's, CEO's and CFO's reports.

SHARE CAPITAL

The issued share capital is 428 461 538 shares. 18 461 538 shares were issued in part settlement of the Group Wreck acquisition.

DIVIDEND

An interim dividend number 16 of 2,0 cents per share (2018: 3,0 cents) or R8 172 607 (2018: R12 283 079) was declared on 27 September 2018 for the half-year ended 31 August 2018. The board has elected to retain this conservative approach and has opted to declare a final dividend of 2,0 cents per share (2018: 3,0 cents).

COMPLIANCE WITH KING IV

The Insimbi Group is committed to the principles of effective corporate governance and complies substantially with the principles of King IV. During the forthcoming year, Insimbi will be updating its analysis of compliance with King IV and developing a project to address any areas identified for improvement.

SPECIAL RESOLUTIONS ADOPTED BY THE COMPANY

No special resolutions were passed in the year under review.

INTERESTS IN SUBSIDIARIES

As at 28 February 2019, Insimbi held the following interests in the subsidiaries listed below:

Name of subsidiary	Par value of issued shares	**Percentage holding 2019 %**	Percentage holding 2018 %	**Indebtedness 2019 R'000**	Indebtedness 2018 R'000
Insimbi Alloy Supplies Proprietary Limited	100 ordinary shares of R1 each	**100,00**	100,00	**200 256**	53 702
Insimbi Alloy Properties Proprietary Limited	100 ordinary shares of R1 each	**100,00**	100,00	**(4 535)**	5 456
Insimbi Refractory and Alloy Supplies Limited, incorporated in Zambia*	10 ordinary shares of K1 000 each	**10,00**	10,00	**–**	–
Insimbi EmployeeCo Proprietary Limited^	1 000 ordinary shares of R0,01 each	**0,01**	0,01	**2**	1
Insimbi ManCo Proprietary Limited^	1 000 ordinary shares of no par value	**0,02**	0,02	**2**	1
Amalgamated Metal Group Holdings*	20 000 ordinary shares of no par value	**23,31**	23,31	**–**	–

* *Effectively 100% holding within the group*

^ *Special purpose entities under control of the group*

INTERESTS IN SUBSIDIARIES CONTINUED

Name of subsidiary	Par value of issued shares	Percentage holding 2019 %	Percentage holding 2018 %	Indebtedness 2019 R'000	Indebtedness 2018 R'000
Interest in subsidiaries through Insimbi Alloy Supplies Proprietary Limited					
Insimbi Aluminium Alloys Proprietary Limited	100 ordinary shares of R1 each	**100,00**	100,00	**13 256**	–
Insimbi Modular Plastics Proprietary Limited	120 ordinary shares of R1 each	**100,00**	60,00	**45**	–
Insimbi Nano Milling Proprietary Limited	100 ordinary shares of no par value	**100,00**	100,00	**3 765**	–
Insimbi Refractory and Alloy Supplies Limited, incorporated in Zambia*	90 ordinary shares of K1 000 each	**90,00**	90,00	**–**	–
Insimbi Thermal Insulation Proprietary Limited	404 ordinary shares of R1 each	**100,00**	100,00	**–**	–
Metlite Alloys Proprietary Limited	52 ordinary shares of R1 each	**100,00**	100,00	**593**	2
TP Hentiq 6064 Proprietary Limited§	10 000 ordinary shares of R0,001 each	**–**	100,00	**–**	782
Insimbi Plastics Proprietary Limited	200 ordinary shares of R1 each	**87,50**	87,50	**24 252**	2
Amalgamated Metals Group Holdings Proprietary Limited*	65 808 ordinary shares of no par value	**76,69**	76,69	**2 227**	–
Interest in subsidiaries through Insimbi Alloy Properties Proprietary Limited					
Metlite Alloy Properties Proprietary Limited	100 ordinary shares of R1 each	**100**	100	**2**	–
Interest in subsidiaries through Insimbi Aluminium Alloys Proprietary Limited	100 ordinary shares of R1 each	**100**	100	**–**	–
Minerals 2 Metals Proprietary Limited	1 000 ordinary shares of R1 each	**100**	–	**–**	–
Interests in subsidiaries through Amalgamated Metals Group Holdings Proprietary Limited*	65 808 ordinary shares of no par value	**76,69**	76,69		
Group Wreck International Non-ferrous Proprietary Limited	3 060 B Class shares with no par value	**100**	–	**15**	–
Amalgamated Metals Recycling Proprietary Limited	100 ordinary shares of no par value	**100**	100	**60 816**	–

** Effectively 100% holding within the group*

§ The company was deregistered in the current year, therefore the shareholding is 0%

DIRECTORATE

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

- In accordance with the company's memorandum of incorporation Mr N Mwale retires by rotation at the forthcoming annual general meeting but, being eligible, offers himself for re-election. A brief biographical note on Mr N Mwale may be found on page 21 of this report.

DIRECTORS' AND PRESCRIBED OFFICERS' INTERESTS

As at 28 February 2019, the directors' and prescribed officers' beneficial and non-beneficial, direct and indirect interests in the issued share capital of the company amounted to 59,81% (2018: 49,25%) in aggregate. The interests of the directors and prescribed officers are as follows:

	Beneficial				Non-beneficial			
	Direct		Indirect		Direct		Indirect	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Directors								
F Botha	**36 847 300**	36 847 300	**–**	–	**–**	–	**288 376**	250 000
C Coombs	**–**	–	**21 950 200**	21 950 200	**–**	–		
A de Wet	**–**	–	**–**	–	**–**	–		
N Mwale	**–**	–	**–**	–	**–**	–	**82 000 000**	82 000 000*
IP Mogotlane	**–**	–	**–**	–	**–**	–	**82 000 000**	82 000 000
RI Dickerson	**–**	–	**–**	–	**–**	–	**82 000 000**	82 000 000
Prescribed officers								
CF Botha	**29 167 000**	29 547 000		–	**–**		**250 000**	250 000
D de Beer	**–**			–	**–**		**–**	–
S Green	**–**			–	**–**		**–**	–
EP Liechti	**30 297 000**	30 297 000		–	**–**		**250 000**	250 000
N Winde	**–**			–	**–**		**–**	–
Total	**96 311 300**	97 229 676	**21 950 200**	21 950 200	**–**		**82 788 376**	82 750 000

** 82 000 000 shares held by New Seasons Investment Holdings Proprietary Limited; not by individual directors (now K2017289277 (South Africa) Proprietary Limited – NS InvestCo*

As at the date of preparation of this report, none of the directors or prescribed officers have disposed of any of the shares held by them as at 28 February 2019.

The current EmployeeCo and ManCo share ownership schemes do not involve direct ownership in Insimbi by management or employees as none of the shares have vested.

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

Emoluments paid to directors and prescribed officers of the group are set out below:

	Fees 2019 R'000	**Salary 2019 R'000**	**Expense allow-ances* 2019 R'000**	**Pension fund contri-butions 2019 R'000**	**Incentive bonus 2019 R'000**	**Share-based payments 2019 R'000**	**Total 2019 R'000**	Total 2018 R'000
Executive								
F Botha	**–**	**3 538**	**525**	**–**	**1 945**	**–**	**6 008**	3 703
C Coombs	**–**	**3 063**	**132**	**–**	**1 507**	**–**	**4 702**	2 993
A de Wet	**–**	**1 780**	**110**	**–**	**150**	**–**	**2 040**	683
Total executive	**–**	**8 381**	**767**	**–**	**3 602**	**–**	**12 750**	7 379
Non-executive								
RI Dickerson	**529**	**–**	**–**	**–**	**–**	**–**	**529**	383
IP Mogotlane	**328**	**–**	**–**	**–**	**–**	**–**	**328**	459
N Mwale	**278**	**–**	**–**	**–**	**–**	**–**	**278**	470
C Ntshingila	**351**	**–**	**–**	**–**	**–**	**–**	**351**	346
B Craig [1]	**–**	**–**	**–**	**–**	**–**	**–**	**–**	749
Total non-executive	**1 486**	**–**	**–**	**–**	**–**	**–**	**1 486**	2 407

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS CONTINUED

	Fees 2019 R'000	Salary 2019 R'000	Expense allow-ances* 2019 R'000	Pension fund contri-butions 2019 R'000	Incentive bonus 2019 R'000	Share-based payments 2019 R'000	Total 2019 R'000	Total 2018 R'000
Prescribed officers								
EP Liechti	–	2 350	267	–	–	–	2 618	2 496
CF Botha	–	2 084	511	–	–	–	2 596	2 474
D de Beer	–	1 700	83	292	–	144	2 219	1 770
B Fetting	–	731	220	43	–	3	997	793
S Green	–	1 221	165	236	300	188	2 110	1 477
CM Lindeque	–	918	149	100	1 825	–	2 992	600
N Winde	–	883	–	144	100	72	1 199	1 079
A Solomene [2]	–	666	–	34	–	–	700	–
Total prescribed officers [3]	–	10 554	1 396	849	2 225	407	15 430	10 689
Total	1 486	18 935	2 163	849	5 827	407	29 667	20 475

* *Includes medical aid and travel allowances*
[1] *Resigned 15 December 2017*
[2] *Became a member of management committee on 15 November 2018*
[3] *Paid by the relevant subsidiary*

AUDITORS

PricewaterhouseCoopers Inc. continued as auditors for the year under review.

COMPANY SECRETARY

Mr TN Kgari was appointed on 1 April 2018.

GOING CONCERN

The directors have reviewed the group's cash flow forecast for the year to 31 May 2020 and, in light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors are of the view that Insimbi is a going concern.

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Back to index

To the Shareholders of Insimbi Industrial Holdings Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Insimbi Industrial Holdings Limited (the Company) and its subsidiaries (together the Group) as at 28 February 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Insimbi Industrial Holdings Limited's consolidated and separate financial statements set out on pages 58 to 112 comprise:

- the consolidated and separate statements of financial position as at 28 February 2019;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the annual financial statements, which include a summary of significant accounting policies.

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BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

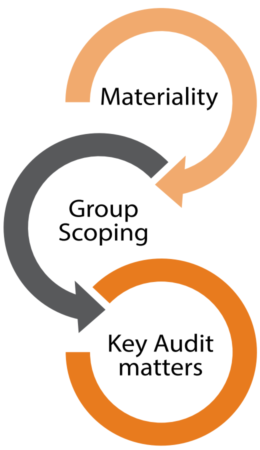
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

OUR AUDIT APPROACH

Overview



Overall group materiality

- Overall group materiality: R4 million, which represents 5% of adjusted consolidated profit before tax.

Group audit scope

- The group comprises of 21 components. Full scope audits were performed at 6 financially significant components, specified procedures were performed at 8 components, and further analytical review procedures were performed over the remaining balances and the consolidation process in order to gain sufficient evidence over the consolidated numbers.

Key audit matters

- Acquisition of Group Wreck International Non-Ferrous Proprietary Limited
- Impairment assessment of goodwill and property, plant and equipment

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

OUR AUDIT APPROACH CONTINUED

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R4 million
How we determined it	5% of adjusted consolidated profit before tax (adjusted for once off items including impairment charges on the Insimbi Plastics business of R8,9 million, gain on bargain purchase in a business combination of R2,8 million and acquisition costs relating to the acquisition of Group Wreck International Non-Ferrous Proprietary Limited and Minerals 2 Metals Proprietary Limited of R5,8 million).
Rationale for the materiality benchmark applied	We chose adjusted consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. The consolidated profit before tax was adjusted to exclude items that are not reflective of the ongoing operations of the business. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises 21 components organised across four operating segments, namely Non-ferrous, Ferrous, Refractory and Plastics.

The audits undertaken for Group reporting purposes are in respect of the key components of the Group, equating to full scope audit procedures being performed at 6 components due to their financial significance and specified audit procedures on 8 components as a result of significant account balances and transactions within these components. In addition, the group engagement team performed further analytical review procedures over the remaining balances and performed testing procedures over the consolidation process in order to gain sufficient evidence over the consolidated numbers.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, or component auditor from another network operating under our instruction. Where the work was performed by the component auditor, we determined the level of involvement we needed to have in the audit work at that component to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following key audit matters relate to the consolidated financial statements. We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company for the current period.

KEY AUDIT MATTERS CONTINUED

Key audit matter	How our audit addressed the key audit matter
Acquisition of Group Wreck International Non-Ferrous Proprietary Limited	
Refer to note 38 (Business Combinations) to the consolidated financial statements. The Group completed its acquisition of Group Wreck International Non-Ferrous Proprietary Limited (Group Wreck) on 16 November 2018 upon fulfilment of all suspensive conditions. The acquisition was completed for a total consideration of R116,5 million, resulting in the recognition of goodwill amounting to R66,4 million in the current year. We considered the acquisition of Group Wreck International Non-Ferrous Proprietary Limited to be a matter of most significance to our current year audit due to the following: • The measurement of the purchase consideration required management judgement in estimating the fair value of the contingent consideration components, which were based on probability-adjusted forecast net annual profits discounted to a present value; and • The measurement of the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values required significant management judgement and estimation.	We evaluated the underlying acquisition agreements for the appropriate accounting treatment in terms of IFRS 3 Business Combinations and the Group's accounting policy. We obtained management's calculation of the purchase consideration and assessed the reasonability thereof by comparing the respective cash, non-cash, contingent and deferred components to the relevant contractual agreement terms without exception. We further assessed the reasonability of the contingent consideration as calculated by management by obtaining and comparing the various scenarios underlying the profit forecasts of the acquiree, as well as the probabilities assigned by management to each of those scenarios, to current and historical results as well as board approved forecasts and plans of the acquiree. We found the range of forecast net annual profits and the related probabilities assigned by management to be within a reasonable range of actual current and historical results and that it adequately incorporated board approved forecasts and plans. We assessed the reasonability of the discount rate used by management to calculate the present value of the deferred and contingent consideration by comparison to current borrowing rates of the Group. The discount rate used by management was in line with the borrowing rate on vendor loans currently existing within the Group, arising from the Group Wreck as well as the previous Amalgamated Metals Recycling Proprietary Limited business combinations. We concurred with the discount rate used by management. We held discussions with management to obtain an understanding of management's process for identifying all separately identifiable assets acquired and liabilities assumed and inspected management's documented process. In assessing the completeness and appropriateness of the identification of assets acquired and liabilities assumed we read the Group's Board and Executive Committee minutes to understand the rationale for the acquisition and critically evaluated the underlying acquisition agreements. We concurred with the completeness of management's identification of assets acquired and liabilities assumed. We assessed the reasonability of the fair values assigned to property, plant and equipment by comparing these to independently obtained replacement cost quotations. We found the related fair values assigned to the property, plant and equipment to be within a reasonable range of our independent assessment. We assessed the reasonability of the fair values assigned to inventories, trade and other receivables and trade and other payables by inspection of its subsequent realisation through sale or settlement. In addition, the fair value of financial liabilities at amortised cost was assessed through inspection of underlying lease agreements and recalculation of the related financial liabilities. No material differences were noted. We considered the appropriateness of the related disclosure in note 38 to the financial statements against the guidance and requirements of IFRS 3. We concurred with management's conclusion that the related disclosure is adequate.

KEY AUDIT MATTERS CONTINUED

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and property, plant and equipment	
Refer to note 4 (Property, Plant and Equipment) and note 5 (Goodwill) to the consolidated financial statements. At 28 February 2019 the Group's consolidated statement of financial position included property, plant and equipment amounting to R363 million and goodwill amounting to R165 million. Management performed annual impairment assessments on the cash generating units (CGUs) to which goodwill has been allocated and which therefore require an annual impairment assessment. In performing their impairment assessment of the carrying value of each of the respective CGUs, management applied value-in-use calculations using a discounted cash flow model to determine the recoverable amount of these CGUs which required the application of key assumptions, particularly in relation to: • Discount rate; • Growth rate; and • Gross margin. Based on the results of the impairment assessment, management recognised a goodwill impairment of R8,9 million during the year in relation to the Group's Plastics CGU. We considered the impairment assessment of goodwill and property, plant and equipment to be a matter of most significance to our current year audit due to the following: • The impairment assessments are based on discounted cash flow calculations which incorporate key assumptions, estimates and management judgement; and • The significant impact that an impairment could have on the financial statements.	Through our discussions with management and inspection of underlying calculations, we gained an understanding of the methodology and calculations used by management for impairment assessment purposes, which consisted of discounted cash flow calculations. We evaluated management's impairment assessments, considering the key assumptions and estimates disclosed in Note 5 to the consolidated financial statements, by performing the following procedures: (a) We tested the mathematical accuracy of management's calculations, which included recalculating the recoverable amount for each respective CGU, and compared this to the respective net carrying values. No material differences were noted; (b) We made use of our valuation expertise to assess the integrity of the discounted cash flow calculations by performing an independent recalculation and comparing the results of our calculation with management's calculations. No material differences were noted; (c) Applying our valuation expertise, we re-performed the calculation of the discount rates used by management in the discounted cash flow calculations, using standard market related calculation methodologies. Discount rates used by management in their discounted cash flow calculations fell within our independently determined ranges for the respective CGUs; (d) We assessed the reasonableness of management's future forecasts of revenue growth, gross margins and cash flows included in the cash flow forecasts by comparing them to current and historical operational results as well as board approved budgets. In respect of the budgeting process, we compared the current year actual results with budgeted results for the year ended 28 February 2019. Where variances were noted, we obtained an understanding of the variances and obtained corroborating evidence. We found the future forecasts of revenue growth, gross margins and cash flows used by management to be reasonable. We also performed sensitivity analysis to assess the impact of possible variability in key input assumptions. Based on the results of our independently performed calculations, we concurred with management regarding their conclusions on the goodwill impairment charge in the current year.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Insimbi 2019 Integrated Annual Report, which includes the Directors' Report, Audit and Risk Committee Report and Certificate by Company Secretary as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS CONTINUED

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Insimbi Industrial Holdings Limited for 10 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Jean-Pierre van Staden
Registered Auditor
Waterfall City
29 May 2019

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 28 February 2019

		GROUP		COMPANY	
	Note	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
Revenue	26	**4 545 214**	3 491 803	**46 710**	24 858
Cost of sales	27	**(4 164 615)**	(3 146 379)	**–**	–
Gross profit		**380 599**	345 424	**46 710**	24 858
Other operating income	28	**3 392**	1 195	**4**	–
Other operating gains/(losses)	29	**(7 468)**	(1 989)	**–**	(1)
Other operating expenses		**(275 452)**	(216 799)	**(25 827)**	(12 962)
Operating profit	30	**101 071**	127 831	**20 887**	11 895
Investment income	31	**733**	402	**583**	–
Finance costs	32	**(32 838)**	(30 836)	**(5 303)**	–
Income from equity-accounted investments		**2 047**	2 532	**–**	–
Profit before taxation		**71 013**	99 929	**16 167**	11 895
Taxation	33	**(25 179)**	(28 769)	**564**	(54)
Profit for the year		**45 834**	71 160	**16 731**	11 841
Profit attributable to:					
Owners of the parent		**46 647**	71 467	**–**	–
Non-controlling interest		**(813)**	(307)	**–**	–
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Gains on property revaluation		**–**	23 316	**–**	–
Other comprehensive income for the year net of taxation		**–**	23 316	**–**	–
Total comprehensive income for the year		**45 834**	94 476	**16 731**	11 841
Total comprehensive income attributable to:					
Owners of the parent		**46 647**	94 783	**–**	–
Non-controlling interest		**(813)**	(307)	**–**	–
Earnings per share					
Per share information					
Basic earnings per share (c)	42	**11,93**	18,47	**–**	–
Diluted earnings per share (c)	42	**11,49**	17,73	**–**	–

The accounting policies on pages 62 to 75 and the notes on pages 76 to 112 form an integral part of the annual financial statements.

