INSIMBI
INDUSTRIAL HOLDINGS LIMITED

2020
INTEGRATED ANNUAL REPORT

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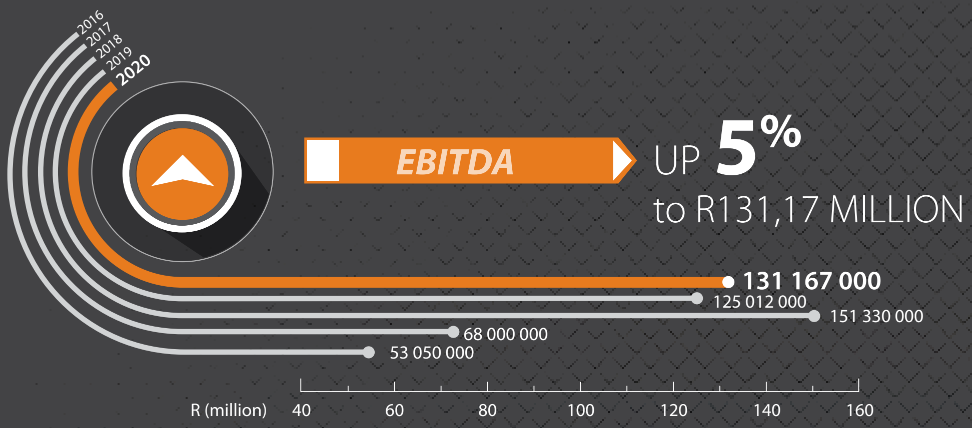
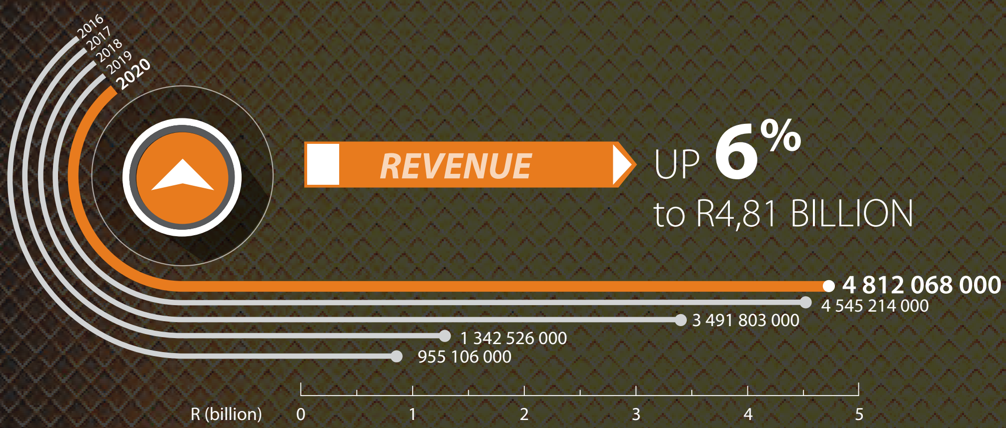
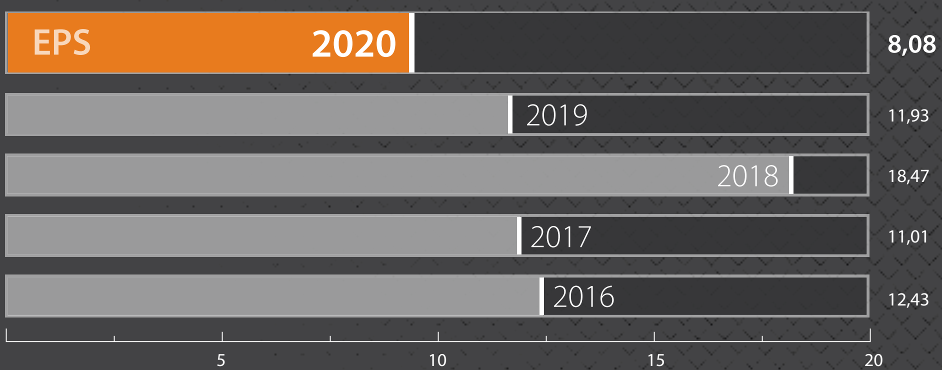
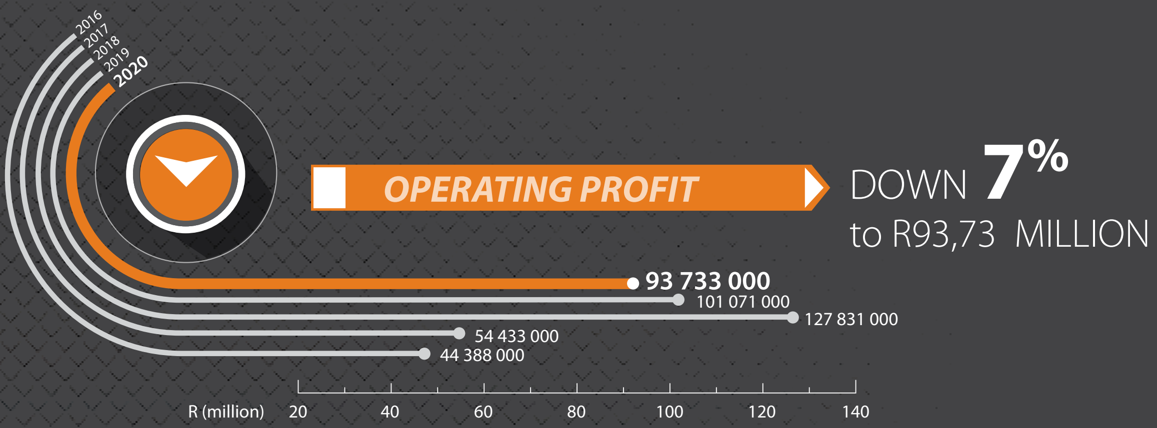
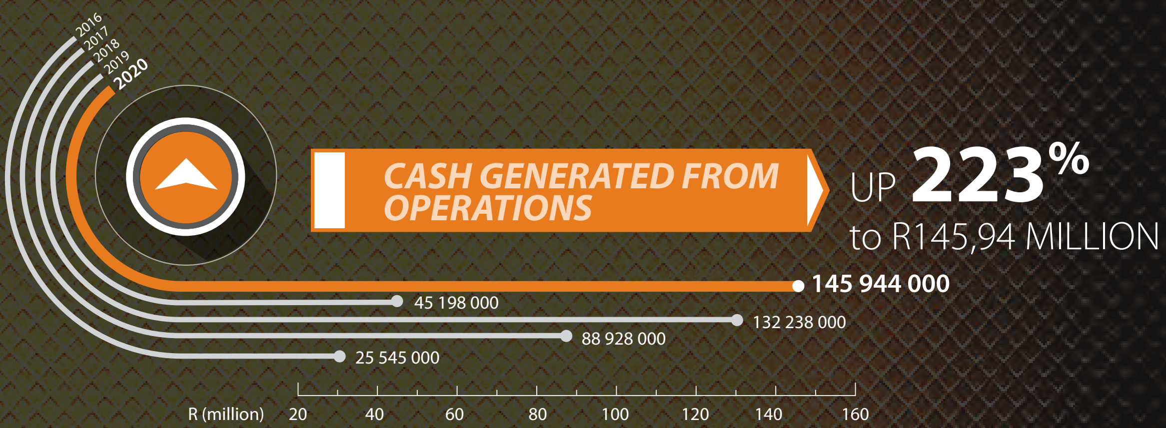
FINANCIAL INDICATORS: 5-YEAR HISTORY

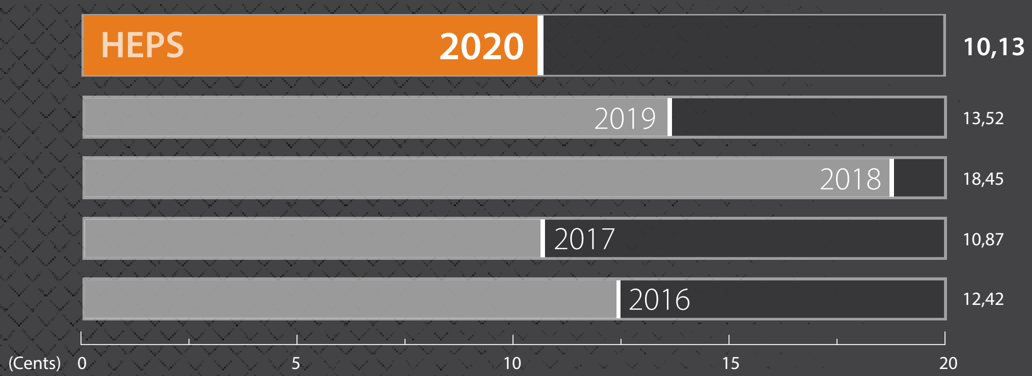







2016
2017
2018
2019
2020
OPERATING PROFIT
DOWN 7%
to R93,73 MILLION
93 733 000
101 071 000
127 831 000
54 433 000
44 388 000
R (million) 20 40 60 80 100 120 140


2016
2017
2018
2019
2020
CASH GENERATED FROM OPERATIONS
UP 223%
to R145,94 MILLION
145 944 000
45 198 000
132 238 000
88 928 000
25 545 000
R (million) 20 40 60 80 100 120 140 160


HEPS
2020
10,13
2019
13,52
2018
18,45
2017
10,87
2016
12,42
(Cents) 0 5 10 15 20

THE GROUP AT A GLANCE

±1 040
NUMBER OF CUSTOMERS

OVER
40
COUNTRIES SOLD TO

701
FULL TIME EMPLOYEES

15
NUMBER OF LOCATIONS WE OPERATE FROM

4
NUMBER OF SEGMENTS

±420 000
TONNES OF PRODUCT MOVED

6
NUMBER OF CHARITIES WE SUPPORT

±1500
DIFFERENT PRODUCT LINES

THE INSIMBI VISION AND MISSION

To have a great brand and reputation in the market with all stakeholders, both locally and internationally.

Having an efficient and effective operating model, systems, processes and organisation architecture.

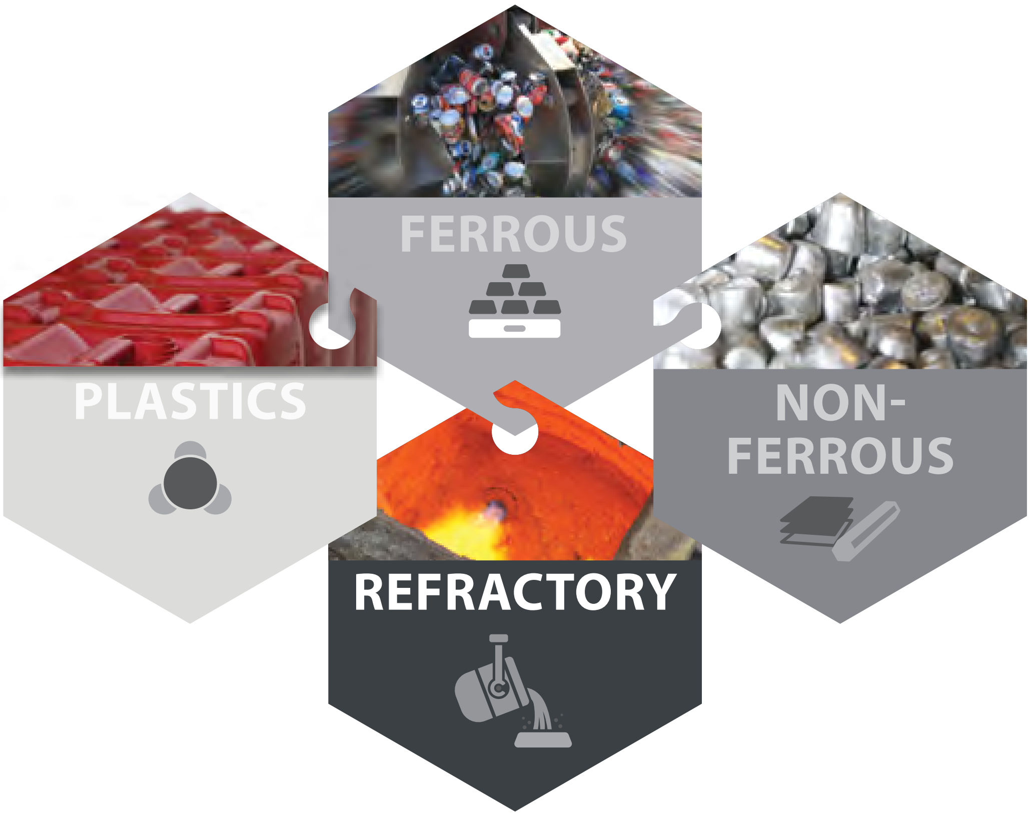
To have a BBBEE score that is aspirational and provides us with a competitive advantage.

To be a diverse, customer-centric, competent and motivated leadership and workforce, supported by good people-management.

To continue sustainable growth, and remain cash-generative and profitable – we are an attractive investment.

To continue achieving growth and scale through a diversified and growing product base in new and existing markets through acquisitions and organic growth, and expanding our national and international footprint.

To be a socially and environmentally responsible organisation.



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, Treppo Group and Group Wreck.

PLASTICS

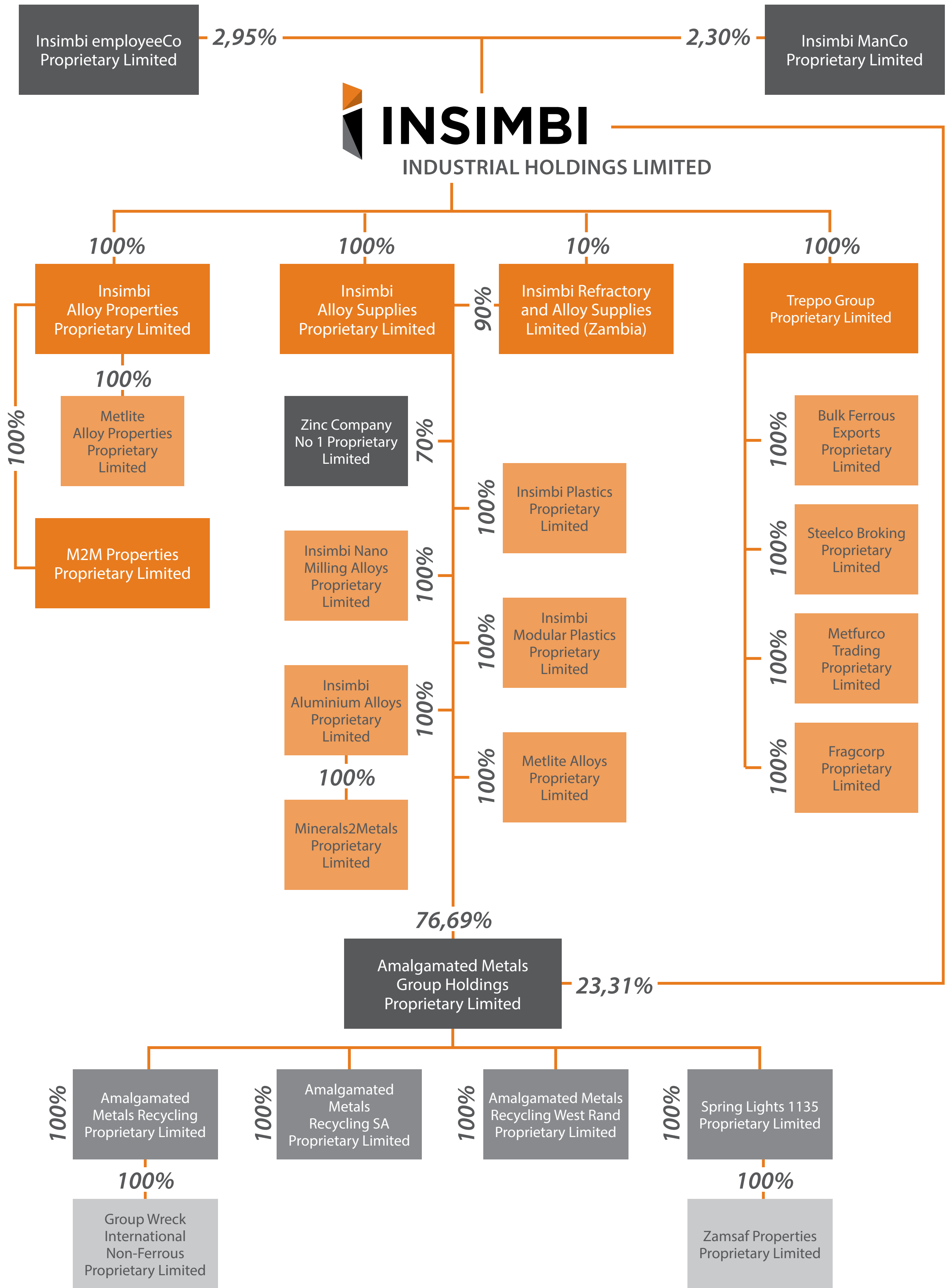
Plastics manufactures containers for various industries including the chemical, agricultural and food industries, among others.

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 major 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
2,95%
2,30%
Insimbi ManCo Proprietary Limited
INSIMBI
INDUSTRIAL HOLDINGS LIMITED
100%
Insimbi Alloy Properties Proprietary Limited
100%
Metlite Alloy Properties Proprietary Limited
100%
M2M Properties Proprietary Limited
100%
Insimbi Alloy Supplies Proprietary Limited
90%
10%
Insimbi Refractory and Alloy Supplies Limited (Zambia)
Zinc Company No 1 Proprietary Limited
70%
100%
Insimbi Plastics Proprietary Limited
Insimbi Nano Milling Alloys Proprietary Limited
100%
100%
Insimbi Modular Plastics Proprietary Limited
Insimbi Aluminium Alloys Proprietary Limited
100%
100%
Minerals2Metals Proprietary Limited
100%
Metlite Alloys Proprietary Limited
100%
Treppo Group Proprietary Limited
100%
Bulk Ferrous Exports Proprietary Limited
100%
Steelco Broking Proprietary Limited
100%
Metfurco Trading Proprietary Limited
100%
Fragcorp Proprietary Limited
76,69%
Amalgamated Metals Group Holdings Proprietary Limited
23,31%
100%
Amalgamated Metals Recycling Proprietary Limited
100%
Group Wreck International Non-Ferrous Proprietary Limited
100%
Amalgamated Metals Recycling SA Proprietary Limited
100%
Amalgamated Metals Recycling West Rand Proprietary Limited
100%
Spring Lights 1135 Proprietary Limited
100%
Zamsaf Properties Proprietary Limited

HISTORICAL MILESTONES

- **1970** Metallurg Inc. (USA) establishes Metallurg SA in Johannesburg
- **2003** The management of Metallurg SA enter into a management buy-out agreement resulting in a break from Metallurg Inc
- **2008** Insimbi Refractory and Alloy Supplies listed on the AltX board of the Johannesburg Stock Exchange
- **1992** The operation moved to its current premises in Wadeville, Germiston
- **2005** Executive management rebranded the company as Insimbi Alloy Supplies
- **2008** Acquired Insimbi Aluminium Alloys (ex-Future Alloys)
- **2008** Acquired Global Materials in Cape Town including warehousing and office space
- **2008** Opened branch in Kitwe, Zambia
- **2010** Acquired Metlite Alloys
- **2012** Migrated to the non-ferrous Industrial Metals sector on the main board of the JSE
- **2015** Insimbi Plastics (Formerly Polydrum)
- **2016** Implemented employee ownership scheme
- **2016** AcquiredAmalgamated Metals Recycling
- **2018** Acquired Minerals 2 Metals
- **2018** Acquired Group Wreck
- **2019** Acquired Treppo Group

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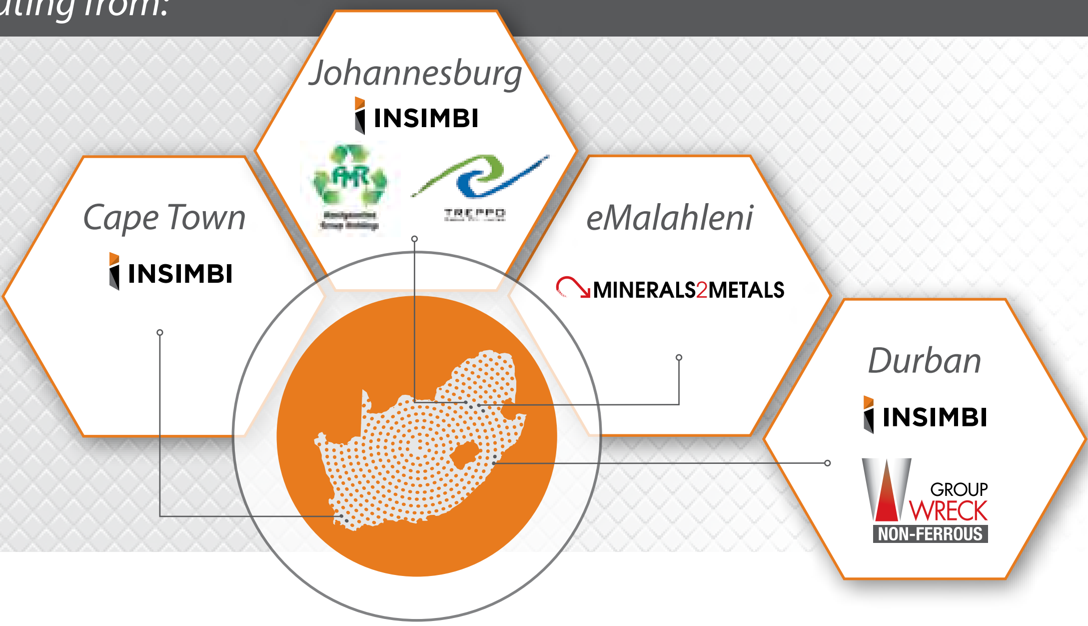
- Angola
- Argentina
- Australia
- Bahrain
- Botswana
- Brazil
- China
- Democratic Republic of the Congo
- Germany
- Ghana
- Hong Kong
- India
- Israel
- Kenya
- Malawi
- Malaysia
- Mozambique
- Namibia
- Nigeria
- Republic of the Congo
- Rwanda
- Singapore
- Spain
- Swaziland
- Sweden
- Switzerland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

Export market:

Operating from:



"The whole is greater than the sum of its parts"

– ARISTOTLE

Having described the trading conditions of the previous financial year as difficult, the trading conditions this year have been nothing short of gruelling. Insimbi Group has shown its resilience once again under the level-headed leadership of our unshakeable CEO and our highly experienced management team, recording growth in both turnover and profit. Insimbi remains cash flow positive for the 12th consecutive year. This is despite the acquisition of Treppo Group, a major IT security upgrade, and the highly challenging obstacle course that is the reality of running a business in South Africa.

After the Ramaphoria of the first half of the year boosted business in general, business confidence and markets alike, with the hope that this was the shot-in-the-arm remedy for the past problematic years, the realisation that the remedy would be more of a long-term treatment was reflected in business in the second half of the year. Insimbi was not immune.

The return of our old adversary, load-shedding, which at times reached an unprecedented level 6, placed severe operational pressures on manufacturing, production and business in general. Insimbi's power sacrifice was 40 days.

The combined impact of US/China trade war and the seemingly unsolvable Brexit issues both weighed heavily on commodity prices, with the ever-increasing fuel prices all adding to the pressure on our margins.

Insimbi also found itself caught up in two natural disasters, both affecting its ability to move its product. The Durban floods of late April 2019 and the subsequent debris tsunami, paralysing the port of Durban for over a month, and the 2020 Chinese New Year being extended in response to the Covid-19 pandemic, created unforeseen obstacles in product movement to manoeuvre around.

The Covid-19 pandemic has, however, resulted in large-scale production of plastic containers for sanitisers. We can expect sustainability in this particular type of product, as it is clear that Covid-19 will be with us for quite some time.

Our employees are a valuable asset to the functioning and success of Insimbi and to ensure their commitment to the

> *The Covid-19 pandemic has resulted in large-scale production of plastic containers for sanitisers. We can expect sustainability in this particular type of product, as it is clear that Covid-19 will be with us for quite some time.*

company we remain committed to our B-BBEE roadmap. I can report that Insimbi Group was not subject to industrial action during the course of this year.

We kept resolutely to our strategy of diversification through acquisition, both in product and in geographical location, the latter allowing closer proximity to ports for Insimbi. The acquisition of Treppo Group this year has shown some "business craft" on Insimbi's part. The merging of the two companies enhances Insimbi's access to raw materials, which will, going forward, result in costs savings and an increased client base, both regionally and internationally.

Looking forward, Covid-19 has shown the undeniable vulnerability of the SA economy; however, while recovery is likely to be slow, it will recover. While I expect trading conditions in 2020 to remain difficult, I do expect Insimbi to continue its current trends and achieve its objectives for the coming year. We remain focused on our vision of a diversified, industrial company with a regional and global footprint.

The quote above encapsulates our vision.

I would like to take this opportunity to welcome aboard the new members from Treppo Group. I have every confidence that our new relationship will be mutually beneficial.

I would like to thank the board, the executive management team and, most especially, the employees of each company in the stable, for their loyalty, effort and ongoing contributions to the success of our Insimbi Group.

I leave you with this: ***"insimbi kayigobi"***

Robert Dickerson
Chairman
21 August 2020

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 length and breadth of the African continent.

As I have explained on a number of occasions, the word "Insimbi" has a variety of metal-related connotations and is commonly used in various African languages and dialects throughout the length and breadth of the African continent. It implies strength and resilience, yet sufficient flexibility to prevent breaking when under extreme pressure – and I think it is safe to say that we have never been tested to the levels we have been since the advent of the Covid-19 pandemic in late November 2019. It is against this backdrop of unique and unprecedented conditions that I find myself writing my group CEO report much later in the new financial year than I would have ever expected and, as a result, the financial year ended 29 February 2020 is very much "history".

Our focus at Insimbi is therefore on the "here and now" and the future, and I have penned my report accordingly.

The financial year under review started with much optimism as we looked forward to the national elections which resulted in the formal inauguration of Mr Ramaphosa as our president. At the time, America and China were on the brink of resolving their trade differences and Brexit was reaching its long-overdue conclusion. The world seemed to be cautiously returning to "normal". As we know now – and didn't realise at the time was that the first six months of our financial year to 31 August 2019 was literally the calm before the storm!

No sooner had we absorbed the fact that despite the initial post-election optimism, South African growth forecasts were waning and that we were rapidly heading for a recession when we were also faced with the inevitability of further economic downgrades by various rating agencies. Then to drive the nail firmly into the coffin, we started to feel the first effects of what is now recognised as the Covid-19 pandemic which started in China's Wuhan province, as early as late November 2019. Little did we realise then what massive negative implications this outbreak was going to have on the world as we knew it and, obviously, on the performance of the Insimbi Group.

> *It is pleasing to note that despite the significant challenges experienced in the second half of the reporting period, we still managed to increase revenues by almost 6% and improve gross profit by almost 9% on the back on improved margins.*

As a result, the 2020 financial year was a classic example of a year of two halves. The first half was full of promise, including the successful negotiations to acquire the Treppo Group, which was to bring us further diversification, economies of scale and critical mass in the industrial metals recycling industry. The second half of our year however, despite concluding the acquisition of the Treppo group in November 2019, was for the reasons mentioned very different to the first half and we achieved little more than to literally weather the approaching storm, that is Covid-19.

It is therefore pleasing to note that despite the significant challenges experienced in the second half of the reporting period, we still managed to increase revenues by almost 6% and improve gross profit by almost 9% on the back on improved margins. Even more impressively, our cash generated from operations improved by a factor of more than three times to R146 million from R45 million as a result of improved working capital management.

Unfortunately, earnings were impacted due to market conditions in the second half of the financial year, compounded by non-recurring transaction costs and impairments which were, in addition, not allowable for tax purposes, resulting in a comparatively higher effective tax rate of 39%, compared to 35% in the prior year.

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. This was mainly attributable to the acquisition of the Treppo Group in November 2019 which is a major supplier of ferrous material to the local and export market.

Non-ferrous

The non-ferrous segment also services the steel, stainless steel, foundry and non-ferrous industries, 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 is very susceptible to commodity price fluctuations in particular copper and aluminium, and despite trading in higher volumes, prices were much lower with both copper and aluminium reaching 5-to-10 year lows. This was offset to a certain degree by a weaker ZAR to the US$, but revenues were still negatively affected as is evident in the segmental report. We are, however, experiencing a significant increase in both the copper and aluminium prices post the lifting of lockdown level 5. This bodes well for this segment.

Refractory

This segment services the steel foundry and non-ferrous industries as well as the paper and pulp, platinum and cement industries. It 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 have gained ground in the steel and platinum industries.

Plastics

Plastics manufactures mainly plastic containers for the plastic packaging industry. Customers are from the chemical, agricultural and food industries, amongst others. It was, again, an extremely challenging year for this operation but, as a result of improved quality and service levels, we made good progress in recovering the market share that we had lost previously. This operation was restructured in the financial year and operating costs have been significantly reduced. Ironically, this operation has benefitted materially from the Covid-19 scourge and, with the surge in demand for hand sanitizer in the current market, is currently operating with a full order book.

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

At the time of writing, it is fair to say that we are performing better than expected since the lifting of level 5 lockdown. It is also fair to say, that as a result of Covid-19, we have learned not only how to adapt to the "new normal", but also how to operate more efficiently and effectively. This will result in material reductions in operating costs across the group. We are simply doing more with less. It is also no secret that due to the acquisition strategy pursued since 2016, the group balance sheet is currently rather heavily geared. As a result of the interest rate cuts since March 2020 of over 2,75% (with more reductions expected) per annum, we will benefit significantly from a much reduced annual interest cost.

We remain committed to playing our part as a corporate citizen of this country. This includes our commitment to good corporate and financial governance but equally to ongoing transformation, and we continue to strive to reach a minimum Level 4 B-BBEE rating at each operating entity.

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

Frederick Botha
Chief Executive Officer
Johannesburg
21 August 2020

Operating profit of R94 million was achieved compared to R101 million in the previous year.

OVERVIEW

The steel and foundries industries in which we operate continued to struggle in the difficult local and global economies. The international trade standoff between the United States and China continued throughout the year with significant negative impact on trading. The prices on the London Metal Exchange and the rand exchange rate fluctuations resulted in market uncertainty.

The results for the year include a full year of trading for Group Wreck versus only three months in the comparative period. The acquisition of the Treppo Group of companies was concluded and their results are included from 1 December 2019.

REVENUE

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

OPERATING PROFIT AND COSTS

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

FINANCE COSTS

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

PROPERTY, PLANT AND EQUIPMENT

R145 million (2019: R114 million) was added to property, plant and equipment, of which R49 million is attributable to the Treppo Group acquisition, and R32 million on the properties from which our KwaZulu-Natal businesses operate.

GOODWILL

The Treppo Group was acquired at goodwill of R11,2 million. The vendors have warranted aggregate profit before taxation of R90 million for the first three years. An additional amount will be paid should this be exceeded and if this is not met, a proportion of the purchase price will be recouped. In the current financial year the goodwill that arose on the Group Wreck acquisition has been impaired by R5,7million.

INVENTORIES AND TRADE RECEIVABLES

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

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Inventories at year end amounted to R197 million (2019: R168 million) after a provision of R1 million (2019: R2 million). Treppo made up R21 million of this total.

SHARE CAPITAL

11 538 462 shares were issued to the vendors of the Treppo Group in part consideration of the purchase price. The shares are held in trust until profit warranties mentioned above have been met.

CASH FLOW AND GEARING

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

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

OUTLOOK

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

André de Wet
Chief Financial Officer
Johannesburg
21 August 2020

FREDERICK BOTHA (56)

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 Inc.). 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 (46)

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. His focus is 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 (66)

Chief Financial Officer

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

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.

DIRECTORATE: NON-EXECUTIVE DIRECTORS

ROBERT IAN DICKERSON (67)

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 over 40 years' experience. 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 (52)

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 (59)

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.

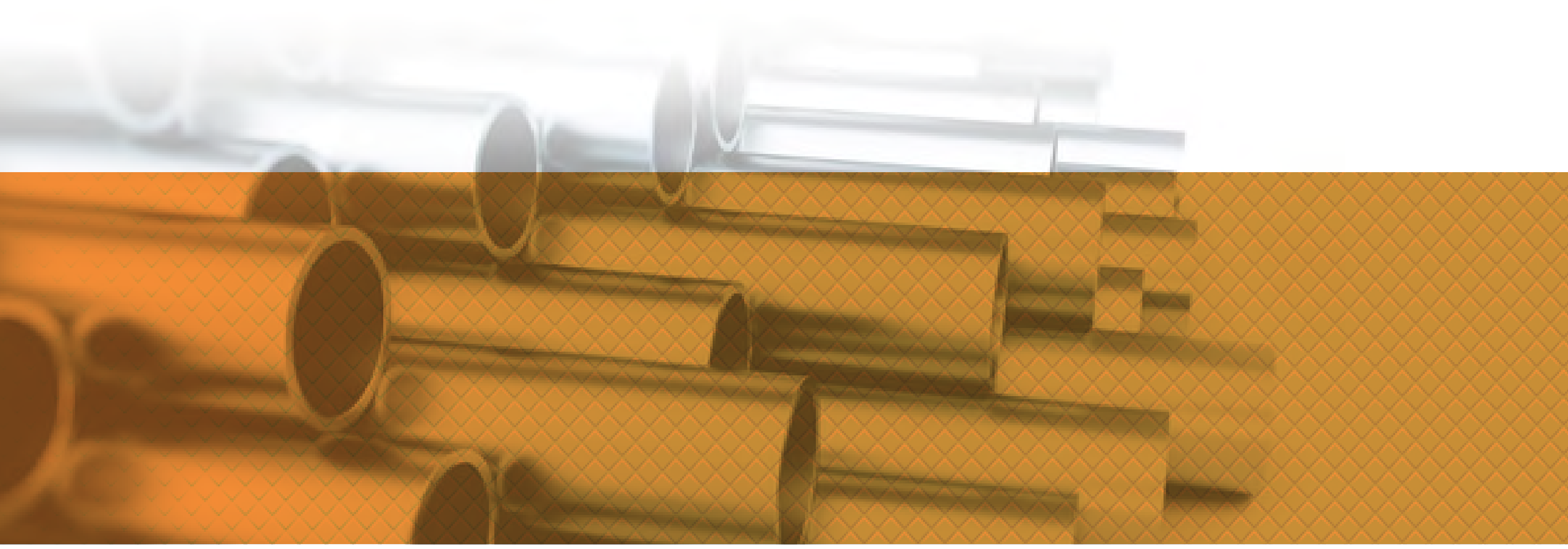
CORPORATE GOVERNANCE OVERVIEW

The board is committed to ensuring that the group is governed in accordance with Companies Act 71 of 2008, JSE Listings Requirements and King IV Report on Corporate Governance, 2016 ("King IV"). The board is the focal point and custodian of corporate governance within the company and is responsible to ensure that the principles of good governance are observed, 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 its stakeholders. 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.

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 directors bring independent judgement and experience to the board. The board set and drive the strategic direction of the company, retains full and effective control over the group, and monitors the implementation of plans and strategies by management.

Board members are, inter alia, required to exercise care, skill and diligence; act in good faith; exercise objective judgement; and are held to the highest levels of integrity in all their interactions.



Governance processes are reviewed on an ongoing basis to remain updated with the legislative and regulatory changes and to align with governance codes.

ETHICAL CODES AND VALUES

Insimbi conducts its business in a manner that upholds high ethical standards, corporate governance and integrity. The board holds management to account for ensuring the group adheres to the standards of ethics and integrity. Insimbi's code of conduct defines ethical behaviour which requires employees to display integrity, fairness, mutual respect and openness at all times.

A report from the Social, Ethics and Transformation Committee appears on page 28 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.

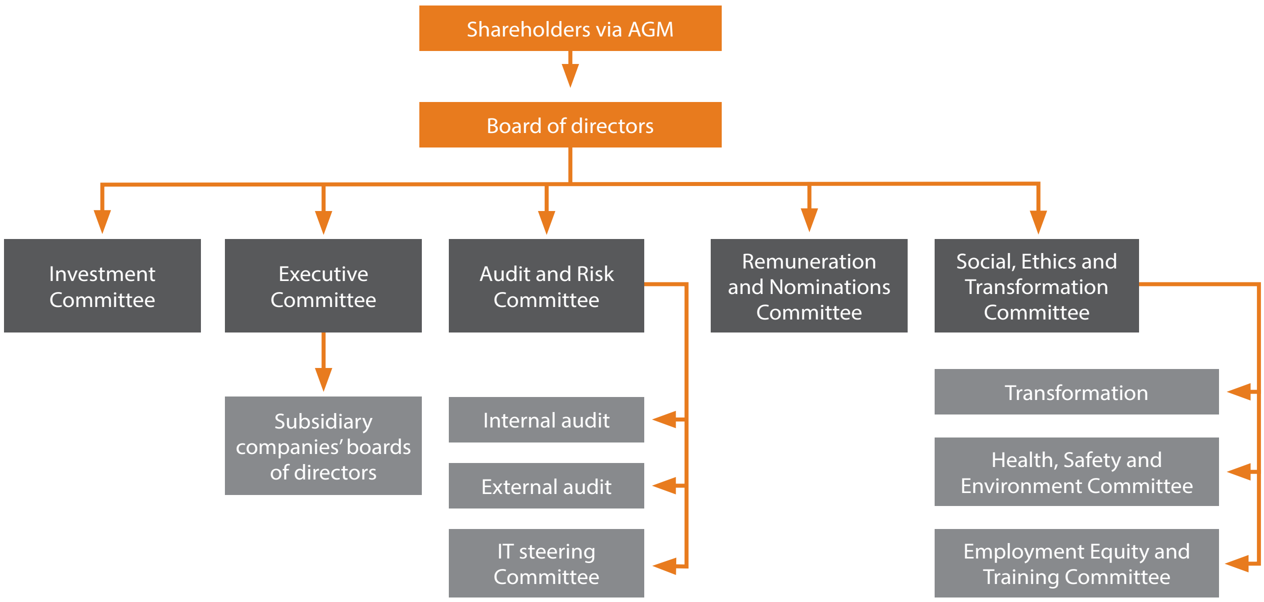
Operational governance

In line with best practice, the roles of the Chairman and senior executive directors have been separated. The executive management of the operations conducted by the group is the responsibility of the group chief executive officer and chief executive officers of the operations, this ensures a balance of authority.

Delegation of Authority

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 delegated authority to the group chief executive officer and the chief executive officers of the operations for the implementation of the strategy and ongoing management of the business. The board receives regular feedback on the implementation and execution of the group strategy

Governance structure



Insimbi remains committed to corporate governance practices, creating shareholder value and engaging with its shareholders.

and monitors the performance of the group against the strategic objectives.

Information Technology governance

The board acknowledges its responsibilities for the governance of information technology ("IT") and has delegated the responsibility for the implementation and execution of effective information and technology governance programme to the Information Technology Steering Committee. The Audit and Risk Committee provides input and maintains oversight role regarding the IT governance.

BOARD OF DIRECTORS

Board composition

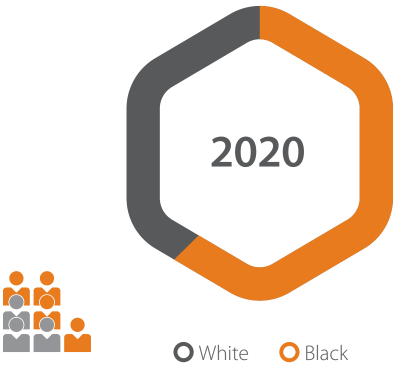
As part of the process to ensure appropriate balance of skills, diversity and independence, the appointment of an additional independent non-executive director is being pursued.

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 17.

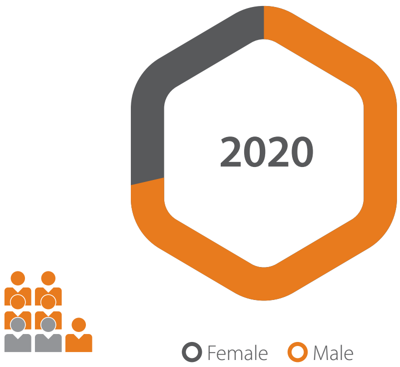
Diversity

The board recognises that having a blend of attributes across all facets of diversity will lead to more thorough and robust decision-making processes and direction and therefore strives to ensure its diverse composition. 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

Board transformation



Board gender diversity



and growth of the company, which will also include greater female representation to instill 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 ensures 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 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.

Board evaluation

The board and board committees assess their effectiveness by performing a self-evaluation by means of an evaluation questionnaire, to review the mix of skills, performance during the year, contribution and independence of individual directors and the effectiveness of the committees. Results of the evaluations demonstrate that the board and the board committees have fulfilled their responsibilities and provide the basis for improvement for the following year.