Back to index

STATEMENTS OF FINANCIAL POSITION

as at 28 February 2019

	Note	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
Assets					
Non-current assets					
Property, plant and equipment	4	**362 842**	270 514	**18**	–
Goodwill	5	**165 048**	107 591	**–**	–
Intangible assets	6	**13 220**	11 525	**–**	–
Investments in subsidiaries	7	**–**	–	**98 720**	97 671
Investments in joint ventures	8	**863**	577	**–**	–
Lease receivable	11	**3 603**	–	**–**	–
Deferred tax	13	**4 240**	3 388	**1 316**	752
		549 816	393 595	**100 054**	98 423
Current assets					
Inventories	14	**168 006**	147 944	**–**	–
Lease receivable	11	**113**	–	**–**	–
Loans to group companies	9	**–**	–	**305 231**	59 164
Trade and other receivables	15	**410 014**	293 643	**554**	559
Current tax receivable		**5 326**	5 312	**260**	98
Cash and cash equivalents	16	**33 579**	32 408	**116**	–
		617 038	479 307	**306 161**	59 821
Total assets		**1 166 854**	872 902	**406 215**	158 244
Equity and liabilities					
Equity					
Equity attributable to equity holders of parent					
Share capital	17	**197 871**	177 305	**217 935**	196 704
Reserves		**48 417**	47 108	**3 598**	2 289
Retained income/(accumulated loss)		**199 638**	174 454	**(49 101)**	(43 723)
		445 926	398 867	**172 432**	155 270
Non-controlling interest		**(1 268)**	(565)	**–**	–
		444 658	398 302	**172 432**	155 270
Liabilities					
Non-current liabilities					
Loans from shareholders	21	**–**	2 275	**–**	–
Financial liabilities at amortised cost	22	**254 178**	166 202	**114 750**	–
Lease liabilities	24	**21 154**	–	**–**	–
Deferred tax	13	**36 199**	28 966	**–**	–
Contingent consideration	38	**5 747**	–	**–**	–
		317 278	197 443	**114 750**	–
Current liabilities					
Loans from shareholders	21	**1 682**	–	**–**	–
Trade and other payables	25	**247 751**	192 055	**2 995**	2 974
Loans from group companies	20	**–**	–	**4 535**	–
Financial liabilities at amortised cost	22	**68 278**	72 295	**54 856**	–
Financial liabilities at fair value	23	**945**	2 697	**–**	–
Lease liabilities	24	**2 519**	–	**–**	–
Bank overdraft	16	**83 743**	10 110	**56 647**	–
		404 918	277 157	**119 033**	2 974
Total liabilities		**722 196**	474 600	**233 783**	2 974
Total equity and liabilities		**1 166 854**	872 902	**406 215**	158 244

The accounting policies on pages 62 to 75 and the notes on pages 76 to 112 form an integral part of the annual financial statements.

Back to index

STATEMENTS OF CHANGES IN EQUITY

for the year ended 28 February 2019

	Share capital and premium R'000	Treasury shares R'000	Total share capital R'000	Revaluation reserve R'000	Share-based payment reserve R'000	Retained income/ accumulated loss R'000	Non-controlling interest R'000	Total equity R'000
GROUP								
Balance at 1 March 2017	196 704	(18 215)	178 489	21 503	980	116 579	(258)	317 293
Profit for the year	–	–	–	–	1 309	70 158	(307)	71 160
Total other comprehensive income for the year	–	–	–	23 316	–		–	23 316
Shares issued	–	–	–	–	–	–	–	–
Purchase of own/ treasury shares	–	(1 184)	(1 184)	–	–	–	–	(1 184)
Dividends	–	–	–	–	–	(12 283)		(12 283)
Total changes	–	(1 184)	(1 184)	23 316	1 309	57 875	(307)	81 009
Balance at 28 February 2018	196 704	(19 399)	177 305	44 819	2 289	174 454	(565)	398 302
Profit for the year	**–**	**–**	**–**	**–**	**1 309**	**45 338**	**(813)**	**45 834**
Transactions with non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(110)**	**110**	**–**
Shares issued*	**21 231**	**–**	**21 231**	**–**	**–**	**–**	**–**	**21 231**
Purchase of own/ treasury shares	**–**	**(665)**	**(665)**	**–**	**–**	**–**	**–**	**(665)**
Dividends	**–**	**–**	**–**	**–**	**–**	**(20 044)**	**–**	**(20 044)**
Total changes	**21 231**	**(665)**	**20 566**	**–**	**1 309**	**25 184**	**(703)**	**46 356**
Balance at 28 February 2019	**217 935**	**(20 064)**	**197 871**	**44 819**	**3 598**	**199 638**	**(1 268)**	**444 658**
COMPANY								
Balance at 1 March 2017	196 704	–	196 704	–	980	(43 281)	–	154 403
Changes in equity	–	–	–	–	–	–	–	–
Profit for the year	–	–	–	–	1 309	11 841	–	13 150
Shares issued	–	–	–	–	–	–	–	–
Dividends	–	–	–	–		(12 283)	–	(12 283)
Total changes	–	–	–	–	1 309	(442)	–	867
Balance at 28 February 2018	196 704	–	196 704	–	2 289	(43 723)	–	155 270
Changes in equity			**–**					**–**
Profit for the year	**–**	**–**	**–**	**–**	**1 309**	**15 422**	**–**	**16 731**
Shares issued*	**21 231**	**–**	**21 231**	**–**	**–**	**–**	**–**	**21 231**
Dividends	**–**	**–**	**–**	**–**		**(20 800)**	**–**	**(20 800)**
Total changes	**21 231**	**–**	**21 231**	**–**	**1 309**	**(5 378)**	**–**	**17 162**
Balance at 28 February 2019	**217 935**	**–**	**217 935**	**–**	**3 598**	**(49 101)**	**–**	**172 432**
Notes	17	17	17	19	18			

** Refer note 38*

The accounting policies on pages 62 to 75 and the notes on pages 76 to 112 form an integral part of the annual financial statements..

STATEMENTS OF CASH FLOWS

for the year ended 28 February 2019

		GROUP		COMPANY	
	Note	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
Cash flow from operating activities					
Cash generated from operations	34	**45 198**	164 377	**(811)**	2 407
Interest income		**733**	402	**583**	–
Finance costs		**(32 838)**	(30 836)	**(5 303)**	–
Tax paid	35	**(27 860)**	(32 064)	**(162)**	221
Net cash from operating activities		**(14 767)**	101 879	**(5 693)**	2 628
Cash flow from investing activities					
Purchase of property, plant and equipment	4	**(9 555)**	(1 613)	**(25)**	–
Sale of property, plant and equipment	4	**130**	559	**–**	–
Expenditure on intangible assets under development	6	**(2 166)**	–	**–**	–
Business combinations (nett of cash acquired)	38	**(66 662)**	–	**–**	–
Investment in subsidiaries		**–**	–	**(1 049)**	–
Dividend from investment in joint venture		**1 760**	2 636	**–**	–
Loans advanced to group companies		**–**	–	**(224 836)**	(3 025)
Dividends received		**–**	–	**21 731**	12 283
Net cash from investing activities		**(76 493)**	1 582	**(204 179)**	9 258
Cash flow from financing activities					
Purchase of treasury shares	17	**(665)**	(1 184)	**–**	–
Proceeds from other financial liabilities	36	**135 000**	4 500	**169 606**	–
Repayment of other financial liabilities	36	**(94 051)**	(69 772)	**–**	–
Repayment of shareholder's loan	36	**(593)**	(216)	**–**	–
Proceeds from loans from group companies	20	**–**		**4 535**	–
Dividends paid	37	**(20 044)**	(12 283)	**(20 800)**	(12 283)
Principal elements of lease payments	36	**(848)**	–	**–**	–
Net cash from financing activities		**18 799**	(78 955)	**153 341**	(12 283)
Total cash movement for the year		**(72 462)**	24 506	**(56 531)**	(397)
Cash at the beginning of the year		**22 298**	(2 479)	**–**	397
Effect of exchange rate movement on cash balances		**–**	271	**–**	–
Total cash at the end of the year	16	**(50 164)**	22 298	**(56 531)**	–

The accounting policies on pages 62 to 75 and the notes on pages 76 to 112 form an integral part of the annual financial statements.

ACCOUNTING POLICIES

for the year ended 28 February 2019

CORPORATE INFORMATION

Insimbi Industrial Holdings Limited is a public company incorporated and domiciled in South Africa.

The consolidated and separate annual financial statements for the year ended 28 February 2019 were authorised for issue in accordance with a resolution of the directors on Friday, 24 May 2019.

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and separate annual financial statements are set out below.

1.1 Basis of preparation

The consolidated and separate annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act, 71 of 2008 of South Africa, as amended.

The financial statements have been prepared on a historical cost basis, except for items specifically stated otherwise as per the accounting policies below.

These accounting policies are consistent with the previous period, except for the changes set out in note 2.

1.2 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the group.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Statement of Changes in Equity.

Business combinations

The group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the acquiree's assets and liabilities are reassessed in terms of classification and are reclassified where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interests in the acquiree are measured on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This treatment applies to non-controlling interests which are present ownership interests, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRS.

for the year ended 28 February 2019

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.2 Consolidation continued

Business combinations continued

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. If, in the case of a bargain purchase, the result of this formula is negative, then the difference is recognised directly in profit or loss.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment as defined by paragraph 5 of IFRS 8 Operating Segments before aggregation.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is impaired, that impairment is not subsequently reversed

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

Any contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments. Otherwise, all subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability is recognised in either profit or loss or in other comprehensive income, in accordance with relevant IFRS's. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity

1.3 Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint ventures

An interest in a joint venture is accounted for using the equity method. Under the equity method, interests in joint ventures are carried in the statement of financial position at cost adjusted for post acquisition changes in the company's share of net assets of the joint venture, less any impairment losses.

The group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Losses in a joint venture in excess of the group's interest in that joint venture, including any other unsecured receivables, are recognised only to the extent that the group has incurred a legal or constructive obligation to make payments on behalf of the joint venture.

1.4 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.4 Significant judgements and sources of estimation uncertainty continued

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Lease term as lessee

Judgement was applied in determining whether or not it was reasonably certain that the renewal options on the leases described in note 3.1 would be exercised.

Factors considered included :

- Contractual terms and conditions for renewal periods are not at a discount when compared with market rates;
- No significant leasehold improvements have been (or are expected to be) undertaken on the properties; and
- Cost of relocation and/or renegotiation are not significant.

It was concluded that reasonable certainty on exercising the renewal options did not exist at commencement of the lease.

Expected manner of realisation for deferred tax

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted. Refer to note 13 – Deferred taxation on pages 85 and 86.

Intangible assets with indefinite useful lives

Key factors taken into consideration in determining that the regulatory permit has an indefinite useful life are as follows:

- The products manufactured will continue as long as steel is manufactured. The majority of the products are used as deoxidants into the steel industry. The steel industry is well established in South Africa and production methods in the steel industry are consistent and use our products on an ongoing basis;
- No significant capital expenditure is required for the plant. We expect the plant to be maintained through regular ongoing maintenance;
- The asset is well controlled as the group owns both the site to which the asset refers as well as all of the manufacturing equipment;
- The asset is site specific and the group owns the property to which the asset has been allocated;
- There are no technological barriers for the group but there are significant cost barriers for competitors to enter the market, such as the cost of environmental and regulatory permits and the cost of establishing the plant;
- The group has considerable expertise and management skills related specifically to the aluminium industry; and
- The asset is the only secondary aluminium smelter in the Western Cape.

The useful life of regulatory permit is considered indefinite. It is not bound by any expiry period as there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the group. The permit endures in perpetuity provided that the company complies with changes in legislation as they occur.

Key sources of estimation uncertainty

Impairment of financial assets

In applying IFRS 9 Financial Instruments, management makes judgements and assumptions in determining the impairment losses to be recognised in relation to financial assets. The expected credit loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group and company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's and company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Contingent considerations

The group has applied significant judgement in estimating the amount of contingent consideration payable as part of business combinations. Please refer to note 38 for further details.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock is made to write stock down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write-down is included in the costs of sales. Inventory items do not have short shelf-lives and therfore slow moving stock is generally provided after 365 days.

for the year ended 28 February 2019

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Impairment of non-financial assets

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in- use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. For further details, please refer to note 5 - Goodwill and note 6 - Intangible assets.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

1.5 Property, plant and equipment

Property, plant and equipment are tangible assets which the group holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the group, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset.

Subsequent to initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses, except for land and buildings which are stated at revalued amounts. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

When land and buildings are revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited to other comprehensive income and accumulated in the revaluation surplus in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation surplus in equity.

Increases as a result of revaluation are accumulated in the revaluation surplus in equity until the asset is sold, after which the revaluation surplus is transferred to retained earnings.

Land is not depreciated.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Useful life
Land	Indefinite
Buildings	25 years
Plant and machinery	3 – 20 years
Furniture and fixtures	20 years
Motor vehicles	10 years
IT equipment	5 years
Right-of-use buildings	5 – 10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.5 Property, plant and equipment continued

The depreciation is straight lined, and the charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.6 Intangible assets

An intangible asset is recognised when:

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- The cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- It is technically feasible to complete the asset so that it will be available for use or sale.
- There is an intention to complete and use or sell it.
- There is an ability to use or sell it.
- It will generate probable future economic benefits.
- There are available technical, financial and other resources to complete the development and to use or sell the asset.
- The expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Intangible assets under development are only depreciated once the development stage is completed and the asset is capitalised.

Item	Useful life
Intangible assets	20 years
Regulatory permits	Indefinite

1.7 Investments in subsidiaries

Group annual financial statements

The group annual financial statements include those of the holding company and its subsidiaries. The results of the subsidiaries are consolidated from the date on which control is transferred to the group up until the date that control ceases.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the group.

Company annual financial statements

In the company's separate annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary; plus
- changes in consideration arising from contingent consideration amendments.

for the year ended 28 February 2019

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.8 Financial instruments

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9 Financial Instruments. For details on reclassifications and re-measurements in terms of IFRS 9 compared to IAS 39, please refer to note 2.

Broadly, the classification possibilities, which are adopted by the group, as applicable, are as follows:

Financial assets

- Amortised cost

Financial liabilities

- Amortised cost; or
- Fair value through profit and loss

Financial assets at amortised cost

The following financial assets are classified as financial assets at amortised cost:

- Loans to group companies
- Trade and other receivables
- Cash and cash equivalents (refer note 1.9)

Classification

Assets are classified in this category because the contractual terms give rise, on specific dates, to cash flows that are solely payments of principal and interest on the principal outstanding, and it is the group's business model to collect the contractual cash flows on these assets.

Measurement

Financial assets at amortised cost are recognised when the group or company becomes a party to the contractual provisions of the asset. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. Loans to group companies and other receivables are measured, at initial recognition, at fair value plus transaction costs, if any.

All financial assets are subsequently measured at amortised cost. The amortised cost is the amount recognised on the receivable, minus principal repayments, plus cumulative amortisation (interest) using the effective interest rate method, of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Interest income is calculated using the effective interest rate method, and is included in profit or loss in investment income (note 31).

The application of the effective interest method to calculate interest income on the receivable is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the financial asset, provided it is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a financial asset was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the financial asset in the determination of interest. If, in subsequent periods, the financial asset is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

When a financial asset is denominated in a foreign currency, the carrying amount of the financial asset is determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating gains/(losses) (note 29).

Impairment

The group and company assesses on a forward-looking basis the Expected Credit Losses ("ECLs") associated with its financial assets carried at amortised cost.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (ie the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group and company expects to receive).

ACCOUNTING POLICIES *continued*

for the year ended 28 February 2019

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.8 Financial instruments continued

Financial assets at amortised cost continued

Impairment *continued*

Expected credit loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

For trade receivables, the group applies the simplified approach prescribed by IFRS 9, which requires lifetime ECLs to be recognised from initial recognition of the receivables. To measure the ECLs, trade receivables are grouped based on shared credit risk characteristics (refer to table below) and the days past due to identify non-performing receivables. In addition, forward-looking macro economic conditions and factors are considered when determining the ECLs for trade receivables, namely trading conditions in the international metal markets, as well as economic growth and inflationary outlook in the short-term.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 90 days past due.

Category	Definition
Large corporate entities	This category of customers is generally represented by large companies with annual revenue of more than R1 billion. These entities are mostly industrial entities who are exposed to the international metals markets. Internal credit ratings assinged to these entities are equivalent to B+, B or B-. Probabilities of default for entities in this category range between 4% and 6%. Loss given default rates for entities within this category generally range between 25% and 35%.
Foreign entities	This category of customers is generally represented by companies outside of South Africa. The main countries represented are Brazil, Hong Kong, UAE and Africa. Different internal credit risk ratings are assigned to different countries and range between equivalent AA and CC. Probabilites of default for entities in this category range between 0.1% and 30%. Loss given default rates for entities within this category generally range between 25% and 35%.
Small and medium entities	This category of customers is generally represented by small and medium enterprises with annual revenue of less than R1 billion. These entities are mostly exposed to the international metals markets. Internal credit ratings assigned to these entities range between equivalent B+ and CCC. Probabilities of default for entities in this category range between 4% and 8%. Loss given default rates for entities within this category generally range between 25% and 35%.
Large retail entities	This category of customers is generally represented by large retail companies with annual revenues in excess of R1 billion. These entities are diversified and are exposed to a variety of industries. Internal credit ratings assigned to entities in this category range between B+ and B-. Probabilities of default range between 4% and 6%. Loss given default rates for entities within this category generally range between 25% and 35%.
Government entities	This category of customers is generally represented by State Owned Entities within South Africa. Internal credit ratings assigned to entities in this category range between BB+ and CCC. Probabilities of default range between 2% and 8%. Loss given default rates for entities within this category generally range between 25% and 35%.

For other financial assets measured at amortised cost, the group and company based the ECL on the 12-month expected credit loss allowance or a lifetime expected credit loss allowance. The 12-month expected credit loss allowance is the expected credit loss allowances that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the ECL will be based on the lifetime expected credit loss allowances. The group and company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

for the year ended 28 February 2019

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.8 Financial instruments continued

The group and company considers a financial asset to be in default when contractual payment term has lapsed. However, in certain cases, the group and company may also consider a financial asset to be in default when internal or external information indicates that the group and company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the group and company.

Financial liabilities

Classification

Financial liabilities which are held for trading are classified as financial liabilities mandatorily at fair value through profit or loss (Refer note 23). When a financial liability is contingent consideration in a business combination, the group classifies it as a financial liability at fair value through profit or loss (Refer note 38).

All other financial liabilities are measured at amortised cost.