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 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 with 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 structure on page 20 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. A board strategy was held in July 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	4*	n/a	n/a	n/a	n/a
F Botha	5	3*	2*	1*	0
C Coombs	5	n/a	n/a	n/a	n/a
RI Dickerson	5	3	2	n/a	0
A de Wet	5	3*	n/a	1	0
EP Liechti	4*	n/a	n/a	2*	n/a
IP Mogotlane	5	3	n/a	0	n/a
N Mwale	3	n/a	2	n/a	0
CS Ntshingila	4	3	2	1	n/a
Total number of meetings	**5**	**3**	**2**	**1**	**0**

Remuneration and Nominations
* *attended by invitation*

BOARD COMMITTEES

The board has established a number of committees in which the non-executive directors play an active role, and which operate within defined terms of reference laid down by the board.

The committees support the board by providing oversight in their areas of responsibility, while enhancing corporate governance within the group. The committees report to the board through their Chairmen. All the committees have met their responsibilities during the year in compliance with their terms of reference and King IV.

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.

The Audit and Risk committee provides the board with additional assurance regarding the quality and reliability of financial information, assist the board in discharging its duties relating to safeguarding of assets, reviewing the operating systems and control processes and the oversight of risk and IT governance. The Audit and Risk Committee operates in terms of the mandate from the board to oversee and recommend to the board, the nomination and appointment of external auditor, nature and scope of the audit and audit fee, evaluate the independence of the external auditor, determine the effectiveness of the combined assurance model and approve internal Audit Plan.

Membership

During the year under review, the Audit and Risk Committee 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 2019, 25 September 2019 and 22 January 2020.

Auditor

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

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 auditor 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 Listings 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 suitability.

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 42.

The Remuneration and Nominations Committee

The Remuneration Committee

The Remuneration Committee determines the remuneration policy of the group and, more specifically, the remuneration of the executive directors. The committee also approves proposals in respect of certain incentive arrangements. The committee recommends to the board the remuneration of non-executive directors for consideration and the board recommends for approval by shareholders at the annual general meeting of the company.

The Nomination Committee

The Nomination Committee is responsible for the assessment and nomination of potential new directors and recommends to the board for appointments. The committee conducts a review of the structure, size and composition of the board, with specific emphasis on skills, knowledge, independence and diversity of the board members.

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 two 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 31.

Meetings

The committee held two meetings during the year under review, on 16 May 2019 and 26 February 2020.

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 board aims to promote ethical business practices and conduct across all its operations and recognise the benefits of being a good corporate citizen. The Social, Ethics and Transformation Committee operates in terms of mandate from the board in promoting and monitoring the group activities with regard to good corporate citizen, social and ethics related matters, sustainable development, skill development and managing environmental impacts.

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.

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. Additional members to this committee may be appointed if required.

Meetings

The committee held one meeting during the year under review, on 7 May 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

There were no meetings held during the year under review.

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 auditor is 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 PricewaterhouseCoopers Inc. in terms of the Companies Act, IFRS and the Listings Requirements of the JSE.

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 JSE 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 Chair 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. The board of directors have considered and satisfied itself on the competence, qualifications and experience of the Company Secretary.

Ms Matseliso Madhlophe was appointed in this position on 1 August 2020.

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 7 October 2020 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.

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 40 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.

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 Kungoane (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 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 been monitoring the outcomes of employee views on ethics surveys. The group achieved a good ethics rating and showed significant improvement on ethical behaviour score and employees' commitment to group values. The group 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 by conducting an ethic survey every two years, as well as regulatory and general developments. It also monitors transformation initiatives and its progress against the revised B-BBEE Codes of 2016.

Socio-economic development

The group demonstrates its commitment to contributing to socio-economic development by investing in appropriate programmes within its operational communities. The group expects to improve its overall contributors level as the result of a significant investment and spend on skills development and preferential procurement. The group continues to provide supplier and enterprise development and substantially increased 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 group's environmental footprint. The group upholds a safe working environment since it underpins its sustainability, with the group 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 group's commitment to comply with all regulatory requirements encompassing reduced risk through environment-related risk management.

when they become effective in 2020. The group will continue to encourage a culture of safe workplace at all its operations in harmony with its unwavering commitment to the safety of its valuable human capital and the precious environment.

The group acknowledges human capital as vital to its sustainability. The group is committed to the promotion of employment equity and transformation in all of its operations and has seen great improvement since 2019 rating in terms of the revised B-BBEE Codes. The committee has focused efforts on enterprise and supplier development, and has made great strides in identifying suitable enterprises to support, helping make them sustainable and ensuring they, in turn, create employment. As part of our efforts to instil skills development and empower employees,

The committee has focused efforts on Enterprise and Supplier Development, and has made a great stride in identifying suitable enterprises to support and assist in making them sustainable and ensuring they in turn create employment.

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 and 125kWh at the main warehouse, which has led to a 30% reduction in municipal power dependence at those operations.

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

all 27 learnership initiatives implemented in 2019 achieved a 100% completion rate. The group will be extending development to the branches. Several mandatory and skills development training programmes were achieved, and the group will continuously implement bursaries and training strategies.

The group is committed to developing the skills, knowledge, and capabilities of 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 group 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 group continues to procure from empowered suppliers and has been instrumental in suppliers' development initiatives.

EMPLOYEE SHARE OWNERSHIP PROGRAMMES ("ESOP")

The successful implementation of the group employees' empowering strategy through two ESOPs in 2016 has resulted in a greater black ownership status and is in line with the group's commitment to transformation. A dividend was paid to the shareholder employees for the first time in the 2019.

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 employees is vital to the group. Insimbi provides its lower-income earners with basic quality health care at no cost to employees.

OWNERSHIP

Our black shareholding reduced slightly in the current year as a result of shares issued in respect of the acquisition of the Treppo Group. 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 group 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
21 August 2020

REMUNERATION AND NOMINATIONS COMMITTEE REPORT

The nomination and remuneration committees are responsible, on behalf of the board, for the nomination of new directors and senior management and for establishing appropriate remuneration policies for non-executive directors, executive directors, and senior management.

REMUNERATION PHILOSOPHY

The group believes in investing in its employees as they are essential to achieving its goal and strategy. 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.

The group's remuneration philosophy is to attract, motivate and reward employees in a fair and responsible way.

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 policy regarding levels of emoluments payable to executive directors was reviewed by the Remuneration Committee. Emoluments paid to executive directors and prescribed officers appear on pages 48 and 104 of the integrated annual report.

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 2020 financial year represent an increase of 4,5% over that of the prior year.

LONG-TERM INCENTIVE

Insimbi's 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's 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 were substantially reviewed in 2018 to align them to the changes in the size and complexity of the business.

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

The board resolved at its meeting held on 12 March 2020 that non-executive directors' remuneration would be increased by 4,5% for 2020/21 financial year.

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 7 October 2020.

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.

In the event that the remuneration policy, the implementation policy or both are voted against by 25% or more, the policy will be reviewed and adjusted and a new plan will be presented to the shareholder at a separate meeting".

PERFORMANCE AND RE-ELECTION

In terms of the memorandum of incorporation, one-third of the non-executive directors should retire by rotation. Mr RI Dickerson will retire by rotation at the annual general meeting scheduled for 7 October 2020 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 2021 annual general meeting.

APPROVAL

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

RI Dickerson	**N Mwale**
Chair:	Chair:
Nominations Committee	Remuneration Committee
21 August 2020	21 August 2020

Insimbi Industrial Holdings is pleased to present its 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.

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Insimbi has developed its core expertise through its ability to source and provide the industrial consumer globally with the required commodity.

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 84% 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. 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. Please refer to the diagram on the following page.

PROJECTS AND ACQUISITIONS

During the year under review, Insimbi Group embarked on a further acquisition and a number of 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.

The Waste Chain

The Clean Ecosystem Chain

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 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. As per our previous report, we have replaced the baghouses at all our operations by the end of the financial year.

Acquisitions

During the year, Insimbi Group acquired Treppo Group Proprietary Limited. The rationale for the transaction was to expand Insimbi's ferrous business, expand its client base, and enhance its access to raw material for purposes of beneficiation, as well as access to an experienced management team and its international trading network and further to exploit the synergies that exist between the 2 groups which may include cost savings, improved margins, increased global and regional footprint and most importantly, further diversification of Insimbi into a larger industrial conglomerate.

Materials sourcing

As demonstrated in the diagrams above, 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 financial year ended 2020, the following training interventions were implemented:

- Six middle management employees embarked 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"). One employee has enrolled as Trainee Accountants towards completing their CA(SA) qualification, with the capacity to enroll one more candidate.

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 2020/2021 financial year:

- Five staff members from our KwaZulu-Natal Branch will attend 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.
- Implementation of Generic Management learnerships for staff and Business Administration for unemployed learners.
- Funding of Bursaries for Higher Education Learning for staff and for potential external learners.
- Will continue with work place skills programmes when a skills development gap is identified.

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 Insimbi Group appointed a Transformation and BEE Manager.

Our current employee breakdown by race and gender follows below.

Employee Share Option Schemes ("ESOPs")

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

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	9	3	–	–	–	–	2	–	**14**
Senior management	11	6	4	–	1	1	1	–	**24**
Middle management	18	15	8	3	–	2	2	–	**48**
Junior management	16	15	52	16	6	6	3	3	**117**
Semi-skilled	39	19	190	8	2	4	3	1	**266**
Unskilled	6	1	159	21	–	1	1	–	**189**
Grand total	**99**	**59**	**413**	**48**	**9**	**14**	**12**	**4**	**658**

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 a 100% black female owned company through the Lean Enterprise Acceleration Programme (LEAP) Enterprise Development Solution, by purchasing a Online Business Tools Software Systems for day-to-day accounting, payroll, HR and Office Assistant solutions.

We further identified four Exempted Micro Enterprises (EME) suppliers which we funded through the Supplier Development initiative. All identified enterprises required assistance with purchasing of machinery and vehicles to sustain their businesses and create employment opportunities. Grants were provided to these beneficiaries, based on their individual identified needs.

Socio-economic 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, Manger Care Centre, St Francis Care Centre, RGM School of Excellence, AMCare and Sinethemba.

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

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 Standard. The external auditor is 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 group complies with the provisions of the Companies Act and operates in conformity with its MOI.

The directors have reviewed the group's cash flow forecast for the year to 31 August 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 auditor is 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 auditor and their report is presented on pages 50 to 55.

The annual financial statements set out on pages 56 to 74 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 21 August 2020 and signed on its behalf by:

F Botha
Chief Executive Officer
Johannesburg
21 August 2020

AJ de Wet
Chief Financial Officer
Johannesburg
21 August 2020

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 29 February 2019, and that all such returns and notices are true, correct and up to date.

M Madhlophe
Company Secretary
Johannesburg
21 August 2020

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AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee is pleased to present its report for the financial year ended 29 February 2020. 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 group. In addition to its statutory duties the board delegated further duties to the committee. The committee report 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.

INTERNAL CONTROLS

The Audit and Risk Committee acknowledges that King IV requires that the board of directors should ensure that an effective risk-based internal audit function is in place. The internal auditor completed internal audits of all operating entities and provided written reports to the Audit and Risk Committee on a quarterly basis. The Audit and Risk Committee has satisfied itself that the group's internal controls are designed to provide reasonable assurance as to the reliability and integrity 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 group 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 group, 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 group in the interest of all stakeholders. The group 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 Environmental 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 group. When the Covid-19 pandemic first broke out, the group supplied staff with hand sanitiser and masks to help prevent the spread. Once a national state of disaster was declared, the group shut down all operation (with the exception of Insimbi Plastics, which was classified as a supplier of essential goods), to help "flatten the curve". This has been done to minimise the risk of infecting staff.

The Audit and Risk Committee's terms of reference provide that the Chief Financial Officer and the Head of Internal Audit 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 auditor 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 Listings 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 suitability.

INFORMATION TECHNOLOGY GOVERNANCE ("IT")

The board has the duty to govern technology and information and to ensure that IT supports the group'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 group.

During the year under review, the Audit and Risk Committee was responsible for assisting the board to assess and evaluate the group's overall exposure to information technology risks.

The risks regarding the security, back-up, conversion and update of the Information Technology systems are continually addressed. Disaster recovery plans are regularly reviewed as disruptions to critical management information would have a detrimental effect on continuing operations. During the year under review external experts performed cyber vulnerability and penetration tests, and the group has established an IT Steering Committee to address the risks that arose from these tests.

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.

AUDIT AND RISK COMMITTEE 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, and are working, which includes consideration of all entities included in the consolidated Group financial statements, and has ensured that it has access to all the financial information to effectively prepare and report on the financial statements;
- 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 auditor, which included commentary on the effectiveness of the internal control environment, systems and processes and, where appropriate, made recommendations to the board.
- Overseeing the internal audit function and internal financial control process. The committee confirms that it has not identified anything that indicates that the internal financial controls were not operating effectively during the financial year;
- Reviewed the independence of the external auditor, PricewaterhouseCoopers Inc., and recommended them for re-appointment as auditor for the 2021 financial year at the annual general meeting with Mr Oswald Wentworth 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 auditor 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 auditor 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;
- Ensured that the internal audit functions, which are provided by management, are sufficient and appropriate, and that there are no material gaps in audit assurance; and
- In accordance with King IV, has ensured that the information technology governance forms part of the overall group governance structure, policies and procedures with IT integrated into the group's strategic and business processes and was well managed.

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 20 in the corporate governance report. The committee has proposed

AUDIT AND RISK COMMITTEE REPORT *continued*

that the following non-executive directors be appointed as committee members by the shareholders at the annual general meeting to be held on Wednesday, 7 October 2020: 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 a minimum twice every year, as required by its charter. Meetings are attended by the external auditor and the Chief Executive Officer, Chief Financial Officer, as well as other board members, members of management, internal auditor 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 23.

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 auditor without executive management being present. The external auditor has unrestricted access to the committee.

Following the review and evaluation of the Integrated Annual Report 2020, 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
21 August 2020

The directors are pleased to present their report on the activities of the company and the group for the year ended 29 February 2020. The consolidated financial statements for the year ended 29 February 2020 were approved by the directors at a meeting held on 21 August 2020.

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 also recently acquired the Treppo group which operates in Johannesburg and KwaZulu-Natal. Insimbi has exported goods and materials across the world, including South America (Argentina and Brazil), Australia, Middle East (Bahrain, Israel and UAE), China and Asia (Hong Kong, India, Malaysia, Singapore and Taiwan), elsewhere in Africa (Angola, Botswana, Democratic Republic of Congo, Ghana, Kenya, Malawi, Mozambique, Namibia, Nigeria, Republic of the Congo, Rwanda, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe), Europe (Germany, Spain, Sweden and Switzerland) and the USA.

The financial results of the group and the company for the year ended 29 February 2020 are set out herein with commentary in the Chairman's, CEO's and CFO's reports.

SHARE CAPITAL

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

DIVIDEND

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

EVENTS AFTER THE REPORTING PERIOD

Since December 2019, the spread of Covid-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for lengthy or indefinite periods. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

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

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

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

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

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

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

INTERESTS IN SUBSIDIARIES

As at 29 February 2020, Insimbi held the following interests in the subsidiaries listed below:

Name of subsidiary	Par value of issued shares	**Percentage holding 2020 %**	Percentage holding 2019 %	**Indebtedness 2020 R'000**	Indebtedness 2019 R'000
Insimbi Alloy Supplies Proprietary Limited	100 ordinary shares of R1 each	**100,00**	100,00	**215 130**	200 256
Insimbi Alloy Properties Proprietary Limited	100 ordinary shares of R1 each	**100,00**	100,00	**7 918**	(4 535)
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**	2
Insimbi Manco Proprietary Limited^	1 000 ordinary shares of no par value	**0,02**	0,02	**2**	2
Amalgamated Metal Group Holdings Proprietary Limited*	20 000 ordinary shares of no par value	**23,31**	23,31	**–**	–
Treppo Group Proprietary Limited	283 ordinary shares of R1 each	**100,00**	–	**56 055**	–
Interest in subsidiaries through Insimbi Alloy Supplies Proprietary Limited					
Insimbi Aluminium Alloys Proprietary Limited	100 ordinary shares of R1 each	**100,00**	100,00	**43 907**	13 256
Insimbi Modular Plastics Proprietary Limited	120 ordinary shares of R1 each	**100,00**	100,00	**118**	45
Insimbi Nano Milling Proprietary Limited	100 ordinary shares of no par value	**100,00**	100,00	**1 999**	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	**–**	–
Metlite Alloys Proprietary Limited	52 ordinary shares of R1 each	**100,00**	100,00	**(5 255)**	593
Insimbi Plastics Proprietary Limited	200 ordinary shares of R1 each	**100,00**	87,50	**30 491**	24 252
Amalgamated Metals Group Holdings Proprietary Limited*	65 808 ordinary shares of no par value	**76,69**	76,69	**2 227**	2 227

* *Effectively 100% holding within the group* ^ *Special purpose entities under control of the group*

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

INTERESTS IN SUBSIDIARIES CONTINUED

Name of subsidiary	Par value of issued shares	**Percentage holding 2020 %**	Percentage holding 2019 %	**Indebtedness 2020 R'000**	Indebtedness 2019 R'000
Interest in subsidiaries through Insimbi Alloy Properties Proprietary Limited					
Metlite Alloy Properties Proprietary Limited	100 ordinary shares of R1 each	**100**	100	**228**	2
M2M Properties Proprietary Limited	100 ordinary shares of no par value	**100**	100	**–**	–
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**	100	**–**	–
Interests in subsidiaries through Amalgamated Metals Group Holdings Proprietary Limited*					
Group Wreck International Non-ferrous Proprietary Limited	3 060 B Class shares with no par value	**100**	100	**–**	15
Amalgamated Metals Recycling Proprietary Limited	100 ordinary shares of no par value	**100**	100	**8 623**	60 816
Amalgamated Metals West Rand Proprietary Limited	100 ordinary shares of R1 each	**100**	100	**–**	–
Amalgamated Metals Recycling SA Proprietary Limited	100 ordinary shares of R1 each	**100**	100	**–**	–
Spring Lights 1135 Proprietary Limited	100 ordinary shares of R1 each	**100**	100	**–**	–
Zamsaf Properties Proprietary Limited	100 ordinary shares of R1 each	**100**	100	**–**	–
Interest in subsidiaries through Treppo Group Proprietary Limited					
Bulk Ferrous Exports Proprietary Limited	100 ordinary shares of R1 each	**100**	–	**–**	–
Fragcorp Proprietary Limited	100 ordinary shares of R1 each	**100**	–	**12 000**	–
Metfurco Trading Proprietary Limited	100 ordinary shares of R1 each	**100**	–	**–**	–
Steelco Broking Proprietary Limited	200 ordinary shares of R1 each	**100**	–	**–**	–

DIRECTORATE

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

- In accordance with the company's memorandum of incorporation Mr R Dickerson retires by rotation at the forthcoming annual general meeting but, being eligible, offers himself for re-election. A brief biographical note on Mr R Dickerson may be found on page 18 of this report.

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DIRECTORS' AND PRESCRIBED OFFICERS' INTERESTS

As at 29 February 2020, the directors' and prescribed officers' beneficial and non-beneficial, direct and indirect interests in the issued share capital of the company amounted to 45,60% (2019: 59,81%) in aggregate. The interests of the directors and prescribed officers are as follows:

	Beneficial				Non-beneficial			
	Direct		Indirect		Direct		Indirect	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Directors								
F Botha	**36 847 300**	36 847 300	**–**	–	**–**	–	**288 376**	288 376
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	**29 049 436**	29 167 000	**–**	–	**–**	–	**250 000**	250 000
D de Beer	**–**	–	**–**	–	**–**	–	**–**	–
S Green	**–**	–	**–**	–	**–**	–	**–**	–
EP Liechti	**30 009 477**	30 297 000	**–**	–	**–**	–	**250 000**	250 000
N Winde	**–**	–	**–**	–	**–**	–	**–**	–
Total	**95 906 213**	96 311 300	**21 950 200**	21 950 200	**–**	–	**82 788 376**	82 788 376

** 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, EP Liechti has disposed of 116 194 shares held at 29 February 2020. None of the other directors or prescribed officers have disposed of any of the shares held by them as at 29 February 2020.