Financial liabilities at amortised cost

The following financial liabilities are classified as financial liabilities at amortised cost:

- Loans from shareholders
- Trade and other payables
- Loans from group companies
- Bank overdraft

Measurement

Liabilities at amortised cost are recognised when the group or company becomes a party to the contractual provisions of the liability. The liabilities are initially measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 36).

Financial liabilities at amortised cost expose the group to liquidity risk and interest rate risk. Refer to note 41 for details of risk exposure and management thereof.

When financial liabilities are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains/(losses) (note 29).

Details of foreign currency risk exposure and the management thereof are provided in note 41.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial asset/liability, any difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

Modification of financial liabilities

A substantial modification of the terms of an existing debt instrument or part of it is accounted for as an extinguishment of the original debt instrument and the recognition of a new debt instrument.

Financial liabilities at fair value through profit or loss

The following financial liabilities are classified as liabilities at fair value through profit and loss:

- Financial liabilities at fair value
- Contingent consideration in a business combination

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.8 Financial instruments continued

Measurement

Financial liabilities at fair value through profit or loss are recognised when the group becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss. If any portion of the movement in fair value relates to the unwind of discounted liabilities, this portion is included in profit or loss as part of finance cost.

1.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank overdraft and deposits held. These assets are readily convertible to a known amount of cash and are subject to insignificant risk of change in value. These are accounted for at amortised cost.

1.10 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/assets for the current and prior periods are measured at the amount expected to be paid to/ recovered from the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.11 Leases

Policy for periods beginning on or after 1 March 2018

At inception of a contract, the group assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control an identified asset, the group assesses whether:

- the contract involves the use of an identified asset;
- the group has the right to obtain substantially all of the economic benefits from the use of asset throughout the period of use; and

for the year ended 28 February 2019

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.11 Leases continued

Policy for periods beginning on or after 1 March 2018 continued

- the group has the right to direct the use of the asset. The group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

This policy is applied to contracts entered into, or changed, on or after 1 March 2018.

At inception or on reassessment of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component, on the basis of their relevant stand-alone prices. However for the leases of land and buildings in which it is a lessee, the group has elected not to separate non-lease components and account for all as a single lease component.

Finance leases – lessor

The group recognises a lease receivable in the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the group's net investment in the lease.

When the group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. In such instances a portion of the right-of-use asset relating to the sub-lease is derecognised, and a lease receivable is recognised. The rentals are apportioned between a reduction in the net investment in the lease, and finance income over the lease term. The finance income portion is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Lease receivables are subject to IFRS9 expected credit loss assessments (refer to note 11).

Lease accounting – lessee

Leases are recognised as right-of-use assets and lease liabilities in the statement of financial position at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The corresponding lease liability is included in the statement of financial position as a lease liability, and is measured at the present value of the lease payments that are not paid at commencement date. The discount rate used in calculating the present value of the lease payments is the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses it's incremental borrowing rate as the discount rate.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Lease payments included in the measurement of the lease liability, are the fixed lease payments.

The lease payment liability is remeasured when there is a change in future lease payments, or if the group changes its assessment on whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset.

The group discloses right-of-use assets in "property, plant and equipment" and presents lease liabilities in "lease liabilities" in the statement of financial position.

Short-term leases and leases of low-value assets:

The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases (12 months or less) or leases of low-value assets, including IT equipment such as printers. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.11 Leases continued continued

Policy for periods ending before 1 March 2018

For contracts entered into before 1 March 2018, the group classified an arrangement containing a lease based on an assessment of whether or not all the risks and rewards incidental to ownership were transferred, or not. If substantially all the risks and rewards incidental to ownership were transferred, the lease was classified as a finance lease. If not, it was classified as an operating lease. Leases classified as operating leases were not recognised in the statement of financial position, and payments made under operating leases were recognised in profit or loss on a straight line basis over the term of the lease.

In the comparative period, as a lessee the group classified leases that transfers substantially all the risk and rewards of ownership, as finance leases. The leased assets were initially measured at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make. Subsequently these assets were accounted for in accordance with the accounting policy applicable to that asset.

1.12 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1.13 Impairment of non-financial assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

1.14 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

If the group reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments. Consideration paid or received shall be recognised directly in equity.

for the year ended 28 February 2019

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.14 Share capital and equity continued

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the group in which they are declared.

1.15 Share-based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

For equity-settled share-based payment transactions the goods or services received and the corresponding increase in equity are measured, directly, at the fair value of the goods or services received.

Vesting conditions which are not market related and are not taken into consideration when determining the fair value of the equity instruments granted. Instead, vesting conditions which are not market related shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. There are no market related vesting conditions.

The share-based payments granted do not vest until the employee completes a specified period of service, therefore the group accounts for those services as they are rendered on a straight-line basis over the vesting period.

If the share-based payments vest immediately the services received are recognised in full.

1.16 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.17 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

1.18 Revenue from contracts with customers

The group 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.

Revenue is derived from contracts with customers for the supply of goods and rendering of services.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.18 Revenue from contracts with customers continued

Revenue is measured based on the consideration specified in a contract with a customer.

The group recognises revenue from the following major sources:

- Sale of goods – local
- Sale of goods – exports
- Rendering of services – transport and insurance revenue

Sale of goods – local

Local sale of goods is recognised at the point in time that control passes to the customer, which is generally indicated as follows:

- Product has been delivered to the customer, or the customer has collected the product;
- The customer has accepted the control associated with the product;
- A present right to payment is established; and
- Collectability of the related receivables is reasonably assured.

Sale of goods – exports

Sale of exported goods are recognised at the point in time that control passes the customer, which is generally indicated as follows:

- Product has been delivered to the customer, or the customer has collected the product;
- The customer has accepted the control associated with the product;
- A present right to payment is established; and
- Collectability of the related receivables is reasonably assured.

Rendering of services – transport and insurance revenue

Where transport and insurance are distinct (a seperate performance obligation) the revenue from these services are recognised separately, over time as the service is rendered using the output method to measure progression. The customer receives and consumes the benefits provided by the group as the groups provides the service.

Management fees

The holding company provides management services to other companies within the group. The fees earned from these services are recognised, over the period which the services are provided. The fees are re-assessed on an annual basis. The other companies within the group receive and consume the benefits provided by the copmany as it provides the service.

1.19 Revenue other than from contracts with customers

Dividend received

Dividends are recognised in profit and loss when the company's right to receive payment has been established.

1.20 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.21 Borrowing costs

All borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Translation of foreign currencies

Functional and presentation currency

Items included in the annual financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated annual financial statements are presented in Rand which is the group functional and presentation currency.

for the year ended 28 February 2019

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.22 Translation of foreign currencies continued

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.23 Investment income

Interest is recognised, in profit and loss, using the effective interest rate.

2. NEWLY ADOPTED ACCOUNTING STANDARDS

2.1 IFRS 9 - Financial instruments

The group has adopted IFRS 9, 'Financial instruments', on 1 March 2018. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for:

- The classification and measurement of financial assets and financial liabilities
- Impairment for financial assets; and
- General hedge accounting (which is not applicable to the Insimbi Group)

The classification categories previously defined under IAS 39 were replaced in IFRS 9 with the categories 'amortised cost', 'fair value through profit or loss' and 'fair value through OCI'.

Financial assets previously held as 'loans and receivables' were transferred to financial assets at 'at amortised cost', effective from 1 March 2018. The transfer in financial asset categories did not have a material impact on the measurement of the financial assets.

On transition, the new expected credit loss impairment model on financial assets did not result in a material change to impairment provisions and therefore opening retained earnings was not adjusted.

The Company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

The reclassification of financial assets and liabilities are summarised in the table below:

Financial instrument	Classification in terms of IAS 39	Classification in terms of IFRS 9
Loans to group companies	Loans and receivables	Amortised cost
Trade and other receivables	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost
Loans from shareholders	Amortised cost	Amortised cost
Financial liabilities – at amortised cost	Amortised cost	Amortised cost
Financial liabilities – at fair value	Fair value through profit and loss	Fair value through profit and loss
Trade and other payables	Amortised cost	Amortised cost
Loans from group companies	Amortised cost	Amortised cost

2.2 IFRS 15 – Revenue from contracts with customers

The group has adopted IFRS 15 on 1 March 2018, which replaces "IAS 18 Revenue". The new standard is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue.

The group used the following practical expedient as permitted by IFRS 15:

- for completed contracts that began and ended in the same annual reporting period, no restatement has been done.

Previously, under IAS 18, all revenue was recognised at a point in time, at the date that risks and rewards transferred.

Under IFRS 15, revenue from "sale of goods – local" and "sale of goods – exports", is recognised at the point in time when control passes, which was determined to be in line with previous recognition under IAS18 for the group, and therefore had no impact on opening balances upon adoption.

Under IFRS 15, revenue from "rendering of services – transport and insurance revenue" is recognised over time as the service is rendered. The impact on opening balances upon adoption of this standard was immaterial.

for the year ended 28 February 2019

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and Interpretations early adopted

IFRS 16 – Leases

IFRS 16 was issued in January 2016 and will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases has been removed. An asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

From 1 March 2018, the group has elected to early adopt this standard. In accordance with the transition provisions in IFRS 16 the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognised. At 1 March 2018, there were no material lease commitments as lessee, and therefore no lease liabilities relating to previous years, to be recognised. This is beacause all material existing leases expired in the previous financial year.

Comparatives for the 2018 financial year have not been restated.

Please refer to notes 1.4, 1.11, 4, 11 and 24 for the significant judgements, accounting policies and relevant disclosures.

The group has entered into the following new lease agreements:

- ***Office building with sub-lease***
  On 1 March 2018 the group entered into a property lease with a ten-year lease term and a ten-year renewal option. The escalation rate is fixed at 8%. Upon recognition management does not have certainty that the renewal option will be exercised. Approximately half of the property is sub-leased on a 10-year lease and therefore a corresponding lease receivable has been recognised.

- ***Warehouse, yard and office buildings***
  On 26 October 2018 the group entered into a property lease with a five-year lease term and a five-year renewal option. The escalation rate is fixed at 8%. Upon recognition management does not have certainty that the renewal option will be exercised.

3.2 Standards and interpretations effective for the first time for 28 February 2019 year-end

The following standards became effective for annual periods beginning on or after January 1, 2018. The Company adopted these standards in the current period and they did not have a material impact on its consolidated financial statements.:

- Amendments to IFRS 2 – Share-based payments. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled.
- IFRIC 22 – Foreign currency transactions and advance consideration. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency.
- Annual improvements 2014-2016. IFRS 1 – First-time adoption of IFRS.

3.3 Standards and interpretations issued but not effective for the first time for 28 February 2019 year-end

Management has assessed the potential impact of the following standards and interpretations on the consolidated financial statements, and have determined that they will not have a material impact on adoption.

- ***IFRS 3 – Business combinations***
  The amendment to the definition of a business confirmed that a business must include inputs and a process and clarified that the process must be substantive and that the inputs and process must together significantly contribute to creating outputs. Furthermore, the amendment narrowed the definition of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than providing dividends or other economic benefits directly to investors or lowering costs.

- ***Annual improvements 2015-2017 cycle: IFRS 3 – Business combinations and IFRS 11 – Joint arrangements***
  The amendment clarifies that when an entity obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business.

- ***Annual improvements 2015-2017 cycle: IAS 12 – Income taxes***
  The amendment clarifies that all income tax consequences of dividends should be recognised in profit or loss, regardless of how the tax arises.

- ***Annual Improvements 2015 - 2017 cycle: IAS 23 – Borrowing costs***
  The amendment clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

- ***IFRIC 23 – Uncertainty over income tax treatments***
  The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 28 February 2019

4. PROPERTY, PLANT AND EQUIPMENT

	2019 Cost or revaluation R'000	2019 Accumulated depreciation R'000	2019 Carrying value R'000	2018 Cost or revaluation R'000	2018 Accumulated depreciation R'000	2018 Carrying value R'000
GROUP						
Land	36 130	–	36 130	36 130	–	36 130
Buildings	115 885	(4 442)	111 443	113 576	(670)	112 906
Plant and machinery	215 309	(75 914)	139 395	144 124	(62 232)	81 892
Furniture and fixtures	17 523	(6 960)	10 563	12 125	(5 463)	6 662
Motor vehicles	79 396	(37 936)	41 460	58 739	(28 195)	30 544
IT equipment	11 296	(6 660)	4 636	8 529	(6 149)	2 380
Right-of-use asset – Buildings	20 736	(1 521)	19 215	–	–	–
Total	496 275	(133 433)	362 842	373 223	(102 709)	270 514

Reconciliation of property, plant and equipment

	Opening balance R'000	Additions R'000	Additions through business combinations R'000	Disposals R'000	Depreciation R'000	Total R'000
GROUP						
2019						
Land	36 130	–	–	–	–	36 130
Buildings	112 906	479	1 829	–	(3 771)	111 443
Plant and machinery	81 892	9 729	56 816	(263)	(8 779)	139 395
Furniture and fixtures	6 662	3 621	1 115	–	(835)	10 563
Motor vehicles	30 544	5 620	10 856	–	(5 560)	41 460
IT equipment	2 380	1 842	1 371	–	(957)	4 636
Right-of-use asset – Buildings	–	20 736	–	–	(1 521)	19 215
	270 514	42 027	71 987	(263)	(21 423)	362 842

	Opening balance R'000	Additions R'000	Disposals R'000	Revaluations R'000	Depreciation R'000	Total R'000
2018						
Land	30 537	–	–	5 593	–	36 130
Buildings	91 945	–	–	26 093	(5 132)	112 906
Plant and machinery	84 005	5 134	(42)	–	(7 205)	81 892
Furniture and fixtures	3 178	4 199	–	–	(715)	6 662
Motor vehicles	28 060	9 430	(364)	–	(6 582)	30 544
IT equipment	1 730	1 594	(15)	–	(929)	2 380
	239 445	20 357	(421)	31 686	(20 563)	270 514

	Opening balance R'000	Additions R'000	Depreciation R'000	Total R'000
COMPANY				
2019				
IT equipment	–	25	(7)	18

for the year ended 28 February 2019

4. PROPERTY, PLANT AND EQUIPMENT CONTINUED

A register containing the information required by Regulation 25(3) of the Company Regulations, 2011 is available for inspection at the registered office of the company. The property is pledged as security for banking facilities (refer note 22).

Additions include plant and machinery through installment sales of R11,7 million (2018: R18,7 million) and cash additions of R9,6 million (R1,6 million). Additionaly a Right-of-use asset amounting to R20,7 million (2018: R–) has been recognised in terms of IFRS 16 on properties that are leased from third parties. Please refer to note 3 and note 24.

Payments relating to short-term leases and low value assets, for which a right-of-use asset has not been recognised, are immeterial and included in other operating expenses

Revaluations

The effective date of the last revaluations was Thursday, 28 February 2018. Revaluations were performed by independent valuer, Mr Michael Gibbons, MRCIS, MIV (SA), of MillsFitchet, who is not connected to the group. The valuer is a professional valuer registered without restriction in terms of section 19 of the Property Valuers Professional Act 47 of 2000.

Land and buildings are revalued independently every five years. The next revaluation will be performed on 28 February 2023. The carrying amount of the land and buildings under the cost model would have been R21 602 275 (2018: R23 799 135).

The valuation was performed using the capitalisation of net income method, and applying a capitalisation rate to the resultant net income indicative of the property and covenant of the tenant. A capitalisation rate of 9,25% was used, as well as market related rentals for similar properties in similar areas. A revaluation surplus of R31 686 350 less deferred tax of R8 370 016 was recognised in other comprehensive income on 28 February 2018. This assumption was based on market conditions at the time. The fair value falls within level 3 of the fair value hierarchy

5. GOODWILL

	2019 Cost R'000	2019 Accumulated impairment R'000	2019 Carrying value R'000	2018 Cost R'000	2018 Accumulated impairment R'000	2018 Carrying value R'000
GROUP						
Goodwill	**178 286**	**(13 238)**	**165 048**	111 891	(4 300)	107 591

Reconciliation of goodwill

	Opening balance R'000	Impairment R'000	Additions through business combinations R'000	Total R'000
GROUP				
2019				
Goodwill	**107 591**	**(8 938)**	**66 395**	**165 048**

	Opening balance R'000	Total R'000
2018		
Goodwill	107 591	107 591

5. GOODWILL CONTINUED

Impairment test for goodwill

The impairment test for goodwill identifies the recoverable amount of a cash-generating unit and is determined based on value-in-use calculations.

Management reviews business performance based on the market segments in which the group operates. The following is a summary of the goodwill allocation to each operating segment:

	Opening balance R'000	Additions/ (impairments) R'000	Closing balance R'000
Allocation of goodwill by segment			
Non-ferrous	76 228	52 471	128 699
Ferrous	18 001	13 924	31 925
Refractory	4 424	–	4 424
Plastics	8 938	(8 938)	–
	107 591	57 457	165 048

In the current financial year, the plastics segment experienced a difficult trading year which was exacerbated by the extended strike in the plastics industry. Following the annual impairment assessment the entire goodwill relating to this segment was impaired, as the estimated recoverable amount of R21 547 000 was less than the carrying value.

Value-in-use calculations use cash flow projections based on financial budgets approved by management and cover a five-year period. The estimated growth rates applied are in line with that of the industry in which the company operates and are materially similar to assumptions of external market sources. The cash-generating unit's recoverable amount is most sensitive to the assumptions detailed below. Growth rates for impairment testing purposes beyond five years were assumed to be between 3% and 5%. Assumptions were based on management's past experience and best estimates regarding forecasts. Management determined budgeted gross margin based on past performance and its expectation of market developments. The discount rates used reflect the appropriate risk associated with the industry and its respective businesses.

The key assumptions used for the value-in-use calculations are as follows:

	2019				2018			
Key assumptions	**Non-ferrous %**	**Ferrous %**	**Refractory %**	**Plastics %**	Non-ferrous %	Ferrous %	Refractory %	Plastics %
Gross margin – budgeted	9,38	9,00	14,24	36,51	9,6	9,01	12,7	37,8
Growth rate – nominal	5	3	3	5	3	3	3	3
Discount rate – nominal	18,50	20,00	23,00	21,00	23,26	20,86	20,86	16,03

Gross margin – budgeted gross margin as per 2019/2020 budget
Growth rate – minimum growth rate used to extrapolate cash flows beyond the budget period
Discount rate – This represents the post-tax WACC for each CGU. The pre-tax discount rate applied to the pre-tax cash flow projections were as follows:

- Non-ferrous 25,50%
- Ferrous 27,50%
- Refractory 30,00%
- Plastics 28,00%

Management has determined budgeted gross margin based on past performance and its expectations of the market development. The minimum growth rates used are consistent with the forecasts included in industry reports. The discount rates used reflect specific risks relating to the relevant operating segments.