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 2020 R'000	**Salary 2020 R'000**	**Expense allow-ances* 2020 R'000**	**Pension fund contri-butions 2020 R'000**	**Incentive bonus 2020 R'000**	**Share-based payments 2020 R'000**	**Total 2020 R'000**	Total 2019 R'000
Executive								
F Botha	**–**	**3 716**	**402**	**–**	**750**	**–**	**4 868**	6 008
C Coombs	**–**	**3 362**	**255**	**–**	**2 463**	**–**	**6 080**	4 702
A de Wet	**–**	**2 250**	**120**	**–**	**120**	**–**	**2 490**	2 040
Total executive	**–**	**9 328**	**777**	**–**	**3 333**	**–**	**13 438**	12 750
Non-executive								
RI Dickerson	**679**	**–**	**–**	**–**	**–**	**–**	**679**	529
IP Mogotlane	**379**	**–**	**–**	**–**	**–**	**–**	**379**	328
N Mwale	**351**	**–**	**–**	**–**	**–**	**–**	**351**	278
C Ntshingila	**475**	**–**	**–**	**–**	**–**	**–**	**475**	351
Total non-executive	**1 884**	**–**	**–**	**–**	**–**	**–**	**1 884**	1 486

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS CONTINUED

	Fees 2020 R'000	Salary 2020 R'000	Expense allow-ances* 2020 R'000	Pension fund contri-butions 2020 R'000	Incentive bonus 2020 R'000	Share-based payments 2020 R'000	Total 2020 R'000	Total 2019 R'000
Prescribed officers								
EP Liechti	–	2 478	173	–	340	–	2 991	2 618
CF Botha	–	2 217	403	–	150	–	2 770	2 596
D de Beer	–	1 878	83	324	150	144	2 579	2 219
B Fetting[1]	–	172	39	10	–	–	221	997
S Green	–	1 490	78	282	250	188	2 288	2 110
CM Lindeque	–	926	203	106	1 231	–	2 466	2 992
N Winde	–	1 186	–	196	75	72	1 529	1 199
A Solomene[2]	–	2 278	–	116	–	–	2 394	700
M Oppert[3]	–	750	–	–	–	–	750	–
A Oppert[3]	–	383	–	–	–	–	383	–
Total prescribed officers[4]	–	13 758	979	1 034	2 196	404	18 371	15 430
Total	1 884	23 086	1 756	1 034	5 529	404	33 693	29 667

* *Includes medical aid and travel allowances*
[1] *Resigned 31 May 2019*
[2] *Became members of management committee on 30 November 2019*
[3] *Paid by the relevant subsidiary*

AUDITOR

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

COMPANY SECRETARY

Ms M Madhlophe was appointed on 1 August 2020.

GOING CONCERN

When assessing the group's ability to continue as a going concern, management has prepared various scenarios and models to assess the impact of the Covid-19 outbreak and the economic impact of the lockdown period. During these assessments, management continually revised forecast sales and profits as new information became available. Management also assessed the impact on the supply chain and customer base, as well as any potential impacts on commodity prices (including oil and metal prices). Management is comfortable that the group will be able to continue as a going concern.

ADDRESSES:

Physical address
Stand 359
Crocker Road
Wadeville
Extension 4
Germiston
1407
Gauteng

Postal address
PO Box 14676
Wadeville
Germiston
1422
Gauteng

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 29 February 2020, 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 (IFRS) 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 56 to 112 comprise:

- the consolidated and separate statements of financial position as at 29 February 2020;
- 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 financial statements, which include a summary of significant accounting policies.

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.

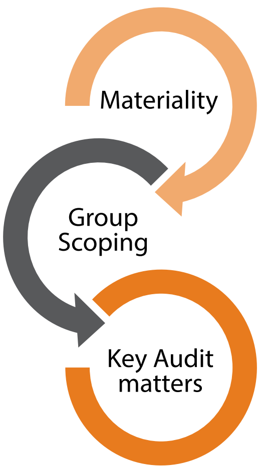
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

OUR AUDIT APPROACH

Overview



Overall group materiality

- *Overall group materiality: R36 million, which represents 0,75% of consolidated revenue.*

Group audit scope

- *The Group comprises 27 components. Full scope audits were performed at 8 financially significant components, and specified audit procedures were performed on a further 4 components. Analytical review procedures were performed over the remaining components and testing procedures were performed over the consolidation process in order to gain sufficient evidence over the consolidated numbers.*

Key audit matters

- *Acquisition of Treppo Group Proprietary Limited; and*
- *Impairment assessment of goodwill and property, plant and equipment.*

OUR AUDIT APPROACH CONTINUED

Overview continued

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.

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	*R36 million*
How we determined it	*0,75% of consolidated revenue.*
Rationale for the materiality benchmark applied	*We chose consolidated revenue as the materiality benchmark because, in our view, it is a benchmark against which the performance of the Group can be consistently measured by users in circumstances of volatile year-on-year earnings.* *Based on professional judgement, we chose 0.75% to take into consideration external debt covenants.*

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 27 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 8 components due to their financial significance, and specified audit procedures on a further 4 components as a result of significant account balances and transactions within those components. In addition, the group engagement team performed analytical review procedures over the remaining components 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 and component auditors from other network firms operating under our instruction. Where the work was performed by component auditors, 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.

We had various interactions with our component teams in which we discussed and evaluated recent developments, the scope of audits, audit risks, materiality and our audit approaches. We discussed the reports of the component teams, the findings of their procedures and other matters which could be of relevance for the consolidated financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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.

KEY AUDIT MATTERS CONTINUED

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 matter	How our audit addressed the key audit matter
Acquisition of Treppo Group Proprietary Limited	
The Group completed its acquisition of Treppo Group Proprietary Limited on 28 November 2019 upon fulfilment of all suspensive conditions. The acquisition was completed for a total consideration of R140,6 million, resulting in the recognition of goodwill amounting to R11 million in the current year. The acquisition of Treppo Group Proprietary Limited is considered to be a matter of most significance to the current year audit due to the following: • The complexity surrounding the accounting for the transaction in accordance with IFRS, particularly in relation to the purchase consideration which included various deferred and contingent consideration components; and • The measurement of the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values, and the determination of goodwill, required the exercise of significant management judgement and estimation. *These matters are disclosed in the following notes to the consolidated financial statements:* • *Note 1.2: Consolidation;* • *Note 1.4: Significant judgements and sources of estimation uncertainty; and* • *Note 38: Business Combinations.*	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 performing an independent calculation of the respective cash, non-cash, deferred and contingent components, and compared the underlying inputs to the relevant contractual agreement terms and other underlying calculations. No material differences were noted. We 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 the probabilities assigned by management to each of those scenarios, to current and historical results, as well as to the approved forecasts and plans of the acquiree. No material differences were noted. 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 the current borrowing rates of the Group. No material differences were noted. 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 minutes of the Group's Board and Executive Committee meetings to understand the rationale for the acquisition and critically evaluated the underlying acquisition agreements. We assessed the adequacy and appropriateness of the valuation methodologies used to value the recognised assets and liabilities by comparing it to accepted industry valuation techniques. We assessed, by inspecting underlying documentation, the appropriateness of the assumptions used in determining the fair value of assets acquired and liabilities assumed with specific focus on the replacement cost values and remaining useful lives assumed in the valuation of property, plant and equipment. No material differences were noted. We recomputed the resulting goodwill recognised on acquisition for mathematical accuracy. No material differences were noted.

KEY AUDIT MATTERS CONTINUED

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and property, plant and equipment	
At 29 February 2020 the Group's consolidated statement of financial position included property, plant and equipment amounting to R459 million, and goodwill amounting to R178 million. Management performed annual impairment assessments on all the cash generating units (CGUs) within the Group, as all CGUs have goodwill allocated to them and therefore require an annual impairment assessment to be performed. In performing their impairment assessment of the carrying value of each of the respective CGUs, management calculated the recoverable amount of each CGU as the higher of value in use and fair value less cost of disposal, which required judgement in the determination of key assumptions and future market conditions, particularly in relation to: • Discount rate; • Growth rates; • Gross margins; and • Future cash flow forecasts. Future cash flows are estimated based on financial budgets covering a five year period. Based on the results of the impairment assessment, management recognised a goodwill impairment of R5,8 million at 29 February 2020 in relation to the Group's Non-ferrous CGU. The impairment assessment of goodwill and property, plant and equipment is considered to be a matter of most significance to the current year audit due to the following: • The significant judgements made by management regarding the gross margins, future cash flow forecasts, discount rate and the growth rates used to perform the impairment assessment; and • The fact that changes in key assumptions of management's impairment assessment could result in a material impact in the form of an additional impairment of R213 million as indicated in the sensitivity disclosure of note 5. *These matters are disclosed in the following notes to the consolidated financial statements:* • *Note 1.4: Significant judgements and sources of estimation uncertainty;* • *Note 1.13: Impairment of non-financial assets; and* • *Note 5: Goodwill*	Through our discussions with management and inspection of underlying calculations, we gained an understanding of the methodology applied and the models used by management for impairment assessment purposes. We evaluated management's impairment assessments, considering the assumptions and estimates, by performing the following procedures: (a) Through inspection we obtained an understanding of the discounted cash flow models prepared by management which underlie the impairment assessments for each individual CGU. We assessed the models against market practice and the applicable requirements of International Accounting Standard (IAS) 36 - *Impairment of assets*, noting no aspects requiring further consideration; (b) We obtained management's impairment models and tested the mathematical accuracy of the 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. (c) We utilised our internal valuation expertise to independently recalculate a discount rate taking into account independently obtained data such as the cost of debt, risk free rates in the market, market risk premiums, debt/equity ratios, as well as the beta of comparable companies, We then compared our calculated discount rate to the discount rate used by management. (d) Making use of our internal valuation expertise we also assessed the reasonableness of the terminal growth rates by comparing the terminal growth rates to long-term growth rates obtained from independent sources. (e) Using the independently determined discount rate and terminal growth rates, we independently performed the discounted cash flow calculation and we found that management's calculation was within an acceptable range of our independent calculation. (f) We assessed whether management's future forecasts of revenue growth, gross margins and cash flows were within an acceptable range. This involved a comparison to current and historical operational results, as well as to the board approved budgets. We also performed sensitivity analyses to assess the impact of possible variability in key input assumptions. Based on our work performed we accepted management's forecasts.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled *"Insimbi 2020 Integrated Annual Report",* which includes the Directors' Report, the Audit and Risk Committee Report and the Certificate by Company Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the 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, actions taken to eliminate threats or safeguards applied.

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 11 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Oswald Wentworth
Registered Auditor
Waterfall City
21 August 2020

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 29 February 2020

		GROUP		COMPANY	
	Note	**2020 R'000**	2019 R'000	**2020 R'000**	2019 R'000
Revenue	25	**4 812 068**	4 545 214	**51 980**	46 710
Cost of sales	26	**(4 397 947)**	(4 164 615)	**–**	–
Gross profit		**414 121**	380 599	**51 980**	46 710
Other operating income	27	**15 333**	3 392	**–**	4
Other operating gains/(losses)	28	**5 323**	(7 468)	**–**	–
Other operating expenses		**(341 044)**	(275 452)	**(24 451)**	(25 827)
Operating profit	29	**93 733**	101 071	**27 529**	20 887
Investment income	30	**577**	733	**5**	583
Finance costs	31	**(49 692)**	(32 838)	**(22 314)**	(5 303)
Income from equity-accounted investments		**3 157**	2 047	**–**	–
Profit before taxation		**47 775**	71 013	**5 220**	16 167
Taxation	32	**(18 409)**	(25 179)	**(1 679)**	564
Profit for the year		**29 366**	45 834	**3 541**	16 731
Total comprehensive income for the year		**29 366**	45 834	**3 541**	16 731
Profit attributable to:					
Owners of the parent		**32 789**	46 647	**3 541**	16 731
Non-controlling interest		**(3 423)**	(813)	**–**	–
		29 366	45 834	**3 541**	16 731
Total comprehensive income attributable to:					
Owners of the parent		**32 789**	46 647	**3 541**	16 731
Non-controlling interest		**(3 423)**	(813)	**–**	–
		29 366	45 834	**3 541**	16 731
Earnings per share					
Per share information					
Basic earnings per share (c)	33	**8,08**	11,93	**–**	–
Diluted earnings per share (c)	33	**7,79**	11,49	**–**	–

The accounting policies on pages 60 to 73 and the notes on pages 74 to 110 form an integral part of the annual financial statements.

STATEMENTS OF FINANCIAL POSITION

as at 29 February 2020

		GROUP			COMPANY	
				(Restated)		
			(Restated)	1 March		(Restated)
		2020	2019	2018	**2020**	2019
	Note	**R'000**	R'000	R'000	**R'000**	R'000
ASSETS						
Non-current assets						
Property, plant and equipment	4	**458 628**	362 842	270 514	**5 534**	18
Goodwill	5	**170 484**	165 048	107 591	**–**	–
Intangible assets	6	**10 582**	13 220	11 525	**–**	–
Investments in subsidiaries	7	**–**	–	–	**137 371**	98 720
Investments in joint ventures	8	**1 169**	863	577	**–**	–
Lease receivable	10	**3 490**	3 603	–	**–**	–
Deferred tax	12	**7 299**	4 240	3 388	**316**	1 316
		651 652	549 816	393 595	**143 221**	100 054
Current assets						
Inventories	13	**197 068**	168 006	147 944	**–**	–
Loans to group companies	9	**–**	–	–	**504 205**	305 231
Trade and other receivables	14	**489 508**	410 014	293 643	**3 523**	554
Derivatives	15	**1 909**	–	–	**–**	–
Lease receivables	10	**113**	113	–	**–**	–
Current tax receivable		**4 381**	5 326	5 312	**–**	260
Cash and cash equivalents	16	**92 994**	33 579	32 408	**1 432**	116
		785 973	617 038	479 307	**509 160**	306 161
Total assets		**1 437 625**	1 166 854	872 902	**652 381**	406 215
EQUITY AND LIABILITIES						
Equity						
Equity attributable to equity holders of parent						
Share capital	17	**208 850**	197 871	177 305	**230 628**	217 935
Reserves		**49 726**	48 417	47 108	**4 907**	3 598
Retained income/(accumulated loss)		**210 317**	199 638	174 454	**(64 049)**	(49 101)
		468 893	445 926	398 867	**171 485**	172 432
Non-controlling interest		**–**	(1 268)	(565)	**–**	–
		468 893	444 658	398 302	**171 485**	172 432
Liabilities						
Non-current liabilities						
Loans from shareholders	21	**–**	–	2 275	**–**	–
Financial liabilities at amortised cost	22	**367 385**	254 178	166 202	**185 209**	114 750
Lease liabilities	23	**15 239**	21 154	–	**–**	–
Deferred tax	12	**38 022**	36 199	28 966	**–**	–
Contingent consideration	38	**870**	5 747	–	**–**	–
		421 516	317 278	197 443	**185 209**	114 750
Current liabilities						
Trade and other payables	24	**214 829**	247 751	192 055	**2 815**	2 995
Loans from group companies	20	**–**	–	–	**5 255**	4 535
Loans from shareholders	21	**–**	1 682	–	**–**	–
Financial liabilities at amortised cost*	22	**329 535**	152 021	82 405	**286 163**	111 503
Derivatives	15	**–**	945	2 697	**–**	–
Lease liabilities	23	**1 227**	2 519	–	**–**	–
Current tax payable		**1 625**	–	–	**1 454**	–
Bank overdraft*	16	**–**	–	–	**–**	–
		547 216	404 918	277 157	**295 687**	119 033
Total liabilities		**968 732**	722 196	474 600	**480 896**	233 783
Total equity and liabilities		**1 437 625**	1 166 854	872 902	**652 381**	406 215

** Restated. Please refer to note 44.*

The accounting policies on pages 60 to 73 and the notes on pages 74 to 110 form an integral part of the annual financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 29 February 2020

	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 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
Profit for the year	–	–	–	–	**1 309**	**31 480**	**(3 423)**	**29 366**
Transactions with non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(4 691)**	**4 691**	**–**
Shares issued*	**12 692**	**–**	**12 692**	**–**	**–**	**–**	**–**	**12 692**
Purchase of own/treasury shares	**–**	**(1 713)**	**(1 713)**	**–**	**–**	**–**	**–**	**(1 713)**
Dividends	**–**	**–**	**–**	**–**	**–**	**(16 110)**	**–**	**(16 110)**
Total changes	**12 692**	**(1 713)**	**10 979**	**–**	**1 309**	**10 679**	**1 268**	**24 235**
Balance at 29 February 2020	**230 627**	**(21 777)**	**208 850**	**44 819**	**4 907**	**210 317**	**–**	**468 893**
COMPANY								
Balance at 1 March 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
Changes in equity								
Profit for the year	**–**	**–**	**–**	**–**	**1 309**	**2 232**	**–**	**3 541**
Shares issued*	**12 692**	**–**	**12 692**	**–**	**–**	**–**	**–**	**12 692**
Dividends	**–**	**–**	**–**	**–**	**–**	**(17 180)**	**–**	**(17 180)**
Total changes	**12 692**	**–**	**12 692**	**–**	**1 309**	**(14 948)**	**–**	**(947)**
Balance at 29 February 2020	**230 627**	**–**	**230 627**	**–**	**4 907**	**(64 049)**	**–**	**171 485**
Notes	17	17	17	19	18			

** Please refer to note 38.*

The accounting policies on pages 60 to 73 and the notes on pages 74 to 110 form an integral part of the annual financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 29 February 2020

	Note	GROUP 2020 R'000	GROUP (Restated) 2019 R'000	COMPANY 2020 R'000	COMPANY (Restated) 2019 R'000
Cash flow from operating activities					
Cash generated from operations	34	**145 944**	45 198	**24 917**	(811)
Interest income		**196**	733	**5**	583
Tax paid	35	**(12 019)**	(27 860)	**677**	(162)
Net cash from/(used in) operating activities		**134 121**	18 071	**25 599**	(390)
Cash flow from investing activities					
Purchase of property, plant and equipment	4	**(24 335)**	(9 555)	**–**	(25)
Sale of property, plant and equipment	4	**2 407**	130	**–**	–
Expenditure on intangible assets under development	6	**(495)**	(2 166)	**–**	–
Business combinations (net of cash acquired)	38	**(55 226)**	(66 662)	**(25 958)**	–
Investment in subsidiaries		**–**	–	**–**	(1 049)
Dividend from investment in joint venture		**2 851**	1 760	**–**	–
Loans advanced to group companies		**–**	–	**(258 431)**	(224 836)
Loans advanced to group companies repaid		**–**	–	**59 457**	–
Dividends received		**–**	–	**–**	21 731
Net cash used in investing activities		**(74 798)**	(76 493)	**(224 932)**	(204 179)
Cash flow from financing activities					
Purchase of treasury shares	17	**(1 713)**	(665)	**–**	–
Proceeds from financial liabilities*	36	**194 233**	208 632	**256 478**	226 253
Repayment of financial liabilities*	36	**(129 399)**	(94 051)	**(17 054)**	–
Repayment of shareholder's loan	36	**2 389**	(593)	**–**	–
Proceeds from loans from group companies		**–**	–	**5 255**	4 535
Repayment of loans from group companies		**–**	–	**(4 535)**	–
Dividends paid	37	**(16 110)**	(20 044)	**(17 180)**	(20 800)
Finance costs^	31	**(47 004)**	(32 838)	**(22 314)**	(5 303)
Principal elements of lease payments	36	**(2 302)**	(848)	**–**	–
Net cash from financing activities*		**93**	59 593	**200 650**	204 685
Total cash movement for the year*		**59 415**	1 171	**1 316**	116
Cash at the beginning of the year*		**33 579**	32 408	**116**	–
Total cash at the end of the year*		**92 994**	33 579	**1 432**	116

* *Restated. Please refer to note 44.*
^ Change in accounting policy. Please refer to note 2.

The accounting policies on pages 60 to 73 and the notes on pages 74 to 110 form an integral part of the annual financial statements.

ACCOUNTING POLICIES

for the year ended 29 February 2020

CORPORATE INFORMATION

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

The consolidated and separate financial statements for the year ended 29 February 2020 were authorised for issue in accordance with a resolution of the directors on 21 August 2020.

1. SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Basis of preparation

The consolidated and separate 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 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.

1.2 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the 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 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 Statements 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.

for the year ended 29 February 2020

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.2 Consolidation continued

Business combinations continued

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.

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 IFRSs. 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. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.4 Significant judgements and sources of estimation uncertainty

The preparation of 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.

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

With the early adoption of IFRS 16 during the previous financial year, judgement was applied in determining whether or not it was reasonably certain that the renewal options on the leases would be exercised (Refer note 4).

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 12 – Deferred taxation on pages 83 and 84.

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 the 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 group 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

for the year ended 29 February 2020

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 inventory

An allowance for inventory is made to write inventory 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 therefore slow moving inventory is generally provided after 365 days.

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.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.5 Property, plant and equipment continued

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.

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.

The group reviews and tests the carrying value of intangible assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment has occurred, the impairment is recognised in profit and loss. 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. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.7 Investments in subsidiaries

Group financial statements

The group 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 financial statements

In the company's separate 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.

1.8 Financial instruments

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

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

Financial assets

- Amortised cost
- Fair value through profit and loss

Financial liabilities

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

Financial assets

Classification

Financial assets which are held for trading (derivatives) are classified as financial assets mandatorily at fair value through profit or loss (refer note 15).