Sensitivity analysis

An increase or decrease in the assumed growth rate, discount rate or budgeted gross margin of 1% will not result in any impairment to the group. The sensitivity analysis has been performed at a segment as well as a group level, and there is sufficient headroom in all instances, except for the plastics segment where goodwill has been impaired.

for the year ended 28 February 2019

6. INTANGIBLE ASSETS

	2019 Cost R'000	2019 Accumulated amortisation R'000	2019 Carrying value R'000	2018 Cost R'000	2018 Accumulated amortisation R'000	2018 Carrying value R'000
GROUP						
Regulatory permit	**2 500**	**–**	**2 500**	2 500	–	2 500
Intangible assets under development	**2 166**	**–**	**2 166**	–	–	–
Intangible assets	**9 336**	**(782)**	**8 554**	9 336	(311)	9 025
Total	**14 002**	**(782)**	**13 220**	11 836	(311)	11 525

Reconciliation of intangible assets

	Opening balance R'000	Additions R'000	Amortisation R'000	Total R'000
GROUP				
2019				
Regulatory permit	**2 500**	**–**		**2 500**
Intangible assets under development	**–**	**2 166**		**2 166**
Intangible assets	**9 025**	**–**	**(471)**	**8 554**
	11 525	**2 166**	**(471)**	**13 220**
2018				
Regulatory permit	2 500	–	–	2 500
Intangible assets	–	9 336	(311)	9 025
	2 500	9 336	(311)	11 525

Other information

The useful life of a regulatory permit is considered indefinite. It is not bound by any expiry period as there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the group. The permit endures in perpetuity provided that the company complies with changes in legislation as they occur. This is included within the non-ferrous operating segment value-in-use calculation (Refer to note 5 for additional information regarding impairment assessment).

	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
Allocation of intangible assets with indefinite lives to cash-generating units				
Non-ferrous	**2 500**	2 500	**–**	–
Ferrous	**–**	–	**–**	–
Refractory	**–**	–	**–**	–
Plastics	**–**	–	**–**	–
	2 500	2 500	**–**	–
Intangible assets:				
Insimbi Nano Milling Technology	**8 554**	9 025	**–**	–
Intangible assets under development	**2 166**	–	**–**	–

The investment in Nano Milling Technology was conceived to introduce the concept of nano-sizing of a range of products to the South African industry. Nano-sizing is the reduction of particle size with sophisticated equipment to extremely fine submicron size.

The intangible asset under development relates to a development project, whereby the group intends to extract the zinc metal from furnace dust, and plate it into plates. The project is expected to completed in the next 12 months.

7. INVESTMENTS IN SUBSIDIARIES

COMPANY

Name of company	Held by	Holding 2019 %	Holding 2018 %	Carrying amount 2019 R'000	Carrying amount 2018 R'000
Insimbi Alloy Properties Proprietary Limited	Insimbi Industrial Holdings Limited	**100**	100	**–**	–
Insimbi Alloy Supplies Proprietary Limited	Insimbi Industrial Holdings Limited	**100**	100	**23 574**	23 574
Insimbi Refractory and Alloy Supplies Proprietary Limited Zambia #	Insimbi Alloy Supplies Proprietary Limited	**90**	90	**–**	–
Insimbi Refractory and Alloy Supplies Proprietary Limited Zambia #	Insimbi Industrial Holdings Limited	**10**	10	**–**	–
Insimbi Modular Plastics Proprietary Limited	Insimbi Alloy Supplies Proprietary Limited	**100**	60	**–**	–
Insimbi Aluminium Alloys Proprietary Limited	Insimbi Alloy Supplies Proprietary Limited	**100**	100	**–**	–
Insimbi Thermal Insulation Proprietary Limited	Insimbi Alloy Supplies Proprietary Limited	**100**	100	**–**	–
Metlite Alloys Proprietary Limited	Insimbi Alloy Supplies Proprietary Limited	**100**	100	**–**	–
Metlite Alloy Properties Proprietary Limited	Insimbi Alloy Properties Proprietary Limited	**100**	100	**–**	–
Insimbi Nano Milling Proprietary Limited	Insimbi Alloy Supplies Proprietary Limited	**100**	100	**–**	–
TP Hentiq 6064 Proprietary Limited §	Insimbi Alloy Supplies Proprietary Limited	**–**	100	**–**	–
Insimbi Plastics Proprietary Limited	Insimbi Alloy Supplies Proprietary Limited	**87,5**	87,5	**–**	–
Insimbi EmployeeCo Proprietary Limited *	Insimbi Industrial Holdings Limited	**0,01**	0,01	**11 522**	10 832
Insimbi Manco Proprietary Limited *	Insimbi Industrial Holdings Limited	**0,02**	0,02	**7 624**	7 265
Amalgamated Metals Group Holdings Proprietary Limited #	Insimbi Industrial Holdings Limited	**23,31**	23,31	**56 000**	56 000
Amalgamated Metals Group Holdings Proprietary Limited #	Insimbi Alloy Supplies Proprietary Limited	**76,69**	**76,69**	**–**	–
Minerals 2 Metals Proprietary Limited	Insimbi Aluminium Alloys Proprietary Limited	**100**	**–**	**–**	–
Group Wreck International Non-ferrous Proprietary Limited	Amalgamated Metals Group Holdings Proprietary Limited	**100**	**–**	**–**	–
				98 720	97 671

** Structured entities under the control of the group (The company has the ability to restrict and control the relevant activities of these structured entities, and is able to affect variable returns to the company)*

 # Effectively owned 100% by the group, through investments held by subsidiaries

§ The company was deregistered in the current year, therefore the shareholding is 0%

for the year ended 28 February 2019

8. JOINT VENTURES

The following table lists all of the joint ventures in the group:

Name of company	Held by	**Ownership interest 2019 %**	Ownership interest 2018 %	**Carrying amount 2019 R'000**	Carrying amount 2018 R'000
GROUP					
Cronimet Two Joint Venture	Amalgamated Metals Group Holdings	**8,11**	8,11	**863**	577

The joint venture is incorporated in South Africa and the other parties are entities in the metal recycling industry. The joint venture was started to encourage recyclers to offer stainless steel to local markets, before offering the product to export markets.

In accordance with the terms of the contractual agreement in place, the group is entitled to 8,11% of the net assets of Cronimet Two Joint Venture and has 20% of the voting rights in the joint venture. The total net assets of Cronimet Two Joint Venture as at 28 February 2019 amounted to R10 641 184 (2018: R7 111 424). The group's share of the net asset value is R863 000 (2018: R577 000).

9. LOANS TO GROUP COMPANIES

	GROUP		**COMPANY**	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Subsidiaries				
Insimbi Alloy Supplies Proprietary Limited	**–**	–	**200 256**	53 702
Amalgamated Metals Recycling Proprietary Limited	**–**	–	**60 816**	–
Insimbi Plastics Proprietary Limited	**–**	–	**24 252**	2
Insimbi Aluminium Alloys Proprietary Limited	**–**	–	**13 256**	–
Insimbi Nano Milling Proprietary Limited	**–**	–	**3 765**	–
Metlite Alloys Proprietary Limited	**–**	–	**593**	2
Amalgamated Metals Group Holdings Proprietary Limited	**–**	–	**2 227**	–
Insimbi Alloy Properties Proprietary Limited	**–**	–	**–**	5 456
Insimbi Modular Plastics Proprietary Limited	**–**	–	**45**	–
Insimbi EmployeeCo Proprietary Limited	**–**	–	**2**	1
Insimbi Manco Proprietary Limited	**–**	–	**2**	1
Metlite Alloy Properties Proprietary Limited	**–**	–	**2**	–
Group Wreck International Non-Ferrous Proprietary Limited	**–**	–	**15**	–
	–	–	**305 231**	59 164
Split between non-current and current portions				
Current assets	**–**	–	**305 231**	59 164

The loans are unsecured, interest free, and have no fixed terms of repayment.

The maximum exposure to credit risk at the reporting date, is the fair value of each class of loan mentioned above.

The company does not hold any collateral as security.

The expected credit loss in relation to the loans to group companies was considered and concluded not to be material due to the existence of sufficient underlying net assets which can be realised to settle the loans. The subsidiaries have sufficient liquid assets (net working capital) that can be realised in the short-term to settle their obligations.

Fair value of group loans receivable

The fair value of group loans receivable approximates their carrying amounts due to the short-term nature.

10. OTHER FINANCIAL ASSETS – COMPARATIVE INFORMATION AS PER IAS 39

The group has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

11. LEASE RECEIVABLE

	GROUP		COMPANY	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Gross investment in the lease due				
– within one year	**494**	–	–	–
– in second to fifth year inclusive	**2 402**	–	–	–
– later than five years	**3 268**	–	–	–
	6 164	–	–	–
Less: Unearned finance income	**(2 448)**	–	–	–
	3 716	–	–	–
Non-current assets	**3 603**	–	–	–
Current assets	**113**	–	–	–
	3 716	–	–	–

The group entered into a finance leasing arrangement for a portion of their property.

The lease term is 10 years and the incremental borrowing rate used to discount the receivable was 10,25% (2018: -%).

Exposure to credit risk

Lease receivables inherently exposes the group to credit risk, being the risk that the group will incur financial loss if counterparties fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the group only deals with reputable counterparties with consistent payment histories. Credit risk is mitigated by holding the leased assets as collateral. The collateral held is equal in value to the lease receivable.

The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Lease receivables are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for lease receivables is calculated based on 12-month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either 12-month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a lease is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, if a lease is in arrears more than 30 days, then it is assumed that there has been a significant increase in credit risk since initial recognition.

In determining the amount of expected credit losses, the group has taken into account the probability of default and loss given default. The loss given default was reduced by the collateral held and resulted in no material impairment.

The estimation techniques explained have been applied for the first time in the current financial period, which is the first time the group has applied IFRS 9.

The maximum exposure to credit risk is the carrying amount of the leases as presented above.

for the year ended 28 February 2019

12. RETIREMENT BENEFITS

Defined contribution plan

The employees of the group are members of a defined contribution plan, which is administered by Alexander Forbes Retirement Fund. The fund is governed by the Pension Fund Act of 1956.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as and expensed when they are due. The expense recognised during the year was R5 263 188 (2018: R3 725 547). The reason for the large increase, is due to the acquisitions as explained in the business combination notes.

13. DEFERRED TAXATION

	GROUP		COMPANY	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Deferred tax liability				
Accelerated tax depreciation	**(3 907)**	–	**–**	–
Revaluation of property, plant and equipment	**(15 242)**	(15 242)	**–**	–
Fair value uplift on property, plant and equipment through business combination	**(19 985)**	(16 445)	**–**	–
Prepayment	**(146)**	(271)	**(132)**	(10)
Leases	**(6 420)**	–	**–**	–
Total deferred tax liability	**(45 700)**	(31 958)	**(132)**	(10)
Deferred tax assets				
Provisions	**4 646**	3 313	**267**	762
Tax losses available for offset against future taxable income	**2 053**	912	**1 181**	–
Other	**–**	2 155	**–**	–
Leases	**7 042**	–	**–**	–
Total deferred tax asset	**13 741**	6 380	**1 448**	762
Total net deferred tax	**(31 959)**	(25 578)	**1 316**	752
Disclosed as net deferred tax asset	**4 240**	3 388	**1 316**	752
Disclosed as net deferred tax liability	**(36 199)**	(28 966)	**–**	–
The gross movement on the deferred tax account is as follows:				
Opening balance	**(25 578)**	(18 474)	**752**	53
(Credited)/charged to the income statement	**584**	1 266	**727**	699
(Credited) to other comprehensive income	**–**	(8 370)	**–**	–
Prior period adjustments	**(376)**	–	**(163)**	–
Acquisition of subsidiary	**(6 589)**	–	**–**	–
Closing balances	**(31 959)**	(25 578)	**1 316**	752

13. DEFERRED TAXATION CONTINUED

	Provisions R'000	Tax losses available for set-off R'000	Other R'000	Leases R'000	Total R'000
GROUP					
The movement in deferred tax assets during the year is as follows:					
At 28 February 2017	2 984	4 830	1 802	–	9 616
Charged/(credited) to the income statement	329	(3 918)	353	–	(3 236)
Charged/(credited) to other comprehensive income	–	–	–	–	–
Acquisition of subsidiary	–	–	–	–	–
At 28 February 2018	3 313	912	2 155	–	6 380
Charged/(credited) to the income statement	**1 891**	**1 141**	**(2 155)**	**7 042**	**7 919**
Prior period adjustment	**(558)**	**–**	**–**	**–**	**(558)**
At 28 February 2019	**4 646**	**2 053**	**–**	**7 042**	**13 741**

	Accelerated tax depreciation R'000	Revaluation of property, plant and equipment R'000	Fair value gains through business combination R'000	Leases R'000	Prepayments R'000	Total liabilities R'000
GROUP						
The movement in deferred tax liabilities during the year is as follows:						
At 28 February 2017	(474)	(6 872)	(20 744)	–	–	(28 090)
(Credited)/charged to the income statement	474	–	4 299	–	(271)	4 502
(Credited)/charged to other comprehensive income	–	(8 370)	–	–	–	(8 370)
At 28 February 2018	–	(15 242)	(16 445)	–	(271)	(31 958)
(Credited)/charged to the income statement	**(2 591)**	**–**	**1 733**	**(6 420)**	**(57)**	**(7 335)**
(Credited)/charged to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**
Prior period adjustment	**–**	**–**	**–**	**–**	**182**	**182**
Acquisition of subsidiary	**(1 316)**	**–**	**(5 273)**	**–**	**–**	**(6 589)**
At 28 February 2019	**(3 907)**	**(15 242)**	**(19 985)**	**(6 420)**	**(146)**	**(45 700)**

for the year ended 28 February 2019

13. DEFERRED TAXATION CONTINUED

	Tax losses R'000	Provisions R'000	Total assets R'000
COMPANY			
The movement in deferred tax assets and liabilities during the year is as follows:			
At 28 February 2017	53	–	53
(Credited)/charged to the income statement	(53)	762	709
(Credited)/charged to other comprehensive income	–	–	–
At 28 February 2018	–	762	762
(Credited)/charged to the income statement	**1 181**	**(332)**	**849**
(Credited)/charged to other comprehensive income	**–**	**–**	**–**
At 28 February 2019	**1 181**	**430**	**1 611**

	Pre-payments R'000	Total liabilities R'000
At 1 March 2017	–	–
(Credited)/charged to the income statement	(10)	(10)
(Credited)/charged to other comprehensive income	–	–
At 28 February 2018	(10)	(10)
(Credited)/charged to the income statement	**(122)**	**(122)**
(Credited)/charged to other comprehensive income	**–**	**–**
At 28 February 2019	**(132)**	**(132)**

14. INVENTORIES

	GROUP		COMPANY	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Raw materials, components	**149 279**	111 354	**–**	–
Finished goods	**4 054**	3 103	**–**	–
Goods in transit	**16 224**	34 417	**–**	–
	169 557	148 874	**–**	–
Inventories (write-downs)*	**(1 551)**	(930)	**–**	–
	168 006	147 944	**–**	–

** Relates to raw materials and components*

The total inventory write-down of R1 550 523 (2018: 930 000) was included in cost of sales.
The inventory balances do not include any spare parts.

15. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Financial instruments:				
Trade receivables	**393 863**	290 087	**–**	–
Loss allowance	**(4 498)**	(3 853)	**–**	–
Trade receivables at amortised cost	**389 365**	286 234	**–**	–
Deposits	**3 155**	605	**–**	–
Other receivable	**3 772**	3 582	**–**	525
Non-financial instruments:				
VAT	**10 972**	1 241	**–**	–
Employee costs in advance	**779**	–	**83**	–
Prepayments	**1 971**	1 981	**471**	34
Total trade and other receivables	**410 014**	293 643	**554**	559
Split between non-current and current portions				
Current assets	**410 014**	293 643	**554**	559
Categorisation of trade and other receivables				
Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:				
At amortised cost	**396 292**	290 421	**–**	–
Non-financial instruments	**13 722**	3 222	**554**	559
	410 014	293 643	**554**	559

Trade and other receivables pledged as security

Trade and other receivables were pledged as security for overdraft facilities of R150 000 000 (2018: R120 000 000) of the group. At year-end the total overdraft amounted to R120 695 000 (2018: R43 593 000).

Exposure to credit risk

Trade receivables inherently expose the group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the group only deals with reputable customers with consistent payment histories. Furthermore, debtors insurance is obtained on all customers, where possible. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers is continuously monitored.

The average credit period on trade receivables is 30 days (2018: 30 days).

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period.

The group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables.

The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

for the year ended 28 February 2019

15. TRADE AND OTHER RECEIVABLES CONTINUED

The loss allowance provision is determined as follows:

Company internal credit rating	Expected credit loss rate %	Gross carrying amount R'000	Loss allowance R'000
2019			
Foreign debtors	0,2% to 0,3%	70 415	168
Government	0,05% to 0,15%	587	–
Large corporate entities	0,15% to 0,25%	293 238	470
Large retail entities	0,05% to 0,15%	1 659	–
Small and medium entities	0,8% to 1,5%	24 333	230
		390 233	868
Non-performing customers	100%	3 630	3 630
Total		393 863	4 498

Reconciliation of loss allowance:

	Other	Non-performing customers	Total
Opening balance	(352)	(3 501)	(3 853)
New financial assets originated or purchased	(73)	–	(73)
Change in risk parameters	(443)	(807)	(1 250)
Write-offs	–	678	678
Closing balance	(868)	(3 630)	(4 498)

As at 28 February 2018, the provision for impairment was R3 853 000 based on the credit impaired model. Upon adoption of IRFS 9, the were no material adjustments to this amount.

Exposure to currency risk

The net carrying amounts, in Rand, of trade and other receivables, excluding non-financial instruments, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amount at the closing rate at the reporting date.

	GROUP		COMPANY	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Rand amount				
Rand	323 558	259 423	–	–
US Dollar	70 013	29 791	–	–
Euro	2 721	1 207	–	–
	396 292	290 421	–	–
Foreign currency amount				
US Dollar	4 973	2 530	–	–
Euro	170	84	–	–
Rand per unit of foreign currency				
US Dollar	14,078	11,774	–	–
Euro	16,024	14,368	–	–

The fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts due to their short-term nature.

	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
16. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of:				
Cash on hand	**1 301**	1 374	**–**	–
Bank balances	**32 278**	31 034	**116**	–
Bank overdraft	**(83 743)**	(10 110)	**(56 647)**	–
	(50 164)	22 298	**(56 531)**	–
Current assets	**33 579**	32 408	**116**	–
Current liabilities	**(83 743)**	(10 110)	**(56 647)**	–
	(50 164)	22 298	**(56 531)**	–
17. SHARE CAPITAL				
Authorised				
12 000 000 000 ordinary shares of 0,000025 cents each	**3**	3	**3**	3
Reconciliation of number of shares issued ('000):				
Shares purchased by subsidiaries	**24 585**	24 105	**24 585**	24 105
Issue of shares – ordinary shares	**403 877**	385 895	**403 877**	385 895
	428 462	410 000	**428 462**	410 000
Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.				
479 777 (2018: 999 705) ordinary shares were repurchased from the market for an amount of R664 997 (2018: R1 184 884).				
Issued (R'000)				
Share premium	**226 553**	205 322	**226 553**	205 322
Share issue costs written off against share premium	**(8 618)**	(8 618)	**(8 618)**	(8 618)
Treasury shares held by subsidiaries	**(20 064)**	(19 399)	**–**	–
	197 871	177 305	**217 935**	196 704

Shares repurchased by a subsidiary and held in treasury amounted to R20 063 400 (2018: R19 399 734) at year-end, which are disclosed as a reduction of equity in the statement of changes in equity.