All other financial assets are measured at amortised cost, 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.

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)

These financial assets are initially recognised at fair value plus any transaction costs. They 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 (refer note 30).

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.8 Financial instruments continued

Financial assets at amortised cost continued

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) (refer note 28).

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 (i.e. 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).

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 assigned 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 35% and 45%.
Foreign entities	This category of customers is generally represented by companies outside of South Africa. The main countries represented are Brazil, Hong Kong, Singapore, USA, UAE and Africa. Different internal credit risk ratings are assigned to different countries and range between equivalent AA and CC. Probabilities 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%.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.8 Financial instruments continued

Financial assets at amortised cost continued

Impairment *continued*

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 70% and 80%.
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.

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 15). 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:

- Term loans
- Loans from shareholders
- Trade and other payables
- Loans from group companies
- Bank overdraft
- Redeemable preference shares

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.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.8 Financial instruments continued

Financial liabilities at amortised cost continued

Measurement *continued*

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 31).

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 28).

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

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, 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.

for the year ended 29 February 2020

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.10 Tax continued

Deferred tax assets and liabilities continued

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

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
- 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.

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 10).

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.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.11 Leases continued

Lease accounting – lessee continued

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 its 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.

1.12 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. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.17 Provisions and contingencies continued

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.

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.
- 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.
- Collectability of the related receivables is reasonably assured.

Rendering of services – transport and insurance revenue

Where transport and insurance are distinct (a separate 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 group 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 company 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. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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. CHANGE IN ACCOUNTING POLICY

In the current financial year, following the correction of the bank overdraft as a financial liability at amortised cost, the group has elected to change to classification of finance costs in the statements of cash flows under financing activities. This was previously classified under operating activities. Please refer to the restated statements of financial position, statements of cash flows, relevant notes, as well as note 44 relating to the prior period error.

As the capital portion of the overdraft is considered a financing activity, the group has determined that it would be more relevant to the users of the financial statements to disclose the finance cost as part of financing activities and not operating activities.

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and interpretations effective for the first time for 29 February 2020 year-end

The following standards became effective for annual periods beginning on or after 1 January 2019. The group adopted these standards in the current period and they did not have a material impact on its consolidated or separate financial statements:

- *Amendments to IFRS 9 – 'Financial instruments' on prepayment features with negative compensation and modification of financial liabilities*
  This amendment allows for measurement alternatives for prepayable financial assets, and clarifies how to account for modifications of financial liabilities.

- *Amendments to IAS 28 – 'Investments in associates and joint ventures'*
  The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9.

- *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.

3.2 Standards and interpretations issued but not effective for the first time for 29 February 2020 year-end

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

- *Amendment to IAS 1 – 'Presentation of annual financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material*
  These amendments use a consistent definition of materiality through IFRSs, clarifies the definition of material and incorporates guidance on immaterial information.

- *Amendment to IFRS 3 – 'Business combinations'*
  This amendment revises the definition of a business and provides a framework to evaluate when an acquisition would qualify to be a business.

- *IFRS 17 – 'Insurance contracts'*
  The amendment is not applicable to the group.

for the year ended 29 February 2020

4. PROPERTY, PLANT AND EQUIPMENT

	2020 Cost or revaluation R'000	2020 Accu-mulated depreciation R'000	2020 Carrying value R'000	2019 Cost or revaluation R'000	2019 Accu-mulated depreciation R'000	2019 Carrying value R'000
GROUP						
Land	**36 130**	**–**	**36 130**	36 130	–	36 130
Buildings	**151 324**	**(11 023)**	**140 301**	115 885	(4 442)	111 443
Plant and machinery	**301 068**	**(97 260)**	**203 808**	215 309	(75 914)	139 395
Furniture and fixtures	**24 015**	**(8 184)**	**15 831**	17 523	(6 960)	10 563
Motor vehicles	**92 125**	**(45 716)**	**46 409**	79 396	(37 936)	41 460
IT equipment	**13 369**	**(8 504)**	**4 865**	11 296	(6 660)	4 636
Right-of-use asset – buildings	**12 889**	**(1 605)**	**11 284**	20 736	(1 521)	19 215
Total	**630 920**	**(172 292)**	**458 628**	496 275	(133 433)	362 842
COMPANY						
Plant and machinery	**5 216**	**(106)**	**5 110**	–	–	–
Furniture and fixtures	**365**	**(36)**	**329**	–	–	–
IT equipment	**138**	**(43)**	**95**	25	(7)	18
Total	**5 719**	**(185)**	**5 534**	25	(7)	18

Reconciliation of property, plant and equipment

	Opening balance R'000	Additions R'000	Additions through business combi-nations R'000	Disposals R'000	Modifi-cation of lease* R'000	De-preciation R'000	Total R'000
GROUP							
2020							
Land	**36 130**	**–**	**–**	**–**	**–**	**–**	**36 130**
Buildings	**111 443**	**33 643**	**639**	**–**	**–**	**(5 424)**	**140 301**
Plant and machinery	**139 395**	**39 270**	**40 859**	**(2 279)**	**–**	**(13 437)**	**203 808**
Furniture and fixtures	**10 563**	**5 954**	**573**	**–**	**–**	**(1 259)**	**15 831**
Motor vehicles	**41 460**	**9 635**	**3 962**	**(38)**	**–**	**(8 610)**	**46 409**
IT equipment	**4 636**	**1 261**	**370**	**(4)**	**–**	**(1 398)**	**4 865**
Right-of-use asset – buildings	**19 215**	**6 604**	**2 131**	**–**	**(12 989)**	**(3 677)**	**11 284**
	362 842	**96 367**	**48 534**	**(2 321)**	**(12 989)**	**(33 805)**	**458 628**

	Opening balance R'000	Additions R'000	Additions through business combi-nations R'000	Disposals R'000	Depreciation R'000	Total R'000
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

4. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Reconciliation of property, plant and equipment

	Opening balance R'000	Additions R'000	Depreciation R'000	Total R'000
COMPANY				
2020				
Plant and machinery	–	5 216	(106)	5 110
Furniture and fixtures	–	365	(36)	329
IT equipment	18	113	(36)	95
	18	5 694	(178)	5 534
2019				
IT equipment	–	25	(7)	18

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 and its respective subsidiaries. The property is pledged as security for banking facilities (refer note 22).

Additions include plant and machinery through instalment sales of R54,13 million (2019: R11,7 million) and cash additions of R24,3 million (2019: R9,6 million).

Modification of lease - warehouse and office building

On 28 October 2018, the group entered into a property lease with a five-year lease term and a five-year renewal option. The escalation rate was fixed at 5%. Upon recognition management did not have reasonable certainty that the renewal option would be exercised.

During the current financial year, the group acquired the warehouse and office building for R32,3 million and the lease agreement was modified, and subsequently terminated. The previously recognised right-of-use-asset and lease liability was derecognised at the modification date carrying values. A gain on the modification of the lease liability of R1,2 million was recognised in profit and loss (note 27).

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 are 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 R53 314 412 (2019: R21 602 275).

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 has been recognised in other comprehensive income in the 2018 financial year. This assumption was based on market conditions at the time. Since the valuation to the date of the reporting period end, no significant changes have occurred in the market conditions that materially affects the valuation. The fair value falls within level 3 of the fair value hierarchy.

for the year ended 29 February 2020

5. GOODWILL

	2020 Cost R'000	2020 Accumulated impairment R'000	2020 Carrying value R'000	2019 Cost R'000	2019 Accumulated impairment R'000	2019 Carrying value R'000
GROUP						
Goodwill	**189 452**	**(18 968)**	**170 484**	178 286	(13 238)	165 048

Reconciliation of goodwill

	Opening balance R'000	Additions through business combinations R'000	Impairment loss R'000	Total R'000
GROUP				
2020				
Goodwill	**165 048**	**11 166**	**(5 730)**	**170 484**
2019				
Goodwill	107 591	66 395	(8 938)	165 048

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	**128 699**	**(725)**	**127 947**
Ferrous	**31 925**	**6 161**	**38 086**
Refractory	**4 424**	**–**	**4 424**
	165 048	**5 436**	**170 484**

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 4,8%. 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.

5. GOODWILL CONTINUED

Impairment test for goodwill continued

The key assumptions used for the fair value less cost to sell/value-in-use calculations are as follows:

	2020			2019		
	Non-ferrous %	**Ferrous %**	**Refractory %**	Non-ferrous %	Ferrous %	Refractory %
Gross margin – budgeted	**8,69**	**8,08**	**13,85**	9,38	9,00	14,24
Growth rate – nominal	**4,80**	**4,80**	**4,80**	5,00	3,00	3,00
Discount rate – nominal	**19,23**	**18,82**	**21,45**	18,50	20,00	23,00

Gross margin – budgeted gross margin as per 2020/2021 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	26,71%
– Ferrous	26,14%
– Refractory	29,79%

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

Non-ferrous:

If the budgeted gross margin used in the calculations described above had been 1% lower than management's estimate at year-end, the group would recognise an impairment of R125 million against the goodwill and assets allocated to this CGU. If the growth rate applied to forecast terminal growth had been 1% lower, with all other assumptions remaining constant, or if the pre-tax discount rate applied to cash flow projections of this CGU had been 1% higher than management's estimates, the group would not recognise any additional impairments.

Ferrous:

If the budgeted gross margin used in the calculations described above had been 1% lower than management's estimate at year-end, the group would recognise an impairment of R88 million against the goodwill and assets allocated to this CGU. If the growth rate applied to forecast terminal growth had been 1% lower, with all other assumptions remaining constant, or if the pre-tax discount rate applied to cash flow projections of this CGU had been 1% higher than management's estimates, the group would not recognise any additional impairments.

Refractory:

If the budgeted gross margin used in the calculations described above had been 1% lower than management's estimate at year-end, if the growth rate applied to forecast terminal growth had been 1% lower, with all other assumptions remaining constant, or if the pre-tax discount rate applied to cash flow projections of this CGU had been 1% higher than management's estimates, the group would not recognise any additional impairments.

for the year ended 29 February 2020

6. INTANGIBLE ASSETS

	2020			2019		
	Cost R'000	Accumulated amortisation/ impairment R'000	Carrying value R'000	Cost R'000	Accumulated amortisation R'000	Carrying value R'000
GROUP						
Regulatory permit	2 500	–	2 500	2 500	–	2 500
Intangible assets under development	2 661	(2 661)	–	2 166	–	2 166
Other intangible assets	9 336	(1 254)	8 082	9 336	(782)	8 554
Total	14 497	(3 915)	10 582	14 002	(782)	13 220

Reconciliation of intangible assets

	Opening balance R'000	Additions R'000	Amor-tisation R'000	Impairment loss R'000	Total R'000
GROUP					
2020					
Patents, trademarks and other rights	2 500	–	–	–	2 500
Intangible assets under development	2 166	495	–	(2 661)	–
Other intangible assets	8 554	–	(472)	–	8 082
	13 220	495	(472)	(2 661)	10 582
2019					
Regulatory permit	2 500	–	–	–	2 500
Intangible assets under development	–	2 166	–	–	2 166
Other intangible assets	9 025	–	(471)	–	8 554
	11 525	2 166	(471)	–	13 220

Other information

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 group complies with changes in legislation as they occur. This is included within the non-ferrous operating segment value-in-use calculation (Refer note 5 for additional information regarding impairment assessment).

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 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	8 082	8 554	–	–
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 has not been successful and has been impaired in the current year. The impairment is reflected in other operating expenses in the statement of profit and loss.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS *continued*

for the year ended 29 February 2020

7. INVESTMENTS IN SUBSIDIARIES

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

COMPANY

Name of company	Held by	**Holding 2020 %**	Holding 2019 %	**Carrying amount 2020 R'000**	Carrying amount 2019 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**	100	**–**	–
Insimbi Aluminium Alloys Proprietary Limited	Insimbi Alloy Supplies Proprietary Limited	**100**	100	**–**	–
Insimbi Thermal Insulation Proprietary Limited§	Insimbi Alloy Supplies Proprietary Limited	**–**	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	**–**	–
Insimbi Plastics Proprietary Limited$	Insimbi Alloy Supplies Proprietary Limited	**100**	87,5	**–**	–
Insimbi Employeeco Proprietary Limited*	Insimbi Industrial Holdings Limited	**0,01**	0,01	**11 522**	11 522
Insimbi Manco Proprietary Limited*	Insimbi Industrial Holdings Limited	**0,02**	0,02	**7 624**	7 624
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**	100	**–**	–
Group Wreck International Non-Ferrous Proprietary Limited	Amalgamated Metals Group Holdings Proprietary Limited	**100**	100	**–**	–
Treppo Group Proprietary Limited	Insimbi Industrial Holdings Limited	**100**	–	**38 651**	–
				137 371	98 720

** 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%.

$ On 31 May 2019 the group acquired the additional 12,5% of the voting equity interest of Insimbi Plastics Proprietary Limited, not already owned, for R25. Immediately prior to the purchase, the carrying amount of the existing 12,5% non-controlling interest value in Insimbi Plastics Proprietary Limited was (R1 456 086). The group recognised a decrease in non-controlling interest of R1 456 086 and a decrease in equity attributable to the owners of R1 456 086. .

for the year ended 29 February 2020

8. JOINT ARRANGEMENTS

Joint ventures

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

Name of company	Held by	**Ownership interest 2020 %**	Ownership interest 2019 %	**Carrying amount 2020 R'000**	Carrying amount 2019 R'000
GROUP					
Cronimet Two Joint Venture	Amalgamated Group Holdings Proprietary Limited	**8,11**	8,11	**1 169**	863

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 29 February 2020 amounted to R14 414 303 (2019: R10 641 184).

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
9. LOANS TO GROUP COMPANIES				
Subsidiaries				
Insimbi Alloy Supplies Proprietary Limited	**–**	–	**215 134**	200 256
Amalgamated Metals Recycling Proprietary Limited	**–**	–	**8 623**	60 816
Insimbi Plastics Proprietary Limited	**–**	–	**30 491**	24 252
Insimbi Aluminium Alloys Proprietary Limited	**–**	–	**43 907**	13 256
Insimbi Nano Milling Proprietary Limited	**–**	–	**1 999**	3 765
Metlite Alloys Proprietary Limited	**–**	–	**–**	593
Amalgamated Metals Group Holdings Proprietary Limited	**–**	–	**2 227**	2 227
Insimbi Alloy Properties Proprietary Limited	**–**	–	**7 918**	–
Insimbi Modular Plastics Proprietary Limited	**–**	–	**118**	45
Insimbi EmployeeCo Proprietary Limited	**–**	–	**2**	2
Insimbi Manco Proprietary Limited	**–**	–	**2**	2
Treppo Group Proprietary Limited	**–**	–	**181 233**	–
Fragcorp Proprietary Limited	**–**	–	**12 323**	–
Metlite Alloy Properties Proprietary Limited	**–**	–	**228**	2
Group Wreck International Non-Ferrous Proprietary Limited	**–**	–	**–**	15
	–	–	**504 205**	305 231

The loans are unsecured, interest free, and has 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.

Split between non-current and current portions				
Current assets	**–**	–	**504 205**	356 415

Fair value of group loans receivable

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

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
10. LEASE RECEIVABLE				
Gross investment in the lease due				
– within one year	**533**	494	–	–
– in second to fifth year inclusive	**2 594**	2 402	–	–
– later than five years	**2 543**	3 268	–	–
	5 670	6 164	–	–
Less: Unearned finance income	**(2 067)**	(2 448)	–	–
	3 603	3 716	–	–
Non-current assets	**3 490**	3 603	–	–
Current assets	**113**	113	–	–
	3 603	3 716	–	–

In the prior year, 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% (2019: 10,25%).

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

11. 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 R8 091 197 (2018: R5 247 188). The reason for the large increase, is due to the acquisitions as explained in the business combination notes.

for the year ended 29 February 2020

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
12. DEFERRED TAXATION				
Deferred tax liability				
Accelerated tax depreciation	**(10 149)**	(3 907)	**(118)**	–
Revaluation of property, plant and equipment	**(15 242)**	(15 242)	**–**	–
Fair value uplift on property, plant and equipment through business combination	**(17 708)**	(19 985)	**–**	–
Prepayment	**(593)**	(146)	**(173)**	(132)
Leases	**(1 939)**	(6 420)	**–**	–
Total deferred tax liability	**(45 631)**	(45 700)	**(291)**	(132)
Deferred tax assets				
Provisions	**4 371**	4 646	**607**	267
Tax losses available for offset against future taxable income	**8 203**	2 053		1 181
Leases	**2 333**	7 042	**–**	–
Total deferred tax asset	**14 907**	13 741	**607**	1 448
Total net deferred tax	**(30 723)**	(31 959)	**316**	1 316
Disclosed as net deferred tax asset	**7 299**	4 240	**316**	1 316
Disclosed as net deferred tax liability	**(38 022)**	(36 199)	**–**	–
The gross movement on the deferred tax account is as follows:				
Opening balance	**(31 959)**	(25 578)	**1 316**	752
(Credited)/charged to the income statement	**2 648**	584	**(1 162)**	727
(Credited) to other comprehensive income	**–**	–	**–**	–
Prior period adjustments	**(1 364)**	(376)	**163**	(163)
Acquisition of subsidiary	**5 247**	(6 589)	**–**	–
Closing balances	**(30 723)**	(31 959)	**316**	1 316

	Provisions R'000	Tax losses available for set-off R'000	Other R'000	Leases R'000	Total assets R'000
GROUP					
The movement in deferred tax assets during the year is as follows:					
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
Charged/(credited) to the income statement	**(900)**	**921**	**–**	**(4 709)**	**(4 688)**
Prior period adjustment	**(93)**	**(676)**	**–**	**–**	**(769)**
Acquisition of subsidiary	**718**	**5 905**	**–**	**–**	**6 623**
At 29 February 2020	**4 371**	**8 203**	**–**	**2 333**	**14 907**

for the year ended 29 February 2020

12. DEFERRED TAXATION CONTINUED

	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 2018	–	(15 242)	(16 445)	–	(271)	(31 958)
(Credited)/charged to the income statement	(2 591)	–	1 733	(6 420)	(57)	(7 335)
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)
(Credited)/charged to the income statement	**(4 281)**	**–**	**2 276**	**4 481**	**(436)**	**2 040**
Prior period adjustment	**(1 376)**	**–**	**–**	**–**	**–**	**(1 376)**
Acquisition of subsidiary	**(585)**	**–**	**–**	**–**	**(10)**	**(595)**
At 29 February 2020	**(10 149)**	**(15 242)**	**(17 709)**	**(1 939)**	**(592)**	**(45 631)**

	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 2018	–	762	762
(Credited)/charged to the income statement	1 181	(332)	849
At 28 February 2019	1 181	430	1 611
(Credited)/charged to the income statement	**(1 181)**	**178**	**(1 003)**
At 29 February 2020	**–**	**608**	**608**

	Accelerated tax depreciation R'000	Prepayments R'000	Total liabilities R'000
At 28 February 2018	–	(10)	(10)
(Credited)/charged to the income statement	–	(122)	(122)
At 28 February 2019	–	(132)	(132)
(Credited)/charged to the income statement	**(118)**	**(41)**	**(159)**
(Credited)/charged to other comprehensive income	**–**	**–**	**–**
At 29 February 2020	**(118)**	**(173)**	**(291)**

for the year ended 29 February 2020

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
13. INVENTORIES				
Raw materials, components	**188 178**	149 279	**–**	–
Finished goods	**4 341**	4 054	**–**	–
Goods in transit	**5 524**	16 224	**–**	–
	198 043	169 557	**–**	–
Inventory write-down*	**(975)**	(1 551)	**–**	–
	197 068	168 006	**–**	–

** Relates to raw materials and components.*

The total inventory write-down for the year was included in cost of sales.

The inventory balances do not include any spare parts.

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
14. TRADE AND OTHER RECEIVABLES				
Financial instruments:				
Trade receivables	**447 595**	393 863	**9**	–
Deposits	**3 683**	3 155	**–**	–
Other receivable	**14 878**	3 772	**2 180**	–
Loss allowance	**(6 183)**	(4 498)	**–**	–
Trade receivables at amortised cost	**459 973**	396 292	**2 189**	–
Non-financial instruments:				
VAT	**20 630**	10 972	**543**	–
Employee costs in advance	**677**	779	**175**	83
Prepayments	**8 228**	1 971	**616**	471
Total trade and other receivables	**489 508**	410 014	**3 523**	554
Split between non-current and current portions				
Current assets	**489 508**	410 014	**3 523**	554
Categorisation of trade and other receivables				
Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:				
At amortised cost	**459 973**	396 292	**2 189**	–
Non-financial instruments	**29 535**	13 722	**1 334**	554
	489 508	410 014	**3 523**	554

Trade and other receivables pledged as security

Trade and other receivables were pledged as security for overdraft facilities of R300 000 000 (2019: R150 000 000) of the group. At year end the overdraft amounted to R260 294 000 (2019: R121 724 000).