18. SHARE-BASED PAYMENTS

In the 2017 financial year Insimbi entered into agreements for the implementation of an employee share participation transaction and a management share participation transaction in terms of which eligible employees of Insimbi (other than directors and prescribed officers of the group) collectively obtained an approximate 8,78% indirect shareholding interest in Insimbi Industiral Holdings Limited. The exercise price of the granted option is R1,14 and the value was R0,78 on the date of the grant.

Options are conditional on the employee completing five years' service (the vesting period), whereafter the options may be exercised in three one-year tranches (years six, seven and eight). The group has no legal or constructive obligation to repurchase or settle the options in cash.

Share option group	Number	Option value	Total value
Outstanding at the beginning of the year	22 835 887	0,78	17 814 059
Outstanding at the end of the year	22 835 887	0,78	17 814 059

Weighted average share price at exercise date of options was R1 (2018: R1).

for the year ended 28 February 2019

18. SHARE-BASED PAYMENTS CONTINUED

Information on options granted during the year

Fair value was determined using the Black-Scholes valuation model. The following inputs were used:

- Weighted average share price – R1,00
- Exercise price – R1,14
- Expected volatility – 67,9%
- Option life – 8 years
- Expected dividends – 7,62%
- The risk-free interest rate – 8,52%

Volatility was determined by considering the historical volatility of the Insimbi Industrial Holdings Limited share, calculated as the annualised standard deviation of the continuously compounded daily returns of the underlying share under the assumption that the share is log-normally distributed. This was calculated over a period commensurate with the term of each tranche.

Total expenses of R1 309 620 (2018: R1 309 620) related to equity-settled share-based payments transactions were recognised in 2019 and 2018 respectively.

19. REVALUATION RESERVE

In 2013 the group changed its accounting policy for the treatment of land and buildings to the revaluation method in terms of IAS 16: Property, plant and equipment. The group has revalued its land and buildings under the revaluation model and the effect was as follows:

	GROUP		COMPANY	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Surplus on revaluation of land and buildings	**60 061**	60 061	**–**	–
Deferred taxation	**(15 242)**	(15 242)	**–**	–
	44 819	44 819	**–**	–

20. LOANS FROM GROUP COMPANIES

	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
Subsidiaries				
Insimbi Alloy Properties Proprietary Limited	**–**	–	**4 535**	–
	–	–	**4 535**	–
The loans are unsecured, interest free, and have no fixed terms of repayment.				
Split between non-current and current portions				
Current liabilities	**–**	–	**4 535**	–

Refer to note 36 – Changes in liabilities arising from financing activities for details of the movement in loans from group companies during the reporting period.

	GROUP		COMPANY	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
21. LOANS FROM SHAREHOLDERS				
Modular Dock Proprietary Limited	**–**	593	**–**	–
B Fetting	**1 682**	1 682	**–**	–
	1 682	2 275	**–**	–
The loans are unsecured, interest free, and have no fixed terms of repayment.				
The loans will become payable, once the companies the loans relate to become profitable, or if the shareholders decide to sell their investment in the subsidiary.				
Split between non-current and current portions				
Current liabilities	**1 682**	–	**–**	–
Non-current liabilities	**–**	2 275	**–**	–
Refer to note 36 – Changes in liabilities arising from financing activities for details of the movement in loans from shareholders during the reporting period.				
In the current financial year the group has assessed that it does not have an unconditional right to avoid repayment of those loans. Therefore, it has been classified as current in the current financial year.				
22. FINANCIAL LIABILITIES AT AMORTISED COST				
Held at amortised cost				
Absa Bank Limited – term loan	**–**	61 267	**–**	–
Absa Bank Limited – term loan 2	**131 625**	–	**131 625**	–
Absa Bank Limited – overdraft	**37 981**	–	**37 981**	–
First Rand Bank Limited – mortgage bonds	**46 319**	53 131	**–**	–
First Rand Bank Limited – overdraft	**–**	37 981	**–**	–
First Rand Bank Limited – leveraged finance	**–**	10 093	**–**	–
Casterly Rock Investments Proprietary Limited*	**16 806**	16 806	**–**	–
Crimson Clover Investments Proprietary Limited*	**16 806**	16 806	**–**	–
Golden Griffin Investments Proprietary Limited*	**16 405**	16 406	**–**	–
Solomene Holdings Proprietary Limited*	**7 720**	–	**–**	–
Ella Rose Property and Investments Proprietary Limited*	**7 652**	–	**–**	–
Repo Metals Holdings Proprietary Limited*	**7 652**	–	**–**	–
Instalment sales	**33 490**	26 007	**–**	–
	322 456	238 497	**169 606**	–
Split between non-current and current portions				
Non-current liabilities	**254 178**	166 202	**114 750**	–
Current liabilities	**68 278**	72 295	**54 856**	–
	322 456	238 497	**169 606**	–

for the year ended 28 February 2019

22. FINANCIAL LIABILITIES AT AMORTISED COST CONTINUED

	GROUP		COMPANY	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Non-current liabilities				
FirstRand Bank Limited – leveraged finance	**–**	6 627	**–**	–
Absa Bank Limited – term loan	**–**	45 267	**–**	–
Absa Bank Limited – term loan 2	**114 750**	–	**114 750**	–
FirstRand Bank Limited – mortgage bonds	**42 711**	48 680	**–**	–
Casterly Rock Investments Proprietary Limited*	**16 806**	16 806	**–**	–
Crimson Clover Investments Proprietary Limited*	**16 405**	16 406	**–**	–
Golden Griffin Investments Proprietary Limited*	**16 806**	16 806	**–**	–
Ella Rose Property and Investments Proprietary Limited*	**7 652**	–	**–**	–
Repo Metals Holdings Proprietary Limited*	**7 652**	–	**–**	–
Solomene Holdings Proprietary Limited*	**7 720**	–	**–**	–
Instalment sales	**23 676**	15 610	**–**	–
	254 178	166 202	**114 750**	–
Current liabilities				
FirstRand Bank Limited – leveraged finance	**–**	3 466	**–**	–
Absa Bank Limited – term loan	**–**	16 000	**–**	–
Absa Bank Limited – term loan 2	**16 875**	–	**16 875**	–
FirstRand Bank Limited – mortgage bonds	**3 607**	4 451	**–**	–
FirstRand Bank Limited – overdraft	**–**	37 981	**–**	–
Absa Bank Limited – overdraft	**37 981**	–	**37 981**	–
Instalment sales	**9 815**	10 397	**–**	–
	68 278	72 295	**54 856**	–
	322 456	238 497	**169 606**	–

** Related parties of the group.*

Refer to note 36 – Changes in liabilities arising from financing activities for details of the movement in the borrowings during the reporting period.

Absa Bank Limited – term loan

Interest rate – JIBAR + 300. The monthly repayment was R1 333 333 The loan was secured by the shareholdings in Amalgamated Metals Group Holdings Proprietary Limited, a limited guarantee of R80 000 000 by Amalgamated Metals Group Holdings Proprietary Limited, a limited guarantee of R20 000 000 by Insimbi Alloy Supplies Proprietary Limited and a limited guarantee of R20 000 000 by Insimbi Refractory and Alloy Supplies Limited. This loan was refinanced during the current year as part of loan 2 below in November 2018. Penalties on early settlement were included in other operating expenses.

Absa Bank Limited – term loan 2

Interest rate – JIBAR + 300. The monthly capital repayment is calculated as 0,83% of the outstanding amount. This repayment escalates annually. The interest rate at year-end was 9,825%. The last repayment falls due on 31 January 2023.

Absa Bank Limited – overdraft

Interest rate – prime less 1%. The maximum amount that is permitted is R150 000 000. The balance varies from month to month depending on the cash flow of the group and the company. The interest rate at year-end was 9,25%.

FirstRand Bank Limited – mortgage bonds

Interest rate – prime less 0,25%. The monthly repayment is R445 205,77. The loan is secured by the property held in Atlantis, Western Cape, the property held in Teakwood Road, Jacobs, KwaZulu-Natal, as well as the properties in Crocker Road, Wadeville. The interest rate at year-end was 10%. The last repayment falls due on 1 July 2025.

FirstRand Bank Limited – leveraged finance

Interest rate – prime. The monthly repayment was R387 483,28. The loan was secured by the property acquired in Atlantis, Western Cape, as well as the shareholding in Insimbi Plastics Proprietary Limited. This loan was settled in November 2018. Penalties on early settlement were included in other operating expenses.

FirstRand Bank Limited – overdraft

Interest rate – prime less 0,5%. The maximum amount that was permitted was R68 000 000 in 2018. The overdraft was settled when the group moved it's main banking facilities to ABSA Bank Limited in November 2018.

22. FINANCIAL LIABILITIES AT AMORTISED COST CONTINUED

Casterly Rock Investments Proprietary Limited

Interest rate – prime plus 2%. Interest is paid bi-annually, while the capital amount can be repaid at any time, but no later than the final repayment date, which falls due on 25 December 2024. This has been extended in the current financial year by another 5 years. The previous repayment date was 25 December 2019.

Crimson Clover Investments Proprietary Limited

Interest rate – prime plus 2%. Interest is paid bi-annually, while the capital amount can be repaid at any time, but no later than the final repayment date, which falls due on 25 December 2024. This has been extended in the current financial year by another five years. The previous repayment date was 25 December 2019.

Golden Griffin Investments Proprietary Limited

Interest rate – prime plus 2%. Interest is paid bi-annually, while the capital amount can be repaid at any time, but no later than the final repayment date, which falls due on 25 December 2024. This has been extended in the current financial year by another five years. The previous repayment date was 25 December 2019.

Solomene Holdings Proprietary Limited *

Interest rate – prime plus 2%. Interest is paid bi-annually, while the capital amount can be repaid at any time, but no later than the final repayment date, which falls due on 15 November 2023.

Ella Rose Property and Investments Proprietary Limited *

Interest rate – prime plus 2%. Interest is paid bi-annually, while the capital amount can be repaid at any time, but no later than the final repayment date, which falls due on 15 November 2023.

Repo Metals Holdings Proprietary Limited *

Interest rate – prime plus 2%. Interest is paid bi-annually, while the capital amount can be repaid at any time, but no later than the final repayment date, which falls due on 15 November 2023.

Instalment sale agreements

Interest rate – prime linked at 10,25% (2018: 10,25%). The agreements are secured by motor vehicles and plant and equipment with a net book value of R52 266 240 (2018: R32 641 469) and repayable in monthly instalments of R1 746 186 (2018: R1 746 186).

Security

All the ABSA facilities are secured by a general notarial bond of R516 million over moveable asset, as well as cession of all loan accounts and debtors

The First Rand Bank Limited mortgage bonds are secured by the properties in Atlantis, the property 174 Teakwood Road, Jacobs, Durban; and the property 360 Crocker Road, Wadeville.

The fire insurance policy entered into between the company and Apio Risk Services Proprietary Limited has been endorsed in favour of FirstRand Bank Limited's interest in regard to the general notarial covering bond over properties.

Insimbi Industrial Holdings Limited, Insimbi Alloy Supplies Proprietary Limited, Insimbi Aluminium Alloys Proprietary Limited, Insimbi Alloy Properties Proprietary Limited, Metlite Alloy Properties Proprietary Limited, Metlite Alloys Proprietary Limited, Insimbi Modular Plastics Proprietary Limited, Insimbi Nano Milling Proprietary Limited, Amalgamated Group Holdings Proprietary Limited and Group Wreck International Non-Ferrous Proprietary Limited have signed a cross deed of suretyship whereby each company bound themselves jointly and severally as surety and co-principle debtor to FirstRand Bank Limited.

Covenants

The group has certain covenants to comply with in terms of its borrowing agreements with FirstRand Bank Limited and Absa Bank. These covenants include gearing ratio, interest cover, asset to debt ratio and senior debt service ratio. The group complies with the covenants in terms of the agreements with FirstRand Bank Limited and Absa Bank Limited.

Borrowing powers

In terms of the memorandum of incorporation, article 61, the borrowing powers of the company are unlimited.

Borrowing facilities

The group has drawn R253 million from its total available facilities of R380 million (2018: R135,35 million of its total available facilities of R258,53 million).

- *Should Group Wreck International Non-Ferrous Proprietary Limited incur cumulative net losses for the three-year period subsequent to it's acquisition by the Insimbi Group, the amount repayable on these loans will be reduced proportionately by such losses.*

for the year ended 28 February 2019

23. FINANCIAL LIABILITIES AT FAIR VALUE

	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
At fair value through profit/(loss)				
Foreign exchange contracts	**945**	2 697	**–**	–

The fair value of the foreign currency exchange contracts is determined by using the relevant market-to-market spot rates at the balance sheet date.

The derivative instruments are held at fair value and have significant inputs other than quoted prices that are either directly or indirectly observable for the instruments. This results in the fair value measure of these instruments being classified as level 2 in the fair value ranking. No other financial instruments are held at fair value.

24. LEASE LIABILITIES

	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
Minimum lease payments due				
– within one year	**4 946**	–	**–**	–
– in second to fifth year inclusive	**22 203**	–	**–**	–
– later than five years	**6 854**	–	**–**	–
	34 003	–	**–**	–
Less: future finance charges	**(10 330)**	–	**–**	–
Present value of minimum lease payments	**23 673**	–	**–**	–
Non-current liabilities	**21 154**	–	**–**	–
Current liabilities	**2 519**	–	**–**	–
	23 673	–	**–**	–

The group leases various properties. Rental contracts are typically made for fixed periods of 5 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate. The group has used the incremental borrowing rate (10,25%) as the rate implicit to the lease could not be determined.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. These payments are immeterial and included in other operating expenses.

Back to index

	GROUP		COMPANY	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
25. TRADE AND OTHER PAYABLES				
Financial instruments:				
Trade payables	**222 884**	173 553	**608**	246
Accrued leave pay	**2 041**	1 150	**242**	–
Accrued bonus	**5 800**	7 542	**670**	2 250
Audit fees	**2 866**	2 647	**622**	472
Other accrued expenses	**8 513**	2 307	**–**	3
Non-financial instruments:				
VAT	**5 647**	4 856	**853**	3
	247 751	192 055	**2 995**	2 974

Fair value of trade and other payables

The fair value of trade and other payables approximates their carrying amounts. The group has financial risk management policies in place to ensure that all payables are paid within the credit time frame, which is generally 30 days in respect of local suppliers and 90 to 180 days in respect of foreign suppliers.

	GROUP		COMPANY	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
26. REVENUE				
Disclosure under new accounting policy (IFRS 15):				
Revenue from contracts with customers:				
Revenue recognised at a point in time				
Sale of goods – Local	**3 828 234**	-	**-**	**-**
Sale of goods – Exports	**684 004**	-	**-**	-
Revenue recognised over time				
Rendering of services – transport and insurance	**32 976**	-	**-**	-
Management fees	**-**	-	**24 979**	-
	4 545 214	-	**24 979**	-
Revenue other than from contracts with customers:				
Dividend received	**-**	-	**21 731**	-
	-	-	**21 731**	-
	4 545 214	-	**46 710**	-
Refer to the segmental report for further disaggregation by nature of product and geographical destination.				
Disclosure under previous accounting policy (IAS 18):				
Sale of goods	**4 512 238**	3 487 610	**-**	-
Rendering of services	**32 976**	4 193	**-**	-
Management fee received	**-**	-	**24 979**	12 575
Dividend revenue - Local	**-**	-	**21 731**	12 283
	4 545 214	3 491 803	**46 710**	24 858
27. COST OF SALES				
Sale of goods	**4 164 615**	3 146 379	**–**	–
28. OTHER OPERATING INCOME				
Other rental income	**481**	949	**–**	–
Gain on bargain purchase in a business combination	**2 810**	–	**–**	–
Other income	**101**	246	**4**	–
	3 392	1 195	**4**	–

for the year ended 28 February 2019

	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
29. OTHER OPERATING GAINS/(LOSSES)				
Gains/(losses) on disposals, scrappings and settlements				
Property, plant and equipment	**(133)**	138	**–**	–
Foreign exchange gains/(losses)				
Net foreign exchange loss	**(7 335)**	(2 127)	**–**	(1)
Total other operating gains/(losses)	**(7 468)**	(1 989)	**–**	(1)
30. OPERATING PROFIT/(LOSS)				
Operating profit for the year is stated after charging/(crediting) the following, amongst others:				
Auditor's remuneration – external				
Audit fees	**2 975**	3 278	**566**	1 054
Employee costs				
Salaries and wages	**103 372**	87 734	**9 191**	4 199
Motor vehicle allowance	**2 479**	2 319	**732**	302
Medical aid contribution	**3 791**	3 273	**403**	110
Bonus and 13th cheque	**11 623**	7 421	**1 705**	250
Staff welfare	**1 405**	1 339	**214**	–
Retirement benefit plans: defined contribution expense	**5 247**	3 726	**1 074**	69
Skills development levy	**574**	484	**178**	44
UIF	**11 148**	7 368	**76**	5
Share-based compensation expense	**1 310**	1 310	**–**	–
Total employee costs	**140 949**	114 974	**13 573**	4 979
Depreciation and amortisation				
Depreciation of Right-of-use asset	**1 521**	–	**–**	–
Depreciation of property, plant and equipment	**19 902**	20 563	**7**	–
Amortisation of intangible assets	**471**	311	**–**	–
Total depreciation and amortisation	**21 894**	20 874	**7**	–
Impairment losses				
Goodwill	**8 938**	–	**–**	–
Expected credit losses	**645**	–	**–**	–
Other:				
Acquisition related costs	**5 843**	–	**–**	–
Professional fees	**9 396**	8 508	**7 418**	3 969
Motor vehicle expenses	**29 288**	22 375	**23**	–
Utilities	**11 904**	9 272	**–**	–
Repairs and maintenance	**11 861**	9 913	**–**	–
Insurance	**4 862**	4 878	**295**	–
Bank charges	**7 622**	3 437	**2 474**	–
31. INVESTMENT INCOME				
Interest income				
Investments in financial assets:				
Bank and other cash	**352**	402	**583**	–
Lease receivable	**381**	–	**–**	–
Total interest income	**733**	402	**583**	–

Back to index

	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
32. FINANCE COSTS				
Leases	**1 225**	196	**–**	–
Bank overdraft	**21 210**	23 373	**–**	–
Current borrowings	**10 403**	7 267	**5 303**	–
Total finance costs	**32 838**	30 836	**5 303**	–
33. TAXATION				
Major components of the tax expense				
Current				
Local income tax – current period	**26 144**	29 918	**–**	753
Adjustments in respect of prior years	**(758)**	–	**–**	–
	25 386	29 918	**–**	753
Deferred				
Originating and reversing temporary differences	**(584)**	(1 149)	**(727)**	(699)
Charged to other comprehensive income	**–**	8 370	**–**	–
Adjustments in respect of prior years	**377**	–	**163**	–
	(207)	7 221	**(564)**	(699)
	25 179	37 139	**(564)**	54
	%	%	**%**	%
Reconciliation of the tax expense				
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate	**28,00**	28,00	**28,00**	28,00
Tax loss used	**(0,16)**	(0,88)	**–**	(0,45)
Tax loss for which a deferred tax asset was not raised	**2,26**	0,18	**–**	–
Exempt income	**–**	–	**(37,63)**	(27,10)
Disallowable charges*	**5,36**	1,49	**6,15**	–
	35,46	28,79	**(3,48)**	0,45

** Relates to non-deductable interest and expenses of a capital nature such as legal fees, share-based payment expenses and impairments.*

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profit is probable. The group did not recognise deferred tax assets of R14 445 589 in respect of losses amounting to R51 627 105.