Exposure to credit risk

Trade and other 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.

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

The average credit period on trade receivables is 30 days (2019: 30 days).

14. TRADE AND OTHER RECEIVABLES CONTINUED

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 and other by applying the simplified approach which is prescribed by IFRS9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables.

The loss allowance provision is determined as follows:

	2020			2019		
Company internal credit rating	**Expected credit loss rate %**	**Gross carrying amount R'000**	**Loss allowance R'000**	Expected credit loss rate %	Gross carrying amount R'000	Loss allowance R'000
Foreign debtors	**0,1 to 0,4**	**58 516**	**18**	0,2 to 0,3	70 415	168
Government	**–**	**3 683**	**–**	0,05 to 0,15	587	–
Large corporate entities	**0,15 to 0,45**	**328 839**	**618**	0,15 to 0,25	293 238	470
Large retail entities	**0,02 to 0,03**	**123**	**–**	0,05 to 0,15	1 659	–
Small and medium entities	**0,8 to 6,58**	**62 061**	**452**	0,8 to 1,5	24 333	230
		453 222	**1 088**		390 232	868
Non-performing customers	**20 to 100**	**12 934**	**5 095**	100	3 630	3 630
Total		**466 156**	**6 183**		393 862	4 498

With the inclusion of the Treppo group as disclosed in note 38.1, the risk parameters as disclosed above changed, due the change in customer base. Further to this, due to the decline in market conditions towards the end of the financial year, the probability of default has increased, leading to an increase in the expected credit loss rate as disclosed above. To mitigate this risk, a significant portion of the group trade receivables have been insured, resulting in a lower "loss given default" ("LGD") as the credit loss would not be more than 20%. Due to this insurance, the loss allowance for "Non-performing customers" is lower than the gross carrying amount.

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Opening balance	**(4 498)**	(3 853)	**–**	–
New financial assets originated or purchased	**(669)**	(73)	**–**	–
Change in risk parameters	**(1 016)**	(1 250)	**–**	–
Write-offs	**–**	678	**–**	–
Closing balance	**(6 183)**	(4 498)	**–**	–

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	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Rand amount				
Rand	**401 475**	323 558	**2 189**	10
US Dollar	**58 123**	70 013	**–**	–
Euro	**375**	2 721	**–**	–
	459 973	396 292	**2 189**	10

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14. TRADE AND OTHER RECEIVABLES CONTINUED

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Foreign currency amount				
US Dollar	**3 710**	4 973	**–**	–
Euro	**22**	170	**–**	–
Rand per unit of foreign currency				
US Dollar	**15,667**	14,078	**–**	–
Euro	**17,275**	16,024	**–**	–
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.				

15. DERIVATIVES

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Hedging derivatives				
Foreign exchange contracts	**1 909**	(945)	**–**	–
Split between non-current and current portions			**–**	–
Current assets	**1 909**	–	**–**	–
Current liabilities	**–**	(945)	**–**	–
	1 909	(945)	**–**	–

The fair value of the foreign currency exchange contracts is determined by using the relevant exchange spot rates at the financial reporting 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.

16. CASH AND CASH EQUIVALENTS

	GROUP			COMPANY		
	2020 R'000	(Restated) 2019 R'000	(Restated) 2018 R'000	**2020 R'000**	(Restated) 2019 R'000	(Restated) 2018 R'000
Cash and cash equivalents consist of:						
Cash on hand	**1 680**	1 301	1 374	**–**	–	–
Bank balances	**91 314**	32 278	31 034	**1 432**	116	–
Bank overdraft*	**–**	–	–	**–**	–	–
	92 994	33 579	32 408	**1 432**	116	–
Current assets	**92 994**	33 579	32 408	**1 432**	116	–
Current liabilities	**–**	–	–	**–**	–	–
	92 994	33 579	32 408	**1 432**	116	–

** Restated. Please refer to note 44.*

16. CASH AND CASH EQUIVALENTS CONTINUED

The net carrying amounts, in foreign currency of the above exposure was as follows:

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Foreign currency amount:				
US Dollar	**260**	413	**–**	–
Euro	**84**	2	**–**	–
The following closing exchange rates were applied at reporting date:				
Rand per unit of foreign currency:				
US Dollar	**15,667**	14,078	**–**	–
Euro	**17,275**	16,024	**–**	–

17. SHARE CAPITAL

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
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	**26 119**	24 585	**–**	–
Issue of shares – ordinary shares	**413 881**	404 357	**–**	–
	440 000	428 942	**–**	–
Issued (R'000)				
Share premium	**239 245**	226 553	**239 246**	226 553
Share issue costs written off against share premium	**(8 618)**	(8 618)	**(8 618)**	(8 618)
Treasury shares/held by subsidiaries	**(21 777)**	(20 064)	**–**	–
	208 850	197 871	**230 628**	217 935

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.

1 534 552 (2019: 479 777) ordinary shares were repurchased from the market by a subsidiary for an amount of R1 713 164 (2019: R664 997). The average price paid was R1,12 (2019: R1,39). No shares have reverted to authorised but unissued shares.

Shares repurchased by a subsidiary and held in treasury amounted to R21 776 564 (2019: R20 063 400) 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 Industrial Holdings Limited. The exercise price of the granted option is R1,14 and the value is 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 (In 2022, 2023 and 2024). 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 (2019: R1).

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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 has been 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 is calculated over a period commensurate with the term of each tranche.

Total expenses of R1 309 620 (2019: R1 309 620) related to equity-settled share based payments transactions were recognised in 2020 and 2019 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	
	2020 R'000	2019 R'000	**2020 R'000**	2019 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 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Subsidiaries				
Metlite Alloys Proprietary Limited	**–**	–	**5 255**	–
Insimbi Alloy Properties Proprietary Limited	**–**	–	**–**	4 535
	–	–	**5 255**	4 535

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.

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Split between non-current and current portions				
Current liabilities	**–**	–	**5 255**	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.

21. LOANS FROM SHAREHOLDERS

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
B Fetting	**–**	1 682	**–**	–
	–	1 682	**–**	–

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

The loan became payable when the shareholders decided to sell their investment in the subsidiary (refer note 38).

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Split between non-current and current portions				
Current liabilities	**–**	1 682	**–**	–

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

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	GROUP			COMPANY		
		(Restated)	(Restated)		(Restated)	(Restated)
	2020	2019	2018	**2020**	2019	2018
	R'000	R'000	R'000	**R'000**	R'000	R'000
22. FINANCIAL LIABILITIES AT AMORTISED COST						
Held at amortised cost						
Secured						
Absa Bank Limited – term loan	**114 750**	131 625	61 267	**114 750**	131 625	–
Absa Bank Limited – term loan 2	**76 000**	–	–	**76 000**	–	–
Absa Bank Limited – overdraft^	**260 294**	121 724	–	**257 791**	94 628	–
First Rand Bank Limited – mortgage bonds	**41 308**	46 319	53 131	**–**	–	–
Absa Bank Limited – mortgage bonds	**26 459**	–	–	**–**	–	–
First Rand Bank Limited – overdraft^	**–**	–	48 091	**–**	–	–
First Rand Bank Limited – leveraged finance	**–**	–	10 093	**–**	–	–
Casterly Rock Investments Proprietary Limited*	**16 341**	16 806	16 806	**–**	–	–
Golden Griffin Investments Proprietary Limited*	**16 341**	16 806	16 806	**–**	–	–
Crimson Clover Investments Proprietary Limited*	**15 941**	16 405	16 406	**–**	–	–
Solimene Holdings Proprietary Limited*	**7 721**	7 720	–	**–**	–	–
Ella Rose Property and Investments Proprietary Limited*	**7 654**	7 652	–	**–**	–	–
Repo Metals Holdings Proprietary Limited*	**7 655**	7 652	–	**–**	–	–
Texiflash Proprietary Limited*	**18 508**	–	–	**18 508**	–	–
Redeemable preference shares	**34 473**	–	–	**–**	–	–
Instalment sales	**53 475**	33 490	26 007	**4 323**	–	–
	696 920	406 199	248 607	**471 372**	226 253	–
Split between non-current and current portions						
Non-current liabilities	**367 385**	254 178	166 202	**185 209**	114 750	–
Current liabilities	**329 535**	68 278	82 405	**286 163**	111 503	–
	696 920	322 456	248 607	**471 372**	226 253	–
Non-current liabilities						
Absa Bank Limited – term loan	**87 750**	114 750	45 267	**87 750**	114 750	–
Absa Bank Limited – term loan 2	**76 000**	–	–	**76 000**	–	–
FirstRand Bank Limited – mortgage bonds	**35 971**	42 711	48 680	**–**	–	–
First Rand Bank Limited – leveraged finance	**–**	–	6 627	**–**	–	–
ABSA Bank Limited – mortgage bonds	**24 728**	–	–	**–**	–	–
Casterly Rock Investments Proprietary Limited*	**13 323**	16 806	16 806	**–**	–	–
Golden Griffin Investments Proprietary Limited*	**13 323**	16 405	16 406	**–**	–	–
Crimson Clover Investments Proprietary Limited*	**12 923**	16 806	16 806	**–**	–	–
Ella Rose Property and Investments Proprietary Limited*	**7 654**	7 652	–	**–**	–	–
Repo Metals Holdings Proprietary Limited*	**7 655**	7 652	–	**–**	–	–
Solimene Holdings Proprietary Limited*	**7 721**	7 720	–	**–**	–	–
Texiflash Proprietary Limited*	**18 508**	–	–	**18 508**	–	–
Redeemable preference shares	**29 192**	–	–	**–**	–	–
Instalment sales	**32 637**	23 676	15 610	**2 951**	–	–
	367 385	254 178	166 202	**185 209**	114 750	–

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	GROUP			COMPANY		
		(Restated)	(Restated)		(Restated)	(Restated)
	2020	2019	2018	**2020**	2019	2018
	R'000	R'000	R'000	**R'000**	R'000	R'000
22. FINANCIAL LIABILITIES AT AMORTISED COST CONTINUED						
Current liabilities						
Absa Bank Limited – term loan	**27 000**	16 875	16 000	**27 000**	16 875	–
Absa Bank Limited – term loan 2	**–**	–	–	**–**	–	–
FirstRand Bank Limited – mortgage bonds	**5 337**	3 607	4 451	**–**	–	–
First Rand Bank Limited – leveraged finance	**–**	–	3 466	**–**	–	–
First Rand Bank Limited – overdraft^	**–**	–	48 091	**–**	–	–
ABSA Bank Limited – mortgage bonds	**1 731**	–	–	**–**	–	–
Absa Bank Limited – overdraft^	**260 294**	121 724	–	**257 791**	94 628	–
Casterly Rock Investments Proprietary Limited*	**3 018**	–	–	**–**	–	–
Crimson Clover Investments Proprietary Limited*	**3 018**	–	–	**–**	–	–
Golden Griffin Investments Proprietary Limited*	**3 018**	–	–	**–**	–	–
Redeemable preference shares	**5 281**	–	–	**–**	–	–
Instalment sales	**20 838**	9 815	10 397	**1 372**	–	–
	329 535	152 021	82 405	**286 163**	111 503	–
	696 920	406 199	248 607	**471 372**	226 253	–

** Related parties of the group.*
^ Refer to note 44.

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 + 310. The monthly capital repayment is R1 406 250 (2019: calculated as 0,83% of the outstanding amount). This repayment escalates annually. The interest rate at year-end was 9,458% (2019: 9,825%). The last repayment falls due on 30 November 2023.

Absa Bank Limited – term loan 2
Interest rate – JIBAR + 380. There is no monthly repayment, but interest is serviced monthly. The interest rate at year-end was 10,158%. The repayment falls due on 30 November 2023.

Absa Bank Limited – overdraft
Interest rate – prime less 1%. The maximum amount that is permitted is R300 000 000 (2019: 150 000 000). 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 8,75% (2019: 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 9,5% (2019: 9,25%). The last repayment falls due on 1 July 2025.

Absa Bank Limited – mortgage bonds
Interest rate – prime less 0,25%. The monthly repayment is R356 807.00. The loan is secured by Erven 123 and 309 Phoenix Industrial Park, KwaZulu-Natal, and Erf 3499 Queensburgh Extension 20, KwaZulu-Natal. The interest rate at year-end was 9,5%. The last repayment falls due on 7 December 2029.

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. The group has repaid R465 000 of the capital in the current year.

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. The group has repaid R465 000 of the capital in the current year.

22. FINANCIAL LIABILITIES AT AMORTISED COST CONTINUED

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. The group has repaid R465 000 of the capital in the current year.

Solimene 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 2021.

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 2021.

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 2021.

Texiflash Proprietary Limited

Interest rate – prime less 2,25%. 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 30 November 2022.

Redeemable preference shares

Coupon rate – prime less 2,25%, multiplied by 72% per annum, compounded monthly in arrears. The redemption of the preference share will be as follows:

- 30 November 2020: R5 000 000 plus coupon on outstanding amount.
- 29 November 2021: R5 000 000 plus coupon on outstanding amount.
- 28 November 2022: R26 500 000 plus coupon on outstanding amount.
- 5 December 2029: R500 000 plus coupon on outstanding amount.

Instalment sale agreements

Interest rate – prime linked at 8,75% (2019: 9,25%). The agreements are secured by motor vehicles and plant and equipment with a net book value of R64 868 454 (2019: R52 266 240) and repayable in monthly instalments of R1 892 015 (2019: 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.

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, Group Wreck International Non-Ferrous Proprietary Limited and Treppo Group Proprietary Limited have signed a cross-deed of suretyship whereby each company bound themselves jointly and severally as surety and co-principle debtor to ABSA Bank Limited.

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.

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.

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

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22. FINANCIAL LIABILITIES AT AMORTISED COST CONTINUED

Borrowing facilities

The group has drawn R485 million from its total available facilities of R617 million (2019: R253 million of its total available facilities of R380 million).

Fair value

For the majority of the financial liabilities, the fair values are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. These liabilities fall within level 1 of the fair value hierarchy.

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
23. LEASE LIABILITIES				
Minimum lease payments due				
– within one year	**3 020**	4 946	**–**	–
– in second to fifth year inclusive	**12 458**	22 203	**–**	–
– later than five years	**9 700**	6 854	**–**	–
	25 178	34 003	**–**	–
Less: future finance charges	**(8 712)**	(10 330)	**–**	–
Present value of minimum lease payments	**16 466**	23 673	**–**	–
Non-current liabilities	**15 239**	21 154	**–**	–
Current liabilities	**1 227**	2 519	**–**	–
	16 466	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%).

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.

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	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
24. TRADE AND OTHER PAYABLES				
Financial instruments:				
Trade payables	**194 117**	222 884	**224**	608
Accrued leave pay	**1 999**	2 041	**330**	242
Accrued bonus	**3 414**	5 800	**–**	670
Audit fees	**3 632**	2 866	**1 839**	622
Other accrued expenses	**8 316**	8 513	**422**	–
Non-financial instruments:				
VAT	**3 351**	5 647	**–**	853
	214 829	247 751	**2 815**	2 995
Exposure to currency risk				
The net carrying amounts, in Rand, of trade and other payables, 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.				
Rand amount				
Rand	**163 246**	191 433	**2 815**	2 142
US Dollar	**18 733**	8 329	**–**	–
Euro	**29 499**	42 385	**–**	–
	211 478	242 147	**2 815**	2 142
Foreign currency amount				
US Dollar	**1 195**	592	**–**	–
Euro	**1 708**	2 645	**–**	–
Rand per unit of foreign currency				
US Dollar	**15,667**	17,078	**–**	–
Euro	**17,275**	16,024	**–**	–

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.

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	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
25. REVENUE				
Revenue from contracts with customers:				
Sale of goods	**4 783 528**	4 512 238	**–**	–
Rendering of services	**28 540**	32 976	**51 980**	24 979
	4 812 068	4 545 214	**51 980**	24 979
Revenue other than from contracts with customers:				
Dividends received (trading)	**–**	–	**–**	21 731
	4 812 068	4 545 214	**51 980**	46 710
Disaggregation of revenue from contracts with customers:				
The group disaggregates revenue from customers as follows:				
Sale of goods				
Sale of goods – Local	**3 741 014**	3 828 234	**–**	–
Sale of goods – Exports	**1 042 514**	684 004	**–**	–
	4 783 528	4 512 238	**–**	–
Rendering of services				
Administration and management fees received	**–**	–	**51 962**	24 979
Services revenue – Transport and insurance	**28 522**	32 976	**–**	–
Services revenue – Sample analysis	**18**	–	**18**	–
	28 540	32 976	**51 980**	24 979
Total revenue from contracts with customers	**4 812 068**	4 545 214	**51 980**	24 979
Timing of revenue recognition				
At a point in time				
Sale of goods	**4 783 528**	4 512 238	**–**	–
Over time				
Rendering of services	**28 540**	32 976	**51 980**	24 979
Total revenue from contracts with customers	**4 812 068**	4 545 214	**51 980**	24 979
Refer to segment report for further disaggregation by nature of product and geographical destination.				
26. COST OF SALES				
Sale of goods	**4 397 947**	4 164 615	**–**	–
27. OTHER OPERATING INCOME				
Rental income	**924**	481	**–**	–
Bad debts recovered	**21**	–	**–**	–
Gain on bargain purchase in a business combination	**–**	2 810	**–**	–
Gain on extinguishment of loans^	**4 071**	–	**–**	–
Gain on lease modification (note 4)	**1 178**	–	**–**	–
Gain on derecognition of contingent consideration (note 38.2)	**5 747**	–	**–**	–
Other income*	**3 392**	101	**–**	4
	15 333	3 392	**–**	4

** Other income relates to the rental income of machinery in the Treppo Group.*
^ During the year loans were extinguished resulting in a gain on settlement of the loans.

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
28. OTHER OPERATING GAINS/(LOSSES)				
Gains/(losses) on disposals, scrappings and settlements				
Property, plant and equipment	**86**	(133)	**–**	–
Foreign exchange gains/(losses)				
Net foreign exchange gains /(losses)	**5 237**	(7 335)	**–**	–
Total other operating gains/(losses)	**5 323**	(7 468)	**–**	–
29. OPERATING PROFIT/(LOSS)				
Operating profit for the year is stated after charging/ (crediting) the following, amongst others:				
Auditor's remuneration – external				
Audit fees	**3 786**	2 975	**614**	566
Remuneration, other than to employees				
Consulting and professional services	**10 815**	12 264	**4 892**	7 418
Employee costs				
Salaries and wages	**127 545**	103 372	**10 069**	9 191
Motor vehicle allowance	**2 402**	2 479	**799**	732
Medical aid contribution	**3 074**	3 791	**16**	403
Bonus and 13th cheque	**11 292**	11 623	**1 891**	1 705
Staff welfare	**3 108**	1 405	**110**	214
Retirement benefit plans: defined contribution expense	**8 091**	5 247	**1 303**	1 074
Skills development levy	**459**	574	**114**	178
UIF	**15 858**	11 148	**65**	76
Share-based compensation expense	**1 309**	1 310	**–**	–
Total employee costs	**173 138**	140 949	**14 367**	13 573
Depreciation and amortisation				
Depreciation of property, plant and equipment	**33 805**	21 423	**178**	7
Amortisation of intangible assets	**472**	471	**–**	–
Total depreciation and amortisation	**34 277**	21 894	**178**	7
Impairment losses				
Goodwill	**5 730**	8 938	**–**	–
Intangible assets	**2 661**	–	**–**	–
Expected credit losses	**1 685**	645	**–**	–
	10 076	9 567	**–**	–
30. INVESTMENT INCOME				
Interest income				
Investments in financial assets:				
Bank and other cash	**196**	352	**5**	583
Lease receivables	**381**	381	**–**	–
Total interest income	**577**	733	**5**	583
31. FINANCE COSTS				
Finance leases	**2 688**	1 225	**–**	–
Bank overdraft*	**11 833**	21 210	**10 003**	–
Borrowings*	**35 171**	10 403	**13 311**	5 303
Total finance costs	**49 692**	32 838	**22 314**	5 303

** Restated. Refer note 44.*

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	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
32. TAXATION				
Major components of the tax expense				
Current				
Local income tax – current period	**14 397**	26 144	**517**	–
Adjustments in respect of prior years	**–**	(758)	**–**	–
	14 397	25 386	**517**	–
Deferred				
Originating and reversing temporary differences	**2 648**	(584)	**1 162**	(727)
Adjustments in respect of prior years	**1 364**	377	**–**	163
	4 012	(207)	**1 162**	(564)
	18 409	25 179	**1 679**	(564)
	%	%	**%**	%
Reconciliation of the tax expense				
Reconciliation between applicable tax rate and average effective tax rate.				
Applicable tax rate	**28,00**	28	**28,00**	28
Tax loss used	**–**	(0,16)	**–**	–
Current year losses for which a deferred tax asset was not raised	**4,49**	2,26	**–**	–
Exempt income	**(0,71)**	–	**–**	(37,63)
Allowances	**(1,43)**	–	**(0,72)**	–
Disallowable charges*	**5,31**	5,36	**4,89**	6,15
Prior period adjustments arising from final income tax submissions	**2,86**	–	**–**	–
	38,52	35,46	**32,17**	(3,48)

** Relates to non-deductible 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.

33. 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 2020 R'000	GROUP 2019 R'000
Basic earnings per share		
From continuing operations (cents per share)	**8,08**	11,93
	8,08	11,93
Basic earnings per share was based on earnings of R30,0 million (2019: R46,6 million) and a weighted average number of shares of 405 852 446 (2019: 390 922 835).		
Reconciliation of profit or loss for the year to basic earnings (R'000)		
Profit for the year	**29 366**	45 834
Loss for the year attributable to non-controlling interest	**3 423**	813
Profit for the year attributable to equity holders	**32 789**	46 647

	GROUP 2020 R'000	GROUP 2019 R'000
33. EARNINGS PER SHARE AND HEADLINE EARNINGS PER SHARE CONTINUED		
Reconciliation of weighted average number of shares ('000)		
Weighted number of shares in issue at the end of the year	**431 370**	415 311
Less: Weighted number of treasury shares held in a subsidiary at the end of the period	**(25 517)**	(24 388)
	405 853	390 923
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	**10,13**	13,52
	10,13	13,52

	Gross 2020 R'000	Nett 2020 R'000	Gross 2019 R'000	Nett 2019 R'000
Reconciliation between earnings and headline earnings				
Basic earnings		**32 789**		46 647
Adjusted for:				
(Profit) or loss on sale/scrapping of assets	**(86)**	**(62)**	133	96
Gain on bargain purchase	**–**	**–**	(2 810)	(2 810)
Impairment of goodwill	**5 730**	**5 730**	8 938	8 938
Impairment of intangible assets	**2 661**	**2 661**	–	–
Headline earnings		**41 118**		52 871

Diluted earnings 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.