34. CASH GENERATED FROM OPERATIONS

	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
Profit before tax	**71 013**	99 929	**16 167**	11 895
Adjustments for:				
Depreciation and amortisation	**21 894**	20 874	**7**	–
Loss on sale of assets	**130**	(138)	**–**	–
Fair value on foreign exchange contracts	**(1 752)**	(125)	**–**	–
Foreign exchange (loss)/gain on cash	**–**	(271)	**–**	–
Share-based payments	**1 309**	1 309	**–**	–
Interest received	**(733)**	(402)	**(583)**	–
Finance costs	**32 838**	30 836	**5 303**	–
Expected credit losses	**645**	693	**–**	–
Gain on bargain purchase	**(2 810)**	–	**–**	–
Dividend received	**–**	–	**(21 731)**	(12 283)
Income from equity-accounted investments	**(2 047)**	(2 543)	**–**	–
Impairment of goodwill	**8 938**	–	**–**	–
Other non-cash	**(1 238)**	(1 787)	**–**	785

for the year ended 28 February 2019

34. CASH GENERATED FROM OPERATIONS CONTINUED

	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
Changes in working capital				
Inventories	**(8 642)**	4 602	**–**	–
Trade and other receivables	**(102 961)**	(18 544)	**5**	(559)
Trade and other payables	**28 614**	29 944	**21**	2 569
	45 198	164 377	**(811)**	2 407

35. TAX PAID

	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
Balance at beginning of the year	**5 312**	3 166	**98**	(326)
Current tax for the year recognised in profit or loss	**(25 179)**	(28 769)	**564**	(54)
Deferred tax movement	**(207)**	(1 149)	**(564)**	699
Tax payable acquired in business combination	**(2 460)**	–	**–**	–
Balance at end of the year	**(5 326)**	(5 312)	**(260)**	(98)
	(27 860)	(32 064)	**(162)**	221

36. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities

	Financial liabilities at amortised cost – current R'000	Financial liabilities at amortised cost – non-current R'000	Financial liabilities at fair value R'000	Loans from share-holders R'000	Lease liabilities – current R'000	Lease liabilities – non-current R'000	Total R'000
GROUP							
2019							
Opening balance	**166 202**	**72 295**	**2 698**	**2 275**	**–**	**–**	**243 470**
Foreign exchange movements	**–**	**–**	**(1 753)**	**–**	**–**	**–**	**(1 753)**
New leases	**–**	**–**	**–**	**–**	**3 367**	**21 154**	**24 521**
Installment sales	**2 932**	**8 801**	**–**	**–**	**–**	**–**	**11 733**
Liabilitites arising from business combination	**23 000**	**8 277**	**–**	**–**	**–**	**–**	**31 277**
Total non-cash movements	**25 932**	**17 078**	**(1 753)**	**–**	**3 367**	**21 154**	**65 778**
Cash flows	**62 044**	**(21 095)**	**–**	**(593)**	**(848)**	**–**	**39 508**
Closing balance	**254 178**	**68 278**	**945**	**1 682**	**2 519**	**21 154**	**348 756**
2018							
Opening balance	210 811	74 214	2 823	2 823	–	–	290 671
Foreign exchange movements	–	–	(126)	–	–	–	(126)
Installment sales	14 025	4 675	–	–	–	–	18 700
Total non-cash movements	14 025	4 675	(126)	–	–	–	18 574
Cash flows	(58 634)	(6 594)	1	(548)	–	–	(65 775)
Closing balance	166 202	72 295	2 698	2 275	–	–	243 470

36. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES CONTINUED

	Loans from group companies R'000	Financial liabilities at amortised cost – current R'000	Financial liabilities at amortised cost – non-current R'000	Total R'000
COMPANY				
2019				
Opening balance	–	–	–	–
Cash flows	4 535	114 750	54 856	174 141
Closing balance	**4 535**	**114 750**	**54 856**	**174 141**

37. DIVIDENDS PAID

	GROUP		COMPANY	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Dividends	**(20 044)**	(12 283)	**(20 800)**	(12 283)

Dividends are from capital profits. An interim dividend of 2 cents (2018: 3,0 cents) per share was declared for the 2019 financial year. A final dividend of 2 cents (2018: 3 cents) was declared.

38. BUSINESS COMBINATIONS

Group Wreck International Non-Ferrous Proprietary Limited ("Group Wreck")

On Friday, 16 November 2018, the group acquired 100% of the voting equity interest of Group Wreck which resulted in the group obtaining control over Group Wreck. Group Wreck is principally involved in the metals recycling industry. As a result of the acquisition, the group is expecting to be the leading provider of recycled metal products and services in those markets. It is also expecting to reduce costs through economies of scale.

Goodwill of R66 395 000 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the entities, as well as from intangible assets which did not qualify for separate recognition. Goodwill is not deductible for income tax purposes.

	GROUP		COMPANY	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Fair value of assets acquired and liabilities assumed				
Property, plant and equipment	**49 976**	–	–	–
Inventories	**11 420**	–	–	–
Trade and other receivables	**14 055**	–	–	–
Cash and cash equivalents	**318**	–	–	–
Financial liabilities at amortised cost	**(8 277)**	–	–	–
Deferred tax	**(6 589)**	–	–	–
Trade and other payables	**(8 381)**	–	–	–
Tax payable	**(2 460)**	–	–	–
Total identifiable net assets	**50 062**	–	–	–
Goodwill	**66 395**	–	–	–
	116 457	–	–	–
Acquisition date fair value of consideration paid				
Cash	**(66 480)**	–	–	–
Shares issued	**(21 231)**	–	–	–
Vendor loans	**(23 000)**	–	–	–
Contingent consideration	**(5 746)**	–	–	–
	(116 457)	–	–	–

for the year ended 28 February 2019

38. BUSINESS COMBINATIONS CONTINUED

Acquisition related costs

The acquisition related costs amounted to R4 865 853. These costs have been expensed in the year of acquisition and are included in other operating expenses in comprehensive income.

Revenue and profit or loss of Group Wreck International Non-Ferrous Proprietary Limited ("Group Wreck")

Revenue of R217 483 974 and profit of R9 480 735 of Group Wreck have been included in the group's results since the date of acquisition.

Fair value of shares issued

The fair value of the 18 461 538 shares issued as part of the consideration paid for Group Wreck (R21 231 000) was based on the published share price on 16 November 2018 of R1,15 per share.

Contingent consideration

The contingent consideration arrangements require the group to pay the previous owners of Group Wreck additional consideration if certain profit targets are met.

Should Group Wreck achieve an aggregated profit before tax of R112,5 million for a three-year period post acquisition (i.e. an average of R37,5million per annum), an additional amount of R15 million will become payable.

Should Group Wreck report aggregated profit before tax of R168 million (i.e. an average of R42 million per annum) for the four-year period post acquisition, a final R15 million will be payable.

Further to the above, should the stated profit targets not be achieved, but at least 85% thereof is achieved, an amount of R7,5 million will become payable.

The fair value of the contingent consideration of R5 746 674 was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 12,25% and assumed probability-adjusted forecast net annual profits for Group Wreck of between R16 500 000 and R42 250 000.

Should the three-year post acquisition average annual profit before tax be less than R25 000 000, the group shall be entitled to repurchase some of the shares issued as consideration.

Should Group Wreck incur cumulative losses for the three-year period post-acquisition the amount repayable on the vendor loans will be reduced by such losses.

Minerals 2 Metals Proprietary Limited

On Wednesday, 16 May 2018 the group acquired 100% of the voting equity interest of Minerals 2 Metals Proprietary Limited which resulted in the group obtaining control over Minerals 2 Metals Proprietary Limited. Minerals 2 Metals Proprietary Limited is principally involved in the foundry industry. As a result of the acquisition, the group is expecting to be the leading provider of aluminium powder and low carbon ferro-chrome products in those markets. It is also expecting to reduce costs through economies of scale.

	GROUP		COMPANY	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Fair value of assets acquired and liabilities assumed				
Property, plant and equipment	**22 011**	–	–	–
Trade and other payables	**(18 701)**	–	–	–
Total identifiable net assets	**3 310**	–	–	–
Gain on a bargain purchase in a business combination	**(2 810)**	–	–	–
Acquisition date fair value of consideration paid				
Cash	**500**	–	–	–

Acquisition related costs

The acquisition related costs amounted to R977 038. These costs have been expensed in the year of acquisition and are included in other operating expenses in comprehensive income.

Gain on acquisition

A gain of R2 809 998 was recognised on acquisition. The gain results mainly from the fact that the acquiree had stopped trading and was experiencing cash flow constraints which made it possible to pay a discounted price. The gain has been included in the other income in comprehensive income.

38. BUSINESS COMBINATIONS CONTINUED

Revenue and profit or loss of Minerals 2 Metals Proprietary Limited

Revenue of R2 255 782 and loss of R3 813 632 of Minerals 2 Metals Proprietary Limited have been included in the group's results since the date of acquisition.

Insimbi Modular Dock Proprietary Limited

On 23 July 2018 the group acquired the additional 40% of the voting equity interest of Insimbi Modular Plastics Proprietary Limited, not already owned, for R1. Immediately prior to the purchase, the carrying amount of the existing 40% non-controlling interest value in Insimbi Modular Plastics Proprietary Limited was (R110 310). The group recognised a decrease in non-controlling interest of R110 310 and a decrease in equity attributable to the owners of R110 310. The effect on the equity attributable to owners of Insimbi Modular Plastics Proprietary Limited is summarised as follows:

Fair value of assets acquired and liabilities assumed

	GROUP		COMPANY	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Carrying amount of non-controlling interest acquired	**(110)**	–	–	–
Consideration paid to non-controlling interests	–	–	–	–
Excess of consideration paid recognised in the transactions with non-controlling interest reserve within equity	**(110)**	–	–	–

There were no transactions with non-controlling interests in 2018.

Group revenue and profit/(loss) for full year

Had the business combinations taken place at the beginning of the reporting year, the revenue and net profit for the group would have been as follows:

	Revenue	Net profit
Group Wreck International Non-Ferrous Proprietary Limited	**5 095 562 895**	**81 898 465**
Minerals 2 Metals Proprietary Limited	**4 545 214 644**	**45 834 197**

for the year ended 28 February 2019

39. RELATED PARTIES

Relationships

Subsidiaries	Refer to note 7
Joint ventures	Refer to note 8
Members of key management	Directors of the group as per the director's report meet the definition of key management personnel.

	GROUP		COMPANY	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Related party balances				
Loan accounts – owing (to)/by related parties				
Amalgamated Metals Group Holdings Proprietary Limited	**–**	–	**2 227**	–
Amalgamated Metals Recycling Proprietary Limited	**–**	–	**60 816**	–
Group Wreck International Non-Ferrous Proprietary Limited	**–**	–	**15**	–
Insimbi Alloy Properties Proprietary Limited	**–**	–	**(4 535)**	5 456
Insimbi Alloy Supplies Proprietary Limited	**–**	–	**200 256**	53 702
Insimbi Aluminium Alloys Proprietary Limited	**–**	–	**13 256**	–
Insimbi EmployeeCo Proprietary Limited	**–**	–	**2**	1
Insimbi Manco Proprietary Limited	**–**	–	**2**	1
Insimbi Modular Plastics Proprietary Limited	**–**	–	**45**	–
Insimbi Nano Milling Proprietary Limited	**–**	–	**3 765**	–
Insimbi Plastics Proprietary Limited	**–**	–	**24 252**	2
Metlite Alloy Properties Proprietary Limited	**–**	–	**593**	–
Metlite Alloys Proprietary Limited	**–**	–	**2**	2
Casterly Rock Investments Proprietary Limited*	**(16 806)**	(16 806)	**–**	–
Crimson Clover Investments Proprietary Limited*	**(16 405)**	(16 406)	**–**	–
Golden Griffin Investments Proprietary Limited*	**(16 806)**	(16 806)	**–**	–
Ella Rose Property and Investments Proprietary Limited*	**(7 652)**	–	**–**	–
Repo Metals Holdings Proprietary Limited*	**(7 652)**	–	**–**	–
Solomene Holdings Proprietary Limited*	**(7 720)**	–	**–**	–
Related party transactions				
Administration fees paid to/(received from) related parties				
Amalgamated Metals Recycling Proprietary Limited	**–**	–	**(10 271)**	(2 000)
Insimbi Aluminium Alloys Proprietary Limited	**–**	–	**(3 659)**	–
Insimbi Alloy Supplies Proprietary Limited	**–**	–	**(10 935)**	(10 575)
Insimbi Nano Milling Proprietary Limited	**–**	–	**(114)**	–
Dividends paid to/(received from) related parties				
Insimbi Alloy Supplies Proprietary Limited	**–**	–	**(17 196)**	(12 283)
Amalgamated Metals Group Holdings Proprietary Limited	**–**	–	**(3 616)**	–
EmployeeCo Proprietary Limited	**–**	–	**(520)**	–
Manco Proprietary Limited	**–**	–	**(399)**	–
Purchases from related parties				
Honeydew Metals Recycling Proprietary Limited#	**14 933**	11 865	**–**	–

** Related parties, as they hold shares in Insimbi Industrial Holdings. Please refer to the shareholder analysis on page 113.*
 # Owned by a close family member for key management.

40. DIRECTORS' EMOLUMENTS

Emoluments paid to directors and prescribed officers of the group are as set out below:

	Fees 2019 R'000	Salary 2019 R'000	Expense allow-ances* 2019 R'000	Pension fund contri-butions 2019 R'000	Incentive bonus 2019 R'000	Share-based pay-ments 2019 R'000	Total 2019 R'000	Total 2018 R'000
Executive								
F Botha	–	3 538	525	–	1 945	–	6 008	3 703
C Coombs	–	3 063	132	–	1 507	–	4 702	2 993
A de Wet	–	1 780	110	–	150	–	2 040	683
Total executive	–	8 381	767	–	3 602	–	12 750	7 379
Non-executive								
RI Dickerson	529	–	–	–	–	–	529	383
IP Mogotlane	328	–	–	–	–	–	328	459
N Mwale	278	–	–	–	–	–	278	470
C Ntshingila (previously Shiceka)	351	–	–	–	–	–	351	346
B Craig [1]	–	–	–	–	–	–	–	749
Total non-executive	1 486	–	–	–	–	–	1 486	2 407
Prescribed officers								
EP Liechti	–	2 350	267	–	–	–	2 618	2 496
CF Botha	–	2 084	511	–	–	–	2 596	2 474
D de Beer	–	1 700	83	292	–	144	2 219	1 770
B Fetting	–	731	220	43	–	3	997	793
S Green	–	1 221	165	236	300	188	2 110	1 477
CM Lindeque	–	918	149	100	1 825	–	2 992	600
N Winde	–	883	–	144	100	72	1 199	1 079
A Solomene [2]	–	666	–	34	–	–	700	–
Total prescribed officers [3]	–	10 554	1 396	849	2 225	407	15 430	10 689
Total	1 486	18 935	2 163	849	5 827	407	29 667	20 475

* *Includes medical aid and travel allowances*
[1] *Resigned 15 December 2017*
[2] *Became a member of management committee on 15 November 2018*
[3] *Paid by the relevant subsidiary*

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital Risk management

Overview

The group and company's objectives when managing capital are to safeguard the group and company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 22 and 20; and cash and cash equivalents disclosed in note 16, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There have been no changes to what the group manages as capital or the strategy for capital maintenance. There are externally imposed capital requirements by ABSA Bank. Refer to note 22 for further details.

for the year ended 28 February 2019

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

		GROUP		COMPANY	
	Notes	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
Total borrowings					
Loans from shareholders	21	**1 682**	2 275	**–**	–
Loans from group companies	20	**–**	–	**4 535**	–
Total financial liabilities at amortised cost	22	**322 456**	238 497	**169 606**	–
		324 138	240 772	**174 141**	–
Plus/(minus): Cash and cash equivalents	16	**50 164**	(22 298)	**56 531**	–
Net debt		**374 302**	218 474	**230 672**	–
Total equity		**444 658**	398 302	**172 432**	–
Gearing ratio		**84%**	55%	**134%**	–

Financial risk management

The group's activities expose it to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by management under policies approved by the board of directors. Management identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

There have been no substantive changes to the group's exposure to financial instruments risks, its objectives, policies and processes for managing those risks or the methods used to measure them from the previous periods unless otherwise stated in this note. Information disclosed has been disaggregated where the financial information used by the company has different economic characteristics and market conditions.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The group is exposed to credit risk on trade and other receivables, lease receivables and cash and cash equivalents.

The group reviews the recoverable amount of their financial assets at each statement of financial position date to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk on cash equivalents is limited because the cash equivalents are composed of deposits with major banks who have strong credit ratings (BB+) assigned by international credit rating agencies and have low risk of default.

Additional information on credit risk is included in notes 9, 11 and 15.

Back to index

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

The maximum exposure to credit risk is presented in the table below:

	Notes	2019 Gross carrying amount R'000	2019 Credit loss allowance R'000	2019 Amortised cost/fair value R'000	2018 Gross carrying amount R'000	2018 Credit loss allowance R'000	2018 Amortised cost/fair value R'000
GROUP							
Lease receivables	11	**3 716**	**–**	**3 716**	–	–	–
Trade and other receivables	15	**400 790**	**(4 498)**	**396 292**	294 274	(3 853)	290 421
Cash and cash equivalents	16	**32 278**	**–**	**32 278**	31 034	–	31 034
		436 784	**(4 498)**	**432 286**	325 308	(3 853)	321 455
COMPANY							
Loans to group companies	9	**305 231**	**–**	**305 231**	59 164	–	59 164
Cash and cash equivalents	16	**116**	**–**	**116**	–	–	–
		305 347	**–**	**305 347**	59 164	–	59 164

Liquidity risk

The group is exposed to liquidity risk, which is the risk that the group will encounter difficulties in meeting its obligations as they become due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management maintains flexibility in funding by maintaining availability under committed credit lines.

The group manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short-term borrowings. Committed borrowing facilities are available for meeting liquidity requirements. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored, and the group maintains agreed facilities with reputable financial institutions. There have been no defaults or breaches on long-term loans, instalment sale liabilities and trade payables during the course of the financial year. Furthermore, security has been provided for long-term loans and instalment sale liabilities.