	2020 R'000	2019 R'000
Weighted average number of ordinary shares in issue ('000)	**405 852**	390 923
Adjusted for: Share options ('000)	**15 073**	14 934
Weighted average number of ordinary shares for diluted earnings per share ('000)	**420 925**	405 857
	cents	cents
Diluted earnings per share	**7,79**	11,49
Diluted headline earnings per share	**9,77**	13,03

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	Note	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
34. CASH GENERATED FROM OPERATIONS					
Profit before tax		**47 775**	71 013	**5 220**	16 167
Adjustments for:					
Depreciation and amortisation		**34 277**	21 894	**178**	7
(Gains)/losses on disposals, scrappings and settlements of fixed assets		**(86)**	130	**–**	–
Fair value on foreign exchange contracts		**(1 909)**	(1 752)	**–**	–
Foreign exchange loss on trade receivables and trade payables		**1 530**	–	**–**	–
Income from equity accounted investments		**(3 157)**	(2 047)	**–**	–
Dividend income		**–**	–	**–**	(21 731)
Interest received		**(577)**	(733)	**(5)**	(583)
Finance costs		**49 692**	32 838	**22 314**	5 303
Gain on bargain purchase in a business combination		**–**	(2 810)	**–**	–
Gain on lease modification		**(1 178)**	–	**–**	–
Impairment of intangible assets under development		**2 661**	–	**–**	–
Impairment of goodwill		**5 730**	8 938	**–**	–
Gain on settlement of loans from shareholders		**(4 071)**	–	**–**	–
Expected credit losses		**1 685**	645	**–**	–
Share-based payments		**1 309**	1 309	**–**	–
Reversal of contingent consideration	38.2	**(5 747)**	–	**–**	–
Other non-cash items		**(316)**	(1 238)	**359**	–
Changes in working capital:					
Inventories		**(7 027)**	(8 642)	**–**	–
Trade and other receivables		**96 296**	(102 961)	**(2 969)**	5
Trade and other payables		**(70 943)**	28 614	**(180)**	21
		145 944	45 198	**24 917**	(811)
35. TAX PAID					
Balance at beginning of the year		**5 326**	5 312	**(260)**	98
Current tax for the year recognised in profit or loss		**(14 397)**	(25 386)	**(517)**	–
Tax payable acquired in business combination		**(192)**	(2 460)	**–**	–
Balance at end of the year		**(2 756)**	(5 326)	**1 454**	(260)
		(12 019)	(27 860)	**677**	(162)

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36. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities

	Opening balance* R'000	Business combi-nations R'000	Instal-ment sales R'000	New leases R'000	Other non-cash move-ments R'000	Total non-cash move-ments R'000	Cash flows* R'000	Closing balance* R'000
GROUP								
2020								
Financial liabilities at amortised cost	**406 199**	**160 462**	**65 426**	**–**	**–**	**225 888**	**64 833**	**696 920**
Derivatives	**945**	**–**	**–**	**–**	**–**	**–**	**(945)**	**–**
Loans from shareholders	**1 682**	**–**	**–**	**–**	**(4 071)**	**(4 071)**	**2 389**	**–**
Lease liabilities	**23 673**	**2 658**	**–**	**6 605**	**(14 168)**	**(4 905)**	**(2 302)**	**16 466**
	432 499	**163 120**	**65 426**	**6 605**	**(18 239)**	**216 912**	**63 975**	**713 386**
2019								
Financial liabilities at amortised cost (as previously reported)	238 497	31 277	11 733	–	–	43 010	40 949	322 456
Adjustment	10 110	–	–	–	–	–	73 633	83 743
Financial liabilities at amortised cost (restated)*	248 607	31 277	11 733	–	–	43 010	114 582	406 199
Derivatives	2 698	–	–	–	(1 753)	(1 753)	–	945
Loans from shareholders	2 275	–	–	–	–	–	(593)	1 682
Lease liabilities	–	–	–	24 521	–	24 521	(848)	23 673
	253 580	31 277	11 733	24 521	(1 753)	65 778	113 141	432 499

	Opening balance* R'000	Installment sales R'000	Cash flows* R'000	Closing balance* R'000
COMPANY				
2020				
Financial liabilities at amortised cost	**226 253**	**5 694**	**239 425**	**471 372**
Loans from group companies	**4 535**	**–**	**720**	**5 255**
Total liabilities from financing activities	**230 788**	**5 694**	**240 145**	**476 627**
2019				
Financial liabilities at amortised cost (as previously reported)		–	169 606	169 606
Adjustment		–	56 647	56 647
Financial liabilities at amortised cost (restated)*		–	226 253	226 253
Loans from group companies		–	4 535	4 535
		–	230 788	230 788

** Restated. Please refer to note 44.*

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
37. DIVIDENDS PAID				
Dividends	**(16 110)**	(20 044)	**(17 180)**	(20 800)

Dividends are from capital profits. An interim dividend of 2 cents (2019: 2 cents) per share was declared on 8 October 2019. No final dividend is declared for the 2020 financial year (2019: 2 cents).

38. BUSINESS COMBINATIONS

38.1. Treppo Group Proprietary Limited

On Thursday, 28 November 2019 the group acquired 100% of the voting equity interest of Treppo Group Proprietary Limited which resulted in the group obtaining control over Treppo Group Proprietary Limited. Treppo Group Proprietary Limited is principally involved in the metal recycling industry. As a result of the acquisition, the group is expecting to be the leading provider of recycled metal products and related processing machinery products and services in those markets. It is also expecting to reduce costs through economies of scale.

Goodwill of R11 166 560 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	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Fair value of assets acquired and liabilities assumed				
Property, plant and equipment	**48 536**	–	–	–
Deferred tax	**5 247**	–	–	–
Inventories	**22 035**	–	–	–
Trade and other receivables	**177 807**	–	–	–
Cash and cash equivalents	**18 814**	–	–	–
Current tax receivable	**192**	–	–	–
Financial liabilities at amortised cost	**(107 481)**	–	–	–
Lease liabilities	**(2 658)**	–	–	–
Trade and other payables	**(33 077)**	–	–	–
Total identifiable net assets	**129 415**	–	–	–
Goodwill	**11 166**	–	–	–
	140 581	–	–	–
Acquisition date fair value of consideration paid				
Cash	**(74 038)**	–	–	–
Shares issued	**(12 692)**	–	–	–
Vendor loans	**(18 508)**	–	–	–
Preference shares	**(34 473)**	–	–	–
Contingent consideration	**(870)**	–	–	–
	(140 581)	–	–	–

Measurement at fair values

The valuation techniques used to measure the fair values of material assets were as follows:

Assets acquired	Valuation technique
Property, plant and equipment	Market comparison techniques and cost technique: The valuation model considers market prices for similar items when available, and depreciated replacement cost when appropriate.
Inventories	Market comparison technique: The fair value is determined based on the estimated selling prices in the ordinary course of business less estimated costs of selling, and a reasonable profit margin.
Trade and other receivables	Trade and other receivables comprise gross contractual amounts due of R180 150 812, of which approximately R2 344 016 was expected to be uncollected at acquisition.

38. BUSINESS COMBINATIONS CONTINUED

38.1. Treppo Group Proprietary Limited continued

Measurement at fair values continued

The measurement of the fair value of the consideration paid were as follows:

Consideration element	Valuation technique	Fair value level	Significant unobservable inputs
Preference shares	Market comparison: The fair value is determined using quoted/market interest rates at the reporting date and present value calculations done based on the contractual repayment terms.	2	Not applicable
Shares issued	The fair value is the share price on the day the shares were issued.	1	Not applicable
Contingent consideration	Discounted cash flow technique: The valuation model considers the present value of the expected future payments, discounted using a risk adjusted discount rate.	3	Expected cash flows of R5 227 322 over a 3-year period have been discounted using a risk adjusted rate of 19,11%. The estimated fair value would decrease if the expected cash flows were lower, or if the risk adjusted discount rate was higher.
Vendor loan	Market comparison: The fair value is determined using quoted/market interest rates at the reporting date and present value calculations done based on the contractual repayment terms.	2	Not applicable

Acquisition related costs

The acquisition related costs amounted to R3 741 552. 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 Treppo Group Proprietary Limited

Revenue of R375 154 636 and loss of R1 996 205 of Treppo Group Proprietary Limited have been included in the group's results since the date of acquisition.

38.2. Group Wreck International Non-Ferrous Proprietary Limited – 2019 acquisition

During 2019 the group acquired Group Wreck. As part of the acquisition, contingent consideration to the value of R5,7 million has been recognised. The contingent consideration was payable if certain profit targets are met.

Based on future expected cash flows, the profit targets set in the acquisition agreement is not likely to be met. Consequently the contingent consideration of R5,7 million reversal has been recognised through profit or loss (note 27).

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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 note 40 meet the definition of key management personnel.

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Related party balances				
Loan accounts – owing (to)/by related parties				
Amalgamated Metals Group Holdings Proprietary Limited	**–**	–	**2 227**	2 227
Amalgamated Metals Recycling Proprietary Limited	**–**	–	**8 623**	60 816
Group Wreck International Non-Ferrous Proprietary Limited	**–**	–	**–**	15
Insimbi Alloy Properties Proprietary Limited	**–**	–	**7 918**	(4 535)
Insimbi Alloy Supplies Proprietary Limited	**–**	–	**215 134**	200 256
Insimbi Aluminium Alloys Proprietary Limited	**–**	–	**43 907**	13 256
Insimbi EmployeeCo Proprietary Limited	**–**	–	**2**	2
Insimbi Manco Proprietary Limited	**–**	–	**2**	2
Insimbi Modular Plastics Proprietary Limited	**–**	–	**118**	45
Insimbi Nano Milling Proprietary Limited	**–**	–	**1 999**	3 765
Insimbi Plastics Proprietary Limited	**–**	–	**30 491**	24 252
Metlite Alloys Proprietary Limited	**–**	–	**(5 255)**	593
Metlite Alloy Properties Proprietary Limited	**–**	–	**228**	2
Treppo Group Proprietary Limited	**–**	–	**181 233**	–
Fragcorp Proprietary Limited	**–**	–	**12 323**	–
Crimson Clover Investments Proprietary Limited*	**(16 341)**	(16 806)	**–**	–
Casterly Rock Investments Proprietary Limited*	**(16 341)**	(16 405)	**–**	–
Golden Griffin Investments Proprietary Limited*	**(15 941)**	(16 806)	**–**	–
Ella Rose Property and Investments Proprietary Limited*	**(7 654)**	(7 652)	**–**	–
Repo Metals Holdings Proprietary Limited*	**(7 655)**	(7 652)	**–**	–
Solimene Holdings Proprietary Limited*	**(7 721)**	(7 720)	**–**	–
Texiflash Proprietary Limited*	**(18 508)**	(7 720)	**–**	–
B Fetting	**–**	1 682	**–**	–
Redeemable preference shares awing to related parties				
Texiflash Proprietary Limited*	**(34 473)**	–	**–**	–
Related party transactions				
Administration fees paid to/(received from) related parties				
Amalgamated Metals Recycling Proprietary Limited	**–**	–	**(26 422)**	(10 271)
Insimbi Aluminium Alloys Proprietary Limited	**–**	–	**(7 480)**	(3 659)
Insimbi Alloy Supplies Proprietary Limited	**–**	–	**(15 660)**	(10 935)
Group Wreck International Non-Ferrous Proprietary Limited	**–**	–	**(2 400)**	–
Insimbi Nano Milling Proprietary Limited	**–**	–	**–**	(114)
Dividends paid to/(received from) related parties				
Insimbi Alloy Supplies Proprietary Limited	**–**	–	**–**	(17 196)
Amalgamated Metals Group Holdings Proprietary Limited	**–**	–	**–**	(3 616)
EmployeeCo Proprietary Limited	**–**	–	**208**	520
Manco Proprietary Limited	**–**	–	**160**	399
Purchases from related parties				
Honeydew Metals Recycling Proprietary Limited#	**12 565**	14 933	**–**	–

** 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 2020 R'000	Salary 2020 R'000	Expense allow-ances* 2020 R'000	Pension fund contri-butions 2020 R'000	Incentive bonus 2020 R'000	Share-based pay-ments 2020 R'000	Total 2020 R'000	Total 2019 R'000
Executive								
F Botha	–	3 716	402	–	750	–	4 868	6 008
C Coombs	–	3 362	255	–	2 463	–	6 080	4 702
A de Wet	–	2 250	120	–	120	–	2 490	2 040
Total executive	–	9 328	777	–	3 333	–	13 438	12 750
Non-executive								
RI Dickerson	679	–	–	–	–	–	679	529
IP Mogotlane	379	–	–	–	–	–	379	328
N Mwale	351	–	–	–	–	–	351	278
C Ntshingila	475	–	–	–	–	–	475	351
Total non-executive	1 884	–	–	–	–	–	1 884	1 486
Prescribed officers								
EP Liechti	–	2 478	173	–	340	–	2 991	2 618
CF Botha	–	2 217	403	–	150	–	2 770	2 596
D de Beer	–	1 878	83	324	150	144	2 579	2 219
B Fetting[1]	–	172	39	10	–	–	221	997
S Green	–	1 490	78	282	250	188	2 288	2 110
CM Lindeque	–	926	203	106	1 231	–	2 466	2 992
N Winde	–	1 186	–	196	75	72	1 529	1 199
A Solimene[2]	–	2 278	–	116	–	–	2 394	700
M Oppert[3]	–	750	–	–	–	–	750	–
A Oppert[3]	–	383	–	–	–	–	383	–
Total prescribed officers[4]	–	13 758	979	1 034	2 196	404	18 371	15 430
Total	1 884	23 086	1 756	1 034	5 529	404	33 693	29 667

* *Includes medical aid and travel allowances.*
[1] *Resigned 31 May 2019.*
[2] *Became a member of management committee on 15 November 2018 and resigned on 30 November 2020.*
[3] *Became members of management committee on 30 November 2019.*
[4] *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 and company 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 noncurrent 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.

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Capital Risk management continued

Overview *continued*

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.

		GROUP			COMPANY	
	Notes	**2020 R'000**	(Restated) 2019 R'000	(Restated) 2018 R'000	**2020 R'000**	(Restated) 2019 R'000
Total borrowings						
Loans from shareholders	21	**–**	1 682	2 275	**–**	–
Loans from group companies	20	**–**	–	–	**5 255**	4 535
Total financial liabilities at amortised cost*	22	**696 920**	406 199	248 607	**471 372**	226 253
		696 920	407 881	250 882	**476 627**	230 788
*Plus/(minus): Cash and cash equivalents**	16	**(92 994)**	(33 579)	(32 408)	**(1 432)**	(116)
Net debt		**603 926**	374 302	218 474	**475 195**	230 672
Total equity		**468 893**	444 658	398 202	**171 485**	172 432
Gearing ratio (%)		**129%**	84%	55%	**278%**	134%

** Restated. Please refer to note 44.*

Risk management

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 exposure arising on cash and cash equivalents is limited because the cash and 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 include in notes 9, 10 and 14.

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Credit risk continued

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

		2020			2019		
	Notes	Gross carrying amount R'000	Credit loss allowance R'000	Amortised cost/fair value R'000	Gross carrying amount R'000	Credit loss allowance R'000	Amortised cost/fair value R'000
GROUP							
Lease receivables	10	**3 603**	**–**	**3 603**	3 716	–	3 716
Trade and other receivables	14	**466 156**	**(6 183)**	**459 973**	400 790	(4 498)	396 292
Cash and cash equivalents	16	**91 314**	**–**	**91 314**	32 278	–	32 278
		561 073	**(6 183)**	**557 890**	436 784	(4 498)	432 286
COMPANY							
Loans to group companies	9	**504 205**	**–**	**504 205**	305 231	–	305 231
Trade and other receivables	14	**2 189**	**–**	**2 189**	–	–	–
Cash and cash equivalents	16	**1 432**	**–**	**1 432**	116	–	116
		507 826	**–**	**507 826**	305 347	–	305 347

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.

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						
2020						
Non-current liabilities						
Financial liabilities at amortised cost	22	**–**	**427 388**	**30 094**	**457 482**	**367 385**
Lease liabilities	23	**–**	**12 458**	**9 700**	**22 158**	**15 239**
Current liabilities						
Trade and other payables	24	**211 478**	**–**	**–**	**211 478**	**211 478**
Financial liabilities at amortised cost	22	**371 819**	**–**	**–**	**371 819**	**329 535**
Lease liabilities	23	**3 020**	**–**	**–**	**3 020**	**1 227**
		586 317	**439 846**	**39 794**	**1 065 957**	**924 864**

for the year ended 29 February 2020

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Liquidity risk continued

	Notes	Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
2019						
Non-current liabilities						
Financial liabilities at amortised cost	22	–	307 003	50 939	357 942	254 178
Lease liabilities	23	–	22 203	6 854	29 057	21 154
Current liabilities						
Loans from shareholders		1 682	–	–	1 682	1 682
Trade and other payables	24	242 104	–	–	242 104	242 104
Financial liabilities at amortised cost*	22	181 229	–	–	181 229	152 021
Financial liabilities at fair value	23	945	–	–	945	945
Lease liabilities	23	4 946	–	–	4 946	2 519
Bank overdraft*	16	–	–	–	–	–
		430 906	329 206	57 793	817 905	674 603
COMPANY						
2020						
Non-current liabilities						
Financial liabilities at amortised cost	22	**–**	**231 900**	**–**	**231 900**	**185 209**
Current liabilities						
Trade and other payables	24	**2 815**	**–**	**–**	**2 815**	**2 815**
Loans from group companies	20	**5 255**	**–**	**–**	**5 255**	**5 255**
Financial liabilities at amortised cost	22	**305 973**	**–**	**–**	**305 973**	**286 163**
		314 043	**231 900**	**–**	**545 943**	**479 442**
2019						
Non-current liabilities						
Financial liabilities at amortised cost	22	27 273	141 518	–	168 791	114 750
Current liabilities						
Trade and other payables	24	2 142	–	–	2 142	2 142
Loans from group companies	20	4 535	–	–	4 535	4 535
Financial liabilities at amortised cost*	22	121 901	–	–	121 901	111 503
Bank overdraft*	16	–	–	–	–	–
		155 851	141 518	–	297 369	232 930

** Restated. Please refer to note 44.*

Financing facilities

At year-end the group had R165 million (2019: R127 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.

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 Dollar and Euro.