Regular meetings are held with the group's bankers to discuss facilities required to meet the group's financial obligations and where agreed overdraft and loan facilities are amended. Summaries of the group's and company's bank accounts are prepared daily which are reviewed and based on these summaries decisions are made to transfer excess funds from the main current account to other facilities in order to reduce the interest cost to the group and company.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

for the year ended 28 February 2019

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

The maturity profile of contractual cash flows of non-derivative financial liabilities held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

	Notes	Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
GROUP						
2019						
Non-current liabilities						
Financial liabilities at amortised cost	22	–	307 003	50 939	357 942	254 178
Lease liabilities	24	–	22 203	6 854	29 057	21 154
Current liabilities						
Loans from shareholders	21	1 682	–	–	1 682	1 682
Trade and other payables	25	242 104	–	–	242 104	242 104
Financial liabilities at amortised cost	22	97 486	–	–	97 486	68 278
Financial liabilities at fair value	23	945	–	–	945	945
Lease liabilities	24	4 946	–	–	4 946	2 519
Bank overdraft	16	83 743	–	–	83 743	83 743
		430 906	329 206	57 793	817 905	674 603
2018						
Non-current liabilities						
Loans from shareholders	21	–	–	2 275	2 275	2 275
Financial liabilities at amortised cost	22	–	168 939	38 909	207 848	166 202
Current liabilities						
Trade and other payables	25	196 911	–	–	196 911	196 911
Financial liabilities at amortised cost	22	75 271	–	–	75 271	72 295
Financial liabilities at fair value	23	2 698	–	–	2 698	2 698
Bank overdraft	16	10 111	–	–	10 111	10 111
		284 991	168 939	41 184	495 114	450 492

	Notes	Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
COMPANY						
2019						
Non-current liabilities						
Financial liabilities at amortised cost	22	27 273	141 518	–	168 791	114 750
Current liabilities						
Trade and other payables	25	2 142	–	–	2 142	2 142
Loans from group companies	20	4 535	–	–	4 535	4 535
Financial liabilities at amortised cost	22	65 254	–	–	65 254	54 856
Bank overdraft	16	56 647	–	–	56 647	56 647
		155 851	141 518	–	297 369	232 930
2018						
Current liabilities						
Trade and other payables	25	2 970	–	–	2 970	2 970

Financing facilities

At year-end the group had R127 million (2018: R123,18 million) available in unutilised facilities. This amount can be utilised to settle trade payables should it be necessary. The facility can also be used for future expansion of the business.

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Foreign currency risk

The group operates internationally and is exposed to foreign currency risk as a result of certain transactions which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. The foreign currencies in which the group deals primarily are US Dollars and Euros.

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

Exchange rates

	GROUP		COMPANY	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Rand per unit of foreign currency:				
US Dollar	**14,078**	11,774	**–**	–
Euro	**16,024**	14,368	**–**	–

Forward exchange contracts

Fair value risk arises on the mark to market of forward exchange contracts. The effect of this risk is shown below. The major risk lies in exposure to the US Dollar and Euro. The assumptions used are consistent with the prior year and represent management's best estimate of potential fluctuations in exchange rates.

The group reviews its foreign exchange exposure, including commissions, on an ongoing basis. The notional principal amounts of the outstanding forward exchange rate contracts at 28 February 2019 were R52 185 208 (2018: R64 261 266) and are expected to mature within the next 12 months.

Foreign currency sensitivity analysis

The following information presents the sensitivity of the group to an increase or decrease in the respective currencies it is exposed to. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. The impact shown is after taking into account the effect of tax. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Increase or decrease in rate	**2019 Increase**	**2019 Decrease**	2018 Increase	2018 Decrease
GROUP				
Impact on foreign trade payables				
US Dollar 5% (2018: 5%)	**(300)**	**300**	(1 475)	1 475
Euro 5% (2018: 5%)	**(1 526)**	**1 526**	(1 480)	1 480
Impact on foreign trade receivables	**–**	**–**	–	–
US Dollar 5% (2018: 5%)	**251**	**(251)**	340	(340)
Euro 5% (2018: 5%)	**70**	**(70)**	51	(51)
Impact on foreign bank	**–**	**–**	–	–
US Dollar 5% (2018: 5%)	**607**	**(607)**	109	(109)
Euro 5% (2018: 5%)	**1**	**(1)**	43	(43)
	(897)	**897**	(2 412)	2 412

Interest rate risk

The group's interest rate risk arises from the use of variable interest rate instalment sale liabilities and fixed and variable short- and long-term borrowings and bank accounts that are carried at amortised cost. Future changes to prime lending rates will have a direct impact on the future cash payments towards the settlement of the financial obligations. The risk remains unhedged at the reporting date. Exposure to interest rate risk is monitored month to month and on a case-by-case basis, which includes consideration of fixed versus floating interest rates.

Certain interest rates at year-end were linked to the prime overdraft rates. The prime overdraft rate at year-end was 10,25% (2018: 10,5%).

for the year ended 28 February 2019

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Interest rate risk continued

The debt of the group is comprised of different instruments, which bear interest at either fixed or floating interest rates. The ratio of fixed and floating rate instruments in the loan portfolio is monitored and managed, by incurring either variable rate bank loans or fixed rate bonds as necessary. Interest rate swaps are also used where appropriate, in order to convert borrowings into either variable or fixed, in order to manage the composition of the ratio. Interest rates on all borrowings compare favourably with those rates available in the market.

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

At 28 February 2019, if the interest rate (JIBAR or prime) had been 2% per annum (2018: 2%) higher or lower during the period, with all other variables held constant post tax, profit or loss for the year would have been R4 510 323 (2018: R4 332 082) lower and R4 510 323 (2018: R4 332 082) higher.

The group is sensitive to the movements in the ZAR interest rates which are the primary interest rates to which the group is exposed. The group has used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income of an instantaneous increase or decrease, as detailed below, in market interest rates on financial liabilities from the applicable rate as at year-end, for each class of financial instrument with all other variables remaining constant. It has been established by management that interest rate fluctuations on cash denominated in foreign currencies are immaterial. The calculations were determined with reference to the outstanding financial liability and financial asset balances. This represents no change from the prior period in the method and assumptions used.

The above sensitivity analysis is for illustrative purposes only and represents management's best estimate of reasonably possible changes in interest rates.

42. EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE

Basic earnings per share

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.

	GROUP **2019** **R'000**	GROUP 2018 R'000
Basic earnings/(loss) per share		
From continuing operations (cents per share)	**11,93**	18,47
	11,93	18,47
Basic earnings per share was based on earnings of R46,6 million (2018: R71,5 million) and a weighted average number of shares of 390 922 835 (2018: 386 888 449).		
Reconciliation of profit or loss for the year to basic earnings (R'000)		
Profit for the year	**45 834**	71 160
Loss for the year attributable to non-controlling interest	**813**	307
Profit for the year attributable to equity holders	**46 647**	71 467
Reconciliation of weighted average number of shares ('000)		
Weighted number of shares in issue at the end of the year	**415 311**	410 000
Less: Weighted number of treasury shares held in a subsidiary at the end of the period	**(24 388)**	(23 112)
	390 923	386 888

Back to index

42. EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE CONTINUED

	GROUP 2019 R'000	GROUP 2018 R'000
Headline earnings per share		
Headline earnings are determined by adjusting basic earnings by excluding separately identifiable remeasurement items. Headline earnings are presented after tax and non-controlling interest	**13,52**	18,45
	13,52	18,45

	Gross 2019 R'000	Nett 2019 R'000	Gross 2018 R'000	Nett 2018 R'000
Reconciliation between earnings and headline earnings				
Basic earnings/(loss)	**–**	**46 647**	–	71 467
Adjusted for:				
(Profit) or loss on sale/scrapping of assets	**133**	**96**	(138)	(99)
Gain on bargain purchase	**(2 810)**	**(2 810)**	–	–
Impairment of goodwill	**8 938**	**8 938**	–	–
Headline earnings	**–**	**52 871**	–	71 368

Diluted earnings/(loss) per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has potentially dilutive share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculate as above is compared with the number of shares that would have been issued assuming the exercise of the options.

	2019 R'000	2018 R'000
Weighted average number of ordinary shares in issue ('000)	**390 923**	386 888
Adjusted for: Share options ('000)	**14 934**	16 173
Weighted average number of ordinary shares for diluted earnings per share ('000)	**405 857**	403 061
	cents	cents
Diluted earnings per share	**11,49**	17,73
Diluted headline earnings per share	**13,03**	17,71

43. COMMITMENTS

	GROUP 2019 R'000	GROUP 2018 R'000	COMPANY 2019 R'000	COMPANY 2018 R'000
Operating leases – as lessor (income)				
Minimum lease payments due				
– within one year	**876**	1 024	**–**	–
– in second to fifth year inclusive	**484**	4 987	**–**	–
	1 360	6 011	**–**	–

Operating lease payments represent rentals payable to the group for certain of it's properties. Lease agreements have terms from 1- 2 years, with the option of extending for another year. There are no contingent rents receivable.

In the current year, a new lease has been signed with Serobeng Health CC, and has been classified as a finance lease in terms of IFRS 16. The corresponding sub-lease has therefore been classified as a lease receivable (refer note 11).

for the year ended 28 February 2019

The management Executive Committee is the group's chief operations decision-making unit.

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 foundry, steel, plastics and refractory industries. These are the operating segments of the group whose results are regularly reviewed by the Executive Committee. The group sells to a diverse customer base. The group has 2 customers who represent more than 10% of total revenue for the group. Both these customers fall within the non-ferrous operating segment. Revenue earned from these customers during the current year amounted to R1,3 billion and R0,7 billion respectively.

Non-ferrous – Consists of the divisions which service the foundry and Non-ferrous industry, both automotive and heavy, aluminium industry (mainly deoxidation market) and the powder coating industry. This now also includes the supply of various Non-ferrous recycled metals.

Refractory – Consists of the divisions that service the steel and cement industry's refractory requirements as well as the supply of industrial heat resistant textiles.

Ferrous – This segment supplies both steel and polypropylene fibres, services the welding and optical industries and supplies in the steel industry's raw material requirements. This now also includes the supply of various ferrous-based recycled metals.

Plastics – Consists of the divisions that service the plastic packaging industry, including chemical, agricultural and food industries.

The segments reported on in the annual report are identical to the operating segments identified and management is satisfied that the operating segments are appropriately aggregated.

	Non-ferrous R'000	Ferrous R'000	Refractory R'000	Plastics R'000	Total R'000
2019					
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
Employee cost	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

** Includes depreciation, repairs and maintenance, impairments and other operating expenses*

SEGMENTAL REPORT continued

for the year ended 28 February 2019

	Non-ferrous R'000	Ferrous R'000	Refractory R'000	Plastics R'000	Total R'000
2018					
Revenue					
Sale of goods – Local	2 416 178	431 761	100 689	72 533	3 021 161
Sale of goods – Exports	462 462	141	8 039	–	470 642
Rendering of services – transport and insurance	–	–	–	–	–
	2 878 640	431 902	108 728	72 533	3 491 803
Cost of sales	2 612 114	390 126	94 610	49 529	3 146 379
Gross profit	266 526	41 776	14 118	23 004	345 424
Other income	1 195	–	–	–	1 195
Profit before operating and administration expenses	267 721	41 776	14 118	23 004	346 619
Operating and administration expenses and operating losses					
Communication	2 178	139	38	126	2 481
Employee cost	94 025	8 958	1 784	11 420	116 187
Motor vehicle expenses	16 848	4 415	147	965	22 375
Other expenses*	45 963	1 834	474	5 217	53 488
Occupancy	15 870	2 464	–	5 923	24 257
	174 884	17 810	2 443	23 651	218 788
Operating profit before finance income from continuing operations	92 837	23 966	11 675	(647)	127 831

** Includes depreciation, repairs and maintenance and other operating expenses.*

GEOGRAPHICAL INFORMATION

Revenues from external customers by country, based on the destination of the customer

	2019 R'000	2018 R'000
Africa	**43 978**	30 398
Asia	**386 206**	182 215
Australia	**22 727**	3 217
Europe	**33 663**	45 905
North and South America	**218 761**	208 907
South Africa	**3 839 879**	3 021 161
	4 545 214	3 491 803

for the year ended 28 February 2019

	Number of shareholdings	%	Number of shares	%
Shareholder spread				
1 – 5 000 shares	703	60,09	839 284	0,2
5 001 – 50 000 shares	341	29,15	5 966 311	1,39
50 001 – 100 000 shares	32	2,74	2 416 404	0,56
100 001 – 250 000 shares	40	3,42	6 262 438	1,46
250 001 – 500 000 shares	17	1,45	5 502 160	1,28
500 001 – 1 000 000 shares	7	0,6	5 199 000	1,21
1 000 001 shares and over	30	2,56	402 275 941	93,89
Totals	**1 170**	**100**	**428 461 538**	**100**
Distribution of shareholders				
Banks/brokers	10	0,85	65 552 302	15,30
Close corporations	10	0,85	380 612	0,09
Endowment funds	2	0,17	137 490	0,03
Individuals	1 069	91,37	136 400 383	31,83
Mutual funds	2	0,17	32 075 889	7,49
Other corporations	4	0,34	175 072	0,04
Private companies	36	3,08	189 163 814	44,15
Public company	2	0,17	269 708	0,06
Treasury shares	1	0,09	1 616 572	0,38
Trusts	34	2,91	2 689 696	0,63
Totals	**1 170**	**100**	**428 461 538**	**100**
Public/non-public shareholders				
Non-public shareholders	**24**	**2,05**	**287 146 301**	**65,15**
Directors and associates of the company	6	0,51	97 099 676	22,66
Strategic holder (more than 10%)	1	0,09	82 000 000	19,14
Treasury shares	1	0,09	1 616 572	0,38
Employee and management schemes	2	0,17	22 968 015	5,36
Related holdings	14	1,2	83 462 038	19,48
Public shareholders	**1 146**	**97,95**	**141 315 237**	**32,98**
Totals	**1 170**	**100**	**428 461 538**	**100**
Beneficial shareholders including those holding 5% or more				
K2017289277 (South Africa) Proprietary Limited – NS InvestCo			82 000 000	19,14
F Botha			36 847 300	8,60
Pruta Securities			33 000 000	7,70
EP Liechti			30 297 000	7,07
CF Botha			29 167 000	6,81
Jacana Assets Limited			23 000 000	5,37
Golden Griffin Investments Proprietary Limited			21 950 200	5,12
Totals			**256 261 500**	**59,81**

INSIMBI INDUSTRIAL HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2002/029821/06)
Share code: ISB ISIN: ZAE000116828
("Insimbi" or "the company")

Notice is hereby given that the twelfth annual general meeting of Insimbi Industrial Holdings Limited will be held at Insimbi's offices at Stand 359 Crocker Road, Wadeville, Extension 4, Germiston on Thursday, 4 July 2019 at 10:00.

All terms defined in the 2019 Integrated Annual Report, to which this notice of annual general meeting is attached, shall bear the same meanings when used in this notice of annual general meeting ("AGM").

For purposes of the holding of AGMs, the Companies Act 71 of 2008 ("the Act") requires that a record date be determined by the directors to establish those shareholders of the company that are entitled to receive this notice. The record date for purposes of determining which shareholders of the company are entitled to receive this notice of AGM is Friday, 17 May 2019.

The Act also requires that a record date be determined by the directors to establish those shareholders who are entitled to attend and vote at the AGM. The record date for purposes of determining which shareholders of the company are entitled to attend and vote at the AGM is Friday, 21 June 2019 with the last day to trade in the shares of the company on the JSE Limited being close of business on Tuesday, 18 June 2019.

Electronic participation at the AGM (section 61(10) of the Companies Act)

1. Shareholders wishing to participate electronically at the meeting are required to deliver written notice to the Company Secretary, with a copy to the transfer secretary, by no later than 48 hours before the meeting (i.e. by 10:00 on Monday, 1 July 2019), stating that they wish to participate via electronic communication at the meeting ("the electronic notice").
2. Note that shareholders will merely be able to participate, but not vote, via electronic communication.
3. In order for the electronic notice to be valid it must contain:
   - 3.1. If the shareholder is an individual, a certified copy of his/her identity document and/or passport;
   - 3.2. If the shareholder is not an individual, a certified copy of a resolution by the relevant entity and a certified copy of the identity documents and/or passports of the persons who passed the relevant resolution. The relevant resolution must set out which individual from the relevant entity is authorised to represent the relevant entity at the AGM via electronic communication; and
   - 3.3. A valid email address and/or facsimile number ("the contact address/number").
4. The company shall use its reasonable endeavours to communicate with each shareholder who/which has delivered a valid electronic notice by notifying such shareholder at its contact address/number of the relevant details through which the shareholder may participate via electronic communication.
5. The company reserves the right not to provide for electronic participation at the meeting in the event that it proves impractical to do so. The costs of accessing any means of electronic participation provided by the company will be borne by the shareholder accessing the electronic participation.

This document is important; please read the notes at the end of this notice, which contain important information regarding shareholders' participation at the AGM.

The purpose of the AGM and the business to be transacted thereat is detailed below.

ORDINARY RESOLUTIONS

Unless otherwise indicated, in order for each of the ordinary resolutions to be adopted, the support of more than 50% of the voting rights exercised on the resolution by shareholders, present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution, is required.

The purpose of the AGM is to consider and, if deemed fit, pass the following resolutions with or without modification as ordinary resolutions:

Adoption of the annual financial statements

The audited annual financial statements for the year ended 28 February 2019, as set out in the annual report and which can be found on the company's website at www.insimbi-group.co.za, will be presented to the shareholders.

ORDINARY RESOLUTIONS CONTINUED

Ordinary resolution number one

"Resolved that the audited group and company annual financial statements for the year ended 28 February 2019, including the reports of the directors, the auditors and the Audit and Risk Committee, be and are hereby received."

Confirmation and re-election of directors

The company's memorandum of incorporation (MoI) stipulates that:

- the appointment of any director to fill a vacancy or as an addition to the board must be confirmed at the next AGM;
- at each AGM at least one-third of the non-executive directors shall retire from office, the directors so retiring being those who have been longest in office since their last election; and
- the retiring directors shall be eligible for re-election.

The board has considered the performance of the directors standing for re-election and found them suitable for re-appointment.

Ordinary resolutions two to five are accordingly proposed in respect of:

- The re-appointment of the only other non-executive director who retires by rotation in accordance with the MoI, being Mr N Mwale, but who has made himself available for re-election;

A brief résumé of Mr N Mwale appear on page 21 of the report to which this AGM notice is attached.

Ordinary resolution number two

"Resolved that Mr N Mwale, who retires by rotation in terms of the company's MoI, and, being eligible, offers himself for re-election, be and is hereby re-elected as non-executive director of the company."

Appointment of Audit and Risk Committee

Section 94 of the Act requires that at each AGM shareholders of the company elect an Audit and Risk Committee comprising at least three members, all of whom must be non-executive directors. The board has considered the performance of the following Audit and Risk Committee members standing for re-election and has found them suitable for appointment:

- Mr RI Dickerson
- Ms IP Mogotlane
- Ms CS Ntshingila

Mr RI Dickerson is also Chairman of the board and, notwithstanding the principles of the King Report on Corporate Governance in South Africa ("King IV"), is appointed a member of the Audit and Risk Committee, as permitted by the JSE Limited Listings Requirements ("the Listings Requirements"). His financial and business experience over a number of years and across a number of industries is invaluable to the committee.

Ordinary resolutions numbers three to five are accordingly proposed in respect of the appointment of Mr RI Dickerson, Ms IP Mogotlane, Ms CS Ntshingila as members of the Audit and Risk Committee for the ensuing year. Brief résumés of Ms CS Ntshingila, Ms IP Mogotlane and Mr RI Dickerson appear on pages 20 to 21 of the report to which this notice of AGM is attached.