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

Exchange rates

	GROUP		COMPANY	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Rand per unit of foreign currency:				
US Dollar	**15,667**	14,078	**–**	–
Euro	**15,275**	16,024	**–**	–

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

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 29 February 2020 were R47 332 537 (2019: R52 185 208) 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	**2020 Increase**	**2020 Decrease**	2019 Increase	2019 Decrease
GROUP				
Impact on foreign trade payables				
US Dollar 5% (2019: 5%)	**(1 666)**	**1 666**	(300)	300
Euro 5% (2019: 5%)	**(11)**	**11**	(1 526)	1 526
Impact on foreign trade receivables				
US Dollar 5% (2019: 5%)	**130**	**(130)**	251	(251)
Euro 5% (2019: 5%)	**42**	**(42)**	70	(70)
Impact on foreign bank				
US Dollar 5% (2019: 5%)	**598**	**(598)**	607	(607)
Euro 5% (2019: 5%)	**854**	**(854)**	1	(1)
	(53)	**53**	(897)	897

Interest rate risk

The group's interest rate risk arises from the use of variable interest rate instalment sale liabilities, 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 9,75% (2019: 10,25%).

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 29 February 2020, if the interest rate (JIBAR or prime) had been 2% per annum (2019: 2%) higher or lower during the period, with all other variables held constant, profit or loss for the year would have been R9 506 732 (2019: R4 510 323) lower and R9 506 732 (2019: R4 510 323) 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

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Interest rate sensitivity analysis continued

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. EVENTS AFTER THE REPORTING PERIOD

Since December 2019, the spread of Covid-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

When the president declared the national state of disaster, and the economic lockdown that followed late March 2020, the group temporarily closed all of its operations in light of social distancing efforts, quarantines and border closures related to the spread of Covid-19. This has resulted in a significant loss of income for the 5 weeks that followed the announcement. Staff that could work from home were encouraged to do so, while others were placed on paid leave. The closure did however result in some cost savings on variable costs, which mitigated the loss of income to a certain extent. The group has, however, had operating losses during this period.

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

The group has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 29 February 2020 have not been adjusted to reflect their impact. The duration and impact of the Covid-19 pandemic remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the group for future periods.

In assessing the impact on future cash flows for going concern purposes, the negative economic and cash flow difficulties experienced by customers as a result of Covid-19 has also been factored into the group's forecasts of future conditions, to reflect a greater probability of default and a higher magnitude of loss given defaults. This risk is, however, mitigated by the credit insurance the group has in place over trade receivables.

The group has, however, not had any major customer defaults as a result of the pandemic.

Management has also assessed the impact of the Covid-19 on current contracts, and found no contracts that could potentially become onerous. Further management is not considering any major restructuring or downsizing of staff.

Subsequent to year-end, there has been defaults on some of the external covenants imposed by the main lender for the May 2020 measurement period. Management has obtained a waiver for the breach and renegotiated the covenants for August and November 2020 measurement periods. Please refer to note 43 – Going concern for further details.

43. GOING CONCERN

When assessing the group's ability to continue as a going concern, management has prepared various scenarios and models to assess the impact of the Covid-19 coronavirus outbreak and the economic impact of the "lockdown" period.

During these assessments management revised forecasted sales and profits on an ongoing basis as new information became available. Management also assessed the impact on the supply chain and customer base, as well as any potential impacts on commodity prices (including oil and metal prices).

Some of the group's financial liabilities at amortised cost (refer note 22) are subject to covenant clauses, whereby the group is required to meet certain key financial ratios. When the covenant clause is breached, the lender is contractually entitled to request immediate repayment of the outstanding loan amount.

Even though management is comfortable that the group will be able to continue as a going concern subsequent to year-end, there has been defaults on some of the external covenants imposed by the main lender. The defaults on the covenants occurred due to a loss of income during the "lockdown" period, which affected the May 2020 debt covenant measurement period.

43. GOING CONCERN CONTINUED

Management has been actively engaging with the lenders and have subsequently received a waiver for the breach of covenants at the end of the first quarter (May 2020), and has renegotiated new covenants for the future measurement periods where management expects to be in breach of the original covenants. Based on various cash flow scenarios, management believes that the risk of the new covenants being breached is low, and that the Group will continue as a going concern for the foreseeable future.

44. PRIOR PERIOD ERROR

During 2020, the group noted that a portion of the bank overdraft was erroneously disclosed as cash and cash equivalents in the 2019 financial statements.

As a consequence, the bank overdraft classified as cash and cash equivalents have been overstated and the financial liabilities at amortised cost understated.

The error had no impact on the statements of profit or loss and other comprehensive income. The error further had no impact on the reported earnings per share, headline earnings per share, diluted earnings per share or diluted headline earnings per share.

The following table summarises the impacts on the group and company's financial statements:

	28 February 2019			1 March 2018		
	As previously reported R'000	Adjustment R'000	As restated R'000	As previously reported R'000	Adjustment R'000	As restated R'000
STATEMENTS OF FINANCIAL POSITION						
GROUP						
Current liabilities						
Financial liabilities at amortised cost	68 278	83 743	152 021	72 295	10 110	82 405
Bank overdraft	83 743	(83 743)	–	10 110	(10 110)	–
COMPANY						
Current liabilities						
Financial liabilities at amortised cost	54 856	56 647	111 503	–	–	–
Bank overdraft	56 647	(56 647)	–	–	–	–

	28 February 2019		
	As previously reported R'000	Adjustment R'000	As restated R'000
STATEMENTS OF CASH FLOW			
GROUP			
Cash flow from financing activities			
Proceeds from financial liabilities at amortised cost	135 000	73 633	208 633
Repayment of financial liabilities at amortised cost	(94 051)	–	(94 051)
Net cash from financing activities	18 799	73 633	92 432
Total cash movement for the year	(72 462)	73 633	1 171
Cash at the beginning of the year	22 298	10 110	32 408
Total cash at the end of the year	(50 164)	83 743	33 579
COMPANY			
Cash flow from financing activities			
Proceeds from financial liabilities at amortised cost	169 606	56 647	226 253
Repayment of financial liabilities at amortised cost	–	–	–
Net cash from financing activities	153 341	56 647	209 988
Total cash movement for the year	(56 531)	56 647	116
Cash at the beginning of the year	–	–	–
Total cash at the end of the year	(56 531)	56 647	116

for the year ended 29 February 2020

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 non-ferrous, ferrous, 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 two 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 R565 million and R502 million 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
2020					
Revenue					
Sale of goods – local	2 593 894	959 987	147 558	39 575	3 741 014
Sale of goods – exports	982 035	60 479	–	–	1 042 514
Rendering of services – transport and insurance	25 319	3 131	72	–	28 522
Rendering of services – sample analysis	18	–	–	–	18
	3 601 266	1 023 597	147 630	39 575	4 812 068
Cost of sales	3 301 345	939 668	129 308	27 626	4 397 947
Gross profit	299 921	83 929	18 322	11 949	414 121
Other income and operating gains	18 351	1 316	–	989	20 656
Profit before operating and administration expenses	318 272	85 245	18 322	12 938	434 777
Operating and administration expenses and operating losses					
Communication	2 983	341	47	144	3 515
Employee cost	136 491	26 726	2 441	7 258	172 916
Motor vehicle expenses	31 254	7 726	192	799	39 971
Occupancy	29 777	6 929	1	6 443	43 150
Other expenses*	64 676	12 430	464	3 922	81 492
	265 181	54 152	3 145	18 566	341 044
Operating profit	53 091	31 093	15 177	(5 628)	93 733

** Includes depreciation, repairs and maintenance, impairments and other operating expenses.*

SEGMENTAL REPORT *continued*

for the year ended 29 February 2020

	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 and other operating expenses.*

GEOGRAPHICAL INFORMATION

Revenues from external customers by country, based on the destination of the customer

	2020 R'000	2019 R'000
Africa	**77 380**	43 978
Asia	**619 230**	386 206
Australia	**8 321**	22 727
Europe	**90 483**	33 663
North and South America	**247 100**	218 761
South Africa	**3 769 554**	3 839 879
	4 812 068	4 545 214

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for the year ended 29 February 2020

	Number of shareholdings	%	Number of shares	%
Shareholder spread				
1 – 5 000 shares	703	62,10	756 988	0,17
5 001 – 50 000 shares	308	27,21	5 337 880	1,21
50 001 – 100 000 shares	28	2,47	2 162 279	0,49
100 001 – 250 000 shares	38	3,36	5 964 389	1,36
250 001 – 500 000 shares	17	1,50	5 419 052	1,23
500 001 – 1 000 000 shares	7	0,62	5 199 000	1,18
1 000 001 shares and over	31	2,74	415 160 412	94,36
Totals	**1 132**	**100,00**	**440 000 000**	**100,00**
Distribution of shareholders				
Banks/brokers	10	0,88	68 284 038	15,52
Close corporations	8	0,71	381 611	0,09
Endowment funds	3	0,27	137 606	0,03
Individuals	1 032	91,17	131 995 049	30,00
Mutual funds	2	0,18	31 725 329	7,21
Other corporations	4	0,35	150 610	0,03
Private companies	37	3,27	201 044 296	45,69
Public company	2	0,18	269 708	0,06
Treasury shares	1	0,09	3 012 224	0,68
Trusts	33	2,92	2 999 529	0,69
Totals	**1 132**	**100,00**	**440 000 000**	**100,00**
Public/non-public shareholders				
Non-public shareholders	**25**	**2,21**	**299 814 228**	**68,14**
Directors and associates of the company	6	0,53	96 694 589	21,98
Strategic holder (more than 10%)	1	0,09	82 000 000	18,64
Treasury shares	1	0,09	3 012 224	0,68
Employee and management schemes	2	0,18	23 106 915	5,25
Related holdings	15	1,33	95 000 500	21,59
Public shareholders	**1 107**	**97,79**	**140 185 772**	**31,86**
Totals	**1 132**	**100,00**	**440 000 000**	**100,00**
Beneficial shareholders including those holding 5% or more				
K2017289277 (South Africa) Proprietary Limited – NS InvestCo			82 000 000	18,64
F Botha			37 135 676	8,44
Pruta Securities			34 000 000	7,73
EP Liechti			30 259 477	6,88
CF Botha			29 299 436	6,66
Jacana Assets Limited			24 000 000	5,45
Golden Griffin Investments Proprietary Limited			21 950 200	4,99
Totals			**258 644 789**	**58,79**

NOTICE OF ANNUAL GENERAL MEETING

for the year ended 29 February 2020

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 13th annual general meeting of shareholders will be held entirely via a remote interactive electronic platform Zoom on **7 October 2020** at **10:00 ("AGM")**, to conduct the business set out below and to consider and, if deemed fit, adopt, with or without modification, the ordinary and special resolutions set out in this notice. Insimbi will be assisted by Computershare Investor Services Proprietary Limited ("the company's Transfer Secretaries") who will also act as scrutineers.

Salient dates

The following dates apply to the AGM:

- The Record date for purposes of determining which shareholders are entitled to receive this notice is Friday, 14 August 2020.
- The Last day to trade in order to be eligible to participate and vote at the AGM is Tuesday, 29 September 2020.
- The Record date for shareholders to be recorded in the securities register of Insimbi in order to be able to attend, participate and vote at the AGM is Friday, 2 October 2020.
- Shareholders to lodge forms of proxy by 10:00 on Monday, 5 October 2020.

Shareholders or their duly authorised proxies who wish to participate in the AGM, must register to do so by lodging a completed Electronic Participation Application Form by 10:00 on Monday, 5 October 2020.

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 29 February 2020, 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 resolution number one

"Resolved that the audited group and company annual financial statements for the year ended 29 February 2020, including the reports of the directors, the auditor and the Audit and Risk Committee, be and are hereby received and approved."

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 resolution two is 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 R Dickerson but who has made himself available for re-election.

A brief résumé of Mr R Dickerson appears on page 18 of the integrated report to which this AGM notice is attached.

ORDINARY RESOLUTIONS CONTINUED

Ordinary resolution number two

"Resolved that Mr RI Dickerson, 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 Companies Act, 2008 No.71 of 2008 ("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 18 to 19 of the integrated 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 auditor

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 auditor of the group.

Ordinary resolution number six

"Resolved that, on recommendation of the Audit and Risk Committee, PwC be and are hereby appointed as external auditor of the company for the financial year ending 28 February 2021, to remain in office until the conclusion of the next AGM, with Oswald Wentworth 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."

ORDINARY RESOLUTIONS CONTINUED

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 votes

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 page 32 of the integrated 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 2021

The Act requires that prior shareholder approval be obtained in respect of fees payable to directors. The board has proposed that these fees by increased by 4,5% in line with inflation for the ensuing year.

SPECIAL RESOLUTIONS CONTINUED

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 2020 to 28 February 2021 be and is hereby approved:

	Retainer fee (pa) R	Per meeting attended R
Board or committee		
Board member	164 588	16 459
Audcom member	43 890	7 681
Remcom/Nomcom member	27 692	7 681
SECcom member	21 945	7 681
Investcom member	43 890	7 681
Additional amount payable to chairperson of the board/committee		
Chairperson of board	109 725	13 167
Audcom chairperson	27 431	5 486
Remcom/Nomcom chairperson	27 431	5 486
SECcom chairperson	27 431	5 486
Investcom/Audcom chairperson	27 431	5 486
Consultancy		3 290 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 exists.

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;
- At any point in time, the company may only appoint one agent to effect any repurchase(s) on the company's behalf;
- 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 repurchase is made."

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 29 February 2020, 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;

SPECIAL RESOLUTIONS CONTINUED

- 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 48 and 49 of the integrated report.
- Major shareholders: page 113 of the annual financial statements.
- Directors' and prescribed officers' interests in securities: page 48 and 49 of the annual financial statements.
- Share capital of the company: page 88 of the annual financial statements.

The directors, whose names are given on pages 17 to 19 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 29 February 2020.

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".

Electronic participation arrangements

The Company's Memorandum of Incorporation authorises the conduct of shareholders' meetings entirely by electronic communication as does section 63(2)(a) of the Companies Act. In light of the measures put in place by the South African Government in response to the Covid-19 pandemic, the board has decided that the AGM will only be accessible through a remote interactive electronic platform as detailed below.

Shareholders or their duly appointed proxies who wish to participate in the annual general meeting are required to complete the electronic participation application form available immediately after the form of proxy on page 121/insert and email same to the company's Transfer Secretaries at proxy@computershare.co.za and to Insimbi at MMadhlophe@insimbi-group.co.za as soon as possible, but in any event by no later than 10:00 Monday, 5 October 2020.

Shareholders or their duly appointed proxies are required to provide satisfactory identification before being entitled to participate in the AGM.

Upon receiving a completed Electronic Participation Application Form, the company's Transfer Secretaries will follow a verification process to verify each applicant's entitlement to participate in and/or vote at the AGM. The company's Transfer Secretaries will provide the company with the nominated email address of each verified shareholder or their duly appointed proxy to enable the company to forward them a Zoom meeting invitation required to access the AGM.

SPECIAL RESOLUTIONS CONTINUED

Loans or financial assistance to subsidiaries and related or inter-related companies continued

Fully verified shareholders or their duly appointed proxies who have applied to participate electronically in the AGM are requested by no later than 10:00 Monday,05 October 2020 to join the lobby of the meeting by clicking on the "Zoom" link to be provided by Insimbi's company secretary or by the secretarial office, whose admission to the meeting will be controlled by the company secretary/secretarial office.

Participants will be liable for their own network charges in relation to electronic participation in and/or voting at the AGM. Any such charges will not be for the account of the company's Transfer Secretaries or Insimbi who will also not be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such shareholder or their proxy from participating in and/or voting at the AGM.

VOTING AND PROXIES

For an ordinary resolution to be approved by the shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution. For a special resolution to be approved by the shareholders, it must be supported by at least 75% of the voting rights exercised on the resolution.

Voting will be via a poll; every shareholder of the company shall have one vote for every share held in the company by such shareholder.

A shareholder entitled to participate and vote at the AGM is entitled to appoint a proxy or proxies to electronically participate, speak and vote in his/ her stead. A proxy need not be a shareholder of the company.

Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the AGM, by completing the form of proxy (page 121/insert) and lodging this form with the company's Transfer Secretaries by no later than 5 October 2020 at 10:00 by:

- delivery to Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank; or
- email to proxy@computershare.co.za.

Any forms of proxy not submitted by this time can still be lodged by email to proxy@computershare.co.za prior to the commencement of the meeting.

Shareholders are reminded that they are still able to vote normally through proxy submission, despite deciding to participate either electronically or not at all in the AGM.

Dematerialised shareholders without 'own name' registration

Dematerialised shareholders, other than those with 'own name' registration, who wish to participate in the AGM, should instruct their Central Securities Depository Participant ("CSDP") or Broker to issue them with the necessary letter of representation to participate in the AGM, in the manner stipulated in the relevant custody agreement. The letter of representation will need to be submitted together with the completed Electronic Participation Application Form to the company's Transfer Secretaries and to Insimbi in the manner and within the timeframe described above under the section titled "Electronic Participation Arrangements".

If these shareholders do not wish to participate in the AGM in person, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Certificated shareholders and dematerialised shareholders with "own name" registration

Those Certificated Shareholders and Dematerialised Shareholders with own name registration, who wish to participate in the AGM (either in person or represented by proxy), must submit a completed electronic participation application form to the company's Transfer Secretaries and to Insimbi at MMadhlophe@insimbi-group.co.za in the manner and within the timeframe described above under the section titled "Electronic Participation Arrangements".

M Madhlophe
Company Secretary
Johannesburg
21 August 2020

SHAREHOLDERS' DIARY

for the year ended 29 February 2020

Record date to receive notice of AGM	Friday, 14 August 2020
Anticipated release of the results on SENS	Friday, 21 August 2020
Publication of annual reports (mailed to shareholders)	Friday, 21 August 2020
Last day to trade in order to be eligible to participate and vote at the AGM	Tuesday, 29 September 2020
Record date for voting purposes	Friday, 2 October 2020
Proxy date and time	Monday, 5 October 2020 at 10:00
Annual general meeting	**Wednesday, 7 October 2020 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 online on Wednesday, 7 October 2020 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 sub-register.

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 sub-register 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 annual general meeting by no later than Monday, 5 October 2020 at 10:00 being 48 (forty-eight) hours before the annual general meeting to be held at 10:00 on Wednesday 7 October 2020; 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 RI Dickerson			
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 auditor			
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 ____________ 2020.

Signature ____________________
(Authority of signatory to be attached if applicable – see note 7)

Please also read the notes overleaf.

NOTES TO THE FORM OF PROXY

for the year ended 29 February 2020

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. Electronic participation arrangements
6. The Company's Memorandum of Incorporation authorises the conduct of shareholders' meetings entirely by electronic communication as does section 63(2)(a) of the Companies Act. In light of the measures put in place by the South African Government in response to the COVID-19 pandemic, the Board has decided that the Annual General Meeting will only be accessible through a remote interactive electronic platform as detailed below.
7. Shareholders or their duly appointed proxies are required to provide satisfactory identification before being entitled to participate in the Annual General Meeting.
8. Upon receiving a completed Electronic Participation Application Form, the Company's Transfer Secretaries will follow a verification process to verify each applicant's entitlement to participate in and/or vote at the Annual General Meeting. The Company's Transfer Secretaries will provide the Company with the nominated email address of each verified shareholder or their duly appointed proxy to enable the Company to forward them a Microsoft Teams meeting invitation required to access the Annual General Meeting.
9. Fully verified shareholders or their duly appointed proxies who have applied to participate electronically in the Annual General Meeting are requested by no later than by Wednesday 7 October 2020 at 09:45 2020 to join the lobby of the meeting by clicking on the "join Zoom" link to be provided by Insimbi's company secretary or by the secretarial office, whose admission to the meeting will be controlled by the company secretary/secretarial office.
10. Participants will be liable for their own network charges in relation to electronic participation in and/or voting at the Annual General Meeting. Any such charges will not be for the account of the Company's Transfer Secretaries or Insimbi who will also not be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such shareholder or their proxy from participating in and /or voting at the Annual General Meeting.
11. 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 sub-register 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 sub-register 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, together with this form of proxy.
12. Any alteration or correction made to this proxy form must be initialed by the signatory/ies, but may not be accepted by the Chairperson.
13. 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
BANKER	ABSA Bank
AUDITOR	PricewaterhouseCoopers Inc. Registered Auditor
SPONSOR	Bridge Capital Advisors Proprietary Limited (Registration number 1998/016302/07)
COMPANY SECRETARY	M Madhlophe
COMPANY REGISTRATION NUMBER	2002/029821/06
TAX REFERENCE NUMBER	9078/488/15/3
PUBLISHED	21 August 2020

INSIMBI-GROUP.CO.ZA