Ordinary resolution number three

"Resolved that Mr RI Dickerson be and is hereby elected as a member of the Audit and Risk Committee in terms of the Act, to remain in office until the conclusion of the next AGM."

Ordinary resolution number four

"Resolved that Ms IP Mogotlane be and is hereby elected as a member of the Audit and Risk Committee in terms of the Act, to remain in office until the conclusion of the next AGM."

Ordinary resolution number five

"Resolved that Ms CS Ntshingila be and is hereby elected as a member and Chairperson of the Audit and Risk Committee in terms of the Act, to remain in office until the conclusion of the next AGM."

Appointment of auditors

The Audit and Risk Committee has considered the performance, independence and suitability of PricewaterhouseCoopers Inc ("PwC") and has recommended them for reappointment as independent external auditors of the group, Mr JP van Staden has served as the designated auditor from the current year.

Back to index

ORDINARY RESOLUTIONS CONTINUED

Ordinary resolution number six

"Resolved that, on recommendation of the Audit and Risk Committee, PwC be and are hereby appointed as external auditors of the company for the financial year ending 29 February 2020, to remain in office until the conclusion of the next AGM, with Mr JP van Staden as the designated auditor."

Indemnification of directors

Section 78 of the Act allows for the company to indemnify directors, subject to the provisions of the company's MoI, except as may be prohibited by law.

Ordinary resolution number seven

"Resolved that the company hereby indemnifies each of the directors and officers of the group from time to time from any cost, damage, fine or loss of whatsoever nature which they may incur whilst acting bona fide in the course and scope of their duties, save to the extent that such indemnification is prohibited by the Act or any other law."

General authority to issue shares/convertible shares or options for cash

Ordinary resolution number eight

"Resolved that the directors of the company be and are hereby authorised by way of a general authority to issue all or any of the authorised but unissued shares in the capital of the company, including options shares, as and when they in their discretion deem fit, subject to the Act, the MoI and the Listings Requirements, provided that such issues for cash may not, in the aggregate, in any 1 (one) financial year, exceed 10% (ten percent) of the number of shares of the relevant class of shares issued prior to such issue."

Additional requirements imposed by the JSE Listings Requirements

The company may only make an issue of shares (as defined in the Listings Requirements) for cash under the above general authority if the following Listings Requirements are met:

a) The shares, which are the subject of the issue for cash, must be of a class already in issue, or where this is not the case, must be limited to such equity shares or rights that are convertible into a class already in issue.
b) The general authority shall only be valid until the company's next annual general meeting or for 15 (fifteen) months from the date of passing of this ordinary resolution, whichever period is shorter.
c) That issues in the aggregate in any 1 (one) financial year may not exceed 10% (ten percent) of the number of the shares of the company in issue of that class of shares before such issue, taking into account the dilution effect of convertible equity shares and options in accordance with the Listings Requirements.
d) In determining the price at which an issue of shares may be made in terms of this general authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those shares measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed to between the company and the party/ies subscribing for the shares.
e) Any issue will only be made to "public shareholders" as defined by the JSE Listings Requirements and not to related parties.

Notwithstanding that this is an ordinary resolution, the minimum percentage of voting rights that is required for this resolution to be adopted is 75% (seventy-five percent) of the voting rights to be cast on the resolution.

Non-binding advisory vote – remuneration policy

King Codes on Corporate Governance recommend that the company's remuneration policy be tabled for a non-binding advisory vote by shareholders at every AGM, thus providing the shareholders with an opportunity to express their views on the company's remuneration policies. The report of the Remuneration Committee is set out on pages 35 to 37 of the report to which this notice of AGM is attached.

Non-binding advisory vote 1 – remuneration policy

"Resolved that the company's remuneration policy, as set out in the annual integrated report, be and is hereby endorsed by way of a non-binding advisory vote."

Non-binding advisory vote 2 – implementation report

"Resolved that the company's implementation report, as set out in the annual integrated report, be and is hereby endorsed by way of a non-binding advisory vote."

There is currently no minimum percentage of voting rights that is required in respect of this advisory votes and the votes are not binding on the group.

SPECIAL RESOLUTIONS

Unless otherwise indicated, in order for each of the special resolutions to be adopted, the support of at least 75% of the voting rights exercised on the resolution by shareholders, present or represented by proxy at the AGM and entitled to exercise voting rights on the resolution, is required.

The purpose of the AGM is to consider and, if deemed fit, pass the following resolutions with or without modification as special resolutions:

Non-executive directors' fees for the year ending 29 February 2020

The Act requires that prior shareholder approval be obtained in respect of fees payable to directors. The annual fees payable to non-executive directors have been substantially reviewed in 2018 to bring them in line with the changes in the size and complexity of the business. The board had proposed that these fees by increased by 5% in line with inflation for the ensuing year. Having considered that the fees were unaltered for the previous year.

Special resolution number one

"Resolved as a special resolution that the payment of the following fees to the non-executive directors for their services to the company for the year 1 March 2019 to 29 February 2020 be and is hereby approved:

	Retainer fee (pa) R	Per meeting attended R
Board or committee		
Board member	157 500	15 750
Audcom member	42 000	7 350
Remcom/Nomcom member	26 500	7 350
SECcom member	21 000	7 350
Investcom member	42 000	7 350
Additional amount payable to Chairperson of the board/committee		
Chairperson of board	105 000	12 600
Audcom Chairperson	26 250	5 250
Remcom/Nomcom Chairperson	25 250	5 250
SECcom Chairperson	26 250	5 250
Investcom/Audcom Chairperson	26 250	5 250
Consultancy		3 150 per hour

General approval to repurchase company shares

Special resolution number two is proposed to authorise the acquisition by the company or any of its subsidiaries of shares issued by the company. The board's intention is for the shareholders to pass a special resolution granting the company or its subsidiaries general authority to acquire ordinary shares issued by the company, subject to the requirements of the Act, the Listings Requirements and the company's MoI, should the board consider that it would be in the interest of the company or its subsidiaries to acquire such shares while the general authority subsists.

Special resolution number two

"Resolved that, subject to compliance with the Listings Requirements, the Act and the MoI, the directors be authorised at their discretion to instruct the company or its subsidiaries to acquire or repurchase ordinary shares issued by the company, provided that:

- the number of ordinary shares acquired in any one financial year shall not exceed 3% of the ordinary shares in issue at the date on which this resolution is passed;
- such acquisitions may only be effected through the order book operated by the JSE trading system and done without any understanding or arrangement between the company and the counterparty;
- this authority will lapse on the earlier of the date of the next AGM or 15 months after the date on which this resolution is passed; and
- the price paid per ordinary share may not be greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the purchase is made."

SPECIAL RESOLUTIONS CONTINUED

The directors of the company undertake that they will not implement the repurchase as contemplated in this special resolution while this general authority is valid, unless:

- after any such repurchase the company passes the solvency and liquidity test as contained in section 4 of the Act and that from the time the solvency and liquidity test is done, there will be no material changes to the financial position of the group;
- the consolidated assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards and in accordance with the accounting policies used in the company and group annual financial statements for the year ending 28 February 2019, will exceed the consolidated liabilities of the company and group immediately following such purchase or 12 months after the date of the AGM, whichever is the later;
- the company and the group will be able to pay their debts as they become due in the ordinary course of business for a period of 12 months after the date of the notice of the AGM, or a period of 12 months after the date on which the board considers that the purchase will satisfy the immediately preceding requirement and this requirement, whichever is the later;
- the issued share capital and reserves of the company and the group will be adequate for the purposes of the business of the company and the group for a period of 12 months after the date of the notice of the AGM;
- the company and the group will have adequate working capital for ordinary business purposes for a period of 12 months after the date of the notice of the AGM;
- a resolution is passed by the board that it has authorised the repurchase, that the company and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the group;
- the requirements contained in the Listings Requirements are complied with;
- the company or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the Listings Requirements, unless the company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant prohibited period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement on SENS prior to commencement of the prohibited period; and
- the company undertakes that it will not enter the market to repurchase its own shares until the company's sponsor has provided written confirmation to the JSE in accordance with the Listings Requirements.

Further explanatory notes to special resolution number two:

Information required in terms of the Listings Requirements with regard to the general authority for the company or any of its subsidiaries to repurchase the company's securities (special resolution number two) appears in the annual financial statements, available on www.insimbi-group.co.za as indicated below:

- Directors and management: pages 19 to 23 of the integrated report.
- Major shareholders: page 113 of the annual financial statements.
- Directors' and prescribed officers' interests in securities: page 50 of the annual financial statements.
- Share capital of the company: page 90 of the annual financial statements.

The directors, whose names are given on pages 19 to 23 of the integrated report, collectively and individually accept full responsibility for the accuracy of the information given in this notice and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the integrated report and this notice contains all information required by law and the Listings Requirements. No material change in the financial or trading position of the company and its subsidiaries has occurred since 28 February 2019.

Loans or financial assistance to subsidiaries and related or inter-related companies

The Act requires that a company obtain approval from its shareholders by way of a special resolution passed in the last two years if the company is to provide financial assistance to any subsidiary, associate or holding company.

Special resolution number three

"Resolved as a special resolution, in accordance with sections 45 (2) and 45(3) of the Act, that the directors of the company be and they are hereby 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".

ACTION REQUIRED

Certificated shareholders and "own name" dematerialised shareholders

If you are unable to attend the AGM of the company to be held at Insimbi's offices at 359 Crocker Road, Wadeville, Extension 4, Germiston on 4 July 2019 at 10:00, and wish to be represented thereat, you must complete and return the attached form of proxy in accordance with the instructions contained therein and lodge it with, or post it to, the transfer secretaries, namely Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107), so as to be received by them by no later than 10:00 on Friday, 28 June 2019.

Dematerialised shareholders

If you hold dematerialised shares in the company through a Central Securities Depository Participant ("CSDP") or broker and do not have an "own name" registration, you must timeously advise your CSDP or broker of your intention to attend and vote at the general meeting or be represented by proxy thereat in order for your CSDP or broker to provide you with the necessary authorisation to do so, or should you not wish to attend the AGM in person but wish to be represented thereat, you must timeously provide your CSDP or broker with your voting instructions in order for the CSDP or broker to vote in accordance with your instruction at the AGM.

The shareholders are entitled to vote on all the resolutions set out above. All voting will be by way of a poll and every shareholder who is present in person or by proxy at the AGM will have one vote for every ordinary share held or represented. In terms of section 63(1) of the Act, any person attending or participating in the AGM must present reasonably satisfactory identification, and the person presiding at the AGM must be reasonably satisfied that the right of any person to participate and vote, whether as a shareholder or as a proxy for a shareholder, has been reasonably verified. Acceptable forms of identification include valid identity documents, drivers' licences and passports.

A form of proxy, which sets out the relevant instructions for use, is attached for those members who wish to be represented at the annual general meeting of members. Duly completed forms of proxy must be lodged with the transfer secretaries of the company, namely Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Ave, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2017), to be received by not later than 10:00 on Monday, 1 July 2019.

TN Kgari
Company Secretary
Johannesburg
29 May 2019

Back to index

SHAREHOLDERS' DIARY

Record date to receive notice of AGM	Friday, 17 May 2019
Anticipated release of the results on SENS	Wednesday, 29 May 2019
Publication of annual reports (mailed to shareholders)	Friday, 31 May 2019
Last day to trade in order to be eligible to participate and vote at the AGM	Tuesday, 18 June 2019
Record date for voting purposes	Friday, 21 June 2019
Proxy date and time	Friday, 28 June 2019 at 10:00
Annual general meeting	**Thursday, 4 July 2019 at 10:00**
Financial year-end	Last day of February
Half year	Last day of August

Notes:

The above dates and times are subject to change. Any changes will be released on SENS.

INSIMBI REFRACTORY AND ALLOY SUPPLIES LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2002/029821/06) Share code: ISB ISIN: ZAE000116828

(For use by certificated shareholders and own name dematerialised shareholders)
Form of proxy for the annual general meeting of Insimbi to be held at their offices at Stand 359 Crocker Road, Wadeville, Extension 4, Germiston on Thursday, 4 July 2019 at 10:00 ("annual general meeting").

This form of proxy is not to be used by beneficial owners of shares who have dematerialised their shares ("dematerialised shares") through a Central Securities Depository Participant ("CSDP") or broker, as the case may be, unless you are recorded on the sub-register as an "own name" dematerialised shareholder. Generally, you will not be an own name dematerialised shareholder unless you have specifically requested your CSDP to record you as the holder of the shares in your own name in the company's subregister.

This form of proxy is only for use by certificated, "own name" dematerialised shareholders and CSDPs or brokers (or their nominees) registered in the company's subregister as the holder of dematerialised ordinary shares.

Each shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy (who need not be a shareholder of the company) to attend, participate in and speak and vote in place of that shareholder at the annual general meeting, and at any adjournment thereafter.

Please note the following:

- The appointment of your proxy may be suspended at any time to the extent that you choose to act directly and in person in the exercise of your rights as a shareholder at the annual general meeting;
- The appointment of the proxy is revocable; and
- You may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the company.

Please note that any shareholder of the company that is a company may authorise any person to act as its representative at the annual general meeting. Please also note that section 63(1) of the Companies Act 71 of 2008 requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) provide satisfactory identification before they may so participate.

Note that voting will be performed by way of a poll so each member present or represented by way of proxy will be entitled to one vote in respect of every share held or represented.

I/We (name in block letters) ______________________________

of (address) ______________________________

Telephone: Work (   ) ____________ Telephone: Home (   ) ____________ Cellphone number ____________

being the holder/s of ______________________________ ordinary shares in the company,
hereby appoint (refer to note 1)

1. ______________________________ or
failing him/her

2. ______________________________ or
failing him/her

the Chairperson of the annual general meeting

as my/our proxy to attend, speak, vote and act for me/us on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing the resolutions to be proposed thereat and at any adjournment thereof and to vote for or against such resolutions or to abstain from voting in respect of the shares in the issued capital of the company registered in my/our name/s, in accordance with the following instructions (refer to note 2).

My/our proxy may delegate to another person his/her authority to act on my/our behalf at the annual general meeting, provided that my/our proxy:

- must provide written notification to the transfer secretaries of the company, namely Computershare Investor Services Proprietary Limited, of the delegation by my/our proxy of his/her authority to act on my/our behalf at the general meeting by no later than 10:00 on Monday, 1 July 2019, being 48 (forty-eight) hours before the general meeting to be held at 10:00 on Thursday, 4 July 2019; and
- must provide to his/her proxy with a copy of his/her authority to delegate his/her authority to act on my/our behalf at the general meeting.

	Number of votes on a poll (one vote per ordinary share)		
	In favour	**Against**	**Abstain**
Ordinary resolutions			
1. Adoption of annual financial statements			
Confirmation and re-election of directors			
2. Confirmation of appointment of Mr N Mwale			
Appointment of Audit and Risk Committee			
3. Appointment of Mr RI Dickerson to the Audit and Risk Committee			
4. Appointment of Ms IP Mogotlane to the Audit and Risk Committee			
5. Appointment of Ms CS Ntshingila to the Audit and Risk Committee			
6. Appointment of PwC as external auditors			
7. Indemnification of directors			
8. General authority to issue shares or options for cash			
Non-binding advisory vote			
1. Remuneration policy			
2. Implementation report			
Special resolutions			
1. Approval of non-executive directors' fees			
2. General approval to repurchase company shares			
3. Loans or financial assistance to subsidiaries and related or inter-related companies			

Signed at ______________________________ on ____________ 2019.

Signature ______________________________
(Authority of signatory to be attached if applicable – see note 7)

Assisted by me (where applicable – see note 9) ______________________________

Please also read the notes overleaf.

NOTES TO THE FORM OF PROXY

1. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter.
2. If no proxy is inserted in the spaces provided, then the Chairperson shall be deemed to be appointed as the proxy to vote or abstain as the Chairperson deems fit.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy form will be deemed to authorise the proxy to vote, or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy. A proxy shall be entitled to demand that voting take place on a poll.
5. Proxy forms must be lodged with or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg 2196 (PO Box 61051, Marshalltown 2107, South Africa).
6. Forms of proxy must be received or lodged by no later than 10:00 on Monday, 1 May 2019, being no later than 48 (forty-eight) hours before the annual general meeting to be held at 10:00 on Thursday, 4 July 2019.
7. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form, unless previously recorded by the Company Secretary or waived by the Chairperson of the annual general meeting. CSDPs or brokers registered in the company's subregister voting on instructions from beneficial owners of shares registered in the company's sub-register, are requested that they identify the beneficial owner in the subregister on whose behalf they are voting and return a copy of the instruction from such owner to the Company Secretary or to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg 2196 (PO Box 61051, Marshalltown 2107, South Africa), together with this form of proxy.
8. Any alteration or correction made to this proxy form must be initialed by the signatory/ies, but may not be accepted by the Chairperson.
9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company Secretary.

SUMMARY OF SHAREHOLDERS' RIGHTS IN RESPECT OF PROXY APPOINTMENTS AS CONTAINED IN SECTION 58 OF THE COMPANIES ACT, 71 OF 2008

Please note that in terms of section 58 of the Act:

- this proxy form must be dated and signed by the shareholder appointing the proxy;
- you may appoint an individual as a proxy, including an individual who is not a shareholder of the company, to participate in and speak and vote at a shareholders' meeting on your behalf;
- your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this proxy form;
- this proxy form must be delivered to the company or to the transfer secretaries of the company namely Computershare Investor Services Proprietary Limited, before your proxy exercises any of your rights as a shareholder at the annual general meeting;
- the appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the annual general meeting;
- the appointment of your proxy is revocable unless you expressly state otherwise in this proxy form;
- as the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of (i) the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the company and the proxy as aforesaid;
- if this proxy form has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Act, or the company's memorandum of incorporation, to be delivered by the company to you, will be delivered by the company to you or your proxy or proxies, if you have directed the company to do so, in writing, and paid any reasonable fee charged by the company for doing so;
- your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the annual general meeting, but only as directed by you on this proxy form; and
- the appointment of your proxy remains valid only until the end of the annual general meeting or any adjournment or postponement thereof or for a period of six months, whichever is shorter, unless it is revoked by you before then on the basis set out above.

DIRECTORS	F Botha C Coombs A de Wet RI Dickerson IP Mogotlane N Mwale CS Ntshingila
REGISTERED OFFICE	359 Crocker Road Wadeville, Extension 4 Germiston 1407 Gauteng
BUSINESS ADDRESS	359 Crocker Road Wadeville, Extension 4 Germiston 1407 Gauteng
POSTAL ADDRESS	PO Box 14676 Wadeville Germiston 1422 Gauteng
BANKERS	ABSA Bank
AUDITORS	PricewaterhouseCoopers Inc. Registered Auditors
SPONSOR	Bridge Capital Advisors Proprietary Limited (Registration number 1998/016302/07)
COMPANY SECRETARY	TN Kgari
COMPANY REGISTRATION NUMBER	2002/029821/06
TAX REFERENCE NUMBER	9078/488/15/3
PUBLISHED	29 May 2019

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